Food Service Project, S.A.

(Incorporated under the laws of Spain)

€300,000,000

5.500% Senior Notes due 2027

Guaranteed by Alsea, S.A.B. de C.V. and the other Guarantors referred to herein

Food Service Project, S.A. (the "issuer") is offering €300,000,000 aggregate principal amount of its 5.500% senior notes due 2027 (the "notes"). Interest on the notes will accrue at a rate of 5.500% per year. The issuer will pay interest on the notes semi-annually in arrears on July 21 and January 21 of each year, commencing on July 21, 2022. The notes will mature on January 21, 2027.

The notes will be the issuer's unsecured and unsubordinated general obligations and will initially be guaranteed by its parent, Alsea, S.A.B. de C.V. (the "parent guarantor"), the issuer's subsidiaries Grupo Zena Pizza, Soc.Com.P.A. and Sigla, S.A.U. (together with any future issuer subsidiary guarantor the "issuer subsidiary guarantors" and the parent's subsidiaries Especialistas en Restaurantes de Comida Asiática S.A de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. (together with any future parent subsidiary guarantor, the "parent subsidiary guarantors," and together with the parent guarantor and the issuer subsidiary guarantors, the "guarantors"). The notes will rank at least pari passu in right of payment with all of the issuer's unsecured and unsubordinated debt and the guarantees will rank at least pari passu in right of payment with all unsecured and unsubordinated debt of each guarantor (in each case, subject to statutory preferences under applicable law, such as tax, labor and social security obligations). The notes and the guarantees will be structurally subordinated to all existing and future indebtedness and other obligations, including trade payables, of the parent's non-guarantor subsidiaries in respect of assets of and revenue generated by such subsidiaries. See "Risk Factors—Risk Related to the Notes—The notes and the guarantees will be effectively subordinated to any existing and future secured debt, and will be structurally subordinated to the liabilities of the parent's non-guarantor subsidiaries" and "Description of the Notes" in this offering memorandum (this "offering memorandum").

The notes may be redeemed, in whole at any time or in part from time to time, before January 21, 2024 at a redemption price based on a "make whole" premium *plus* accrued and unpaid interest and additional amounts, if any, to but not including the redemption date. On or after January 21, 2024, the notes may be redeemed, in whole at any time or in part from time to time, at the redemption prices specified under "Description of the Notes—Optional Redemption" *plus* accrued and unpaid interest and additional amounts, if any, to but not including the redemption date. At any time on or prior to January 21, 2024, the issuer may also redeem up to 35% of the principal amount of the notes using the proceeds of certain equity offerings at a redemption price of 105.500% of the principal amount of the notes *plus* accrued and unpaid interest and additional amounts, if any, to but not including the redemption date. The issuer may also redeem the notes, in whole but not in part, at any time at a price equal to 100% of their principal amount *plus* accrued and unpaid interest and additional amounts, if any, to but not including the redemption date, upon the occurrence of specified events relating to tax law, as set forth in this offering memorandum. Payments in respect of the notes may be subject to withholding or deduction for or on account of, taxes imposed by any jurisdiction in which we are resident for tax purposes or from or through which payment under the notes is made. Subject to certain exceptions, the issuer will pay such additional amounts as will result in the receipt by holders of notes of such amounts as would have been received had no such withholding or deduction been required. See "Description of the Notes—Additional Amounts." The issuer must also offer to purchase the notes at a purchase price equal to 101% of their principal amount if it experiences a Change of Control Event or at par with the proceeds from Asset Sales under certain circumstances, as set forth in this offering memorandum. See "Description of the Notes".

No public market currently exists for the notes. Application will be made for the listing and quotation of the notes on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Approval in-principle granted for the listing and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of either us, this offering or the notes. The notes will be traded on the SGX-ST in a minimum board lot size of $200,000 (or its equivalent in foreign currency) as long as any of the notes are listed on the SGX-ST.

Investing in the notes involves significant risks. See "Risk Factors" beginning on page 38 of this offering memorandum for a discussion of certain information that you should consider before investing in the notes.

Price: 100.000% *plus* accrued interest, if any, from January 21, 2022.

Neither this offering memorandum, the notes nor the offering have been approved by or registered with the Spanish *Comisión Nacional del Mercado de Valores* ("CNMV") and therefore the notes shall not be offered or sold or distributed to persons in Spain except in circumstances which do not qualify as a public offer of securities in Spain as defined in Article 2 (d) of Regulation (EU) 2017/1129 (the "Prospectus Regulation") or which is otherwise exempt from publication of a prospectus under Article 1.4 of the Prospectus Regulation. The notes will only be offered in Spain to qualified investors as this term is defined under Article 2 (e) of the Prospectus Regulation.

The notes and guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act. or under any state securities laws. Therefore, we may not offer or sell the notes within the United States or to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for an exemption from registration under the Securities Act and applicable state securities laws. Accordingly, we are only offering the notes (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes will be represented on issuance by one or more global notes, which we expect will be delivered in book-entry form only through the facilities of Euroclear Bank SA/NV ("Euroclear"), and Clearstream Banking, société anonyme, Luxembourg ("Clearstream"), on or about, January 21, 2022.

Global Coordinators and Joint Active Bookrunners

BofA Securities **ING** **Santander** **Société Générale**

Joint Passive Bookrunners

CaixaBank **Rabobank** **Sabadell** **Scotiabank**

The date of this offering memorandum is January 13, 2022.

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All references, where the context so requires, to "Alsea," "our," "company," "us" and "we" in this offering memorandum are to the parent guarantor, Alsea, S.A.B. de C.V., a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico and, unless otherwise indicated or the context requires otherwise, its consolidated subsidiaries, including the issuer. All references to "parent" or "parent guarantor" are to Alsea, S.A.B. de C.V. only and do not include its subsidiaries or affiliates.

All references to the "issuer" or "Zena" in this offering memorandum are to Food Service Project, S.A. (Grupo Zena), a company organized under the laws of Spain.

All references to "Spain" in this offering memorandum are to the Kingdom of Spain. All references to "Mexico" in this offering memorandum are to the United Mexican States. All references to the "United States" or "U.S." in this offering memorandum are to the United States of America. All references to "Benelux" in this offering memorandum are to Belgium, the Netherlands and Luxembourg.

You should only rely on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with any information other than that contained in this offering memorandum, and neither we nor the initial purchasers take any responsibility for nor can provide any assurance as to the reliability of, any other information that others may give to you. You should not assume that the information contained in this offering memorandum is accurate as of any date other than

the date on the front cover of this offering memorandum, regardless of time of delivery or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum.

NOTICE TO INVESTORS

This offering memorandum is not an offer to sell or a solicitation of an offer to buy the notes and is not soliciting an offer to buy the notes in any jurisdiction where such an offer or sale is not permitted. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum is based on information provided by us and by other sources we believe to be reliable. This offering memorandum summarizes certain documents and other information, and we refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. The initial purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum or any other information provided by our company. Nothing contained in this offering memorandum is, or shall be, relied upon as a promise or representation by the initial purchasers, whether as to the past or the future.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes and may only be used for the purpose for which it has been prepared. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. This offering memorandum may not be copied or reproduced in whole or in part. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to these restrictions.

Merrill Lynch International, ING Bank N.V., Banco Santander, S.A., Société Générale, CaixaBank, S.A., Banco Sabadell, S.A., Scotiabank (Ireland) Designated Activity Company, and Coöperatieve Rabobank U.A. will act as initial purchasers with respect to the offering of the notes. The proposed offering of the notes was authorized by the parent's board of directors on December 27, 2021 and by the issuer's board of directors on January 9, 2022.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers, (as defined in Rule 144A under the Securities Act), or QIBs, in the United States in reliance upon Rule 144A under the Securities Act and to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act, so they can consider a purchase of the notes. We have not authorized its use for any other purpose. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (ii) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their respective agents have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the notes.

By accepting this offering memorandum you acknowledge that:

- the use of the information in this offering memorandum for any purpose other than to consider a purchase of the notes is strictly prohibited;

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their respective agents or any person affiliated with the initial purchasers or their respective agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, or the initial purchasers, or our or their respective agents.

These undertakings and prohibitions are for our benefit, and we may enforce them.

The notes have not been recommended by the United States Securities and Exchange Commission (the "SEC"), the CNMV, the Mexican *Comisión Nacional Bancaria y de Valores* ("CNBV"), any state securities commission, or any other regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum nor any of these authorities has approved or disapproved the offering of the notes, nor passed upon or endorsed the merits of this offering. Any representation to the contrary is a criminal offense in the United States.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities in the United States that do not involve a public offering. The notes may not be transferred or resold in the United States except as permitted under the Securities Act and related regulations and applicable securities laws of any state of the United States. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this offering memorandum under the caption "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction where the offer and sale of the notes is prohibited. Neither we nor the initial purchasers are making any representation to you that the notes are a legal investment for you.

Each prospective purchaser of the notes must comply with all applicable laws, rules and regulations in force in any jurisdiction in which it purchases, offers or sells the notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes, as applicable, under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer or sale, respectively, and neither we nor the initial purchasers shall have any responsibility therefor.

See "Risk Factors" for a description of certain factors relating to an investment in the notes, including information about our business and financial condition. In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. None of us, the initial purchasers, or any of our or their respective representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should not consider any information in this offering memorandum to be legal, business, financial or tax advice. You should consult with your own advisors as to legal, business, financial, tax and related aspects of any investment in the notes.

The notes will be available initially only in book-entry form. We expect that the notes offered and sold in the United States to QIBs in reliance upon Rule 144A under the Securities Act will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons, collectively, the Rule 144A notes. We expect that the notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons, collectively, the Regulation S notes and, together with the Rule 144A notes, the global notes. The global notes will be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream, as applicable. The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. See "Description of the Notes" for further discussion of these matters.

The information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "Book Entry; Delivery and Form", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and/or Clearstream currently in effect. While the issuer accepts responsibility for accurately summarizing the information concerning Euroclear and/or Clearstream, it accepts no further responsibility in respect of such information.

There is currently no market for the notes. We intend to apply to list the notes on the SGX-ST. We cannot assure you that such application will be granted as of the settlement date of the notes or at any time thereafter, and settlement of the notes is not conditioned on obtaining this listing. There can also be no assurance that such listing will be maintained, and settlement of the notes is not conditioned on obtaining this listing. Any investor or potential investor in the EEA should not base any investment decision relating to the notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

The issuer accepts responsibility for the information contained in this offering memorandum and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in the offering memorandum is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

None of the initial purchasers, trustee, paying agents, registrar or transfer agent make any representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers, trustee, paying agents, registrar or transfer agent as to the past, the present or the future.

DLA Piper UK LLP is acting solely in its capacity as listing agent for us in relation to the notes and is not itself seeking admission of the notes to the SGX-ST.

Stabilization

IN CONNECTION WITH THIS OFFERING, ING BANK N.V. (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

Notice to Prospective Investors in the European Economic Area

PRIIPs Regulation / Prospectus Regulation / Prohibition of sales to EEA retail investors. The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, or MiFID II); or (ii) a customer within the meaning of Directive EU 2016/97, or the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 as amended, or the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the

PRIIPs Regulation. Any offer or sale of notes in any Member State of the EEA which has implemented the Prospectus Regulation must be addressed to qualified investors (as defined in the Prospectus Regulation).

MIFID II product governance / Professional investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

The notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to the public, or any segment of the public, or any investors in the EEA, unless subject to an exemption under the Prospectus Regulation from the obligation to publish a prospectus for offering of transferable securities. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Notice to Prospective Investors in Spain

Neither this offering memorandum, the notes nor the offering have been approved by or registered with the CNMV and therefore the notes shall not be offered or sold or distributed to persons in Spain except in circumstances which do not qualify as a public offer of securities in Spain as defined in Article 2 (d) of the Prospectus Regulation or which is otherwise exempt from publication of a prospectus under Article 1.4 of the Prospectus Regulation. The notes will only be offered in Spain to qualified investors as this term is defined under Article 2 (e) of the Prospectus Regulation.

Notice to Prospective Investors in the United Kingdom

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the United Kingdom, this offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

This offering memorandum has been prepared on the basis that any offer of the notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from a requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. Notwithstanding the United

Kingdom's departure from the European Union, any references in this offering memorandum to European Union law should be treated as references to such law as applied in England and Wales from time to time including as retained, amended, re-enacted or otherwise given effect on or after 11:00 pm on January 31, 2020.

U.K. MiFIR product governance / Professional Investors and ECPs Only Target Market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notice to Prospective Investors in Switzerland

The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the rules of any other stock exchange or regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act. No. 25 of 1948, as amended; the FIEA), and the initial purchasers have represented and agreed that they will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used in this offering memorandum means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Taiwan

The notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act or relevant laws and regulations of Taiwan that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the notes in Taiwan.

Notice to Prospective Investors in Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and therefore may not be offered or sold publicly, or otherwise be the subject of intermediation activities in Mexico, except that the notes may be offered privately in Mexico pursuant to the private placement exemptions set forth in Article 8 of the Mexican Securities Market Law. The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation; *provided that* the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

MARKET AND INDUSTRY INFORMATION

Statements in this offering memorandum with respect to market and other industry data are based on statistics and other information from independent industry publications and reports by research firms or other published independent sources, as well as our own internal studies. Industry publications generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed.

Similarly, our internal studies, which we believe to be reliable, were derived from our review of internal information and other independent sources. However, since there is only a limited amount of independent data available about certain aspects of our industry, market and competitive position, our internal studies also contain certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry, conversations with our customers, vendors and competitors and our own investigation of market conditions; however, no independent sources have verified such studies and assumptions. Therefore, we cannot assure you as to the accuracy or reasonableness of any such assumptions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our positions in our industry. For the foregoing reasons and because our business is subject to numerous risks, uncertainties and other factors, including those set forth in the "Risk Factors" section of this offering memorandum, investors should not consider the information derived from our own studies and/or based on our internal estimates as an accurate indication of our market share or position in our industry or as a prediction of our future performance.

Any information sourced from third parties contained in this offering memorandum has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although we believe that we have taken reasonable care to ensure that the facts and other information presented are accurately reproduced from such sources, they have not been independently verified by us, the initial purchasers, their agents or our respective advisors and therefore we make no representation as to the accuracy of such facts or information, which may not be consistent with other information compiled within or outside the jurisdictions specified.

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

We own or have rights (pursuant to various license or franchise agreements) to various trademarks used in our business, including “Starbucks Coffee,” “Domino’s Pizza,” “Chili’s Grill & Bar” and “Vips,” among others. We do not intend our use or display of other parties’ trademarks, trade names or service marks in this offering memorandum to imply, and such use or display should not be construed to imply a relationship with, or endorsement or sponsorship of us by, these other parties.

ENFORCEABILITY OF CIVIL LIABILITIES

The issuer is a public limited liability company (*sociedad anónima*) organized under the laws of Spain and the guarantors are organized and existing under the laws of Mexico and Spain. Most of the issuer's directors and officers and those of the guarantors reside outside of the United States. A significant portion of the issuer's assets and those of the guarantors are located, and a significant portion of the issuer's revenues and those of the guarantors are derived from sources, outside the United States. In connection with the issuance of the notes, the issuer has appointed National Registered Agents, Inc., located at 28 Liberty Street, New York, New York 10005, United States of America, as our authorized agent upon whom process may be served in connection with any action instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan in New York arising out of or based upon the indenture governing the note or the notes. See "Description of the Notes." Notwithstanding the appointment of National Registered Agents, Inc. as agent for service of process in the U.S. and that the issuer and the guarantors will submit to the jurisdiction of New York courts, in each case, in connection with any action under U.S. securities laws, you may not be able to effect service of process on such persons or the issuer within the U.S. in any action, including actions predicated on civil liability provisions of the U.S. federal and state securities laws or other laws.

Spain

The United States and Spain are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. A judgment rendered by any U.S. federal or state court based on civil liability, enforceable in the United States, would not be directly recognized or enforceable in Spain.

A party in whose favor such a judgment was rendered could initiate recognition (*exequatur*) and enforcement proceedings of the U.S. resolution in Spain with the relevant Spanish Court of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be. The competence to hear applications for recognition of foreign judgments in Spain corresponds to the courts of the domicile of the party against which the recognition or enforcement is sought, or of the person to whom the effects of the foreign judgment refer to. Subsidiarily, the territorial jurisdiction shall be determined by the place of enforcement or the place in which the foreign judgment should produce its effects, being competent, in last instance, the Court of First Instance before which the application for recognition is submitted. In this regard, enforcement can only be obtained once recognition has been granted, although the two can be requested simultaneously; in particular, if such enforcement request is not made simultaneously with the recognition petition, the statute of limitations for filing enforcement requests will apply (five years). Once recognition is obtained, the foreign judgment will be enforceable in Spain in accordance with the Spanish Law 1/2000, of 7 January, on Civil Procedure (the "**Spanish Civil Procedure Law**"). Spanish Law 29/2015, of 30 July, on International Legal Cooperation on Civil Matters (the "**Spanish Law 29/2015**") expressly prohibits the Spanish court with competence according to the provisions thereof, from reviewing a foreign judgment on the merits *(revisión sobre el fondo*). For the purpose of recognizing and enforcing a judgment rendered by an U.S. federal or state court based on civil liability, the following requirements set by the Spanish Law 29/2015must be met:

a. the judgment must be final and conclusive (*firme*) and enforceable in the United States;

b. the application for recognition and enforcement must be made in the form of a claim and must be accompanied by:

   (i) the original foreign decision (or a certified copy thereof) duly apostilled and translated into Spanish through a sworn translation;
   (ii) evidence corroborating that the decision for which recognition sought is final and enforceable in the United States;
   (iii) documentation verifying that the respondents were correctly served; and
   (iv) the translation into Spanish of every document filed with the application for recognition and enforcement in accordance with the requirements set forth under Article 144 of the Spanish Civil Procedure Law.

c. the judgment must not be contrary to Spanish public policy (*orden público*);

d. there must be no pending proceedings in Spain between the same parties and with the same purpose that were initiated prior to the proceedings that gave rise to the foreign judgment which recognition is sought;

e. when rendering the judgment, the U.S. courts rendering it must (i) have not infringed an exclusive ground of jurisdiction provided for under Spanish law, and (ii) their jurisdiction must be the result of a reasonable connection with the dispute, what would be presumed when the foreign court had based its jurisdiction in similar criteria to those provided for under Spanish law;

f. the rights of defense of the parties must have been protected when rendering the judgment, including but not limited to proper service of process having been carried out with sufficient time for the defendant to prepare its defense and the judgment not having been rendered by default (i.e., without appearance by the defendant or without the possibility for the defendant to appear);

g. the judgment must not be incompatible with any foreign judgment (between the same parties and related to the same subject) issued prior to it that meets the requirements for its recognition in Spain;

h. the judgment must not be incompatible with any Spanish judgment; and

i. to the extent that the party against which the judgment being enforced in Spain has been declared insolvent (*declarada en concurso de acreedores*), the foreign judgment must comply with the requirements set out in the Spanish Insolvency Law.

In order to determine the assets that need to be seized for enforcement purposes, a judgment in a foreign currency will be converted into Euro at the official exchange rate prevailing on the date on which the enforcement is agreed by the courts of Spain. In case of enforcement in Spain, the court costs and interests will be paid in Euro as per Article 577 of the Spanish Civil Procedure Law.

According to Article 3.2 of Spanish Law 29/2015, the Spanish Government may deny cooperation with another state's authorities if there has been a reiterated refusal to cooperate or a legal prohibition of providing cooperation is imposed by such other state's authorities, provided that the Spanish Government passes a Royal Decree for these purposes.

The enforcement of any judgment in Spain in accordance with the above entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) foreign documents may need to be legalized and apostilled; (c) certain court fees and/or judicial taxes, (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador*); and (e) the content and validity of foreign law must be evidenced to the Spanish courts (which could entail additional costs). In addition, please note that Spanish civil proceedings rules regarding recognition and enforcement of foreign judgments cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary.

It must be noted that Spain and the U.S. are part of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and, therefore, any notifications and services should comply with the provisions set forth therein.

Furthermore, recognition and enforcement proceedings under Spanish courts may be affected by the emergency measures taken by the Spanish Government in the framework of the COVID-19 pandemic, which could be updated from time to time.

Mexico

We have been advised by our special Mexican counsel, DLA Piper México, S.C., that no treaty exists between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements are met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy (*orden público*); *provided* that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, we have been advised by DLA Piper México, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated, in whole or in part, on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws. See "Risk Factors."

In the event that proceedings are brought in Mexico seeking to enforce the guarantors' obligations in respect of the guarantees, the guarantors would not be required to discharge such obligations in a currency other than the Mexican peso. Pursuant to Mexican law, an obligation in a currency other than the Mexican peso, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently determined by the Mexican Central Bank (*Banco de México*) each business day in Mexico and published the following banking-business day in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*).

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute estimates and forward-looking statements, including but not limited to the sections "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These statements appear in a number of places in this offering memorandum and include statements regarding our intent, belief or current expectations, and those of our officers, with respect to (among other things) our business, financial condition and results of operations. Our estimates and forward-looking statements are based mainly on current expectations and estimates of future events and trends, which affect, or may affect, our business, financial condition and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are based on information available to us as of the date of this offering memorandum.

The words "believe," "can," "could," "potential," "plan," "predict," "goals," "seek," "should," "may," "may have," "would," "estimate," "continue," "anticipate," "intend," "target," "expect" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements refer only to the date when they were made, and neither we nor the initial purchasers undertake any obligation to update or review any estimate or forward-looking statement whether as a result of new information, future events or any other factors. Additional factors affecting our business emerge from time to time, and it is not possible for us to predict all of those factors, nor can we assess the impact of all such factors on our business, operations or financial condition, or the extent to which any factors, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Estimates and forward-looking statements involve risks and uncertainties and do not guarantee future performance, as actual results or developments may be substantially different from the expectations described in the forward-looking statements. In light of the risks and uncertainties described above, the events referred to in the estimates and forward-looking statements included in this offering memorandum may or may not occur, and our business performance, financial condition and results of operations may differ materially from those expressed in our estimates and forward-looking statements, due to factors that include but are not limited to those mentioned above. Investors are warned not to place undue reliance on any estimates or forward-looking statements in making decisions regarding investment in the notes.

Our estimates and forward-looking statements, as well as our actual results and financial condition, may be influenced by, among others, the following factors:

- global economic conditions, the economic conditions in the countries in which we conduct our business and any significant economic, political, regulatory or social development in those countries, as well as the inherent risks to international operations, including, changes in economic, political, social and other conditions in the countries in which we operate as a result of the pandemic caused by the coronavirus identified as SARS-CoV-2 that causes the disease known as COVID-19 ("COVID-19");

- the continuous impact of the COVID-19 pandemic (including its variants) and of other pandemics on our business and on our results of operations, financial situation and cash flows, as well as our ability to timely and efficiently implement any necessary measures in response to, or to mitigate, the impact of the COVID-19 pandemic (including its variants) on our business, operations, cash flow, prospects, liquidity and financial conditions;

- competition within our industry and the markets in which we operate;

- the loss or termination of our licensing or franchising contracts;

- the availability of goods and services that we rely on, such as basic materials and electricity, as well as fluctuations in the market prices of these necessities;

- our ability to successfully grow in new markets in Mexico and in the other countries where we operate, including Spain, France and Benelux;

- our ability to make strategic acquisitions and maintain beneficial alliances with business partners;

- our ability to develop our products and services and to increase sales at expected rates;
- our ability to successfully integrate the businesses we acquire into our operations;
- our ability to maintain an adequate capital structure, pay our debt, fund our working capital requirements, and comply with the covenants in our credit agreements;
- economic trends in the industries or the markets in which we operate;
- the performance of the European and Latin American economies and the global economy;
- limitations on our access to sources of competitively priced financing;
- the effect of changes in financial reporting standards, new legislation including the fiscal and other reforms, intervention by regulatory authorities, governmental directives and fiscal policy;
- political, economic and social conditions in the countries where we operate;
- potential issues arising from the health risks associated with the marketing and sale of goods in the food industry;
- changes in consumers' habits, dietary preferences or perception of our products;
- potential litigation;
- compliance with both current and laws and regulations as well as those laws and regulations that may come into effect in the future; and
- other factors, some of which are described under "Risk Factors" and elsewhere in this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

Unless otherwise indicated, the financial information in this offering memorandum is the consolidated financial information of the parent and its subsidiaries. We do not present in this offering memorandum any financial statements of the issuer. All historical financial statements included in this offering memorandum are those of the parent and its subsidiaries, which includes the issuer. Any financial information of the issuer presented in this offering memorandum, is included for illustrative purposes only and does not intend to be comprehensive or sufficient.

This offering memorandum includes the parent's (i) audited consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and audited consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows, and the related explanatory notes for the years then ended (the "audited consolidated financial statements"), and (ii) unaudited condensed consolidated interim statement of financial position as of September 30, 2021, and unaudited condensed consolidated interim statements of income and other comprehensive income for the three and nine months ended September 30, 2021 and 2020, and unaudited condensed consolidated interim statements of changes in stockholders' equity and cash flows, for the nine months ended September 30, 2021 and 2020, and the related explanatory notes (the "unaudited condensed consolidated interim financial statements"), all of which are stated in Mexican pesos.

The audited consolidated financial statements and the unaudited condensed consolidated interim financial statements present consolidated information of the parent and its consolidated subsidiaries, taken as a whole, including the issuer, the other guarantors and the parent's non-guarantor subsidiaries.

The audited consolidated financial statements were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited.

The audited consolidated financial statements included in this offering memorandum have been prepared in accordance with International Financing Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and the related interpretations issued by the International Financial Reporting Interpretations Committee. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, or IAS 34, *Interim Financial Reporting*, as issued by the IASB. IFRS differs in certain significant respects from accounting principles generally accepted in the United States, or U.S. GAAP, and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of the audited consolidated financial statements or the other financial information included in this offering memorandum to U.S. GAAP or such other financial reporting standards and generally accepted accounting principles. We urge you to consult your own advisors regarding the differences between IFRS and U.S. GAAP and how these differences might affect the audited consolidated financial statements and the rest of the financial information included in this offering memorandum.

With respect to the unaudited consolidated financial statements as of September 30, 2021, and for the nine months ended September 30, 2021 and 2020, included in this offering memorandum, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. The independent auditor separate report relating to the unaudited condensed consolidated interim financial statements included in this offering memorandum contains an explanatory paragraph that states that certain circumstances raise substantial doubt about our ability to continue as a going concern and draws attention to notes 1 and 11 of the unaudited condensed consolidated interim financial statements and indicates that we have negotiated amendments to certain of our credit facilities that, among other things, temporarily suspend the application of and/or modify specified financial covenants (including leverage ratio and interest coverage ratio) through June 30, 2022. As indicated in note 11, we were in compliance with the temporarily modified covenants in effect as of September 30, 2021. We did not have sufficient capital to repay our debt at September 30, 2021, and management stated that we would not likely generate sufficient capital to repay the debt once original covenants are reinstated on June 30, 2022. These events or conditions, along with other matters as set forth in note 1 to the unaudited condensed consolidated interim financial statements indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. Management's plans regarding these matters are also described in note 1 to the unaudited condensed consolidated interim financial statements. On November 29, 2021, we entered into certain permanent amendments to its credit facilities that became effective on December 13, 2021. Such amendments include financial covenants that management expects to comply with in accordance with their terms. See “Recent Developments” and “Risk Factors—Risks Related to Our Business—During 2020 and 2021, certain circumstances existed that raised substantial doubt about our ability to continue as a going concern.”

The independent auditor’s conclusion is not modified in respect of this matter. The independent auditor did not audit and they did not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Pursuant to IAS 29, the financial statements of entities whose functional currency is that of a hyperinflationary economy must be adjusted for the effects of changes in a suitable general price index. In this regard, the accumulated inflation rate in Argentina during the last three years has exceeded 100%, without expectations of a significant decrease in the short-term. Likewise, the presence of qualitative indicators of high inflation related to the macroeconomic environment show that there is sufficient evidence to confirm that Argentina is a hyperinflationary economy in terms of IAS 29 for accounting periods ending after July 1, 2018. Therefore, Argentine companies using IFRS, including our subsidiaries in Argentina, are required to apply IAS 29 to their financial statements for periods ending on and after July 1, 2018, and recognize the accumulated inflation adjustments in their financial information. See note 4(b)(iii) to our audited consolidated financial statements.

Accounting terms included in this offering memorandum have the definitions set forth under IFRS, as issued by the IASB, except where otherwise indicated or where the context otherwise requires.

Use of Non-IFRS Financial Measures

Adjusted EBITDA means net income before net financial expenses (interest and foreign currency exchange results), income taxes, depreciation and amortization, and, where applicable, equity in results of associated companies. Adjusted EBITDA should not be construed as an alternative to our net profit as an indicator of financial performance or as an alternative to our cash flow from operations as a measure of our liquidity. Adjusted EBITDA may not be comparable with other metrics reported by other companies under similar titles. Additionally, Adjusted EBITDA is not indicative of the resources available for distribution of dividends, retained earnings or other discretionary purposes.

Last Twelve Months Data (LTM)

Certain figures for the twelve-month period ended September 30, 2021, are included in this offering memorandum. Financial information for the twelve-month period ended September 30, 2021, was derived by subtracting consolidated statement of profit and loss and comprehensive income information for the nine-month period ended September 30, 2020 from the consolidated statement of profit and loss and comprehensive income information for the year ended December 31, 2020 and adding the consolidated statement of profit and loss and comprehensive income information for the nine-month period ended September 30, 2021. In particular, for the calculation of Adjusted EBITDA for the twelve months ended September 30, 2021, see “Summary—Summary Consolidated Financial and Other Information.”

Currency and Other Information

Unless otherwise stated, the financial information appearing in this offering memorandum is presented in Mexican pesos. In this offering memorandum references to “peso,” “pesos” or “Ps.” are to Mexican pesos, references to “U.S. dollar,” “U.S. dollars,” “dollar,” “dollars” or “U.S. $” are to United States dollars, references to “€,” and “Euro” are to the lawful currency of the member states of the European Monetary Union that have adopted or that will adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, and references to “S$” are to Singapore dollars. Unless otherwise indicated, the exchange rate used in converting pesos into U.S. dollars or Euro, as applicable, was determined by reference to the exchange rate of Ps.20.3265 per U.S. dollar and Ps.23.5228 per Euro.

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

Description of Contracts

This offering memorandum contains summary descriptions of material provisions of various financing agreements, franchise agreements, leases and other contracts. Such descriptions do not purport to be complete or exhaustive. We also point out that as with any contract or legal instrument, the terms thereof may be subject to interpretation.

SUMMARY

This section includes a summary of our business, financial and operating information, competitive advantages and strategies. This summary highlights selected information described in greater detail elsewhere in this offering memorandum. It does not contain all of the information that may be important to you. This offering memorandum describes the terms of the offering, as well as information regarding our business and detailed financial information. Before investing in the notes, you should read the entire offering memorandum carefully, including our audited consolidated financial statements and the accompanying notes thereto and our unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum, and the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Overview

We believe we are one of the largest restaurant operators in Latin America and Europe, and a leading regional global brands player in the fast-food, coffee shops, casual dining, family dining and fast-casual segments. Our significant and diverse portfolio includes brands such as Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, P.F. Chang's, Italianni's, The Cheesecake Factory, Vips, Vips Smart, El Portón, Foster's Hollywood, Archie's, Ginos, TGI Fridays, Corazón de Barro, La Casa de Comal, Foster's Hollywood Street and Ole Mole. As of September 30, 2021, we operated 4,219 units, of which 76% were concentrated in the fast-food and coffee shops segment in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Benelux and Uruguay. The chart below includes key information of our units as of December 31, 2020.

Concept	Brand	Licensed / Owned	Type	No. of Countries	Exclusive	Total Units Operated	% of Corporate Units	Contract Expiration
Fast-food	Domino's Pizza	Licensed	Master Franchisee	3	Yes	1,234	65.7%	Mexico - February 2034 Colombia - May 2026 Spain - 2029
	Burger King	Licensed	Franchisee	4	No	402	100.0%	December 2023
Coffee Shops	Starbucks	Licensed	Sole Franchisee *Master Franchisee in Spain, Andorra, Portugal and France	11	Yes	1,524	83.3%	Mexico - February 2027 Colombia - August 2033 Spain & Portugal- October 2030 France - January 2034 The Netherlands, Belgium & Luxembourg - February 2034
Casual Dining	Foster's Hollywood	Owned	Owned	1	Owned	229	44.1%	N.A.
	Ginos	Owned	Owned	1	Owned	121	70.2%	N.A.
	Italianni's	Licensed	Master Franchisee	1	Yes	79	78.2%	February 2032
	El Portón	Owned	Owned	1	Owned	16	100.0%	N.A.
	Chili's Grill & Bar	Licensed	Franchisee	2	No	76	100.0%	Mexico - February 2023 Chile - May 2026
	Archie's	Owned	Owned	1	Yes	28	100.0%	N.A.
	P.F. Chang's China Bistro	Licensed	Sole Franchisee	3	Yes	32	100.0%	December 2029
	TGI Fridays	Licensed	Franchisee	2	No	13	100.0%	2030
	The Cheesecake Factory	Licensed	Sole Franchisee	1	Yes	6	100.0%	December 2023
	Corazón de Barro	Owned	Owned	1	Owned	2	100.0%	N.A.
	Ole Mole	Owned	Owned	1	Owned	2	50.0%	N.A.
Fast-casual	Foster's Hollywood Street	Owned	Owned	1	Owned	1	100.0%	N.A.
	VIPS Smart	Owned	Owned	1	Owned	39	41.0%	N.A.
Family Dining	VIPS	Owned	Owned	2	Owned	388	93.0%	N.A.
Total units						4,192*		

*Does not include one Cañas and Tapas unit.

In Europe, we believe we are one of the leading restaurant operator with 1,404, of which 61.9% are corporate units as of September 30, 2021. We operate nine leading brands including global brands in the fast-food and coffee shops segments such as Domino's Pizza, Burger King and Starbucks, we also have proprietary local brands in the casual dining segment such as Foster's Hollywood, which is one of the most relevant brands in the Spanish market. For the twelve months ended September 30, 2021, our European business had net sales of Ps.16,605 million (U.S.$817 million) and Adjusted EBITDA of Ps.3,905 million (U.S.$192 million), accounting for 35% of both the group's total net sales and Adjusted EBITDA.

The chart below includes key information of our European units as of September 30, 2021.

Concept	Brand	Licensed/Owned	Type	No. of countries	Exclusive	Total units operated	% Corporate Units	Contract Expiration
Fast-Food	Domino's Pizza	Licensed	Master Franchisee	2	Yes	350	82.86%	November 2029
	Burger King	Licensed	Franchisee	1	No	54	100.00%	20 years each franchise contract
Coffee Shops	Starbucks	Licensed	Sole Franchisee *Master Franchisee in Spain (solely in Baleares Islands and Canary Islands), Andorra, Portugal (solely in Madeira and Azore Islands) and France	7	Yes	487	45.79%	Spain & Portugal- October 2030 France - January 2034 The Netherlands, Belgium & Luxembourg - February 2034
Casual Dining	Foster's Hollywood	Owned	Owned	1	Owned	227	43.61%	N.A.
	Foster's Hollywood Street	Owned	Owned	1	Owned	2	50.00%	N.A.
	Vips	Owned	Owned	1	Owned	145	71.03%	N.A.
	Ginos	Owned	Corporate	2	Owned	121	68.07%	N.A.
	Fridays	Licensed	Master Franchisee	1	Yes	13	100.00%	2030
	Ole Mole	Owned	Owned	1	Owned	5	60.00%	N.A.
					Total	1,404		

Alsea is a Mexican publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) since 1999 and started operations in Mexico in 1990 through a master franchise agreement with Domino's Pizza International which gave it the exclusive right to develop and operate Domino's Pizza, and to allow others to develop and operate Domino's Pizza, in Mexico. In 2002, we opened our first Starbucks in Mexico under a joint venture agreement executed with Starbucks Coffee Company. A few years later, in 2006, we launched our casual dining operations with the acquisition of Chili's in Mexico and entered the South American market with Burger King where we successfully replicated our business model and developed a growth platform based on industry and operational knowledge. In 2014, we expanded by acquiring Vips and El Portón, currently iconic brands in the Mexican market, and Grupo Zena (Domino's Pizza, Burger King, Foster's Hollywood, La Vaca and Cañas y Tapas), in Spain, which through which we expanded to Europe for the first time and have allowed us to become more strategically diversified across regions, cultures, brands and concepts. More recently, in furtherance of our growth and diversification strategy, and supported by our track record of building successful brands in new regions, we acquired Grupo Vips (Vips, Vips Smart, Ginos, Starbucks in Spain and Portugal and TGI Fridays) in Europe in 2018. In 2019, Starbucks reaffirmed its trust in our operating capabilities by allowing us to acquire the Starbucks business in France and Benelux.

We attribute our success primarily to our focus on offering our customers a multi-brand portfolio that serves different segments of the population for every meal (including breakfast, lunch and dinner), supplemented by high-quality service that differentiates us from our competitors. We work day-to-day to exceed our customers' expectations and to maintain excellence in our operating standards. Our extensive experience in the food service industry and our strong regional position have enabled us to become a strategic partner for some of the world's leading franchises such as Domino's Pizza and Starbucks, and allowed us to secure the renewal of our licenses, expand into new markets and add new brands to our portfolio. During the period from 2015 to 2019, our sales and Adjusted EBITDA (excluding operating lease expenses) each grew at a compounded annual growth rate("CAGR") of 15.5%.

Additionally, as a key element to our business, we manage sub-franchisees of Domino's Pizza, Foster's Hollywood and Starbucks in Europe and sub-franchisees of Domino's Pizza, Italianni's and Vips in Latin America, with which we maintain a solid relationship and constant communication that allows us to provide them with the best commercial strategies, technology, support and products so that they collectively reaffirm the positioning and leadership of each of such brands in those territories. As of September 30, 2021, 22.6% of our total units were franchisees.

For the nine months ended September 30, 2021, we had net sales of Ps.36,647 million (U.S.$1,802.9 million) and Adjusted EBITDA of Ps.8,038 million (U.S.$395.4 million) of which 49.5% and 55.4%, respectively, were generated in Mexico. For the nine months ended September 30, 2021, 36.5% of our net sales were generated from our fast-food segment operation, 31.3% from our coffee shops segment operation and the rest were generated from our casual dining, family dining and fast-casual segment operation. For the year ended December 31, 2020, we had net sales of Ps.38,496 million (U.S.$1,893.8 million), Adjusted EBITDA of Ps.6,918 million (U.S.$340.3 million) and net loss of Ps.3,895 million (U.S.$191.6 million).

Our consolidated net sales for the periods indicated can be broken down into the following categories (without giving effect to inter-company transactions):

Net sales by business segment	**Year ended December 31, 2020**		**Nine months ended September 30, 2021**	
	(in millions)	**%**	**(in millions)**	**%**
Food and beverage (Mexico)	Ps. 19,067	49.5%	Ps. 18,145	49.5%
Food and beverage (South America)	5,568	14.5%	5,900	16.1%
Food and beverage (Europe)	13,861	36.0%	12,602	34.4%
Alsea	Ps. 38,496	100.0%	Ps. 36,647	100.0%

Units by business segment:	**Year ended December 31, 2020**		**Nine months ended September 30, 2021**	
	Units	**%**	**Units**	**%**
Food and beverage (Mexico)	2,184	52.1%	2,159	51.2%
Food and beverage (South America)	633	15.1%	656	15.5%
Food and beverage (Europe)	1,376	32.8%	1,404	33.3%
Alsea	**4,193**	**100.0%**	**4,219**	**100.0%**

The following tables contain selected ratios and other data as of December 31, 2018, 2019 and September 30, 2021, which have been derived from our financial statements.

	December 31			September 30
	2018	2019	2020	2021
Financial indicators				
Adjusted EBITDA(1) / Interest expense	4.4x	4.4x	1.9x	3.1x
Net debt(5) / Adjusted EBITDA(1)	3.73x	3.67x	7.75x	4.66x
ROIC(2)	9.9%	12.1%	(105.2%)	(3.4%)
ROE(3)	8.5%	9.4%	(51.0%)	(1.8%)
Total debt(5) (millions)	25,901	48,840	57,512	55,690
Net debt(5) (millions)	23,913	46,271	53,580	52,105
Market indicators				
Book value per share	$13.26	$13.20	$9.75	$8.28
Basic profit per share(4)	Ps. 1.20	Ps. 1.11	Ps. (3.86)	Ps. (0.00)
Shares outstanding at period's end (millions)	835.6	838.6	838.6	838.6
Price per share at period's end	$51.15	$49.83	$25.89	$41.61

(1) Adjusted EBITDA (last 12 months).
(2) ROIC is defined as operating income after taxes (last 12 months) over net operating investment (total assets – cash and short-term investments – no-cost liabilities).
(3) ROE is defined as net earnings (last 12 months) over shareholders' equity.
(4) BPS is earnings per share for the last 12 months.
(5) Except as of December 31, 2018, includes the effect of IFRS 16 which was adopted commencing on January 1, 2019.

Our Markets

We believe we are leaders in each segment in which we operate in Mexico based on our portfolio's market share. In the casual dining segment, we have attained substantial market share by incorporating new brands that have been embraced by consumers (such as Chili's, P.F. Chang's and The Cheesecake Factory). Our extensive experience has enabled us to successfully replicate our business model in the fast-food, coffee shops, casual dining and family dining segments in certain countries in South America and Europe. Our operation in Europe resulted from the combination of two national champions: Grupo Zena which was acquired in 2014 and Grupo Vips which was acquired in 2018. For the year ended December 31, 2020 and the nine months ended September 30, 2021, we served more than 273 million customers and 178 million customers, respectively, in the territories where we operate.

Our operations and geographic presence are strategically concentrated in Mexico (51.2% of our units), Europe (33.3% of our units, including Spain, France and Benelux) and South America (15.5% of the units, including Argentina, Chile, Colombia and Uruguay).

The table below shows the number of units (by brand) operated by us as of the dates indicated:

Brands	As of December 31,			As of September 30,	
	2018	2019	2020	2021	(% Corporate Units)
Domino's Mexico(1)	759	800	781	790	55.3%
Domino's Colombia(1)	98	105	116	131	71.0%
Domino's Spain(1)	282	315	337	350	82.9%
Burger King Mexico	424	182	175	174	100.0%
Burger King Argentina	121	122	115	115	100.0%
Burger King Chile	45	55	57	58	100.0%
Burger King Colombia	17	-	-	-	-
Burger King Spain	59	60	55	54	100.0%
Total fast-food units	**1,805**	**1,639**	**1,636**	**1,672**	**73.0%**
Starbucks Mexico	723	749	747	741	100.0%
Starbucks Chile	121	133	134	138	100.0%
Starbucks Colombia	32	32	30	33	100.0%
Starbucks Argentina	143	144	132	132	100.0%
Starbucks Uruguay	-	8	9	9	100.0%
Starbucks Spain(2)	-	147	140	140	84.3%
Starbucks France(2)	-	184	188	199	35.2%
Starbucks Netherlands(2)	-	85	88	90	17.8%
Starbucks Portugal(2)	-	23	21	22	86.4%
Starbucks Belgium(2)	-	30	31	32	0.0%
Starbucks Luxembourg(2)	-	4	4	4	0.0%
Total Coffee Shops units	**1,024**	**1,539**	**1,524**	**1,540**	**82.9%**
Chili's Grill & Bar Mexico	72	75	71	71	100.0%
Chili's Grill & Bar Chile	4	5	5	5	100.0%
California Pizza Kitchen Mexico(3)	16	-	-	-	-
P.F. Chang's Mexico	25	25	25	26	100.0%
P.F. Chang's South America	10	5	7	7	100.0%
El Portón	64	46	16	16	100.0%
Italianni's Mexico(4)	95	93	79	76	78.9%
The Cheesecake Factory	3	5	6	6	100.0%
Archies Colombia	32	31	28	28	100.0%
Foster's Hollywood(5)	229	233	229	227	43.6%
Cañas y Tapa	19	17	1	-	-
Ginos	-	131	121	121	68.6%
TGI Fridays	-	17	13	13	100.0%
Wagamama	-	5	-	-	-
Corazón de Barro	-	3	2	2	100.0%
La Casa del Comal	-	1	-	-	-
Ole Mole	-	1	2	5	60.0%
Total Casual Dining units	**573**	**693**	**605**	**603**	**69.5%**
Vips Smart	-	38	39	41	39.0%
Foster Hollywood Street	-	1	1	2	50.0%
Total Fast Casual units	-	**39**	**40**	**43**	**39.5%**
Vips(6)	286	400	388	361	92%
Total Family Dining units	**286**	**400**	**388**	**361**	**92%**
TOTAL UNITS	**3,688**	**4,310**	**4,193**	**4,219**	**77.4%**
Total Company units	**2,947**	**3,419**	**3,284**	**3,264**	
Total sub-franchised units	**741**	**891**	**909**	**955**	

(1) Includes sub-franchises of Domino's Pizza in Mexico, Domino's Pizza in Colombia and Domino's Pizza in Spain.
(2) Includes sub-franchises of Starbucks in Spain, Portugal, France, Netherlands, Belgium and Luxembourg.
(3) Includes sub-franchises of California Pizza Kitchen in Mexico.
(4) Includes sub-franchises of Italianni's in Mexico.
(5) Includes sub-franchises of Foster's Hollywood in Spain.
(6) Includes sub-franchises of Vips in Mexico and Spain.

Our Shared Services Model

Our success has been driven in part by our shared services model (available in Mexico, Colombia and Spain) which enables us to service all of our brands from a single platform, allowing us to attain important synergies and cost savings by creating economies of scale. Our shared service center provides administrative support and develops processes that reduce the time devoted by our brands to the finance and accounting, IT, legal, human resources, internal audit, strategic planning, development and management aspects of their operations, allowing them to focus on the operation of their stores and on customer service.

In addition, in Mexico we have developed a platform to provide support to our brands in connection with their procurement processes, including their purchasing, quality control and product development functions. This platform also facilitates the production, distribution and storage of pizza dough through a state-of-the-art centralized distribution system operated by our subsidiary Distribuidora e Importadora Alsea, S.A. de C.V. ("DIA"), and the production of bread, sandwiches, pound cakes and cakes, through our subsidiary Panadería y Alimentos. Our platform allows us to offer differentiated products, ensures the availability of supplies when they are needed, and enables us to attain significant cost savings along the supply chain.

Our Strengths

Operator of a diversified portfolio of leading global brands

We have a diversified portfolio that includes global leading brands in the fast-food, coffee shops, casual dining, family dining and fast-casual segment, such as Domino's Pizza, Starbucks, Burger King, Chili's and The Cheesecake Factory. According to *"The world's 10 most valuable fast-food brands 2021"* published by QSR magazine, Starbucks ranked as the biggest fast-food brand around the world (with a U.S.$38.4 billion valuation), Domino's Pizza in the fifth place (with a U.S.$6.1 billion valuation), Burger King in the 12th place, Chili's in the 20th place and The Cheesecake Factory in the 23rd place. Our portfolio allows us to reach customers from diverse socioeconomic segments throughout the day (including breakfast, lunch and dinner) and across the countries in which we operate. In addition, our portfolio helps us balance our revenues, our brands, our countries' performance during certain seasons and our potential risks, allowing us to be more resilient to changes in customer habits, consumption trends and changes in the economy and tourism. Furthermore, due to our size and the geographic coverage of our brands, we are able to negotiate global agreements in relation to our raw materials, services, real estate and media with volume aggregators, which enables us to competitively price our products, ensuring that all of our brands benefit from the best market conditions, regardless of their own size.

In Mexico, we operated 1,777 company-owned units that span across the majority of Mexico's territory as of September 30, 2021. Although we operate most of our stores (82.3% in Mexico) directly, we have identified select opportunities to enter into sub-franchise arrangements with third parties that have lower operating costs and the requisite capabilities for introducing our brands into smaller population centers, increasing our market penetration and profitability. As of September 30, 2021, in addition to our company stores, we managed 382 sub-franchises in Mexico.

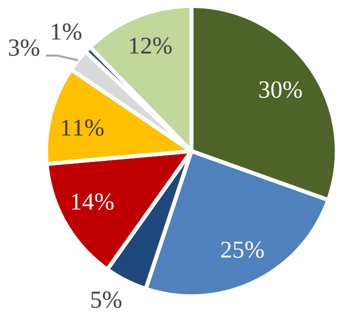
In South America, we operated 656 units as of September 30, 2021, of which 618 were company-owned and 38 were sub-franchises. In Europe, we operated 1,404 units as of September 30, 2021, of which 869 were company-owned and 535 were sub-franchises.

Regarding brands, we own the Vips, Archie's, Foster's Hollywood and Gino's, which gives us flexibility in terms of innovation, operations and image management. We also have long-term agreements (between 10 and 20 years) with the owners of the rest of the brands that make up our portfolio.

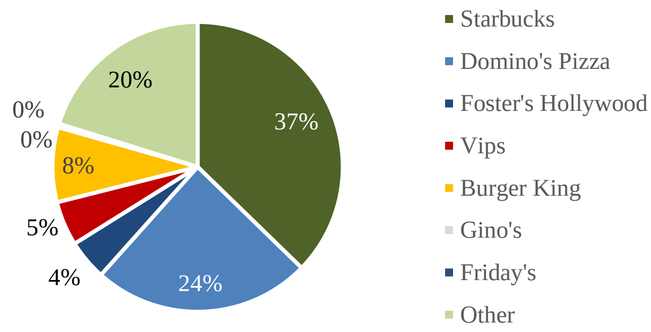
In addition, we have a successful and proven track record of integrating new brands to our portfolio and expanding to new countries, having integrated the Vips, El Portón, The Cheesecake Factory, P.F. Chang's and Archie's brands and, more recently, Starbucks in France and Benelux and Grupo Vips in Europe and making them attractive to customers.

The following charts illustrate the distribution of our net sales and Adjusted EBITDA by brand for the nine months ended September 30, 2021.

Net Sales

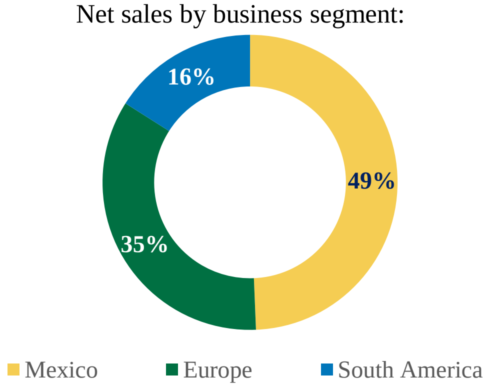


Adjusted EBITDA

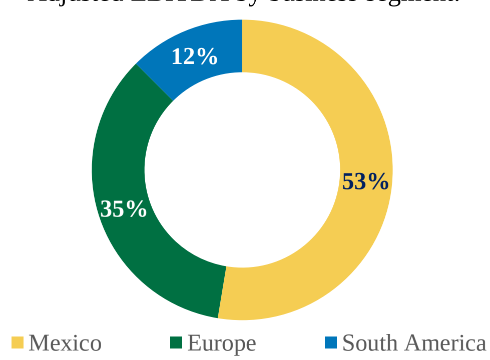


The following charts illustrate the distribution of our net sales and Adjusted EBITDA by region for the last twelve months ended September 30, 2021.

Net sales by business segment:



Adjusted EBITDA by business segment:



Leader in the food service industry through geographies, experience and social platforms operations

As of September 30, 2021, we operated 4,219 units through some of the most recognized food service brands globally in five of the main countries in Latin America: Mexico, Argentina, Chile, Colombia and Uruguay, as well as in Spain, France, Portugal and Benelux. By targeting young adults and families, we have benefited from a growing population, younger consumers, and favorable socio-economic conditions. According to the Economic Commission for Latin America and the Caribbean ("CEPAL"), these countries account for a combined population of approximately 240 million. In addition, improved economic conditions in these countries have modernized consumer habits and increased purchasing power of consumers, thereby increasing the size of our potential customer base.

Throughout our history, we have built a diversified portfolio of leading international and local brands in Mexico, South America and Europe. We operate in the fast-food, coffee shops, casual dining, family dining and fast-casual segments, which we believe offer significant organic growth potential. Through these segments, we serve customers from various socioeconomic segments that account, in the aggregate, for over 75% of Mexico's population, over 50% of the South America's population and over 60% of the population of the European countries where we operate, which we believe offers us certain protection from the effects of adverse economic cycles. As of September 30, 2021, 39.6% of our units operated in the fast-food segment, 36.5% in the coffee shops segment, 14.3% in the casual dining segment and 11.9% in the family dining segment and 1.0% in the fast-casual segment. In Mexico, as of September 30, 2021, 7% of our units operated in the fast-food segment (Domino's Pizza and Burger King), 34.6% in the coffee shops segment (Starbucks Coffee), 9.4% in the casual dining segment (Chili's Grill & Bar, P.F. Chang's, Italianni's, El Portón, Corazón de Barro and The Cheesecake Factory) and 11.9% in the family dining segment (Vips). In Latin America, 46.3% of our units operated in the fast-food segment, 47.6% in the coffee shops segment and 6.1% in the casual dining segment. In Europe, 28.8% of our units operated in the fast-food segment (Domino's Pizza and Burger King), 34.7% in the coffee shops segment (Starbucks Coffee), 7.4% in the family dining segment (Vips), 3.1% in the fast-casual dining segment (Vips Smart and Foster Hollywood Street) and 26.1% in the casual dining segment (Foster's Hollywood, Ginos, Ole Mole, TGI Fridays and Cañas y Tapas).

Our expertise in identifying relevant and profitable brands, regions and sites, our ability to customize services, experience, and products according to customer needs and various favorable economic factors, have allowed us to experience significant historical growth. Our sales and Adjusted EBITDA (excluding operating lease expenses) each grew at a CAGR of 15.5% from 2015 to 2019. Also, due to our size and the geographic coverage of our brands, we are able to negotiate global agreements in relation to our raw materials, services, real estate and media with volume aggregators, which allows us to competitively price our products, ensuring that all of our brands benefit from the best market conditions, regardless of their size. Our sales in South America and Europe have come to represent 14% and 36%, respectively, of our total sales as of December 31, 2020. This was mainly due to the expansion and incorporation of the brands acquired in Europe in 2018 while also taking advantage of opportunities that have emerged in South America.

In addition, given the still low penetration of the food service industry, as the industry recovers from the effects of the COVID-19 pandemic (including its variants) we believe we have a high potential for organic expansion of the brands that we operate in the current territories. During 2019 and 2018, we had a net opening of 250 and 243 units, respectively. In line with our strategy to improve our profitability, we decided to close 185 underperforming units during 2020. However, we consider that there is still market capacity with significant upside potential in Mexico (over 1,685 stores), Europe (over 1,300 stores) and South America (over 550 stores) based on our estimates.

Solid relationship with leading global brands and franchisees

Given the size and scale of our platform and our proven operating track record, we have become a strategic partner for our licensors and franchisors. We ensure that all our units follow the principles and standards required by franchisors by having a robust supervision system in place and several programs and continuous training at all levels of the organization. In addition, as a multi-brand operator, we always look for ways to improve our operating, marketing, innovation and recruitment activities for a successful and efficient operation, which has given us the opportunity to share best practices with the owners of the brands we operate. For example, we developed a more efficient dough production system for Domino's Pizza in Mexico, which has served as an example for production in other countries.

On December 3, 1990, we entered into a master franchise agreement with Domino's Pizza International. The initial term of this agreement was 15 years but based on our performance and accomplishments, on February 20, 1998, we signed an amendment to this contract that extended our rights for an additional 35 years. Currently, we are the third largest operator of the Domino's Pizza System worldwide having over 1,200 units in Mexico, Colombia and Spain as of September 30, 2021.

We opened our first Starbucks in Mexico in 2002 through a joint venture with Starbucks Coffee International that allowed us to develop and operate the brand in the country. As of the date of this offering memorandum, nineteen years later, we operate almost 10% of the licensed stores of Starbucks Coffee Company around the world, we transformed Mexico into one of the most important markets for Starbucks in terms of number of stores and we have the rights to develop and operate the brand in Mexico, Argentina, Chile, Colombia, Uruguay, Spain, Portugal and Belgium. In addition, we have the rights to sub-license the rights to open and operate Starbucks shops in France and The Netherlands. We also have a strong relationship with our franchisees who are key to our success, especially in regions where this format is more profitable for us and also a way to introduce our brands in smaller population centers. The franchises that we grant and our performance thereunder are typically based on ten-years agreements, which can be renewed according to the region's goals accomplishments. We provide our franchisees with all the know-how and tools required to have a healthy and growing business. We currently have 955 franchise units, 40% in Mexico and 56% in Europe.

We intend to continue maintaining a solid relationship with each of our partners to ensure our continuing ability to operate our brands, expand our exclusive operations portfolio and secure long-term confidence in our company. As an example, Starbucks reaffirmed its trust in us by allowing us to acquire the business in France, Benelux and Spain in 2019.

Resilient business and capitalization structure to take advantage of economic recovery

As the COVID-19 pandemic swept the globe and crippled much of the world's economy, we were challenged to adapt our business to a new reality. From our supply chain to the delivery of our food products to consumers, we had to reassess many aspects of our business and implement changes at all levels of our organization. At the operating level, we focused our efforts in the use of digital platforms, revised our cost structure and performance of our stores and restaurants portfolio, renegotiated contracts with landlords and suppliers, implemented sanitary measures and protocols, strengthened the communication with our workforce and adjusted work dynamics at our restaurant and offices to be more efficient and productive. We believe all these changes have prepared us to be sharper in identifying and taking advantage of opportunities ahead of us.

At our corporate finance level, as a result of strong relationships that we have been building for years with our business partners and financial institutions, during the COVID-19 pandemic we were able to take additional credit lines to continue operating our business in case of a deeper impact of the COVID-19 pandemic on our company, nevertheless we did not use all of them and maintained a minimum liquidity ranging between Ps.2,000 million and Ps.2,500 million. Also, we managed to reschedule our debt maturity profile to a more comfortable amortization schedule that will help us execute our future business plans and maintain our commitments with our business partners. Based on our brands' current performance, our efficiencies, and the way the economy is recovering, we expect to return to pre-pandemic levels during 2022.

Shared services model is a competitive advantage, which provides effective management of our resources throughout our network

We believe that one of the elements of our success lies in the shared services model designed for our operations. Unlike our competitors who carry out all their processes at the store or brand level, we can achieve significant synergies and economies of scale that translate into important savings for us through the Shared Services Center, to centralize all the administrative and logistics processes that are not focused on the operation of the business units. In general, the functions that are included in the Shared Services Center are all those business support functions, such as accounting, administration, human resources, technology, real estate development, supply chain, and maintenance, among others. Our shared services model not only allows us to consolidate and improve the efficiency of processes, but also allows business units to dedicate all their efforts and time to the operational processes of each of the brands, thus improving the quality of the service we offer to our customers. Additionally, the shared services model is currently a pillar of our strategy since it facilitates the incorporation of new acquisitions and business units.

We believe we have the advantage and the ability to control the supply and distribution of commodities to each of our business units through our subsidiary DIA in Mexico, which we believe offers a competitive advantage. DIA is engaged in the procurement, import, transportation, storage and distribution of frozen, refrigerated and dry food products for all of our Mexican stores. We own and operate five distribution centers strategically located in the State of Mexico, Mexico City (Tláhuac), Hermosillo, Cancún and Monterrey. The distribution centers in Argentina, Chile, Colombia and Spain are operated by third parties under the same guidelines, standards and procedures as our company-owned distribution centers. We have our own logistics operation in Mexico mainly because there is no one in Mexico that could support our operation in terms of volume, deliveries, suppliers and stores and transportation conditions. Additionally, we are responsible for the production of pizza dough for the entire Domino's System in Mexico, Colombia and Spain.

In Mexico, we have implemented automated distribution and logistics functions such as WMS (Warehouse Management System) and TMS (Transportation Management System) to optimize our delivery response times and improve our ability to anticipate demand by improving information flow throughout our procurement process.

Seasoned and highly qualified management team, with significant industry experience and track record of integrating acquisitions to achieve our goals

Our management team has an average of 20 years' experience in the restaurant industry, and we believe it possesses the appropriate qualifications, ownership, expertise and motivation to be able to achieve our financial goals and to further the development of our strategy, as demonstrated by its track record of store openings and successful integration of the operations of Italianni's, Vips, El Portón, Archie's, Grupo Vips and Starbucks in France, and Benelux. We believe that our culture of focusing on customer service, which is based on the principles of respect, loyalty, personal excellence, teamwork and focus on results, has led to the formation of a management team committed to exceeding our goals. In addition, we have a highly qualified team of store managers that are committed to their respective brands. We believe that our degree of institutionalization has also contributed to the improvement of our performance and enabled us to adapt to our customers' and the industry's changing needs, capitalize on new opportunities to achieve additional growth and attain a level of transparency on par with institutional corporate governance best practices.

Our Strategy

Our primary aim is to preserve our position as a leading restaurant operator in Latin America and Europe, with leading global brands in the fast-food, coffee shops and casual dining, while maintaining a solid financial position to enable us to seize growth opportunities, and exceed our customers' expectations.

We will continue to pursue the following strategies which we expect will further enhance our business, market position and competitive advantages.

Implement the necessary measures to ensure an optimal capital structure that allows us to implement our strategic growth plan and maintain attractive returns

We believe that our growth strategy must be based on an adequate capital structure and a solid liquidity position, maintaining a debt profile that allows us to have financial flexibility. Our strong operating and financial performance reflect the Company's competitive advantages, including our ability to compete in complex and increasingly competitive environments. We plan for growth in an aligned and sustained way, minimizing risk, and seeking to create value for stakeholders.

Maintaining a solid financial position to implement our strategic expansion plan and generate profitable returns

We believe that our expansion strategy will enable us to seize new opportunities as they arise. Accordingly, our financial strategy is designed to maximize the efficiency of our cash flow generation processes and to strengthen our balance sheet. Our strong operating and financial results demonstrate our ability to operate in highly complex and increasingly competitive environments. We intend to pursue our expansion strategy in a sustained and orderly fashion to create synergies and minimize risk.

We also intend to make use of our shared services model to create additional synergies among our brands, further increase our operating margins and reduce our procurement, storage, internal processing, IT and other general costs and expenses.

Capitalizing on our brand positioning in our existing markets to further increase our market presence

We intend to continue focusing our efforts on the implementation of initiatives that will enable us to maximize the growth potential of our existing businesses. We believe that our solid position in our current markets, our proven success opening new stores, and our demonstrated ability to generate steady cash flows, will allow us to further increase our market presence organically.

In addition, we intend to continue growing our same-store sales through the implementation of promotional strategies, digital platforms, new product offerings and the ongoing improvement of our customer service. As an example, we were able to reposition the Domino's Pizza brand in Mexico through our launch of the Domino's App, which has allowed us to increase the number of orders, average ticket and be able to offer an additional alternative to bring our most profitable products to the customer, which at the same time allows us increase sales without affecting our margins, or through our loyalty programs, where Starbucks has been at the forefront, creating true long-term relationships with customers and fostering a true attachment to the brand, through targeted promotions and a differential treatment and benefits to our "gold" customers.

Given our brands' current market penetration, we believe there is significant potential for growth through the continuing expansion of our geographic coverage. We seek to maximize the efficiency of our expansion process by entering into selective sub-franchise arrangements with strategic partners that have lower operating costs and the appropriate capabilities to introduce our brands in smaller population centers.

Remaining the strategic partner of choice

We believe that our strong results, solid operating track record and significant experience in the industry and region have made us the strategic partner of choice for the owners of our brands. We intend to continue to maintain solid relationships with each of our partners in order to ensure our continuing ability to operate our brands, expand our portfolio of exclusive operations and secure a vote of long-term confidence in our company. Starbucks renewed its trust in us by allowing us to acquire the business in France, Benelux and Spain.

We intend to maintain our status as a strategic partner for brands looking to expand into new markets, while remaining selective in terms of the kind of portfolio we wish to develop. Our strong presence and vast operating infrastructure in the Mexican, European and South American markets provide us with access to a unique platform that has enabled us to seize new business opportunities.

Exceed our customers' expectations through the best experience and product offering in the food service industry

We are committed to exceeding our customers' expectations. Our customer service strategy is based on the principles of placing our customer first, fostering loyalty and respect between our associates and us, pursuing personal excellence and commitment, and focusing on our results. We aim for each of our brands' offerings to provide our customers with an unforgettable product, service and image experience.

We measure customer satisfaction by brand across channels, including dine-in, take-out and delivery (including deliveries made by aggregators). We collect customer feedback to identify opportunity areas and solve any issues within 24 hours after the issue is reported. In Mexico, we receive and analyze approximately 200,000 surveys per month. We also review and analyze our customers' behavior through our loyalty programs, such as Starbucks Rewards and WOW+, to offer them better alternatives that meet their needs.

Pursuing new business opportunities to increase value

The Latin American and European food service industry, which remains largely comprised of local businesses and informal vendors, offers a large array of options to the consumer, such as a number of cuisine and dining experiences at varying price points. As part of our strategy we remain engaged in an ongoing search for new opportunities, primarily through the following: (i) the continuous development and expansion of our brand portfolio. We seek opportunities to extend our current brands and our best practices to other markets; and (ii) brand diversification that complements our portfolio, increasing our margins. We seek to identify and explore potential brand acquisitions or arrangements that may increase our value.

Continue to focus on our omnichannel digital strategy

We strive to be available to our customers through different channels, including our digital platforms, loyalty programs such as Wow+Rewards, Starbucks Rewards. Domino's Pizza OLO, Club VIPS and Fosterianos / Club Vips, our apps and analytics. In 2015, we decided to launch our first multi-brand loyalty program in Mexico called "Wow Rewards", which was created to offer benefits to our customers through the accumulation of reward points generated by their consumption. In 2021, our "Wow Rewards" program evolved to "Wow +", which currently integrates our delivery service, loyalty program and restaurant experience for our ten brands in Mexico. Such program has helped us increase the average ticket by 30% and it is used in 6% of our Mexican total sales. We expect to continue boosting the "Wow+" program to develop its competitive advantage.

In addition, we increasingly work with customer behavior data to ensure that our marketing efforts and offers meet our customers' needs. Accordingly, we have introduced digital coupons that are 3 times more efficient than our paper coupons and give us the flexibility to make changes in real time and to adapt our offers in an easy and cost-efficient manner.

We also use certain applications such as "Domino's MX" which allows our Domino's Pizza customers to place and track orders and give feedback in Mexico. As of September 30, 2021 this application generated 34.7% of Domino's Pizza Mexico net sales. We also have the "Starbucks Rewards" app in Mexico, Chile and Argentina that offers benefits to our Starbucks customers and allows them to pay and place orders. As of September 30, 2021, the Starbucks Rewards generated 23.7% of net sales in Mexico of which 4.1% of the orders were placed by mobile.

Furthering our corporate governance practices and social awareness programs

We believe it is of the utmost importance to continue using a set of professional and transparent corporate governance practices as a means to strengthen our shareholders' and prospective investors' confidence in the way we operate our business. Our particular set of corporate governance practices includes advanced performance measurement tools and risk management procedures and is designed to ensure that our operations are conducted in a transparent fashion, produce timely and reliable information and create additional value for our company and our shareholders. We believe that this enables us to better implement our strategic plan, ensure that the interests of our employees remain aligned with those of shareholders, build credibility with investors and, ultimately, achieve our goals. We believe we abide by all the laws and regulations applicable to publicly traded companies and are engaged in the ongoing development of policy and procedure approval processes and internal guidelines.

We also believe that our social responsibility initiatives, which form part of our business strategy, reflect our unwavering commitment to the well-being of our customers, the development and quality of life of our employees, the betterment of the communities in which we operate, and the protection and preservation of the environment. We abide by a set of norms and principles sensitive to social, economic and environmental reality which help us to be more productive, and have implemented policies, programs and strategies designed to foster human development.

For the third consecutive year, in 2020, we were included in the Dow Jones Sustainability MILA, a benchmark index that measures the performance of listed companies by market capitalization in economic, environmental and social matters. Our inclusion was based on the analysis of our results in environmental policy, eco-efficient operations, labor practices and talent attraction, corporate citizenship and philanthropy, effectiveness of Alsea's board of directors and code of conduct, among others. Since February 2013, we have been a part of the Sustainable IPC, which is a financial indicator that the Bolsa Mexicana de Valores, S.A.B. de C.V. (the "Mexican Stock Exchange") created to highlight Mexican companies in the social, environmental and corporate governance fields. Since June 2011, we have been a part of the United Nations Global Compact, the most important global initiative in corporate social responsibility.

During 2020, we strengthened our commitment to sustainable economic development, the environment, and support for the communities in which we operate. We continued to deliver close to one million meals through our various programs such as "*Va Por Mi Cuenta*" and *"Va Por Nuestros Héroes."* In addition, we carried out our annual *"Va Por Mi Cuenta"* campaign, which promotes the donation and purchase of products with a good cause across all our brands in order to raise funds to continue the fight against food poverty. In 2020, we raised more than 25 million pesos for this initiative.

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, financial condition and results of operations. The following is a summary timeline of certain events that occurred during 2020 in relation to the COVID-19 pandemic, by region:

Month (2020)	March	April	May	Jun	July	August	September	October	November	December
Alsea stores in Operation[1] (%)	52%	45%	52%	81%	86%	87%	90%	87%	89%	86%
Mexico	Some stores closed.	4x3 program in stores and G&A adjustments	Operations only delivery and take-out	Delivery + take-out. Some stores with limited capacity	Delivery + take-out. Some stores with limited capacity	Delivery + take-out. More stores with limited capacity	More stores with limited capacity	More stores with limited capacity	Healthy restrictions in place in Chihuahua, Sonora and Mexico City	Stores with limited capacity and schedules: Michoacán, Nuevo León, Guerrero. Only delivery and take-out: State of Mexico, Mexico City, Puebla and Morelos
Mexico Stores in operations (%)	100%	60%	60%	81%	92%	93%	93%	94%	94%	86%
Europe	All stores closed. Government support agreements	All stores closed. Government support in place	Operations only delivery and take-out	Government support in place	-	France: Partial schedules	France: Only delivery The Netherlands: 16 stores in operations	The Netherlands: Only delivery	France and The Netherlands: Only delivery	Only delivery
Europe stores in operations (%)	0%	14%	33%	78%	88%	89%	93%	91%	83%	92%
South America	All stores closed. Government support agreements	Colombia: Rent agreements with landlords Chile: Salary adjustments	Operations only delivery and take-out	Only delivery and take-out	-		-	Chile: Stores closed	Only delivery	Only delivery
South America stores in operation (%)	43%	57%	66%	69%	71%	75%	66%	84%	91%	43%

[1] Stores in operation means that units generating income through delivery, take-out channels or following health restrictions but not necessarily in normal operations.

The following is a summary of certain actions taken in relation to the COVID-19 pandemic:

- Workforce: We implemented a temporary reduction in our workforce and part-time work in the reopening period. In addition, certain work schedules were adjusted based on the level of activity in the recovery. In Europe and South America, we received government support allowing us to save in personnel cost.

- Lessors: We renegotiated the leases of all stores, benefitting from discounts on rents in some cases and the adjustment of rents to the level of activity (sales) in each store.

- Financing agreements: During the second quarter of 2020, a successful agreement was reached with certain banks to obtain a 12-month waiver on certain debt covenants (including leverage and interest coverage). On April 5, 2021, we announced our successful negotiation of extensions for the agreements reached during 2020 with respect to certain of our outstanding credit agreements. We negotiated with all banks with whom we maintain a relationship to temporarily suspend the application of certain financial covenants under our credit agreements (including leverage ratio and interest coverage ratio), effective from April 1, 2021, through June 30, 2022, to be in a better position to continue coping with the impact of the COVID-19 pandemic and ensure the continuity of our strategic projects, the operation of our restaurants in optimal conditions, as well as to continue growing our company organically. On November 29, 2021, as part of the Debt Refinancing Transaction (as defined below), we entered into certain amendments to certain of our existing credit agreements, see "—Terms of Debt A&E Agreements."

- Capital expenditures: Capital expenditures were reduced halting any store remodeling, focusing on maintenance. All brand expansions were suspended.

- Unit portfolio: We closed 185 underperforming stores across all regions.

- Financial performance: For the nine months ended September 30, 2021, we had consistent positive sales growth in each of the months of such period, and a recovery in margins in all regions thanks to our commercial strategies focused on customer needs and offering value for money. We have a store portfolio that was cleaned up during 2020 and now almost 100% of our stores are in operations, except for those located in schools and office buildings. Also, as a result of the various initiatives that we had been working on prior to the pandemic, we counted with the necessary processes, agreements and platforms to optimize sales through the delivery sales channels, which represents 21% of total sales as of September 30, 2021.

The following is a summary of short-term revenue initiatives that we will continue to focus on in relation to the COVID-19 pandemic:

- In-store initiatives: Open stores in all markets following each country's regulations and guidelines and leveraging in-store alternatives such as drive-thru and take-out.

- Delivery initiatives: We will continue with our multi-partner strategy focusing on the continued development of relationships with best-in-class delivery aggregators. Three aggregators (Uber Eats, Rappi and Didi) represented 43% of our net sales in Mexico.

- Digital platforms: Repositioning of menus and promotions based on distribution channel and continue boosting our loyalty programs.

- Lessors: We are currently negotiating an increase to the portion of variable lease component.

- Supply chain: Stricter inventory and spoilage controls, increase productivity in all distribution centers and expense controls.

- Cost reduction: Salary and compensation reductions/suspension of preoperative expenses for corporate team, termination of non-essential contracts with certain service providers including some public relations and marketing agencies.

Appointment of Deputy Chief Executive Officer

In May 2021, Fernando González Somoza was appointed as Deputy Chief Executive Officer of Alsea to strengthen our organizational structure and corporate governance, while Alberto Torrado remains as President of Alsea's board of directors.

Transaction with Bain Capital

On October 1, 2021, the parent together with Alia Capital Partners and Bain Capital Credit ("Bain Capital") agreed to co-invest €110.8 million in the issuer. As a result of the transaction, Bain indirectly acquired a 10.5% interest in the issuer through Britania Investments, S.à r.l., and parent's stake increased to 76.8%. See "Shareholders—Ownership of the Issuer."

Alsea 2026 Notes and the Debt Refinancing Transaction

On December 13, 2021, Alsea issued U.S.$500,000,000 in aggregate principal amount of senior notes due 2026 (the "*Alsea 2026 Notes*"). Alsea used the net proceeds from the Alsea 2026 Notes together with cash on hand to prepay its or certain of its subsidiaries' unsubordinated debt and make payments under certain capital leases, as further described below. We refer to these transactions, collectively, as the "Debt Refinancing Transaction". The indebtedness that was repaid, repurchased and redeemed pursuant to the Debt Refinancing Transaction consisted of:

- On December 19, 2018, the company and the issuer, as borrowers, the guarantors party thereto, the lenders party thereto, BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México (f/k/a BBVA Bancomer S.A., Institución de Banca Múltiple Grupo Financiero BBVA Bancomer), as administrative agent and Banco Bilbao Vizcaya Argentaria, S.A., as collateral agent, entered into a dual-currency Credit and Guaranty Agreement, consisting of a Euro-denominated tranche in an aggregate principal amount of €436.4 million and a Mexican peso-denominated tranche in an aggregate principal amount of Ps.4,533.7 million (the "Peninsula Facility"). The aggregate outstanding principal amount under the Peninsula Facility as of September 30, 2021, was Ps.4,420.4 (U.S.$217.4 million) in respect of the Mexican peso-denominated tranche and €425.4 (U.S.$492.2 million) in respect of the Euro-denominated tranche, and we repaid an aggregate principal amount equal to Ps.3,857.4 million (U.S.$189.7 million) in respect of the Mexican peso-denominated tranche and €62.8 million (U.S.$72.7 million) in respect of the Euro-denominated tranche, together with accrued and unpaid interest and other amounts due under the Peninsula Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On August 31, 2016, the company, as borrower, and Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México entered into a bilateral loan in an aggregate principal amount of Ps.800 million (the "Santander 2016 Facility"). The aggregate outstanding principal amount under the Santander 2016 Facility as of September 30, 2021, was Ps.155 million (U.S.$7.6 million), and we repaid the aggregate outstanding principal amount under the Santander 2016 Facility, together with accrued and unpaid interest and other amounts due under the Santander 2016 Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On June 30, 2017, the company, as borrower, the guarantors party thereto, and Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México entered into a bilateral loan in an aggregate principal amount of Ps.500 million (the "Santander 2017 Facility"). The aggregate outstanding principal amount under the Santander 2017 Facility as of September 30, 2021, was Ps.287.5 million (U.S.$14.1 million), and we repaid the aggregate outstanding principal amount under the Santander 2017 Facility, together with accrued and unpaid interest and other amounts due under the Santander 2017 Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On July 29, 2020, the company, as borrower, the guarantors party thereto, and Sumitomo Mitsui Banking Corporation entered into a bilateral loan in an aggregate principal amount of €25 million (the "Sumitomo Facility"). The aggregate outstanding principal amount under the Sumitomo Facility as of September 30, 2021, was €25 million (U.S.$28.9 million), and we repaid the aggregate outstanding principal amount under the Sumitomo Facility, together with accrued and unpaid interest and other amounts due under the Sumitomo Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On March 17, 2020, the company, as borrower, the other borrowers and guarantors party thereto, and Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, entered into a bilateral loan in an aggregate principal amount of Ps.1,000 million (the "Scotiabank Facility"). The aggregate outstanding principal amount under the Scotiabank Facility as of September 30, 2021, was Ps.1,000 million (U.S.$49.2 million), and we repaid the aggregate outstanding principal amount under the Scotiabank Facility, together with accrued and unpaid interest and other amounts due under the Scotiabank Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On June 29, 2020, the company, as borrower, the other borrowers and guarantors party thereto, BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, as administrative agent, and Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat and BBVA

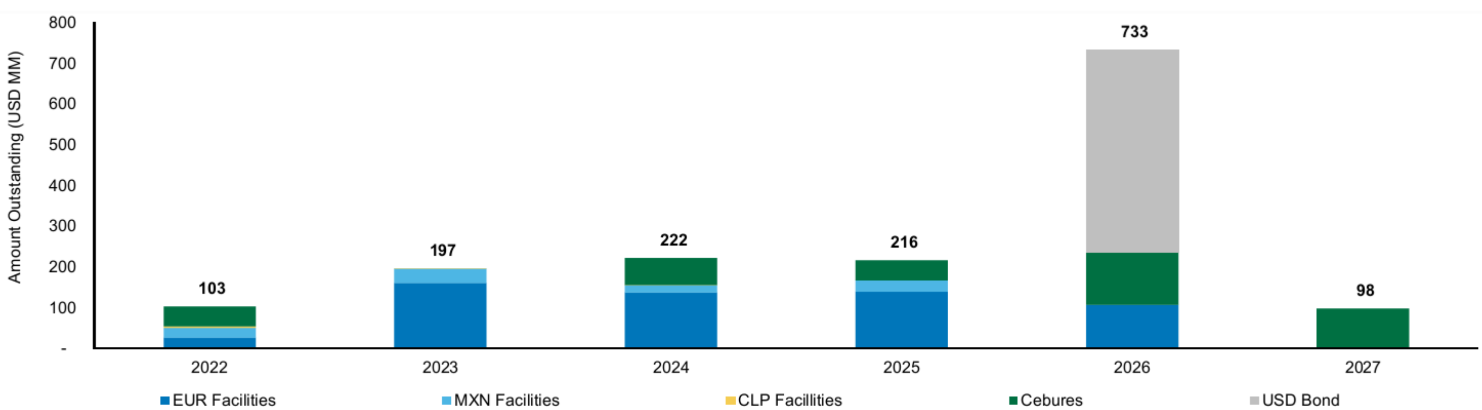
México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, as lenders, entered into a syndicated loan in aggregate principal amount of Ps.2,500 million (the “2020 Syndicated Peso Facility”). The aggregate outstanding principal amount under the 2020 Syndicated Peso Facility as of September 30, 2021, was Ps.2,000 million (U.S.$98.3 million), and we repaid the aggregate outstanding principal amount under the 2020 Syndicated Peso Facility, together with accrued and unpaid interest and other amounts due under the 2020 Syndicated Peso Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- On May 28, 2021, the company, as borrower, the other borrowers and guarantors party thereto, BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, as administrative agent, and Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat and BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, as lenders, entered into a syndicated loan in aggregate principal amount of Ps.500 million (the “2021 Syndicated Peso Facility”). The aggregate outstanding principal amount under the 2021 Syndicated Peso Facility as of September 30, 2021, was Ps.500 million (U.S.$24.5 million), and we repaid the aggregate outstanding principal amount under the 2021 Syndicated Peso Facility, together with accrued and unpaid interest and other amounts due under the 2021 Syndicated Peso Facility through the repayment date with the proceeds from the Alsea 2026 Notes.

- The company has entered into several capital leases with Banco Bilbao Vizcaya Argentaria S.A. or affiliates thereof, with different maturity dates (the “BBVA Leases”). The aggregate residual value under the BBVA Leases as of September 30, 2021, was Ps.297 million (U.S.$14.6 million) and we intend to partially repay amounts owed under the BBVA Leases.

- On November 27, 2017, the company, as borrower, and Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo, as lender, entered into a credit agreement in an aggregate principal amount of Ps.1,853.7 million (U.S.$91.2 million) (the “Bancomext Facility”). The aggregate outstanding principal amount under the Bancomext Facility as of September 30, 2021, was Ps.1,668.4 million (U.S.$82.0 million), and we repaid with cash on hand or with net proceeds from the sale of the notes an aggregate principal amount equal to Ps.81 million (U.S.$3.9 million).

The chart below shows our pro forma debt amortization profile giving effect to the Debt Refinancing Transaction as of September 30, 2021.



The Surviving Debt A&E Agreements

As part of the Debt Refinancing Transaction, on November 29, 2021 we entered into certain amendment agreements with our bank creditors under the Peninsula Facility, the Clover Facility (as defined below) and the Santander Euro Facility (as defined below), which became effective on December 13, 2021, upon the closing of the Alsea 2026 Notes offering and the consummation of the Debt Refinancing Transaction (such facilities as amended following the Debt Refinancing Transaction, the "Surviving Debt A&E Agreements"). Under the Surviving Debt A&E Agreements, the relevant bank creditors have agreed to, among others, extend the maturity date, amend and/or waive certain restrictive covenants and any potential event of defaults under the original Peninsula Facility, the Clover Facility and the Santander Euro Facility that could have arisen in connection with the Debt Refinancing Transaction had no such Surviving Debt A&E Agreements been in effect (including the issuance and sale of the notes). We are not required to request any consent from, or execute any other amendment agreements with, or obtain any other waiver from, our bank or other creditors to issue the notes offered hereby. See "Terms of the Surviving Debt A&E Agreements".

Results for the fourth quarter of 2021

Our results for the fourth quarter of 2021 are not yet available as of the date of this offering memorandum. We expect to finalize our financial statements as of and for the year ended December 31, 2021 after this offering is completed. Based on preliminary information available to us as of the date of this offering memorandum. Except for the last two weeks of December 2021, which were impacted by the decrease in traffic at our restaurants and stores due to the "omicron" variant of the COVID-19 virus, we expect the results for the year ended December 31, 2021 to be consistent with the trends reflected in the unaudited consolidated financial information for the nine months ended September 30, 2021, included elsewhere in this offering memorandum.

The information above is based on our reasonable estimates and preliminary information available as of the date of this offering memorandum. Internal reviews, procedures and authorizations necessary to complete our financial statements as of and for the year ended December 31, 2021 are ongoing as of the date of this offering memorandum. Therefore, we cannot provide any assurances that the actual results for the year ended December 31, 2021 will be consistent with the results of the prior quarters of the same year or same periods in the previous years.

Organizational Chart

The chart below shows our simplified organizational chart based on our main geographic regions. All figures below are as of or for the nine months ended September 30, 2021. Figures only include guarantor subsidiaries (including subsidiaries that are required to become guarantors within 120 days from the issue date of the notes).

Alsea

Main shareholders(1)	38.46%
Board members(2)	
Shares' trust(3)	2.21%
Market	0.33%
	59.00%

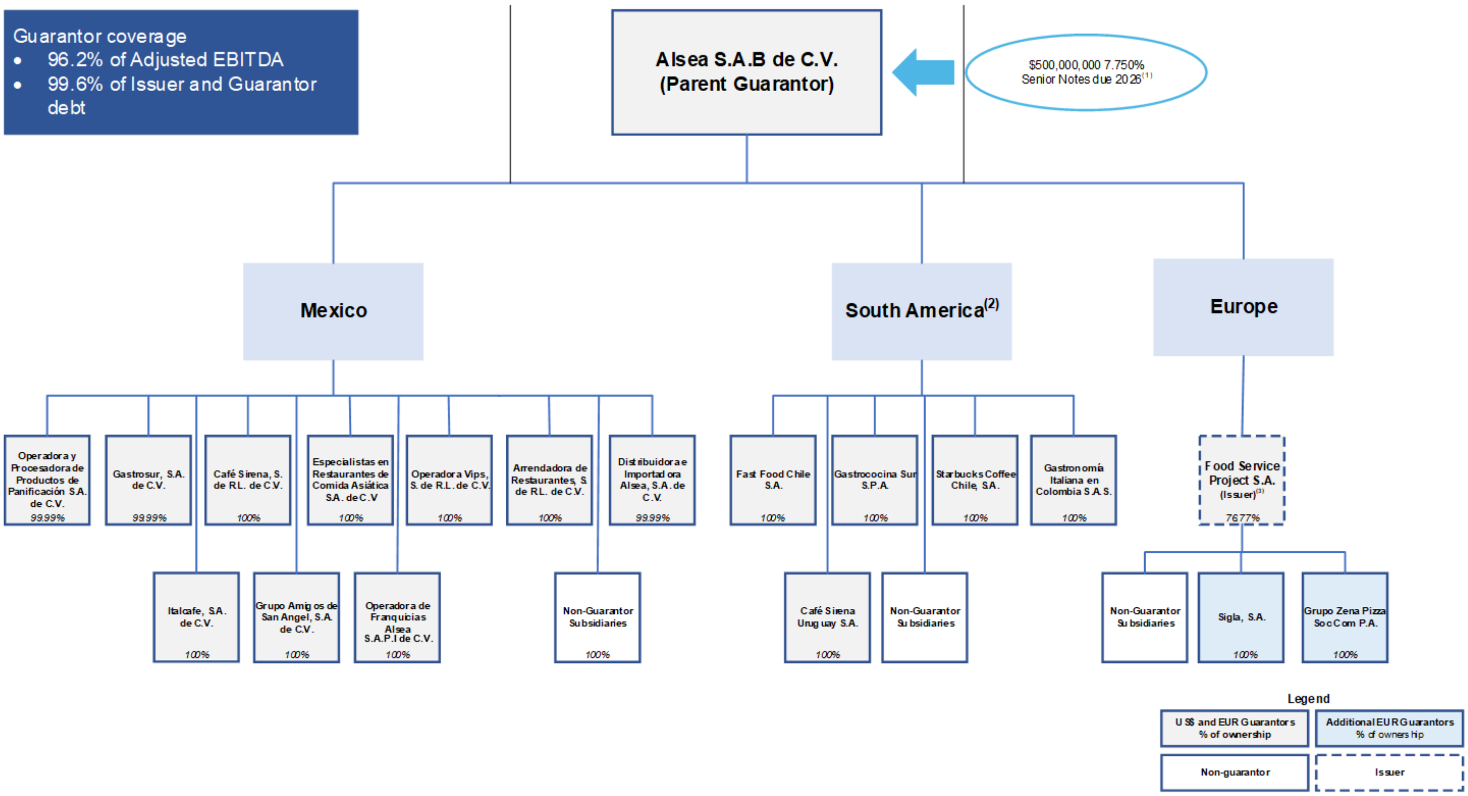
Mexico	South America	Europe
Net Sales: 42.6%	Net Sales: 18.4%	Net Sales: 34.4%
Adjusted EBITDA: 44.1%	Adjusted EBITDA: 18.1%	Adjusted EBITDA: 33.4%
Debt: 58.2%	Debt: 0.4%	Debt: 41.4%

Subsidiary	Business	% of ownership
Mexico		
Panadería y Alimentos para Food Service, S.A. de C.V.	Food distributor for Alsea brands	100.00
Café Sirena, S. de R.L de C.V.	Starbucks	100.00
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Domino's Pizza	99.99
Gastrosur, S.A. de C.V.	Chili's Grill and Bar	99.99
Especialista en Restaurantes de Comida Estilo Asiática S.A. de C.V.	P.F. Chang's	100.00
Distribuidora e Importadora Alsea, S.A. de C.V.	Food and supplies distributor Alsea	99.99
Italcafé, S.A. de C.V.	Italianni's	100.00
Grupo Amigos de San Ángel, S.A. de C.V.	Italianni's	100.00
Operadora Vips, S. de R.L. de C.V.	Vips, El Portón and La Finca	100.00
Arrendadora de Restaurantes, S. de R.L.	Real estate	100.00
South America		
Fast Food Chile, S.A.	Burger King brand Chile	100.00
Gastrococina Sur S.P.A.		100.00
Starbucks Coffee Chile, S.A.	Starbucks Chile	100.00
Gastronomía Italiana en Colombia S.A.S.	Archie's	100.00
Café Sirena Uruguay S.A.	Starbucks Uruguay	100.00
Europe		
Food Service Project S.A.	European brands	76.77(4)

(1) Participation of main shareholders includes the 2.75% belonging to Ms. Alicia Martinez.
(2) Board members participation does not include main shareholders and only includes proprietary board members: Fabian Gosselin Castro y Federico Tejado Bárcena.
(3) Trust administration contract No. 16881-3 celebrated with Banco Nacional de México, S.A., member of Grupo Financiero Banamex, Fiduciary Division; and
(4) Minority stakeholders: Britania (10.5324%), Carrot River (4.9956%), ProA (2.5675%), and minority shareholders (5.1349%).

Corporate Organization Chart

The chart below shows Alsea's corporate organization chart as of the date of this offering memorandum.



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(1) Issued on December 13, 2021.

(2) Pursuant to the terms of the indenture, the parent guarantor will agree to cause the following subsidiaries to provide a note guarantee in respect of the notes within 120 days following the initial issue date of the notes: Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A. No assurance can be given that such entities will effectively provide a note guarantee within such 120 days or at all.

(3) Other stakeholders: Britania (10.53%),Carrot River Holding (5.00%), ProA Capital Iberian Buyout Fund II (2.57%), Minority Shareholders (5.13%); On October 1, 2021, Alsea together with Alia Capital Partners and Bain Capital Credit agreed to co-invest €110.8 million in Food Service Project. As a result of the transaction, Bain indirectly acquired a 10.5% interest in the issuer through Britania Investments, S.à r.l., and Alsea's stake increased to 76.8%.

Corporate Information

The issuer is a public limited liability company (*sociedad anónima*), incorporated under the laws of Spain for an indefinite term on December 7, 2000, with registered offices located at Camino de la Zarzuela 1, 28023 Madrid, Spain, registered with the Commercial Registry of Madrid at Volume 33,888, Page 207 and Sheet M-271,121, with Spanish Tax Identification Number (N.I.F.) A-82798943 and LEI Code 959800201400058l2514.

The parent's corporate headquarters are located at Avenida Revolución 1267, Torre Corporativa Piso 21, Colonia Los Alpes, Alcaldía Álvaro Obregón, 01040, Mexico City, Mexico. Its telephone number at this address is

+(52 55) 7583 2000. Its website is https://www.alsea.net/. The information contained in or accessible through such website is not incorporated by reference in and does not constitute part of this offering memorandum.

The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer	Food Service Project, S.A.
Notes Offered	€ 300,000,000 aggregate principal amount of 5.500% unsecured and unsubordinated notes due 2027.
Issue Price.......................................	100.000%, *plus* accrued interest, if any, from January 21, 2022.
Guarantors	The notes will initially be irrevocably and unconditionally guaranteed on an unsecured and unsubordinated basis by Alsea, S.A.B. de C.V., Grupo Zena Pizza, Soc.Com.P.A., Sigla, S.A.U., Especialistas en Restaurantes de Comida Asiática S.A. de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. In addition, to the extent not already a guarantor pursuant to the terms of any other provision of the indenture, within 120 days from the issue date of the notes, the parent guarantor will cause each of Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A. to become a guarantor. See "Description of the Notes—Note Guarantees."
Maturity Date	January 21, 2027.
Interest	The notes will accrue interest from and including January 21, 2022 at the rate of 5.500% per annum, payable semi-annually in arrears.
Interest Payment Dates	July 21 and January 21 of each year, commencing on July 21, 2022.
Ranking	The notes will be the issuer's unsecured and unsubordinated obligations and will, other than with respect to certain obligations given preferential treatment pursuant to applicable law (including labor and tax claims and claims of secured creditors), rank *pari passu* in right of payment with all of the issuer's other existing and future unsecured and unsubordinated indebtedness. The notes will rank senior to all of the issuer's existing and future subordinated indebtedness. The notes will not have the benefit of any collateral securing any of the issuer's existing or future secured indebtedness. Each guarantee will be each guarantor's unsecured obligation and will, other than with respect to certain obligations given preferential treatment pursuant to applicable laws (including labor and tax claims and claims of secured creditors) with respect to such guarantor, rank pari passu in right of payment with such guarantor's other existing and future unsecured and unsubordinated indebtedness. The guarantees will rank senior to all of our existing and future subordinated indebtedness of the applicable guarantor. The guarantees will not have the benefit of any collateral securing any of our and the guarantors' existing and future secured indebtedness.

See "Risk Factors—Risk Related to the Notes—The notes and the guarantees will be effectively subordinated to any existing and future secured debt, and will be structurally subordinated to the liabilities of our non-guarantor subsidiaries."

As of September 30, 2021, our total consolidated indebtedness including lease liabilities was Ps.52,105 million (U.S.$2,563.4 million) and our total consolidated indebtedness excluding lease liabilities was Ps.31,949 million (U.S.$1,571.7 million) of which Ps.14,506 million (U.S.$713.6 million) was secured indebtedness, Ps.17,443 million (U.S.$858.1 million) was unsecured indebtedness and Ps.13,326 million (U.S.$655.5 million) constituted indebtedness of the parent's non-guarantor subsidiaries.

Use of Proceeds .... The issuer intends to use the net proceeds of this offering to repay certain of its indebtedness, and to pay fees and expenses incurred in connection with this offering. See "Use of Proceeds."

Certain Covenants .... The indenture governing the notes will, among other things, limit the parent guarantor's, the issuer's and their respective subsidiaries' ability to:

- incur additional indebtedness or guarantees;
- make restricted payments;
- make asset sales and sales of subsidiary stock;
- designate unrestricted subsidiaries;
- pay dividends and other distributions affecting restricted subsidiaries;
- create Liens;
- engage in transactions with affiliates; and
- engage in mergers, consolidations and transfers of substantially all of the issuer's assets.

However, these covenants are subject to a number of significant qualifications and exceptions. In addition, if the notes obtain investment grade ratings by at least two rating agencies and no payment default has occurred and is continuing, the foregoing covenants will cease to be in effect for so long as the notes maintain such ratings. See "Description of the Notes."

Change of Control .... If a Change of Control Event (as defined in the indenture governing the notes) occurs, the issuer must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, *plus* accrued and unpaid interest, if any to but not including the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following the occurrence of a Change of Control Event, the issuer shall give notice of the Change of Control Offer (as defined in the indenture governing the notes) to each holder.

In the event that the holders of not less than 90.0% of the aggregate principal amount of outstanding notes accept the Change of Control Offer and the issuer or a third party purchase all the notes held by such holders, the issuer will have the right to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to that of the Change of Control Payment (as defined in the indenture governing the notes) *plus*, to the extent not included in the Change of Control Payment, accrued and unpaid interest and additional amounts, if any, on the notes that remain outstanding, to, but excluding, the date of redemption.

See "Description of the Notes—Repurchase at the Option of Holders Upon a Change of Control Event."

Additional Amounts	The issuer and the guarantors will make all payments in respect of the notes free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments, interest, penalties or other governmental charges of whatever nature imposed or levied by or on behalf of any taxing authority, unless such withholding or deduction is required by applicable law. See "Description of the Notes—Payment of Additional Amounts." If any withholding or deduction is required by law, the issuer or the guarantors will pay additional amounts in respect of those payments under the notes to the applicable holder so that the amount the applicable holder receives after withholding such taxes will equal the amount that they would have received if no such withholding or deduction had been applicable, subject to limitations and exceptions as described under "Description of the Notes—Payment of Additional Amounts." In particular, if the Paying Agent fails or, for any reason, is unable to deliver to the issuer or the Spanish guarantor, as the case may be, a duly executed and completed payment statement from the Paying Agent, as may be required in order to comply with the procedures set forth under Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July in a timely manner as set forth in Section 44.5 of Royal Decree 1065/2007, the issuer or the Spanish Guarantor, as the case may be, will apply Spanish withholding tax on the payments made under the notes at the applicable tax rate (19%, as of the date of this offering memorandum) and will not pay to the noteholder any additional amounts with respect to any such withholding (see "Taxation — Spanish Tax Considerations — Compliance with Certain Requirements in Connection with Income Payments").
Taxation..	You should consult your tax advisor with respect to the Spanish, Mexican and U.S. tax considerations (as well as tax considerations of any other taxing jurisdiction which may be applicable to a particular holder) relating to the purchasing, holding or disposing of the notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any federal, state, regional, municipal, local, foreign or other taxing jurisdiction and under double taxation treaties to which Spain or Mexico are a party and that are in effect. See "Taxation" for a summary of certain Spanish tax consideration, Mexican federal income tax considerations and U.S. federal income tax considerations of an investment in the notes.
Optional Redemption.....................	*Make-Whole Redemption.* Prior to January 21, 2024, the issuer will have the right, at its option, to redeem any of the notes, in whole or in part, at any time or from time to time, upon at least 10 days' but not more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the notes, plus the greater of (a) 1.00% of the principal amount of such note on such redemption date and (b) the excess of (i) the sum of the present value of the redemption price of the notes to be redeemed at January 21, 2024 (such redemption price being set forth in the table appearing above) plus each remaining scheduled payment of interest thereon during the period between the redemption date and January 21, 2024 (exclusive of interest

accrued to the date of redemption), in each case discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Bund Rate plus 50 basis points over (ii) the outstanding principal amount of the note (the "Make-Whole Amount"), plus in each case, accrued interest on the principal amount of the notes to (but excluding) the date of redemption.

Optional Redemption. The issuer may redeem the notes, at its option, in whole at any time or in part from time to time, on and after January 21, 2024, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on January 21 of any year set forth below, *plus* in each case, accrued interest on the principal amount of the notes to (but excluding) the date of redemption:

Year	**Percentage**
2024	102.750%
2025	101.375%
2026 and thereafter..........................	100.000%

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to January 21, 2024, the issuer may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the notes issued under the Indenture at a redemption price equal to 105.500% of the principal amount thereof *plus* accrued interest on the principal amount of the notes to (but excluding) the date of redemption; *provided,* that:

(1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding; and

(2) the issuer shall make such redemption not more than 60 days after the consummation of such Equity Offering.

Optional Tax Redemption .... The issuer may redeem all, but not less than all, of the notes at any time at a price equal to 100% of the outstanding principal amount thereof, *plus* accrued and unpaid interest and pay any Additional Amounts due thereon up to but not including the date of redemption, if, as a result of any amendment to or change in the laws (or any rules or regulations or rulings promulgated thereunder or any amendment to or change in an official interpretation or application thereof), the issuer becomes obligated or will become obligated, in each case, after taking all reasonable measures to avoid this requirement to pay Additional Amounts in excess of those payable with respect to the notes as of the Issue Date in respect of any interest to be paid on the next interest payment date. See "Description of the Notes—Optional Redemption—Optional Tax Redemption."

Open Market Purchases.................. In addition to the issuer's right to redeem the notes as set forth above, we may purchase the notes in open-market transactions, tender offers or otherwise at any price, in compliance with applicable securities laws. Upon purchase of the notes by us, the purchased notes will be surrendered to the trustee for cancellation.

Transfer Restrictions	This offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."
Further Issuances	The issuer reserves the right, from time to time without the consent of holders of the notes, to issue additional notes on terms and conditions identical to those of the notes offered hereby; *provided*, however, that unless such additional notes are issued under a separate CUSIP number, either such additional notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes.
Book-Entry; Delivery and Form	The notes will be initially issued in the form of (i) one or more Rule 144A global notes (the "Rule 144A Global Notes"), offered and sold to "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the Securities Act), and (ii) one or more Regulation S global notes (the "Regulation S Global Notes" and together with the Rule 144A Global Notes, the "Global Notes"), offered and sold to persons other than "U.S. persons" (as defined in Regulation S) in offshore transactions in reliance on Regulation S under the Securities Act. Each Global Note will be deposited upon issuance with a common depository for Euroclear and Clearstream, in each case for credit to the account of a direct or indirect participant of Euroclear and/or Clearstream. Investors in the Global Notes who are participants in Euroclear and/or Clearstream may hold their interests in the Global Notes directly through Euroclear and/or Clearstream. Investors in the Global Notes who are not participants in Euroclear and/or Clearstream may hold their interests indirectly through organizations that are participants in Euroclear and/or Clearstream. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and/or Clearstream and indirect participants (with respect to other owners of beneficial interests in the Global Notes) and any such interest may not be exchanged for certificated securities, except in limited circumstances. See "Book-Entry, Delivery and Form." Certificated notes cannot be traded through the facilities of Euroclear and/or Clearstream. The notes will be issued only in denominations of €100,000 and integral multiples of €1,000 in excess thereof."
Settlement	The notes will be delivered in book-entry form through the facilities of Euroclear and Clearstream.
Governing Law	The indenture, the notes and the note guarantees will be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. In particular, the due authorization of the notes and the tax regime applicable to payments made by the issuer under the notes will be governed by, and construed in accordance with, the laws of Spain. The Spanish Deed of Issuance shall be governed by, and construed in accordance with Spanish law.
Listing Agent	DLA Piper UK LLP.

Listing	Application will be made for the listing and quotation of the notes on the SGX-ST. The issuer cannot assure you, however, that this application will be accepted, or if accepted, that, once listed, the notes will remain so listed. The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currency) for so long as the notes are listed on the SGX-ST.
Risk Factors	Investing in the notes involves significant risks. See "Risk Factors" beginning on page 38 for a discussion of certain risk factors you should carefully consider in evaluating an investment in the notes.
Securities Codes	The notes will be assigned the following securities codes:

144A:	ISIN:	XS2432310436
	Common Code:	243231043
Regulation S:	ISIN:	XS2432286974
	Common Code:	243228697

Summary Consolidated Financial and Other Information

We do not present in this offering memorandum any financial statements of the issuer. All historical financial statements included in this offering memorandum are those of the parent and its subsidiaries, which includes the issuer. Any financial information of the issuer presented in this offering memorandum, is included for illustrative purposes only and does not intend to be comprehensive or sufficient.

The following tables present our summary consolidated financial and operating information, as of the dates and for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements, including the notes thereto, contained elsewhere in this offering memorandum and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum.

The consolidated financial information as of and for the years ended December 31, 2020, 2019 and 2018 has been derived from our audited consolidated financial statements contained elsewhere in this offering memorandum.

The consolidated financial information as of September 30, 2021, and for the nine months ended September 30, 2021 and 2020 has been derived from our unaudited condensed consolidated interim financial statements contained elsewhere in this offering memorandum. The results of operations for the nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any other period.

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the IASB. We are not providing any reconciliation to U.S. GAAP of our consolidated financial statements or other financial information in this offering memorandum. We cannot assure you that a reconciliation would not identify material quantitative differences between our consolidated financial statements and other financial information as prepared on the basis of IFRS if such information were to be prepared on the basis of U.S. GAAP.

Our consolidated financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2020 and the nine months ended September 30, 2021 included in this offering memorandum is presented in U.S. dollars for the convenience of the investors. See "Presentation of Financial and Other Information—Currency and Other Information."

For additional information regarding financial information presented in this offering memorandum, see "Presentation of Financial and Other Information."

Parent guarantor and its subsidiaries

Consolidated Statements of Income

	For the year ended December 31, 2018	2019	2020
	(in thousands of Mexican pesos)		
Continuing operations			
Net sales	Ps. 46,156,590	Ps. 58,154,617	Ps. 38,495,420
Cost of sales	14,187,508	17,164,021	11,454,884
Depreciation and amortization	3,114,728	8,046,665	8,435,190
Employee benefits	11,557,626	16,044,061	12,138,673
Services	2,533,938	2,872,443	2,004,405
Advertising	1,644,825	2,026,539	1,398,352
Royalties	1,460,437	1,779,165	1,124,108
Repair and maintenance	923,279	1,080,830	866,926
Supplies	852,515	928,544	765,373
Distribution	644,022	613,309	521,046
Other operating expenses	5,944,126	3,028,149	1,303,972
(Loss) operating profit	3,293,586	4,570,891	(1,517,509)
Interest income	(56,526)	(101,168)	(118,987)
Interest expenses	1,627,938	3,123,023	3,225,511
Changes in the fair value of financial instruments	(114,806)	(201,142)	456,548
Exchange loss (gain), net	(636)	29,083	11,318
	1,455,970	2,849,796	3,574,390
Equity in results of associated companies	-	(942)	(2,647)
(Loss) income before income taxes	1,837,616	1,720,153	(5,094,546)
(Profit) income taxes	698,294	635,420	(1,199,088)
Consolidated net (loss) income from continuing operations	1,139,322	1,084,733	(3,895,458)
Net (loss) income for the year attributable to:			
Controlling interest	953,251	926,669	(3,235,574)
Non-controlling interest	186,071	158,064	(659,884)
Earnings per share:			
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	1.14	1.11	(3.86)
Basic and diluted net earnings per share from continuing operations (cents per share)	1.14	1.11	(3.86)

	For the nine-month period ended September 30,	
	2020	2021
	(in thousands of Mexican pesos)	
Continuing operations		
Net sales	Ps. 27,198,385	Ps. 36,647,357
Cost of sales exclusive of depreciation and amortization shown separately below	8,917,367	11,610,430
Depreciation and amortization	6,194,393	5,913,565
Selling expenses	12,580,983	14,487,716
Administrative expenses	1,721,635	2,203,408
Other operating expenses	215,930	308,717
Operating profit (loss)	(2,431,923)	2,123,521
Interest income	(125,542)	(90,243)
Interest expenses	2,451,328	2,513,508
Changes in the fair value of financial instruments	572,865	(74,981)
Exchange loss (gain), net	(663,138)	(61,796)
Equity in results of associates	(2,887)	743
Income (loss) before income taxes	(4,670,323)	(162,224)
Income tax (benefit) expense	(707,402)	(22,331)
Consolidated net income (loss) from continuing operations	(3,962,921)	(139,893)

Consolidated Statements of Financial Position

Assets	2018	As of December 31, 2019 (in thousands of Mexican pesos)	2020
Current assets:			
Cash and cash equivalents	Ps. 1,987,857	Ps.2,568,771	Ps.3,932,409
Customers, net	582,135	764,902	890,484
Value-added tax and other recoverable taxes	286,360	338,597	1,274,055
Other accounts receivable	211,086	682,319	730,291
Inventories	2,120,208	1,779,646	1,617,570
Non-current assets classified as held for sale	70,340	52,546	-
Advance payments	412,676	289,885	328,034
Total current assets	5,670,662	6,476,666	8,772,843
Long-term assets:			
Guarantee deposits	863,512	753,850	1,789,833
Investment in shares of associated companies	14,296	85,471	90,110
Store equipment, leasehold improvements and property, net	18,960,250	16,692,801	15,879,778
Right of use assets	-	21,192,657	23,423,275
Intangible assets, net	27,779,352	27,375,209	28,816,687
Deferred income taxes	2,867,571	3,835,593	4,665,412
Total long-term assets	50,484,981	69,935,581	74,665,095
Total assets	Ps.56,155,643	Ps.76,412,247	Ps.83,437,938

Liabilities and stockholders' equity	As of December 31, 2018	2019	2020
	(in thousands of Mexican pesos)		
Current liabilities:			
Current maturities of long-term debt	Ps.2,586,553	Ps.305,668	Ps.24,233,053
Current obligation under finance leases	6,799	3,915,338	4,207,633
Debt instruments	-	-	7,979,149
Suppliers	2,290,788	2,327,048	2,949,829
Factoring of suppliers	757,976	889,046	654,115
Accounts payable to creditors	2,326,156	2,234,461	2,834,150
Accrued expenses and employee benefits	4,239,559	3,278,798	4,279,180
Option to sell the non-controlling interest	2,506,006	2,304,864	2,701,407
Total current liabilities	14,713,837	15,255,223	49,838,516
Long-term liabilities:			
Long-term debt, not including current maturities	16,040,204	17,102,448	-
Obligation under finance leases	284,375	19,542,694	21,092,417
Debt instruments	6,983,244	7,973,765	-
Other liabilities	758,053	416,663	265,050
Deferred income taxes	3,772,048	4,365,095	4,364,054
Employee retirement benefits	151,988	213,797	244,056
Total long-term liabilities	27,989,912	49,614,462	25,965,577
Total liabilities	42,703,749	64,869,685	75,804,093
Stockholders' equity:			
Capital stock	478,749	478,749	478,749
Premium on share issue	8,444,420	8,670,873	8,676,827
Retained earnings	3,906,447	2,551,874	-683,700
Reserve for repurchase of shares	660,000	660,000	660,000
Reserve for obligation under put option of non-controlling interest	(2,013,801)	(2,013,801)	(2,013,801)
Other comprehensive income items	97,337	(766,696)	(814,676)
Stockholders' equity attributable to the controlling interest	11,573,152	9,580,999	6,303,399
Non-controlling interest	1,878,742	1,961,563	1,330,446
Total stockholders' equity	13,451,894	11,542,562	7,633,845
Total liabilities and stockholders' equity	Ps.56,155,643	Ps.76,412,247	Ps.83,437,938

Assets	As of December 31, 2020	As of September 30, 2021
	(in thousands of Mexican pesos)	
Current assets:		
Cash and cash equivalents	Ps.3,932,409	Ps.3,585,129
Customers, net	890,484	1,044,611
Value-added tax and other recoverable taxes	1,274,055	689,767
Other accounts receivable	730,291	746,914
Inventories, net	1,617,570	1,853,084
Advance payments	328,034	597,741
Total current assets	8,772,843	8,517,246
Long-term assets:		
Guarantee deposits, mainly bank deposits	1,789,833	1,515,478
Investment in shares	90,110	111,162
Store equipment, leasehold improvements and property, net	15,879,778	14,737,663
Right of use assets	23,423,275	21,995,575
Intangible assets, net	28,816,687	28,277,453
Deferred income taxes	4,665,412	4,915,682
Total long-term assets	74,665,095	71,553,013
Total assets	Ps.83,437,938	Ps.80,070,259

Liabilities and stockholders' equity	As of December 31, 2020	As of September 30, 2021
	(in thousands of Mexican pesos)	
Current liabilities:		
Current maturities of long-term debt	Ps.24,233,053	Ps.23,968,538
Current obligation under finance leases	4,207,633	4,215,031
Debt instruments	7,979,149	7,981,454
Suppliers	2,949,829	2,417,569
Factoring of suppliers	654,115	757,959
Accounts payable to creditors	2,834,150	3,062,039
Accrued expenses and employee benefits	4,279,180	3,768,338
Option to sell the non-controlling interest	2,701,407	1,420,723
Total current liabilities	49,838,516	47,591,651
Long-term liabilities:		
Obligation under finance leases	21,092,417	19,525,400
Other liabilities	265,050	904,783
Deferred income taxes	4,364,054	4,052,613
Employee retirement benefits	244,056	254,138
Total long-term liabilities	25,965,577	24,736,934
Total liabilities	75,804,093	72,328,585
Stockholders' equity:		
Capital stock	478,749	478,749
Premium on share issue	8,676,827	8,676,827
Reserve for repurchase of shares	660,000	660,000
Reserve for obligation under put option of non-controlling interest	(2,013,801)	(808,098)
Retained earnings	(683,700)	(1,889,482)
Other comprehensive income items	(814,676)	(170,454)
Stockholders' equity attributable to the controlling interest	6,303,399	6,947,542
Non-controlling interest	1,330,446	794,132
Total stockholders' equity	7,633,845	7,741,674
Total liabilities and stockholders' equity	Ps.83,437,938	Ps.80,070,259

Units

The following table shows our number of units, by brand category and country as of the end of each of the past three years.

Units

Brands	As of December 31,			As of September 30,	
	2018	2019	2020	2021	(% Corporate Units)
Domino's Mexico[1]	759	800	781	790	55.3%
Domino's Colombia[1]	98	105	116	131	71.0%
Domino's Spain[1]	282	315	337	350	82.9%
Burger King Mexico	424	182	175	174	100.0%
Burger King Argentina	121	122	115	115	100.0%
Burger King Chile	45	55	57	58	100.0%
Burger King Colombia	17	-	-	-	-
Burger King Spain	59	60	55	54	100.0%
Total fast-food units	**1,805**	**1,639**	**1,636**	**1,672**	**73.0%**
Starbucks Mexico	723	749	747	741	100.0%
Starbucks Chile	121	133	134	138	100.0%
Starbucks Colombia	32	32	30	33	100.0%
Starbucks Argentina	143	144	132	132	100.0%
Starbucks Uruguay	-	8	9	9	100.0%
Starbucks Spain[2]	-	147	140	140	84.3%
Starbucks France[2]	-	184	188	199	35.2%
Starbucks Netherlands[2]	-	85	88	90	17.8%
Starbucks Portugal[2]	-	23	21	22	86.4%
Starbucks Belgium[2]	-	30	31	32	0.0%
Starbucks Luxembourg[2]	-	4	4	4	0.0%
Total Coffee Shops units	**1,024**	**1,539**	**1,524**	**1,540**	**82.9%**
Chili's Grill & Bar Mexico	72	75	71	71	100.0%
Chili's Grill & Bar Chile	4	5	5	5	100.0%
California Pizza Kitchen Mexico[3]	16	-	-	-	-
P.F. Chang's Mexico	25	25	25	26	100.0%
P.F. Chang's South America	10	5	7	7	100.0%
El Portón	64	46	16	16	100.0%
Italianni's Mexico[4]	95	93	79	76	78.9%
The Cheesecake Factory	3	5	6	6	100.0%
Archies Colombia	32	31	28	28	100.0%
Foster's Hollywood[5]	229	233	229	227	43.6%
Cañas y Tapa	19	17	1	-	-
Ginos	-	131	121	121	68.6%
TGI Fridays	-	17	13	13	100.0%
Wagamama	-	5	-	-	-
Corazón de Barro	-	3	2	2	100.0%
La Casa del Comal	-	1	-	-	-
Ole Mole	-	1	2	5	60.0%
Total Casual Dining units	**573**	**693**	**605**	**603**	**69.5%**
Vips Smart	-	38	39	41	39.0%
Foster Hollywood Street	-	1	1	2	50.0%
Total Fast Casual units	-	**39**	**40**	**43**	**39.5%**
Vips[6]	286	400	388	361	92%
Total Family Dining units	**286**	**400**	**388**	**361**	**92%**
TOTAL UNITS	**3,688**	**4,310**	**4,193**	**4,219**	**77.4%**
Total Company units	**2,947**	**3,419**	**3,284**	**3,264**	
Total sub-franchised units	**741**	**891**	**909**	**955**	

(1) Includes sub-franchises of Domino's Pizza in Mexico, Domino's Pizza in Colombia and Domino's Pizza in Spain.
(2) Includes sub-franchises of Starbucks in Spain, Portugal, France, Netherlands, Belgium and Luxembourg.
(3) Includes sub-franchises of California Pizza Kitchen in Mexico.
(4) Includes sub-franchises of Italianni's in Mexico.
(5) Includes sub-franchises of Foster's Hollywood in Spain.
(6) Includes sub-franchises of Vips in Mexico and Spain.

Financial Information by Business Segment

The following tables contain a summary of our selected consolidated financial information by business segment:

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
	(in millions of Mexican pesos)					
Net sales by business segment:						
Food and beverages, Mexico....................	25,462	27,217	19,067	23,665	13,547	18,145
Food and beverages, Europe	9,862	21,206	13,861	16,605	9,858	12,602
Food and beverages, South America........	10,832	9,732	5,568	7,675	3,793	5,900
Total...	**46,156**	**58,155**	**38,496**	**47,945**	**27,198**	**36,647**
Adjusted EBITDA by business segment:						
Food and beverages, Mexico....................	4,348	7,136	3,966	5,889	2,535	4,458
Food and beverages, Europe …………	1,367	4,314	2,370	3,905	1,146	2,682
Food and beverages, South America	693	1,168	582	1,398	82	898
Total...	**6,408**	**12,618**	**6,918**	**11,192**	**3,763**	**8,038**

(1) Net financing cost represents the sum of interest income, interest expense and foreign currency exchange gain – net.

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
	(in millions of Mexican pesos)					
Adjusted EBITDA Reconciliation Food and beverages, Mexico:						
Adjusted EBITDA	4,348	7,136	3,966	5,889	2,535	4,458
Less:						
Depreciation and amortization......................	2,123	3,921	3,616	3,285	2,865	2,534
Equity in results of associated companies.....	-	-	(2)	0.983	(2)	1
Net financing cost(1)......................................	939	1,978	2,947	2,733	1,818	1,603
Income before income taxes	1,285	1,237	(2,599)	(128)	(2,150)	321

(1) Net financing cost represents the sum of interest income, interest expense and foreign currency exchange gain – net.

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
	(in millions of Mexican pesos)					
Adjusted EBITDA Reconciliation Food and beverages, Europe:						
Adjusted EBITDA	1,367	4,314	2,370	3,905	1,146	2,682
Less:						
Depreciation and amortization	419	3,219	3,804	4,019	2,521	2,736
Net financing cost[(1)]	156	507	562	646	465	549
Income before income taxes	793	589	(1,997)	(760)	(1,840)	(604)

(1) Net financing cost represents the sum of interest income, interest expense and foreign currency exchange gain – net.

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
	(in millions of Mexican pesos)					
Adjusted EBITDA Reconciliation Food and beverages, South America:						
Adjusted EBITDA	693	1,168	582	1,397	82	898
Less:						
Depreciation and amortization	572	907	1,015	849	809	643
Equity in results of associated companies	-	(1)	(1)	-	(1)	-
Net financing cost[(1)]	361	365	65	246	(48)	134
Income before income taxes	(240)	(105)	(499)	302	(681)	121

(1) Net financing cost represents the sum of interest income, interest expense and foreign currency exchange gain – net.

Results of Operations by Geographic Region

The following table shows our net sales and the percentage of the total business that was transacted in each country, as of September 30, 2021.

	Net sales (in millions of pesos)	Percentage of total business
Geographic Region		
Mexico	18,145	50%
Argentina	2,285	6%
Chile	2,206	6%
Colombia	1,316	4%
Uruguay	92	0%
Europe	12,602	34%

Guarantor and Non-Guarantor Financial and Other Information

	Nine months ended September 30, 2021	
Issuer and guarantors[(1)] Adjusted EBITDA	7,735,553	96.2%
Non-guarantors Adjusted EBITDA	301,533	3.8%
Consolidated Adjusted EBITDA	8,037,085	100.0%

	Nine months ended September 30, 2021	
Issuer and guarantor[(1)] debt	31,837,810	99.6%
Non-guarantor debt	112,182	0.4%
Financial leases	23,740,431	-
Total debt	55,690,423	100.0%

(1) On the initial issue date for the notes, the following subsidiaries will provide a note guarantee in respect of the notes: Alsea, S.A.B. de C.V., Grupo Zena Pizza, Soc.Com.P.A., Sigla, S.A.U., Especialistas en Restaurantes de Comida Asiática S.A de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. Pursuant to the terms of the indenture, we will agree to cause the following subsidiaries to provide a note guarantee in respect of the notes within 120 days following the initial issue date of the notes: Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A. No assurance can be given that such entities will effectively provide a note guarantee within such 120 days or at all. See "Risk Factors—Risks Related to the Notes and the Guarantees—The notes and the guarantees will be effectively subordinated to any existing and future secured debt, and will be structurally subordinated to the liabilities of the parent's subsidiaries other than the guarantors and the issuer."

SUMMARIZED FINANCIAL INFORMATION

Issuer and its subsidiaries

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2021	(b)	(a)+(b)-(c)	(c)	(a)
				(in millions of Mexican pesos)		
Financial Position Data						
Current assets	Ps. 1,781	2,097	3,529	3,150	3,556	3,177
Long-term assets	19,298	34,727	37,333	33,157	39,939	35,763
Current liabilities	7,626	11,030	26,319	23,628	28,147	25,456
Long-term liabilities	9,999	22,385	12,705	11,322	13,528	12,145
Non-controlling interest	-	-	-	0	-	-
Income Statement Data						
Net sales	Ps. 9,862	21,206	13,861	16,605	9,858	12,603
Cost of sales	2,726	5,576	3,483	4,114	2,535	3,167
Depreciation and amortization	419	3,219	3,804	4,020	2,521	2,736
Consolidated net (loss) income from continuing operations	632	473	(1,417)	(452)	(1,414)	(449)
Net (loss) income for the year attributable to:						
Non-controlling interest	0	0	0	0	0	0
Controlling interest	Ps. 632	473	(1,417)	(452)	(1,414)	(449)

RISK FACTORS

An investment in the notes involves risks. You should consider carefully the following risk factors, as well as all the other information presented in this offering memorandum, before buying the notes. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial or we do not view as risks may also impair or affect us. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, financial condition, prospects and our ability to service our debt. In that event, the market price and liquidity of the notes could be materially adversely affected, and you could lose all or part of your investment in the notes.

Risks Related to Our Business

Pandemic and epidemic outbreaks such as those of COVID-19, influenza, avian flu and other animal-related diseases have had and could have a material adverse effect on our results of operations.

Any outbreak of any epidemic or pandemic entails important risks in the restaurant industry, due to government regulations ordering partial of total closures of points of sale, changes in consumer behavior and the related impact in the economic activity. Additionally, these pandemics have had and could have effects on the health of employees, present disruptions in the operation and supply chains. Pandemics and epidemics such as the influenza, avian flu and other animal-related diseases have appeared from time to time impacting different aspects of societies depending on their magnitude. At the end of December 2019, a new strain of COVID-19 appeared. As a result, the COVID-19 pandemic ensued and authorities mandated temporary closure of businesses dedicated to non-essential activities. During the period of the pandemic, different measures across our geographies to prevent the spread of the COVID-19 pandemic have been implemented as contagion rates increase and relaxed as such contagion rates decrease. As a result of these measures, some of our locations have experienced government mandated temporary closures, capacity limits and/or have had limited operations focused solely on delivery and/or take-out as described in further detail in the "Recent Developments" section of this offering memorandum.

After two years of the COVID-19 pandemic, uncertainty remains, in particular, due to the identification and spread of new variants such as the "delta" variant and the "omicron" variant. Also, we had to adopt certain measures to maintain our liquidity position and operations such as the elimination of all non-essential services, the temporary suspension of royalty payments, as agreed with franchisors, renegotiation of our contracts with landlords and financial institutions, an SKU reduction and the implementation of a flexible work schedule plan in our stores. As of the date of this offering memorandum, the extent the COVID-19 pandemic (including its variants) uncertain. The pandemics and epidemics (including the COVID-19 pandemic and its variants) have affected and may continue to adversely affect our business, financial condition and results of operations.

The outbreak of the COVID-19 (including its variants) has caused, and could continue to cause, disruptions in the regional and global economies and has impacted, and could continue to materially and adversely impact, our financial condition and results of operations.

In March 2020, the World Health Organization declared the COVID-19 a global pandemic and since then, other variants have been identified and are under investigation. COVID-19 has caused, and could continue to cause, widespread disruptions to local and global economies and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak is continually evolving and, as additional cases and variants of the virus are identified, many countries, including all of the countries where we operate, have reacted by instituting quarantines, restrictions on travel and/or mandatory closures of businesses. Certain states and cities, including where we operate, have reacted by encouraging the practice of social distancing, restricting the size of gatherings and instituting quarantines, restricting travel, imposing "stay-at-home" rules and restrictions on the types of businesses that may continue to operate.

The extent to which COVID-19 (including its variants) impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the scope, severity and duration of the COVID-19 pandemic and its variants, the actions taken to contain the pandemic or mitigate its impact, including the adoption and administration of available COVID-19 vaccines, and the effect and timing of the lifting of any current restrictions. In particular, different variants of the COVID-19 have emerged in England, Brazil, California and other areas. More infectious variants may have increased ability to re-infect people who have recovered from earlier versions of the coronavirus, and also be somewhat resistant to some of the coronavirus vaccines in development. For example one of such variants is called the "delta" variant (arising from India), which is considered a "variant of concern" by the World Health Organization and the Centers for Disease Control and Prevention because it appears to be more easily transmitted from one person to another. As of the date of this offering memorandum, "delta" variant is regarded as the most contagious form of the COVID-19 so far. On November 26, 2021, the World Health Organization designated a new variant first identified in South Africa, the "omicron" variant, as a variant of concern and evidence suggests an increased risk of reinfection with this variant, as compared to other variants of concern.

All of these developments could vary by geographic region, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation precludes any prediction as to the full adverse impact of COVID-19 (including its variants). Nevertheless, COVID-19 pandemic has adversely affected, and may continue to adversely affect, our business, financial condition and results of operations, and it may also have the effect of heightening many of the risks described in this "Risk Factors" section, including:

- a complete or partial closure of, or other operational issues at, one or more of our locations resulting from government action, including continued delays in re-opening or subsequent closures of previously re-opened locations;

- decreased levels of consumer spending and consumer confidence during the pandemic, as well as a decrease in traffic at our locations once re-opened, which could affect the ability of the locations to generate sufficient revenues to meet operating and other expenses;

- disruption and instability in the global financial markets or deteriorations in credit and financing conditions, which could make it difficult for us to access debt and equity capital on attractive terms, or at all, impact our ability to fund business activities, repay debt on a timely basis and renew, extend or replace any credit facility prior to its maturity, at all or on terms that are favorable to us;

- disruptions in the supply of materials or products;

- a general decline in business activity and demand, which could adversely affect our ability or desire to make strategic acquisitions or dispositions;

- the potential negative impact on the health of our personnel, particularly if a significant number of our executive management team or key employees are impacted, which could result in a deterioration in our ability to ensure business continuity during a disruption; and

- uncertainty as to whether government authorities will maintain the relaxation of current restrictions on businesses in the regions in which we operate, if such restrictions have been relaxed at all, and whether government authorities will impose (or recommend) requirements on the restaurant business, to further enhance health and safety protocols, or whether we will voluntarily adopt any such requirements ourselves, which could result in increased operating costs and demands on our management teams to ensure compliance with any such requirements.

To the extent the COVID-19 pandemic (including its variants) continues having an adverse effect on our business and results of operations, it can also increase the risk and the extent to which we are affected by other risk factors described in this section.

COVID-19 is constantly evolving and new variants such as Omicron continue to appear, and even as new restrictions are implemented, we demonstrated the strength and ability necessary to leverage our core capabilities in Europe to adapt quickly and improve our sales and results.

Any increase in the cost of our raw materials or in our other operating costs, or any disruption in our supply chain, could affect our results of operations.

Although we have procedures in place to anticipate changes in the cost of certain raw materials used in the preparation of our products, any increase in the cost of the ingredients used in our products that cannot be transferred to our customers could affect our results of operations. We are exposed to the risk of cost increases as a result of factors beyond our control, including macroeconomic conditions, seasonality factors, demand levels, climate changes and health regulations, among others. In addition, any increase in the cost of the energy sources used in our outlets, our production processes, and the transportation of our raw materials, could adversely affect our cost of sales and, accordingly, our results of operations. We are also exposed to the risks associated with commodity shortages, the handling of perishable products, potential shortages of primary food products, and droughts, among others.

We depend on our ability to attract and retain qualified executives and other personnel.

Our ability to implement our strategies and achieve our expansion goals depends to a large extent on our ability to attract, recruit, train and retain key executives and other personnel. We cannot guarantee that our current executives will remain with us, and if we are unable to identify other equally qualified individuals to replace any of them, our operations could be adversely affected. Given (i) the need to support our growth with a properly trained and motivated staff, (ii) our historically high personnel turnover rates, consistent with our industry's trends, and (iii) that labor costs constitute one of our largest cost items, in the future we may have to incur an increase in labor costs in order to recruit, select, train and retain the staff required to support our growth.

The markets in which we operate are characterized by intense competition.

The food service industry and the fast-food and casual dining markets are highly competitive in terms of price, product quality, innovation, marketing and advertising strategies, customer service, location and reputation. If our outlets (including, in particular, those operating under the Chili's trademark, to which we do not hold exclusive rights) are unable to successfully compete with other similar businesses in our current or future markets, our results of operations could be adversely affected. In addition, antitrust laws may impose limitations on our future business activities or restrict our ability to grow through new mergers or acquisitions.

Some of our brands are exposed to the risk of an increase in unfair competition as a result of the increase in size of the informal economy.

The size of the informal economy is measured in terms of the number of jobs that do not provide access to social security benefits. Some of our brands are exposed to the risk of an increase in unfair competition due to an increase in size of the informal economy. According to the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or "INEGI"), 56.2% of Mexico's labor force were engaged in some form of informal economic activity. Informal businesses have the unfair competitive advantage of not paying income or payroll taxes and tend to have lower overhead costs, enabling them to make their offerings less expensive than ours.

We may be unable to fulfill our obligations under our bank loans or debt instruments, or to restructure our financing arrangements.

As of the date of this offering memorandum, we are in compliance with all of our obligations under the agreements that document our bank loans, the COVID Related ICO Facilities (as defined below) and debt instruments or their restructurings. In the event that we default in the payment of any principal or interest under any of these arrangements, the relevant lender would be entitled to terminate the agreement, and accelerate our payment obligations with respect to the outstanding balance with that lender. For additional information concerning our obligations under the agreements documenting our bank loans and debt instruments or their restructuring, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Certain Indebtedness."

Our financing agreements contain certain restrictions that may limit our ability to operate our business, and our failure to comply with such restrictions could result in the acceleration of our payment obligations under these agreements.

We have several obligations under certain financing agreements. In the event we default on the payment of principal or interest, fail to deliver any financial information required by these agreements when due, or take any other action triggering the acceleration clause in one of our debt instruments, the acceleration clauses of our other loans could also be triggered. Given our current level of indebtedness, this would lead to a slowdown in our business operations and, consequently, a material decrease in sales, which would materially and adversely affect our financial condition and results of operations.

Our financing arrangements contain certain covenants that require us to maintain certain financial ratios.

As of September 30, 2021, agreements governing our bank debt contained certain financial covenants requiring us to maintain (i) a minimum liquidity position of Ps.3,000 million; (ii) net worth of Ps.6,900 million; (iii) total debt not exceeding Ps.19,400 million pesos and EU615 million (or the equivalent in U.S. dollars or Chilean pesos), until June 2022 (i.e., the waiver period). The COVID Related ICO Facilities also include certain financial ratios to be met by the issuer.

Pursuant to the terms of the Debt Refinancing Transaction, we are required to maintain (i) a consolidated gross leverage ratio at any time (a) from January 1, 2022, to September 30, 2022, not greater than 5.30:1.00, (b) from October 1, 2022, to September 30, 2023, not greater than 4.90:1.00, (c) from October 1, 2023, to September 30, 2024, not greater than 4.00:1.00, and (d) from October 1, 2024, and thereafter, not greater than 3.50:1.00; (ii) a consolidated interest coverage ratio at any time following January 1, 2022, not less than 3.00:1.00; and (iii) a minimum liquidity position of Ps.2,200 million.

In addition, in the past we have failed to comply with financial covenants in effect from time to time under our credit facilities and other debt instruments. For example, on March 31, 2021, we entered into certain amendments to certain of our credit facilities that, among other things, temporarily suspended the application of and/or modified specified financial covenants (including leverage ratio and interest coverage ratio) through June 30, 2022. We may in the future need to obtain waivers under our other indebtedness to avoid being in default as a result of our failure to comply with the applicable financial covenants. If we breach any covenants under any of our debt instruments and seek a waiver, we may not be able to obtain a waiver from the required creditors.

Any default under the agreements governing our indebtedness that is not cured or waived by the required creditors could result in the lenders of any such indebtedness accelerating the payment of amounts outstanding, which could make us unable to pay principal and interest on those and other debt obligations. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the agreements governing our indebtedness, we could incur a default under the terms of such agreements. In the event of such default: the required lenders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest; and we could be forced into bankruptcy or liquidation.

For additional information concerning our obligations under the agreements documenting our bank loans and debt instruments or their restructuring. See “Summary—Recent Developments” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Certain Indebtedness.”

During 2020 and 2021, certain circumstances existed that raised substantial doubt about our ability to continue as a going concern.

The independent auditor separate report relating to the unaudited condensed consolidated interim financial statements included in this offering memorandum contains an explanatory paragraph that states that certain circumstances raise substantial doubt about our ability to continue as a going concern and draws attention to notes 1 and 11 of the unaudited condensed consolidated interim financial statements and indicates that we have negotiated amendments to certain of our credit facilities that, among other things, temporarily suspend the application of and/or modify specified financial covenants (including leverage ratio and interest coverage ratio) through June 30, 2022. As indicated in note 11, we were in compliance with the temporarily modified covenants in effect as of September 30, 2021. We did not have sufficient capital to repay our debt at September 30, 2021, and management stated that we would not likely generate sufficient capital to repay the debt once original covenants are reinstated on June 30, 2022. These events or conditions, along with other matters as set forth in note 1 to the unaudited condensed consolidated interim financial statements indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. Management's plans regarding these matters are also described in note 1 to the unaudited condensed consolidated interim financial statements. On November 29, 2021, we entered into certain permanent amendments to our credit facilities that became effective on December 13, 2021. Such amendments include financial covenants that management expects to continue comply with in accordance with their terms, however there is no assurance that such compliance will be maintained. Failure to comply with such covenants could significantly and adversely affect our financial condition, liquidity and results of operations.

Our ability to incur additional indebtedness is limited by the terms of our existing financing agreements.

In the past, we have financed our operations through the incurrence of debt obligations that subject us to certain affirmative and negative covenants, including the obligation to maintain certain indebtedness ratios and to refrain from creating any lien on our assets, selling any material assets or merging with other companies under certain circumstances, among others, if doing so would affect our ability to make payments under our debt agreements. These financial covenants limit our ability to incur indebtedness, including to finance our operations and expansion projects. To the extent we are not able to obtain sufficient cash from our ordinary operations, and we are not able to incur indebtedness as a result of these restrictions, our financial condition, liquidity and results of operations could be materially and adversely affected.

We have obligations under certain lease contracts.

We are party to contracts which consist primarily of operating leases for utility vehicles and computer equipment entered into by some of our subsidiaries. Any default in our obligations under any of our operating leases would give rise to the acceleration of our obligations thereunder, including our obligation to pay the applicable price *plus* liquidated damages and to immediately surrender the possession of the relevant assets to the lessor at the location designated by it to such effect.

We are exposed to the risks associated with the introduction of new brands.

The fast-food and casual dining markets are highly competitive with respect to price, product quality, innovation, marketing and advertising strategies, customer service, location and reputation. The primary risk involved in the introduction of any new brand is its potential failure to achieve the market impact and penetration necessary to enable it to grow organically in the relevant country. If any of the new brands we introduce in the future fails to gain consumer acceptance, our results of operations could be adversely affected. In addition, to the extent that we continue to pursue our expansion plan, antitrust laws may impose limitations on our future business activities or restrict our ability to grow through new mergers or acquisitions.

We may be unable to attain the expected benefits of our future acquisitions.

A key element of our expansion strategy consists of the acquisition of existing businesses in the fast-food, casual dining and coffee shops markets and their integration into our business model and its procurement, human resources, technology, real estate development and finance and administration processes, which depends on our ability to identify and acquire suitable assets at competitive prices. Our ability to attain the expected benefits of these acquisitions is largely dependent on our ability to integrate their operations into our existing operations, and to implement our business practices in our new acquisitions (including their operations, processes and personnel) in a timely and effective manner. We cannot assure you that we will be able to identify and acquire suitable new businesses in the future or that our efforts to integrate their operations into our existing operations will be successful.

We rely on intellectual property owned by third parties.

Some of the trademarks used in the operation of our stores and restaurants are owned by third parties who have granted us the right to use such trademarks pursuant to certain development, operating, franchise or joint venture agreements. Among other things, pursuant to these agreements we are required to invest certain specified amounts, comply with certain capitalization and store opening requirements, abide by the guidelines relating to the use of the relevant trademarks and trade names, comply with certain reporting obligations and keep the owners' proprietary information confidential. While we believe we have complied with our obligations under such agreements and have good relationships with the owners, if we were to default on any of these agreements, or if any of these agreements were to expire and we were unable to renew them, we would lose the right to use the relevant trademark. Any such event could have a material adverse effect on our results of operations. In addition, we do not have the ability to influence the decisions of the owners of our operating trademarks with respect to their use or disposition. Any transfer, disposition or encumbrance of any of our operating trademarks by their owners could affect our ability to continue to use the relevant trademark or to renew the relevant agreements.

We depend on the reputation of the owners of our operating trademarks.

As a franchisee or partner of the owners of our operating trademarks, our business could be materially and adversely affected if the franchisors or owners of a majority of the trademarks were to conduct themselves in a manner detrimental to their brands' global image. This could affect our customers' perception of our company and result in a decrease in sales, which would have a material adverse effect on our results of operations. Preserving the reputation of our operating trademarks is critical to our ability to attract and retain our suppliers, customers and employees and to our future success. If we proved or were perceived as unable to address issues that could pose a risk to our reputation, our business prospects could be adversely affected.

We are subject to intellectual property laws in Mexico, Spain and the other countries where we operate.

The trademarks we operate represent a competitive advantage and are governed by the intellectual property laws of Mexico, Spain and the other jurisdictions where we operate. These laws and their regulations may change from time to time and become more stringent. In the future, compliance with these regulations may become more expensive and, therefore, affect our financial results. In addition, any non-compliance with any such laws could have a material adverse effect on our operations, results of operations, cash flows and/or financial condition.

Our trademarks and other intellectual property rights, which are critical to the operation of our business, may be subject to legal challenges or unauthorized use by third parties.

We and/or the owners of the trademarks under which we operate may be unable to prevent the unauthorized use of these trademarks or infringement upon our or their intellectual property rights by third parties. The intellectual property laws of the various jurisdictions in which we operate, and their enforcement by the competent authorities, may prove ineffective to protect our intellectual property rights. We cannot guarantee that our efforts to enforce our intellectual property rights will be successful. Because our trademarks provide us with a competitive advantage, our inability to enforce our intellectual property rights could have a material adverse effect on our business. In addition, the pursuit of our legal remedies to enforce our intellectual property rights could be costly and, accordingly, could have an adverse effect on our results of operations.

Any decrease in consumer confidence or spending, or any change in consumer preferences, could have a material adverse effect on our results of operations.

We are exposed to certain risks related to the effect of economic, political and social conditions on consumer confidence and spending in Mexico and the other countries in which we operate. These include, among others, any change in employment and salary levels, which may affect the income per capita and, consequently, our sales performance. There are other factors that may also have an adverse effect on consumer purchasing power, such as changes in interest rates, the cost of labor, the availability of financing and the condition of the credit markets, including the consumer lending market, all of which are beyond our control. Any material change in economic conditions favorably or adversely affecting consumers' purchasing power would also favorably or adversely affect our revenues.

Our success depends to a large extent on our ability to identify and meet consumers' needs, preferences and spending habits, and to anticipate and react promptly to any change in the demand for new services. Our product and service offerings cater to a vast array of consumers whose changing preferences cannot be predicted with any degree of certainty. If we prove unable to anticipate or react to any change in consumer preferences, we could lose customers and experience a diminished level or demand for our products and services and, consequently, a decrease in sales.

We may prove unsuccessful at implementing our expansion strategy or at implementing it in an effective manner.

We may decide to open new stores both in markets in which we already operate and in markets in which we have limited experience. Our results depend to a large extent on our ability to adapt to markets in which we do not have the same level of experience as in our existing markets. No assurance can be given that any of the stores we may decide to open in new regions or markets will be successful, that we will actually implement in full or in part our proposed expansion strategy or that, if implemented, we will also succeed at managing our increased operating activities and at satisfying the corresponding increase in demand.

We depend on the availability of suitable retail space for the operation of our outlets.

We lease most of the retail outlets used in our operations. Our strategy is dependent on our ability to identify suitable retail space for the operation of our outlets, primarily with respect to square footage, location and contractual terms and conditions. Our inability to identify and secure suitable retail space for the operation of our outlets could adversely affect our results of operations. In addition, we may be unable to obtain the renewal of our lease agreements upon their expiration including due to changing market conditions and additional demands by us or our landlords (such as higher rates, and maturity dates) in connection with the COVID-19 pandemic and its effects on the economy, which would affect our ability to keep our units in the locations where they are currently located.

In addition, in certain instances the local laws of the jurisdictions in which we lease retail space for the operation of our outlets provide that, in order for our lease agreements to be enforceable against third parties, including any buyer of any such retail space, such agreements must be filed for registration with the Public Registry of Property (*Registro Público de la Propiedad*) for the relevant jurisdiction. As of the date of this offering memorandum we have not filed such agreements for registration as described in this offering memorandum. Accordingly, in the event of a transfer of title to any of the retail spaces used in the operation of our outlets by its current owner, our rights as lessee under the relevant lease agreement may not be acknowledged by the new owner and the new owner could terminate such agreement and demand that we surrender the possession of the relevant property, which would force us to engage in efforts to identify new locations.

We depend to a certain extent on tourism.

Some of the retail outlets operated by our various business units depend to a certain extent on tourism. Accordingly, any decrease in the influx of tourism could have an adverse effect on our sales and, consequently, on our results of operations.

We have business operations in other countries and are exposed to the risks associated with those markets.

We currently operate, through wholly owned or majority-owned local subsidiaries, under the following trademarks (i) “Starbucks Coffee” in Mexico, Argentina, Chile, Colombia, Uruguay, Spain, Portugal, France and Benelux; (ii) “P.F. Chang’s” in Mexico, Chile and Colombia; (iii) “Burger King” in Mexico, Argentina, Chile and Spain; (iv) “Domino’s Pizza” in Mexico, Spain and Colombia; (v) “Chilis Grill & Bar” in Mexico and Chile; (vi) “Archie’s” in Colombia, (vii) “The Cheesecake Factory” in Mexico; (viii) “Vips” in Mexico and Spain; (ix) “El Porton” in Mexico, (x) “Italianni’s” in Mexico; (xi) “Foster’s Hollywood” in Spain; (xii) “Gino’s” in Spain and Portugal; (xiii) “TGI Fridays” in Spain; (xiv) “Corazon de Barro” in Mexico and (xv) “Ole Mole” in Spain.

The economies of certain Latin American countries may be in various stages of socioeconomic development. We may also be exposed to risks associated with exchange rate fluctuations, the availability of U.S. dollars or other currencies, changes in interest rates, inflation, fiscal changes, social stability, and other political, economic or social developments, as well as consumption patterns and preferences in those countries, which could affect our results of operations.

We are exposed to potential liability as a result of workplace accidents.

Our home delivery staff and DIA’s drivers are exposed to the risk of workplace accidents given the amount of time they spend operating motor vehicles. We offer our employees, in addition to the statutory benefits, life insurance and training programs, and notwithstanding that our delivery routes are circumscribed to nearby areas (which reduces the potential for speeding) and that we do not penalize our employees if they arrive late to deliver our products, we may be forced to incur additional expenses as a result of the occurrence of workplace accidents, which could have a material adverse effect on our operating expenses.

We operate in a highly regulated industry, particularly in connection with health and environmental matters.

Our operations are subject to multiple laws and regulations and to oversight by various supranational (including at the European Union level), federal, state, regional and local governmental authorities, including those relating to health and environmental matters and the transportation, packaging and labeling of our products in each of the countries in which we operate. Among other things, these laws and regulations require that we obtain and maintain a number of permits in connection with the operation of our distribution centers, production facilities and retail outlets in general. Health and environmental laws, and their enforcement, have become increasingly stringent worldwide and may require us to incur significant additional costs on short notice in order to remain compliant therewith. Our financial condition may be adversely affected if we are unable to transfer these costs in full to our customers. In addition, the process associated with securing the requisite construction and operation permits may result in delays in, or cancellation of, our new openings or the expansion or renovation of our existing outlets, which may affect our sales and, accordingly, our financial condition and results of operations.

We are also exposed to the risk of a sudden increase in our potential liability and/or the number of complaints against us as a result of changes in the existing regulation (or in the interpretation thereof), such as the enactment of various legal reforms to allow class actions. In addition, future changes in the regulation applicable to our industry may result in the imposition of bans or restrictions on the use of certain products, smoking bans in our restaurants, increases in the taxation of luxury goods or the sale of alcohol or high-calorie beverages, curtailment of the deductibility of restaurant expenses, restrictions on the hours of operation of our restaurants or coffee shops, increases in the number of parking spaces at our retail outlets, and bans on the sale of alcoholic beverages on certain dates, any or all of which could have a material adverse effect on our business and results of operations.

Given the complex nature of the legal regime applicable to our operations, and that we are subject to oversight by a large number of supranational (including at the European Union level), federal, state, regional and local regulatory authorities, it is possible that in connection with the implementation of our internal audit processes, which are designed to ensure the ongoing improvement of our environmental performance, we may from time to time discover that we have failed to obtain, renew or fulfill our obligations under any material permit required for the operation of our facilities.

Should we fail to obtain, renew or fulfill our obligations under any material permit required for the operation of our facilities, including for our main distribution and production centers, we would be required to take action to obtain the relevant permits and/or fulfill the obligations associated with them. Any failure to obtain and/or renew permits for our restaurants and distribution centers could expose us to fines, suspension, closure, or could otherwise adversely affect us and significantly increase our costs of operations. For a description of certain regulatory matters see “Business—Regulatory Matters.”

We are exposed to the risk of increase in import duties and the curtailment of product and equipment imports.

We depend on certain product and equipment imports in order to meet the standards and other requirements imposed by our license and franchise agreements. Although we purchase a majority of these items from local suppliers, the implementation of measures such as import duty increases or the curtailment of imports could give rise to a substantial increase in the price of such items, which could adversely affect our results of operations.

We are exposed to risks relating to the applicable health regulations.

We cannot guarantee that our control systems and procedures will not fail or will be sufficient to prevent food-related illnesses in each instance. Mexican, South American, Spanish or other European health authorities may require us to recall one or more of our products if deemed unfit or unsafe for human consumption, or may take actions intended to protect the public health, including shut-downs and the issuance of orders to vacate our retail spaces. We are also exposed to potential liability in the event that the consumption of any of our products results in harm or damages. The recall of any of our products as a result of any such action could adversely affect our image, our customers’ perceptions and our results of operations.

In addition, we are subject to the quality norms and standards issued by Mexico's Ministry of Health (*Secretaría de Salud*), Ministry of Agriculture, Farming, Rural Development, Fisheries and Nutrition (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*) and Ministry of Economy (*Secretaría de Economía*).

In Spain, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, given their condition as food processors, must be registered with the General Health Registry for Alimentary Companies and Foods (*Registro General Sanitario de Empresas Alimentarias*), regulated by Royal Decree 191/2011, of 18 February, on the General Health Registry for Alimentary Companies and Foods, at the national level and the corresponding registries at the regional level, and must have obtained the corresponding sanitary authorisations in order to operate their stores and restaurants and sell their products. In this sense, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, must comply with all requirements and conditions set forth in applicable national regulations regarding food security and nutrition such as, amongst others and as amended or superseded from time to time, Law 17/2011, of 5 July, on food security and nutrition, Law 12/2013, of 2 August, on measures to improve the functioning of the food production chain, Law 28/2015, of 30 July, for the defense of food quality, Royal Decree 1086/2020, of 9 December, regulating and increasing the flexibility of certain conditions of application of the European Union provisions in the field of hygiene in the production and commercialization of food products and regulating activities excluded from its scope of application, Royal Decree 176/2013, of 8 March, on certain technical and health regulations related to food product quality, Royal Decree 1801/2003, of 26 December, on general product safety, and Royal Decree 1376/2003, of 7 November, as amended by Royal Decree 728/2011, of 20 May, establishing health and safety conditions for the production, storage and commercialisation of fresh meats and related products for the retail sector. The issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, are also subject to and must comply with the provisions of autonomous communities and regional regulations applicable to them by virtue of the location of their stores and establishments in Spain.

Furthermore, in Spain, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, must comply with all requirements and conditions set forth in applicable specific regulations regarding pastry products (Royal Decree 496/2010, of 30 April, approving the quality rules for confectionery and pastry products), bread (Royal Decree 285/1999, of 22 February, amending Royal Decree 1137/1984, of 28 March, approving the technical and sanitary Regulation for the production, transport and commercialisation of bread and special breads and Royal Decree 308/2019, of 26 April, approving the quality rules for bread), as well as specific regulations on hygiene applicable to prepared meals (Royal Decree 3484/2000, of 29 December, establishing hygiene rules for the elaboration, distribution and trade of prepared meals), specific regulations on the quality of water for human consumption provided in their stores and restaurants (Royal Decree 140/2003, of 7 February, establishing the health and safety criteria on the quality of water human consumption), and, amongst others, other regulations in the fields of marketing and packaging, frozen food products, micro-biological indicators (such as pesticide residues), transport of food products, transport of bread and transport of prepared meals.

Additionally, certain Spanish autonomous regions regulate hygiene and sanitary standards, in accordance with the European Food Safety Regulations framework, and certain aspects relating to the activity of commercial establishments and restaurants. The issuer and its Spanish subsidiaries must comply with the health laws and sanitary standards developed, as the case may be, by those autonomous communities in which our production centres are located in order to obtain the required permits and carry out their activities.

Any change in the regulations governing the purchase, import, distribution, storage or sale of our products or the raw materials used therein, could adversely affect our financial condition, results of operations and liquidity. For a description of certain regulatory matters see "Business—Regulatory Matters."

The governmental permits required for our operations are subject to cancellation or revocation.

Our Mexican activities are primarily regulated by Mexico's Ministry of Health (Secretaría de Salud) and Ministry of Agriculture, Farming, Rural Development, Fisheries and Nutrition (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación) and the issuer's activities in Spain (and those of its subsidiaries operating in Spain) are subject to the supervision of the Spanish Ministry of Consumption (Ministerio de Consumo) to which the Spanish National Food Security and Nutrition Agency (Agencia Española de Seguridad Alimentaria y Nutrición) is ascribed. The installation and operation of some of our restaurants and distribution centers, and our baking facility, require a number of environmental permits, including environmental impact assessments, environmental risk assessments, concessions for the extraction and use of water from federal or state sources and waste water discharge permits, depending on the jurisdiction. The government of Mexico City has issued to each of the restaurants we operate within its jurisdiction a global environmental license (Licencia Ambiental Única) that requires us to obtain either a wastewater discharge permit or a registration. The aforementioned authority or those in charge of awarding environmental permits and licenses in Spain could revoke any of our permits or concessions, including those of the issuer and its subsidiaries operating in Spain, as applicable, for reasons of public interest or if they determine that we or the issuer (and its subsidiaries operating in Spain) have incurred in repeated violations of applicable laws and regulations, which could in turn affect our financial condition, results of operations and liquidity.

The growing concern about obesity and personal health may affect our sales.

Over the past few years, consumers have developed an increased awareness of the health benefits of eating natural products with high nutritional value, sidelining products with low nutritional content. In addition, there has been an increased focus on obesity in various media and social media outlets, including television and radio shows and public service announcements. This trend may affect our sales since some of the products we offer are regarded as of low nutritional value and high in calories.

Any future increase in the costs associated with the compliance of the applicable health, safety and environmental regulations, and with addressing any potential contingency arising thereunder, could have an adverse effect on our business, financial condition, results of operations or cash flows.

We are subject to various health, safety and environmental laws and regulations that govern, among other things, the generation, storage, handling, use, cleanup, disposition, transportation and discharge or release to the soil, air or water, of certain materials that may be deemed hazardous. In addition, some of our operations require that we obtain certain governmental permits. We cannot assure you that we have complied or will comply at all times with such laws, regulations and permits. Our failure to comply with or the violation by us of any of these laws, regulations or permits, could result in the imposition of fines or other penalties by the competent authorities, and in liability for any and all of the effects of human exposure to any hazardous material, or for any other environmental damage.

Environmental laws are complex, change frequently and have become increasingly stringent. We cannot guarantee that these laws will not change or become more stringent in the future. Accordingly, we cannot guarantee that the costs associated with the compliance of all present and future health, safety and environmental laws or the adoption of a stricter interpretation thereof, or any liability in which we may have incurred in the past or may incur in the future as a result of any exposure to hazardous materials, will not adversely affect our business, financial condition, results of operations or cash flows.

If we were to violate the Mexican, Spanish or other applicable consumer protection laws, our results of operations could be adversely affected.

Although we have implemented strict measures to protect our customers and are engaged in ongoing improvements to ensure their continuing satisfaction with our services, it is possible that in the course of their daily interactions with our customers one or more of our units may violate or fail to comply with the provisions contained in the Mexican Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*) or, with respect to the issuer, the Spanish Consumer Protection Law (*Real Decreto Legislativo 1/2007*, dated November 16, approving the restatement of the *Ley General para la Defensa de los Consumidores y Usuarios* and other complementary laws). In such event, regarding Mexican regulations, the Office of the Federal Prosecutor for the Consumer (*Procuraduría Federal del Consumidor*) could commence a legal action against us or impose penalties on us ranging from administrative fines to the closure of our units, any of which could adversely affect our results of operations. With respect to Spain, the breach of applicable regulations may also lead to penalties being imposed by competent authorities.

We are susceptible to failures to comply with the Mexican or Spanish laws relating to the protection of our customers' data.

We are subject to the provisions contained in the Mexican Federal Law for the Protection of Personal Data Held by Private Entities (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*) and, with respect to the issuer and Spanish guarantors the provision contained in the Organic Law 3/2018, of 5 December, of Personal Data Protection and digital rights safeguard and, therefore, strive to comply at all times with its provisions. However, given the diverse nature of our business operations and the complexities associated with the protection of digital data and the management of our hardware, software, network environment, applications and other information technology allowing for the exchange or processing of data, we are at risk of non-compliance with these provisions. In addition, we could experience security breaches or attempts on our administrative or physical integrity or our support systems and equipment, which could compromise the safety of our customers' information and expose it to unauthorized use by third parties.

Our systems for protecting against information technology and cyber security risks may not be sufficient. As cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. Additionally, we rely on our information technology systems for regulatory compliance, including the EU-wide General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), the "GDPR") and similar regulations throughout the world, and if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure of our information technology security systems, employee negligence or the actions of our vendors, we may be subject to legal claims by individuals, fines or other enforcement action.

We may not be able to comply in each instance with the provisions contained in the Mexican Federal Law for the Prevention and Identification of Transactions Involving Proceeds of Unlawful Activity.

The provisions contained in the Mexican Federal Law for the Prevention and Identification of Transactions Involving Proceeds of Unlawful Activity (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*) are designed to protect the Mexican financial system and economy by requiring the adoption of measures and procedures to prevent and detect acts or transactions involving unlawfully obtained proceeds. We receive payments from a significant number of customers and clients in connection with the sale of our products and services at the locations we operate under our various trademarks. Because a large percentage of these sales are cash transactions, it is possible that the funds we receive from some of our customers may have been unlawfully obtained. As a result, we can give no assurance that the proceeds we receive from our customers will have been lawfully obtained in each instance.

We are exposed to cost increases resulting from climate change and other factors beyond our control.

We are susceptible to cost increases resulting from a number of factors that are beyond our control, including climate change, increases in the price of the energy sources used in our facilities or in the production and transportation of raw materials, and changes in the health regulations applicable to our operations. Any increase in our costs as a result of any of these factors could adversely affect our cost of sales and, accordingly, our results of operations.

Natural disasters and other occurrences in the regions in which we operate may cause us to suffer losses or experience a decrease in production capacity or an increase in production costs, and may disrupt our logistics operations.

Natural disasters and other similar occurrences in the regions in which we operate, including hurricanes, earthquakes, droughts and epidemics affecting livestock, all of which are beyond our control, may result in damage to our facilities and inventories, lead to a decrease in our production capacity or a material increase in the cost of our raw materials and our production costs, disrupt our production and logistics operations, give rise to the need to identify and secure alternative suppliers and cause us to suffer losses, thereby materially and adversely affecting our financial condition and results of operations.

We engage in financial derivative transactions.

We are exposed to certain market risks, including the risk of changes in foreign exchange rates and interest rates. Foreign exchange and interest rates may fluctuate as a result of changes in domestic and international economic conditions, fiscal and monetary policies, market liquidity, political developments and natural disasters, among other things. Our current risk management policy seeks to mitigate the present and future risks associated with such variables, which arise primarily in connection with our inventory purchases, foreign-denominated payment obligations and bank loans and debt instruments that bear interest at variable rates. We enter into financial derivative transactions in order to hedge those primary positions that we have identified as representing a risk to us. We engage in this type of transactions solely for hedging and not for trading or speculative purposes.

We are a party to various judicial, administrative and arbitration proceedings.

We are currently a party to a limited number of judicial and administrative proceedings, whether as plaintiff or defendant and, in the case of administrative proceedings, as complainant. A final unfavorable outcome in any of the proceedings in which we are involved as plaintiff would render us unable to recover all or part of the amounts we are seeking. We are also the defendant in a limited number of judicial proceedings relating to the lease of some of our retail outlets. A final unfavorable outcome in any of these proceedings would require us to surrender the relevant premises and relocate our unit.

We are exposed to risks due to proceedings brought by the fiscal authorities.

The tax authorities conducted a review of Alsea and its subsidiary Operadora Alsea de Restaurantes Mexicanos S.A., de C.V. (OARM), with respect to 2014. In particular, they reviewed the tax aspects related to the Vips acquisition. The tax authorities issued liquidation notices, the most relevant being the one that claims the payment of taxes for alleged income in the acquisition of goods from us and that amount to Ps.3,881 million in the aggregate.

We and our external attorneys consider that there are sufficient elements to demonstrate that the liquidations carried out by the tax authorities are inadmissible and to demonstrate that we have timely complied with our tax obligations regarding the relevant sale. For such reason, no provision has been created in our financial statements with respect to this tax assessment.

We have filed with the tax authorities appeals to revoke such liquidation notice, which appeals are pending to be resolved as of the date of this offering memorandum. The accounting framework used to record the transactions in respect of which the alleged tax assessment resulted was IAS 27 and 28 (*Consolidated and Separate Financial Statements* and *Investments in Associates and Joint Ventures*, respectively), which establishes that, in a business combination, goodwill that is part of the book value of an investment of a subsidiary is not recognized separately. Accordingly, the goodwill generated by the Vips acquisition must be presented together with the investment in shares in the individual financial statements of OARM, as it does qualify as a separate asset in the individual financial statements. In our separate financial statements, the acquisition of the Vips trademark refers only to the acquisition of the intellectual property of the Vips trademark.

We applied the accounting or purchase method contemplated in IFRS 3 (*Business Combination*), which is only applicable to the consolidated financial statements of the acquiring entity. In its application, the acquired assets and liabilities of the business were recognized, including intangible assets of the target. The assets and liabilities on the previous terms are compared with the consideration paid and the difference between is recorded at the consolidated level as goodwill. The purchase accounting as mentioned is a special accounting, the relative adjustments are only recognized in the consolidated financial statements, they are neither recognized in the financial statements of the target, nor in the acquirer’s separate financial statements.

We cannot guarantee that we will be successful in challenging this tax liquidation notice. A final unfavorable outcome in this proceeding may adversely affect our business, financial condition, results of operations or cash flows.

Risks Relating to the Economic, Political and Social Conditions in Mexico, Latin America and Europe

Changes in Mexican federal governmental policies could have an adverse effect on our global business, financial condition and results of operations.

We are organized under the laws of Mexico and most of our assets and business operations are located in Mexico. As a result, we are exposed to political, economic, legal and regulatory risks that are specific to Mexico. The Mexican government has exercised and continues to exercise significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy could have a material effect on Mexican private sector entities in general, and us in particular, as well on the market conditions, prices and returns on the securities of Mexican issuers. We cannot predict the policies that the current (or a new) administration could implement, which could prove materially different from those under which we have operated during the past three to four years. We cannot assure you that changes in Mexican governmental policies will not adversely affect our business, financial condition or results of operations, including our activities in other jurisdictions, such as those of the issuer, which is based and carries out its activities in Spain.

Changes in Spanish governmental policies could have an adverse effect on the issuer's business, financial condition and results of operations.

The issuer and certain of its subsidiaries, including the relevant Spanish guarantors, are organized under the laws of Spain and most of their assets and business operations are located in Spain. As a result, the issuer and its Spanish subsidiaries are exposed to political, economic, legal and regulatory risks that are specific to Spain. The Spanish government has exercised and continues to exercise significant influence over the Spanish economy. Accordingly, Spanish governmental actions concerning the economy could have a material effect on Spanish private sector entities in general, and the issuer and its subsidiaries in particular, as well on the market conditions, prices and returns on the securities of Spanish issuers. Neither the issuer nor its subsidiaries can predict the policies that the current (or a new) government could implement, which could prove materially different from those under which the issuer and its Spanish subsidiaries have operated during the past years. The issuer and its Spanish subsidiaries cannot assure you that changes in Spanish governmental policies will not adversely affect their business, financial condition or results of operations.

Exchange rate fluctuations and the devaluation or depreciation of the currencies of the countries in which we operate could limit our ability to convert such currencies into U.S. dollars or other currencies and have a material effect on our business activities, financial condition and results of operations.

Any decrease in the value of our local currencies would lead to an increase in our costs and capital expenditures. Given that nearly all of our revenues are denominated in Mexican pesos, any decrease in the relative value of the currencies in which our costs and capital expenditures are denominated, to the U.S. dollar, could lead to an increase in our operating costs and, accordingly, adversely affect our results of operations. In addition, severe devaluations or depreciations of our local currencies may result in governmental intervention or destabilize the international foreign exchange markets, which could limit our ability to convert our local currencies into U.S. dollars or other currencies in order to satisfy our foreign-denominated obligations. Although the Mexican government does not currently restrict the right or ability of Mexican individuals or entities to convert Mexican pesos into U.S. dollars or transfer U.S. dollars abroad, in the future it may institute restrictive exchange control policies.

Historically, Mexican inflation rates have been extremely high, although they have decreased in recent years. In 2018, 2019 and 2020, Mexico's annual inflation, as measured in terms of the changes in the Mexican National Consumer Price Index, or "NCPI," was 4.83%, 2.8% and 3.15%, respectively. High inflation rates may adversely affect our results of operations due to the following:

- Inflation may adversely affect the consumers' purchasing power and, in turn, the demand for our products and services; and

- To the extent that the rate of inflation exceeds the pace at which we are able to increase our prices, our prices and revenues would decrease in real terms.

Any increase in domestic interest rates could lead to an increase in our finance costs.

According to the Mexican Central Bank, in 2016 the average interest rate for the 28-day Mexican treasury certificates was 4.47%. While this rate increased to 7.06% in 2017, 8.00% in 2018, 8.32% in 2019 and decreased again to 5.72% in 2020. In Europe, after almost six years in negative territory, analysts' forecasts indicate that the Euribor may remain below 0% at least until 2023. We cannot assure you that interest rates will remain at the current levels. Accordingly, in the event we incur additional debt in the future, such debt could bear interest at rates higher than the currently prevailing rates, which could have a material adverse effect on our business, financial condition and results of operations.

Political conditions in Mexico may have an adverse impact on the Mexican economy, which could adversely affect our global business, financial condition and results of operations.

The absence of a political party with absolute majority in the Mexican legislature, the lack of alignment between Mexico's legislative and executive branches and future changes of administration following federal and state elections could give rise to political instability or lack of consensus and prevent the implementation of economic reforms, which could have a material adverse effect on the Mexican economy and, accordingly, on our business, financial condition and results of operations, and on the price of our securities. Although we believe that the outcome of the recent federal and state elections in Mexico will not affect us directly, we cannot guarantee that the actions of the new federal and state governments will not have an adverse effect on our business, financial condition and results or operations, or on the market price of our securities.

Events in other emerging market countries or the United States may affect us.

The market price of securities issued by Mexican companies is affected to varying degrees by economic and market conditions in other countries. While economic conditions in other countries may be materially different from Mexican economic conditions, investors' reactions to developments in these other countries may have an adverse effect on the market price of the securities of Mexican issuers. In the past, the debt and equity securities of Mexican issuers have been affected by the sharp decline in Asian markets and the economic crises in Russia, Brazil, Argentina, Venezuela and the United States. In addition, in recent years the performance of the Mexican economy has become increasingly correlated with the performance of the U.S. economy and, any economic slowdown in the United States may have a negative impact on the Mexican economy. We cannot assure you that developments in other countries will not adversely affect the market price of our securities. Also, the high crime rate in Mexico could have an adverse effect on our sales.

Argentina, once the world's largest grain producer, has discontinued its wheat exports. In doing so, the Argentine government has argued that market conditions should not dictate the course of the country's policies. In addition, the Argentine government has imposed restrictions on imports and the purchase of U.S. dollars. These conditions, among others, may lead to a further devaluation of the Argentine peso, which would most severely affect the lower-class segment of the country's population.

The increase in violence and organized crime in Mexico may disrupt our operations and have an adverse impact on our sales.

Given the increased levels of violence and organized crime in Mexico, our distribution operations are exposed to the risk of theft during the delivery of supplies to our units, which could lead us to experience material losses. However, given the perishable nature of our products and the fact that our distribution fleet is expressly designed to transport food items, our assets are not perceived as highly attractive targets for those engaged in criminal activity and in the past we have only experienced small-scale instances of theft. General insecurity and instances of violent crime against property and individuals in the vicinity of our retail outlets may constrain the volumes of vehicular and pedestrian traffic in these areas during certain times of the day and, in particular, at night, which may in turn affect our financial performance.

We are exposed to the risks associated with high personnel turnover rates.

Our ability to implement our strategies and achieve our expansion goals depends to a large extent on our ability to attract, recruit, train and retain qualified personnel. We cannot guarantee that our current personnel will remain with us, and if we are unable to identify other equally qualified individuals to replace any of them, our operations could be adversely affected. Given (i) the need to support our growth with a properly trained and motivated staff, (ii) our historically high personnel turnover rates, consistent with our industry's trends, and (iii) that labor costs constitute one of our largest cost items, in the future we may have to incur increased labor costs in order recruit, select, train and retain the staff required to support our growth.

As is typical of the industry in which we operate, our personnel turnover rate is among the highest in Mexico. Our highest turnover rate is among our 18- to 22-year-old employees, as individuals in this age segment constantly seek new professional development opportunities, which translates into unstable personnel dynamics. In addition, the salary range in our industry is generally low.

Recent amendments to Mexican tax regulation.

In December 2019, the Mexican government published several amendments to the Income Tax Law, the Value Added Tax Law, the Excise Tax Law and the Federal Tax Code, most of which became effective on January 1, 2020. This set of tax reforms is one of the most important in recent years and its main objective is to address tax evasion by strengthening the control mechanisms available to the tax authorities. Among the principal modifications contemplated by the tax reforms that could affect our results of operations are strict restrictions on the deductibility of certain expenses, such as a new limitation on the deduction of net interest that exceeds 30% of taxpayers' adjusted income, the non-deductibility of certain payments to related parties or through structured agreements with respect to income that is considered subject to preferential tax regimes, or that is subject to hybrid mechanisms. Likewise, important amendments were introduced with respect to the tax regime applicable to foreign entities or legal entities that are transparent for tax purposes, as well as to foreign entities or legal entities whose income is considered subject to preferential tax regimes.

The 2020 tax reform also introduced a new mandatory disclosure regime for transactions that are considered reportable transactions in terms of the provisions of Title VI, Sole Chapter of the Federal Tax Code.

On April 23, 2021, the Mexican government published amendments to several labor, social security and tax laws in connection with outsourcing schemes. These amendments impose penalties to outsourcing schemes related to workers that perform activities contemplated in the corporate purpose of the contracting party, require registration of outsourcing services providers with the Mexican Ministry of Labor, deem payments made under non-permitted outsourcing schemes as non-deductible and significantly increase the statutory profit-sharing payments that employers are required to pay to employees. We anticipate that these changes will have an impact on the business and operations of most of Mexican companies, including us. However, given the uncertainty surrounding these changes, it might be difficult to estimate the magnitude of such impact in our operations at the time of this offering.

The enactment in Mexico of a labor subcontracting reform comprising changes to labor, social security and tax laws, could have as a consequence the modification of our hiring scheme.

A labor subcontracting decree was published in Mexico on April 23, 2021, and became effective the day after its publication, except for tax and civil service matters. As a result, various provisions of labor, social security and tax laws were amended, added and repealed.

As a result of the labor subcontracting reform in Mexico, all subcontracting of personnel, both through outsourcing and insourcing schemes is prohibited. The subcontracting of specialized services or the execution of specialized works, as well as the provision of complementary or shared services between companies of the same corporate group are allowed and valid under the amended legal provisions, as long as such services or works are not part of the corporate purpose or the main economic activity of the recipient of the same. The provision of the aforementioned services must be recorded in a written agreement.

The labor subcontracting reform imposes additional burdens to contractors, including registration before the Mexican Ministry of Labor and Social Welfare as specialized service providers and reporting duties before social security agencies. In the case of contracting specialized services, the contracting party will be jointly liable for the labor obligations of the specialized services provider in case the latter does not comply with such obligations with respect to the personnel used in the performance of the relevant specialized services during the time they were rendered. Additionally, the labor subcontracting reform establishes labor and tax penalties for companies that use or benefit from the subcontracting of personnel in violation of the law, or provide specialized services without the respective registration, with tax implications in terms of deductibility and transfer of certain taxes. Fines under the Mexican Federal Labor Law for breaches to the labor subcontracting reform may reach up to Ps.4.4 million as of the date of this offering memorandum.

The labor subcontracting reform provides for a ninety-day grace period during which companies currently operating under a subcontracting of personnel scheme may carry out an employer substitution to internalize personnel and obtain some social security benefits, provided certain requirements are met.

Additionally, an important aspect of the labor subcontracting reform is the establishment of a cap to the amount of profit sharing to be allocated and paid among employees equal to either (i) three months of each employee's salary, or (ii) the average of the payments made in the previous three years to the employees, whichever is more favorable to the employees.

Recent labor law reforms in Mexico, and our eventual inability to maintain our relationships with labor unions may have an adverse effect on our business, financial condition and results of operations and prospects.

In May 2019, the Federal Labor Law and other related regulations were amended and repealed regarding labor justice, freedom of association and collective bargaining. Concurrently with these reforms, new labor authorities and courts were created, establishing a mandatory pre-judicial conciliation procedure, establishing new procedural rules for trial, incorporating provisions related to guaranteeing workers' collective rights, including union democracy and transparency, as well as rules aimed at combating labor discrimination and violence, among other things. We cannot assure you that these changes will not adversely affect our business, financial condition, results of operations and prospects.

Labor law reforms in Spain may have an adverse effect on our business, financial condition, results of operations and prospects.

In the context of the "Next Generation EU" program, a temporary recovery instrument of the European Union designed to help repair the immediate economic and social damage caused by the COVID-19 pandemic, Spain has recently approved a reform of labor regulations through Royal Decree Law 32/2021 *(Real Decreto-ley 32/2021, de 28 de diciembre, de medidas urgentes para la reforma laboral, la garantía de la estabilidad en el empleo y la transformación del mercado de trabajo*), which affects, among others, regulations on temporary labor contracts, subcontracting and relations with unions. The aforementioned Royal Decree Law has not yet been ratified by the Spanish Parliament, which is a requirement for its validity as a law. In this context, it may be the case that the Spanish Parliament approves amendments to this legal reform or even further changes to labor regulations. Therefore, we cannot fully assess as of this date the impact of this legal reform and cannot assure that these changes, as finally approved by the Spanish Parliament, will not adversely affect the issuer's business, financial condition, results of operations and prospects.

In addition, the impact of the COVID-19 pandemic in our business is still uncertain. Should any additional restriction be imposed in Spain affecting our Spanish business and workforce, it is uncertain whether the government-supported scheme (ERTE) would still be available for any required temporary salary or working hour reductions. Consequently, any such new COVID-19-related restrictions could have a more severe impact on the issuer's business, financial condition, results of operations and prospects than previous waves of the pandemic.

Changes in governmental policies in the Latin American countries in which we operate could have an adverse effect on our business, financial condition and results of operations.

We are organized under the laws of Mexico and have operations in other countries including Argentina, Chile, Colombia and Uruguay. As a result, we are exposed to economic, political, legal and regulatory risks that are specific to each of these countries. The government in each of these countries exercises significant influence over the local economy. Accordingly, governmental actions concerning the economy could lead to a worsening in economic conditions, including an increase in inflation and potential currency devaluations. We cannot assure you that changes in local governmental policies in the countries in which we operate will not adversely affect our business, financial condition or results of operations.

Exchange rate fluctuations and the devaluation or depreciation of the local currencies of the countries in which we operate could limit our ability to convert such currencies into other currencies and have a material effect on our business activities, financial condition and results of operations. Our consolidated capitalization and costs could be adversely affected, which could render us unable to import products into these regions. Any decrease in the value of our local currencies would lead to an increase in our costs and capital expenditures. Any decrease in the relative value of our local currencies, to the U.S. dollar, could increase our operating costs in each of these regions, which could have an adverse effect of our results of operations. In addition, severe devaluations or depreciations of our local currencies may result in governmental intervention or destabilize the international foreign exchange markets.

Risks Related to the Notes and the Guarantees

The notes and the guarantees will be effectively subordinated to any existing and future secured debt, and will be structurally subordinated to the liabilities of the parent's subsidiaries other than the guarantors and the issuer.

The notes will be the issuer's unsecured and unsubordinated debt and will rank equally in right of payment with all of the issuer's other existing and future unsubordinated debt, including obligations preferred by statute (such as tax, social security and labor claims). The notes will be effectively junior to any secured debt the issuer may incur in the future and to the future secured debt of any guarantor. As of September 30, 2021, our total consolidated indebtedness including lease liabilities less cash and cash equivalents was Ps.52,105 million (U.S.$2,563.4 million) and Ps.31,949 million (U.S.$1,571.7 million) excluding lease liabilities, of which Ps.14,506 million (U.S.$713.6 million) was secured indebtedness, Ps. 17,443 million (U.S.$858.1 million) was unsecured indebtedness and Ps.112 million (U.S.$5.5 million) constituted indebtedness of the parent's non-guarantor subsidiaries. In the event that the issuer or any guarantor becomes subject to a dissolution, liquidation or reorganization proceeding (including, a *concurso mercantil*), bankruptcy (including, a *quiebra*) or to an insolvency proceeding (a *concurso*), any future secured debt holders would be paid before you receive any amounts due under the notes to the extent of the value of the assets securing their debt and creditors of our subsidiaries may also be paid before you receive any amounts due under the notes. In that event, you may not be able to recover any principal or interest you are due under the notes.

On the initial issue date for the notes, the following subsidiaries will provide a note guarantee in respect of the notes: Alsea, S.A.B. de C.V., Grupo Zena Pizza, Soc.Com.P.A., Sigla, S.A.U., Especialistas en Restaurantes de Comida Asiática S.A de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. Pursuant to the terms of the indenture, we will agree to cause the following subsidiaries to provide a note guarantee in respect of the notes within 120 days following the initial issue date of the notes: Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A. No assurance can be given that such entities will effectively provide a note guarantee within such 120 days or at all.

In addition, the notes will only be guaranteed by the guarantors and, therefore, will be effectively subordinated to all existing and future liabilities of the parent's subsidiaries other than guarantors and the issuer. As stated above, as of September 30, 2021, Ps.112 million (U.S.$5.5 million) constituted indebtedness of the parent's non-guarantor subsidiaries, which represented 0.4% of the parent's indebtedness as of such date. The indenture for the notes will provide, among others, that certain significant subsidiaries and restricted subsidiaries that incur or guarantee other indebtedness in excess of U.S.$10 million will be required to become subsidiary guarantors under the notes. However, such requirements are subject to several exceptions, including legal or contractual restrictions and the existence of minority equity holders.

The non-guarantor subsidiaries are separate legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the notes or to make any funds available for such purpose. The payment of dividends by such non-guarantor subsidiaries will be subject to legal and, in certain instances, contractual restrictions and will depend upon the earnings and cash flow of each non-guarantor subsidiary, which are speculative. In the event of a bankruptcy, liquidation or dissolution of one or more of our subsidiaries, following payment by such subsidiaries of their liabilities, they may not have sufficient assets to make payments to us.

There is no existing market for the trading of the notes, and we cannot assure you that you will be able to sell your notes in the future.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future, a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. Although we expect to apply to list the notes on update, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Spain and or Mexico and the markets for similar securities. The initial purchasers have advised us that they currently intend to make a market in the notes but they are not under any obligation to do so, and any market-making with respect to the notes may be discontinued at any time without notice at the sole discretion of the initial purchasers.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Spanish issuers generally. As a result, we cannot assure you of the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely. The notes are subject to transfer restrictions, which could limit your ability to resell your notes.

The notes have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. These exemptions include those for offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. See “Transfer Restrictions.”

There may not be a liquid trading market for the notes, which could limit your ability to sell your notes in the future.

There is no public market for the notes, and the notes may not be widely distributed. Accordingly, an active trading market for the notes may not develop. If a market for the notes offered hereby does develop, the price of such notes may fluctuate and liquidity may be limited. If a market for the notes offered hereby does not develop, purchasers may not be able to resell such notes for an extended period of time, if at all.

Our controlling shareholders may exercise their control in a manner that differs from your interests as a noteholder.

Our controlling shareholders have the ability to direct the outcome of substantially all matters submitted to a vote of our shareholders, including the election of the majority of directors and, as a result, any decisions taken by the board of directors (including those decisions affecting our future growth and strategy). These shareholders may exercise their control in a manner that differs from your interests as a noteholder. For example, they may have an interest in pursuing acquisitions, combinations, divestitures, financings or other transactions which in their judgment could enhance their equity interest, even though such transactions may involve risks to you as a noteholder.

You may face foreign exchange risks by investing in the notes.

The notes offered hereby are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the Euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the Euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the notes, below the stated coupon rate and could result in a loss to you when the return on the notes, as applicable, is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from an investment in the notes.

The issuer may not be able to fulfill its repurchase obligations with respect to the notes upon a change of control.

If the issuer experiences certain change of control events, the issuer is required by the indenture governing the notes to offer to repurchase all outstanding notes at a repurchase price equal to 101% of the principal amount of notes repurchased, *plus* accrued and unpaid interest, if any, to the applicable repurchase date. If a change of control event were to occur, the issuer may not have sufficient funds to repay any notes tendered for purchase or that would become immediately due and payable as a result of such change of control event. The issuer may require additional financing from third parties to fund any such repurchases, and it may not be able to obtain additional financing on satisfactory terms or at all. The issuer's failure to repay holders who tender notes for repurchase following a change of control event could result in an event of default under the indenture governing the notes.

In addition, a change of control event would also constitute a change of control event under the Alsea 2026 Notes and other outstanding indebtedness of the parent. Under the terms of our existing credit agreements, a change of control event may result in an event of default. Any future credit agreements or other agreements or instruments relating to indebtedness to which the issuer becomes a party may contain restrictions on its ability to offer to repurchase the notes in connection with a change of control event. In the event a change of control event occurs at a time when the issuer is prohibited from offering to purchase the notes, the issuer could attempt to obtain the consent of the lenders under those agreements or attempt to refinance the related indebtedness, but it may not be successful.

Enforcing your rights as a noteholder or under the guarantees across multiple jurisdictions may prove difficult, will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability, and insolvency laws of Spain and the other jurisdictions in which the Guarantors are incorporated may not be as favorable to you as U.S. or other insolvency laws.

The issuer of the notes is incorporated in and operates under the laws of Spain and the guarantees are provided by the guarantors, which are incorporated or organized under the laws of Mexico and Spain.

Each guarantee will provide the holders of the notes with a direct claim against the relevant guarantor. There can be no assurance that the value of the guarantees will be sufficient to satisfy claims under the notes. Even though the indenture will provide that each guarantee will be limited to the maximum amount that can be guaranteed by the relevant guarantor, without rendering the relevant guarantee voidable or otherwise ineffective under Spanish, Mexican or any other applicable law and enforcement of each guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, unfair or voidable preference and insolvent transactions, financial assistance, corporate purpose, capital maintenance, related party transactions, security registration or similar laws, regulations or defenses affecting the rights of creditors generally.

Moreover, in the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Spain, Mexico or in any other relevant jurisdiction. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the notes and the guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the issuer's or the guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other and those of the United States and other relevant jurisdictions, including in the areas of rights of creditors, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. In particular, the Spanish Insolvency Law and general insolvency regime have been affected by certain extraordinary regulations approved by the Spanish Government as a result of and with the objective of mitigating the effects of the COVID-19 pandemic. Amongst other measures, these extraordinary regulations which include, amongst others, Law 3/2020, of 18 September, of procedural and organisational measures to tackle COVID-19 in the realm of the administration of justice, as amended by Royal Decree-law 5/2021, of 12 March, of extraordinary measures to support company solvency in response to the COVID-19 pandemic and Royal Decree-law 27/2021, of 23 November, extending certain economic measures to support recovery, have established a moratorium in connection with the legal duty to file for insolvency until June 30, 2022 (irrespective of the debtor having submitted the communication established in Article 583 et. seq. of the Spanish Insolvency Law). According to these regulations, the two-month term to file for insolvency will start on July 1, 2022.

The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the notes and the guarantees in those jurisdictions or limit any amounts that you may receive.

For a description of limitations on guarantees and insolvency proceedings in Spain, the European Union and Mexico, see "Enforceability of Civil Liabilities" and "Certain Insolvency Law considerations and Limitations on Validity and Enforceability of the Guarantees."

If the Mexican guarantors were to be declared insolvent or bankrupt, holders of notes may find it difficult to collect payment on the notes.

Under the Mexican Business Reorganizations Law (*Ley de Concursos Mercantiles*), if any of the guarantors are declared bankrupt (*en quiebra*) or become subject to insolvency proceedings (*concurso mercantil*), the obligations of such guarantor under the notes, respectively, (i) would be converted into pesos and then from pesos into inflation-adjusted units (*unidades de inversión*, known as UDIs), (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, which differ from those in other jurisdictions such as the United States and the European Union, including with respect to the treatment of intercompany debt, (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, (v) would not be adjusted to take into account any depreciation of the Mexican peso against the U.S. dollar occurring after such declaration, and (vi) would be subject to certain statutory preferences, including but not limited to tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors). As a result, upon the occurrence of any such events, payments under the notes by any guarantor may be materially adversely affected, and the ability of the holders of the notes to effectively collect payments due under the notes may be compromised or subject to delay.

Payments of judgments against the Mexican guarantors on the guarantees would be in pesos.

In the event that proceedings are brought against the guarantors in Mexico, either to enforce a judgment issued by a non-Mexican court or as a result of an original action brought in Mexico, the guarantors would not be required to discharge those obligations in a currency other than Mexican currency. Under Mexican law, an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican pesos, which is payable in Mexico, may be satisfied in Mexican pesos at the rate of exchange in effect at the time and place of payment or judgment. Such rate is currently determined by the Mexican Central Bank and published every banking-business day in the Mexican Federal Official Gazette. As a result, you may suffer a Euro shortfall if you obtain a judgment or a distribution in bankruptcy in Mexico in Mexican pesos. No separate action exists or is enforceable in Mexico for compensation for any shortfall of this kind.

The guarantees granted by Spanish guarantors will be limited to a specified amount, and each guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each guarantee provides the holders of the notes with a claim, through the Trustee, against the relevant guarantor. However, the guarantees granted by the Spanish guarantors may be limited due to certain Spanish applicable legislation which may render the relevant guarantee, as it relates to that Spanish guarantor, voidable or otherwise ineffective or limited, and enforcement of each guarantee would be subject to certain generally available defenses under Spanish law. Without prejudice to the following, for more information, see "Certain Insolvency Law considerations and Limitations on Validity and Enforceability of the Guarantees."

The guarantees granted by Spanish guarantors will not guarantee any obligations which imply a breach of, respectively, Spanish financial assistance regulations. The Spanish financial assistance rules set forth in section 143.2 of the Spanish Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) regarding Spanish private limited liability companies (*sociedades de responsabilidad limitada*) and in section 150 of the Spanish Capital Companies Act regarding Spanish public limited liability companies (*sociedades anónimas*) provide that Spanish public limited liability companies cannot grant any type of funds, guarantees or any other financial assistance to facilitate the acquisition of their own shares or the shares of their parent companies. This prohibition is broader for private limited liability companies, which cannot provide financial assistance to facilitate the acquisition of their shares, the shares of their parent companies or the shares of other companies within their corporate group. In particular, no Spanish guarantor may secure or guarantee any payment, prepayment, repayment or reimbursement obligation derived from any finance document used, or that may be used, for the purposes of payment of acquisition debt or the refinancing of the same (for the purposes of sections

143.2, 149 or 150, as applicable, of the Spanish Capital Companies Act) or the payment of any costs or transaction expenses related to, or paying the purchase price for, such acquisition of shares.

In this regard, the guarantee provided by Sigla, S.A.U. shall be limited and shall not guarantee any amounts of the notes used to pay and cancel any financial debt assumed by the issuer to fund the acquisition of Sigla, S.A.U. Otherwise, it may be rendered null and void due to Spanish financial assistance regulations.

Moreover, the enforcement of any of the guarantees against any Spanish guarantor will be subject to certain defenses available to guarantors in the relevant jurisdiction. These laws and defenses generally include those that relate to financial assistance, corporate interest or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, claw-back, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses is applicable, a Spanish guarantor may have no liability or decreased liability under its guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdiction could limit the enforceability of any guarantee granted by a Spanish guarantor against it.

Additionally pursuant to Spanish applicable legislation:

- The structure of on-demand guarantees is not specifically regulated in the Spanish Civil Code but their validity and effectiveness have been reviewed in several judgments and defined by the Spanish Supreme Court (*Tribunal Supremo*) as autonomous, independent and abstract (*funcionalmente abstractas*) guarantees. These judgments acknowledge the validity of provisions pursuant to which guarantors waive the ability to call on enforceability exceptions different to those arising from the guarantee. Notwithstanding the foregoing, certain case law has also admitted the possibility that, with certain limitations, the guarantor automatically raises the enforceability exception of fraud, bad faith or abuse of right (*abuso de derecho*) where the beneficiary enforces the guarantee in a fraudulent manner or in bad faith.

- The laws of Spain may limit the ability of any Spanish guarantor to guarantee debt of a related company or grant security on account of a related company's debts. These limitations arise from the interpretations of various provisions and from certain general principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee or the granting of security to guarantee or secure a parent or sister company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective. If these limitations were not observed, the guarantees granted by any Spanish guarantor could be subject to legal challenge.

These or similar laws may also apply to any future guarantee granted by any of the issuer's subsidiaries pursuant to the Indenture.

The liability of each Spanish guarantor under its guarantee will be limited to the amount that will result in such guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Spanish guarantor. There is a possibility that the entire guarantee may be set aside, in which case the entire liability may be extinguished.

If a Spanish court decided that a guarantee granted by a Spanish guarantor was a preference, fraudulent transfer or conveyance and voided such guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Spanish guarantor and would be solely our creditor and, if applicable, of any other guarantor under the relevant guarantee which has not been declared void. In the event that any guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the guarantee obligations apply, the notes would be effectively subordinated to all liabilities of the applicable guarantor, and if we cannot satisfy our obligations under the notes or any guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the notes.

Likewise, certain Spanish insolvency legislation and bankruptcy principles may limit the validity and enforceability of guarantees provided by Spanish guarantors. For more information, see “Certain Insolvency Law considerations and Limitations on Validity and Enforceability of the Guarantees.”

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

The issuer is a public limited liability company (*sociedad anónima*) organized and existing under the laws of Spain. The guarantors are organized and existing under the laws of Mexico or Spain. Most of our and the guarantors’ directors, executive officers and controlling persons are non-residents of the United States, and a significant portion of the assets of such non-resident persons and a significant portion of all our assets are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside of Mexico or Spain upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico or Spain judgments predicated upon the laws of any such jurisdiction, including any *judgment* predicated upon the civil liability provisions of United States federal and state securities laws. No bilateral treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgements. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon United States federal or state securities laws. As a result, it may be difficult or impossible for investors to have our or their assets seized or attached and liquidated to obtain any payment from us, the guarantors or our or their directors and executive officers. Likewise, the United States and Spain are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. A judgment rendered by any U.S. federal or state court based on civil liability, enforceable in the United States, would not be directly recognized or enforceable in Spain. A party in whose favor such a judgment was rendered could initiate recognition (*exequatur*) and enforcement proceedings of the U.S. resolution in Spain with the relevant Spanish Court of First Instance (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be, and once recognition is obtained after all applicable requirements have been fulfilled, the foreign judgment will be enforceable in Spain in accordance with the Spanish Civil Procedure Law. See “Enforceability of Civil Liabilities.”

The guarantees may not be enforceable against the guarantors.

The notes will be fully and unconditionally guaranteed jointly and severally by the guarantors. The guarantees provide a basis for a direct claim against the guarantors; however, it is possible that the guarantees may not be enforceable under Mexican law or Spanish law.

While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantees of the notes from being valid, binding and enforceable against the guarantors, in the event that a Mexican guarantor becomes subject to a reorganization proceeding (*concurso mercantil*) or to bankruptcy (*quiebra*), the relevant guarantee may be deemed to have been a fraudulent transfer and declared void based upon the guarantor being deemed not to have received fair consideration in exchange for such guarantee.

Among other things, a legal challenge of a guarantor’s obligations under a guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the guarantors as a result of the issuance of the notes. To the extent a guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the notes would not have any claim against that guarantor and would be creditors solely of the issuer and the guarantors whose obligations under the guarantees were not held unenforceable. If any such event were to occur, the creditworthiness of the notes, and the market value of the notes in the secondary market, may be materially adversely affected.

Similar limitations apply to guarantees governed by Spanish law. See *“— The guarantees granted by Spanish guarantors will be limited to a specified amount, and each guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability”*.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The notes have been assigned a rating by Moody's, Standard & Poor's and Fitch Ratings. The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. The ratings reflect the rating agencies' view as to the likelihood of payment of principal on the notes' maturity and the timely payment of interest on each interest payment date. An explanation of the significance of such ratings may be obtained from the rating agencies. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for any particular investor. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

The issuer may be subject to withholding tax in Spain, including in conjunction with the delivery of certain documentation by the Paying Agent.

Under the First Additional Provision of Spanish Law 10/2014, of June 26 ("Law 10/2014") and tax regulations established by Spanish Royal Decree 1065/2007, of July 27, as amended ("Royal Decree 1065/2007"), the issuer is not required to levy any withholding tax in Spain on interest payments or income derived from the redemption or repayment of the notes provided that certain requirements are met. The foregoing is subject to the Paying Agent complying with the information procedures described in "Taxation—Spanish Tax Considerations — Compliance with Certain Requirements in Connection with Income Payments" and, in particular, is subject to the delivery by the Paying Agent, in a timely manner, of a duly executed and completed statement providing certain details of the notes in the form of Annex A of Royal Decree 1065/2007 (the "Payment Statement").

The Paying Agent has agreed to comply with the procedures described in "Taxation—Spanish Tax Considerations — Compliance With Certain Requirements In Connection With Income Payments" to facilitate the timely reception by the issuer of a duly executed and completed Payment Statement in connection with each income payment under the notes. If such procedures are not followed, however, income paid by the issuer in respect of the notes will be subject to withholding tax in Spain, at the current rate of 19%. See "Taxation—Spanish Tax Considerations" for a more detailed explanation. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof.

Under Royal Decree 1065/2007, we may make payments free of Spanish withholding tax, provided that the notes comply, among others, with the following requirements: (i) the notes are regarded as listed debt securities issued under Law 10/2014; (ii) are admitted to trading on a regulated market, multilateral trading facility or other organized market; and (iii) the notes are originally registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. We expect that the notes will meet the requirements referred to in (i), (ii) and (iii) above and that, consequently, payments made by us to noteholders should be paid free of Spanish withholding tax, provided that the Paying Agent complies with the procedural requirements referred to above (see "Taxation — Spanish Tax Considerations — Compliance with Certain Requirements in Connection with Income Payments").

Notwithstanding the foregoing, if the Paying Agent fails to submit to the issuer or any Spanish guarantor the relevant information in a timely manner, the issuer or any Spanish guarantor, as the case may be, will withhold tax at the then-applicable rate (as at the date of this offering memorandum, 19%) from any payment in respect of the relevant notes.

However, if such Spanish withholding tax is made because of the failure by the Paying Agent to deliver a duly executed and completed Payment Statement to the issuer, affected noteholders will receive a refund of the amount withheld directly from the Paying Agent, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the issuer no later than the 10th calendar day of the month immediately following the relevant payment date.

None of us or the initial purchasers accept any responsibility relating to compliance by the Paying Agent with the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of interest under the notes. Furthermore, we will not pay any Additional Amounts with respect to any such withholding as a result of such failure by the Paying Agent to comply with the referred procedural requirements. Notwithstanding the above, noteholders who are not resident in Spain for tax purposes and are entitled to exemption from Non-Resident Income Tax on income derived from the Notes, but where the issuer or any Spanish guarantor, as the case may be, does not timely receive from the Paying Agent the information above about the notes by means of a certificate the form of which is attached as Annex A to this offering memorandum, may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

Notwithstanding the above, in the case of notes held by Spanish tax resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such notes may be subject to withholding by such depositary or custodian (currently 19%).

Income payments under the Notes will not be subject to Spanish withholding tax provided that certain requirements set forth in Law 10/2014 are satisfied

Pursuant to the wording of Additional Provision One of Law 10/2014, the application of the tax regime set forth in this law on income payments made under the notes (according to which, generally, income payments derived from the notes would not be subject to Spanish withholding tax, currently at a tax rate of 19%), requires the fulfillment of certain requirements. We understand that the notes which are aimed to be listed in SGX-ST will fulfill those requirements. However, we cannot rule out a different interpretation from the Spanish tax authorities with regard to the application to the notes of the tax regime established in Additional Provision One of Law 10/2014.

We do not present in this offering memorandum any financial statements of the issuer

We do not present in this offering memorandum any financial statements of the issuer. All historical financial statements included in this offering memorandum are those of the parent and its subsidiaries, which includes the issuer. We do not include unconsolidated financial statements of the issuer in this offering memorandum because we believe such financial statements are of limited utility to prospective investors. However, there is no guarantee that the parent's consolidated financial statements will be sufficient for the holders to make an investment decision. Any financial information of the issuer presented in this offering memorandum, is included for illustrative purposes only and does not intend to be comprehensive or sufficient. You should consult with your own advisors as to legal, business, financial, tax and related aspects of any investment in the notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the initial purchasers' discount and other estimated expenses payable in connection with this offering, will be approximately €295.9 million. The issuer intends to use the net proceeds of this offering to repay certain of its indebtedness as described below, and to pay fees and expenses incurred in connection with this offering.

The following table illustrates the estimated sources and uses of funds assuming we receive gross proceeds from the notes to be issued hereby in an aggregate amount equal to €300 million.

Sources of Funds	In millions of Mexican pesos	Uses of Funds	In millions of Mexican pesos
Notes issued hereby	7,057	Refinancing of bank debt	7,057
Cash from balance sheet	96	Transaction fees and expenses	96
Total sources	**7,153**	**Total uses**	**7,153**

The following table sets forth additional detail of the issuer's estimated uses of funds and financial debt structure assuming that such payments occurred on September 30, 2021. The actual amounts of such uses may differ on the actual closing date of the offering of the notes and/or the dates on which such indebtedness is repaid.

Uses of Funds	Outstanding as of September 30, 2021(1)	Payment / prepayment amount	Pro forma outstanding as of September 30, 2021
	(in millions of Mexican pesos)		
Europe(2)	11,704	(6,494)	5,210
Mexico	2,150	(563)	1,587
South America	106	-	106
Mexican Bonds	8,000	-	8,000
Alsea 2026 Notes	10,163	-	10,163
Notes issued hereby	-	-	7,057
Subtotal Repayment of Indebtedness		(7,057)	
Financial leases			
Leases	23,444	0	23,444
Total debt	55,567	(7,057)	55,567

(1) Includes current and non-current portion of debt.

(2) Includes, among others, the Euro-denominated tranche of the Peninsula Facility, the Clover Facility and the Santander Euro Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Certain Indebtedness" and "Terms of the Surviving Debt A&E Agreements" for more information of our Euro-denominated indebtedness.

The transaction fees and expenses will be paid with cash on hand (96 million of Mexican pesos).

See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness—Bank Debt."

Certain affiliates of the initial purchasers are lenders, lessors and, in some cases, agents or managers for the lenders, under the debt we intend to prepay, repurchase or redeem with the proceeds from the notes. As a result, certain of those affiliates may receive some of the proceeds from the sale of the notes. See "Plan of Distribution—Certain Relationships".

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of September 30, 2021 on (i) an actual basis, (ii) as adjusted basis to give effect to the issuance of the Alsea 2026 Notes and the use of the proceeds therefrom (including the consummation of the Debt Refinancing Transaction) and (ii) as further adjusted basis to give effect to the issuance of the notes offered hereby and the use of the proceeds therefrom as described under “Use of Proceeds.”

This table should be read in conjunction with, and is qualified in its entirety by reference to, “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Presentation of Financial and Other Information” and our unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum.

	As of September 30, 2021		
	Actual	**As Adjusted(1)**	**As Further Adjusted(3)**
	(in thousands of pesos)		
Debt:			
Short-term debt	31,949,992	22,083,742	15,026,742
Long-term debt	0	0	0
Financial leases liabilities	23,740,431	23,443,431	23,443,431
Alsea 2026 Notes(2)	0	9,883,007	9,883,007
Notes offered hereby(2)	0	0	6,960,921
Stockholders’ equity:			
Capital stock	478,749	478,749	478,749
Premium from stock subscriptions	8,676,827	8,676,827	8,676,827
Other capital accounts	(1,413,902)	(1,413,902)	(1,413,902)
Total stockholders’ equity	7,741,674	7,741,674	7,741,674
Total capitalization	71,173,771	70,893,528	70,797,449

(1) “As Adjusted” column does not reflect the effect of the Surviving Debt A&E Agreements and our Debt Refinancing Transaction in the classification of our debt between short-term and long-term, as balances are presented as of September 30, 2021 when such balances were classified as presented herein. After giving effect to the Debt Refinancing Transaction, of the total Ps.22,083.7 million of short-term debt shown in the table above, Ps.1,418.6 million would have remained as short-term debt and Ps.20,665.2 million would have been long-term debt.

(2) In accordance with IFRS 9 (financial instruments, 2021), reflects proceeds net from transaction fees and expenses.

(3) “As Further Adjusted” column reflects the uses of funds as described under “Use of Proceeds” including, among others, total or partial prepayments under the Euro-denominated tranche of the Peninsula Facility, the Clover Facility and the Santander Euro Facility. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Certain Indebtedness” and “Terms of the Surviving Debt A&E Agreements” for more information of our Euro-denominated indebtedness.

EXCHANGE RATES

The following table sets forth, for the years and periods indicated, the period end, average, high and low exchange rates published by the Mexican Central Bank expressed in Mexican pesos per U.S. dollar. The average annual rates presented in the following table were calculated by using the exchange rates on the last day of each month during the relevant period, whereas the average monthly rates were calculated by using the daily exchange rates for that month. The rates shown below are in nominal Mexican pesos that have not been restated in constant currency units. No representation is made that the Mexican peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. dollar-denominated items, including U.S. dollar-denominated expenses and liabilities, may have been translated into Pesos using one exchange rate (or an average exchange rate) and have been re-translated into U.S. dollars for the convenience of the reader using the convenience translation exchange rate.

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

	Exchange Rate (Ps. Per U.S.$)(1)			
Year Ended December 31,	**Low(2)**	**High(2)**	**Average(3)**	**Period-End**
2017	17.49	21.91	18.93	19.74
2018	17.98	20.72	19.24	19.68
2019	18.77	20.13	19.26	18.84
2020	18.57	25.12	21.50	19.95
2021	20.00	22.00	20.97	20.89
Month Ended				
July 31, 2021	19.63	20.71	20.09	20.06
August 30, 2021	19.50	20.82	20.11	20.08
September 30, 2021	19.94	20.20	20.08	20.49
October 31, 2021	20.00	20.06	20.04	20.52
November 30, 2021	21.92	21.54	21.44	21.46
December 31, 2021	20.37	20.52	20.46	20.50
January 2022 (through January 5)	20.35	20.56	20.35	20.35

(1) Source: Mexican Central Bank.
(2) Rates shown are the actual low and high, on a day-by-day basis for each period.
(3) Average of daily rates in the case of monthly averages and average of such monthly averages in the case of yearly averages.

The following table sets forth, for the periods indicated, the high, low, average and year-end noon exchange rate, expressed in Mexican pesos per Euro, published by the Mexican Central Bank. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

	Exchange Rate (Ps. per €)(1)			
Year Ended December 31,	**Low(2)**	**High(2)**	**Average(3)**	**Period-End**
2017	19.72	23.57	21.32	23.57
2018	21.39	24.47	22.69	22.46
2019	20.98	22.39	21.55	21.17
2020	20.06	27.29	24.52	24.35
2021	23.24	25.57	23.99	23.27
Month Ended				
July 31, 2021	23.45	23.62	23.60	23.62
August 30, 2021	23.35	23.96	23.60	23.75
September 30, 2021	23.37	23.78	23.56	23.79
October 31, 2021	23.40	24.02	23.73	23.92
November 30, 2021	23.42	24.67	23.77	24.33
December 31, 2021	23.24	24.50	23.67	23.27
January 2022 (through January 5)	23.14	23.22	23.17	23.17

(1) Source: European Central Bank and Mexican Central Bank.
(2) Rates shown are the actual low and high, on a day-by-day basis for each period.
(3) Average of daily rates in the case of monthly averages and average of such monthly averages in the case of yearly averages.
(1) (2) (3) The rates have not been restated in constant currency units and therefore represent nominal historical figures.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

We do not present in this offering memorandum any financial statements of the issuer. All historical financial statements included in this offering memorandum are those of the parent and its subsidiaries, which includes the issuer. Any financial information of the issuer presented in this offering memorandum, is included for illustrative purposes only and does not intend to be comprehensive or sufficient.

The following tables present our selected consolidated financial and operating information, as of the dates and for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements, including the notes thereto, contained elsewhere in this offering memorandum and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum.

The consolidated financial information as of and for the years ended December 31, 2020, 2019 and 2018 has been derived from our audited consolidated financial statements contained elsewhere in this offering memorandum.

The consolidated financial information as of September 30, 2021, and for the nine months ended September 30, 2021 and 2020 has been derived from our unaudited condensed consolidated interim financial statements contained elsewhere in this offering memorandum. The results of operations for the nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021 or for any other period.

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the IASB. We are not providing any reconciliation to U.S. GAAP of our consolidated financial statements or other financial information in this offering memorandum. We cannot assure you that a reconciliation would not identify material quantitative differences between our consolidated financial statements and other financial information as prepared on the basis of IFRS if such information were to be prepared on the basis of U.S. GAAP.

Our consolidated financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2020 and the nine months ended September 30, 2021 included in this offering memorandum is presented in U.S. dollars for the convenience of the investors. See "Presentation of Financial and Other Information—Currency and Other Information."

For additional information regarding financial information presented in this offering memorandum, see "Presentation of Financial and Other Information."

Parent guarantor and its subsidiaries

Consolidated Statements of Income

	For the year ended December 31, 2018	2019	2020
	(in thousands of Mexican pesos)		
Continuing operations			
Net sales	Ps. 46,156,590	Ps. 58,154,617	Ps. 38,495,420
Cost of sales	14,187,508	17,164,021	11,454,884
Depreciation and amortization	3,114,728	8,046,665	8,435,190
Employee benefits	11,557,626	16,044,061	12,138,673
Services	2,533,938	2,872,443	2,004,405
Advertising	1,644,825	2,026,539	1,398,352
Royalties	1,460,437	1,779,165	1,124,108
Repair and maintenance	923,279	1,080,830	866,926
Supplies	852,515	928,544	765,373
Distribution	644,022	613,309	521,046
Other operating expenses	5,944,126	3,028,149	1,303,972
(Loss) operating profit	3,293,586	4,570,891	(1,517,509)
Interest income	(56,526)	(101,168)	(118,987)
Interest expenses	1,627,938	3,123,023	3,225,511
Changes in the fair value of financial instruments	(114,806)	(201,142)	456,548
Exchange loss (gain), net	(636)	29,083	11,318
	1,455,970	2,849,796	3,574,390
Equity in results of associated companies	-	(942)	(2,647)
(Loss) income before income taxes	1,837,616	1,720,153	(5,094,546)
(Profit) income taxes	698,294	635,420	(1,199,088)
Consolidated net (loss) income from continuing operations	1,139,322	1,084,733	(3,895,458)
Net (loss) income for the year attributable to:			
Controlling interest	953,251	926,669	(3,235,574)
Non-controlling interest	186,071	158,064	(659,884)
Earnings per share:			
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	1.14	1.11	(3.86)
Basic and diluted net earnings per share from continuing operations (cents per share)	1.14	1.11	(3.86)

	For the nine-month period ended September 30,	
	2020	2021
	(in thousands of Mexican pesos)	
Continuing operations		
Net sales	Ps. 27,198,385	Ps. 36,647,357
Cost of sales exclusive of depreciation and amortization shown separately below	8,917,367	11,610,430
Depreciation and amortization	6,194,393	5,913,565
Selling expenses	12,580,983	14,487,716
Administrative expenses	1,721,635	2,203,408
Other operating expenses	215,930	308,717
Operating profit (loss)	(2,431,923)	2,123,521
Interest income	(125,542)	(90,243)
Interest expenses	2,451,328	2,513,508
Changes in the fair value of financial instruments	572,865	(74,981)
Exchange loss (gain), net	(663,138)	(61,796)
Equity in results of associates	(2,887)	743
Income (loss) before income taxes	(4,670,323)	(162,224)
Income tax (benefit) expense	(707,402)	(22,331)
Consolidated net income (loss) from continuing operations	(3,962,921)	(139,893)

Consolidated Statements of Financial Position

	As of December 31,		
	2018	2019	2020
Assets	(in thousands of Mexican pesos)		
Current assets:			
Cash and cash equivalents	Ps. 1,987,857	Ps.2,568,771	Ps.3,932,409
Customers, net	582,135	764,902	890,484
Value-added tax and other recoverable taxes	286,360	338,597	1,274,055
Other accounts receivable	211,086	682,319	730,291
Inventories	2,120,208	1,779,646	1,617,570
Non-current assets classified as held for sale	70,340	52,546	-
Advance payments	412,676	289,885	328,034
Total current assets	5,670,662	6,476,666	8,772,843
Long-term assets:			
Guarantee deposits	863,512	753,850	1,789,833
Investment in shares of associated companies	14,296	85,471	90,110
Store equipment, leasehold improvements and property, net	18,960,250	16,692,801	15,879,778
Right of use assets	-	21,192,657	23,423,275
Intangible assets, net	27,779,352	27,375,209	28,816,687
Deferred income taxes	2,867,571	3,835,593	4,665,412
Total long-term assets	50,484,981	69,935,581	74,665,095
Total assets	Ps.56,155,643	Ps.76,412,247	Ps.83,437,938

	As of December 31,		
	2018	2019	2020
Liabilities and stockholders' equity	(in thousands of Mexican pesos)		
Current liabilities:			
Current maturities of long-term debt	Ps.2,586,553	Ps.305,668	Ps.24,233,053
Current obligation under finance leases	6,799	3,915,338	4,207,633
Debt instruments	-	-	7,979,149
Suppliers	2,290,788	2,327,048	2,949,829
Factoring of suppliers	757,976	889,046	654,115
Accounts payable to creditors	2,326,156	2,234,461	2,834,150
Accrued expenses and employee benefits	4,239,559	3,278,798	4,279,180
Option to sell the non-controlling interest	2,506,006	2,304,864	2,701,407
Total current liabilities	14,713,837	15,255,223	49,838,516
Long-term liabilities:			
Long-term debt, not including current maturities	16,040,204	17,102,448	-
Obligation under finance leases	284,375	19,542,694	21,092,417
Debt instruments	6,983,244	7,973,765	-
Other liabilities	758,053	416,663	265,050
Deferred income taxes	3,772,048	4,365,095	4,364,054
Employee retirement benefits	151,988	213,797	244,056
Total long-term liabilities	27,989,912	49,614,462	25,965,577
Total liabilities	42,703,749	64,869,685	75,804,093
Stockholders' equity:			
Capital stock	478,749	478,749	478,749
Premium on share issue	8,444,420	8,670,873	8,676,827
Retained earnings	3,906,447	2,551,874	-683,700
Reserve for repurchase of shares	660,000	660,000	660,000
Reserve for obligation under put option of non-controlling interest	(2,013,801)	(2,013,801)	(2,013,801)
Other comprehensive income items	97,337	(766,696)	(814,676)
Stockholders' equity attributable to the controlling interest	11,573,152	9,580,999	6,303,399
Non-controlling interest	1,878,742	1,961,563	1,330,446
Total stockholders' equity	13,451,894	11,542,562	7,633,845
Total liabilities and stockholders' equity	Ps.56,155,643	Ps.76,412,247	Ps.83,437,938

Assets	**As of December 31, 2020**	**As of September 30, 2021**
Current assets:		
Cash and cash equivalents	Ps.3,932,409	Ps.3,585,129
Customers, net	890,484	1,044,611
Value-added tax and other recoverable taxes	1,274,055	689,767
Other accounts receivable	730,291	746,914
Inventories, net	1,617,570	1,853,084
Advance payments	328,034	597,741
Total current assets	8,772,843	8,517,246
Long-term assets:		
Guarantee deposits, mainly bank deposits	1,789,833	1,515,478
Investment in shares	90,110	111,162
Store equipment, leasehold improvements and property, net	15,879,778	14,737,663
Right of use assets	23,423,275	21,995,575
Intangible assets, net	28,816,687	28,277,453
Deferred income taxes	4,665,412	4,915,682
Total long-term assets	74,665,095	71,553,013
Total assets	Ps.83,437,938	Ps.80,070,259

Liabilities and stockholders' equity	As of December 31, 2020	As of September 30, 2021
Current liabilities:		
Current maturities of long-term debt	Ps.24,233,053	Ps.23,968,538
Current obligation under finance leases	4,207,633	4,215,031
Debt instruments	7,979,149	7,981,454
Suppliers	2,949,829	2,417,569
Factoring of suppliers	654,115	757,959
Accounts payable to creditors	2,834,150	3,062,039
Accrued expenses and employee benefits	4,279,180	3,768,338
Option to sell the non-controlling interest	2,701,407	1,420,723
Total current liabilities	49,838,516	47,591,651
Long-term liabilities:		
Obligation under finance leases	21,092,417	19,525,400
Other liabilities	265,050	904,783
Deferred income taxes	4,364,054	4,052,613
Employee retirement benefits	244,056	254,138
Total long-term liabilities	25,965,577	24,736,934
Total liabilities	75,804,093	72,328,585
Stockholders' equity:		
Capital stock	478,749	478,749
Premium on share issue	8,676,827	8,676,827
Reserve for repurchase of shares	660,000	660,000
Reserve for obligation under put option of non-controlling interest	(2,013,801)	(808,098)
Retained earnings	(683,700)	(1,889,482)
Other comprehensive income items	(814,676)	(170,454)
Stockholders' equity attributable to the controlling interest	6,303,399	6,947,542
Non-controlling interest	1,330,446	794,132
Total stockholders' equity	7,633,845	7,741,674
Total liabilities and stockholders' equity	Ps.83,437,938	Ps.80,070,259

Units

The following table shows our number of units, by brand category and country as of the end of each of the past three years.

Brands	As of December 31,			As of September 30,	
	2018	2019	2020	2021	(% Corporate Units)
Domino's Mexico(1)	759	800	781	790	55.3%
Domino's Colombia(1)	98	105	116	131	71.0%
Domino's Spain(1)	282	315	337	350	82.9%
Burger King Mexico	424	182	175	174	100.0%
Burger King Argentina	121	122	115	115	100.0%
Burger King Chile	45	55	57	58	100.0%
Burger King Colombia	17	-	-	-	-
Burger King Spain	59	60	55	54	100.0%
Total fast-food units	**1,805**	**1,639**	**1,636**	**1,672**	**73.0%**
Starbucks Mexico	723	749	747	741	100.0%
Starbucks Chile	121	133	134	138	100.0%
Starbucks Colombia	32	32	30	33	100.0%
Starbucks Argentina	143	144	132	132	100.0%
Starbucks Uruguay	-	8	9	9	100.0%
Starbucks Spain(2)	-	147	140	140	84.3%
Starbucks France(2)	-	184	188	199	35.2%
Starbucks Netherlands(2)	-	85	88	90	17.8%
Starbucks Portugal(2)	-	23	21	22	86.4%
Starbucks Belgium(2)	-	30	31	32	0.0%
Starbucks Luxembourg(2)	-	4	4	4	0.0%
Total Coffee Shops units	**1,024**	**1,539**	**1,524**	**1,540**	**82.9%**
Chili's Grill & Bar Mexico	72	75	71	71	100.0%
Chili's Grill & Bar Chile	4	5	5	5	100.0%
California Pizza Kitchen Mexico(3)	16	-	-	-	-
P.F. Chang's Mexico	25	25	25	26	100.0%
P.F. Chang's South America	10	5	7	7	100.0%
El Portón	64	46	16	16	100.0%
Italianni's Mexico(4)	95	93	79	76	78.9%
The Cheesecake Factory	3	5	6	6	100.0%
Archies Colombia	32	31	28	28	100.0%
Foster's Hollywood(5)	229	233	229	227	43.6%
Cañas y Tapa	19	17	1	-	-
Ginos	-	131	121	121	68.6%
TGI Fridays	-	17	13	13	100.0%
Wagamama	-	5	-	-	-
Corazón de Barro	-	3	2	2	100.0%
La Casa del Comal	-	1	-	-	-
Ole Mole	-	1	2	5	60.0%
Total Casual Dining units	**573**	**693**	**605**	**603**	**69.5%**
Vips Smart	-	38	39	41	39.0%
Foster Hollywood Street	-	1	1	2	50.0%
Total Fast Casual units	-	**39**	**40**	**43**	**39.5%**
Vips(6)	286	400	388	361	92%
Total Family Dining units	**286**	**400**	**388**	**361**	**92%**
TOTAL UNITS	**3,688**	**4,310**	**4,193**	**4,219**	**77.4%**
Total Company units	**2,947**	**3,419**	**3,284**	**3,264**	
Total sub-franchised units	**741**	**891**	**909**	**955**	

(1) Includes sub-franchises of Domino's Pizza in Mexico, Domino's Pizza in Colombia and Domino's Pizza in Spain.
(2) Includes sub-franchises of Starbucks in Spain, Portugal, France, Netherlands, Belgium and Luxembourg.
(3) Includes sub-franchises of California Pizza Kitchen in Mexico.
(4) Includes sub-franchises of Italianni's in Mexico.
(5) Includes sub-franchises of Foster's Hollywood in Spain.
(6) Includes sub-franchises of Vips in Mexico and Spain.

Financial Information by Business Segment

The following tables contain a summary of our selected consolidated financial information by business segment:

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
				(in millions of Mexican pesos)		
Net sales by business segment:						
Food and beverages, Mexico	Ps. 25,462	Ps. 27,217	Ps. 19,067	Ps. 23,665	Ps. 13,547	Ps. 18,145
Food and beverages, Europe	9,862	21,206	13,861	16,605	9,858	12,602
Food and beverages, South America	10,832	9,732	5,568	7,675	3,793	5,900
Total	**Ps. 46,156**	**Ps. 58,155**	**Ps. 38,496**	**Ps. 47,945**	**Ps. 27,198**	**Ps. 36,647**
Adjusted EBITDA by business segment:						
Food and beverages, Mexico	Ps. 4,348	Ps. 7,136	Ps. 3,966	Ps. 5,889	Ps. 2,535	Ps. 4,458
Food and beverages, Europe	1,367	4,314	2,370	3,905	1,146	2,682
Food and beverages, South America	693	1,168	582	1,398	82	898
Total	**Ps. 6,408**	**Ps. 12,618**	**Ps. 6,918**	**Ps. 11,192**	**Ps. 3,763**	**Ps. 8,038**

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
				(in millions of Mexican pesos)		
Adjusted EBITDA Reconciliation Food and beverages, Mexico:						
Adjusted EBITDA	Ps. 4,348	Ps. 7,136	Ps. 3,966	Ps. 5,889.1	Ps. 2,535	Ps. 4,458
Less:						
Depreciation and amortization	2,123	3,921	3,616	3,285	2,865	2,534
Equity in results of associated companies…	-	-	(2)	1	(2)	1
Net financing cost (1)	939	1,978	2,947	2,733	1,818	1,603
Income before income taxes	1,285	1,237	(2,599)	(128)	(2,150)	321

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
				(in millions of Mexican pesos)		
Adjusted EBITDA Reconciliation Food and beverages, Europe:						
Adjusted EBITDA	Ps. 1,367	Ps. 4,314	Ps. 2,370	Ps.3,905	Ps. 1,146	Ps. 2,682
Less:						
Depreciation and amortization	419	3,219	3,804	4,019	2,521	2,736
Net financing cost (1)	156	507	562	646	465	549
Income before income taxes	793	586	(1,997)	(760)	(1,840)	(604)

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2019	(b)	(a)+(b)-(c)	(c)	(a)
				(in millions of Mexican pesos)		
Adjusted EBITDA Reconciliation Food and beverages, South America:						
Adjusted EBITDA	Ps. 693	Ps. 1,168	Ps. 582	Ps. 1,397	Ps. 82	Ps. 898
Less:						
Depreciation and amortization	572	907	1,015	849	809	643
Equity in results of associated companies	-	(1)	(1)	-	(1)	-
Net financing cost (1)	361	365	65	246	(48)	134
Income before income taxes	(240)	(105)	(499)	302	(681)	121

Results of Operations by Geographic Region

The following table shows our net sales and the percentage of the total business that was transacted in each country, as of September 30, 2021.

	Net sales (in millions of pesos)	Percentage of total business
Geographic Region		
Mexico	Ps. 18,145	50%
Argentina	2,285	6%
Chile	2,206	6%
Colombia	1,316	4%
Uruguay	92	0%
Europe	12,602	34%

Guarantor and Non-Guarantor Financial and Other Information

	Nine months ended September 30, 2021	
Issuer and guarantors[(1)] Adjusted EBITDA	7,735,553	96.2%
Non-guarantors Adjusted EBITDA	301,533	3.8%
Consolidated Adjusted EBITDA	8,037,085	100.0%

	Nine months ended, September 30, 2021	
Issuer and guarantor[(1)] debt	31,837,810	99.6%
Non-guarantor debt	112,182	0.4%
Financial leases	23,740,431	-
Total debt	55,690,423	100.0%

(1) On the initial issue date for the notes, the following subsidiaries will provide a note guarantee in respect of the notes: Alsea, S.A.B. de C.V., Grupo Zena Pizza, Soc.Com.P.A., Sigla, S.A.U., Especialistas en Restaurantes de Comida Asiática S.A de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. Pursuant to the terms of the indenture, we will agree to cause the following subsidiaries to provide a note guarantee in respect of the notes within 120 days following the initial issue date of the notes: Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A. No assurance can be given that such entities will effectively provide a note guarantee within such 120 days or at all. See "Risk Factors—Risks Related to the Notes and the Guarantees—The notes and the guarantees will be effectively subordinated to any existing and future secured debt, and will be structurally subordinated to the liabilities of the parent's subsidiaries other than the guarantors and the issuer."

SUMMARIZED FINANCIAL INFORMATION

Issuer and its subsidiaries

	Years ended December 31,			Twelve months ended September 30,	Nine months ended September 30,	
			2020	2021	2020	2021
	2018	2021	(b)	(a)+(b)-(c)	(c)	(a)
	(in millions of Mexican pesos)					
Financial Position Data						
Current assets	Ps. 1,781	2,097	3,529	3,150	3,556	3,177
Long-term assets	19,298	34,727	37,333	33,157	39,939	35,763
Current liabilities	7,626	11,030	26,319	23,628	28,147	25,456
Long-term liabilities	9,999	22,385	12,705	11,322	13,528	12,145
Non-controlling interest	-	-	-	0	-	-
Income Statement Data						
Net sales	Ps. 9,862	21,206	13,861	16,605	9,858	12,603
Cost of sales	2,726	5,576	3,483	4,114	2,535	3,167
Depreciation and amortization	419	3,219	3,804	4,020	2,521	2,736
Consolidated net (loss) income from continuing operations	632	473	(1,417)	(452)	(1,414)	(449)
Net (loss) income for the year attributable to:						
Non-controlling interest	0	0	0	0	0	0
Controlling interest	Ps. 632	473	(1,417)	(452)	(1,414)	(449)

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

The following discussion and analysis should be read together with our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements, including the notes thereto, contained elsewhere in this offering memorandum. Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements contained elsewhere in this offering memorandum have been prepared in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. See "Presentation of Financial and Other Information—Financial Statements."

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2020 and the nine months ended September 30, 2021 included in this offering memorandum is presented in U.S. dollars solely for the convenience of the reader.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Cautionary Statements Regarding Forward-Looking Statements" and "Risk Factors" and the matters set forth in this offering memorandum.

The following section discusses consolidated financial information of Alsea. This offering memorandum does not include stand-alone information of the issuer and its subsidiaries.

General

Based on internal estimates of the number of points of sale, we believe we are one of the largest restaurant operators in Latin America and Europe, and a leading regional global brands player in the fast-food, coffee shops, casual dining, family dining and fast-casual segments. Our significant and diverse portfolio includes brands such as Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, P.F. Chang's, Italianni's, The Cheesecake Factory, Vips, Vips Smart, El Portón, Foster's Hollywood, Archie's, Ginos, TGI Fridays, Corazón de Barro, La Casa de Comal, Foster's Hollywood Street and Ole Mole. As of December 31, 2020, we operated 4,193 units in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Benelux and Uruguay.

As of December 31, 2020, we had 75,298 employees.

The distribution platform operated by our subsidiary DIA, which constitutes a critical component of our shared services center, is responsible for handling the procurement processes associated with each of our trademarks and operating units, allowing them to focus on optimizing their operations and improving their customer service. We believe that this platform, which includes five distribution centers strategically located in the State of Mexico, Hermosillo, Monterrey, Mexico City (Tláhuac) and Cancún, is one of the largest logistics operations for the distribution of food in Mexico. As of December 31, 2020, DIA distributed supplies and raw materials to more than 2,008 units, making twice-weekly deliveries in more than 247 cities.

The following table contains certain data derived from our income statement, including our net sales, net sales margin and percentage change in the net sales margin since the previous period for the years ended December 31, 2018, 2019 and 2020.

	Nine months ended September 30,				
	2020		2021		
	Amount	Margin	Amount	Margin	% Change
	(in millions of pesos, except percentages and per share data)				
Statement of income data:					
Net sales	Ps. 27,198	100%	Ps. 36,647	100%	0%
Adjusted EBITDA	3,762	14%	8,038	22%	8%
Consolidated net income	(3,963)	(15%)	(140)	(2%)	14%

	Nine months ended September 30,				
	2020		2021		
	Amount	Margin	Amount	Margin	% Change
	(in millions of pesos, except percentages and per share data)				
Basic net earnings per Share..	(4.00)	N.A.	(0.00)	N.A.	N.A.

	Years ended December 31,							
	2018		2019			2020		
	Amount	Margin	Amount	Margin	% Change	Amount	Margin	% Change
	(in millions of pesos, except percentages and per share data)							
Statement of income data:								
Net sales.........	Ps. 46,156	100%	Ps. 58,155	100%	0%	Ps. 38,496	100%	0%
Adjusted EBITDA	6,408	13.9%	12,618	21.7%	8%	6,918	18%	(4%)
Consolidated net income .	1,139	2.5%	1,085	1.9%	(1%)	(3,847)	(10.1)	(12%)
Basic net earnings per Share..........	1.14	N.A.	1.11	N.A.	N.A.	(3.86)	N.A.	N.A.

Macroeconomic Conditions

Our financial performance remains very sensitive to changes in the overall economy, including food and labor cost inflation, unemployment and domestic GDP growth rates, and the growth in GDP per capita in our target markets. As a result, our financial and operational performance and our ability to implement our business strategy may be affected by adverse changes in global economic conditions. For example, any increase in the cost of the ingredients of our products that could not be transferred to our customers could affect our results of operations, and lower GDP growth would likely be reflected in an increase in unemployment rates. As a result, our customers' purchase power could be adversely affected, making it more difficult for us to attract more customers.

Principal Factors Affecting Our Results

Net sales

We recognize our revenues from the sale of products upon delivery of the product to the customer. Our revenues from the provision of services are recognized at the time the service is rendered. We derive revenues primarily from (i) the sale of food and beverages at the different types of units we operate: (ii) the royalty payments received from Domino's Pizza, Italianni's, Fosters Hollywood and Vips, and (iii) the provision of distribution and logistics services to Domino's and other sub-franchises of the Italianni's, Fosters Hollywood and Vips.

Cost of sales and operating and other expenses

The largest component of our cost of sales is the cost of the raw materials involved in the preparation or production of the food and beverages sold in our outlets.

Our operating and other expenses are primarily comprised of: (i) wages and benefits; (ii) the rent payments on the retail spaces where our units are located and the equipment used in such units; (iii) the royalty payments due and payable to the owners of our operating trademarks; and (iv) the advertising and marketing expenses associated with the promotion of such trademarks and the delivery services.

The main factors that affect our operating and other costs and expenses include:

- fluctuations in the price of the raw materials used in our products;
- the cost of our energy sources (primarily, electricity and gas) used in our production processes;

- fluctuations in distribution costs;
- administrative and operating and other expenses; and
- fluctuations in the exchange rate.

Our margins vary from brand to brand based on these and other factors, and therefore our business mix impacts our results of operations from period to period depending on the mix of brands that account for any increase in the number of our units in operation.

Financial costs and expenses

Our transactions denominated in foreign currency are recorded using the exchange rate in effect as of their execution or settlement date. Our foreign-denominated assets and liabilities are translated into pesos at the exchange rate in effect as of the date of our statement of financial position. Any foreign exchange loss or gain from our holding foreign-denominated monetary assets and liabilities is charged to our results for the relevant period.

We are exposed to market risks associated with the changes in foreign exchange rates. Changes in foreign exchange and interest rates may arise as a result of changes in local and international economic and political conditions, fiscal and monetary policies, market liquidity conditions and natural disasters, among other factors, all of which are beyond our control. In the event of a material change in value of the Mexican peso relative to the U.S. dollar, our net profit result may be affected.

High inflation rates could have an adverse effect on our results as we rely on commodities such as agricultural products, fuel and other raw materials. Any devaluation of the peso as a result of inflation would mean that these commodities may become more expensive for us in real terms.

Going Concern

The independent auditor's separate report relating to the unaudited condensed consolidated interim financial statements included in this offering memorandum contains an explanatory paragraph that states that certain circumstances raise substantial doubt about our ability to continue as a going concern and draws attention to notes 1 and 11 of the unaudited condensed consolidated interim financial statements and indicates that we have negotiated amendments to certain of our credit facilities that, among other things, temporarily suspend the application of and/or modify specified financial covenants (including leverage ratio and interest coverage ratio) through June 30, 2022. As indicated in note 11, we were in compliance with the temporarily modified covenants in effect as of September 30, 2021. We did not have sufficient capital to repay our debt at September 30, 2021, and management stated that we would not likely generate sufficient capital to repay the debt once original covenants are reinstated on June 30, 2022. These events or conditions, along with other matters as set forth in note 1 to the unaudited condensed consolidated interim financial statements indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. Management's plans regarding these matters are also described in note 1 to the unaudited condensed consolidated interim financial statements. On November 29, 2021, we entered into certain permanent amendments to our credit facilities that became effective on December 13, 2021. Such amendments include financial covenants that management expects to comply with in accordance with their terms.

Our consolidated financial statements were prepared assuming we will continue operating on a going concern basis (which contemplates we will be able to meet our obligations as they become due within one year after the date these financial statements are issued). Our ability to continue as a going concern is dependent on many factors, including, among other things, improvements in our operating results necessary to comply with our financial covenant requirements, and if necessary, amending or modifying our existing or future financial covenants.

See "Risk Factors—Risks Related to Our Business—During 2020 and 2021, certain circumstances existed that raised substantial doubt about our ability to continue as a going concern."

Critical Accounting Policies

The preparation of our financial information requires that our management make certain estimates and judgments that affect the reported amounts of our assets and liabilities and revenues and expenses, as well as the disclosure of our contingent assets and liabilities, in each case as of the date of the relevant financial statements. Our actual results could materially differ from these estimates. Our estimates and judgments are based on the information available at the time of preparation of our financial information. However, circumstances and our current assumptions with respect to future events may change as a result of market developments and other factors beyond our control. The effect of any such change is reflected in our estimates and judgments upon its occurrence.

Impairment of long-lived assets

We evaluate whether or not there is indication of impairment in long-lived assets on an annual basis. We calculate the recoverable amount when indicators of impairment are present. Impairment occurs when the net carrying value of a long-lived asset exceeds its recoverable amount, which is the higher of the fair value of the asset less costs to sell and the value in-use of the asset. Calculation of the value in-use is based on the discounted cash flow model, using our projections of the asset's operating results for the near future. The recoverable amount of long-lived assets is subject to uncertainties inherent to the preparation of projections and the discount rate used for the calculation.

Useful life of store equipment, leasehold improvements and properties

Fixed assets acquired separately are recognized at cost less accumulated depreciation and amortization and accrued losses for impairment. Depreciation is calculated based on the straight-line method over the estimated useful life of assets. The estimated useful life and the depreciation method are reviewed at the end of each reporting period, and the effect of any changes in the estimation recorded is recognized prospectively.

Income tax valuation

We recognize the net future tax benefit related to deferred income tax assets depending on the probability that future taxable income will be generated against which the deferred income tax assets can be utilized. Evaluating the recoverability of deferred income tax assets requires us to prepare significant estimates related to the possibility of generating future taxable income. Future taxable income estimates are based on projected cash flows from our operations and the application of the existing tax laws in Mexico. Our ability to realize the net deferred tax assets recorded at any reporting date could be negatively affected to the extent that future cash flows and taxable income differ significantly from our estimates. Additionally, recent changes in Mexico's tax laws are expected to limit our ability to obtain tax deductions in future periods.

Intangible assets

The period and amortization method of an intangible asset with a defined life is reviewed at each reporting date at a minimum. Changes to the expected useful life or the expected pattern of consumption of future economic benefits are made by changing the period or amortization method, as the case may be, and are treated as changes in accounting estimations. Amortization expenses of an intangible asset with a definite useful life are recorded in income as an expense.

Contingencies

Because contingencies are only resolved when future events either occur or cease to occur, the evaluation of contingencies entails estimates and judgments regarding the likelihood of such future events.

Results of Operations

Results of operations for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Net Sales

Our net sales for the nine months ended September 30, 2021 increased by Ps.9,449 million, or 34.7%, to Ps.36,647 million from Ps.27,198 million for the same period in 2020. This increase was mainly attributable to improved brands' performance as well as the success of our various business strategies in both dine-in and home delivery, also the recovery from the impact of the COVID-19 pandemic, which affected both the number of units in operation and consumption trends in the first half of 2020. Almost 100% of our units are in operations, excepted those located in school and office buildings.

Cost of Sales

Our cost of sales as a percentage of net sales decreased from 32.8% during the nine months ended September 30, 2020 to 31.7% for the nine months ended September 30, 2021. The decrease in the cost of sales of 1.1% was primarily attributable to improved inventory management.

Operating and other expenses

Our operating and other expenses comprises operating expenses, leases, depreciation, amortization and other expenses. Our operating and other expenses as a percentage of sales for the nine months ended September 30, 2021 decreased 13.7%, from 76.2% for the nine months ended September 30, 2020, to 62.5%. This decrease was primarily attributable to operational savings, labor efficiencies and reduction of marketing and advertising expenses.

Net financing cost

Our net financing cost for the nine months ended September 30, 2021 increased by Ps.50.9 million, or 2.3%, to Ps.2,286 million from Ps.2,235 million for the nine months ended September 30, 2020. This increase was mainly attributable to the Ps.62.1 million increase in interest expense and finance lease adjustments.

Income taxes

Our income tax expense for the nine months ended September 30, 2021 decreased by Ps.685 million, or 96.8%, as compared with the nine months ended September 30, 2020, to Ps.22 million from Ps.707 million, primarily attributable to a decrease in deferred tax asset.

Adjusted EBITDA

Our Adjusted EBITDA increased by Ps.4,274 million, from Ps.3,763 million in the nine months ended September 30, 2020 to Ps.8,038 million in the nine months ended September 30, 2021. This increase was primarily attributable to operating savings, higher operating leverage in addition to the agreements with certain strategic partners regarding the purchase of inputs and payment of royalties, as well as efficiencies in general and administrative expenses, rent negotiations, and labor productivity. Our Adjusted EBITDA margin increased to 21.9% in the nine months ended September 30, 2021, from 13.8% in the nine months ended September 30, 2020.

Consolidated net income

During the nine months ended September 30, 2021, consolidated net loss decreased by Ps.3,823 million, to Ps.(140) million from Ps.(3,963) million in the nine months ended September 30, 2020, as a result of the increase in sales and a reduction in the comprehensive financial result.

Results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019

Net Sales

Our net sales for the year ended December 31, 2020 decreased by Ps.19,659 million, or 33.8%, to Ps.38,496 million from Ps.58,155 million in 2019. This decrease reflects the effects of the COVID-19 pandemic, which affected both the number of units in operation, consumer trends and varied purchasing habits. 185 corporate units were closed in line with the strategy to improve our profitability in the future. The impact of contingency measures on traffic and mobility mainly affected our casual food and family dining restaurants, resulted, in lower sales levels which, in the worst cases, ranged between 50% and 75% compared to the sales registered in 2019.

Such impact on annual sales was partially offset by over Ps.9.3 billion in home delivery sales, which reached a 26.6% share of our consolidated sales in 2020. Same-store sales during the year, excluding the units that did not report any sales as a result of the COVID-19 pandemic, decreased by 23% in Mexico, 20.1% in South America and 24.4% in Europe.

Cost of Sales

Our cost of sales as a percentage of net sales increased to 29.7% from 29.5% from Ps.17,164 million during 2019 to Ps.11,455 million for the year ended December 31, 2020. This increase was primarily due to an increase in product waste as a result of the number of stores closed, and a reduction in sales levels.

Operating and other expenses

In the year ended December 31, 2020, our operating and other expenses as a percentage of sales increased by 11.4% to 74%, from 62.6% for the year ended December 31, 2019. This increase is primarily attributable to a decrease in sales. This effect was partly offset by the temporary rent reduction agreements that we reached with landlords.

Net financing cost

In the year ended December 31, 2020, our net financing cost increased by Ps.724 million, or 25.4%, to Ps.3,574 million from Ps.2,850 million in 2019. This increase is mainly attributable to the new credit facilities entered into to address the effects of the COVID-19 pandemic.

Income taxes

Our income tax expense for the year ended December 31, 2020, decreased by Ps.1,813 million, or 285.4%, as compared to 2019, to Ps.(1,178) million from Ps.635 million, due to a Ps.6,815 million decrease in our net profit before income taxes.

Adjusted EBITDA

Our Adjusted EBITDA decreased by 82%, to Ps.6,918 million in the year ended December 31, 2020, from Ps.12,618 million in the year ended December 31, 2019. This Ps.5,700 million Adjusted EBITDA decrease was primarily attributable to a decrease in Adjusted EBITDA generation in all geographies where we are present, mainly due to the implementation of contingency measures relating to the COVID-19 pandemic.

Accordingly, our Adjusted EBITDA margin, as a percentage of sales, decreased by 20.7%, 16% and 12.9% in our Mexico, Europe and South America operations, respectively, compared to 2019.

However, the decrease in Adjusted EBITDA was partially offset by the Ps.7,482 million in savings obtained the measured implemented since the end of the first quarter to reduce non-essential expenses relating to our operations and corporate expenses, access to government support and union agreements related to the salaries of employees in most countries and the agreements reached in respect of leases. Additionally, we recorded income from the sale of assets with a profit of approximately Ps.230 million in our consolidated Adjusted EBITDA for 2020, which was offset by the impact of store closings and brand value impairment, among others, for approximately Ps.600 million.

Consolidated net income

During the year ended December 31, 2020, consolidated net income of Ps.1,084 million decreased by Ps.4,980 million to a net loss of Ps.3,895 million in 2019. This decrease was mainly due to a lower sales due to the COVID-19 pandemic, an increase in the comprehensive financing result, mainly as a consequence of the negative effect of the exchange rates related to the call and put options of the remaining 21.0% of Zena, where a change in fair value of financial instruments of Ps.457 million was recorded compared to Ps.201 million reported in the previous year. The above was partially offset by deferred tax benefit.

Results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018

Net Sales

In 2019, our net sales increased by 25.9%, to Ps.58,155 million from Ps.46,156 million in 2018. This increase was mainly due to the 5.1% growth in same store sales, as well as the increase of 472 corporate units, which was largely due to the integration of corporate units due to the acquisition of Grupo Vips and Starbucks in France-Benelux. The organic expansion of 1.4%, reaching a total of 3,419 corporate units at the end of December 2019, which represents a growth of 16.0% compared to the same period of the previous year. The increase in sales was partially offset by the negative effect of the devaluation of the Argentine peso, which was partially offset by the appreciation of the Euro against the Mexican peso, which impacted ‘9.1 % in consolidated sales. Excluding this effect, the growth in net sales would have been 35.9%.

Cost of Sales

Our cost of sales as a percentage of net sales decreased by 21.0% from Ps.14,187 million during 2018 to Ps.17,164 million for the year ended December 31, 2019. This decrease was primarily due to the new portfolio mix resulting from the acquisition of Grupo Vips and Starbucks in France and Benelux.

Operating and other expenses

Our operating and other expenses for 2019, as a percentage of sales, decreased by 0.8%, from 62.1% in 2018 to 62.6%. This was primarily attributable to the acquisition of Grupo Vips and Starbucks in France and Benelux.

Net financing cost

Our net financing cost for 2019 increased by Ps. 1,394 million, or 95.7%, from Ps.1,456 million in 2018 to Ps.2,850 million. This increase was primarily due to a Ps. 1,495 million increase in our net interest expense and finance lease adjustments.

Income taxes

In 2019, our income tax expense decreased by Ps.63 million, or 9%, as compared with 2018, to Ps. 635 million from Ps.698 million as of December 31, 2018.

Adjusted EBITDA

Our Adjusted EBITDA grew by 96%, to Ps.12,618 million in 2019 from Ps.6,408 million in 2018. This Ps.6,210 million increase was primarily driven by a 1.2% improvement in the cost of sales related to the positive effect of business-mix in the portfolio of brands, an improvement in the performance of our Operations Center (COA), the strict control and decrease in various expense items, together with a greater participation of our European operations, the income derived from the sale of (i) two Vips units in Mexico City for approximately Ps.173 million and (ii) the rights over the “We proudly serve - Starbucks” units for Ps.123 million, a 0.1% improvement in our South America’s Adjusted EBITDA margin compared to the same period of the previous year, driven by our operations in Chile and Colombia, as well as the positive effect derived from the recent divestments in the region. Similarly, administrative expenses in our South America where managed to reduce 0.3% compared to the previous year.

The increase in Adjusted EBITDA was partially offset by an increase in energy rates mainly in Mexico, which was in turn partially offset by the benefits of using clean energy (wind power) in most units. The increase in minimum wages in some countries and the negative effect of the devaluation of certain currencies against the Mexican peso, mainly the Argentine peso and the euro, also affected us. The Adjusted EBITDA margin recorded an increase, from 13.9% in 2018 to 21.7% during 2019, mainly due to the new business mix, due to the incorporation of our acquisitions in Europe to our portfolio.

Consolidated net income

Our consolidated net income for 2019 decreased by Ps.54 million, from Ps.1,139 million in 2018 to Ps.1,084 million. This decrease was mainly due to a reduction in operating income, the loss of marginality in Argentina and Chile due to the socio-political economic situation in both countries, the increase in the comprehensive financing result as a consequence of a Ps.1,495 million increase in net interest expense, related to a higher leverage due to recent acquisitions, compared to 2018 and to the increase in depreciation derived from the divestitures and closures of units. The foregoing was partially offset by the benefit from the positive effect of the exchange rate related to the purchase and sale options of the remaining 21.0% of Grupo Zena , where an exchange rate gain of Ps.201 million was recorded compared to an exchange rate gain of Ps.115 million reported in the same period of the previous year, as well as to the 1% decrease in tax rate, from 38.0% in 2018 to 37% in 2019, and the decrease in the Interbank Interest Rate Balance (TIIE) during the year that decreased from 8.59% to 7.55%.

Results of Operations by Business Segment

The following tables show our net sales and Adjusted EBITDA by business segment for the year ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021 and 2020, compared with the preceding periods.

	Nine months ended September 30,						
	2020			2021			
		Amount	% of Total		Amount	% of Total	% Change
	(in millions of pesos, except percentages)						
Net sales by business segment:							
Food and beverage (Mexico)	Ps.	13,547	50%	Ps.	18,145	50%	34%
Food and beverage (Europe)		9,858	36%		12,602	34%	28%
Food and beverage (South America)		3,793	14%		5,900	16%	56%
Consolidated net sales	**Ps.**	**27,198**	**100%**	**Ps.**	**36,647**	**100.0%**	**117%**

	Years ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	(in millions of Mexican pesos)									
Net sales by business segment:										
Food and beverages, Mexico	Ps.	25,462	Ps.	27,217	Ps.	19,067	Ps.	13,547	Ps.	18,145
Food and beverages, Europe		9,862		21,206		13,861		9,858		12,602
Food and beverages, South America		10,832		9,732		5,568		3,793		5,900
Consolidated Net Total	**Ps.**	**46,156**	**Ps.**	**58,155**	**Ps.**	**38,496**	**Ps.**	**27,198**	**Ps.**	**36,647**
Adjusted EBITDA by business segment:										
Food and beverages, Mexico	Ps.	4,348	Ps.	7,136	Ps.	3,966	Ps.	2,535	Ps.	4,458
Food and beverages, Europe		1,367		4,314		2,370		1,146		2,682
Food and beverages, South America		693		1,168		582		82		898
Consolidated Adjusted EBITDA	**Ps.**	**6,408**	**Ps.**	**12,618**	**Ps.**	**6,918**	**Ps.**	**3,763**	**Ps.**	**8,038**

Food and beverage (Mexico)

This segment comprises the Domino's Pizza, Burger King, Starbucks, Chili's, P. F. Chang's, El Portón, Italianni's, The Cheesecake Factory and Vips brands, and DIA. Sales for the nine months ended September 30, 2021 increased by Ps.4,598 million, or 33.9%, to Ps.18,145 million from Ps.13,547 million for the nine months ended September 30, 2020. This increase was primarily attributable to an increase in restaurant consumption rates, our delivery and digital strategies such as *"WOW+"* and *Domino's Online Ordering* and in-store strategies, our agreements with aggregators and the pulling back of certain restrictive measures adopted to mitigate the effects of the COVID-19 pandemic. Domino's Pizza and Starbucks continue to be the among the best performing brands in the current environment.

Sales for the year ended December 31, 2020 decreased by Ps.8,150 million, or 29.9%, to Ps.19,067 million from Ps.27,217 million in 2019. This increase was primarily attributable to the number of units closed and the effects of the restrictive measures adopted by the government to address the COVID-19 pandemic, as well as changes in the consumption habits.

In 2019 our sales increased by Ps.1,755 million, or 6.9%, from Ps.25,462 million in 2018 to Ps.27,217 million. This increase was primarily attributable to the opening of 63 corporate units and 52 franchises, and to a 3.4% increase in same-store sales.

The segment's Adjusted EBITDA for the nine months ended September 30, 2021 increased by 75.9% to Ps.4,458 million from Ps.2,535 million for the same period in 2020. The increase was attributable to an increase in sales, reduced labor expenses, leases, and other administrative expenses, labor efficiencies, improved cost controls as well as the implemented commercial strategies.

The segment's Adjusted EBITDA for the year ended December 31, 2020 decreased by 44.4% to Ps.3,966 million from Ps.7,136 million in 2019. This decrease was attributable to the number of stores closed due to the implementation of contingency measures relating to the COVID-19 pandemic.

In 2019, the segment's Adjusted EBITDA increased by Ps.2,788 million, or 64.1%, from Ps.4,348 million in 2018 to Ps.7,136 million. This increase was mainly attributable to same store sales growth, the opening of 63 new stores and Center of Aperations' (COA) improvements.

Food and beverage (Europe)

This segment comprises the Domino's Pizza, Burger King, Starbucks, Foster's Hollywood, Gino's, TGI Fridays, Ole Mole and Vips brands. Sales for the nine months ended September 30, 2021 increased by Ps.2,744 million, or 27.8%, to Ps.12,602 million from Ps.9,858 million for the nine months ended September 30, 2020. This increase was primarily attributable to an increase in restaurant consumption rates, our delivery and digital strategies, the announcement of the end of the state of emergency in certain countries in which we operate, as less restrictive measures in terms of establishment capacity and closing times were allowed. The Starbucks brand continued its positive performance in the region.

Sales for the year ended December 31, 2020 decreased by Ps.7,345 million, or 34.6%, to Ps.13,861 million from Ps.21,206 million in 2019. This increase was primarily attributable to the effects of COVID-19 pandemic, due to the escalation of infections of the virus since the end of the first quarter, which led to the closure of 100% of corporate units by government decree in most of the countries where we operate from March 14 until early second trimester

In 2019 our sales increased by Ps.11,344 million, or 115%, from Ps.9,862 million in 2018 to Ps.21,206 million. This increase was primarily attributable to a 2.0% same store sales growth, implementation of digital kiosks in Burger King stores and the incorporation of 446 corporate units from the acquisition of Grupo Vips and Starbucks in France and Benelux.

The segment's Adjusted EBITDA for the nine months ended September 30, 2021 increased 134% to Ps.2,682 million from Ps.1,146 million for the same period in 2020. The increase was attributable to higher operating leverage in addition to the agreements with some strategic partners regarding the purchase of inputs and payment of royalties, as well as efficiencies in general and administrative expenses, rent negotiations, and labor productivity.

The segment's Adjusted EBITDA for the year ended December 31, 2020 decreased by 45.1% to Ps.2,370 million from Ps.4,314 million in 2019. This decrease was attributable to the number of stores closed due to the implementation of contingency measures relating to the COVID-19 pandemic. These effects were partially offset by G&A efficiencies, agreements with landlords and government support to address the COVID-19 pandemic.

In 2019, the segment's Adjusted EBITDA increased by Ps.2,947 million, or 215.6%, from Ps.1,367 million in 2018 to Ps.4,314 million. This increase was mainly attributable to the increase in the minimum interprofessional salary in Spain, mainly impacting home delivery employees and the new business mix due to the inclusion of acquisitions, which have higher administrative expenses as a percentage of sales.

Food and beverage (South America)

This segment comprises the Domino's Pizza, Burger King, Starbucks, Chili's, P.F. Chang's and Archie's brands. Sales for the nine months ended September 30, 2021 increased by Ps.2,107 million, or 55.5%, to Ps.5,900 million from Ps.3,793 million for the nine months ended September 30, 2020. This increase was primarily attributable to an increase in restaurant consumption rates, our delivery and digital strategies, our agreements with aggregators, the reduction of mobility restrictions implemented in the different geographies, economic reactivation linked to winter vacation in the region and government support in Chile that increased demand. Domino's Pizza, Starbucks and Archie's in Colombia continue with their positive trend, reporting growth in same-store sales.

Sales for the year ended December 31, 2020 decreased by Ps.4,164 million, or 42.8%, to Ps.5,568 million from Ps.9,732 million in 2019. This increase was primarily attributable to the number of stores closed and the contraction in consumption related to the COVID-19 pandemic.

In 2019 our sales decreased by Ps.1,100 million, or 10.2%, from Ps.10,832 million in 2018 to Ps.9,732 million. This increase was primarily attributable to the political-economic instability in Argentina with a devaluation close to 60% in the last twelve months. Excluding the negative effect of the of the devaluation of the Argentine peso, Alsea South America's sales growth would have reached 30.2%.

The segment's Adjusted EBITDA for the nine months ended September 30, 2021 increased 995% to Ps.898 million from Ps.82 million for the same period in 2020. The increase was attributable to savings from government support, mainly in Argentina, related to labor expenses, as well as benefits in terms of efficiencies, synergies and best practices linked to the consolidation and integration of operations in Chile, Argentina and Uruguay. In addition, the consolidation of Alsea South America's back-office in Colombia continues to generate savings in terms of office rent and corporate expenses.

The segment's Adjusted EBITDA for the year ended December 31, 2020 decreased by 50.2% to Ps.582 million from Ps.1,168 million in 2019. This decrease was attributable to the number of stores closed due to the implementation of contingency measures relating to the COVID-19 pandemic. These effects were partially offset by administrative and operational cost control strategies.

In 2019, the segment's Adjusted EBITDA increased by Ps.475 million, or 68.5%, from Ps.693 million in 2018 to Ps.1,168 million. This increase was mainly attributable to operating improvements in Burger King Chile and in Domino's and Archie's in Colombia.

Liquidity and Capital Resources

Cash and Cash Equivalents and Selected Financial Ratios

As of September 30, 2021, we had cash and cash equivalents of Ps.3,585 million. In the past, we have satisfied our liquidity requirements primarily through a combination of the cash flows generated by our operations and disbursements from our credit facilities. The cash flows generated by our operations have been allocated to finance our working capital requirements, to open new units and to repay our debt as it matures.

Our net debt to LTM Adjusted EBITDA ratio as of September 30, 2021, was 4.66x and our LTM Adjusted EBITDA to interest expense ratio as of such date was 3.1x. During the nine months ended September 30, 2021, our

ROIC increased to (3.4%), from (127.8%) during the same period in 2020, while our ROE increased to (1.8%) from (51.2%) during the same period of 2020.

Our net debt to Adjusted EBITDA ratio as of December 31, 2020, was 7.75x, and our Adjusted EBITDA to interest expense ratio as of such date was 1.9x. Our net debt to Adjusted EBITDA ratio increased with respect to the year ended December 31, 2019 as a result of debt incurred in order to ensure our liquidity due to the COVID-19 pandemic. During the year ended December 31, 2020, our ROIC decreased to (105.2%), from 12.1% during 2019, while our ROE decreased from 9.40% during 2019 to (51.0%).

Our net debt to Adjusted EBITDA ratio as of December 31, 2019, was 3.67x, and our Adjusted EBITDA to interest expense ratio such date was 4.4x. During the year ended December 31, 2019, our ROIC decreased to 12.1%, from 9.90% during the year ended December 31, 2018, while our ROE increased from 8.5% during the same period to 9.4%.

Our net debt to Adjusted EBITDA ratio as of December 31, 2018, was 3.73x, and our Adjusted EBITDA to interest expense ratio as of such date was 4.4x.

The following table contains a summary of our liquidity ratios as of December 31, 2018, 2019 and 2020, and as of September 30, 2021.

	As of December 31			As of September 30
	2018	2019	2020	2021
Current assets / current liabilities	0.4	0.4	0.2	0.2
Current assets / total liabilities	0.1	0.1	0.1	0.1

The following tables contain selected ratios and other data as of December 31, 2018, 2019 and September 30, 2021, which have been derived from our financial statements.

	December 31			September 30
	2018	2019	2020	2021
Financial indicators				
Adjusted EBITDA(1) / Interest expense	4.4x	4.4x	1.9x	3.1x
Net debt(5) / Adjusted EBITDA(1)	3.73x	3.67x	7.75x	4.66x
ROIC(2)	9.9%	12.1%	(105.2%)	(3.4%)
ROE(3)	8.5%	9.4%	(51.0%)	(1.8%)
Total debt(5) (millions)	25,901	48,840	57,512	55,690
Net debt(5) (millions)	23,913	46,271	53,580	52,105
Market indicators				
Book value per share	$13.26	$13.20	$9.75	$8.28
Basic profit per share(4)	Ps. 1.20	Ps. 1.11	Ps. (3.86)	Ps. (0.00)
Shares outstanding at period's end (millions)	835.6	838.6	838.6	838.6
Price per share at period's end	$51.15	$49.83	$25.89	$41.61

(1) Adjusted EBITDA (last 12 months).
(2) ROIC is defined as operating income after taxes (last 12 months) over net operating investment (total assets – cash and short-term investments – no-cost liabilities).
(3) ROE is defined as net earnings (last 12 months) over shareholders' equity.
(4) BPS is earnings per share for the last 12 months.
(5) Except as of December 31, 2018, includes the effect of IFRS 16 which was adopted commencing on January 1, 2019.

Indebtedness

The following table presents our level of indebtedness as of December 31, 2018, 2019 and 2020 and as of September 30, 2021.

	As of December 31			As of September 30
	2018	2019	2020	2021
	(in thousands of pesos)			
Current liabilities				
Current maturities of long-term debt	2,586,553	305,668	24,233,053	23,968,538
Suppliers	2,290,788	2,327,048	2,949,829	2,417,569
Debt instruments	0	0	7,979,149	7,981,454
Other(1)	9,836,496	12,622,507	14,676,485	13,224,090
Total current liabilities	14,713,837	15,255,223	49,838,516	47,591,651
Non-current liabilities				
Long-term debt	16,040,204	17,102,448	-	-
Debt instruments	6,983,244	7,973,765	-	-
Other long-term liabilities(2)	4,966,464	24,538,249	25,965,577	24,736,934
Total	27,989,912	49,614,462	25,965,577	24,736,934

(1) Accounts payable and accrued liabilities, provisions, income taxes and taxes arising from tax consolidation.
(2) Other liabilities, taxes arising from tax consolidation and employee retirement benefits.

Our total debt as of September 30, 2021, decreased by Ps.1,821 million, to Ps.55,690 million from Ps.57,512 million on December 31, 2020. As of September 30, 2021, our consolidated net debt decreased by Ps.1,474 million, to Ps.52,105 million as compared to Ps.53,579 million on December 31, 2020. As of September 30, 2021, 0% of our debt was long-term debt, and 57.80% of our debt was denominated in Mexican Pesos. 41.85% was denominated in Euros and 0.35% was denominated in Chilean pesos.

Our total debt as of December 31, 2020, increased by Ps.8,672 million, to Ps.57,512 million from Ps.48,839 million in 2019. This increase in debt was mainly attributable to liquidity needs to face the contingency of COVID-19, coupled with the negative effect of approximately Ps.1,700 million due to the revaluation of the debt in euros in connection with the appreciation of said currency against the Mexican peso. As of December 31, 2020, our consolidated net debt increased by Ps.7,308 million, to Ps.53,579 million from Ps.46,271 million. As of December 31, 2020, 85% of our debt was long-term debt, and 58% of our debt was denominated in Mexican Pesos, 42% was denominated in Euros and 1% was denominated in Chilean pesos.

Our total debt increased by Ps.22,938 million, to Ps.48,839 million as of December 31, 2019, from Ps.25,901 million as of December 31, 2018. This increase was primarily attributable to the prepayment of loans with the resources obtained from the sale of assets, exceeding the goal established in our deleveraging plan for the end of 2019. As of December 31, 2019, 99% of our debt was long-term debt, and 61% of our debt was denominated in Mexican Pesos, 38% was denominated in Euros and 1% was denominated in Chilean pesos

The following table presents our level of indebtedness and the types of interest applicable to our debt as of December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021.

	December 31,			
	2018	2019	2020	September 30, 2021
Total debt (in thousands of pesos)	Ps.25,901,175	Ps.48,839,913	Ps.57,512,253	Ps.55,690,423
Interest Rate	Variable and fixed	Variable and fixed	Variable and fixed	Variable and fixed

The proceeds from our bank loans and from the sale of our debt instruments have been used to finance the development and expansion of our trademarks. As of the date of this offering memorandum we are in compliance with all the affirmative and negative covenants contained in the instruments governing our bank loans and debt instruments.

As a result of the COVID-19 pandemic, the issuer has entered into several bilateral facility agreements with various financial entities guaranteed by the Spanish Institute of Official Credit (*Instituto de Crédito Oficial*) ("ICO" and the "COVID Related ICO Facilities", respectively).

As of the date of this offering memorandum, the breakdown of the COVID Related ICO Facilities is the following:

Lender	Description of Indebtedness	Currency	Original Amount	Outstanding Amount	Stated Maturity (mm/dd/yyyy)
Abanca	Bilateral loan with ICO guaranty	EUR	2,000,000	2,000,000	06/08/2026
Banca March	Bilateral loan with ICO guaranty	EUR	10,000,000	10,000,000	11/01/2024
BBVA	Bilateral loan with ICO guaranty	EUR	10,000,000	10,000,000	01/28/2026
BBVA 13.4M	Bilateral loan with ICO guaranty	EUR	13,400,000	7,515,101	01/28/2026
CaixaBank	Bilateral loan with ICO guaranty	EUR	10,000,000	10,000,000	04/15/2026
Caja Rural	Bilateral loan with ICO guaranty	EUR	1,500,000	1,500,000	06/25/2026
Ibercaja	Bilateral loan with ICO guaranty	EUR	1,000,000	1,000,000	04/24/2026
Sabadell	Bilateral loan with ICO guaranty	EUR	6,000,000	5,414,727	04/14/2026
Santander	Bilateral loan with ICO guaranty	EUR	14,000,000	14,000,000	04/03/2025
BNP	Bilateral loan with ICO guaranty	EUR	15,000,000	15,000,000	07/07/2026
Santander Totta	Bilateral loan with ICO guaranty	EUR	1,500,000	1,500,000	25/11/2026
		Total (Euro)	84,400,000	77,929,828	

Description of Certain Indebtedness

As of September 30, 2021, our total long-term debt excluding lease liabilities was Ps.31,949 million and our total short-term debt was Ps.0 million. All of our debt was denominated in Mexican pesos, Euros and Chilean pesos. The following table shows the balance and distribution of our debt as of September 30, 2021:

	Maturity	Average Annual Interest Rate	Millions of Mexican pesos as of September 30, 2021
Total Debt	2022-2027	6.91%	Ps. 55,690
Bank Debt	2022-2026	6.21%	23,968
Bonds	2022-2027	8.20%	7,981
Financial leases	-	-	23,740

The terms of our bank debt includes certain affirmative and negative covenants, described below. Among other obligations, we must comply with limitations on our ability to incur indebtedness and we are restricted from granting liens or other encumbrances under certain circumstances. We believe none of these obligations places significant constraints on our operations or ability to fund our operations. These obligations have equal seniority.

Bank Debt

Pursuant to the terms of our bank debt, we are required to maintain certain financial ratios, including (i) a minimum consolidated interest coverage ratio as of the end of any fiscal quarter (commencing with the fiscal quarter ending on June 30, 2022) of 3.0:1.00, (ii) a maximum consolidated gross leverage ratio (commencing on, and including, June 30, 2022), of 3.5:1.00; (iii) a consolidated net worth of Ps.6,900,000; and (iv) a minimum liquidity position of Ps.3,000 million. Previously, since June 30, 2020, we were required to maintain (i) a consolidated net worth of Ps.8,500,000, and (ii) a minimum liquidity position of Ps.2,000 million until September 30, 2020, and Ps.3,000 million between September 30, 2020, and December 31, 2020.

In addition, pursuant to the terms of our bank debt we are required to maintain certain financial ratios during the effective term of the agreements governing such debt, including (i) a net debt to Adjusted EBITDA ratio lower than 5.0x and (ii) an Adjusted EBITDA to interest expense ratio greater than 3.5x, in each case based on our quarterly financial statements. We are also required to maintain control over no less than 75% of our guarantors' Adjusted EBITDA.

The terms of our bank debt also restrict our ability to incur additional debt, create liens on our assets, make certain investments, participate in any merger or spin-off, change or corporate purpose, and sell, lease, assign, transfer or otherwise dispose of or encumber our assets.

Bank	Type of credit	Currency	Rate	Maturity	September 30, 2021 Unaudited	December 31, 2020
					(in thousands of Mexican pesos)	
Sindicado	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2023	$4,420,455	$4,432,195
Sindicado	Simple credit	Euros	Variable rate Euribor +1.25%	2023	10,077,691	10,312,875
Sindicado	Simple credit	Euros	Euribor + 3.25%	2021	2,466,798	2,500,000
Sumitomo	Simple credit	Mexican pesos	Euribor + 1.60%	2021	597,365	599,223
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	Simple credit	Mexican pesos	Variable rate TIIE +1%	2025	1,663,203	1,668,413
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2021	154,042	155,000
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.15%	2025	992,035	993,526
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2022	283,677	283,594
Banco Santander, S.A.	Simple credit	Euros	Euribor + 1.35%	2022	334,518	243,802
Clover ING	Simple credit	Euros	Euribor + 1.70%	2022	1,123,026	1,145,869
Banca March	Simple credit	Euros	Euribor + 1.50%	2020	238,942	243,802
Santander Chile, S.A.	Simple credit	Chilean pesos	Variable rate TIIE +0.41%	2021	68,947	83,182
Banco de Chile	Simple credit	Chilean pesos	29% (Fixed rate)	2024	58,542	93,888
Bankia/Caixa Icos	Simple credit	Euros	Euribor + 1.85%	2022	234,300	243,802
Sabadel Icos	Simple credit	Euros	Euribor + 2.20%	2023	129,387	136,773
Santander Icos	Simple credit	Euros	Euribor + 2.10%	2022	238,942	341,323
BBVA Icos	Simple credit	Euros	Euribor + 2.75%	2025	238,942	243,801
Ibercaja Icos	Simple credit	Euros	Euribor + 1.75%	2023	23,894	24,380

Abanca Icos	Simple credit	Euros	Euribor + 1.75%	2023	47,788	48,760
Caja rural Icos	Simple credit	Euros	Euribor + 1.60%	2023	35,841	36,571
BNP CIC	Simple credit	Euros	Euribor + 2%	2025	358,413	365,704
Santander Totta	Simple credit	Euros	Euribor + 1.50%	2026	35,841	36,570
BBVA Bancomer, S.A.	Bilateral	Euros	3.00% (Fixed rate)	2026	145,949	-

Mexican Bonds

On March 25, 2015, we completed the offering of stock market certificates (Certificados Bursátiles Alsea 15) for Ps. 1,000 million with a term of 10 years at a fixed annual rate of 8.07%.

On October 4, 2017, we offered stock market certificates (Certificados Bursátiles Alsea 17) in two issuances in the Mexican capital market, for Ps.1,000 million (with a term of five years at an Equilibrium Interbank Interest Rate (TIIE) of 28 days *plus* 0.90%), and Ps. 2,000 million (with a term of 10 years at a fixed annual rate of 8.85%), respectively.

On May 16, 2019, we offered stock market certificates (Certificados Bursátiles Alsea 19) in two issuances in the Mexican capital market, for Ps.1,350 million (with a term of seven years at an Equilibrium Interbank Interest Rate (TIIE) of 28 days *plus* 0.95%, and for Ps.2,650 million (with a term of seven years at a fixed rate of 10.01%), respectively.

Pursuant to the terms of our bonds (*certificados bursátiles*) we are also required to remain compliant at all times with all the filing and information disclosure requirements applicable to publicly traded companies, and to provide the common representative for our bond holders with any financial information on our company said representative may reasonably request. In addition, the terms of our bonds include provisions that limit the amount of assets we may transfer to less than 10% of our consolidated assets according to our most recent financial statements.

The terms of our bonds (*certificados bursátiles*) include certain affirmative and negative covenants that, among other things, restrict our ability to incur additional debt, create liens on our assets, make certain investments, participate in any merger or spin-off, change or corporate purpose, and sell, lease, assign, transfer or otherwise dispose of or encumber our assets.

Contractual Obligations

The table below presents our contractual obligations as of September 30, 2021.

		As of September 30, 2021					
		Payment due by period					
	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to five years or more	Total
		(In thousands of Mexican Pesos)					
Long-term debt	0%	Ps. 23,968,538	0	0	0	0	Ps. 23,968,538
Debt instruments......	6.91%	7,981,454	0	0	0	0	7,981,454
Suppliers.................		2,417,569	0	0	0	0	2,417,569
Financial leases……		4,215,031	3,561,065	3,323,660	2,848,852	9,791,823	23,740,431
Other accounts payable and others		2,181,090	0	0	0	0	2,181,090
Total		Ps. 40,763,682	3,561,065	3,323,660	2,848,582	9,791,823	Ps. 60,288,812

Accounts payable to suppliers

Our accounts payable to suppliers increased from Ps.2,950 million as of December 31, 2020, to Ps.3,175 million as of September 30, 2021. This increase was primarily a result of the sales recovery in all regions and brands.

Our accounts payable to suppliers increased from Ps.2,327 million as of December 31, 2019, to Ps.2,950 million as of December 31, 2020. This increase was primarily a reflection of the payment terms conditions negotiated with suppliers.

Our accounts payable to suppliers increased by Ps.37 million, from Ps.2,290 million as of December 31, 2018, to Ps.2,327 million as of December 31, 2019. This increase was primarily a reflection of the new brands acquisition.

Inventory

During the nine months ended September 30, 2021, our inventory increased by Ps.235 million as compared with the balance of inventory on December 31, 2020. This increase was primarily attributable to the reopening of stores and the rolling back of certain restrictive measures adopted to address the effects of the COVID-19 pandemic, which boosted a recovery in consumption and sales.

During 2020, our inventory decreased by Ps.162 million. This decrease was attributable primarily to the number of stores closed.

During the year ended December 31, 2019, our inventory decreased by Ps.340 million as compared with the year ended December 31, 2018, from Ps.2,120 million to Ps.1,780 million. This decrease was primarily attributable to an improved inventory management in Mexico and Europe.

Capital Expenditures

During the nine months ended September 30, 2021, we made capital expenditures of Ps.1,344 million of which 31.4% were used to open new stores and remodeling activities, 55.4% for maintenance and 13.2% to continue existing or develop new projects.

During the year ended December 31, 2020, we made capital expenditures of Ps.1,774 million, of which 40.8% were used to open new stores and renovate some of our existing stores across our various brand segments, 19.8% for refurbish certain pieces of equipment and 39.4% to other projects.

During the year ended December 31, 2019, we made capital expenditures of Ps.3,771 million, of which 62.2% were used to open new stores and renovate some of our existing stores across our various brand segments, 17.9% for maintenance and 19.9% to other projects.

During the year ended December 31, 2018, we made total capital expenditures including inorganic acquisitions of Ps.20,411 million of which Ps.4,382 million were used for organic operations, 71.0% were used to open new stores, 15.4% for maintenance and 13.7% to other projects.

Share Repurchase Program

As of September 30, 2021, we did not hold repurchased shares.

During the year ended December 31, 2020, we engaged in share purchase and sale transactions totaling approximately Ps.157 million and Ps.162 million, respectively. As of December 31, 2020, we did not hold repurchased shares.

During the year ended December 31, 2019, we engaged in share repurchase transactions totaling approximately Ps.784.2 million. As of December 31, 2019, we did not hold repurchased shares.

Treasury

Our treasury department is responsible for establishing the guidelines for the administration, management and allocation of the resources generated by or used in our operations. Among other things, our treasury department: (i) has exclusive authority to open and manage bank accounts; (ii) oversees the preparation of daily reports on our bank account balances; (iii) periodically verifies the balances available in the expense account for each region and distribution center; (iv) is responsible for identifying and reporting to our chief financial officer any material event or contingency that may affect our liquidity, debt service ratios or the maturity of our derivative financial instruments;

(v) must prepare a monthly status report on the investment of our excess cash flows; and (vi) is authorized to request explanations of our cash flow components it deems necessary or advisable.

Among other things, pursuant to the guidelines established by our treasury department: (i) all inter-company cash flows accrue interest; (ii) our excess cash flows may only be invested in securities issued by the Mexican government; (iii) quotes from three separate financial institutions must be obtained prior to all foreign exchange transactions and investments of our excess cash flows; and (iv) up to 30% of our excess cash must be invested overnight, and the balance may be invested for longer periods depending on our cash flow forecasts.

Risk Management

In the ordinary course of our business as it relates to the execution of financial transactions, we are exposed to (i) market risks, which include exchange risks (primarily with respect to the U.S. dollar) and interest risks; (ii) credit risks; and (iii) liquidity risks. Our risk management strategy focuses on mitigating our exposure to and the potential negative effects of our present and future risks, reducing the volatility of our results and fluctuations in cash flow through the use of derivative financial instruments. This in turn mitigates the distraction of resources from our operations and expansion plans, and ensures the ongoing availability of cash flows to satisfy our needs. The execution of our risk management strategy is entrusted to our corporate finance and administration department, in coordination with our treasury department, and is overseen by our internal audit department.

Market Risks

We are exposed to market risks in the form of fluctuations in exchange and interest rates. Exchange and interest rates may vary as a result of changes in domestic and international economic conditions, fiscal and monetary policies, market liquidity, political developments and natural disasters, among other factors. Market risks arise primarily in connection with our inventory purchases, foreign-denominated payment obligations, and the portion of our total debt that bears interest at variable rates. By entering into transactions with derivative financial instruments we seek to hedge or mitigate a primary position that represents a risk identified by or associated with our company.

We have approved the use of the following derivative financial transactions to mitigate the risks relating to the fluctuation in exchange and interest rates:

- U.S. dollar/Mexican peso exchange rate forwards;
- U.S. dollar/Mexican peso exchange rate options;
- Interest rate swaps and swaptions; and
- Cross-currency swaps.

Exchange Risk

The amount and requirements of our U.S. dollar hedges are determined based on the cash flows budgeted for these purposes and the guidelines included in our risk management strategy. The exchange risk associated with our U.S. dollar-denominated positions is monitored internally on a weekly basis and our maturing instruments are recognized at their fair value based on the prevailing exchange rates. In each case, the valuation agent for our derivative financial instruments is the counterparty identified in the framework agreement. Our internal review process seeks to identify any material exchange rate fluctuation that may pose a risk or cause us to incur an event of default.

The following table contains a quantitative analysis of our foreign exchange risk based on our U.S. dollar/Mexican peso forwards and options in effect as of September 30, 2021.

Type of derivative, security or agreement	Position	Purpose	Value of the underlying asset/reference variable		Notional amount/ nominal value (in thousands of U.S.$ dollars)[1]		Fair value(2) (in thousands of U.S.$ dollars	
			Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter
Forward	Long	Economic	20.53USD/ MXN	19.81 USD/MXN	$ -	$ 22,250	$ -	$ -
Option................	Long	Economic	20.53 USD/MXN	19.81 USD/MXN	$ 24,890	$ 9,390	$ 487	$ (602)

(1) Includes all the transactions outstanding as of September 30, 2021 that have been valued at the exchange rate of Ps.20.56 to U.S.$1.00 and are approaching maturity.

(2) From the perspective of our counterparties. Accordingly, a positive amount would represent a loss to our company.

Interest Risk

We are exposed to a certain extent to the risk of interest rate volatility in connection with our bank debt and our bonds (*certificados bursátiles*), which bear interest at both fixed and variable rates. We monitor and assess our interest rate risk on a monthly basis, taking into consideration:

- our cash flow requirements;
- any revisions to our budget;
- market data and interest rate trends in the local market and the other countries in which we operate (e.g., Mexico, Argentina, Chile and Colombia, France, the Netherlands and Spain); and
- the difference between active and passive market rates.

This assessment is intended to serve as a basis for the mitigation of interest rate risk related to the portion of our debt that bears interest at variable rates through the optimization of its cost and the determination of the optimum mix of fixed and variable rates.

Pursuant to our swap agreements, we have agreed to exchange the difference between the amounts of fixed and floating rate interest, as determined based on the agreed-upon notional amount of capital. This allows us to reduce, mitigate and manage the effect of interest rate fluctuations on the fair value of the debt that accrues interest at a fixed rate, and the effect of the cash flows on our debt instruments, which accrue interest at variable rates.

The following table contains a quantitative analysis of our interest rate risk based on our foreign-denominated interest rate forwards and options in effect as of September 30, 2021.

Type of derivative, security or agreement	Position	Purpose	Value of the underlying asset/reference variable		Notional amount/ nominal value (U.S.$)[1]		Fair value[2] (U.S.$)	
			Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter
IRS Plain Vanilla	Long	Economic	28-day TIIE + 4.7490%	28-day TIIE + 4.5292%	$ 198,958	$ 206,562	$ 15,478	$ 17,547
IRS Plan Vanilla.........	Long	Economic	28-day TIIE + 4. 7490%	28-day TIIE + 4.5292%	$ 64,062	$ 71,534	$ 117	$ (1,038)
Capped IRS	Long	Economic	28-day TIIE + 4. 7490%	28-day TIIE + 4.5292%	$ 61,409	$ 63,901	$ 487	$ (602)

(1) Includes all the transactions outstanding as of September 30, 2021, that are approaching maturity.

(2) From the perspective of our counterparties. Accordingly, a positive amount would represent a loss to our company.

Credit Risk

We enter into derivative financial transactions with authorized Mexican and international financial institutions in order to mitigate our counterparty credit risk. For each derivative financial instrument, we enter into a standard framework agreement approved by the International Swaps and Derivatives Association Inc., or ISDA. We also enter into bilateral guaranty agreements with each of our counterparties, which dictate our margins, collateral and credit facilities. These agreements, which are commonly known as Credit Support Annexes, or CSAs, determine the credit limits financial institutions would place on us in the event of an adverse change that affects the fair value of our open derivative financial positions. These agreements allow for margin calls if the agreed-upon limits are exceeded.

In addition to our ISDA framework agreements and CSAs, we assess the positive and adverse changes in fair value on a monthly basis. Where an adverse change occurs and the amount of the change is deemed material, we may enter into a credit default swap to minimize the risk of default by a counterparty. As a matter of policy, we monitor the transactions executed with each institution in order to prevent margin calls and mitigate our counterparty credit risk.

Liquidity Risk

Our primary source of liquidity is the cash flow generated by our operations. The ultimate responsibility for managing our liquidity risks lies on our finance department, which establishes the policies applicable to the control and follow-up of our working capital, thereby enabling us to manage our short-, medium- and long-term financing requirements. The finance department also prepares cash flows on a periodic basis to manage our risk and maintain adequate reserves, negotiates credit lines and plans our investments.

Hedging Strategy

Our administration and Finance department determines the price levels at which our treasury department may purchase or sell derivative financial instruments on a monthly basis. As a matter of policy, we do not engage in the acquisition or sale of derivative financial instruments in excess of our monthly cash requirements, thus ensuring that all derivative financial transactions are entered into solely for hedging and not for trading or speculation purposes.

We only enter into derivative financial transactions with recognized and duly authorized domestic and international financial institutions. All derivative financial transactions are executed in the over-the- counter market, pursuant to the ISDA framework agreement. In some instances, we have entered into a CSA that requires us to post collateral for potential margin calls if the mark-to-market value exceeds the pre-agreed credit limits. As a matter of policy, we monitor the volume of derivative financial transactions entered into with each institution in order to prevent margin calls.

Our treasury department determines the amount of cash required for our operations on a monthly basis and submits a report to our corporate finance department. Our administration and finance department has full discretion over 50% of the cash requirements being hedged, and our Chief Financial Officer may hedge up to 80% of our exposure. In order to ensure that derivative financial transactions are entered into solely for hedging and not for speculation purposes, the amount of these transactions may in no event exceed the amount of our exposure. To this effect, the amount of our interest risk and exchange risk hedges is determined by reference to the amount of debt that bears interest at variable rates and our foreign currency needs, respectively. Any settlement intended for profit and/or for purposes of a "stop loss" must be approved by our Chief Financial Officer.

Valuation

Valuation Policies, Techniques and Frequency

We enter into forwards and swaps to reduce our exposure to the risk of adverse changes in foreign exchange rates and interest rates. Pursuant to these transactions, we agree to an exchange of cash flows on a pre-agreed future date based on the nominal or reference value. These transactions are recorded at their fair value, which is determined as follows:

- The fair value of our financial assets and liabilities that are subject to standard terms and conditions and are traded in an active liquid market is determined by reference their market prices and

- The fair value of our other assets and liabilities is determined based on generally accepted pricing models based on a discounted cash flow analysis.

For cash flow hedges, the effective portion of our gains or losses on our derivative financial instruments is recognized under comprehensive income or loss in our stockholders' equity and is reclassified to our results for the same period or for the periods in which it is affected by the projected transaction. The ineffective portion is recognized immediately under comprehensive financing result in our results for the period.

The valuation of the effective and ineffective portions of the financial hedge is recognized in our monthly financial statements. The correct application of the accounting standards, and the balance of our derivative financial transactions, are reviewed and discussed annually with and validated by our independent auditors.

Fair value of financial instruments recorded at their amortized cost

Our principal financial instruments are accounts receivable and liabilities at their amortized cost. Except with respect to our bank debt and debt securities, we believe that given their short-term nature the reported values of our financial assets and liabilities closely approximate their fair values.

As of September 30, 2021, the estimated fair value of our bank debt and bonds (*certificados bursátiles*) was approximately Ps.15,706,033 and Ps.7,904,903 respectively.

Effectiveness Measurement

We conduct an internal analysis of the valuation on a monthly basis in order to establish the results of our derivative financial transactions, so as to mitigate our risk and ensure that our derivative financial instruments are highly effective both prospectively and retrospectively.

Liquidity Sources

The financial requirements associated with our derivative transactions are satisfied using the cash flows generated by our operations. We do not currently maintain any collateral in the form of cash or securities deposits as collateral for our derivative financial transactions. As of the date of this offering memorandum, we and our subsidiaries have not been subject to any margin calls or enforcement of guaranties. Accordingly, we believe that in the event of adverse circumstances, our credit facilities and the notional amount of the transactions would be sufficient to satisfy our payment obligations.

Results of Derivative Financial Instruments

During the years ended December 31, 2019 and 2020, and the nine months ended September 30, 2021, we entered into an aggregate of 603, 539 and 329 derivative financial transactions, respectively, including forwards and options in the aggregate amount of U.S.$329.27 million, U.S.$240.3 million and U.S.$111.0 million, respectively. The absolute value of the fair value of the derivative financial instruments used during each financial quarter does not account for more than 5% of our consolidated assets, liabilities or total capital, or for more than 3% of our total consolidated sales for the last quarter. Accordingly, our exposure to foreign exchange risks will not have an adverse effect on our operations or our ability to satisfy our obligations under our derivative financial transactions.

As of September 30, 2021 and December 31, 2020, we held derivative financial instruments for the purchase of U.S. dollars totaling approximately U.S.$111.0 million and U.S.$329 million, respectively, at an average exchange rate of approximately Ps.20.76 and Ps.21.73 to U.S. $1.0, respectively.

As of December 31, 2019 and 2018, we held derivative financial instruments for the purchase of U.S. dollars totaling approximately U.S. $329 million and U.S.$275 million, respectively.

Internal Control

Our chief executive officer is responsible for implementing and maintaining an internal control system to ensure the achievement of our goals, the efficiency and effectiveness of our operations, and the adequate use of our assets. Our board of directors has established an audit committee comprised entirely of independent directors, which among other things is responsible for ensuring the adequate operation of the internal control system implemented by our management, with additional aid from our internal audit department and our independent auditors.

Our internal audit department is responsible for approving the annual working plan, which is prepared based on pre-identified business risks and aims to verify the adequate operation of the control processes established by our management. Our internal audit department prepares quarterly reports on the outcome of its reviews and provides follow-up in connection with any observations. We do not use independent reviewers as reviews are conducted internally.

Our audit committee is responsible for the selection of our independent auditors and the verification of their independent status and ability, and issues periodic reports of its activities and status reports as with respect to any observations developed. In addition, our audit committee is responsible for enforcing our Code of Ethics, ensuring the adequate operation of our violations report system and providing follow-up in connection with any reports received through such system.

Qualitative and Quantitative Information about Market Risk

We are exposed to foreign currency exchange rate risk primarily in connection with the potential devaluation of or fluctuation in the value of the local currencies of the countries in which we operate, including the Mexican peso, the Argentine peso, Chilean peso, the Colombian peso, Uruguayan peso, as well as interest rate risk relating to the portion of our debt that bears interest at variable rates. Fluctuations in exchange and interest rates may come about as the result of national or global economic trends, monetary policy, market liquidity, and natural disasters, among others. We generate revenues and cash from our operations in local currencies. An adverse change in foreign currency exchange rates would therefore affect the generation of cash flow from operations in U.S. dollars or other currencies and affect our activities, results of operations, and financial position. We are also exposed to interest rate risk, as a result of issuing debt at variable rates.

We are also exposed to interest rate risk, as a result of issuing debt at variable rates. An increase/decrease of 100bps in the value of the 28 days TIIE rate would result in an increase of $128.8 million in our cost of debt for the year ended December 31, 2020.

The main risks the company faces and which we aim to mitigate by using derivative financial instruments are the depreciation of local currencies against the U.S. dollar and interest rates. We use derivative financial instruments to mitigate these risks. See also "—Risk Management—Market Risks" for further detail on our exposure to exchange rate risk and interest rate risk and how we manage these risks.

TERMS OF THE SURVIVING DEBT A&E AGREEMENTS

As part of the Debt Refinancing Transaction, on November 29, 2021, we entered into certain amendment agreements with our bank creditors under the Peninsula Facility, the Clover Facility and the Santander Euro Facility, which became effective on December 14, 2021, upon the closing of the Alsea 2026 Notes offering and the consummation of the Debt Refinancing Transaction. Under the Surviving Debt A&E Agreements, the relevant bank creditors have agreed to, among others, extend the maturity date, amend and/or waive certain restrictive covenants and any potential event of defaults under the original Peninsula Facility, the Clover Facility and the Santander Euro Facility that could have arisen in connection with the Debt Refinancing Transaction had no such Surviving Debt A&E Agreements been in effect (including the issuance and sale of the notes). We are not required to request any consent from, or execute any other amendment agreements with, or obtain any other waiver from, our bank or other creditors to issue the notes offered hereby.

The following is a summary of selected provisions of the principal agreements of the Surviving Debt A&E Agreements and is not a full statement of the terms of each such Surviving Debt A&E Agreements. Accordingly, the following summaries are qualified in their entirety by reference to each Surviving Debt A&E Agreements and are subject to the full text of each Surviving Debt A&E Agreements. Other agreements and instruments evidencing our financial indebtedness will remain unmodified following the consummation of the Debt Refinancing Transaction. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Going Concern" and "—Liquidity and Capital Resources—Description of Certain Indebtedness."

Peninsula Facility

On November 29, 2021, Alsea entered into the Peninsula Credit Agreement. From the date of the issuance of the Alsea 2026 Notes to the date on which the issuer completes this offering of notes, EURIBOR and TIIE loans under the Peninsula Credit Agreement shall accrue interest at a rate per annum equal to the EURIBOR or TIIE rates, respectively, plus a margin equal to the sum of (a) 2.75% plus (b) the following additional margins: (i) from the date of the issuance of the Alsea 2026 Notes to May 12, 2022, 2.50%, (ii) from May 13, 2022 to August 12, 2022, 3.00%, (iii) from August 13, 2022 to November 12, 2022, 3.50%, (iv) from November 13, 2022 to February 12, 2023, 4.00%, (v) from February 13, 2023 to May 12 2023, 4.50%, (vi) from May 13, 2023 to August 12, 2023, 5.00%, (vii) from August 13, 2023, 5.25%. Following the date on which the issuer completes this offering of notes, loans under the Peninsula Credit Facility shall accrue interest at a rate per annum equal to EURIBOR plus 2.75%.

The Peninsula Credit Agreement may be prepaid in full or in part, in each case, at any time without premium or penalty, provided that the facility is prepaid in a principal amount of at least €5 million. Amounts outstanding under the Peninsula Credit Agreement are mandatorily repayable with proceeds from certain dispositions of assets (subject to reinvestment rights) and incurrence of certain indebtedness.

Our indebtedness under the Peninsula Credit Agreement ranks pari passu with all of our other senior unsecured debt. Our obligations under the Peninsula Credit Agreement are guaranteed by a corporate guarantee of the following subsidiaries: Especialistas en Restaurantes de Comida Estilo Asiática, S.A. de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., Arrendadora de Restaurantes, S. de R.L. de C.V. and Grupo Zena Pizza, Soc.Com.P.A.

The Peninsula Credit Agreement contains covenants customary for this type of facility (subject to certain exceptions, baskets, thresholds and qualifiers) applicable to us, the guarantors thereunder and certain of our subsidiaries. Affirmative covenants under the Peninsula Credit Agreement include, among others, the obligations (i) to deliver annual and quarterly financial statements, (ii) to maintain our properties and equipment in good working order and to maintain insurance against loss or damage; (iii) to comply with all applicable laws; (iv) to maintain records and accounts of all financial transactions; (v) to permit the lenders and the administrative agent to inspect our properties and examine our corporate, financial and operating records; (vi) to comply with environmental laws, maintain environmental permits, and prepare environmental reports at the request of lenders; (vii) to preserve and renew our registered intellectual property; (viii) to perform and observe all terms of our material contracts; and (ix) to conduct our business in compliance with U.S. and U.K. anti-corruption laws, as well as in compliance with anti-corruption laws of other jurisdictions.

Negative covenants under the Peninsula Credit Agreement include, among others, limitations on: (i) creation or incurrence of liens, (ii) incurrence of indebtedness, (iii) investments, (iv) mergers, consolidations and other fundamental changes, (v) disposition of assets, (vi) restricted payments, (vii) changes in the nature of our business, (viii) transactions with affiliates, (ix) use of proceeds, (x) accounting changes, and (xi) entering into agreements restricting the ability of our subsidiaries to make distributions to us.

Additionally, under the Peninsula Credit Agreement, we are required to comply with the following financial covenants as of the end of each fiscal quarter (i) interest coverage ratio greater than 3.0x; (ii) gross leverage ratio lower than (1) 4.9x during the period commencing on January 1, 2022 and ending on December 31, 2022, (2) 4.0x during the period commencing on January 1, 2023 and ending on December 31, 2023, and (3) 3.5x from January 1, 2024, and (iii) minimum liquidity of MXP$2,200,000,000. We are also required to make capital requirements as defined in a pre-determined business plan and to keep additional capital expenditures below the following maximum levels at a consolidated and Zena specific level:

Fiscal Year	Alsea and its Subsidiaries	Zena and its Subsidiaries
2021	MXP$2,737,613	€48,036
2022	MXP$4,633,575	€65,217
2023	MXP$4,551,237	€67,893
2024	MXP$5,148,883	€75,315
2025	MXP$4,768,075	€72,875
2026	MXP$4,380,522	€49,796

The Peninsula Credit Agreement also contains customary events of default (subject to exceptions, baskets, thresholds, qualifiers, and customary grace and cure periods), upon the occurrence of which the lenders holding more than 66.67% of the aggregate loans and commitments then outstanding have the ability to declare the unpaid principal amount of all outstanding loans, and interest accrued thereon, to be immediately due and payable. In addition, the Peninsula Credit Agreement includes a cross default provision with respect to our indebtedness, indebtedness of the guarantors thereunder and indebtedness of our material subsidiaries having an aggregate principal amount of more than €20 million. Pursuant to the Peninsula Credit Agreement, material subsidiaries are those that, as of any date of determination, represent either (i) more than 5% of the consolidated EBITDA of Alsea and its subsidiaries, or (ii) more than 5% of the consolidated revenues of Alsea and its subsidiaries, or (iii) more than 5% of the consolidated total assets of Alsea and its subsidiaries.

The Peninsula Credit Agreement is governed by the law of the State of New York.

Clover Facility

On November 29, 2021, the issuer, as borrower, and Alsea and some of its subsidiaries (see below), as guarantors, entered into (i) a Credit Agreement with ING Bank NV, Sucursal en España, as lender, that matures in June 2022 (Tranche A) and November 2023 (Tranche B) and (ii) a Credit Agreement with Coöperatieve Rabobank U.A., Sucursal en España, as lender, that matures in November 2023 (collectively, the "Clover Facility").

From the date of the issuance of the Alsea 2026 Notes to the date on which the issuer completes this offering of notes, loans under the Clover Facility shall accrue interest at a rate per annum equal to EURIBOR plus 2.75% plus the following additional margins: (i) from the date of the issuance of the Alsea 2026 Notes to May 12, 2022, 2.50%, (ii) from May 13, 2022 to August 12, 2022, 3.00%, (iii) from August 13, 2022 to November 12, 2022, 3.50%, (iv) from November 13, 2022 to February 12, 2023, 4.00%, (v) from February 13, 2023 to May 12, 2023, 4.50%, (vi) from May 13, 2023 to August 12, 2023, 5.00%, (vii) from August 13, 2023, 5.25%. Following the date on which the issuer completes this offering of notes, loans under the Clover Facility shall accrue interest at a rate per annum equal to 2.75%.

Issuer's obligations under the Clover Facility are guaranteed by a corporate guaranty of the following subsidiaries: Especialistas en Restaurantes de Comida Estilo Asiática, S.A. de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Angel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., Arrendadora de Restaurantes, S. de R.L. de C.V. and Grupo Zena Pizza, Soc.Com.P.A.

The Clover Facility may be prepaid in full or in part, in each case, at any time without premium or penalty, provided that the facility is prepaid in a principal amount of at least €100,000. The issuer is obliged to repay €10,483,842.81 of each of the Clover Facility with the proceeds of this offering of notes.

The Clover Facility contain covenants and events of default customary for this type of facility substantially similar to the covenants and events of default under the Peninsula Credit Agreement.

The Clover Facility are governed by the common laws of Spain (*derecho común español*).

Santander Euro Facility

On November 29, 2021, the issuer, as borrower, entered into a Credit Agreement with Banco Santander, S.A., as lender, that matures in November 2023 (the "Santander Euro Facility"). Loans under the Santander Euro Facility accrue interest at a rate per annum equal to the EURIBOR rate plus 2.75%.

The Santander Euro Facility may be prepaid in full or in part, in each case, at any time without premium or penalty, provided that the facility is prepaid in a principal amount of at least €1,000. The issuer is obliged to repay €4,461,209.71 of the outstanding balance of the Santander Euro Facility with the proceeds of this offering of notes.

The issuer's indebtedness under the Santander Euro Facility ranks pari passu with all of our other senior unsecured debt.

Affirmative covenants under the Santander Euro Facility include, among others, (i) compliance with anti-corruption laws, (ii) compliance with environmental laws, and (iii) issuance of this offering of notes for repayment of the Santander Euro Facility and other credit agreements. Negative covenants under the Santander Euro Facility include, among others, limitations on: (i) mergers, consolidations and other fundamental changes, and (ii) changes in the nature of Zena's business.

The Santander Euro Facility also contains customary events of default (subject to exceptions, baskets, thresholds, qualifiers, and customary grace and cure periods), upon the occurrence of which Santander has the ability to declare the unpaid principal amount of all outstanding loans, and interest accrued thereon, to be immediately due and payable.

The Santander Euro Facility is governed by the common laws of Spain (*derecho común español*).

INDUSTRY

Our Industry

Our operations are strategically located in Mexico, Argentina, Chile, Colombia, Uruguay, Spain, France and Benelux, as the market conditions in these countries are more favorable than they are in other developed and emerging markets. During the year ended December 31, 2020, our Mexican operations accounted 49%, European operations 36% and South America 15% of our total revenues.

GDP Growth 2018 – 2021e (%)*

Country	2018	2019	2020	2021e	CAGR 2018 - 2021e
Spain	2.43%	1.95%	-10.96%	6.38%	37.9%
Chile	3.72%	1.02%	-5.84%	6.17%	18.4%
Argentina	-2.57%	-2.09%	-9.96%	5.84%	-
France	1.87%	1.49%	-8.23%	5.81%	46.1%
Colombia	2.56%	3.28%	-6.85%	5.15%	26.2%
Mexico	2.20%	-0.06%	-8.24%	5.00%	31.6%
Luxembourg	3.11%	2.30%	-1.31%	4.10%	9.6%
Belgium	1.81%	1.74%	-6.42%	4.04%	30.7%
Portugal	2.85%	2.49%	-7.59%	3.90%	11.0%
Netherlands	2.36%	1.68%	-3.80%	3.50%	14.1%

GDP per Capita 2018 – 2021e (U.S.$.)*

Country	2018	2019	2020	2021e	CAGR 2018 - 2021e
Luxembourg	117,860	115,839	116,921	131,782	3.8%
Netherlands	53,225	52,491	52,248	58,003	2.9%
Belgium	47,723	46,542	44,529	50,103	1.6%
France	43,044	41,811	39,907	44,995	1.5%
Spain	30,448	29,586	27,132	30,996	0.6%
Portugal	23,573	23,287	22,489	25,065	2.1%
Chile	15,862	14,616	12,990	15,617	-0.5%
Mexico	9,753	10,024	8,421	9,246	-1.8%
Argentina	11,625	9,890	8,555	9,122	-7.8%
Colombia	6,705	6,419	5,336	5,753	-5.0%

Unemployment Rate (As % of working population)*

Country	2018	2019	2020	2021e	CAGR 2018 - 2021e
Spain	15.26%	14.11%	15.53%	16.81%	3.3%
Colombia	9.68%	10.50%	16.08%	12.85%	9.9%
Argentina	9.20%	9.83%	11.36%	10.55%	4.7%
France	9.03%	8.47%	8.18%	9.14%	0.4%
Chile	7.38%	7.22%	10.78%	8.96%	6.7%
Portugal	6.99%	6.46%	6.79%	7.71%	3.3%
Belgium	5.96%	5.36%	5.61%	6.83%	4.6%
Luxembourg	5.09%	5.39%	6.33%	6.67%	9.4%
Netherlands	3.84%	3.39%	3.83%	4.90%	8.5%
Mexico	3.34%	3.50%	4.42%	3.60%	2.6%

Inflation Average 2018 – 2021e (Percentage change)*

Country	2018	2019	2020	2021e	CAGR 2018 - 2021e
Argentina	34.28%	53.55%	42.02%	TBD	TBD
Mexico	4.90%	3.64%	3.40%	3.55%	-10.2%
Chile	2.32%	2.25%	3.04%	3.10%	10.1%
Colombia	3.24%	3.52%	2.52%	2.12%	-13.2%
Belgium	2.31%	1.25%	0.43%	1.72%	-9.4%
Netherlands	1.60%	2.67%	1.12%	1.38%	-4.8%
France	2.10%	1.30%	0.53%	1.08%	-19.8%
Spain	1.68%	0.70%	-0.32%	1.02%	-15.2%
Luxembourg	2.01%	1.65%	0.00%	0.90%	-23.5%
Portugal	1.17%	0.30%	-0.12%	0.89%	-8.8%

*Source: International Monetary Fund, World Economic Outlook Database, April 2021.

The Food Service Industry

The food service industry in Mexico and South America is highly fragmented and is characterized by intense competition given the large number of retail formats available. The region's macroeconomic environment remained stable until in February 2020, when the crisis associated with the COVID-19 pandemic started. The food and beverages sector was affected as the pandemic intensified throughout the year. Because of this worldwide event, the food service industry was highly impacted by the implementation of public health-related restrictions adopted to address the COVID-19 outbreak and its effects.

The food service industry segments in which we operate are defined by several analyses reviewed by us as follows:

- *Fast-food*. Outlets characterized by: (i) a fixed, limited menu; (ii) food products intended for immediate consumption; (iii) a strict control of the individual ingredient and finished product portions; and (iv) individual wrapping. This segment allows for ease of access and can achieve market penetration anywhere.

- *Coffee Shops*. Specialty stores where coffee is the primary menu item. These stores offer a wide variety of coffee and coffee-related products. Their menus may also include other products such as cakes, cookies, sandwiches and bread, and they have developed a wide variety of menu items, including salads and other appetizers that, as a result of the segment's evolution, are now typically consumed in these establishments.

- *Casual Dining*. Restaurants or stores that include informal dining rooms. They offer in-store dining, as well as take away and home delivery services, and stand out for their service, quality, competitive prices, image and atmosphere, and are designed to attract all types of customers. This market segment ranks between the fast-food and gourmet restaurant segments. Casual dining stores are characterized by their: (i) ease of access; (ii) casual dress code; (iii) casual atmosphere; (iv) modern facilities; (v) simple decor; (vi) high quality service; and (vii) affordable prices. These stores normally serve alcoholic beverages.

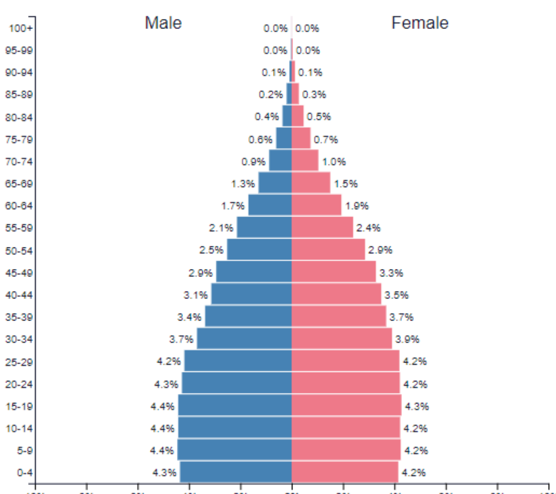
- *Fast-Casual*. Concept that combines elements from both the fast-food and casual dining segments. Fast casual is a lower priced segment that offers fast-food items. It is characterized by the use of high quality, fresh and hand-made ingredients, as in more sophisticated dishes available for *a la carte* ordering. This format has acquired increased relevance in the United States and, given its high quality standards and the increase in purchasing power, offers a significant potential for growth and market penetration.

Industry Demographics

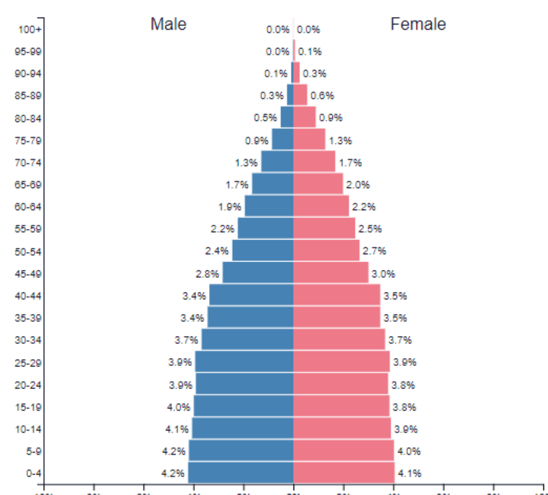
One of the food service industry's distinguishing features is that it caters primarily to young people and adults who, by reason of either need or choice, eat away from home. Although families and young adults assign great value to home-cooked meals for emotional reasons and for the meals' nutritional content, the consumption of home-cooked meals has become increasingly infrequent due to time constraints and the unwillingness to prepare them.

The age composition of the population in all countries in the region is shifting considerably, with a significant decrease in importance of children and an increase in statistical importance of adults. This offers a particularly good opportunity for the development of the food service industry in Mexico and South America, given that these population segments are the most economically active and therefore the most time-constrained, making them our primary target market.

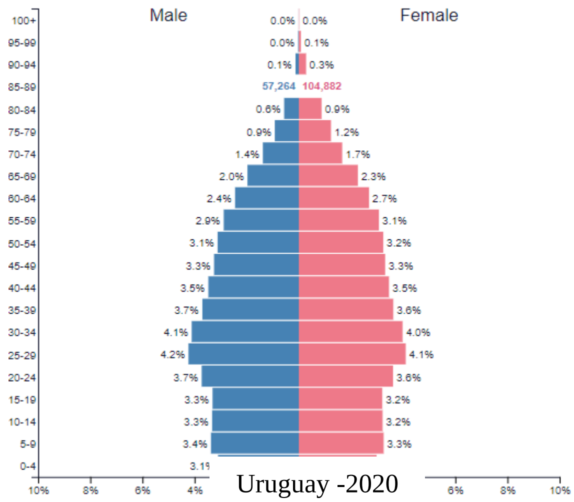
Mexico -2020



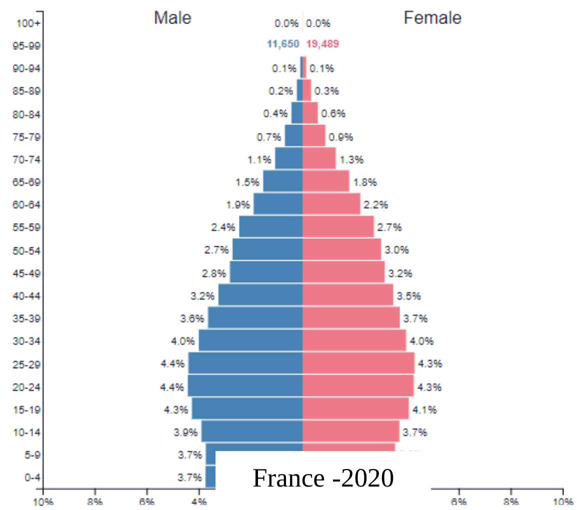
Argentina -2020



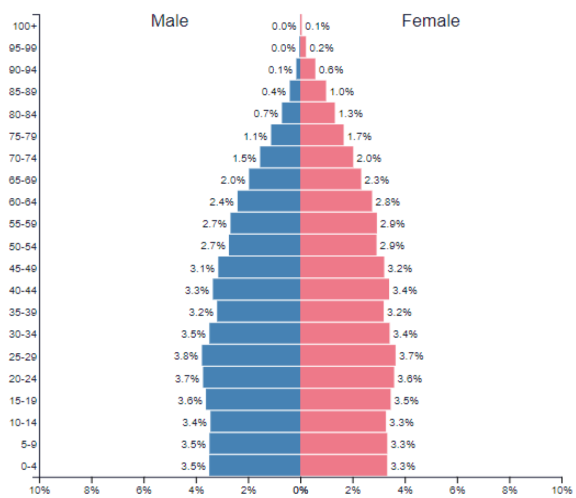
Chile -2020



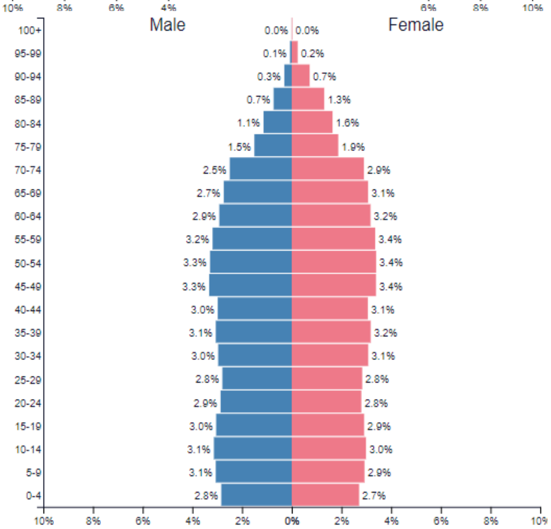
Colombia -2020



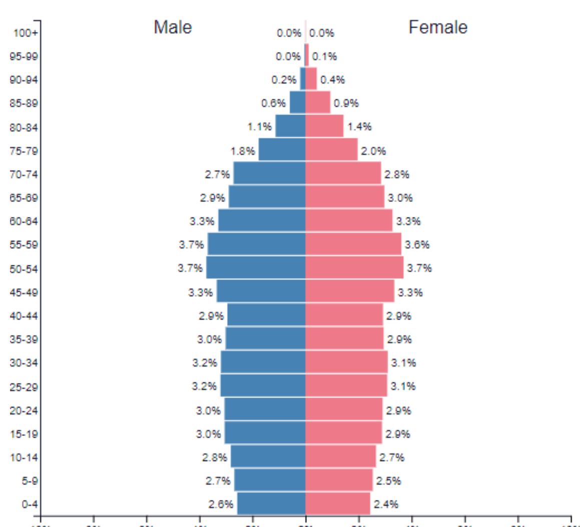
Uruguay -2020



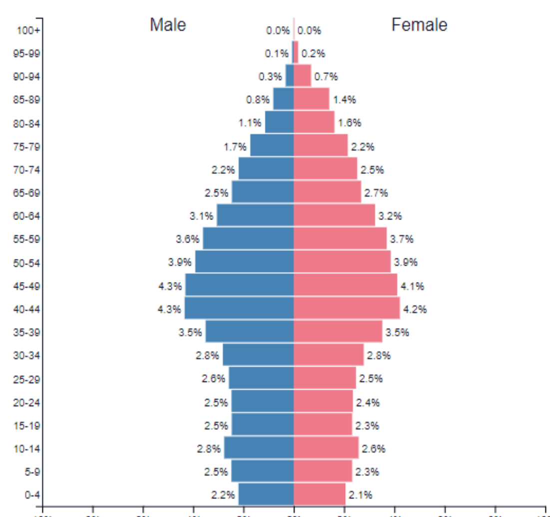
France -2020



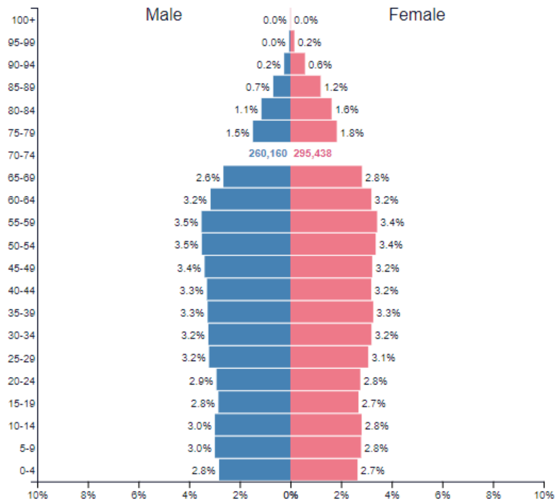
The Netherlands -2020



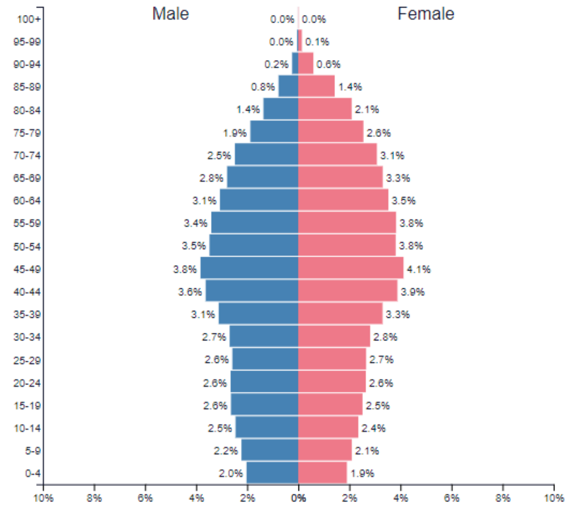
Spain -2020



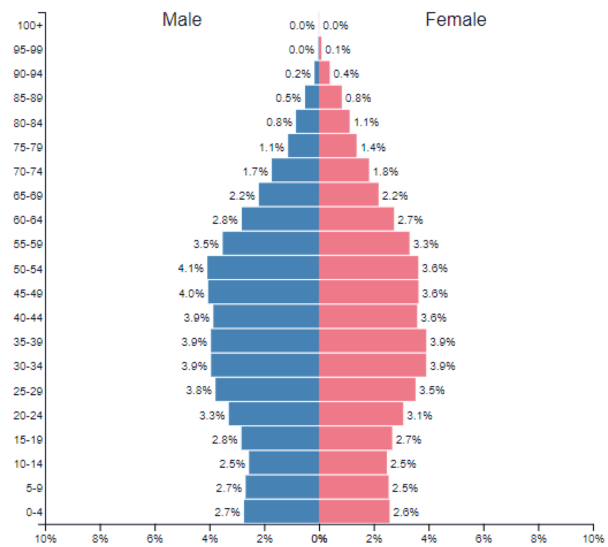
Belgium -2020



Portugal -2020



Luxembourg-2020



Source: Populationpyramid.net

According to Mexico’s National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or “INEGI”), in 2020 Mexico’s population was approximately 126 million, of which 51.2% were women and 48.8% were men.

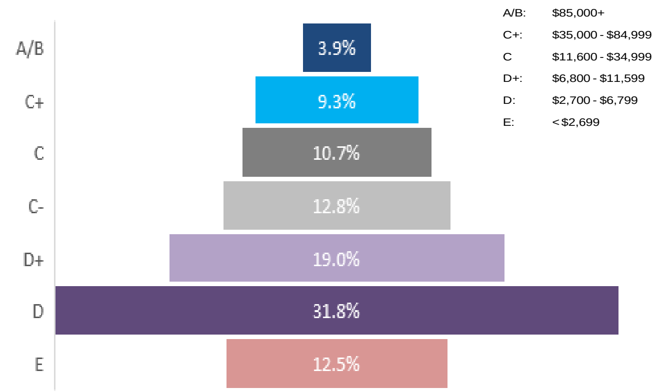
Mexico is a young country. According to the INEGI, the median of the population is approximately 29 years. These young people are currently of school age or are just entering the job market. According to the INEGI, in 2020 Mexico had an economically active population of 55.8 million.

According to the INEGI, the over 15 years of age segment of Mexico’s population accounts for 71% of the country’s total population. This population segment is comprised primarily of working people, who tend to have higher income levels and to be more inclined to spend on food and beverages than other population segments.

Based on the demographic dynamics and consumption patterns described above, we believe that the food service markets in which we operate are highly prone to consuming the type of food products and services we offer.

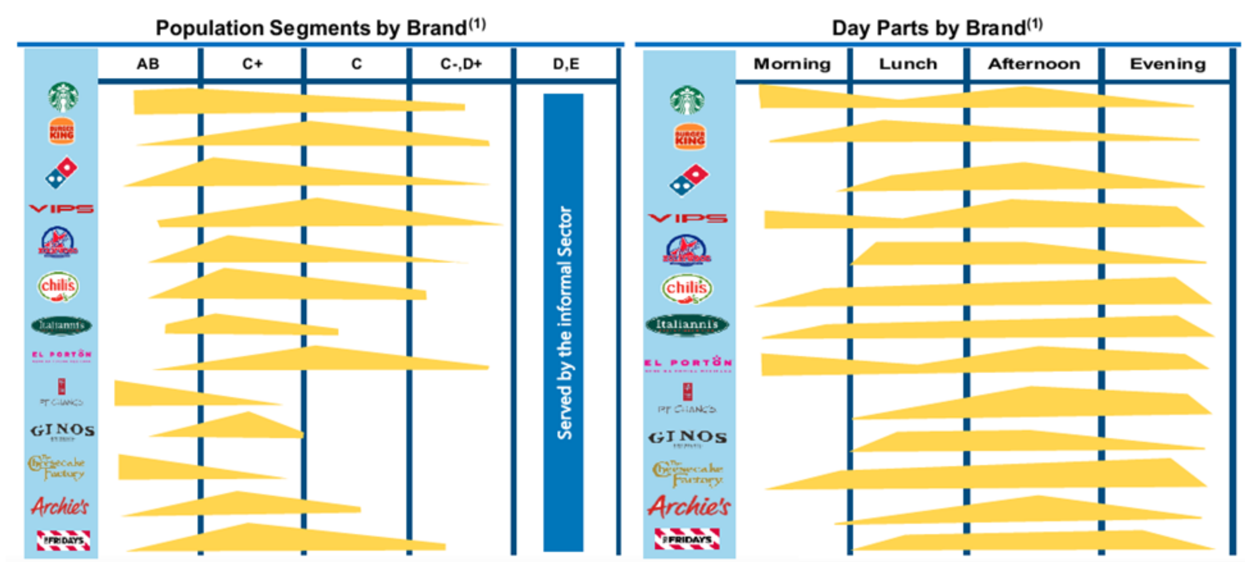
In general terms, fast-food outlets, coffee shops and dining outlets serve approximately 48% of the Mexican population in the A/B, C+, C and C- income segments*, while informal outlets and street vendors serve approximately 52% of the population in the D+ and D income segments,

The following chart illustrates the distribution of income among Mexico's population:



Source: Mexican Association of Market Research and Public Opinion Agencies (*Asociación Mexicana de Agencias de Investigación de Mercado y Opinión Pública A.C.*, or AMAI)

The chart below shows how our increased brand offering has helped us to cover the main population segments:



(1) Applies for all regions.

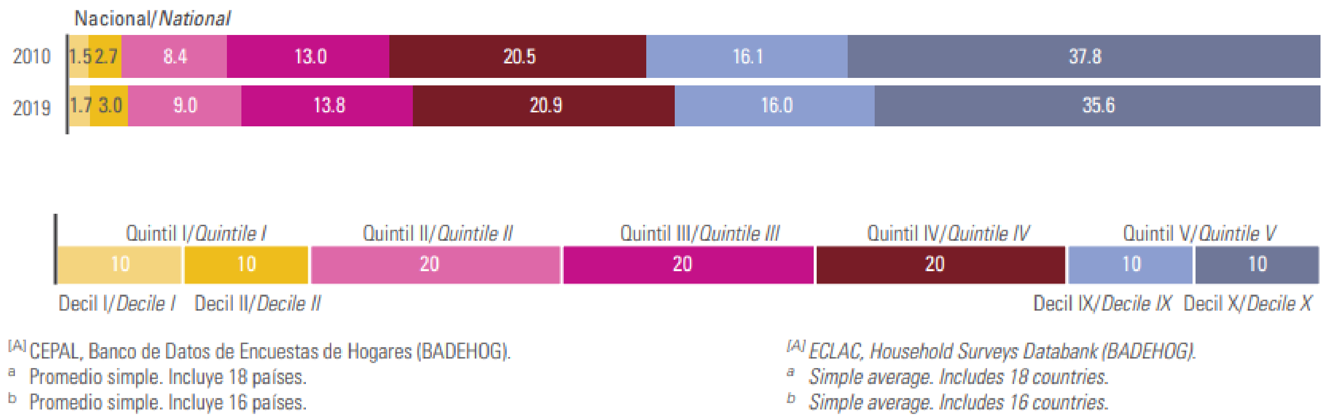
In addition, we expect to further benefit from current social and demographic trends, including the shrinking of the informal sector, the growth of the lower-middle class and increased purchasing power. These trends are expected to drive the growth of the segments where we have our target market.

South America

According to the CEPAL, over the past few decades the population in most South American countries has evolved from largely rural to predominantly urban, primarily as a result of the migration of young, working-age people that seek employment opportunities in the cities. South America and the Caribbean are currently the developing world's most urbanized regions, with 80% of the population residing in urban areas.

South America's demographic evolution offers a unique opportunity for economic progress and the improvement of living conditions in the region. Poverty and social inequality have decreased throughout the region, primarily as a result of the increase in and a better distribution of income.

Distribution of national income 2010 and 2019 (percentages):



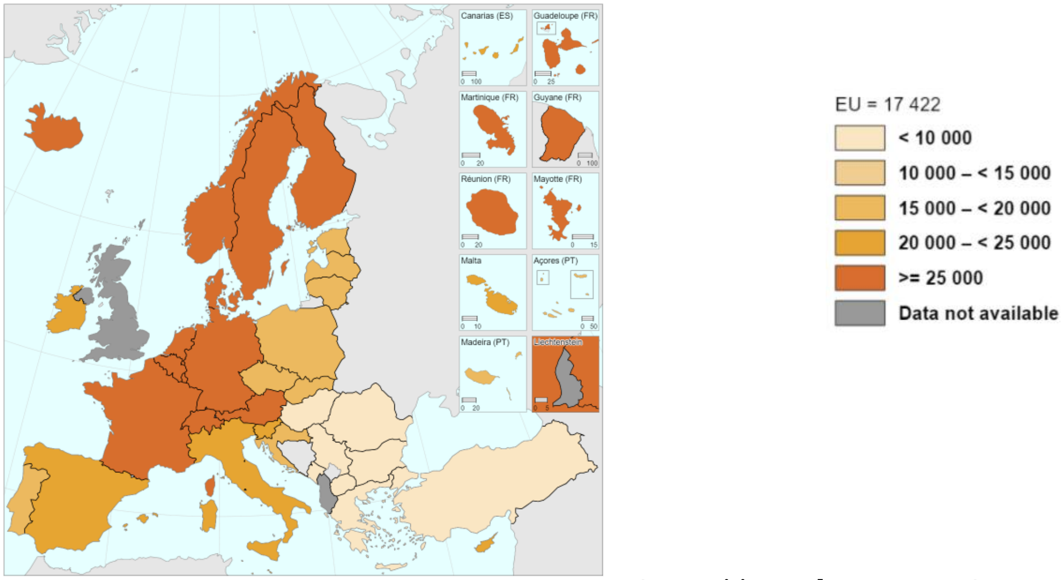
According to the CEPAL, the South American countries in which we operate have a total population of approximately 118 million, which is comprised of 45 million in Argentina, 19 million in Chile, 51 million in Colombia, and 3 million in Uruguay. In 2020, 51% of South America's total population belonged to the 15 to 49 age segment, and this demographic trend is expected to continue through 2030. This provides us with a particularly good opportunity given that this age segment constitutes our primary target market.

We believe that we are one of the largest operators of fast-food, casual dining and full-service restaurant outlets in South America, offering products at affordable prices that have generated growth through a broad customer base located throughout a vast geographic region.

Europe

According to Eurostat, in 2020 Europe's population was approximately 447 million. Its population is "old" because in 2020, more than one fifth of the population in the European Union was aged 65 and over. The median age is projected to increase by 4.5 years between 2019 and 2050, to reach 48.2 years.

The following chart illustrates the median equivalized disposable income 2019 in Europe (purchase power standard per inhabitant):



Competition and Restaurant Operators

We believe that our leading position in the food service industry is largely due to the following competitive advantages:

- the proven success of the global brands under which we operate in each of our market segments;
- the centralized distribution platform developed by our Mexican subsidiary DIA, and the agreements in other countries with some logistics operators ensure the ongoing availability of most of our raw materials, supplies and products at highly competitive prices;
- the synergies and economies of scale derived from our business model, our digital apps, our loyalty programs and our state-of-the-art technology platform, which allow us to manage on a centralized basis the development, administrative and other processes associated with all the units we operate under our various trademarks, which in turn translates into cost efficiencies; and
- our proven record of success in the integration of our acquisitions and new businesses into our existing operations in Mexico, South America and Europe.

With 4,193 units in operation as December 31, 2021, we are one of the largest operators of fast-food and casual dining establishments in Latin America and Europe. The volume of business that we generate provides us with significant negotiating leverage with our suppliers. Additionally, we have extensive experience in the identification and selection of suitable retail spaces to ensure the continuing development of our business.

The following chart shows certain restaurant operators including the number of units that each of them operates*.

Restaurant Operator	Region	# Restaurants
Alsea	Latin America and Europe	4,193
Alshaya	Asia, Africa and Europe	2,700+
Amrest	Europe	2,395
Toridoll	Japan, Europe, Asia and USA	1,781
Nutresa	South America and Central America	800+
Grupo Gigante	Mexico	~240
CMR	Mexico	~120

*Source: Alsea's internal estimations.

The Fast-Food Segment

Fast-food outlets are defined as those where customers pay for their food before consuming it. Certain types of fast-food products, such as pizza and hamburgers, are characterized by the fact that, as opposed to other products, customers prefer to order them for home delivery rather than to consume them at the restaurant or order them for take away. Fast-food outlets are usually located in urban areas, in stand-alone retail spaces, shopping centers and strip malls owned by supermarkets.

According to Euromonitor's estimates, the fast-food segment, with its broad range of food options, accounts for approximately 39% of the total number of points of sale and 12% of total sales in the Mexican food service industry, which includes the pizza, hamburger, chicken, Mexican food, Asian food, sea food, ice cream and convenience store segments, among others.

We operate in the pizza and hamburger segments under the Domino's Pizza and Burger King trademarks, which together account for nearly 19% of the Mexican fast-food's market value.

Domino's Pizza

As of December 31, 2021, the Domino's Pizza System operated 811 stores in 445 locations throughout Mexico, 84 stores in the cities of Cali, Medellin and Bogota, in Colombia, and 282 stores in Spain.

We believe that Domino's Pizza is the leading pizza chain in Mexico in terms of sales. According to our own estimates, in 2020 Domino's Pizza accounted for over 46.7% of the pizza segment's total sales. Domino's Pizza's principal competitors nationwide in Mexico are Little Caesar's, Pizza Hut, Benedetti's Pizza and Papa John's. The remaining portion of the pizza market is highly fragmented and includes well-known regional competitors and home delivery pizza chains such as La Fábula Pizza, Ciao Pizza, Charly Pizza and Lupillos.

In Europe, Domino's Pizza has a strong track record having grown from 7% to 23% market share and 69% in brand awareness over 10 years. It has a proven capacity to gain market share and awareness versus the incumbent leader in the market that was generic in its category. It has a differentiated positioning based on brand values, product innovation, promotions, innovation in client engagement, and advertising philosophy: (i) emotional; (ii) product quality focus; and (iii) fresh campaigns focused on millennials.

Our principal competitors in Spain are Telepizza, Papizza, Pizza Hut and Roman Pizza.

Burger King

In 2020 Burger King accounted for approximately 45.4% of the total number of trips to fast-food hamburger outlets in Mexico. We are Burger King's largest subfranchisee in Mexico. As of December 31, 2020, we owned and operated 402 Burger King company stores in Mexico, 155 in Argentina 57 in Chile and 55 in Spain.

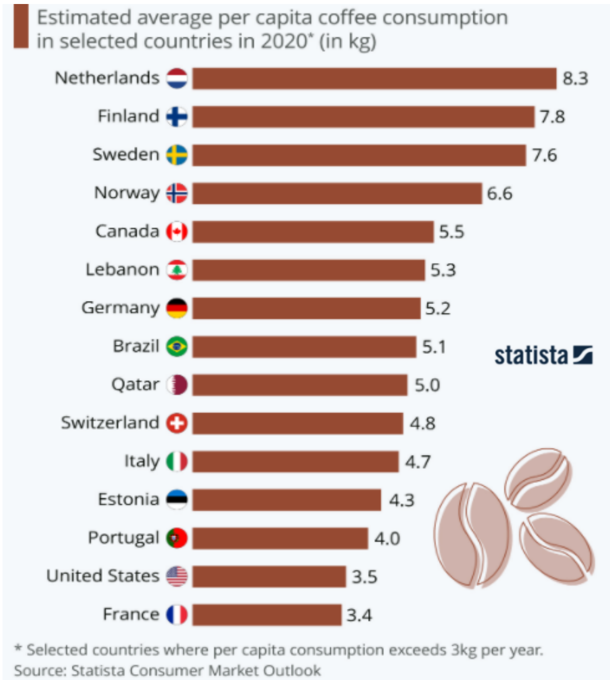
Burger King's principal competitor is McDonald's. Mexico and Spain are the only country where Burger King has more units than McDonald's. Other important competitors include Carl's Jr. and, to a smaller degree, Wendy's, followed by hamburger restaurant chains such as Ruben's, Johnny Rockets and Buffalo Hamburguesas, which operate a small number of outlets, and by certain independent formal businesses.

The Specialty Coffee Shops Segment

The specialty coffee shops segment is highly fragmented and is dominated in terms of number of stores by the chain format. Our competitors in Mexico, Spain and France are domestic chains that have developed specific concepts associated with the coffee-drinking experience. In Mexico, these chains include The Italian Coffee, Café Punta del Cielo and Caffenio and, in Colombia, Juan Valdez and Tostao.

In recent years, the expansion of the specialty coffee shops segment has been fueled by the development of new retail concepts designed to address the consumers' changing preferences, improve the standards of service, offer a growing range of products and create a relaxed and cozy atmosphere that regularly attracts young customers. In addition, intake patterns have evolved and nowadays it is increasingly common for these stores to fill take-out orders for their consumption on the way to school or work.

Although the annual consumption of coffee in Mexico has increased, from 600 grams to 1.6 kilograms per capita in 2019, according to the chart below from Statista, it continues to lag behind Europe, which consumes more than 3 kilograms of coffee per capita per year, which is one of the reasons why we decided to acquire the Starbucks business in Europe. We also believe that significant opportunities exist to develop the Mexican market in terms of the consumption of coffee per capita.



Starbucks

Since 2002, we hold a franchise for the exclusive development and operation of the Starbucks brand in Mexico. Our successful business model has made Mexico into one of Starbucks' most important markets in terms of number of stores.

Starbucks is Mexico's first largest specialty coffee shops chain in terms of number of stores and sales, with 747 stores as of December 31, 2020, according to our internal data, representing almost 34% of total coffee shops outlets in the country. Our Starbucks products are targeted towards the population in the A, B and C income segments, which are comprised primarily of college students and business executives in the 14 to 40 age range.

Starbucks' principal competitor in Mexico is The Italian Coffee Company, which owns and operates over 350 stores. Starbucks' other direct competitors include Café Punta del Cielo, Café La Finca Sta. Veracruz, Caffenio, Cielito Querido Café, Diletto, D'Volada and Tim Hortons. In Colombia, our main competitor is Juan Valdez. In Europe, the market is dominated by local competitors that have developed specific concepts associated with the coffee drinking experience.

We own and operate 132 Starbucks stores in Argentina, 134 stores in Chile 30 stores in Colombia, 9 stores in Uruguay and 218 stores in Europe where we also have 254 licensed stores.

In Europe, Starbucks enriches the product with emotional values. It generates unique engagement with the customer, great roll–out potential in Spain and France, innovation activity driving new consumption opportunities, and it is a consolidated brand with a global reach increasing penetration in Europe.

The Casual Dining Segment

In 2020, the casual dining segment accounted for over 50.0% of the total fast-food industry's sales in Mexico. However, its market share in terms of number of outlets amounts to only 11%. This is indicative of an average ticket well above that of the other market segments. The casual dining segment includes casual family brands such as Vips, Toks, California and Wings, among others, as well as casual dining chains such as Chili's, Applebee's, TGI Friday's and Italianni's, among others. As in the case of the fast-food segment, many casual dining chains have developed their brands through franchise arrangements, which have contributed to the standardization of their products and services.

Chili's Bar & Grill

We hold the exclusive franchise for the development and operation of Chili's restaurants in Mexico City and the states of Mexico, Queretaro, Morelos, Hidalgo and Puebla. Chili's caters primarily to the population in the 18 to 50 age range segment and the A, B and C+ income segments. Chili's offers Tex-Mex menu items in a youthful, relaxed setting.

Mexico is Chili's second largest market after the United States in terms of number of units. As of December 31, 2020, we operated 71 Chili's units in Mexico and 5 in Chile.

Our direct competitors in this segment include Applebee's, TGI Friday's, Wing's Army, Wingstop, Las Alitas, Beer Factory, Ruby Tuesday, 50 Friends and Hooters.

Italianni's

With a market presence spanning nearly 20 years and 79 units (including 14 sub-franchises) in operation in 20 states, Italianni's is the leading brand in the Italian food segment of the casual dining market in Mexico, accounting for 70% of this segment. We acquired the exclusive right to develop the Italianni's trademark in Mexico in 2012.

The Italianni's restaurants are characterized by personalized service, a family atmosphere, and, befitting our mission, a commitment to customer satisfaction. In keeping with the tradition of sharing, the Italianni's restaurants are the gathering place of choice for those seeking to socialize over a high-quality Italian meal that surprises and seduces in a casual, energetic and contemporary atmosphere that conveys the Italian passion for life.

Out direct competitors include Olive Garden, Garabatos, Gino's and Vapiano.

P.F. Chang's China Bistro

P.F. Chang's is a unique concept characterized by a menu of high-quality Asian dishes and gastronomic creations from China's principal regions, providing customers with an exceptional culinary experience. The diverse array of dishes is distinguished by rich flavors and aromas.

P.F. Chang's operates more than 210 units in 21 countries, including units in 40 U.S. states. We acquired the P.F. Chang's master franchise for Mexico in 2009, and for Colombia and Chile in 2011. Our P.F. Chang's restaurants currently hold an 8% share of the Mexican casual Asian food market. We operate 25 P.F. Chang's restaurants in Mexico and five in South America.

The Cheesecake Factory

The Cheesecake Factory is an upscale casual dining restaurant format that focuses on customer satisfaction through an unwavering commitment to the quality of both its food and its service. The Cheesecake Factory is the leading restaurant franchise in the U.S. in terms of sales per unit. We operate 6 The Cheesecake Factory restaurants.

Foster's Hollywood (Spain)

Foster's Hollywood is a leading brand in the full-service restaurant market in Spain. Serving American food, it is known for its large servings and intense flavors based on product innovation and catering to diners' wishes. It is a pioneering brand in the American restaurant concept with a very strong loyalty program and top–notch marketing innovation and investment allowing for several contact points with the customer. We have operated the brand since 2014, and we currently operate a total of 229 restaurants (44% are company-owned and 56% are sub-franchises).

Gino's (Spain & Portugal)

Gino's is a restaurant chain specialized in Italy, Mediterranean kitchen. It uses fresh and best quality ingredients and 100% of the meals are cooked at the moment. It has an innovative proposition and strong loyalty program, and it appeals to a wide variety of clients (families, youngsters, and working adults). We have operated the brand in Spain since 2018, now we operate a total of 121 restaurants (70% are company-owned and 30% sub-franchises).

Archie's (Colombia)

Founded in 1993 and operated by us since 2016, Archie's is a leading chain of Italian restaurants in Colombia, it has an extensive menu of Italian food and a variety of fresh and innovative products, their main customer being families and office workers. We own and operate 28 Archie's restaurants.

The Family Dining Segment

Vips

Vips is a leading family dining chain in Mexico and Spain that has fed the hearts of Mexicans and Spanish people for more than 50 years, it has been the favorite meeting point for families and new generations looking for a friendly, comfortable space, good service, and a great variety of dishes. It has a very strong loyalty program and an emotional link with customers based on strong products in key categories: sandwiches, salads and desserts. For example, it is one of the most active and recognized loyalty programs in Spain and is pioneering its concept with constant innovation. We have operated the brand in Mexico and Spain since 2014 and 2018, respectively. We operate 282 Vips in Mexico and 145 in Spain (72% are company-owned and 28% are sub-franchises).

Impact of Industry Trends on Us

Restaurant industry trends have been evolving and changing since the COVID-19 pandemic started. As an example, home delivery gained in popularity for all food service segments and those who had already established a delivery system, such as Domino's Pizza, were lest affected during 2020. Home delivery service is expected to remain a sales opportunity as compared to pre-pandemic levels. Many customers have adopted this experience and gotten used to this channel's convenience. In Mexico, Colombia, Chile, and Spain, we currently have an estimated market share of 12% of the total number of food and beverage home deliveries in these markets (including our internal delivery and the delivery made through aggregators). Likewise, during 2020, our loyalty programs continued growing, reaching more than 650 thousand active members of "Wow Rewards" and more than 15.6 million orders through Starbucks Rewards

Cognizant of the changes in consumer habits that our clients have experienced in the last years, where technology has become increasingly relevant, we continue to implement measures to digitize processes. During 2020, we strengthened and consolidated our structure in the digital area, with specific infrastructure, talent, and technology investments, allowing us to offer the right product to our customers at the right time and through the right channel, understanding their preferences, as a part of our commitment to make us a leading company in the industry in terms of digital transformation.

BUSINESS

Overview

We have over 4,200 units in eleven countries operating under Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, P.F. Chang's, Italianni's, The Cheesecake Factory, Vips, Vips Smart, El Portón, Foster's Hollywood, Cañas y Tapas, Archie's, Ginos, TGI Fridays, Corazón de Barro, La Casa de Comal, Foster's Hollywood Street, Wagamama and Ole Mole brands. Based on internal estimates of the number of points of sale, the number of brand we manage and our sales, we believe we are one of the largest restaurant operators in Latin America and Europe, and a leading regional global brands player in the fast-food, coffee shops, casual dining, family dining and fast-casual segments. As of December 31, 2020, we operated 4,193 units in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Benelux and Uruguay.

During the nine months ended September 30, 2021, we had net sales of Ps.36,647 million and Adjusted EBITDA of Ps.8,038 million. During the year ended December 31, 2020, we had net sales of Ps.38,496 million and Adjusted EBITDA of Ps.6,918 million.

Our consolidated net sales for the year ended December 31, 2020 totaled Ps.38,496 million and our consolidated net sales for the nine months ended September 30, 2021 totaled Ps.36,647 million.

Our consolidated net sales for the periods indicated can be broken down into the following categories (without giving effect to inter-company transactions):

	Year ended December 31, 2020		**Nine months ended September 30, 2021**	
	(in millions)	**%**	**(in millions)**	**%**
Food and beverage (Mexico)	Ps. 19,067	49.5%	Ps. 18,145	49.5%
Food and beverage (South America)	5,568	14.5%	5,900	16.1%
Food and beverage (Europe)	13,861	36.0%	12,602	34.4%
Alsea	**Ps. 38,496**	**100.0%**	**Ps. 36,647**	**100.0%**

	Year ended December 31, 2020		**Nine months ended September 30, 2021**	
	Units	**%**	**Units**	**%**
Food and beverage (Mexico)	2,184	52.1%	2,159	51.2%
Food and beverage (South America)	633	15.1%	656	15.5%
Food and beverage (Europe)	1,376	32.8%	1,404	33.3%
Alsea	**4,193**	**100.0%**	**4,219**	**100.0%**

We attribute our success primarily to our focus on offering our customers a portfolio of premium brands supplemented by high-quality service that differentiates us from our competitors. We work day-to-day to exceed our customers' expectations and to maintain excellence in our operating standards. Our extensive experience in the food service industry and our strong regional position have enabled us to become a strategic partner for some of the world's leading brands and allowed us to secure the renewal of our licenses, expand into new markets and add new brands to our portfolio. During the period from 2015 to 2019, our sales and Adjusted EBITDA excluding operating lease expenses grew each at a CAGR of 15.5%.

Additionally, we manage sub-franchisees of Domino's Pizza, Italianni's, Vips and Foster's Hollywood, with which we maintain a solid relationship and constant communication that allows us to provide them with the best strategies so that they collectively reaffirm the positioning and leadership of the brand in Latin America and Europe.

Our Markets

We believe we are leaders in each segment in which we operate in Mexico based on our portfolio's market share. In the casual dining segment, we have attained substantial market share by incorporating new brands that have been embraced by consumers (such as Chili's, P.F. Chang's and The Cheesecake Factory). Our extensive experience has enabled us to successfully replicate our business model in the fast-food, coffee shops, casual dining and family dining segments in certain countries in South America and Europe. Our operation in Europe resulted from the combination of two national champions: Grupo Zena which was acquired in 2014 and Grupo Vips which was acquired in 2018. For the year ended December 31, 2020 and the nine months ended September 30, 2021, we served more than 273 million customers and 178 million customers, respectively, in the territories where we operate.

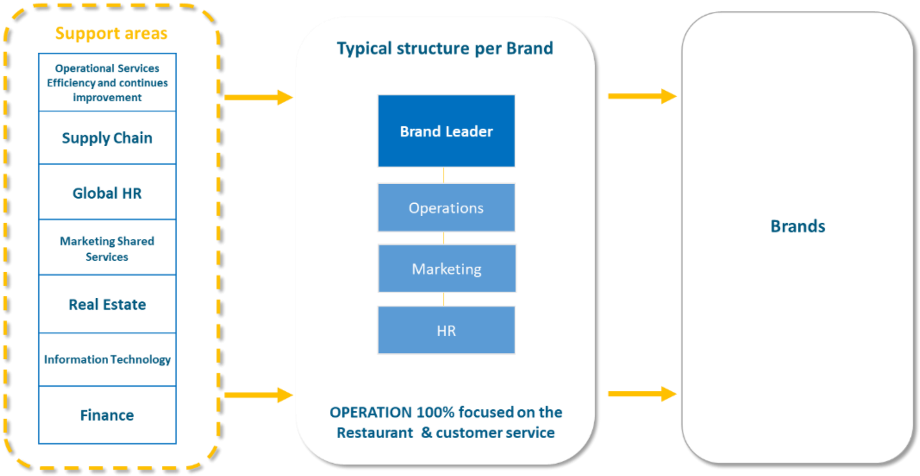
Our operations and geographic presence are strategically concentrated in Mexico (51.2% of our units), Europe (33.3% of our units, including Spain, France and Benelux) and South America (15.5% of the units, including Argentina, Chile, Colombia and Uruguay).

In Europe, we believe we are one of the leading restaurant operator with 1,404, of which 61.9% are corporate units. We operate nine leading brands including global brands in the fast-food and coffee shops segments such as Domino's Pizza, Burger King and Starbucks, we also have proprietary local brands in the casual dining segment such as Foster's Hollywood, which is one of the most relevant brands in the Spanish market. For the twelve months ended September 30, 2021, our European business had net sales of Ps.16,605 million (U.S.$817 million) and Adjusted EBITDA of Ps.3,905 million (U.S.$192 million), accounting for 35% of both the group's total net sales and Adjusted EBITDA. As of December 31, 2020, we operated 4,193 units, including 4,193 company units and 909 subfranchises which are strategically located, as detailed below:

Our Shared Services Model

Our success has been driven in part by our shared services model (available in Mexico, Colombia and Spain) which enables us to service all of our brands from a single platform allowing us to attain important synergies and cost savings by creating economies of scale. Our shared service center provides administrative support and develops processes that reduce the time devoted by our brands to the finance and accounting, IT, legal, human resources, internal audit, strategic planning, development and management aspects of their operations, allowing them to focus on the operation of their stores and on customer service.

In addition, in Mexico we have developed a platform to provide support to our brands in connection with their procurement processes, including their purchasing, quality control and product development functions. This platform also facilitates the production, distribution and storage of pizza dough through a state-of-the-art centralized distribution system operated by our subsidiary DIA, and the production of bread, sandwiches, pound cakes and cakes, through our subsidiary Panadería y Alimentos. Our platform allows us to offer differentiated products, ensures the availability of supplies when they are needed, and enables us to attain significant cost savings along the supply chain.



Our Strengths

Operator of a diversified portfolio of leading global brands

We have a diversified portfolio that includes global leading brands in the fast-food, coffee shops, casual dining, family dining and fast-casual segment, such as Domino's Pizza, Starbucks, Burger King, Chili's and The Cheesecake Factory. According to *"The world's 10 most valuable fast-food brands 2021"* published by QSR magazine, Starbucks ranked as the biggest fast-food brand around the world (with a U.S.$38.4 billion valuation), Domino's Pizza in the fifth place (with a U.S.$6.1 billion valuation), Burger King in the 12th place, Chili's in the 20th place and The Cheesecake Factory in the 23rd place. Our portfolio allows us to reach customers from diverse socioeconomic segments throughout the day (including breakfast, lunch and dinner) and across the countries in which we operate. In addition, our portfolio helps us balance our revenues, our brands, our countries' performance during certain seasons and our potential risks, allowing us to be more resilient to changes in customer habits, consumption trends and changes in the economy and tourism. Furthermore, due to our size and the geographic coverage of our brands, we are able to negotiate global agreements in relation to our raw materials, services, real estate and media with volume aggregators, which enables us to competitively price our products, ensuring that all of our brands benefit from the best market conditions, regardless of their own size.

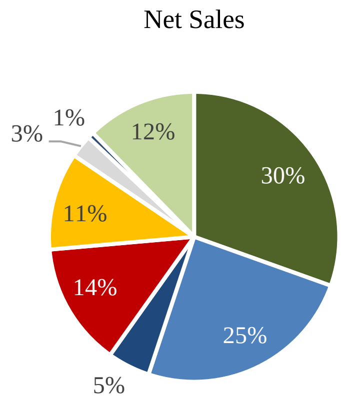
In Mexico, we operated 1,777 company-owned units that span across the majority of Mexico's territory as of September 30, 2021. Although we operate most of our stores (82.3% in Mexico) directly, we have identified select opportunities to enter into sub-franchise arrangements with third parties that have lower operating costs and the requisite capabilities for introducing our brands into smaller population centers, increasing our market penetration and profitability. As of September 30, 2021, in addition to our company stores, we managed 382 sub-franchises in Mexico.

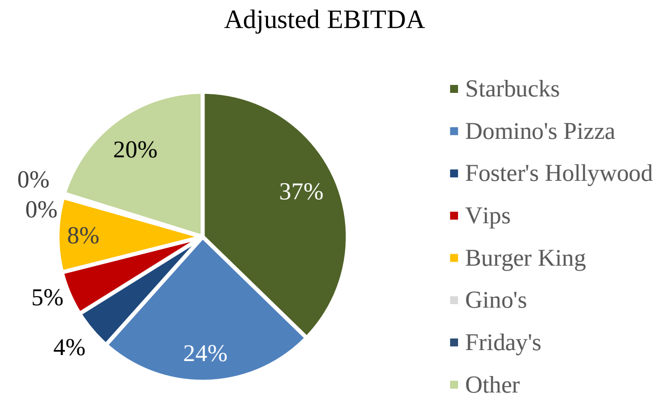
In South America, we operated 656 units as of September 30, 2021, of which 618 were company-owned and 38 were sub-franchises. In Europe, we operated 1,404 units as of September 30, 2021, of which 869 were company-owned and 535 were sub-franchises.

Regarding brands, we own the Vips, Archie's, Foster's Hollywood and Gino's, which gives us flexibility in terms of innovation, operations and image management. We also have long-term agreements (between 10 and 20 years) with the owners of the rest of the brands that make up our portfolio.

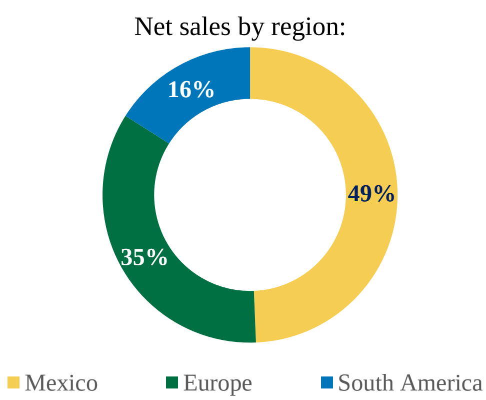
In addition, we have a successful and proven track record of integrating new brands to our portfolio and expanding to new countries, having integrated the Vips, El Portón, The Cheesecake Factory, P.F. Chang's and Archie's brands and, more recently, Starbucks in France and Benelux and Grupo Vips in Europe and making them attractive to customers.

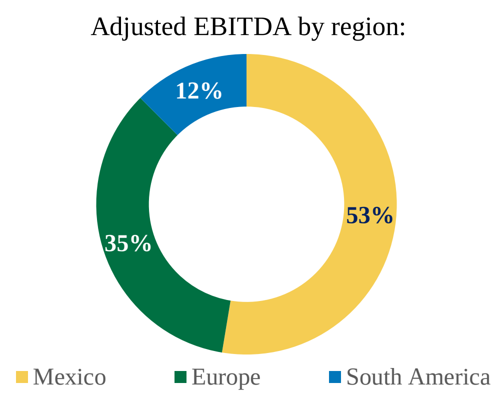
The following charts illustrate the distribution of our net sales and Adjusted EBITDA by brand for the nine months ended September 30, 2021.





The following charts illustrate the distribution of our net sales and Adjusted EBITDA by region for the last twelve months ended September 30, 2021.





Leader in the food service industry through geographies, experience and social platforms operations

As of September 30, 2021, we operated 4,219 units through some of the most recognized food service brands globally in five of the main countries in Latin America: Mexico, Argentina, Chile, Colombia and Uruguay, as well as in Spain, France, Portugal and Benelux. By targeting young adults and families, we have benefited from a growing population, younger consumers, and favorable socio-economic conditions. According to the Economic Commission for Latin America and the Caribbean ("CEPAL"), these countries account for a combined population of approximately 240 million. In addition, improved economic conditions in these countries have modernized consumer habits and increased purchasing power of consumers, thereby increasing the size of our potential customer base.

Throughout our history, we have built a diversified portfolio of leading international and local brands in Mexico, South America and Europe. We operate in the fast-food, coffee shops, casual dining, family dining and fast-casual segments, which we believe offer significant organic growth potential. Through these segments, we serve customers from various socioeconomic segments that account, in the aggregate, for over 75% of Mexico's population, over 50% of the South America's population and over 60% of the population of the European countries where we operate, which we believe offers us certain protection from the effects of adverse economic cycles. As of September 30, 2021, 39.6% of our units operated in the fast-food segment, 36.5% in the coffee shops segment, 14.3% in the casual dining segment and 11.9% in the family dining segment and 1.0% in the fast-casual segment. In Mexico, as of September 30, 2021, .7% of our units operated in the fast-food segment (Domino's Pizza and Burger King), 34.6% in the coffee shops segment (Starbucks Coffee), 9.4% in the casual dining segment (Chili's Grill & Bar, P.F. Chang's, Italianni's, El Portón, Corazón de Barro and The Cheesecake Factory) and 11.9% in the family dining segment (Vips). In Latin America, 46.3% of our units operated in the fast-food segment, 47.6% in the coffee shops segment and 6.1% in the casual dining segment. In Europe, 28.8% of our units operated in the fast-food segment (Domino's Pizza and Burger King), 34.7% in the coffee shops segment (Starbucks Coffee), 7.4% in the family dining segment (Vips), 3.1% in the fast-casual dining segment (Vips Smart and Foster Hollywood Street) and 26.1% in the casual dining segment (Foster's Hollywood, Ginos, Ole Mole, TGI Fridays and Cañas y Tapas).

Our expertise in identifying relevant and profitable brands, regions and sites, our ability to customize services, experience, and products according to customer needs and various favorable economic factors, have allowed us to experience significant historical growth. Our sales and Adjusted EBITDA (excluding operating lease expenses) each grew at a CAGR of 15.5% from 2015 to 2019. Also, due to our size and the geographic coverage of our brands, we are able to negotiate global agreements in relation to our raw materials, services, real estate and media with volume aggregators, which allows us to competitively price our products, ensuring that all of our brands benefit from the best market conditions, regardless of their size. Our sales in South America and Europe have come to represent 14% and 36%, respectively, of our total sales as of December 31, 2020. This was mainly due to the expansion and incorporation of the brands acquired in Europe in 2018 while also taking advantage of opportunities that have emerged in South America.

In addition, given the still low penetration of the food service industry, as the industry recovers from the effects of the COVID-19 pandemic (including its variants) we believe we have a high potential for organic expansion of the brands that we operate in the current territories. During 2019 and 2018, we had a net opening of 250 and 243 units, respectively. In line with our strategy to improve our profitability, we decided to close 185 underperforming units during 2020. However, we consider that there is still market capacity with significant upside potential in Mexico (over 1,685 stores), Europe (over 1,300 stores) and South America (over 550 stores) based on our estimates.

Solid relationship with leading global brands and franchisees

Given the size and scale of our platform and our proven operating track record, we have become a strategic partner for our licensors and franchisors. We ensure that all our units follow the principles and standards required by franchisors by having a robust supervision system in place and several programs and continuous training at all levels of the organization. In addition, as a multi-brand operator, we always look for ways to improve our operating, marketing, innovation and recruitment activities for a successful and efficient operation, which has given us the opportunity to share best practices with the owners of the brands we operate. For example, we developed a more efficient dough production system for Domino's Pizza in Mexico, which has served as an example for production in other countries.

On December 3, 1990, we entered into a master franchise agreement with Domino's Pizza International. The initial term of this agreement was 15 years but based on our performance and accomplishments, on February 20, 1998, we signed an amendment to this contract that extended our rights for an additional 35 years. Currently, we are the third largest operator of the Domino's Pizza System worldwide having over 1,200 units in Mexico, Colombia and Spain as of September 30, 2021.

We opened our first Starbucks in Mexico in 2002 through a joint venture with Starbucks Coffee International that allowed us to develop and operate the brand in the country. As of the date of this offering memorandum, nineteen years later, we operate almost 10% of the licensed stores of Starbucks Coffee Company around the world, we transformed Mexico into one of the most important markets for Starbucks in terms of number of stores and we have the rights to develop and operate the brand in Mexico, Argentina, Chile, Colombia, Uruguay, Spain, Portugal and Belgium. In addition, we have the rights to sub-license the rights to open and operate Starbucks shops in France and The Netherlands. We also have a strong relationship with our franchisees who are key to our success, especially in regions where this format is more profitable for us and also a way to introduce our brands in smaller population centers. The franchises that we grant and our performance thereunder are typically based on ten-years agreements, which can be renewed according to the region's goals accomplishments. We provide our franchisees with all the know-how and tools required to have a healthy and growing business. We currently have 955 franchise units, 40% in Mexico and 56% in Europe.

We intend to continue maintaining a solid relationship with each of our partners to ensure our continuing ability to operate our brands, expand our exclusive operations portfolio and secure long-term confidence in our company. As an example, Starbucks reaffirmed its trust in us by allowing us to acquire the business in France, Benelux and Spain in 2019.

Resilient business and capitalization structure to take advantage of economic recovery

As the COVID-19 pandemic swept the globe and crippled much of the world's economy, we were challenged to adapt our business to a new reality. From our supply chain to the delivery of our food products to consumers, we had to reassess many aspects of our business and implement changes at all levels of our organization. At the operating level, we focused our efforts in the use of digital platforms, revised our cost structure and performance of our stores and restaurants portfolio, renegotiated contracts with landlords and suppliers, implemented sanitary measures and protocols, strengthened the communication with our workforce and adjusted work dynamics at our restaurant and offices to be more efficient and productive. We believe all these changes have prepared us to be sharper in identifying and taking advantage of opportunities ahead of us.

At our corporate finance level, as a result of strong relationships that we have been building for years with our business partners and financial institutions, during the COVID-19 pandemic we were able to take additional credit lines to continue operating our business in case of a deeper impact of the COVID-19 pandemic on our company; nevertheless, we did not use all of them and maintained a minimum liquidity ranging between Ps.2,000 million and Ps.2,500 million. Also, we managed to reschedule our debt maturity profile to a more comfortable amortization schedule that will help us execute our future business plans and maintain our commitments with our business partners. Based on our brands' current performance, our efficiencies, and the way the economy is recovering, we expect to return to pre-pandemic levels during 2022.

Shared services model is a competitive advantage, which provides effective management of our resources throughout our network

We believe that one of the elements of our success lies in the shared services model designed for our operations. Unlike our competitors who carry out all their processes at the store or brand level, we can achieve significant synergies and economies of scale that translate into important savings for us through the Shared Services Center, to centralize all the administrative and logistics processes that are not focused on the operation of the business units. In general, the functions that are included in the Shared Services Center are all those business support functions, such as accounting, administration, human resources, technology, real estate development, supply chain, and maintenance, among others. Our shared services model not only allows us to consolidate and improve the efficiency of processes, but also allows business units to dedicate all their efforts and time to the operational processes of each of the brands, thus improving the quality of the service we offer to our customers. Additionally, the shared services model is currently a pillar of our strategy since it facilitates the incorporation of new acquisitions and business units.

We believe we have the advantage and the ability to control the supply and distribution of commodities to each of our business units through our subsidiary DIA in Mexico, which we believe offers a competitive advantage. DIA is engaged in the procurement, import, transportation, storage and distribution of frozen, refrigerated and dry food products for all of our Mexican stores. We own and operate five distribution centers strategically located in the State of Mexico, Mexico City (Tláhuac), Hermosillo, Cancún and Monterrey. The distribution centers in Argentina, Chile, Colombia and Spain are operated by third parties under the same guidelines, standards and procedures as our company-owned distribution centers. We have our own logistics operation in Mexico mainly because there is no one in Mexico that could support our operation in terms of volume, deliveries, suppliers and stores and transportation conditions. Additionally, we are responsible for the production of pizza dough for the entire Domino's System in Mexico, Colombia and Spain.

In Mexico, we have implemented automated distribution and logistics functions such as WMS (Warehouse Management System) and TMS (Transportation Management System) to optimize our delivery response times and improve our ability to anticipate demand by improving information flow throughout our procurement process.

Seasoned and highly qualified management team, with significant industry experience and track record of integrating acquisitions to achieve our goals

Our management team has an average of 20 years' experience in the restaurant industry, and we believe it possesses the appropriate qualifications, ownership, expertise and motivation to be able to achieve our financial goals and to further the development of our strategy, as demonstrated by its track record of store openings and successful integration of the operations of Italianni's, Vips, El Portón, Archie's, Grupo Vips and Starbucks in France, and Benelux. We believe that our culture of focusing on customer service, which is based on the principles of respect, loyalty, personal excellence, teamwork and focus on results, has led to the formation of a management team committed to exceeding our goals. In addition, we have a highly qualified team of store managers that are committed to their respective brands. We believe that our degree of institutionalization has also contributed to the improvement of our performance and enabled us to adapt to our customers' and the industry's changing needs, capitalize on new opportunities to achieve additional growth and attain a level of transparency on par with institutional corporate governance best practices.

Our Strategy

Our primary aim is to preserve our position as a leading restaurant operator in Latin America and Europe, with leading global brands in the fast-food, coffee shops and casual dining, while maintaining a solid financial position to enable us to seize growth opportunities, and exceed our customers' expectations.

We will continue to pursue the following strategies which we expect will further enhance our business, market position and competitive advantages.

Implement the necessary measures to ensure an optimal capital structure that allows us to implement our strategic growth plan and maintain attractive returns

We believe that our growth strategy must be based on an adequate capital structure and a solid liquidity position, maintaining a debt profile that allows us to have financial flexibility. Our strong operating and financial performance reflect the Company's competitive advantages, including our ability to compete in complex and increasingly competitive environments. We plan for growth in an aligned and sustained way, minimizing risk, and seeking to create value for stakeholders.

Maintaining a solid financial position to implement our strategic expansion plan and generate profitable returns

We believe that our expansion strategy will enable us to seize new opportunities as they arise. Accordingly, our financial strategy is designed to maximize the efficiency of our cash flow generation processes and to strengthen our balance sheet. Our strong operating and financial results demonstrate our ability to operate in highly complex and increasingly competitive environments. We intend to pursue our expansion strategy in a sustained and orderly fashion to create synergies and minimize risk.

We also intend to make use of our shared services model to create additional synergies among our brands, further increase our operating margins and reduce our procurement, storage, internal processing, IT and other general costs and expenses.

Capitalizing on our brand positioning in our existing markets to further increase our market presence

We intend to continue focusing our efforts on the implementation of initiatives that will enable us to maximize the growth potential of our existing businesses. We believe that our solid position in our current markets, our proven success opening new stores, and our demonstrated ability to generate steady cash flows, will allow us to further increase our market presence organically.

In addition, we intend to continue growing our same-store sales through the implementation of promotional strategies, digital platforms, new product offerings and the ongoing improvement of our customer service. As an example, we were able to reposition the Domino's Pizza brand in Mexico through our launch of the Domino's App, which has allowed us to increase the number of orders, average ticket and be able to offer an additional alternative to bring our most profitable products to the customer, which at the same time allows us increase sales without affecting our margins, or through our loyalty programs, where Starbucks has been at the forefront, creating true long-term relationships with customers and fostering a true attachment to the brand, through targeted promotions and a differential treatment and benefits to our "gold" customers.

Given our brands' current market penetration, we believe there is significant potential for growth through the continuing expansion of our geographic coverage. We seek to maximize the efficiency of our expansion process by entering into selective sub-franchise arrangements with strategic partners that have lower operating costs and the appropriate capabilities to introduce our brands in smaller population centers.

Remaining the strategic partner of choice

We believe that our strong results, solid operating track record and significant experience in the industry and region have made us the strategic partner of choice for the owners of our brands. We intend to continue to maintain solid relationships with each of our partners in order to ensure our continuing ability to operate our brands, expand our portfolio of exclusive operations and secure a vote of long-term confidence in our company. Starbucks renewed its trust in us by allowing us to acquire the business in France, Benelux and Spain.

We intend to maintain our status as a strategic partner for brands looking to expand into new markets, while remaining selective in terms of the kind of portfolio we wish to develop. Our strong presence and vast operating infrastructure in the Mexican, European and South American markets provide us with access to a unique platform that has enabled us to seize new business opportunities.

Exceed our customers' expectations through the best experience and product offering in the food service industry

We are committed to exceeding our customers' expectations. Our customer service strategy is based on the principles of placing our customer first, fostering loyalty and respect between our associates and us, pursuing personal excellence and commitment, and focusing on our results. We aim for each of our brands' offerings to provide our customers with an unforgettable product, service and image experience.

We measure customer satisfaction by brand across channels, including dine-in, take-out and delivery (including deliveries made by aggregators). We collect customer feedback to identify opportunity areas and solve any issues within 24 hours after the issue is reported. In Mexico, we receive and analyze approximately 200,000 surveys per month. We also review and analyze our customers' behavior through our loyalty programs, such as Starbucks Rewards and WOW+, to offer them better alternatives that meet their needs.

Pursuing new business opportunities to increase value

The Latin American and European food service industry, which remains largely comprised of local businesses and informal vendors, offers a large array of options to the consumer, such as a number of cuisine and dining experiences at varying price points. As part of our strategy we remain engaged in an ongoing search for new opportunities, primarily through the following: (i) the continuous development and expansion of our brand portfolio. We seek opportunities to extend our current brands and our best practices to other markets; and (ii) brand diversification that complements our portfolio, increasing our margins. We seek to identify and explore potential brand acquisitions or arrangements that may increase our value.

Continue to focus on our omnichannel digital strategy

We strive to be available to our customers through different channels, including our digital platforms, loyalty programs, such as Wow+Rewards, Starbucks Rewards. Domino's Pizza OLO, Club VIPS and Fosterianos / Club Vips, our, our apps and analytics. In 2015, we decided to launch our first multi-brand loyalty program in Mexico called "Wow Rewards", which was created to offer benefits to our customers through the accumulation of reward points generated by their consumption. In 2021, our "Wow Rewards" program evolved to "Wow +", which currently integrates our delivery service, loyalty program and restaurant experience for our ten brands in Mexico. Such program has helped us increase the average ticket by 30% and it is used in 6% of our Mexican total sales. We expect to continue boosting the "Wow+" program to develop its competitive advantage.

In addition, we increasingly work with customer behavior data to ensure that our marketing efforts and offers meet our customers' needs. Accordingly, we have introduced digital coupons that are 3 times more efficient than our paper coupons and give us the flexibility to make changes in real time and to adapt our offers in an easy and cost-efficient manner.

We also use certain applications such as "Domino's MX" which allows our Domino's Pizza customers to place and track orders and give feedback in Mexico. As of September 30, 2021 this application generated 34.7% of Domino's Pizza Mexico net sales. We also have the "Starbucks Rewards" app in Mexico, Chile and Argentina that offers benefits to our Starbucks customers and allows them to pay and place orders. As of September 30, 2021, the Starbucks Rewards generated 23.7% of net sales in Mexico of which 4.1% of the orders were placed by mobile.

Furthering our corporate governance practices and social awareness programs

We believe it is of the utmost importance to continue using a set of professional and transparent corporate governance practices as a means to strengthen our shareholders' and prospective investors' confidence in the way we operate our business. Our particular set of corporate governance practices includes advanced performance measurement tools and risk management procedures and is designed to ensure that our operations are conducted in a transparent fashion, produce timely and reliable information and create additional value for our company and our shareholders. We believe that this enables us to better implement our strategic plan, ensure that the interests of our employees remain aligned with those of shareholders, build credibility with investors and, ultimately, achieve our goals. We believe we abide by all the laws and regulations applicable to publicly traded companies and are engaged in the ongoing development of policy and procedure approval processes and internal guidelines.

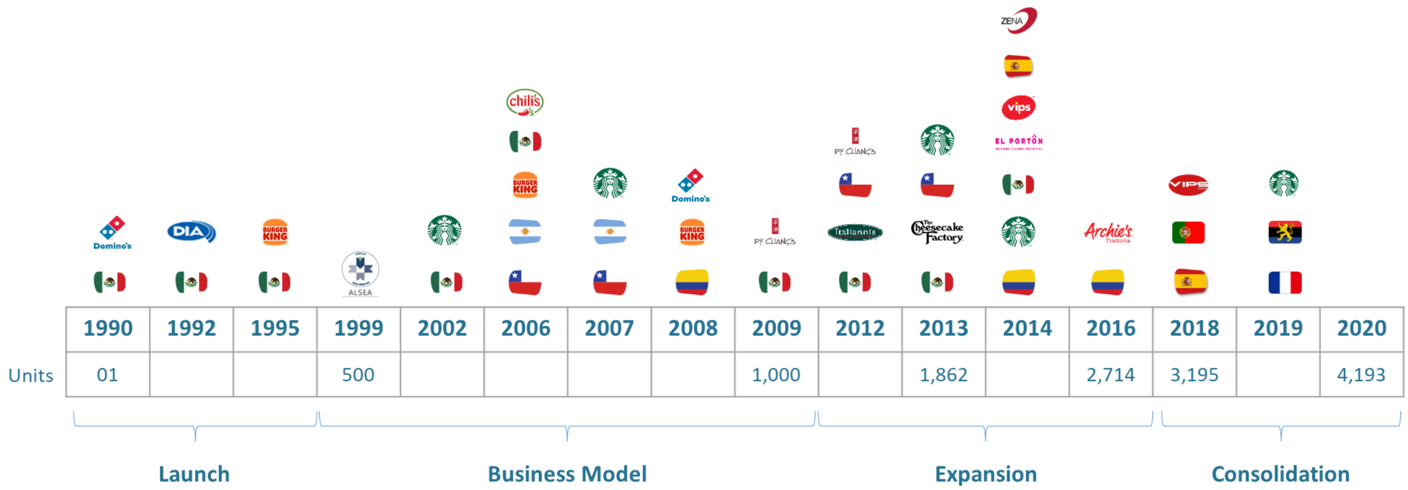
We also believe that our social responsibility initiatives, which form part of our business strategy, reflect our unwavering commitment to the well-being of our customers, the development and quality of life of our employees, the betterment of the communities in which we operate, and the protection and preservation of the environment. We abide by a set of norms and principles sensitive to social, economic and environmental reality which help us to be more productive, and have implemented policies, programs and strategies designed to foster human development.

For the third consecutive year, in 2020, we were included in the Dow Jones Sustainability MILA, a benchmark index that measures the performance of listed companies by market capitalization in economic, environmental and social matters. Our inclusion was based on the analysis of our results in environmental policy, eco-efficient operations, labor practices and talent attraction, corporate citizenship and philanthropy, effectiveness of Alsea's board of directors and code of conduct, among others. Since February 2013, we have been a part of the Sustainable IPC, which is a financial indicator that the Mexican Stock Exchange created to highlight Mexican companies in the social, environmental and corporate governance fields. Since June 2011, we have been a part of the United Nations Global Compact, the most important global initiative in corporate social responsibility.

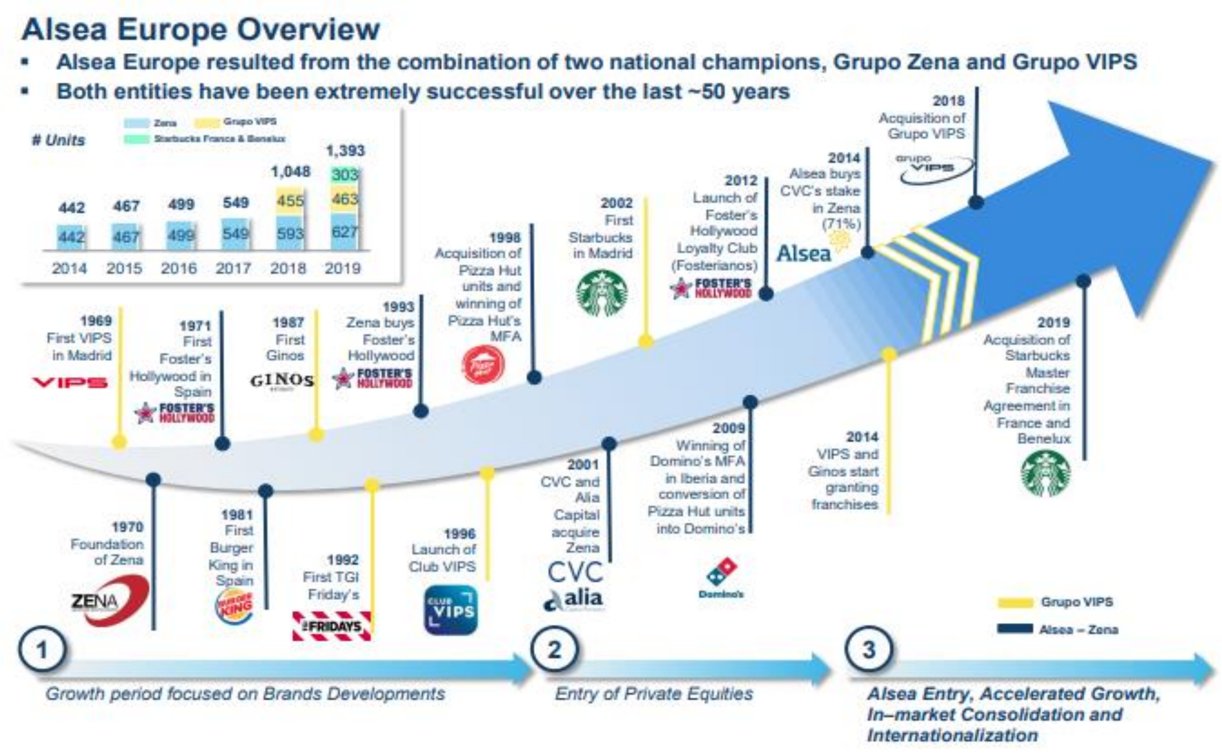
During 2020, we strengthened our commitment to sustainable economic development, the environment, and support for the communities in which we operate. We continued to deliver close to one million meals through our various programs such as "*Va Por Mi Cuenta*" and *"Va Por Nuestros Héroes."* In addition, we carried out our annual *"Va Por Mi Cuenta"* campaign, which promotes the donation and purchase of products with a good cause across all our brands in order to raise funds to continue the fight against food poverty. In 2020, we raised more than 25 million pesos for this initiative.

Alsea History

The following chart illustrates the principal milestones in our history:



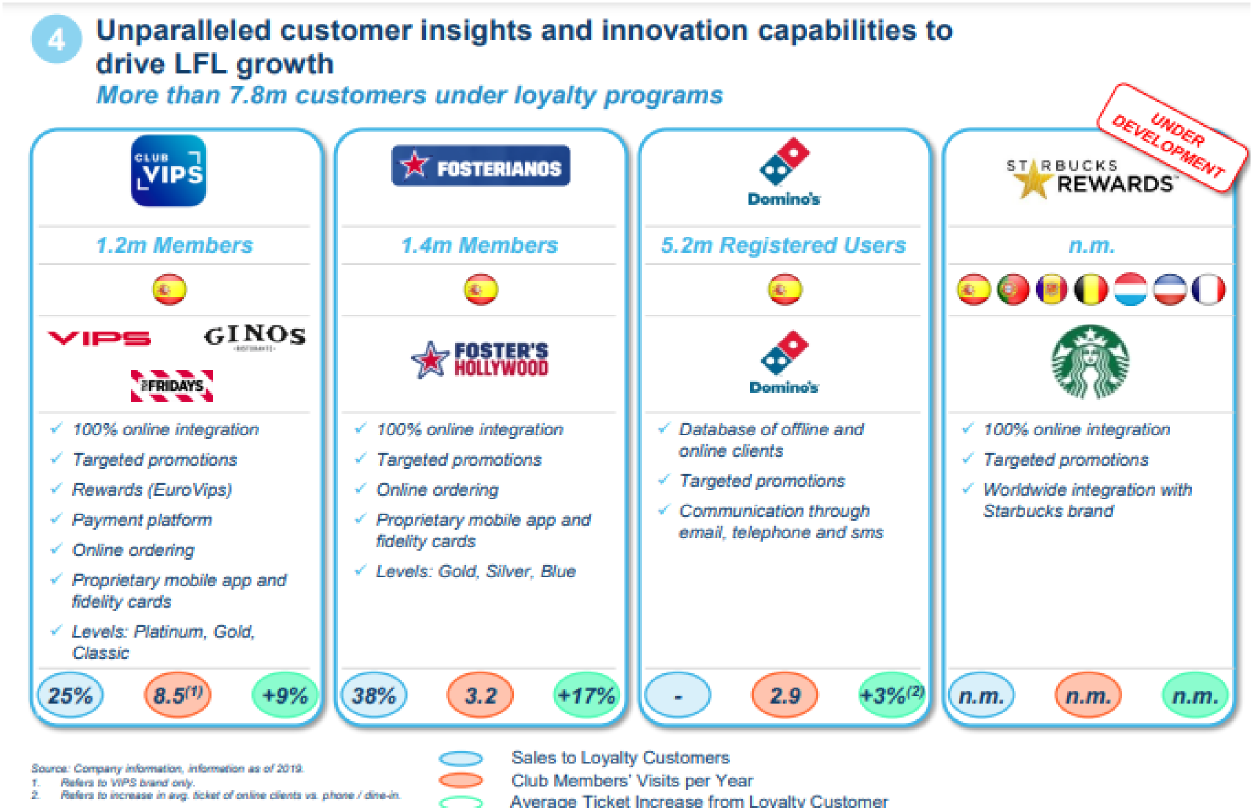
- 1990: We became the master franchisee of Domino's Pizza in Mexico
- 1992: We opened our first Distribution Center (DIA)
- 1999: We made our Initial Public Offering at the Mexican Stock Exchange
- 2002: We opened our first Starbucks in Mexico (Joint Venture with Starbucks Coffee International)
- 2006: We started to operate Burger King in Mexico and we entered into the Casual Dining segment with the acquisition of nine Chili's restaurants in Mexico
- 2007: We went to South America with Burger King and we signed an exclusive agreement with Starbucks Coffee International to develop Starbucks in Argentina and Chile
- 2009: We were the first company that got the rights to develop P.F.Chang's outside of the United States.
- 2012: Acquisition of Italianni's in Mexico
- 2013: We got an exclusive license agreement to operate The Cheesecake Factory in Latin America and we acquired 100% of the operation of Starbucks in Mexico, Argentina and Chile.
- 2014: We acquired Vips and El Portón in Mexico and Grupo Zena in Spain. We also opened our fist Starbucks store in Colombia.
- 2016: We acquired Archie's in Colombia
- 2018: We acquired Grupo Vips in Spain and Portugal. We also opened our fist Starbucks store in Uruguay.
- 2019: We acquired Starbucks in France and Benelux



Loyalty programs

The following charts illustrates our loyalty programs and their main characteristics:

Wow+	Starbucks Rewards	Club VIPS	Domino's	Fosterianos
Delivery service Rewards point for consumptions Restaurant experience (check-in and menu) Specific / personalized promotions All digital platforms in a	Payment platform Specific / personalized promotions High client interaction Take-out ordering	100% online integration Target promotions Rewards (EuroVips) Payment platform Online ordering Proprietary mobile app and fidelity cards	Database of offline and online clients Targeted promotions Communication through email, telephone and SMS	100% online integration Targeted promotions Online ordering Proprietary mobile app and fidelity card



Our Business Operations

The Fast-Food Segment

Domino's Pizza

General

We own the exclusive right to develop and operate the Domino's Pizza System in Mexico. In addition, we hold the exclusive right to grant Domino's Pizza sub-franchises in Mexico. With over 17,000 outlets in 90 countries, Domino's Pizza is the world's leading brand in the food service industry's home delivery segment and the largest fast-food chain in Mexico in terms of number of units. We have grown from 16 Domino's Pizza units in 1990 to 781 units (comprised of 445 company-owned units and 336 sub-franchises) in 159 cities located throughout Mexico's 32 states, as of December 31, 2020. In Mexico, the average ticket price was approximately Ps.197.97 in 2020.

The Domino's Pizza System sells its products through two different store formats —*home delivery* stores and *Express* stores. Some home delivery stores have a small dining area for those customers who may wish to eat their pizzas at the store. The *Express* stores are located primarily in airports, shopping malls, supermarkets, subway stations (in Mexico City) and other similar facilities.

In addition, we hold the exclusive right to develop and operate the Domino's Pizza stores in Colombia. As of December 31, 2020, we have 116 Domino's Pizza stores (72% company-owned and 28% franchise) 84 in the main cities in Colombia: Bogota, Medellin and Cali.

On October 31, 2014, we announced the acquisition of Grupo Zena, owner and operator of the master "Domino's Pizza" franchise in Spain. As of December 31, 2020, Domino's Pizza operation in Spain comprised 337 stores, of which 282 were company-owned and 55 were operated by sub-franchises.

Products

The Domino's Pizza System offers *Domino's Original*, *Crunchy*, *Double Decker* and *Dominator D4*, as well as additional products such as *Domino's Wings*, *Papotas* and *Canelazos.*

Raw Materials and Suppliers

The principal raw materials used in the preparation, sale and delivery of pizzas are fresh pizza dough, tomato sauce, mozzarella cheese, pork products, cold cuts, vegetables and cardboard boxes. With the exception of the Pepsi beverage products, which are supplied directly by the bottler, all raw materials are purchased and supplied by DIA.

Since November 15, 2012, Distribuidora Garcicrespo, S. de R.L. de C.V. the exclusive right to distribute Pepsi products to the Domino's Pizza System for a period of five years *plus* 40 days, with an option to extend such right for an additional five years upon written notice of the intent to exercise this option.

Industrial and Commercial Processes

The operating cycle of a Domino's Pizza store begins with a call from the customer, during which the customer is informed of the current promotions, places an order, receives confirmation of the time at which the order was placed, and is given the 30-minute guarantee. The pizza is then prepared, baked and packaged. The process ends with the delivery of the product and the receipt of payment. The principal benefits of this cycle are that: (i) all products are prepared to order, (ii) the average length of the cycle is 25 minutes and (iii) most of the sales are made in cash.

In order to ensure a consistent operation throughout all stores and comply with the standards required by DPI, and consistent with our mission statement, we have developed a Domino's Pizza school store in Mexico, and a series of courses focused on the operating Domino's stores where ongoing training is provided to all employees in the Domino's Pizza System in order to foster their careers and personal development.

Burger King

General

We hold sub-franchises for Burger King in Mexico. As of December 31, 2020, we operated an aggregate of 175 Burger King units in over 36 cities throughout Mexico. We are one of Burger King's largest franchisees in South America, with 172 units in the region as of December 31, 2020, and 55 units in Spain. As of December 31, 2020, we operated 115 units in Argentina and 57 in Chile. In Mexico, the average ticket price was approximately Ps.105.28 in 2020.

Each Burger King store has a production line that is comprised of several stations, including the grill, the hamburger preparation area, the fried food area, the vegetable and salad preparation area, and the register and delivery counter. In addition, most stores include a dining area and a playground for children.

We operate several Burger King store formats, depending on the specific characteristics of each market. Our principal Burger King store formats are as follows:

- *Stand-alone stores,* which can accommodate between 120 and 240 customers and include private parking facilities, Auto-King (drive-thru), playground, dining area and private restrooms.

- *In-line stores,* which can accommodate between 70 and 120 customers and have their own dining area and restrooms. However, they do not have private parking facilities and offer parking space in the building where they are located. These stores are typically located in shopping malls and the historic downtown areas of the cities where we operate.

- *Food court stores,* which are small branches that range in size from 35 to 80 square meters, do not include a private dining area and are typically located within shopping mall food courts.

- *BK Select*, which range in size from 30 to 50 square meters, do not include a dining area, have a smaller kitchen and fewer employees than food court stores, and have lower rent costs given their size. They feature a preparation table located at the front to enable customers to watch the food preparation process in a novel setting. Our BK Select stores are typically located in bus terminals, subway stations or other similar, strategic locations.

- *Kiosks,* which are mobile units installed in a visually appealing structure of approximately three-by-three meters in size, whose operations focus on the sale of ice cream, milk shakes, smoothies, desserts, gourmet coffee and certain fried snacks. These stores are located primarily in shopping mall aisles, supermarkets, town squares and other locations with large volumes of pedestrian traffic.

Products

Burger King stores offer Whopper hamburgers, grilled hamburgers, chicken sandwiches, salads, breakfasts, desserts and children's menus. These products are sold through take-out and drive-thru stores

Raw Materials and Suppliers

The principal raw materials used in the preparation and sale of the Burger King products are beef, chicken, potatoes and bread. In addition, Burger King sells sodas. All raw materials are purchased and supplied by Pacific Star.

Industrial and Commercial Processes

The operating cycle of a Burger King store begins when a customer places his or her order at the counter (to either eat in or take-out) or at the Auto King drive-thru window and pays for it. The production team fills the orders that appear on their screens and a person behind the counter gathers the relevant items from each of the different stations and delivers the order to the customer. The principal benefits of this cycle are that: (i) all products are made to order; (ii) the average length of the cycle is three minutes and (iii) most of the sales are made in cash, except that the Mexico City stores also accept restaurant vouchers and credit and debit cards.

The Specialty Coffee Shops Segment

Starbucks Coffee

General

Through our subsidiaries Café Sirena, Starbucks Argentina, Starbucks Chile and Estrella Andina, we are the exclusive operator of the Starbucks Coffee stores in Mexico, Argentina, Chile, Colombia and Uruguay. We opened our first Starbucks on Avenida Paseo de la Reforma in Mexico City in September 2002. By early 2019, we concluded a process for the acquisition of the rights to operate and develop Starbucks stores in Spain, Portugal and Benelux. As of December 31, 2020, our operations in Europe had 472 stores, Starbucks Mexico had 747 stores, Starbucks Argentina had 132 stores, Starbucks Chile had 134 stores, Starbucks Colombia had 30 stores and Starbucks Uruguay had 9 stores. In Mexico, the average ticket price across our Starbucks Coffee Stores was approximately Ps.105.53 in 2020.

We develop and operate the Starbucks Coffee stores and sell specialty coffee beans, hot and iced coffee beverages, coffee-related accessories and equipment, food items and other related products.

Each Starbucks Coffee store is specifically designed to allow the customer to enjoy the "Starbucks Experience," drinking a great coffee in a comfortable and upbeat setting with superior customer service. This Starbucks Coffee store concept is a "third space," offering customers a place other than their home or workplace where they can relax, read, do business or meet with friends.

Products

Our Starbucks Coffee stores offer a vast array of products, including hot and iced coffee beverages of various kinds, such as cappuccinos, lattes, caramel macchiatos, frapuccinos and tea, as well as coffee beans, food items and coffee-related accessories.

Raw Materials and Suppliers

The principal raw materials used in the preparation of Starbucks' products are coffee beans and milk. In addition, the Starbucks coffee shops sell pastries and sandwiches. With the exception of milk, which is supplied by third-party vendors, all raw materials are purchased and supplied by DIA.

Starbucks Coffee International, Inc. is our exclusive supplier of coffee beans. Café Sirena maintains exclusive arrangements with Sweet Street and Rich for the sale of their pastry and sandwich products, respectively, at the Starbucks Coffee stores. However, we do not maintain any long-term agreements with any of our suppliers, and we are not dependent on any one supplier.

Industrial and Commercial Processes

The operating cycle of a Starbucks Coffee store begins when the customer places and pays for his order, and finishes with the delivery of the product. The principal benefits of this cycle are that: (i) all products are prepared to order; (ii) the average length of the cycle is three minutes and (iii) most sales are in cash or paid for electronically.

In order to ensure consistent operations throughout all stores and comply with the standards required by Starbucks Coffee International, we have training centers throughout Mexico in which we provide ongoing training to Starbucks' "partners" (or employees) in Mexico.

The Casual Dining Segment

Chili's Grill & Bar

General

We entered the casual dining market with the August 2005 acquisition of a 60% equity interest in ALDI, one of Chili's Grill & Bar's two Mexican franchisees, which was subsequently merged into Gastrosur. We believe that the casual dining segment represents an opportunity to achieve additional growth by capitalizing on the experience acquired through our fast-food operations and a unique opportunity to consolidate our leadership in both markets.

As of December 31, 2020, Gastrosur operated 71 Chili's Grill & Bar restaurants in Mexico. In addition, we operate 5 of these restaurants in Chile. We operate our Chili's Grill & Bar restaurants pursuant to an international development agreement between Gastrosur and Brinker

Chili's Grill & Bar restaurants, which combine an informal dining area with a sports bar, are primarily characterized by their youthful and casual atmosphere. In addition, as a casual dining rather than a fast-food outlet, Chili's Grill & Bar offers table service and a larger menu selection that includes more varied and versatile dishes. Chili's Grill & Bar restaurants distinguish themselves from the competition by affording a great level of courtesy to their customers and offering different and distinctive food and beverage products in a clean, fun location. The average ticket price was approximately Ps.559.39 in 2020.

Products

Chili's Grill & Bar restaurants offer primarily Tex-Mex food that is available for in-restaurant dining, take-out (through *Chili's-to-go*) or home delivery. Because Chili's Grill & Bar restaurants include a bar area, they also offer to their customers a large selection of alcoholic and non-alcoholic beverages.

Raw Materials and Suppliers

The principal raw materials and supplies used by Chili's Grill & Bar are beef, chicken and pork, chicken wings, desserts, soft drinks, beer and other alcoholic beverages. Chili's Grill & Bar restaurants purchase their raw materials from a number of suppliers, including Tyson, Comercial Norte Americana, Coca-Cola, Grupo Modelo, Eduper and Grupo Atil, although all purchase orders are processed through DIA.

Industrial and Commercial Processes

Service at Chili's Grill & Bar begins at the door, where customers are greeted by a hostess who welcomes them and guides them to a smoking or non-smoking table depending on their preference. Within three minutes, the waiter assigned to the customers' table introduces him or herself, informs the customers about the day's specials, hands them a grilled food menu and takes their beverage orders, which are delivered to the table within three to five minutes. The waiter then takes the appetizer orders, which are served within five to ten minutes, and the main course orders, which are prepared and served in no more than eighteen minutes. Once finished with their main course, the waiter offers the customers additional beverages and/or dessert and coffee, provides them with a dessert menu and takes their dessert orders, which are served within five minutes. At the end of their meal, the waiter asks the customers if they would like anything else and, upon request, prepares and delivers the check and asks what payment method they wish to use, which may be cash or credit card.

P.F. Chang's China Bistro

General

We hold the exclusive right to develop and operate the P.F. Chang's China Bistro concept in Mexico, Argentina, Chile and Colombia. As of December 31, 2020, we operated 32 P.F. Chang's units, of which 25 were in Mexico, three in Chile and 4 in Colombia.

P.F. Chang's China Bistro is a full-service casual dining concept characterized by a menu selection comprised of high-quality Chinese food and excellent service in a contemporary bistro setting. P.F. Chang's value proposition is "Food + Hospitality + Atmosphere = Value." In Mexico, the average ticket price was approximately Ps.715.41 per person in 2020.

Products

P.F. Chang's menu offerings include traditional Chinese food choices and innovative alternatives that illustrate the influence of Southeast Asia and modern Chinese cuisine. Our meals are supplemented by a broad selection of wine, beer, sake and proprietary beverages. The intense flavors of Mandarin cuisine are based on the distinctive flavor of fresh ingredients. The dining experience is enhanced by a unique decor that incorporates life size replicas of the Xian Terracotta Warriors and murals depicting narrative scenes from ancient China.

Our chefs are qualified to prepare distinct dishes using traditional recipes from China's principal regions. Our menu offerings include a large variety of vegetarian dishes and we have the capacity to customize our recipes to address the needs of customers with special dietary restrictions.

Raw Materials and Suppliers

All menu items are prepared to order, using high quality ingredients. The principal raw materials involved in the preparation of P.F. Chang's products are fish and shrimp, chicken, beef, pork, noodles, grains, rice and vegetables. In addition, P.F. Chang's sells desserts, wine, liquor, beer and soft drinks. All raw materials are purchased and distributed directly by DIA. In addition, DIA imports certain products that are not available in Mexico, including duck, which is raised in Canada by an exclusive supplier and prepared according to a unique recipe, and certain basic Chinese ingredients.

Industrial and Commercial Processes

Service at P.F. Chang's begins at the door, where customers are greeted by a hostess who welcomes them and guides them to their table. Our waiters play a critical role in providing our customers with a unique culinary experience by describing and promoting the "family style" concept, in which the diners at a given table share their menu selections with each other, and by ensuring a balanced combination of dishes in terms of flavors, aromas, colors and textures. In addition, P.F. Chang's offers a broad selection of desserts and beverages developed exclusively for the brand.

Italianni's

General

In February 2012, we completed the acquisition of Italcafé and GASA, and assumed the operation of 42 Italianni's restaurants in Mexico, including 11 sub-franchised units. As of December 31, 2020, we operated 79 Italianni's units, including 62 company-owned stores and 17 sub-franchised units (from which we receive royalty payments), primarily located in busy commercial centers. The average ticket price was approximately Ps.565.60 per person in 2020.

The Italianni's restaurant franchise's operating history dates back to 1992, with the opening of its first restaurant in Hurst Texas, a suburb of Dallas, Texas. The first Italianni's restaurant in Mexico opened its doors in the Pabellón Altavista Shopping Center in 1996. Italianni's was designed as a restaurant specializing authentic Italian cuisine with lunch and dinner menu options that include creative recipes served in large portions reflecting the traditional Italian belief that meals are a celebration of life to be shared with family and friends. The Italianni's restaurants offer an appealing atmosphere and fast service at the hands of a knowledgeable and enthusiastic staff.

Products

The Italianni's menu encompasses a broad selection of classic Italian favorites such as pasta and lasagna, as well as proprietary recipes that include our Salmon Oreganato and Delicia di Mare, all prepared to order with the finest and freshest of ingredients using artisan methods. All our sauces, such as our famous Marinara, are prepared fresh at each unit on a daily basis, and we also bake our own focaccia and Tuscan bread.

Raw Materials and Suppliers

The principal raw materials and supplies used by Italianni's are pasta, flour, chicken, beef, shrimp, vegetables, desserts, wine, liquor and soft drinks. Some of the basic ingredients used in our recipes are imported from Italy. We receive fresh vegetable deliveries on a daily basis, which guarantees the quality of our menu offerings.

Industrial and Commercial Processes

Upon entering an Italianni's restaurant, customers find themselves in a traditional atmosphere where green, white and red gingham tablecloths combine with lithographs and pictures of many families who have upheld the belief that the art of cooking is a true pleasure.

The Cheesecake Factory

General

We own the exclusive right to develop and operate The Cheesecake Factory restaurants in Mexico and Chile.

The Cheesecake Factory is an upscale casual dining restaurant format that focuses on offering guests an experience they won't soon forget —over 200 menu selections covering a wide range of culinary preferences, all made with quality ingredients at affordable prices, and superior service that includes extended hours of operation, from mid-day to the early morning hours. The Cheesecake Factory is the leading restaurant franchise in the U.S. in terms of sales per unit. As of December 31, 2020, The Cheesecake Factory chain was comprised of 180 units in the U.S. and 7 in the Middle East and six in Mexico. As of December 31, 2020, we had 6 company-owned restaurants. In Mexico, the average ticket price was approximately Ps.634.28 per person in 2020.

Products

The Cheesecake factory offers a broad selection of salads, pizza, sandwiches, seafood, meats, cakes and ice creams. With the exception of desserts, which are prepared at a bakery facility, all menu items are prepared from scratch on a daily basis, using fresh ingredients of the highest quality. We believe that the broad range of menu items offered by The Cheesecake Factory will be an important factor in distinguishing The Cheesecake Factory from its competitors.

Raw Materials and Suppliers

The principal raw materials used in the preparation of the products offered by The Cheesecake Factory are chicken, fish, cold cuts, vegetables, flour, eggs and dairy products.

Industrial and Commercial Processes

The Cheesecake Factory's top priority is to create an environment that ensures absolute customer satisfaction through an unwavering commitment to the quality of both its food and its service.

Archie's

Archie's was born as a neighborhood pizzeria in 1993 in the city of Bogota, and from then until 1999 four points of sale were opened. At the beginning, it positioned itself in the market as a chain of Gourmet Pizzerias with its famous "Pizza Huerto" and for 15 years it managed to grow from U.S.$1.5 million in sales in 2001 and four restaurants, to U.S.$25 million in sales and 41 points of sale in 2015. In 2011, with about 40 points of sale, it launched "Dal campo a la Tavola", evolving in 2012 to the implementation of the current image of Archie's Trattoria. Since 2012, it consolidated several of its subcategories such as Piccoli, Archie's Delivery, Desayunos y Bar, making sales per square meter more efficient, optimizing the installed capacity of its premises and managing to maintain its leadership in the market. In 2016, it was purchased by us, who have since April of that year been working on the implementation of the model and the achievement of synergies, to continue consolidating the brand as a leader in casual dining in Colombia.

In the restaurants, we have developed different service lines that optimize our customer service time slots, opening at 7 a.m. and closing at 11 p.m. We have about 5,000 seats in the chain, serve about 2.5 million customers a year, and have an average ticket per person of approximately U.S.$9.

As of December 31, 2020, we had 28 restaurants with an average consumption ticket of U.S.$368.45.

Products

Archie's menu is characterized by the use of top-quality ingredients that are always fresh. Among the most noteworthy preparations it counts with lasagna with chicken and mushrooms and bolognese. In addition, diners can enjoy stuffed 4-cheese ravioli, salmon, ricotta, spinach and meat, among others. For sharing, carpaccio di salmón comprised of fresh salmon marinated in extra virgin olive oil and lemon, with arugula, mini capers, chives and sour cream.

At Archie's Trattoria customers can enjoy a good conversation and family moments with the best selection of Italian dishes: carpaccios, zuppas, pastas, classic pizzas, rustic pizzas and our special kitchen dishes, all made with the best Italian products, freshly made in our restaurants.

Raw Materials and Suppliers

The main raw materials used in the preparation and sale of products are:

- Pasta and flours
- Chicken, beef and shrimp.
- Olive oil and balsamic vinegar.
- Cold meats
- Vegetables
- Fruits
- Wines, liquors, sodas and beers

We are constantly in the process of transforming our dishes and suppliers, seeking basic ingredients of Italian origin. All our preparations are made in the restaurant daily. We seek to ensure the highest quality standards.

Commercial Process

At Archie's we have our own elements, icons, that over time have gained recognition and a place in people's imagination. We can "claim" as our own certain symbols that "belong" to us such as our red and white checkered tablecloths, Archie's Piccoli and the relationship we generate with children, and traditional brand recipes such as "Pizza del Huerto" and our traditional lasagna, which become the most important reasons to return to share moments together with the people we love and invite to live an Italian gastronomic experience in our restaurants.

Distribution and Other

DIA

General

DIA, our import and distribution subsidiary, was organized in 1992 as a critical component of our growth and integration strategy, to manage and provide support to our operating subsidiaries' raw materials procurement processes. DIA is engaged in the purchase, import, transportation, storage and distribution of frozen, refrigerated and dry food products on a centralized basis for all of our stores and restaurants across all the brands in our existing portfolio. DIA represents a critical component of our shared services model by optimizing our procurement, inventory management and processes, thereby allowing our operating units to focus on sales and service. DIA also produces and distributes pizza dough for our entire Domino's Pizza System and is responsible for the development of new products and suppliers.

DIA specializes in the nation-wide purchase, import, production, transfer, storage and distribution of food products in frozen, refrigerated and dry form to supply all brands and establishments. DIA aims to be a competitive advantage for brands, ensuring supply at the best cost in the industry, supported by a distribution and production model adapted to the needs of the market, guaranteeing the support of future growth and generating value and income for us.

Additionally, it makes and distributes pizza dough and vegetable cutting for our entire Domino's Pizza System, as well as the preparation of soups, rice dishes, stews, sauces, cuts of meats, pastry products and pancakes for Casual Dining and Vips brands. It is also in charge of the production of sandwiches, cakes, pancakes and bakery in general for Starbucks. The New Product Development area that, in collaboration with the brands, is in charge of developing projects that further customer satisfaction favoring the consumption of raw materials and local suppliers.

DIA's quality control processes, which include the inspection of all raw materials upon their receipt and the performance of periodic audits of the suppliers' production facilities, guarantees the quality of the raw materials used in the preparation, sale and distribution of the products offered by our stores and restaurants.

DIA has a vehicle maintenance area in each of the distribution centers that serves 215 units a national level with an average of 750 services per month. The area mainly provides preventive, corrective maintenance, repair of thermos, bodywork, cleaning and sanitation services.

The processes that make up the supply chain and the actions carried out by the area during 2020 are described below:

- *Planning and Supply* is in charge of organizing all the phases of the chain to ensure the supply of products in the stores and that processes are completed in a timely manner. Despite the uncertainty in demand during 2020, the collaborative work carried out between the supply chain and our brands consolidated, Domino's Pizza and Starbucks excelled with results higher than 92% forecast assertiveness goals. We also managed our inventories, keeping them at levels commensurate with the level of operation and eliminating risks of losses for all brands. During 2020, we continued working on our SKU (Stock Keeping Unit) reduction strategy, achieving a 23% decrease in our catalog of active codes.
- *Purchasing* is responsible for ensuring that we have the best network of suppliers of goods and services, generating synergies and critical mass among brands and countries. As a result of the sanitary contingency, we focused on cost containment, reviewed service contracts with brands, and renegotiated prices, payment terms and monthly equalization, generating a benefit in cash flow management.

- *Foreign trade* overseas the operations of export and import of products, goods, raw materials, finished products, among others, across the country's borders, adhering to the laws, rules and regulations applicable to the countries and region's customs with which we have commercial exchange.
- *Manufacturing* is responsible for producing quality products with the objective of being the first choice for our brands and third parties in the following categories: fresh dough and prebake for pizza, bakery, bakery, pastries, sandwiches, soups, sauces, cooked dishes and different cuts of meat. In 2020, manufacturing focused on optimizing operating resources, ensuring compliance with production schedules to guarantee product availability for the stores. In addition, it developed projects to improve the efficiency of the production lines, to maintain floating and multidisciplinary workforces that ensured the capitalization of knowledge from different areas through the position certification project. Improvement projects were implemented in all production areas, including foreign ones, to share best practices and standardize execution criteria, as well as to standardize key performance indicators.
- *Distribution and logistics* is in charge of receiving, supplying, shipping and transporting brand orders to the restaurants in order to guarantee our guests' experience. During 2020, the Tláhuac distribution center was reactivated with a reduced and multidisciplinary staff. Two freezer chambers (-20°C) were installed with 1,314 locations that mainly store mozzarella cheese, provolone and cheese sticks, as well as 4,367 locations for perishable products at room temperature, dead stock and assets from remodeling, store closings or openings. A mechanical and spare parts workshop was set up and serviced 4,200 motorcycles in 2020 and stored up to 465 new ones. More than 200 import containers were received from suppliers during 2020 for both dry and frozen products. This reactivation resulted in better control of fixed assets, savings in the payment of external warehouses, as well as improved management and control of the operation. In addition, during 2020 year we had a level of instock of 99.37% compared to 98.8% in 2019, of on time of 97.16% compared to 97.06% in 2019 and an OTIF (On Time In Full) result of 96.55% compared to 95.20% in 2019. As part of our distribution initiatives, a route reduction program was implemented, with which we achieved a 37% reduction, a 24% reduction in kilometers traveled and a direct impact on the reduction of CO2 pollutant emissions of 24.2% compared to 2019.
- *Quality* is responsible for ensuring that the purchase and preparation of products complies with safety and quality processes until the food is on the table in our restaurants. This year, the five distribution centers in Mexico obtained SQF (Safe Quality Food) level 2 certification, confirming that our Safety and Quality Management System (ICA) complies with the international food safety standards for manufacturing and distribution operations, thus offering safety for our customers and consumers. We were recognized by Domino's International as the Latin American operation with the best food safety and quality management system. We were recertified by Walmart, which endorses us as a supplier that complies with its quality, safety and social responsibility standards. In terms of quality and safety performance indicators, in 2020 we improved the performance of our suppliers, manufacturing and distribution operations, reducing quality complaints by 40% compared to 2019, and reducing customer complaints by 29%.
- *Human Resources, Finance and Technology* are strategic partners that contribute by providing support and ensuring the correct operation of the processes to guarantee that everything is delivered complete and on time. We invest in the development of our employees through different programs that impact their professional growth, thus managing to retain and generate technical expertise through the standardization of the training program on quality and industrial safety issues for operational employees. In addition, we developed the Operational Certification Program, aimed at improving theoretical and practical skills to achieve expert operational employees, ensuring the standardization and mastery of processes, specializing 124 manufacturing employees through 9,812 hours of training.
- *Safety*. In 2020, we achieved a 40% reduction in the number of disabling accidents in our operations, from 26 accidents in 2019 to 16 accidents in 2020. We worked on training and disseminating the "detonate" program to involve all employees in the identification of unsafe acts and conditions, and their reporting by means of cards for follow-up and closure. We also developed the safety decalogues for each of the operating areas where we identified the key behaviors in safety issues within each operation.

  During 2020, DIA:

- Obtained the best Adjusted EBITDA margin in the last 5 years with an 8.2% margin, 2.5 percentage points above 2019 and an 18.7% decrease in operating expenses.
- Maintained a cumulative inflation rate of 3.8% as of December 2020.
- Improved service levels, achieving a 99.3% delivery efficiency, two percentage points higher than in 2019, and a 63% decrease in complaints from stores and restaurants.
- Achieved a 37% route optimization program efficiency compared to 2019.
- Cumulative turnover was 39.2%, an improvement of 5.3% compared to the previous year. The training program on Quality and Industrial Safety issues was implemented, as well as the Certification Program aimed at improving theoretical-practical skills by developing expert operational employees.
- Increased product sales to third parties by 44% compared to 2019.

As of December 31, 2020, DIA had five distribution centers in Mexico, strategically located to supply a total of 2,008 stores, exclusively for our brands. The South American supply chain is currently supported by distribution centers operated by third parties with the following distribution: five in Mexico, (State of Mexico, Monterrey, Hermosillo, Mexico City and Cancún), two in Colombia and one in Argentina, Uruguay and Chile.

Products

The following table shows the principal products distributed by DIA to each of our operating divisions.

Domino's Pizza

- Fresh dough
- Tomato sauce
- Mozzarella cheese
- Pork derivatives and cold cuts
- Cardboard boxes
- Preserves

Starbucks

- Coffee grains
- Baked products
- Sandwiches
- Supplies
- Store equipment

Chili's

- Baby Back Ribs
- Large hamburger patties
- Breaded chicken breast cubes
- Chicken wings
- Potato fries

P.F. Chang's China Bistro

- Fish and shrimp
- Chicken, beef and pork
- Vegetables
- Rice
- Sweet goods

Italianni's

- Fish and Shrimp
- Chicken, beef and pork
- Vegetables
- Bolognese sauce and canned tomatoes
- Parmesan cheese

The Cheesecake Factory

- Cheesecakes (varied flavors)
- Potato fries
- Chicken breast and shrimp
- Hamburger buns and other baking breads
- Cheese (fontina, romano, mozzarella)

Vips

- Chicken breast
- Processed sauces and soups
- Pies and cheesecakes
- Beef
- Orange pulp

Portón / Mexican

- Chicken breast
- Cornmeal
- Processed sauces
- Corn grains (pozole)
- Beans

A majority of these products are purchased by DIA from a number of suppliers with the capacity to provide price, quality and timely delivery assurances.

All the pizza dough supplied to the Domino's Pizza System, which includes *par-bake*, Canelazo *par-bake, Thin-Crust* and fresh dough, is produced in-house at DIA's distribution centers.

Raw Materials and Suppliers

DIA has a total of 3,976 suppliers and the following distribution network:

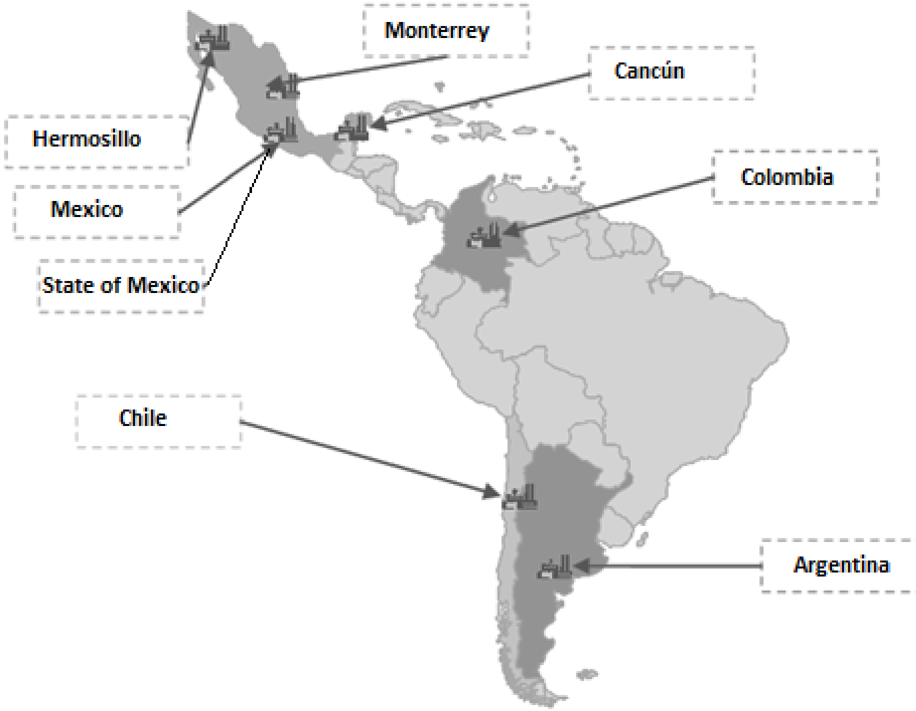
	Mexico City	Mexico State	Monterrey	Hermosillo	Cancún	Total
Distribution centers	1	1	1	1	1	5
No. of cities served	167	0	44	22	18	251

Approximately between 30% and 35% of our raw materials are imported. These include primarily mozzarella cheese, pepperoni, and various products we purchase from Starbucks Corporation. We do not materially rely on any one supplier for the satisfaction of our raw material requirements. In addition, because our principal raw materials are commodities, they do not pose any risk to our company. The following table contains a list of our principal suppliers.

Product	Supplier
Mozzarella cheese	Leprino Foods Co.
Pepperoni...	Fresh Mark Inc.
Pizza Sauce..	Kagome Inc.
Cardboard boxes....................................	Barca de México S.A. de C.V. Biopapel, S.A. de C.V.
Flour	Fábrica de Harinas Elizondo, S.A. de C.V.
Coffee	Starbucks Corporation
Meat, bacon and chicken wings.............	Panadería y Alimentos para Food Service, S.A. de CV RD Amerimex Distribution, S. de R.L. de C.V. Consorcio internacional de Carnes, S.A. de C.V. RYC Alimentos, S.A. de C.V. SuKarne, S.A. de C.V.
Bakery products and sandwiches...........	Gate Gourmet & Massa México, S.A. de C.V. Panadería y Alimentos para Food Service, S.A. de C.V. Land and Trade La Joya LLC

Infrastructure

Distribution Centers



DIA maintains 295 delivery routes that cover 2,008 points of sale in 247 cities, each of which is visited twice a week. This represents an aggregate of 3,427 deliveries per week, totaling 590,685 boxes delivered. In 2020, DIA's distribution fleet travelled in excess of 11.3 million kilometers and delivered 25.3 million kilos of pizza to the units comprising our Domino's Pizza System.

Panadería y Alimentos para Food Service

As part of our vertical integration strategy, in 2011 we organized Panadería y Alimentos as our wholly owned subsidiary for the construction and operation of a bakery, pancake and sandwich production facility in San Martin Obispo, in the State of Mexico. Our business model for Panadería y Alimentos entails the production of 100% of the bakery products and the assembly of 85% of the sandwiches sold by the units operated under our various trademarks.

Panadería y Alimentos' products conform to the highest international quality standards. Our production process is based on artisanal methods, is the world's dominant trend in the production and distribution of bread. The production of artisan bread involves a control-intensive production process that requires the use of state-of-the-art equipment. To support and further our bread production operation, we have made a significant investment in the acquisition of the latest European baking equipment.

Servicios Múltiples Empresariales ACD

On December 31, 2009, we organized Servicios Múltiples Empresariales as an investment vehicle to support, exclusively, to further the development of our brands. Servicios Múltiples Empresariales provides (i) financing to holders of franchises for the operation of the same trademarks under which we operate, either in connection with the expansion of their number of units or the acquisition of equipment, provided they satisfy certain eligibility criteria; and (ii) debt restructuring advice to help improve their financial condition.

Distribution Channels

Fast-food. The distribution channel for the products offered by our fast-food brands (Domino's Pizza and Burger King) is the individual store. In general terms, the distribution cycle of a fast-food store begins when a customer places his or her order at the counter whether to eat in or take-out, at our drive-thru windows or by telephone, and pays for the order (except in the case of home-delivery orders, which are paid for upon delivery).

We own approximately 3,200 motorcycles that are used to distribute our home-delivery products, primarily those of the Domino's Pizza System, which provides us with a significant competitive advantage.

Casual Dining. Our casual dining products are distributed through our operating units, which include 76 Chili's Grill & Bar, 32 P.F. Chang's, 79 Italianni's, 6 The Cheesecake Factory, 16 El Portón, 229 Foster's Hollywood, one Cañas y Tapas, 28 Archie's, 121 Ginos and 13 TGI Fridays restaurants. At each of these units, the customer receives a check at the end of his meal and pays for it at the register before leaving the restaurant.

Distribution Centers

Mexico (DIA)

Through our Mexican subsidiary DIA, we operate what we believe is one of the best and largest food distribution logistics systems in Mexico. As of December 31, 2020, DIA's operations included five distribution centers strategically located throughout Mexico as described below which cover 365 delivery routes that encompass more than 2,008 points of sale in 247 cities, each of which is visited twice a week:

- *Mexico State* —The Alsea Operations Center ("**COA**") is located in San Martín Obispo, Tlalnepantla. COA integrates services storage, transportation and manufacturing, consolidating CD Accel Camarones, remote storage warehouses and plants of baked and processed foods. It has a surface land area of 73,200. The different areas, including receiving and loading merchandise, using the 55 platforms, maneuvering merchandise from -20 °C, taking advantage of the capacity of the three warehouses (dry, refrigerated and frozen) that have more than 19,244 rack positions. It manufactures food with demanding quality standards in dough production lines, bakeries, pancakes, sandwiches, processed foods and meat cuts. In turn, it produces an average of 2.5 million kilograms per month. The COA is designed to support our growth and ambitious goals, implementing systems and state-of-the-art technology that will allow us to optimize current processes in order to guarantee the timely and complete supply to restaurants, providing an excellent service to our units and consumers. During 2020, COA delivered products to 2,383 stores throughout Mexico.

- *Mexico City (Tláuhuac)* —It is our first distribution center which began operations in 1999. Located on Av. Tláhuac, col. Santiago Zapotitlán, it has a total area of 43,362 square meters. It has two freezing chambers on a surface of 1,267 square meters with 1,314 storage positions, a refrigeration area of 921 square meters with 597 positions and a dry storage area of 4,165 square meters with 3,770 positions. Currently, frozen products, store actives and files are stored. There is also a motorcycle workshop and warehouse that serves 4,200 motorcycles and, during 2020, stored up to 465 new ones.

- *Hermosillo* —DIA's distribution center in Hermosillo, Sonora, occupies a 15,958 square meter facility located in the city's northeast region, which we lease from a third party. The warehouse area covers 2,638 square meters. The building is divided into three principal areas: the production and dry storage area, with an aggregate capacity of 4,311 square meters and 1,050 positions, the refrigeration area, with a capacity of 259 square meters with 131 positions, and the freezing chamber area, with an aggregate capacity of 1,117 square meters with 403 positions. During 2020, it made deliveries to 261 stores.

- *Monterrey*— DIA's distribution in Monterrey, occupies a 13,515 square meter company-owned facility located in an industrial park in the city's northwest region. The building consists of a refrigeration area with an aggregate capacity of 170 square meters and 126 positions, a freezing chamber with an aggregate capacity of 1,226 square meters and 752 positions, and a production and dry storage area with an aggregate capacity of 2,796 square meters and 1,910 positions, and also includes office space. This distribution center began operations in April 2006. During 2020, it made deliveries to 289 stores.

- *Cancún*— DIA's distribution center in Cancún is located alongside the Cancún-Tulum highway, in a 6,000 square meter rented facility that sits on a 30,000 square meter plot. The main building contains a freezing chamber with an aggregate capacity of 695 square meters and 312 positions, a refrigeration area with an aggregate capacity of 182 square meters and 70 positions, and a dry storage area with an aggregate capacity of 1,415 square meters and 1,224 positions.

Europe

- The distribution center is located in Spain, and it is third-party operated. We buy approximately Euro 90 million annually.

South America

We lease five distribution centers in South America, including two in Colombia and one in each of Argentina, Chile and Uruguay, which are operated by third parties under the same guidelines, standards and procedures as the company-owned distribution centers operated in Mexico by DIA.

- *Argentina* — Our distribution center in Argentina services an aggregate of 247 units located in 12 cities, making 2 visits per week. Each distribution route covers five units. The distribution center has a total of 12,400 positions, of which 8,300 are dry, 3,730 are frozen and 370 refrigerated.

- *Chile* — Our distribution center in Chile occupies a facility located on an approximately 5,000 square meter plot and services the 202 units we operate in that country under our various trademarks, located in 15 cities, handling 2 frequencies of weekly deliveries and on average 20 routes per week per unit. It includes 3,782 positions, of which 2,721 are for dry products, 85 for refrigerated products and 976 for frozen products. The supplier operating the distribution center has nation-wide coverage and in Santiago, has a total of 22, 150 positions of which we occupy almost 17%.

- *Colombia* — Our two distribution centers in Colombia are located in the cities of Cali (outsourced) and Bogota (owned). In these distribution centers, there is a food processing plant where 72 SKUs are made for Archie's, one for Domino's Pizza and six for Starbucks. The Bogotá distribution center has 1,064 positions, of which 594 are dry, 90 refrigerated and 380 frozen. The operation in terms of storage and distribution is outsourced and managed by AXL (Axionlog), however, the production areas are managed by us. 27 cities are served with 177 business units and there are two weekly visits per unit on average. In addition, six routes are dispatched per day, of which two are for the Cali distribution center, four for Bogotá and each route on average serves six to seven stores.

- *Uruguay* – The distribution center is third-party operated and serves nine stores located in two cities, through a weekly delivery service and two routes. It includes 500 positions of which 340 are for dry products and 160 are for frozen products.

Corporate Structure

Alsea is a holding company and its only assets are the shares of stock of its operating subsidiaries. The following table contains certain information relating to its operating subsidiaries as of September 30, 2021.

Subsidiary	Business	% Interest
Panadería y Alimentos para Food Service, S.A. de C.V.	Food distributor for Alsea brands	100.00
Café Sirena, S. de R.L de C.V.	Operator of Starbucks brand in Mexico	100.00
Operadora de Franquicias Alsea, S.A.P.I. de C.V.	Operator of Burger King brand in Mexico	100.00
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of Domino's Pizza brand in Mexico	99.99
Gastrosur, S.A. de C.V.	Operator of Chili's Grill and Bar in Mexico	99.99
Fast Food Sudamericana, S.A.	Operator of Burger King brand in Argentina	100.00
Fast Food Chile, S.A.	Operator of Burger King brand in Chile	100.00
Starbucks Coffee Argentina, S.R.L	Operator of Starbucks brand in Argentina	98.29
Starbucks Coffee Chile, S.A.	Operator of Starbucks brand in Chile	100.00
Servicios Múltiples Empresariales ACD S.A. de C.V., SOFOM E.N.R	Operator of Financial Leasing and Factoring	99.99
Asian Bistro Colombia, S.A.S	Operator of P.F. Chang's brand in Colombia	100.00
Operadora Alsea en Colombia, S.A.	Operator of Burger King brand in Colombia	95.00
Grupo Calpik Duraznos, S.A. de C.V.	Operator of California Pizza Kitchen brand in Mexico	100.00
Especialista en Restaurantes de Comida Estilo Asiática S.A. de C.V.	Operator of P.F. Chang's and Pei Wei brands in Mexico	100.00
Distribuidora e Importadora Alsea, S.A. de C.V.	Food and supplies distributor for Alsea and related brands	99.99
Italcafé, S.A. de C.V.	Operator of Italianni's brand	100.00
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	100.00
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	100.00
Servicios Inmobiliarios Alsea, S.A. de C.V.	Real estate	99.99
Operadora Vips, S. de R.L. de C.V.	Operator of Vips, El Portón and La Finca	100.00(3)
Arrendadora de Restaurantes, S. de R.L.	Real estate	100.00(3)
Food Service Project, S.A.	Europe' brands holding	76.76
Sigla, S.A.U.	Operator of VIPS, VIPSmart y GINOS (Spain except Catalonia)	76.76
Grupo Zena Pizza, Soc. Com. P.A.	Operator of Domino's Pizza in Spain	76.76

(1) Alsea owns 100.00% of the shares of stock of Italcafé, which holds 89.77% equity interest in Grupo Amigos de San Ángel, S.A. de C.V. In turn, Grupo Amigos de San Ángel, S.A. de C.V. holds a 60% equity interest in Grupo Amigos de Torreón, S.A. de C.V. The remaining 40% equity interest in Grupo Amigos de Torreón, S.A. de C.V. is held by Italcafé.

(2) The shares of stock of Grupo Amigos de Perisur, S.A. de C.V. are held by (i) Grupo Amigos de San Ángel, S.A. de C.V. (50%) and (ii) Italcafé (50%).

(3) Acquisition of Vips completed on May 9, 2014.

Material Agreements

Domino's Pizza

Master Franchise Agreement with Domino's Pizza (Mexico)

On December 3, 1990, through our subsidiary, Operadora DP, S.A. de C.V. (formerly Torrquin, S.A. de C.V.), we entered into a master franchise agreement with Domino's Pizza International pursuant to which we acquired: (a) the exclusive right to develop and operate, and to allow others to develop and operate, Domino's Pizza stores throughout Mexico and (b) a license to use and allow others to use (i) the process developed by Domino's Pizza International for the preparation, sale and delivery of pizzas using a uniform business model that involves specifically designed equipment, recipes, methods, procedures and designs, and (ii) Domino's Pizza PMC's proprietary trademarks and trade names in the operation of such stores. The initial term of this agreement was 15 years. On February 20, 1998, we signed an amendment to this contract that extended our rights for an additional 35 years with the possibility of renewing its term based on performance and development plan accomplishments.

Pursuant to this agreement, we are required to pay Domino's Pizza International (i) a territory fee; (ii) a store-opening fee and (iii) a technical assistance fee and trademark royalties in an amount equal to a certain percentage of each store's sales.

In addition, pursuant to this agreement we are required to: (a) the opening of a minimum number of units each year, and (b) maintain an advertising expense fund (which is managed directly by DPII) to which we must contribute certain amounts *plus* a percentage of the weekly sales of each sub-franchised store.

The agreement contains various provisions the violation of which could give rise to its termination by DPII.

Master Franchise Agreement with Domino's Pizza (Colombia)

On May 12, 2006, Domino's Pizza International Franchising Inc. ("DPIF") and Dominalco, S.A., (now Gastronomia Italiana en Colombia, S.A.S.), a subsidiary of Alsea, entered into a master franchise agreement, as amended from time to time, pursuant to which DPIF granted Gastronomía Italiana en Colombia, S.A. S : (a) the exclusive right to develop, operate and license the right to develop and operate Domino's Pizza establishments in Colombia; and (b) a license to use and to sublicense: (i) the system developed by DPIF to prepare, sell and market pizzas, with a uniform business format, specifically designed equipment, recipes, methods, procedures and designs developed for that purpose; and (ii) the trademarks and trade names owned by DPPMC, licensed to DPIF for the operation of the establishments. The Agreement was entered into for a term of 10 years from the date of signature, which was extended through an amendment agreement dated May 16, 2016, until May 19, 2026.

The obligations of Gastronomia Italiana en Colombia, S.A.S. under the aforementioned agreement are substantially similar to those of Operadora D.P., S.A. de C.V. under the master franchise agreement with respect to Mexico.

Master Franchise Agreement with Domino's Pizza (Spain)

On April 1, 2013, Operadora de Franquicias Alsea, Alsea and Burger King Corporation concluded the process to acquire the master franchise of the Burger King brand in terms of the strategic association agreement through which the merger of Operadora de Franquicias Alsea and Burger King Mexicana, S.A. de C.V. was agreed, the latter disappearing as the merged company and Operadora de Franquicias Alsea subsisting as the merging company.

Alsea and Burger King Corporation have agreed to terminate the master franchise of Operadora de Franquicias Alsea, maintaining the joint participation of Alsea and Burger King Corporation in the aforementioned company. Operadora de Franquicias Alsea continues with the operation of the Burger King franchises operated in Mexico by Alsea, being the largest franchisee in the country.

Agreements with Burger King regarding Mexico

On April 1, 2013, Operadora de Franquicias Alsea, Alsea and Burger King Corporation concluded the process to acquire the Burger King brand master franchise pursuant to the terms of the strategic partnership agreement under which Operadora de Franquicias Alsea and Burger King Mexicana, S.A. de C.V. merged, with Operadora de Franquicias Alsea subsisting as the merged company.

Alsea and Burger King Corporation agreed to terminate Operadora de Franquicias Alsea's master franchise, maintaining the joint participation of Alsea and BKC in Operadora de Franquicias Alsea, which continues with the operation of the Burger King franchises operated in Mexico (175), being the largest franchisee in the country.

Agreements with Burger King regarding Spain, Chile and Argentina

Alsea, through its subsidiaries, has entered into franchise agreements with Burger King Corporation ("Burger King Corporation") for the operation of Burger King stores in Spain, Chile and Argentina.

With respect to Chile and Argentina, in addition to the aforementioned franchise agreements (which are executed by each unit), Alsea has development agreements with Burger King Corporation, under which Alsea is granted exclusive development rights for such countries. The aforementioned development agreements extend through December 31, 2023, with the possibility of being further extended.

The franchise agreements entered into with Burger King Corporation are entered into on a standard form and contain generally the same terms and conditions, with a term of 20 years from the opening date of each establishment.

Under each franchise agreement, Burger King Corporation grants the franchisee a license to use the Burger King system and trademarks for the operation of a Burger King location at a specific location; *provided* that such agreement does not create an obligation for Burger King Corporation to grant licenses for the operation of other locations.

Franchise agreements are entered into solely with respect to the operation of a store and do not grant rights to an exclusive territory or to object to the opening by a competing franchisee of a store in a nearby area or in the same market area as the franchisee (exclusive development rights are only derived from and only apply in the context of development agreements).

Under the franchise agreements with Burger King Corporation, franchisees are required to pay Burger King (i) a fixed upfront fee of, (ii) royalties of a percentage of the total sales amount for the use of the brand and system; and (iii) an advertising fee which is contributed to an advertising fund.

International Development Agreement with Brinker International, Inc. (Mexico)

In September 2005, Brinker International, Inc. and Grill & Bar International (a subsidiary of Grupo ALDI, which merged with Grupo ALDI and subsequently with Gastrosur), a company 100% owned by us, entered into a development agreement for the Chili's Grill & Bar franchise, which was renewed on September 18, 2005, and subsequently on February 18, 2014, pursuant to which Gastrosur has the exclusive right to develop and operate Chili's Grill & Bar establishments in a territory comprising Mexico City and the states of Puebla, Morelos, Querétaro, Mexico and Hidalgo through 2023 with the possibility of being extended.

The operation of each Chili's Grill & Bar establishment is carried out under a franchise agreement that establishes the specific conditions for each Chili's Grill & Bar establishment. The use of trademarks, know-how and other trade secrets is permitted in accordance with each franchise agreement.

Each Chili's Grill & Bar establishment must comply with Brinker's policies regarding furnishings, menu, personnel, quality and suppliers.

International Development Agreement with Brinker International, Inc. (Chile)

In June 2016, Brinker International, Inc. and GastroCocina Sur SpA ("GastroCocina"), our subsidiary, entered into a development agreement for the Chili's Grill & Bar franchise, pursuant to which GastroCocina, has the exclusive right to develop and operate Chili's Grill & Bar establishments in Chile. Under the provisions of the development agreement, GastroCocina is obligated to build and operate 15 Chili's Grill & Bar establishments in Chile by May 31, 2026, in accordance with a schedule of periodic openings.

The operation of each Chili's Grill & Bar establishment is carried out under a franchise agreement that establishes the specific conditions for each Chili's Grill & Bar establishment. The use of trademarks, know-how and other trade secrets is permitted in accordance with each franchise agreement.

Each Chili's Grill & Bar location must comply with Brinker's policies regarding furnishings, menu, personnel, quality and suppliers.

Master License and Development Agreement with Starbucks Coffee International, Inc. (Mexico)

On February 26, 2002, Café Sirena entered into an area development and operating agreement with Starbucks Coffee International, a trademark sublicense agreement with SBI Nevada Inc. and a supply agreement with DIA, as amended from time to time.

The area development and operating agreement grants Café Sirena the rights to build Starbucks stores and to open and operate such stores in Mexico until February 27, 2027, with the possibility for extension based on performance. The trademark license agreement grants Café Sirena the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks Coffee stores for the term of the area development and operation agreement. Pursuant to the supply agreement, Café Sirena acquires from DIA and

DIA acquires from Starbucks Coffee Corporation all the goods considered essential for the operation of Starbucks, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Argentina)

On December 14, 2007, Starbucks Coffee Argentina, S.R.L., our subsidiary, entered into an area development and operating agreement, a trademark license agreement and a supply agreement with Starbucks Corporation.

By virtue of the acquisition by Alsea of the interest held by Starbucks Coffee International in the capital stock of Starbucks Argentina, on July 16, 2013, the partnership agreement that existed with respect to such company between Alsea and Starbucks Coffee International was terminated.

The area development and operating agreement grants Starbucks Coffee Argentina the rights to build Starbucks stores and to open and operate such stores in Argentina. The trademark sublicense agreement entered into with SBI Nevada, Inc. grants Starbucks Coffee Argentina the right to use Starbucks Coffee Argentina's confidential information, trademarks confidential information, trademarks, technology and know-how of Starbucks Coffee, exclusively in the development and operation of Starbucks establishments for the term of the area development and operation agreement. Pursuant to the supply agreement, Starbucks Coffee Argentina acquires from Starbucks Corporation all goods considered essential for Starbucks' operation, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Chile)

On December 14, 2007, our subsidiary, Starbucks Coffee Chile, and Starbucks Coffee International, entered into an area development and operating agreement, a trademark license agreement and a supply agreement.

By virtue of the acquisition by Alsea of the interest held by Starbucks Coffee International, on March 27, 2013, in the capital stock of Starbucks Coffee Chile, the partnership agreement that existed between Alsea and Starbucks Coffee International with respect to such company was terminated.

The area development and operating agreement grants Starbucks Coffee Chile the rights to build Starbucks stores and to open and operate such stores in Chile. The trademark license agreement grants Starbucks Chile the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Under the supply agreement, Starbucks Chile S.A. acquires from Starbucks Corporation all goods considered essential to Starbucks' operation, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Colombia).

On August 26, 2013, Estrella Andina, a joint venture between Alsea, through Dominalco, and Grupo Nutresa, entered into an agreement with Starbucks Coffee International (valid until August 25, 2033, with an option to extend for 5 more years) for area development and operation and a supply agreement. It also entered into a trademark license agreement with SBI Nevada, Inc.

The area development and operation agreement grants Estrella Andina the rights to build Starbucks stores and to open and operate such stores in Colombia. The trademark license agreement grants Estrella Andina the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Under the supply agreement, Estrella Andina acquires from Starbucks Corporation all goods considered essential for Starbucks' operation, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Uruguay)

On June 26, 2017, Café Sirena Uruguay, S.A. ("CFU"), a subsidiary of Alsea entered into an area development and operating agreement and a supply agreement with Starbucks Coffee International. It also entered into a trademark license agreement with SBI Nevada, Inc.

The area development and operation agreement grants CFU the rights to build Starbucks stores and to open and operate such stores in Uruguay. The trademark license agreement grants CFU the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Under the supply agreement, Estrella Andina acquires from Starbucks Corporation all goods considered essential for Starbucks' operation, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Spain)

Starbucks Coffee EMEA, BV, and Starbucks Coffee España, S.L., our subsidiary as of December 27, 2018, have entered into an area development and operating agreement (effective until October 30, 2030, with an option to extend for two additional terms of five years each).

The aforementioned agreement grants Starbucks Coffee España S.L. the exclusive rights to (a) develop, operate and sublicense the right to develop and operate Starbucks stores in Spain and Andorra; and (b) to use and sublicense to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of such Starbucks stores for the term of the area development and operation agreement; and to use the trademarks to develop, operate and maintain a local website related to the Starbucks stores.

Master License and Development Agreement with Starbucks Coffee International, Inc. (Portugal)

Starbucks Coffee EMEA, BV, and Starbucks Coffee Portugal Unipessoal, Lda, our subsidiary as of December 27, 2018, have entered into an area development and operating agreement (effective until October 30, 2030, with an option to extend for two additional terms of five years each). The aforementioned agreement grants Starbucks Coffee España the exclusive rights to (a) develop, and operate, as well as sublicense the right to develop and operate, Starbucks stores in Portugal; and (b) to use and sublicense to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of such Starbucks stores for the term of the area development and operation agreement; and to use the trademarks to develop, operate and maintain a local website related to the Starbucks stores.

Master License and Development Agreement with Starbucks Coffee International, Inc. (France)

Starbucks EMEA, Ltd, and Starbucks Coffee France, S.A.S., a subsidiary of Alsea as of January 27, 2019, have entered into an area development and operating agreement, a trademark license agreement and a supply agreement (effective until January 26, 2034, with an option to extend for an additional five-year term). The area development and operating agreement grants Starbucks Coffee France the rights to build, open and operate, as well as to sub-license the rights to open and operate, Starbucks stores in France (except Monaco). The trademark license agreement grants Starbucks Coffee France the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement.

Pursuant to the supply agreement, Starbucks Coffee France acquires from Starbucks Manufacturing EMEA, B.V. all goods considered essential to Starbucks' operation, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (The Netherlands)

Starbucks EMEA, Ltd, and Starbucks Coffee Netherlands B.V., a subsidiary of Alsea as of February 24, 2019, have entered into an area development and operating agreement, a master trademark license agreement and a supply agreement (effective until February 23, 2034, with an option to extend for an additional term of five years). The area development and operating agreement grants Starbucks Coffee Netherlands the rights to build Starbucks stores and to open and operate such stores in the Netherlands. The trademark license agreement grants Starbucks Coffee Netherlands the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Pursuant to the supply agreement, Starbucks Coffee Netherlands acquires from Starbucks Manufacturing B.V. all goods considered essential for Starbucks' operation, mainly coffee.

Master License and Development Agreement with Starbucks Coffee International, Inc. (Belgium)

Starbucks EMEA, Ltd, and Café Sirène, our subsidiary as of February 24, 2019, have entered into an area development and operating agreement, a trademark license agreement and a supply agreement (effective until February 23, 2034, with an option to extend for an additional five-year term).

The area development and operating agreement grants Café Sirène the rights to build Starbucks stores and to open and operate such stores in Belgium. The trademark license agreement grants Café Sirène the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Pursuant to the supply agreement, Café Sirène acquires from Starbucks Manufacturing B.V., all goods considered essential for the operation of Starbucks, mainly coffee.

Development and Master License Agreement with Starbucks Coffee International, Inc. (Luxembourg).

Starbucks EMEA, Ltd, and Café Sirène S.a r.l, a subsidiary of Alsea as of February 24, 2019, have entered into an area development and operating agreement, a trademark license agreement and a supply agreement (effective until February 23, 2034, with an option to extend for an additional term of five years).

The area development and operating agreement grants Café Sirène S.a r.l. the rights to Starbucks stores and to open and operate such stores in Luxembourg. The trademark license agreement grants Café Sirène S.a r.l. the right to use Starbucks' confidential information, trademarks, technology and know-how exclusively in the development and operation of Starbucks stores for the term of the area development and operation agreement. Pursuant to the supply agreement, Café Sirène S.a r.l. acquires from Starbucks Manufacturing B.V. all goods considered essential for Starbucks' operation, mainly coffee.

Development and Master License Agreements with P.F. Chang's (Mexico, Chile and Colombia)

On May 15, 2009, Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V. (our subsidiary), entered into a development and master license agreement with territory exclusivity to develop the P.F. Chang's China Bistro brand in Mexico.

In May 2011, Alsea signed an exclusive restaurant development and operation contract with P.F. Chang's China Bistro brand for the countries of Chile and Colombia. The duration of operation and development has a period of 10 years of exclusivity, with the possibility of extension, and there is an obligation to pay 3.5% as a percentage of sales as royalties to PF Chang's, Inc.

In 2019, Alsea renewed the development and operation agreement for an additional 10 years.

Each P.F. Chang's China Bistro establishment is conducted under an addendum to the development agreement that establishes the license for the operation of a specific establishment. The use of trademarks and other trade secrets is permitted under each agreement.

Each P.F. Chang's China Bistro establishment must comply with policies established by P.F. Chang's with respect to image, furniture, design, menu, methods of operation, personnel, quality, products and suppliers.

License Agreement with Italianni's

As part of the transaction carried out in February 2012 regarding the acquisition by Alsea of the Italianni's restaurants existing in Mexico at that date, Alsea acquired the exclusive rights, with an initial term of 20 years, and an extension of 10 years, to develop and exploit, directly and/or through sub-franchises, the Italianni's brand in Mexico.

Development and Master License Agreement with The Cheesecake Factory

On February 19, 2013, Alsea entered into an agreement with Cheesecake Factory Latin America Corporation and CFF Latin America IP Corporation (collectively "The Cheesecake Factory") to exclusively develop and operate The Cheesecake Factory branded restaurants in Mexico and Chile.

Subsequent to the execution of the development agreement, Alsea and The Cheesecake Factory agreed to terminate the development rights with respect to Chile.

The terms of the agreement entered into with The Cheesecake Factory include, mainly, the following: (i) exclusive operation of The Cheesecake Factory branded restaurants in Mexico for a term of eight years, plus the right to extend for an additional five years; (ii) obligation to open 11 restaurants on or before December 2023; and (iii) Alsea must acquire the cheesecakes and other pastry products of The Cheesecake Factory brand used in the restaurants exclusively from TCCF.

Under the terms of the contract, Alsea is obligated to pay an opening fee for each new restaurant it opens, and to pay monthly royalties. In addition, it is obligated to make a minimum annual advertising expense.

Intellectual Property

We hold the ownership and registration rights to the trademarks "Vips," "El Portón" and "Archie's" for the countries in which we operate such brands.

In addition, we hold registered licenses or sub-licenses to use each of the trademarks under which we operate our various stores and restaurants, including "Domino's Pizza," "Starbucks Coffee," "Burger King," "Chili's Grill & Bar," "P.F. Chang's China Bistro," "Italianni's" and "The Cheesecake Factory."

The registration of each of our proprietary trademarks and trademark licenses is subject to renewal on a periodic basis, with no limit on the number of times they are renewed.

Regulatory Matters

Our subsidiaries (with the exception of Café Sirena and the issuer and its subsidiaries) are organized as limited liability, variable capital corporations (*sociedades anónimas de capital variable*) under the laws of Mexico and we are organized as a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) under the laws of Mexico. As such, we are subject to the provisions contained in the Corporations Law (*Ley General de Sociedades Mercantiles*), the Mexican Securities Market Law (*Ley del Mercado de Valores*), the rules issued by the CNBV, the Mexican Commerce Code (*Código de Comercio*) and the applicable Mexican laws and regulations.

The issuer and certain of its subsidiaries, such as Sigla, S.A.U., are organized as public or private limited liability companies (*sociedad anónima* or *sociedad de responsabilidad limitada*) under the laws of Spain with the exception of Grupo Zena Pizza S. Com. P.A., which is a private company which has some shareholders subject to personal liability (*sociedad comanditaria por acciones*), in this case, the issuer. As such, the issuer and its Spanish subsidiaries are subject to, amongst others, the provisions of the consolidated text of the Spanish Capital Companies Act, approved by Royal Decree (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), the Spanish Commerce Code (*Real Decreto de 22 de agosto de 1885 por el que se publica el Código de Comercio*) and, if applicable when acting as securities issuers, they may be subject to the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) and its concordant regulations, and the rules issued by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or the CNMV), as well as any other applicable Spanish laws and regulations.

We are also subject to the provisions contained in the Mexican Intellectual Property Law (*Ley de Propiedad Industrial*) with respect to the use of our trademarks, and to the Mexican General Health Law (*Ley General de Salud*) and the Mexican Official Norms (*Normas Oficiales Mexicanas*, or "NOM") for the health and safety practices involved in the preparation, distribution and sale of our food products. Our failure to comply with any of these laws and norms may result in the imposition of administrative penalties, including fines and the temporary or permanent closure of our facilities. We believe that as of the date of this offering memorandum we are in substantial compliance with all such laws and norms.

The issuer and certain of its subsidiaries operating in Spain, including the relevant Spanish guarantors, are subject to the provisions of, amongst others, the consolidated text of the Spanish Intellectual Property Law (*Real Decreto Legislativo 1/1996, de 12 de abril, por el que se aprueba el texto refundido de la Ley de Propiedad Intelectual,* *regularizando, aclarando y armonizando las disposiciones legales vigentes sobre la materia*), the Spanish Consumer Protection Law (*Real Decreto Legislativo 1/2007, de 16 de noviembre, por el que se aprueba el texto refundido de la Ley General para la Defensa de los Consumidores y Usuarios y otras leyes complementarias*) and to certain health and safety laws and regulations regarding food security and nutrition. In particular, given the condition of the issuer and/or its Spanish subsidiaries, including the relevant Spanish guarantors, as food processors, they must be registered with the General Health Registry for Alimentary Companies and Foods (*Registro General Sanitario de Empresas Alimentarias*), regulated by Royal Decree 191/2011, of 18 February, on the General Health Registry for Alimentary Companies and Foods, at the national level and the corresponding registries at the regional level, and must have obtained the corresponding sanitary authorisations in order to operate their stores and restaurants and sell their products. Moreover, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, must comply with all requirements and conditions set forth in applicable national regulations regarding food security and nutrition such as, amongst others and as amended or superseded from time to time, Law 17/2011, of 5 July, on food security and nutrition, Law 12/2013, of 2 August, on measures to improve the functioning of the food production chain, Law 28/2015, of 30 July, for the defense of food quality, Royal Decree 1086/2020, of 9 December, regulating and increasing the flexibility of certain conditions of application of the European Union provisions in the field of hygiene in the production and commercialization of food products and regulating activities excluded from its scope of application, Royal Decree 176/2013, of 8 March, on certain technical and health regulations related to food product quality, Royal Decree 1801/2003, of 26 December, on general product safety, and Royal Decree 1376/2003, of 7 November, as amended by Royal Decree 728/2011, of 20 May, establishing health and safety conditions for the production, storage and commercialisation of fresh meats and related products for the retail sector. Likewise, they must comply with Hazard Analysis Critical Control Points (HAACP), both at the national and autonomous region level. HAACP guarantees that auto-control systems and traceability systems are in place, and ensures that products comply with hygiene and food safety standards.

The issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, are also subject to and must comply with the provisions of autonomous communities and regional laws and regulations on hygiene and sanitary standards, in accordance with the European Food Safety Regulations framework, and certain aspects relating to the activity of commercial establishments and restaurants applicable to them by virtue of the location of their stores and establishments in Spain.

In addition, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, must comply with all requirements and conditions set forth in applicable specific regulations regarding, amongst others, pastry products (Royal Decree 496/2010, of 30 April, approving the quality rules for confectionery and pastry products), bread (Royal Decree 285/1999, of 22 February, amending Royal Decree 1137/1984, of 28 March, approving the technical and sanitary Regulation for the production, transport and commercialisation of bread and special breads and Royal Decree 308/2019, of 26 April, approving the quality rule for bread), as well as specific regulations on hygiene applicable to prepared meals (Royal Decree 3484/2000, of 29 December, establishing hygiene rules for the elaboration, distribution and trade of prepared meals), specific regulations on the quality of water for human consumption provided in their stores and restaurants (Royal Decree 140/2003, of 7 February, establishing the health and safety criteria on the quality of water human consumption), and, amongst others, other regulations in the fields of marketing and packaging (Royal Decree 1334/1999, of 31 July, approving the general rule on labelling, presentation and publicity of food products, as amended), nutritional information disclosure in packaging (Royal Decree 930/1992, of 17 July, approving the labelling rule on nutritional values of food products, as amended, and Regulation (EC) No 1924/2006 of the European Parliament and of the Council of 20 December 2006 on nutrition and health claims made on foods, as amended), warehousing of frozen food products for human consumption (Royal Decree 1109/1991, of 12 July, approving the general rule relating to deep-frozen products destined for human consumption in compliance with European regulations, as amended, and Commission Regulation (EC) No 37/2005 of 12 January 2005 on the monitoring of temperatures in the means of transport, warehousing and storage of quick-frozen foodstuffs intended for human consumption), micro-biological indicators such as pesticide residues (Royal Decree 280/1994, of 18 February, establishing the maximum limits of pesticide residues and their control in certain vegetable products), general transport of food products (Law 16/1987, of 30 July, regulating terrestrial transport, Royal Decree 1211/1990, of 28 September, approving the General Regulation of Terrestrial Transport and Royal Decree 785/2021, of 7 September, on the control of the use of authorisations to lease vehicles with driver, all as amended), transport of bread (Royal Decree 308/2019, of 26 April, approving the quality rule for bread) and transport of prepared meals (Royal Decree 3484/2000, of 29 December, concerning the transport of prepared meals).

The issuer's (or its Spanish subsidiaries') failure to comply with any of these laws and norms may result in the imposition of administrative penalties, including fines and the temporary or permanent closure of its facilities. We believe that as of the date of this offering memorandum the issuer and its subsidiaries operating in Spain are in substantial compliance with all such laws and regulations.

On July 5, 2010, the Mexican Federal Law for the Protection of Personal Data in Possession of Private Sector Persons (*Ley Federal de Protección de Datos Personales en Posesión de Particulares*) was published in the Official Gazette of the Federation (*Diario Oficial de la Federación*). This law seeks to protect the personal data held by private sector entities in order to ensure the lawful, controlled and informed use of such data and to safeguard each person's right to privacy and self-determination with respect to the disclosure of personal information. With respect to Spanish activities, these are subject to the Spanish Data Protection Act (*Ley Orgánica 3/2018*, dated December 5, about *Protección de Datos Personales y Garantía de los Derechos Digitales*) and the GDPR.

Our Domino's Pizza stores maintain customer databases that are used in connection with their operations and to further develop the trademark through local marketing campaigns. We believe these activities are all conducted in accordance with the provisions contained in the aforementioned laws. In addition, our Starbucks, Burger King, and P.F. Chang's stores offer loyalty reward programs that involve the maintenance of databases that are used for segmentation purposes in connection with the development of future marketing strategies and advertising campaigns. We maintain an email address, to which our customers can direct any inquiries or complaints with respect to the use of their personal data.

Our Starbucks Coffee stores maintain a loyalty program that allows us to identify our customers' preferences and tastes with respect to both our products and the locations and times of the day when such products are consumed, allowing us to observe the frequency of a given customer's visits and to discern his or her preferences. This enables us to offer more benefits to our most loyal customers, making the relationship between the consumer and the brand reciprocal and enabling us to design marketing campaigns that promote brand loyalty targeted at consumers in specific age groups, geographic locations, or according to the time of day or frequency with which they visit our stores. All sales to these customers are recorded and reported to our compliance department and are subject to review and analysis by the Mexican Tax Revenue Service (*Sistema de Administración Tributaria,* or SAT) in compliance with the provisions contained in the Mexican Federal Law for the Prevention and Detection of Transactions Involving Unlawfully obtained Funds (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*).

On June 6, 2012, the Mexican General Law on Climate Change (*Ley General de Cambio Climático*) was published in the Official Gazette of the Federation. Among other things, this law (i) regulates the emission of gases and substances that contribute to the greenhouse effect, in order to stabilize their atmospheric concentration at a level that prevents the development of hazardous effects on the climate system, taking into consideration, as the case may be, the provisions contained in Article 2 of the United Nations Framework Convention on Climate Change; (ii) regulates the actions intended to mitigate and adapt to climate change; (iii) promotes education, research, development, the transfer of technology, innovation and dissemination of information with respect to the adaptation to and mitigation of climate change; and (iv) fosters a transition to a competitive and sustainable economy that is free of carbon emissions.

The issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, are subject to a series of environmental laws and regulations at a national, autonomic, regional and local level, which, in certain cases, require the issuer and its subsidiaries operating in Spain to obtain certain licenses (integral or individual in relation to each production centre) and permits of environmental matters (such as, amongst others, Royal Legislative Decree 1/2016, of 16 December, approving the restated text of the Law on integrated prevention and control of pollution, Law 21/2013, of 9 December, on environmental evaluation, Law 26/2007, of 23 October, on Environmental Responsibility and Royal Decree 2090/2008, of 22 December, which approves the Regulation of partial development of Law 26/2007, of 23 October, on Environmental Responsibility).

Certain national level laws and regulations relate specifically to matters such as waste production and management (Law 22/2011, of 28 July, on Waste and Polluted Soils, Royal Decree 833/1988, of 20 July, approving the Regulation for the implementation of Law 20/1986, on toxic and dangerous residues, Law 11/1997, of 24 April, on containers and container residues, Royal Decree 782/1998, of 30 April, approving the Regulation for the development and implementation of Law 11/1997, of 24 April, on containers and container residues and Royal Decree

919/2006, of 28 July, approving the technical Regulation on the distribution and utilization of gas fuels and its complementary technical instructions ICG 01 to 11) entailing obligations such as, amongst others, registration with the Registry of Waste Producers or obtaining the relevant administrative authorization at the autonomous region level. Other national laws and regulations to which the issuer and its Spanish subsidiaries are subject relate to, amongst others, water pollution (Royal Legislative Decree 1/2001, of 20 July, approving the restated text of the Law on Waters and Royal Decree 849/1986, of 11 April, approving the Hidraulic Public Domain Regulation that develops the preliminary title and titles I, IV, V, VI, VII and VIII of the restated text of the Law on Waters, approved by Royal Legislative Decree 1/2001, of 20 July), atmospheric pollution (Law 34/2007, of 15 November, on air quality and atmospheric protection, Royal Decree 815/2013, of 18 October, approving the Regulation on industrial emissions and developing Law 16/2002, of 1 July, on the integrated control and prevention of pollution, Royal Decree 102/2011, of 28 January, concerning the improvement of air quality and Royal Decree 100/2011, of 28 January, which updates the catalogue of potentially polluting activities in the atmosphere and establishes the basic provisions for its application), noise pollution (mainly through municipal ordinances and Law 37/2003, of 17 November, on Noise, Royal Decree 1367/2007, of 19 October, by which Law 37/2003, of 17 November, of Noise, is developed in terms of acoustic zoning, quality objectives and acoustic emissions and Royal Decree 1513/2005, of 16 December, by which Law 37/2003, of 17 November, of Noise is developed in relation to the evaluation and management of environmental noise) or soil pollution (Royal Decree 9/2005, of 14 January, which describes activities that could potentially contaminate soil and lists the criteria and standards for determining whether soil is contaminated). The issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, are also subject to and must comply with the provisions of autonomous communities and regional laws and regulations on environmental protection depending on the location of their stores and establishments in Spain.

In addition, the issuer and its subsidiaries operating in Spain, including the relevant Spanish guarantors, are subject to urban planning laws and regulations at the national, autonomous region and regional levels relating to, amongst other matters, the operation and conditioning of their stores and restaurants and relating to aspects such as leases (Law 29/1994, of 24 November, regulating urban leases), franchise-related commercial activities (Law 21/1992, of 16 July, of Industry, Royal Decree 201/2010, of 26 February, regulating franchise-related commercial activities and the communication of data to the Franchise Registry and the corresponding developments of Law 7/1996, of 15 January, regulating retail commerce), building and construction requirements (Royal Decree 314/2006, of 17 March, approving the technical code for edification and established certain minimum requirements for buildings, Royal Decree 1027/2007, of 20 July, approving the thermal installations regulations and instructions), equipment and conditioning (Royal Decree 2060/2008, of 12 December, on the operation of certain types of pressure-based equipment and Royal Decree 513/2017, of 22 May, approving the fire protection regulation) or the general operation and provision of services (Royal Decree 109/2010, of 5 February, amending Law 17/2009, of 23 November, on the free access to service provision activities and Royal Decree 2186/1982, of 27 August, on the regulation of public shows and recreational activities).

We are also subject to various laws and regulations in the other countries in Latin America and Europe in which we operate, including laws and regulations relating to areas such as the food services industry, health and safety standards, environmental standards, imports of goods and services, marketing and promotional activities, labeling, and consumer protection.

Principal Assets

As of September 30, 2021, our principal assets comprised the following:

- Leasehold improvements with a book value of approximately Ps.8,148 million;
- Store equipment with a book value of approximately Ps.4,785 million;
- Production equipment with a book value of approximately Ps.82 million;
- Investments in progress with a book value of approximately Ps.1,099 million;
- Hardware and software with a book value of approximately Ps.296 million;
- Constructions with a book value of approximately Ps.318 million;

- Transportation equipment with a book value of approximately Ps.110 million; and
- Office furniture and equipment with a book value of approximately Ps.127 million.

As of September 30, 2021, our accumulated depreciation in connection with these assets was approximately Ps.26,721 million

Real Property

We own the structures where our subsidiary DIA's distribution centers in Mexico City and Monterrey are located. For additional information on these properties, see "— Our Business Operations — DIA."

Equipment, Furniture and Transportation Fleet

Domino's Pizza

Each of the 781 stores in the Domino's Pizza System as of December 31, 2020, is equipped with pizza ovens, a pizza production line that includes horizontal refrigerators as well as refrigeration and freezing chambers for the preservation of perishable products, and hardware (including monitors, Central Processing Units (CPUs) and Point of Sale (POS) terminals) and software for processing customer orders, maintaining a customer database, managing and developing the operation, and conducting local marketing activities. In addition, each Domino's Pizza store that offers home delivery service is assigned an average of eleven 100 cc to 125 cc motorcycles that have a useful life of approximately four years and, accordingly, require ongoing investments. As of December 31, 2020, a vast majority of the retail outlets where our Domino's Pizza stores are located were leased from third parties.

The home delivery system of each Domino's Pizza store generates a customer database that is used to manage and develop the operation and perform local marketing activities. As of December 31, 2013, each of our Domino's Pizza stores was equipped with an average of seven POS terminals. As required by DPI's international operating standards, all POS equipment and software is purchased from and updated by National Systems Corp. and Pulse. In addition, since July 2008 the Domino's Pizza System uses the Connect Direct platform developed by Sterling Commerce to communicate with our corporate headquarters. As of December 31, 2020, 445 of our company-owned stores and 336 sub-franchised stores had migrated to the new Pulse POS and Connect Direct platforms, which provide increased data reliability.

Starbucks

Each of our Starbucks Coffee stores is equipped with an average of two POS terminals to take customer orders, a cake and dessert refrigerator, three refrigerators for perishable products, an oven to warm up food products, two espresso coffee machines, a coffee strainer, a coffee grinder, a scale, a dishwasher, storage shelves for the supplies used in the preparation of our products, and display stands for promotional materials and sale items.

Our Starbucks Coffee stores are equipped with POS terminals that use conventional restaurant management software. As of December 31, 2020, each of our Starbucks Coffee stores included an average of two POS terminals with Micros Fidelio software. All of our POS equipment is purchased from and maintained by Fidelio. In addition, we use web-based tools such as MyMicros.net, which allows us to review our stores' operating data with a 15-minute delay, and XBR, which identifies unusual transactions.

Burger King

Each of our Burger King stores is equipped with product holders, soda machines, ice cream and milkshake machines, a broiler, fryers, refrigeration and freezing chambers, toasters, coffee makers, playground equipment, counters and customer service furniture.

In addition, each of our Burger King stores is equipped with between an average of three POS terminals that use conventional restaurant management software to process customer orders. A majority of these terminals are manufactured by MICROS and PAR SYSTEMS with Pixel Point software that incorporates customized features to address the specific needs of the Burger King system. We are currently in the process of selecting a new POS platform for our Burger King stores and have launched pilot trials for Aloha (Radiant Systems) and Micros (Micros Fidelio).

Chili's Grill & Bar

Our Chili's Grill & Bar restaurants are equipped with a full kitchen that includes refrigeration and freezing chambers to preserve the raw materials used in the preparation of their products, ice makers, pantry shelves, four programmable fryers, a grill, a cooking iron, a rib smoker, cooking pots, horizontal refrigerators for the production line, propane stoves, a salamander stove, smoke and grease extractors, double boilers, dessert refrigerators, industrial microwave ovens, cheese dispensers, dish washing sinks, dishwashers and work tables. The bar area is equipped with lid organizers, mug freezers, cocktail makers with blender and mixer stands, bottle coolers, work tables, Taylor Margarita machines, and coffee makers. The dining area is equipped with tables for two, four or six people and bar stools.

In addition, as of December 31, 2020, each of our Chili's Grill & Bar restaurants was equipped with an average of 4.2 POS terminals with Radiant Systems' Aloha software. All of the POS equipment used in our Chili's Grill & Bar restaurants is purchased from and maintained by Radiant Systems.

P.F. Chang's China Bistro

We classify our investments in equipment for our P.F. Chang's China Bistro restaurants in two separate categories: culinary and hospitality equipment. In the culinary category, each restaurant has a full kitchen that includes refrigeration chambers, horizontal refrigerators, small freezers, a grill area, and separate production lines and preparation areas for vegetables, proteins and cooked items to control their temperature and prevent cross-contamination. Other culinary equipment includes programmable fryers, industrial steamers for the preparation of dumplings, a blast chiller, ice makers, water filters, dishwashers and, most notably, P.F. Chang's proprietary, patented line of woks, which are designed to meet the specifications required for the preparation of Chinese food. The bar area is equipped with wine, beer and sake coolers. The hospitality components in our P.F. Chang's restaurants can be found primarily in the dining area, which is equipped with tables for two, four and six guests, which can be pulled together, and is designed to incorporate stone and baroque elements. Each restaurant features a unique hand-painted mural.

Italianni's

Each of our Italianni's restaurants is equipped with a full kitchen that includes refrigeration and freezing chambers to preserve the raw materials used in the preparation of its products, standard and pizza ovens, bread fermentation boxes, stoves and grills, fryers, pots and electric pans, double boilers, salamander stoves, dough rollers, grease traps, hoods, worktables and a dish washing area. The dining area is equipped with tables for two, four and six guests, and the bar is suited to provide the same experience as the dining area.

In addition, as of December 31, 2020, each Italianni's restaurant was equipped with an average of four POS terminals with Radiant Systems' Aloha software. All of the POS equipment used in our Italianni's restaurants is purchased from and maintained by Radiant Systems

The Cheesecake Factory

We classify our investments in equipment for our The Cheesecake Factory in two categories:

BOH/Kitchen which include: (i) preparation, (ii) assembly line, (iii) storage, (iv) cooling and freezing and (v) dish room. The preparation area has equipment such as Rational and Cooking Kettle. The assembly line has seven stations: Salad, Pizza, Grill, Broiler, Fry, Pasta and Sautè, each of them has pan chillet, fryer, ovens and other equipment. The storage is divided to maintain all products at the best conditions. Each restaurant has three cooling/ freezing chambers. The dish room has a Hobart machine.

The second category is called FOH which is divided into (i) bakery, (ii) bar, (iii) dining room/restroom and (iv) terrace. The bakery is considered the core of the restaurant where we exhibit more than 30 different cheesecakes and desserts. The bar has seating for 10-12 people and each restaurant has marble tables and lights that highlight the food that we serve.

Environmental, Social and Corporate Governance Strategy

We guide our performance of corporate social responsibility in alignment with the United Nations Sustainable Development Goals and through the following strategic commissions:

1. **Responsible consumption:** We promote a balanced lifestyle integrating the pleasure of a quality food and a healthy coexistence in combination with physical activity.

    a. Nutritional communication:

        i. 100% of the pre-packaged foods that we sell to our consumers of all our brands comply with the new labeling standard in Mexico.

        ii. We are in the process of including the caloric content of our dishes on the virtual platforms.

        iii. Plan for reformulation of products by brand (less calories, sugars, fats and/or salt).

    b. Food safety and health:

        i. All Alsea Mexico production plants and distribution centers obtained their SQF (Safety Quality Food) level II certification.

    c. Sustainable Account:

        i. Zero Styrofoam, zero plastic bags and single-use non-plastic straws (i.e., Burger King Argentina replaced the Sundae packaging eliminating the equivalent to 7,000 kg of plastic per year).

2. **Quality of life:** We promote the integral development of our employees, facilitating the conditions for them to harmonize their personal and professional life and we offer them occupational health and safety programs.

    a. Occupational Safety:

        i. Creation of the COVID 19 Emergency Committee.

    b. Health and well-being as a boost of productivity:

        i. Compliance with NOM-035 in Alsea Mexico.

    c. Culture of diversity and labor inclusion:

        i. Progress in inclusive organizational policies, programs, and processes at all levels of the organization.

3. **Environment:** We promote environmental care through the efficient use of resources: energy, water, supplies and waste.

    a. We work to improve our environmental performance:

        i. Awareness in environmental performance and detection of areas of opportunities. Operational discipline and changes in habits to improve operational management (correct waste management, promotion of the circular economy, and others). – We have collected over 600,000 litters of vegetable oil in Mexico, Argentina and Chile during 2021.

        ii. Efficient water management through improvement and optimization projects (e.g., Starbucks and Vips' new pilot test water treatment plant).

iii. Purchase of clean or alternative energy (63% and 80% of our restaurants in Mexico and Uruguay respectively use clean energy).

iv. One Tree for Every Bag Commitment launched by Starbucks in the U.S. in 2015.

4. **Community development:** We seek food security for vulnerable communities and promote human development through initiatives that promote education and employability.

   a. Fight hunger:

      i. Operation of 14 dining centers. Over 6,000 children benefited and more than 2,000 families benefited per year and 2.5 million meals served since 2012.

      ii. "*Va por Mi Cuenta*" Movement: an initiative supported by Fundación Alsea, A.C., which contributes to eradicate food poverty through food donations, nutritional education and food security.

      iii. "*Va por Nuestros Héroes*" Movement: an initiative created to support healthcare workers and vulnerable populations as a result of the COVID-19 pandemic.

      iv. Emergency Fund to exclusively support employees who suffered a catastrophic situation derived from COVID-19.

   b. Education and employability:

      i. Investment in education and promotion of the employability of vulnerable youth.

      ii. We are working on our "*Programa Integra*" initiative to provide opportunities and employability to young people in vulnerable situations through alliances with educational institutions, companies and foundations.

      iii. In 2018, we opened our first Starbucks operated by senior citizens.

Environmental and Health Matters

We are committed to the preservation of the environment and the efficient use of our natural resources, and to taking action to foster environmental sustainability and minimize the negative impact of our operations, products and residues on the environment. We have instituted an environmental policy that sets forth the principles and guidelines that govern all of our business processes, including our project development activities and the allocation of responsibilities for their implementation, in order to ensure the maintenance of an optimum level of environmental performance.

Our environmental policy entails the use of the following tools:

- *Pollution Prevention and Control.* We prevent and minimize the pollution caused by our business units by sorting and disposing of all solid and liquid residues in the environmentally safest manner possible given our technological and financial resources. In addition, we impose controls on the use of our raw materials and on our processes in order to ensure that our practices are environmentally friendly and safe for our associates. For example, we have increased our clean energy purchase mix in Mexico (wind energy, cogeneration, or hydro), from 45.24% in 2019 to 62.37% in 2020, and we improved water treatment systems. Furthermore, we are improving waste separation through various initiatives and actions such as identifying the type of waste, measuring it, defining a strategy, and communicating it.

- *Efficient Use of Natural Resources.* All of the employees at Alsea and our brand units are committed to the protection of our planet's natural resources and to contributing to their preservation by rationing their use.

- *Compliance with Environmental Laws.* We endeavor to ensure that all of our business units' operations and projects comply at all times with the applicable environmental laws, regulations and governmental directives, and with our own environmental covenants.

- *Responsible Acquisition Processes.* We employ all the environmental guidelines required of us in any acquisition of real property, materials, equipment and services and any construction work in which we engage, as well as procedures to oversee and ensure their satisfaction. As an example, before starting a relation with a new supplier, we always check how our materials are prepared and distributed.

- *Education.* We promote the development and use of environmentally friendly technologies, and seek to educate our employees, customers and communities on the environment and encourage them to follow in our steps. As an example, we have created and implemented our *Acciones Verdes* ("Green Actions") campaign, which is aimed at developing environmental awareness among our employees.

- *Ongoing Improvement.* We seek to constantly improve our environmental performance and ensure that our preventive actions outnumber our corrective ones.

We believe that we are in substantial compliance with all the environmental laws and regulations applicable to our business, and that we have not deviated from them in a material manner that could threaten the continuity of our operations.

Insurance

Our assets and those of our operating subsidiaries, including all real property, are covered by insurance under an umbrella policy that is renewed on an annual basis. This policy covers all buildings, contents, consequential losses, civil liability, glass breakage, billboards and signage, violent theft and robbery, cash and securities, electronic equipment, machinery breakage, fire, and natural disasters (at specified locations).

Civil liability coverage includes issues arising in connection with our activities and property, litigation in foreign countries, tenants' liability, loading and unloading operations, products liability within Mexico, independent contractors, assumed liability, renovations, luminous signs, parking facilities, play areas, combining and mixing, and accidental pollution (in the case of DIA).

Liens

As of the date of this offering memorandum and with the exception of a few limited and isolated instances, none of our assets or those of our operating subsidiaries are subject to any lien or have been granted as collateral or security for the performance of any of our obligations.

Legal Proceedings

In the ordinary course of our business, from time to time we are involved in litigation, administrative and arbitral proceedings and other disputes. While the outcome of disputes cannot be predicted, as of the date of this offering memorandum we do not believe that there are any pending or threatened actions, lawsuits or proceedings against us that affect us, which could individually or collectively have a material adverse effect on our business, financial condition or results of operations.

The SAT initiated a review process in December 2017 and in December 2018 issued an observation letter in which it considers some objections to the acquisition of the VIPS brand. Therefore, the SAT issued in February 2020 a note of settlement of the tax credit for Ps.3,781 million. Against this liquidation, the company filed an administrative appeal with the tax authorities on March 23, 2020. We and our outside counsel believe that there are sufficient elements to demonstrate that settlements made by tax authorities are inadmissible and to demonstrate that we have timely complied with our tax obligations with respect to the relevant sale. For this reason, no provision has been made for this. The matter continues to be reviewed by the tax authorities.

Social Awareness

Fundación Alsea

In 2004 we created Fundación Alsea A.C., with the mission of being our social awareness vehicle that provides food security for vulnerable communities and promotes human development through support for initiatives in favor of education and employability.

Through the Fundación Alsea, a social organization that supports civil society institutions to implement programs and sustainable actions and not of a welfare or paternalistic nature in favor of food, education and employability in Mexico, in 2012 the "*It's on me"* / "*Va por mi Cuenta"* movement was created in which through participation of the Company, its brands, consumers, employees, suppliers, society or interest group that is interested, we seek that people in food poverty in Mexico have access to nutritious food. This objective is achieved through the construction and operation of children's dining centers, which we call "*Nuestro Comedor*" which are operated by different strategic allies such as Comedor Santa María A.C, Fondo para la Paz I.A.P. and SEDAC (*Servicio Educación y Desarrollo a la comunidad I.A.P*).

Currently, there are thirteen "*Nuestro Comedor*" establishment, which benefit more than 7,400 boys and girls in conditions of food poverty. Thanks to all the contributions made, to date we have managed to serve more of two million nutritious meals.

We cover the amount destined to the construction of the dining rooms and our brands through its mechanics of fundraising and products with a cause provide the necessary funds to "operate" these establishments.

Since 2012, we have accomplished:

- the operation of 14 "*Nuestro Comedor"* establishments in Mexico State (Metepec, Ecatepec, Ecatepec Embajadas, Valle de Chalco, Ixtapaluca), City of Mexico (Iztapalapa, Santa Úrsula, Golondrinas), Oaxaca, Nuevo León, Saltillo and Cancún, which feed more than 6,000 children on a daily basis.

- the provision of over 3 million monthly meals, on average, to children living in conditions of extreme poverty;

- the feeding of 7,400 children on a daily basis; and in 2020, raising more than Ps.25.3 million from our customers, employees and strategic partners.

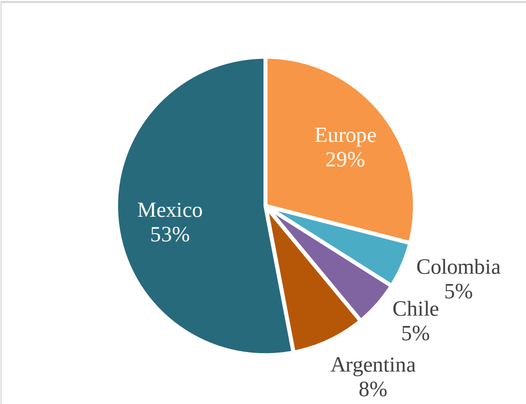
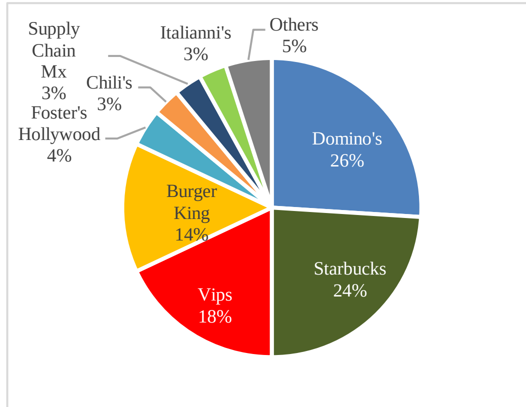
Throughout 2020, we have made donations to associations and non-profit entities for an aggregate value exceeding Ps.1.7 million, and an economic value of donations in kind of more than Ps.20 million, which amounts to approximately Ps.22 million, and approximately 395 tons of food donated, in collaboration with partner organizations such as food banks, turning to the communities and environments where we operate.

Employees

As of December 31, 2020, we had approximately 75,298 full-time employees. The following table shows our evolution in terms of number of employees over the periods indicated.

	As of December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
Administrative ...	2,664	4%	3,340	4%	2,105	4%	2,743	4.1%
Operating	56,972	96%	77,786	96%	72,193	96%	63,660	95.9%
Total................	59,636	100%	81,126	100%	75,298	100%	66,403	100%

The following charts illustrate the distribution of our total number of employees by country and brand as of September 30, 2021.

Distribution of Employees by Country	**Distribution of Employees by Brand**
	

We believe that our employees are our most valuable asset. In keeping with this belief and with the conviction that our human capital will be the driving force behind the future of our organization and the achievement of our strategic long-term goals, we have focused on making our relationships with our employees a primary pillar of our business strategy. Our corporate culture is based on the premise of conducting ourselves in accordance with our values and principles on a daily basis. We are permanently engaged in the endeavor of creating and providing an ideal workplace environment where talented individuals from all walks of life can prosper on their sense of belonging in an organization built on strong values. We also believe that the identification and development of talent is key to the continuing success of our business.

Our employment and compensation policies, guidelines and procedures incorporate yet exceed the requirements contained in the applicable laws. We monitor and evaluate our employees based on our Strategic Plan 2021-2023, and reward them with performance-based incentives and benefits. In addition, this process allows us to address their individual needs for training and to plan for their professional development. Our relations with our employees and the relations among all members of our organization are also governed by our Code of Ethics.

We believe that our relationships with our employees and their unions are good and are characterized by a mutual understanding and support in the pursuit of transcendental changes. In the past three years we have not experienced any strike or labor disruption**.**

In order to meet the requirements imposed by the 2021 amendments to the tax and labor laws regarding sub-contracting in Mexico, we carried out the following main actions:

- An internal restructure to terminate on in-sourcing, except as to shared services (obtaining the corresponding registry before Mexican Labor Authority (REPSE)).
- As to external service providers, an internal review to identify those services that involved any form of subcontracting, and in connection with such, the following actions were taken:

  (i) We terminated the relationships with those service providers the services of which, pursuant to the amendment, we could not continue receiving; and

  (ii) Regarding those service providers that we were allowed to continue to operate as specialized services, we required them to submit their registration before the Mexican Labor Authority (REPSE) and to enter into new agreements or amendments to existing agreements to provide for those provisions required by the amendment.

During the last months the issuer has faced the unprecedented challenge of dealing with the COVID-19 pandemic. The hospitality industry has been one of the sectors most impacted. Our employees come first and we have therefore maintained our teams intact, without any workforce restructuring and we applied the government supported scheme (ERTE) for temporary total or partial reduction of the working day (and consequent proportional reduction of salary). As of October 2021, everyone is disaffected from the government supported scheme (ERTE).

MANAGEMENT

Issuer's Management

The issuer is a public limited liability company (*sociedad anónima*), incorporated under the laws of Spain on December 7, 2000 having its registered office at Camino de la Zarzuela 1, 28023 Madrid, Spain, registered with the Commercial Registry of Madrid at Volume 33,888, Page 207 and Sheet M-271,121, with Spanish Tax Identification Number (*N.I.F.*) A-82798943 and LEI Code 959800201400058125l4.

The issuer's board of directors is comprised of seven (7) members. Directors are appointed by shareholders, to serve for a five-year term and may be re-elected one or more times for identical periods of time. The board of directors is responsible for monitoring and supervising the management of the issuer company.

The following table contains certain information about the current members of the issuer's board of directors, all of whom were elected or reelected during the shareholders' meeting held on June 29, 2021.

Name	Age	Years in the issuer's Board	Position
Miguel Antonio Ibarrola López	64	15	CEO
Alberto Torrado Martínez	58	6	Chairman of the Board
Armando Torrado Martínez	52	6	Member
Federico Tejado Bárcena	61	6	Member
Cosme Torrado Galvanduque	30	2	Member
Fernando Martínez Aguirre	55	14	Member
Fernando Ortiz Vaamonde	52	3	Member
Monica Martín de Vidales Godino (Secretary, without being a member)	58	8,5	Secretary
Xabier Urtiaga (Vice-Secretary, without being a member)	38	11.5	Vice-Secretary

Set forth below is a summary of the experience of the current members of the issuer's board of directors.

Miguel Antonio Ibarrola López was first elected to the issuer's board of directors during the shareholders' meeting held on February 27, 2003. Since June 2019 he is the Chief Executive Officer of the issuer. Previously he was the Chief Executive Officer of the former Zena Group from 2003 to 2015. He began his professional career in 1981 in Arthur Andersen as an auditor, reaching the rank of Manager. In 1992 he joined the company Navidul as Chief Financial Officer and later as General Manager. In 2001, he became part of Campofrío, a company that absorbed Navidul. In the company Campofrío he was Chief Financial Officer and Vice President of Operations in Spain. In January 2016, he joined the company Berlys as a member of the Board of Directors until March 2017. After the merger of Berlys with Bellsolá, in February 2018 he was appointed Executive Chairman of the group resulting from the merger (Monbake) and he remained in the company until May 2019. From May 2016 to May 2019 he was non-executive Chairman of Grupo Cortefiel (Tendam). He has a Degree in Economics and Business Administration from the University of Seville (1979) and a MBA from IESE (1981).

Alberto Torrado Martínez was first elected to the issuer's board of directors during the shareholders' meeting held on September 16, 2015. From March 27, 2020 to the date of this offering memorandum, he has served as Chairman of the issuer. He is Alsea's Executive President since December 3, 2007. From 2002 to May 2004, he served as Chairman of the Board of Alsea. He also serves as member of the boards of directors or CMN, Banco Santander and BMV. He has a bachelor's degree in Accounting from the Instituto Tecnológico Autónomo de México and holds a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Armando Torrado Martínez was first elected to the issuer's board of directors during the shareholders' meeting held on September 16, 2015. He currently serves as Chief Executive Office of Alsea Internacional. Previously, from 1997 to 2004, he served as Corporate Director of the Domino's Pizza System. Armando holds a degree in Senior Management from IPADE. He has a bachelor's degree in Business Administration from Universidad del Valle de México, and also holds a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Federico Tejado Bárcena was first elected to the issuer's board of directors during the shareholders' meeting held on September 16, 2015. He was first elected to Alsea's board of directors during the general ordinary shareholders' meeting held on April 26, 1999. He previously served as Chief Executive Officer of Starbucks Mexico and of

Domino's Pizza Brazil and Mexico. He has also served as General Director of Hulera Hércules, Director of Sales at Sabritas, and General Director of Servimet. He currently serves as Alsea board's delegate. He has a bachelor's degree in Industrial Engineering from Universidad Autónoma de México, he also holds a master's degree in business administration from Instituto Panamericano de Alta Dirección de Empresas.

Cosme Torrado Galvanduque was first elected to the issuer's board of directors during the shareholders' meeting held on April 2, 2019. He has a bachelor's degree in Marketing from Universidad Iberoamericana of México. He also holds a master's degree in business administration from IE Business School of Madrid (Instituto Empresa). He currently serves as Director of Operations for Domino's Pizza Mexico. Previously, from 2017 to 2019 he served as General Director for The Cheesecake Factory Mexico.

Mr. Fernando Martínez Aguirre was first elected to the issuer's board of directors during the shareholders' meeting held on November 7, 2008. He holds a degree in business from Complutense University of Madrid (UCM), an MBA from IESE, and an Executive Business Degree in Agribusiness from ADECA-San Telmo. He is the Founding Partner of Alia Capital Partners, S.L. since 2007, a private equity firm that invests in food, beverages, infrastructure, energy, healthcare, and education sectors. Before joining Alia he worked in Media Planning and Corporate Banking and Leverage Finance at Banco Urquijo (1994-1998) and Banco Progreso (1990-1994) being head of the team with responsibility for the management of mid-market companies in the Spanish market. In 1998, he joined the Inveralia team as Investment Director, later becoming Managing Director of Inveralia in 2001, representing the company in all Boards of Directors of the portfolio investments. He is also a member of the Board of ADECA (Agribusiness School).

Mr. Fernando Javier Ortiz Vaamonde was first elected to the issuer's board of directors during the shareholders' meeting held on December 27, 2018. He holds a degree in Law and Business Administration from ICADE (E-3) and began his professional career in 1992 as a tax and commercial lawyer at Arthur Andersen Asesores Fiscales y Legales (currently Garrigues), where he worked for five years. Subsequently, he was Director of Corporate Finance and M&A at ING Barings. In 1999 he joined BBVA as Director of the Bank's venture capital fund, initially specializing in new technologies. He later became a partner of the N+1 group and a member of its Management Committee, where he was a member of the private equity team managing the N+1 and Dinamia funds. In 2007 he founded ProA Capital de Inversiones S.G.E.I.C. the firm he currently heads. At ProA he has led transactions for c. 2bn in value in companies such as Eugin, Saba, Ibermática, Hospital de Llevant, Avizor, Grupo Vips, Moyca, Pastas Gallo, Solitium and La Casa de las Carcasas.

Mónica Martín de Vidales Godino, is a partner of the law firm Garrigues Madrid. She was reelected Secretary of the board of directors (without being a member) at the board of directors' meeting held on January 20, 2016.

Xabier Urtiaga Valle, is a partner of the law firm Garrigues Madrid. He was reelected Vice-Secretary of the board of directors (without being a member) at the board of directors' meeting held on January 20, 2016.

The issuer is indirectly owned by Alsea.

Executive Officers and Senior Management

The following table contains the name, position, age and number of years with the issuer, of each of its executive officers.

Name	Position	Age	Years with Alsea
Miguel Antonio Ibarrola López	Chief Executive Officer	64	14
Federico Rodríguez Rovira	Chief Financial Officer	40	13
Christian Gurria Dubernard	GM Alsea France & Benelux	50	26
Juan Manuel de Simón Casuso	Supply Chain and Maintenance Manager Alsea Europe	58	19
Fernando Tendero García	Expansion, Real Estate Management and Construction Manager Alsea Europe	50	14
Francisco Rionda Aguería	Development and New Business Manager Alsea Iberia	43	1
Mario Rodríguez Sánzhez	Foster's Hollywood Brand Manager	58	19
Francisco Paez González	Vips Brand Manager	51	20

Name	Position	Age	Years with Alsea
Jesús Navarro Roldán	Domino's Pizza Brand Manager	49	26
Ana Viñas Anta	Burger King Brand Manager	50	25
Alfonso Valero Quintana	Ginos Brand Manager	55	18
Álvaro Salafranca Yubero	Starbucks Brand Manager	61	32

Miguel Antonio Ibarrola López was first elected to the issuer's board of directors during the shareholders' meeting held on February 27, 2003. Since June 2019 he is the Chief Executive Officer of the issuer. Previously he was the Chief Executive Officer of the former Zena Group from 2003 to 2015. He began his professional career in 1981 in Arthur Andersen as an auditor, reaching the rank of Manager. In 1992 he joined the company Navidul as Chief Financial Officer and later as General Manager. In 2001, he became part of Campofrío, a company that absorbed Navidul. In the company Campofrío, he was Chief Financial Officer and Vice President of Operations in Spain. In January 2016, he joined the company Berlys as a member of the Board of Directors until March 2017. After the merger of Berlys with Bellsolá, in February 2018 he was appointed Executive Chairman of the group resulting from the merger (Monbake) and he remained in the company until May 2019. From May 2016 to May 2019 he was non-executive Chairman of Grupo Cortefiel (Tendam). He has a Degree in Economics and Business Administration from the University of Seville (1979) and an MBA from IESE (1981).

Federico Rodriguez Rovira holds a degree in Industrial Engineering from Instituto Tecnológico Autónomo de Mexico. He joined Alsea Mexico in 2006 and developed his career in the Finance Department. Since 2012 he has taken part of all the acquisitions done by Alsea in Mexico (Italianni's, VIPS, Burger King, etc.) and Europe (Sigla, Starbucks Coffee France and Benelux). He has been part of the issuer's management team since 2015 as the European Chief Financial Officer.

Jorge Christian Gurria Dubernard holds a Diploma in Advanced Management from Northwestern University Kellogg School of Management. He has 29 years of experience operating, providing strategic support, and introducing new business in Mexico, Latin America, and Europe. For the past 3 years, he has been President of Starbucks France & Benelux, leading the brand with 309 Stores. Before this role, he was leading Starbucks in Mexico, responsible for 750+ stores, and before this, he was head of Alsea's Casual Dining Division, managing six brands in Mexico and 250+ restaurants.

Juan Manuel de Simón Casuso holds a degree in Economics and Business Administration, Business Science Section, Business Organization Branch, from the Universidad Autónoma de Madrid and a master's in modern food from Saint Joseph's University in Philadelphia. He worked for 10 years in the Retail Purchasing Department of Champion supermarkets and Central de Compras Sidamsa (Dia-Continente) being the Manager of this central. Subsequently, he was for 6 years General Manager of Purchasing and MK of Plus Superdescuento with 200 free-standing stores in Spain (Tengelmann España). He has been part of the management team of Grupo Zena since 2003, as General Manager of Purchasing and Logistics and later of the issuer's management team in the position of General Manager of Supply Chain (+ Industrial + Maintenance).

Fernando Tendero García holds a Law degree from Universidad San Pablo CEU and a master's degree in Business Administration and Management from ICADE. He has 25 years of experience in the real estate & property sector in multinational companies. He joined Grupo Vips in 2004 and developed his career in the real estate department. In January 2019 he joined the issuer's management team as Real Estate, Property Management and Construction General Manager.

Francisco Rionda Aguería holds a bachelor's degree in Business Administration from San Francisco State University and a master's degree in Marketing and Sales Management from ESIC. He has more than 20 years of marketing experience in local and multinational companies, where he has had global responsibilities. He has been part of the issuer's management team since April 2021.

Mario Rodríguez Sánchez holds a Diploma from IESE's Management Development Program. He has more than 33 years of experience operating and providing strategic support in restoration businesses. In 1994 he joined Grupo Zena, developing different responsibilities in the operations area of the company. In January 2019, he joined the issuer's management team as Foster's Hollywood Brand Director.

Francisco Páez González holds an M.B.A. (PDD 2006) from IESE Business School of Madrid. He has more than 30 years of experience in the Restaurants sector, working in all segments (Delivery, Fast Food, Casual Dining, Fast Casual, Self Service) and occupying different positions from the base of the business to the general management. He was the Zena Group COO from 2005 to 2018 for all the group´s brands. In mid-2018 he assumed responsibility as Domino´s Pizza Brand Director in Spain. He is currently VIPS Brand Director. He has been part of the issuer's management team for 17 years. Jesús Navarro Roldán holds a degree in food business management from San Telmo business school. He has more than 25 years of experience operating and providing strategic support in restoration businesses, 18 of which in operations management in different companies such as Pepsico Restaurants, Cañas y Tapas, Pizza Hut and Domino's Pizza. In October 2019, he joined the issuer's management team as a director of the Domino's Pizza brand.

Ana Viñas Anta holds a master's degree in Business Management and Administration from the UPM (Universidad Politécnica de Madrid) and a master's degree in Food Business Management from the Universidad San Telmo in Seville. She has more than 25 years of experience within Alsea in different brands of the company, currently holding the position of Burger King Brand Director. She has been part of Alsea's management team since March 2020.

Alfonso Valero Quintana holds a degree in Law from the University of Cadiz. He has more than 30 years of experience in FMCG and multinational restaurant companies, 20 of them in marketing positions and in various management positions. He is currently Ginos Brand Director. He has been part of the issuer's management team for 18 years.

Álvaro Salafranca Yubero holds a degree in Economics from the Complutense University of Madrid and an MBA from the Instituto Empresa. After three years at Makro, in 1988 he joined Grupo Vips, developing responsibilities in the different business areas (i.e. Operations, *Purchasing*, *Franchises*, and the Expansion and Construction area). Since 2003 he has been responsible for the growth and development of the Starbucks Brand in Spain and Portugal as General Manager. In January 2019, he joined the issuer's management team as Starbucks Iberia Brand Director.

Share Ownership

None of the issuer's directors or members of its administrative, supervisory or management bodies directly hold any ordinary shares of the issuer as of the date of this offering memorandum.

Compensation

The members of the board of directors are non-remunerated except for the Chief Executive Officer.

Family relationships

There are no family relationships and no "close relatives" (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of 15 September 2004, on information to be disclosed by listed companies regarding related party transactions) amongst the directors, the directors and other members of the group's senior management or the members of the group's senior management.

No convictions and other negative statements

None of the issuer's directors or members of the Group's senior management have, in the five years preceding the date of this offering memorandum: (i) been convicted in relation to fraudulent offences; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

Alsea's Board of Directors

Pursuant to its bylaws, the management of Alsea's business affairs is entrusted to a board of directors comprised of not more than 21 members, 25% of whom must be independent. Alsea's board of directors currently consists of 11 members, six of whom are independent. As of the date of this offering memorandum, no alternate directors have been appointed.

The members of Alsea's board of directors are appointed or reelected each year during our annual ordinary shareholders' meeting. Minority shareholders, including holders of shares of restricted stock other than those referred to in Article 113 of the Corporations Law *(Ley General de Sociedades Mercantiles*) or limited voting stock, representing at least 10% of our outstanding capital stock, are entitled to appoint a director. Absent such appointment by our minority shareholders, holders of the relevant class of stock, as a group, are entitled to appoint at least two directors (or, as the case may be, to replace or remove any such directors previously appointed) during a special shareholders' meeting. The directors appointed by the minority shareholders may not be removed unless all other directors are also removed.

The board of directors is our legal representative and has broad powers to fulfill its duties, including those specified in the Mexican Securities Market Law (Ley del Mercado de Valores), to enforce the resolutions adopted by our shareholders (either directly or through the audit committee described below) and to take action on any matter not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law and our bylaws, the board of directors must approve any transaction that is not within the ordinary course of our business, including (i) any transaction with a related party; (ii) the acquisition or disposition of 10% or more of our assets; (iii) any guarantee representing in excess of 30% of our assets and (iv) any other transaction representing more than one percent of our assets.

The following table contains certain information about the current members of Alsea's board of directors, all of whom were elected or reelected during the general annual ordinary and ordinary shareholders' meeting held April 14, 2021.

Name	Age	Years in Alsea's Board	Position
Alberto Torrado Martínez (3)	58	24	Chairman of the Board
Cosme Alberto Torrado Martínez (2)(3)	59	24	Member
Armando Torrado Martínez (3)	52	24	Member
Federico Tejado Bárcena	61	22	Member
Fabián Gerardo Gosselin Castro (2)	58	15	Member
Carlos Vicente Salazar	70	2	Independent Member
Luiz Ferezin (1)	59	2	Independent Member
Alfredo Sánchez (1)	55	2	Independent Member
Leon Kraig (2)	67	9	Independent Member
Adriana María Noreña (3)	54	4	Independent Member
Leticia Mariana Jáuregui (3)	36	< 1	Independent Member
Xavier Mangino Duenas (Secretary, without being a member)	53	24	Secretary

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance Committee.
(3) Member of the Selection and Compensation Committee.

Set forth below is a summary of the experience of the current members of Alsea's board of directors.

Alberto Torrado Martínez was appointed our Executive President during the general ordinary shareholders' meeting held December 3, 2007. Previously, he served as Chief Executive Officer of Alsea since his appointment to that position at the general ordinary shareholders' meeting held April 30, 2004. From 2002 to May 2004, he served as Chairman of the Board of Alsea. He also serves as member of the boards of directors or CMN, Banco Santander and BMV. He has a bachelor's degree in Accounting from the Instituto Tecnológico Autónomo de México and holds a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Cosme Alberto Torrado Martínez was appointed our board's delegate to Latin America in December 2007. He served as Chief Executive Offer of Alsea from 1997 until his appointment as Chairman of the Board in May 2004. He has been an alternate director of the Mexican Stock Exchange. He holds a bachelor's degree in Laws from the Instituto Tecnológico Autónomo de México and a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Armando Torrado Martínez was first elected to Alsea's board of directors during the general ordinary shareholders' meeting held on May 21, 1997. He currently serves as Chief Executive Office of Alsea Internacional. Previously, from 1997 to 2004, he served as Corporate Director of the Domino's Pizza System. Armando holds a degree in Senior Management from IPADE. He has a bachelor's degree in Business Administration from Universidad del Valle de México, and also holds a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Federico Tejado Bárcena was first elected to Alsea's board of directors during the general ordinary shareholders' meeting held on April 26, 1999. He previously served as Chief Executive Officer of Starbucks Mexico and of Domino's Pizza Brazil and Mexico. He has also served as General Director of Hulera Hércules, Director of Sales at Sabritas, and General Director of Servimet. He currently serves as Alsea board's delegate. He has a bachelor's degree in Industrial Engineering from Universidad Autónoma de México, he also holds a master's degree in business administration from Instituto Panamericano de Alta Dirección de Empresas.

Fabián Gerardo Gosselin Castro was first elected to Alsea's board of directors during the general ordinary shareholders' meeting held on April 28, 2006. He served as Chief Executive Officer of Alsea, also as the Executive Director of the Shared Services Center (*Centro de Servicios Compartidos*), the General Director of OFA, and the General Director of SCA. He graduated from Universidad del Nuevo Mundo and holds a post-graduate degree from Instituto Panamericano de Alta Dirección de Empresas.

Carlos Salazar was elected Independent Director by the general ordinary and extraordinary shareholders' meeting held on April 16, 2020. He has more than 45 years of experience at FEMSA where he led various operations and was CEO of FEMSA and Coca Cola FEMSA. He was also President of the Council of Nuevo León for Strategic Planning, President of the XXI Century Commission, Monterrey and Chairman of the corporate advisory board of EGADE Business School. He holds a degree in Economics from Instituto Tecnológico y de Estudios Superiores de Monterrey, and a master's degree in business administration.

Luiz Carlos Ferezin was elected Independent Director by the general ordinary and extraordinary shareholders' meeting held on April 16, 2020. He worked with Accenture for more than 30 years and led various initiatives. His main areas of customer expertise are: Mass Consumption, Retail and Natural Resources. He was President of the Council of the Mexican Association of the Information Technology Industry, a member of the Board of the Mexico Business Summit and chaired the Board of the NGO Impulsa-Junior Achievement. Additionally, he is a member of the Council of Nacional Monte de Piedad, IOS Offices and the ABC Medical Center. He holds a degree in business administration from Fundação Armando Alvares Penteado (FAAP) University, Brazil.

Alfredo Sánchez was elected Independent Director by the general ordinary and extraordinary shareholders' meeting held on April 16, 2020. He is a Public Accountant and has a diploma in International Tax both by the Autonomous Technological Institute of Mexico (ITAM). He has collaborated for more than 15 years in Chévez, Ruiz, Zamarripa. He has a bachelor's degree in Accounting and a diploma in International Tax, both from Instituto Tecnológico Autónomo de México.

Leon Kraig Eskenazi was first elected to Alsea's board of directors during the general ordinary and extraordinary shareholders' meeting held on April 11, 2012. He is a member and director of IGNIA Partners, a private equity fund focused on Latin America. He previously held various positions at Mars Petcare, General Mills and Mars Mexico. He holds a BSE degree in Chemical Engineering from Universidad Iberoamericana, and an MBA and an MFS from University of Minnesota and Cornell University, respectively.

Adriana Noreña was Director of Marketing and New Business Development for Avaya, Director of Sales and Online Operations of Google for Brazil and Latin America and General Director of Google Argentina. She currently serves as Vice President of Google for Spanish Speaking Latin America, is the founder of a company of cosmetic products and member of the Advisory Committee of the Latin American Office of MIT Sloan. She has a Bachelor of

Business Administration from the Icesi University (Colombia), a master's in business administration (MBA) from Babson College, as well as a Master of Technology Management (M. Sc.) in the Massachusetts Institute of Technology (MIT).

Leticia Mariana Jáuregui, recognized as one of the most powerful women in Mexico by Forbes and with 15+ years of experience, she is an innovation expert and a serial entrepreneur. With special emphasis on emerging markets, he has focused on the design and implementation of innovation strategies in the financial sector, as well as exponential technologies. Leticia is an *"angel investor"* in technology companies and a partner in a Silicon Valley Venture Capital Fund. She studied Economics and International Relations degrees at ITAM and Agricultural Economics and Community Development masters at the University of California, as well as exponential technologies at Singularity University.

Xavier Mangino Dueñas, is a partner of the law firm DLA Piper México, S.C. He was appointed Secretary of the board of directors at the ordinary shareholders' meeting held on May 21, 1997.

The secretary non-member of Alsea's board of directors is Xavier Mangino Dueñas.

We are not controlled directly or indirectly by another company or by a foreign government. The "Shareholders" section of this offering memorandum provides further details about the controlling shareholders as well as the other directors.

The committees of the board include the Audit Committee and the Corporate Governance Committee. Details about these committees are provided below.

Audit Committee

Our audit committee is comprised of three members. The current members of our audit committee are Alfredo Sanchez (Chairman), Federico Tejado (Member) and Luiz Ferezin (Member), all of whom were appointed at the general ordinary and extraordinary shareholders' meeting held on April 29, 2021. Elizabeth Estrella Garrido López is the non-member Secretary of the committee.

Corporate Practices Committee

Our corporate practices committee is comprised of four members. The current members of our corporate governance committee are Leon Kraig (President), Cosme Torrado (Member), Fabián Gosselin (Member) and Leticia Jáuregui (Member), all of whom were appointed at the general ordinary and extraordinary shareholders' meeting held on April 29, 2021. Elizabeth Estrella Garrido López is the non-member Secretary of the committee.

Corporate Governance Committee

Our corporate governance committee is comprised of four members. The current members of our corporate governance committee are Leon Kraig (President), Armando Torrado (Member), Luiz Ferezin (Member) and Alejandro Kipper (Member), all of whom were appointed at the general ordinary and extraordinary shareholders' meeting held on April 29, 2021. We consider all member of such Committee qualify as financial experts. The duties of our corporate governance committee are set forth in Article 42(I) of the Securities Market Law. Elizabeth Estrella Garrido López is the non-member Secretary of the committee.

Executive Officers

The following table contains the name, position, age and number of years with Alsea, of each of its executive officers.

Name	Position	Age	Years with Alsea
Alberto Torrado Martínez	Executive President of Alsea	58	31
Armando Torrado Martínez	Managing Director of Alsea International	52	31
Fernando González Somoza	Deputy Chief Executive Officer	53	< 1
Miguel Ibarrola	Director of Alsea Europe	64	2
Dario Okrent	Digital Director of Alsea	46	1

Name	Position	Age	Years with Alsea
Francisco Tosso	Director of Alsea Colombia	53	3
Santiago Farinati	Director of South Cone	43	2
José Luis Portela	Director of Starbucks	54	9
Rafael Contreras Grosskelwing..........	Corporate Director of Administration and Finance	58	5
Salvador Aponte Escalante	Corporate Director of Technology and Process	58	9
Maria del Soccorro Guajardo	Director of Human Resources	49	7
Miguel Cavazza	Director of Supply Chain	51	2
Mario Sánchez	Director of Internal Audit	62	23

Fernando González Somoza holds a degree in Economics and Business Administration from Universidad Autónoma de Madrid and a master's degree in Financial Audit from Universidad Nacional de Educación a Distancia in Spain. With more than 30 years of experience in the retail industry, he has been CEO of several companies in Europe, Turkey, China and Mexico. He has been part of Alsea's management team since June 2021.

Miguel Ibarrola holds a degree in Economics and Business Administration from the University of Seville and an MBA from IESE Business School. He was non-executive chairman of Tandem (Grupo Cortefiel) and chairman of Monbake, and also worked at Arthur Andersen, Grupo Nidal and Campofrío. He led Grupo Zena from 2003 to 2004.

Dario Okrent holds a degree in Systems from the Universidad Morón in Argentina, and completed the Corporate Management Program at IESE Business School and the Corporate Leadership Program at ITESM. In turn, he was Director of Digital Channels at Banco Azteca, CEO of BBVA in Mexico City and Florida. He has collaborated in different campaigns, among others, WibeSeguros, Operadora Dot Com and T-Systems.

Francisco Tosso holds Industrial Engineer and MBA degrees from the University of Santiago de Chile. He also holds a master's degree in Supply Chain Management from the Ecole Superieure de Commerce de Montpelieller in France. He was director of several areas such as Supply Chain and Operations at Compass Group and was also a university professor.

Santiago Farinati holds a degree in Business Administration from the Catholic University of Argentina. He was Director of Starbucks Argentina and Uruguay, and was also Director of Development and Maintenance. He collaborated in BASF, Molinos del Río de la Plata, Burger King Argentina and Grupo Arcor.

José Luis Portela holds a degree in Economics and Business Administration from the Universidad Autónoma de Madrid and graduated from the PADE (Programa de Alta Dirección de Empresas) program at the Universidad de los Andes in Santiago de Chile. Over the last 23 years, José Luis has led different operations in the fast-food and restaurant industry in different countries and markets such as Spain, Poland, Czech Republic, Chile, Peru and currently in Mexico. He currently leads the operation of Starbucks Mexico.

Rafael Contreras Grosskelwing holds a degree in Industrial Engineering from Universidad Panamericana and a specialization in Senior Management from IPADE. His professional experience includes being Director of Administration and Finance at Chedraui, where he worked for 17 years. During his first stage at Alsea, he served as Chief Financial Officer for six years. He has been part of Alsea's management team since 2017.

Salvador Aponte Escalante holds a degree in engineering in cybernetics and communication sciences and a Master degree from La Salle University. He joined our company in July 2012. He currently serves as our Corporate Director of Processes and Technology. He has over 10 years' experience in management positions in the processes and technology areas.

Maria del Socorro Guajardo graduated from the Instituto Tecnológico y de Estudios Superiores de Monterrey, where she earned a bachelor's degree in Communication Sciences and a Master's Degree in Business Administration. She has been part of Alsea's management team since 2013.

Miguel Cavazza holds a bachelor's degree in International Relations from Escuela Superior de Guerra as well as an MBA from Instituto Tecnológico de Monterrey.

Mario Sanchez Martinez is a Public Accountant graduated from the Universidad Nacional Autónoma de México and has a specialization in Senior Management from IPADE. His professional experience includes his role as General

Accountant at Banco Internacional (HSBC) and Corporate Controller at Banpaís (Banorte), where he worked for 12 years. At Alsea, he has served as Corporate Controller, Finance Director of Distribuidora Internacional Alsea, Corporate Director of Human Resources and currently serves as Corporate Director of Internal Audit. He has been a member of Alsea's management team since 1998.

Code of Conduct and Ethics Committee

We are committed to high ethical standards and have a code of conduct which applies to employees at every level, as well as to our suppliers and our client-focused business segments. The general principles of our code of conduct include or relate to compliance with the law and internal as well as external regulations and norms, equal opportunity, a harassment-free and safe workplace, conflicts of interest, transparency in business dealings, fraud, privacy and environmental responsibility.

We have an Ethics Committee that has as its primary task to monitor whether there are circumstances or events around the company that violate these principles and which could damage Alsea or any of our brands. Each employee signs a contract accepting these principles and committing to not violating them.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid by us to our executive officers and directors as a group for the year ended December 31, 2020, was approximately Ps.137.8 million. This amount includes wages and salaries, as well as the compensation awarded by our shareholders to our directors for attending our board meetings. We continuously review our salary, bonus and other compensation plans to offer competitive compensation arrangements for our management.

Incentive Programs for Senior Management

Since 2003, we have maintained various deferred compensation programs designed to align the interests of our senior management with those of our shareholders and to incentivize our executive officers to remain with us.

Certain high-level executives receive bonuses in the form of our Shares. The vesting period for such Shares begins after the fourth year of the executive's appointment.

SHAREHOLDERS

The issuer is indirectly owned by Alsea. The current share capital distribution of the issuer is as follows: Alsea holds a 76.76951% stake, Britania Investments, S.à r.l. holds a 10.5324%, Carrot River Holding, S.à r.l. holds a 4.9956%, ProA Capital Iberian Buyout Fund II, F.C.R. holds a 2.5675% and the remaining 5.13499% belongs to several members of the Arango and Nachón families.

Ownership of the Issuer

The issuer has a share capital of 4,469,312,38, comprised of 10,208,080 Class A Shares, 4,016,296 Class B Shares and 1,187,046 Class C Shares, all with a par value of €0.29, each being fully paid up. The following table sets forth certain information concerning the shareholders of the issuer ordinary shares as of the date of this offering memoradum.

	Number of Shares				Total percentage of shares beneficially
Name of beneficial owner	**Class A**	**Class B**	**Class C**	**Total**	**Owned (%)**
Alsea, S.A.B. de C.V.	10,208,080	1,623,196	-	11,831,276	76.76951
Britania Investments, S.à r.l.	-	1,623,197	-	1,623,197	10.5324
Carrot River Holding, S.à r.l.	-	769,903	-	769,903	4.9956
ProA Capital Iberian Buyout Fund II, F.C.R.	-	-	395,682	395,682	2.5675
Minority shareholders(1)	-	-	791,364	791,364	5.13499
Total	**10,208,080**	**4,016,296**	**1,187,046**	**15,411,422**	**100**

(1) Mr. Plácido Arango García-Urtiaga, Ms. Maite Arango García-Urtiaga and Ms. Paz Nachón López.

The issuer's share capital is comprised of three different types of Shares, Class A Shares, Class B Shares and Class C Shares. All Shares are represented by nominative titles (*títulos nominativos*), which may be simple or multiple, and confer their holders one voting right to be exercised in the issuer's general shareholders' meeting. Notwithstanding this, pursuant to the issuer's bylaws, Class A Shares, Class B Shares and Class C Shares confer their holders, upon the fulfilment of certain conditions and depending on certain scenarios, certain differential rights in matters such as share transferability (preferential acquisition rights, tag along rights and drag along rights), voting thresholds and conditions concerning certain relevant matters to be approved in the issuer's general shareholders' meeting and the right to designate directors, which shall vote in favour of resolutions concerning certain relevant matters in order for them to be approved at the meetings of the issuer's board of directors. Further details on the specific terms, conditions and scenarios upon which each differential right may be exercised by the holders of shares of each Class, as applicable, as well as the manner in which such differential rights may be exercised, is contained in the issuer's bylaws.

Ownership of Alsea

As of September 30, 2021, Alsea's paid-in capital was Ps.8,629,050, and it had 838,578,725 Single Series, Class I Common Shares outstanding. As of September 30, 2020, its Principal Shareholders owned, directly or beneficially, an aggregate of 322,515,595 Shares, or 38.46% of its paid-in capital. The rest of its shareholders as of such date are detailed below.

	Shares owned	
Shareholder	**Number of Shares (Class I and II)**	**%**
Principal Shareholders(1)...........	322,515,595	38.46%
Board Members(2).....................	18,560,000	2.21%
Share Trust(3)............................	2,760,208	0.33%
Public...	494,742,922	59.00%
Total.....................................	**838,578,725**	**100.00%**

(1) Alsea's Principal Shareholders includes Alicia Martínez Alvarado's 2.75% of our paid-in capital.

(2) Excludes board members that are Principal Shareholders and solely includes the following Directors: Fabián Gosselin Castro and Federico Tejado Bárcena.

(3) Trust agreement No. 16,881-3 executed with Banco Nacional de México, S.A., member of Grupo Financiero Banamex, Division Fiduciaria.

As of September 30, 2021, the following members of Alsea's board of directors owned, directly or beneficially, the number of Shares set forth beside their respective names in the following table.

	Shares owned	
Shareholder	**Number of Shares (Class I and II)**	**%***
Cosme Alberto Torrado Martínez......	101,158,922	12.06%
Alberto Torrado Martínez..................	97,796,160	11.66%
Armando Torrado Martínez...............	100,461,445	11.98%
Fabián Gerardo Gosselin Castro........	9,300,000	1.11%
Federico Tejado Bárcena..................	9,260,000	1.10%
Total..	**317,976,527**	**37.91%**

*As a percentage of total shares.

As of September 30, 2020, the following individuals owned, directly or beneficially, more than 10% of the outstanding capital stock of Alsea. The quantities of stock these individuals have held may have changed between the time these figures were obtained and the writing of this offering memorandum.

	Shares owned	
Shareholder	**Number of Shares (Class I and II)**	**%***
Cosme Alberto Torrado Martínez	101,158,922	12.06%
Alberto Torrado Martínez	97,796,160	11.66%
Armando Torrado Martínez	100,461,445	11.98%
Total	**299,416,527**	**35.70%**

*As a percentage of total shares.

THE ISSUER

Food Service Project, S.A., an operating company and a direct subsidiary of the parent, is as a Spanish *sociedad anónima* and was incorporated on December 7, 2000 under the laws of Spain. Its registered office is located at Madrid (28023), Camino de la Zarzuela, 1, Spain and it is registered with the Commercial Register of Madrid (*Registro Mercantil de Madrid*) at Volume 33,888, Page 207 and Sheet M-271,121, with Spanish Tax Identification Number (*N.I.F.*) A-82798943 and LEI Code 95980020140005812514.

The subscribed share capital amounts to Euro 4,469,312.38. The issuer is included in the consolidated accounts of Alsea, S.A.B. de C.V.

The issuer has a board of directors, currently consisting of 7 directors. The directors at present are as described in "Management—Issuer's Management". The board of directors is generally responsible for managing the business and affairs of the issuer. The directors are generally elected by the general meeting of shareholders of the issuer.

In accordance with its corporate object, without limitation, the issuer may acquire, hold, manage and dispose of any moveable assets and securities; manage and operate any companies it may hold a participation in; own, exploit and operate any restaurants, cafeterias, cafes, bars, saloons and, in general, any food and beverages establishments; and acquire, operate and dispose any real estate assets. Likewise, the issuer may borrow and issue bonds and debentures within the limits of the law. The above summary is not exhaustive. In general, the issuer may take any controlling and supervisory measures, and carry out any operation that it may deem useful in the accomplishment and development of its corporate purposes.

CERTAIN TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of our business, we engage in a number of transactions with companies that are owned or controlled, directly or indirectly, by us and occasionally with some of our shareholders, subject to the approval of our audit committee or board of directors, as applicable. All transactions with related parties have been made in the normal course of our business operations, and are on terms no less favorable to us than would have been obtained in an arm's-length transaction and comply with the applicable Mexican or Spanish corporate and tax law, as appicable.

We expect to continue to enter into transactions with affiliates in the future in compliance with applicable law.

We have not entered into any material related party transactions in the past three fiscal years. In accordance with legal requirements, any director who has a conflict of interest with the Company on a given matter must inform the other directors and abstain from voting on the matter. Any director who violates this rule will be personally responsible for any resulting harms. Moreover, the Company's directors cannot act as proxies for the shareholders during the shareholder meetings. We do not believe that we have conflicts of interest with the directors. Currently, we have no material operations involving our directors.

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DESCRIPTION OF THE NOTES

The notes will be issued under an indenture (the "Indenture"), to be dated the Issue Date, among Food Service Project, S.A., a public limited liability company (*sociedad anónima*) organized and existing under the laws of Spain, the Guarantors, The Bank of New York Mellon, as trustee (the "Trustee") registrar, paying agent and transfer agent and The Bank of New York Mellon, London Branch, as principal paying agent (the "Principal Paying Agent"). The terms of the notes include those stated in the Indenture. We summarize below certain provisions of the Indenture but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You can obtain a copy of the Indenture in the manner described under "Available Information."

You can find the definition of capitalized terms used in this section under "—Certain Definitions." When we refer to:

- the "Issuer" in this section, we mean Food Service Project, S.A., and not its subsidiaries,
- the "Parent Guarantor" in this section, we mean Alsea, S.A.B. de C.V., and not its subsidiaries, and
- the "notes" in this section, we mean the notes originally issued on the Issue Date and any Additional Notes.

The Issuer will not be required to, nor does it currently intend to, register the notes under the Securities Act nor otherwise offer to exchange the notes for notes registered under the Securities Act. The Indenture will not be qualified under or subject to the terms of the U.S. Trust Indenture Act of 1939, as amended.

General

The notes will:

- be direct, unconditional, unsubordinated obligations of the Issuer;
- rank equal in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuer (subject to certain statutory preferences, including, without limitation, tax, labor and social security claims, claims of secured creditors and certain provisions under insolvency or bankruptcy scenarios);
- rank senior in right of payment to all existing and future Subordinated Indebtedness, if any;
- be effectively subordinated to all existing and future secured Indebtedness of the Issuer and the Guarantors, to the extent of the value of the assets securing such Indebtedness;
- be unconditionally guaranteed on a general unsecured and unsubordinated basis by all of the Parent Guarantor's existing and future Restricted Subsidiaries that provide a Note Guarantee;
- be structurally subordinated to all existing and future Indebtedness (including secured Indebtedness) and trade payables of the Parent Guarantor's subsidiaries that do not guarantee the notes; and
- rank junior to all obligations preferred by statute (such as tax, labor and social security obligations).

As of September 30, 2021, on a pro forma basis after giving effect to this offering and the application of proceeds as described under "Use of Proceeds" the Parent Guarantor and its Subsidiaries would have had consolidated total indebtedness of Ps.13,259 million (U.S.$652.3 million), of which Ps.4,628 million (U.S.$227 million) would have been secured, and of which Ps.93 million (U.S.$4.58 million) would have been Indebtedness of the Subsidiaries of the Parent Guarantor that are not guaranteeing the notes as of the Issue Date or within 120 days from the Issue Date.

As of September 30, 2021, the Issuer and its subsidiaries had Ps.13,259 million (U.S.$652.3 million) of indebtedness, of which Ps.10,085 million (U.S.$496.1 million) was secured indebtedness and Ps. 3.174 million (U.S.$156.1 million) was unsecured indebtedness. As of September 30, 2021, Issuer and its subsidiaries had Ps.1,616 million (U.S.$79.5 million) in unused commitments (the "Reference Unused Commitments").

All obligations in connection with the notes are solely the obligations of the Issuer, jointly and severally guaranteed by the Guarantors, with no recourse to any other Person, other than any future guarantors. No Person other than the Guarantors, including any Affiliate of any Issuer, or any of their respective incorporators, stockholders, partners, directors, officers or employees, has guaranteed or will guarantee the payment of the notes or have any obligation with respect to payment of the notes.

Additional Notes

Subject to the limitations set forth under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," the Parent Guarantor and its Subsidiaries (including the Issuer) may incur additional Indebtedness. At the Issuer's option, this additional Indebtedness may consist of additional notes ("Additional Notes") issued in one or more transactions, which have identical terms (other than issue date and initial interest payment date) as notes issued on the Issue Date. The notes and the Additional Notes, if any, will be treated as a single class for all purposes of the Indenture, including waivers and amendments; *provided* that unless such Additional Notes are issued under a separate CUSIP number, such Additional Notes must be issued with no more than de minimis original issue discount, issued in a "qualified reopening" of the initially issued notes or otherwise part of the same "issue" as the notes issued on the Issue Date, in each case, for United States federal income tax purposes.

Principal, Maturity and Interest

The Issuer will issue notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes will mature on January 21, 2027. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 5.500% per annum and will be payable semi-annually in arrears on each July 21 and January 21, commencing on July 21, 2022. Payments will be made to the persons in whose names the notes are registered at the close of business on the last day on which Clearstream and Euroclear are open for business immediately preceding the related interest payment date (whether or not a Business Day).

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on a semi-annual basis (as computed assuming a 360-day year consisting of twelve 30-day months) payment of the International Capital Markets Association). The redemption of notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date.

If any payment date falls on a day which is not a Business Day, payment of interest, principal and premium, if any, with respect to the notes will be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest on such payment will accrue from and after such due date on account of such delay.

Initially, the Trustee will act as registrar, transfer agent and paying agent, and The Bank of New York Mellon, London Branch, will act as Principal Paying Agent for the notes. The Issuer may change the paying agents, transfer agent and registrar without notice to holders of notes. Payments on the notes will be made at the office or agency of the Principal Paying Agent in London, United Kingdom.

Application will be made for the listing and quotation of the notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). As long as the notes are listed on this market and as long as the rules of the SGX-ST require, the Issuer will also maintain a paying agent in Singapore.

Subject to any applicable abandoned property law, the Trustee and any paying agent shall pay to the Issuer upon written request any money held by them for the payment of principal of or interest on the notes that remains unclaimed for two years, and, thereafter, holders entitled to any such money must look to the Issuer for payment as general creditors.

Additional Amounts

Pursuant to the Indenture, all payments to be made in respect of the notes or the Note Guarantees (whether in respect of principal, premium amount, redemption amount, interest or otherwise), as the case may be, will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, levies, imposts, assessments, fees, deductions or withholdings, or other governmental charges (including penalties, interest and other liabilities related thereto) (collectively, "Taxes") except to the extent such amounts are required to be deducted or withheld by applicable law.

The Issuer and the Guarantors will pay to holders of the notes such additional amounts ("Additional Amounts") as may be necessary to ensure that every net payment of interest (including any premium paid upon redemption of the notes) or principal to the holder, after any applicable withholding, will not be less than the amount that would have been received if no withholding had been made. Net payment means the amount the Issuer, a Guarantor or any paying agent under the Indenture pays to the holder after the Issuer or such Guarantor deducts or withholds Taxes imposed with respect to that payment by any jurisdiction in which the Issuer, or an applicable Guarantor, is organized, resident for tax purposes, managed or engaged in business (or the jurisdiction in which any successor to the Issuer or any Guarantor is organized, resident for tax purposes, managed or engaged in business, wherein any such successor assumes the obligations under the Indenture, the notes and any Note Guarantee, as applicable, following a merger, consolidation or transfer, lease or conveyance of substantially all of the assets and property of the Issuer or Guarantors), or within or through which payment on the notes or the Note Guarantees is made by the Issuer, an applicable Guarantor or the paying agents under the Indenture, or, in each case, any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation (each, a "Relevant Jurisdiction").

The Issuer's and the Guarantors' obligation to pay Additional Amounts is subject to several important exceptions. The Issuer and the Guarantors will not pay Additional Amounts to any holder of notes for or on account of any of the following:

(i) any Taxes imposed solely because at any time there is or was any connection between the holder or beneficial owner of a note and the Relevant Jurisdiction, including such holder or beneficial owner (i) being or having been a citizen or resident thereof or (ii) maintaining or having maintained a permanent establishment, or branch subject to taxation therein, other than the mere holding of such note or the receipt of any amounts due in respect thereof;

(ii) any estate, inheritance, gift, sales, transfer, or personal property or similar Tax imposed with respect to the notes;

(iii) any Taxes imposed, withheld or deducted to the extent arising because the holder or beneficial owner or any other person fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction (or any political subdivision or territory or possession thereof) of the holder or any beneficial owner of a note if compliance is required or imposed by an applicable statute, law, regulation in full force and effect), general rule, or official published administrative practice of any Relevant Jurisdiction or by an applicable income tax treaty to which Spain or any Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, such Taxes; *provided* the Issuer, or the applicable Guarantor, as the case may be, has given the holders of notes at least 30 days' written notice (under this scenario the Issuer or the relevant Guarantor, as the case may be, will use its best endeavors for the performance of individual notices to the investors) prior to (A) the first payment date with respect to which the Issuer or such Guarantor applies this clause (iii) and (B) in the event of a change in such certification, identification, information, documentation or other reporting requirement, the first payment date subsequent to such change;

(iv) any Taxes payable otherwise than by deduction or withholding from payments on the notes;

(v) any Taxes, with respect to a note presented for payment (where presentation is required) more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders of notes, whichever occurs later, except to the extent that the holder of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30-day period;

(vi) any Taxes imposed on any payment on a note to a holder thereof that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that such beneficial owner would not have been entitled to the Additional Amounts had such beneficial owner been the holder of the note;

(vii) any Taxes deducted or withheld with respect to the Note or Note Guarantees to the extent the Issuer or a Spanish Guarantor, as the case may be, has not received in a timely manner a duly executed and completed payment statement from the Paying Agent, as may be required in order to comply with the procedures set forth under Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation;

(viii) any Tax or assessment required to be withheld or deducted under section 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any treaty, law, regulation or other official guidance enacted by any foreign government implementing FATCA, or any agreement between the Issuer or any Guarantor and the United States or any authority thereof implementing FATCA; or

(ix) any combination of the above.

At least 30 days prior to each date on which any payment under or with respect to the notes is due and payable, if the Issuer or a Guarantor, as applicable, will be obligated to pay Additional Amounts with respect to such payment (other than Additional Amounts payable on the date of the Indenture), the Issuer or such Guarantor, as applicable, will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable, and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders of the notes on the payment date.

We will remit the full amount of any Taxes withheld to the applicable taxing authorities in accordance with applicable Law. The Issuer and the Guarantors will provide the Trustee, reasonably promptly after the payment thereof, with a duly certified or authenticated copy of an original receipt or other documentation satisfactory to the Trustee evidencing the payment of Taxes in respect of which the Issuer or the Guarantors have paid any Additional Amount (provided that the Trustee shall have no obligation to determine if such payments are sufficient). The Issuer will make copies of such documentation available to the holders of the notes or the relevant paying agent upon request.

In addition, the Issuer or the Guarantors will pay any stamp, issue, excise, property, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Relevant Jurisdiction in respect of the creation, issue, delivery, enforcement, registration and offering of the notes or the execution of the notes, the Indenture or any other related document or instrument. The Issuer or the Guarantors will also pay and indemnify each of the Trustee, the holders of the notes and beneficial owners from and against all court Taxes or other Taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Trustee, the holders and beneficial owners to enforce the Issuer's obligations under the notes.

Any reference in this offering memorandum, the Indenture, the notes or any Note Guarantee to principal, premium amount, redemption amount, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this "Additional Amounts" subsection.

For a discussion of Spanish and Mexican withholding taxes applicable to payments under or with respect to the notes, see "Taxation."

Note Guarantees

General

On the Issue Date, the Issuer's subsidiaries Grupo Zena Pizza, Soc.Com.P.A. and Sigla, S.A.U. and the Parent Guarantor and its subsidiaries Especialistas en Restaurantes de Comida Asiática, S.A de C.V., Distribuidora e Importadora Alsea, S.A. de C.V., Operadora y Procesadora de Productos de Panificación, S.A. de C.V., Gastrosur, S.A. de C.V., Italcafe, S.A. de C.V., Grupo Amigos de San Ángel, S.A. de C.V., Café Sirena, S. de R.L. de C.V., Operadora Vips, S. de R.L. de C.V., and Arrendadora de Restaurantes, S. de R.L. de C.V. will be the Guarantors.

The Guarantors will jointly and severally fully, unconditionally and irrevocably guarantee, subject to applicable legal limitations (including statutory priority rights under applicable law), the performance of all obligations of the Issuer under the Indenture and the notes, including the full and punctual payment of principal, premium, if any, interest, Additional Amounts and any other amounts that may become due and payable, and solely to the extent they become due and payable by the Issuer in respect of the notes and the Indenture. The obligations of each Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will result in the Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law. In particular, in this regard, the Note Guarantee provided by Sigla, S.A.U. shall be limited and shall not guarantee any amounts of the notes used to pay and cancel any financial debt incurred by the Issuer to fund the acquisition of Sigla, S.A.U. as it may otherwise be rendered null and void due to Spanish financial assistance regulations. The Note Guarantees will provide that the Guarantors will pay upon demand any amount that the Issuer fails to punctually pay but is required to pay pursuant to the terms of the Indenture. See "Certain Insolvency Considerations and Limitations on Validity and Enforceability of the Guarantees."

The Note Guarantees will not be secured by any of the assets or properties of the Guarantors. As a result, if the Guarantors are required to pay under the Note Guarantees, holders of the notes would be unsecured creditors of the Guarantors, consequently, the notes and the Note Guarantees will be effectively junior to any existing and future secured Indebtedness of the Guarantors to the extent of the value of the assets securing such Indebtedness. The Guarantors will waive all benefits applicable thereto to the fullest extent possible under existing law for the Note Guarantees to be joint and several with the Obligations of the Issuer under the notes and the Indenture. In the event of a bankruptcy (*quiebra*), liquidation, *concurso de acreedores*, *concurso mercantil* or similar proceeding against any of the Guarantors, the Note Guarantees would rank equal in right of payment with all of such Guarantor's other existing and future unsecured and unsubordinated debt, subject to obligations granted preferential ranking by applicable statutes, such as tax and labor claims. By virtue of this limitation, a Guarantor's obligations under its Note Guarantee could be significantly lower than amounts payable with respect to the notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

Not all of the Parent Guarantor's or the Issuer's Restricted Subsidiaries will provide a Note Guarantee and the Parent Guarantor's and the Issuer's Unrestricted Subsidiaries will not provide a Note Guarantee. In the event of a bankruptcy (*quiebra*), liquidation, *concurso de acreedores*, *concurso mercantil* or reorganization of any of these non-guarantor Subsidiaries, any such non-guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Parent Guarantor or the Issuer, as the case may be. In addition, holders of minority equity interests in Subsidiaries may receive distributions prior to or pro rata with the Parent Guarantor or the Issuer, as applicable, depending on the terms of the equity interests.

See "Risk Factors—Risks Related to the Notes—The notes and the subsidiary guarantees will be effectively subordinated to any future secured debt, and will be structurally subordinated to the liabilities of our non-guarantor subsidiaries" and "—The subsidiary guarantees may not be enforceable against the guarantors."

Future Guarantors

The Parent Guarantor will not permit any Restricted Subsidiary (other than the Issuer) that is not a Guarantor to become obligated, directly or indirectly, as principal obligor under any Indebtedness individually or in the aggregate in excess of U.S.$10 million, unless contemporaneously (or prior) to such Incurrence such Restricted Subsidiary becomes a Guarantor and executes a supplemental indenture providing for its Note Guarantee and the Issuer delivers an Opinion of Counsel and Officers' Certificate to the Trustee; *provided* that (i) such Restricted Subsidiary's Note Guarantee will be limited to the maximum amount that would not result in a breach or violation by such Restricted Subsidiary of any provision of any agreement to which it is party existing at the time of Incurrence of such Indebtedness; *provided, further*, that such provision was not adopted to avoid Guaranteeing the notes or the Indenture, and (ii) such Restricted Subsidiary shall not be required to become a Guarantor and execute any such supplemental indenture if the execution or enforcement of such supplemental indenture and the resultant Note Guarantee thereunder is (x) prohibited by, or in violation of, any applicable law to which such Restricted Subsidiary is subject, or (y) prohibited or prevented by the existence of, or exercise of, equity holder rights by, any of the minority equity holders (other than the Parent Guarantor, its Subsidiaries or their Affiliates) of any such Restricted Subsidiary (or the minority equity holder of a Person controlling such Restricted Subsidiary) and, in each case, the Issuer has delivered to the Trustee an Opinion of Counsel to that effect.

To the extent not already a Guarantor pursuant to the terms of any other provision of the Indenture, within 120 days from the Issue Date, the Parent Guarantor will cause each Required Subsidiary to become a Guarantor and execute a supplemental indenture providing for its Note Guarantee and the Issuer shall deliver an Opinion of Counsel and Officers' Certificate to the Trustee.

At any time after the Issue Date, the Issuer may designate a Subsidiary Guarantor as a non-guarantor Restricted Subsidiary and request the Trustee to release such Restricted Subsidiary from its Note Guarantee if (A) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such non-guarantor designation; (B) the Parent Guarantor determines in good faith, at the time of such non-guarantor designation, that such Guarantor is not a Significant Subsidiary based on the most recent consolidated financial statements of the Parent Guarantor provided to the Trustee pursuant to "—Covenants—Reports to Holders" (or required to be provided thereunder); and (C) after giving effect to such non-guarantor designation, (i) the total assets of all Guarantors (measured on a combined basis) as of the last day of the relevant fiscal quarter most recently ended prior to such date of determination is equal to or exceeds 90.0% of the Parent Guarantor's Total Assets, and (ii) the total combined Consolidated EBITDA of all Guarantors for the relevant fiscal quarter most recently ended prior to such date of determination is equal to or exceeds 90.0% of the Parent Guarantor's Consolidated EBITDA, in each of (C)(i) and (C)(ii) on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses, assets or operations by the Parent Guarantor and its Restricted Subsidiaries subsequent to the last day of the relevant fiscal quarter and on or prior to the date of such non-guarantor designation.

In addition, any Restricted Subsidiary may become a Guarantor at any time by executing a supplemental indenture providing for its Note Guarantee and the Issuer shall deliver an Opinion of Counsel and Officers' Certificate to the Trustee.

Release of Guarantors

Each Guarantor will be released and relieved of its obligations (or in the case of Covenant Defeasance, defeasance of certain of its obligations) under its Note Guarantee in the event:

(1) there is a Legal Defeasance or a Covenant Defeasance of the notes as described under "—Legal Defeasance and Covenant Defeasance";

(2) with respect to a Subsidiary Guarantor, there is a sale or other disposition or transfer to any Person, other than to the Parent Guarantor or another Subsidiary of the Parent Guarantor, of the Capital Stock or all or substantially all of the assets, of a Subsidiary Guarantor (which sale, disposition or transfer is not prohibited under the Indenture); *provided* that, in the case of a sale, disposition or transfer of Capital Stock, such Subsidiary Guarantor ceases to be a direct or indirect Subsidiary of the Parent Guarantor;

(3) solely in the case of a Note Guarantee created pursuant to the covenant of the Indenture described under "—Limitation on Guarantees," upon the release or discharge of the Indebtedness or Guarantee that resulted in the creation of such Note Guarantee pursuant to that covenant, except a discharge or release by or as a result of payment under such Indebtedness or Guarantee;

(4) with respect to a Subsidiary Guarantor, the designation in accordance with the Indenture of such Subsidiary Guarantor as a non-guarantor Restricted Subsidiary pursuant to the third paragraph of the covenant described under "—Future Guarantors";

(5) with respect to a Subsidiary Guarantor, upon the final liquidation or dissolution of such Subsidiary Guarantor; or

(6) with respect to a Subsidiary Guarantor, such Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

provided, that the transaction is carried out pursuant to and in accordance with all other applicable provisions of the Indenture and no Default or Event of Default occurs as a result thereof or has occurred and is continuing.

Optional Redemption

Except as stated below and under "Change of Control," the Issuer may not redeem the notes.

Optional Redemption without a Make-Whole Amount. On or after January 21, 2024, the Issuer may redeem the notes, at its option, in whole at any time or in part from time to time upon at least 10 days' but not more than 60 days' notice to the holders of the notes, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on January 21, of any year set forth below, *plus* accrued and unpaid interest and any Additional Amounts due thereon up to but not including the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date):

Year	Percentage
2024	102.750%
2025	101.375%
2026 and thereafter	100.000%

Optional Redemption with Make-Whole Amount. Prior to January 21, 2024, the Issuer may redeem the notes, at its option, in whole at any time or in part from time to time, upon at least 10 days' but not more than 60 days' notice to the holders of the notes, at a redemption price equal to 100.0% of the principal amount of such notes, plus the Make-Whole Amount, *plus* accrued and unpaid interest and any Additional Amounts due thereon up to but not including the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date). The Trustee shall have no duty to calculate or verify the Make-Whole Amount.

"Make-Whole Amount" means, with respect to any note on any redemption date, the greater of: (a) 1.00% of the principal amount of such note on such redemption date and (b) the excess of:

(1) the present value at such redemption date of (x) the redemption price of such note on January 21, 2024 (such redemption price being described in the table above under "—Optional Redemption without a Make-Whole Amount" exclusive of any accrued interest), *plus* (y) all required interest payments that would otherwise be due to be paid on such note during the period between the redemption date and January 21, 2024 (excluding accrued but unpaid interest), discounted to the

redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at the applicable Comparable Government Bond Rate plus 50 basis points; over

(2) the outstanding principal amount of the note.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, the German government bond (*Bundesanleihe*) selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro-denominated corporate debt securities of a comparable maturity to January 21, 2024.

"Comparable Government Bond Price" means, with respect to any redemption date for the notes, (1) the arithmetic average as determined by the Independent Investment Banker of the Reference Government Bond Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Government Bond Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"Comparable Government Bond Rate" means, with respect to any redemption date for the notes, the rate per annum equal to the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third Business Day prior to the date fixed for redemption, calculated in accordance with customary financial practice in pricing new issues of comparable corporate debt securities paying interest on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) of the Comparable Government Bond, calculated using a price for the Comparable Government Bond (expressed as a percentage of its principal amount) equal to the Comparable Government Bond Price for such redemption date. The Comparable Government Bond Rate will be calculated by the Independent Investment Banker and reported to the Issuer on the third Business Day preceding the redemption date.

"Independent Investment Banker" means one of the Reference Government Bond Dealers appointed by the Issuer.

"Reference Government Bond Dealer" means each of Merrill Lynch International, ING Bank N.V., Banco Santander S.A. and Société Générale, or their respective affiliates or successors which are primary German bund dealers, and at least another leading primary German bund dealer reasonably designated by the Issuer; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary German bund dealer, the Issuer shall substitute therefor another primary German bund dealer.

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Government Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Government Bond Dealer at 11:00 a.m., Central European Time (CET), on the third Business Day preceding such redemption date.

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to January 21, 2024, the Issuer may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the notes issued under the Indenture at a redemption price equal to 105.500% of the principal amount thereof, *plus* accrued and unpaid interest and any Additional Amounts due thereon up to but not including the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes issued under the Indenture (including any Additional Notes) remains outstanding; and

(2) the Issuer shall make such redemption not more than 60 days after the consummation of such Equity Offering.

"Equity Offering" means a public or private offering for cash occurring after the Issue Date, of Qualified Capital Stock of the Parent Guarantor, any Restricted Subsidiary thereof or any direct or indirect parent of the Parent Guarantor (to the extent the proceeds thereof are contributed to the common equity of the Parent Guarantor or such Restricted Subsidiary).

Optional Tax Redemption. If, as a result of any amendment to or change in, the laws (or any rules or regulations or rulings promulgated thereunder) of a Relevant Jurisdiction, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change in such laws, rules, regulations or rulings promulgated thereunder becomes effective on or after the Issue Date (which, in the case of a merger, consolidation or other transaction permitted and described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets" that results in an additional Relevant Jurisdiction shall be treated for this purpose as the date of such transaction), we have become obligated or will become obligated, in each case, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those payable with respect to the notes as of the Issue Date (see "—Additional Amounts" and "Taxation"), then, at the Issuer's option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, *plus* accrued and unpaid interest and any Additional Amounts due thereon up to but not including the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated but for such redemption to pay these Additional Amounts if a payment on the notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to giving any notice of redemption to the holders pursuant to this provision, we will deliver to the Trustee:

- an Officers' Certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent, described above, to the Issuer's right to redeem the notes have occurred, and

- an opinion of legal counsel (which may be the Issuer's outside counsel) of recognized standing in the Relevant Jurisdiction to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice of redemption for changes in withholding taxes, once delivered by us to the holders, will be irrevocable and, upon its delivery to the holders, the Issuer shall be obligated to redeem the notes at the price set forth therein.

The foregoing provisions shall apply (a) to a Guarantor only at or after such time as such Guarantor is obligated to make any payment on the notes as a result of the enforcement of its Note Guarantee and (b) mutatis mutandis to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change in, the laws (or any rules or regulations or rulings promulgated thereunder) of a Relevant Jurisdiction, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, occurring after the time such successor Person becomes a party to the Indenture.

Optional Redemption Procedures. If less than all of the notes are to be redeemed at any time, the global notes to be redeemed shall be selected in accordance with the procedures of Euroclear and Clearstream, or, in the case of certificated, non-global notes, notes to be redeemed shall be selected by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a pro rata basis or by any other method as may be required. No notes of a principal amount of €100,000 or less may be redeemed in part and notes of a principal amount in excess of €100,000 may be redeemed in multiples of €1,000 only.

Notice of any redemption will be given at least 10 but not more than 60 days before the redemption date to each holder of notes to be redeemed (with a copy to the Trustee) in accordance with the provisions described under "—Certain Covenants—Notices." If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Issuer will pay the redemption price for any note together with accrued and unpaid interest thereon to but not including the date of redemption. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Issuer has deposited with the Principal Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any notes by the Issuer, such redeemed notes will be cancelled.

We will give notice to Euroclear and Clearstream pursuant to the provisions described under "—Notices" of any redemption we propose to make.

Open Market Purchases. In addition to the Issuer's right to redeem the notes as set forth above, the Issuer may purchase the notes in open-market transactions, tender offers or otherwise at any price, in compliance with applicable securities laws. Upon such purchase of the notes by the Issuer, the purchased notes will be surrendered to the Trustee for cancellation.

Change of Control

Upon the occurrence of a Change of Control Event, each holder of notes will have the right to require that the Issuer purchase all or a portion (in minimum principal amounts of €100,000 or an integral multiple of €1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, *plus* accrued and unpaid interest thereon to but not including the date of purchase (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control Event occurred, the Issuer must give a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Offer"). The Change of Control Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is given, other than as may be required by law (the "Change of Control Payment Date").

On the Business Day prior to the Change of Control Payment Date, the Issuer will, to the extent lawful deposit with the Principal Paying Agent funds in an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer; and

(2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Issuer.

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all notes properly tendered and not withdrawn pursuant to the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

In the event that holders of not less than 90% of the aggregate principal amount of the outstanding notes accept a Change of Control Offer and the Issuer or a third party purchases all of the notes held by such holders, the Issuer will have the right, on not less than 10 nor more than 60 days' prior notice, given not more than 30 days following the Change of Control Payment Date described above, to redeem all of the notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Payment *plus*, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any, on the notes that remain outstanding, to but not including the date of redemption (subject to the right of holders of notes on the relevant record date to receive interest due on the relevant interest payment date).

Other existing and future Indebtedness of the Issuer may contain prohibitions on the occurrence of events that would constitute a Change of Control Event or require that Indebtedness to be repurchased upon a Change of Control Event. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the notes upon a Change of Control Event could cause a default under such Indebtedness even if the Change of Control Event itself does not.

If a Change of Control Offer occurs, there can be no assurance that the Issuer will have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by holders seeking to accept the Change of Control Offer. In the event the Issuer is required to purchase outstanding notes pursuant to a Change of Control Offer, the Issuer expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations in respect of Senior Indebtedness. However, there can be no assurance that the Issuer would be able to obtain necessary financing.

The Change of Control Event purchase feature of the notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control Event purchase feature is a result of negotiations between the Initial Purchasers and us. Holders will not be entitled to require the Issuer to purchase their notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control Event. In addition, clause (2) of the definition of "Change of Control" includes the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Issuer, determined on a consolidated basis. Although there is a limited body of case law interpreting the phrase "substantially all," there is no established definition of how this phrase is to be interpreted under applicable law. Accordingly, the application of this provision is uncertain.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all notes validly tendered and not validly withdrawn under such Change of Control Offer.

A Change of Control Offer may be made in advance of a Change of Control Event, conditioned upon the occurrence of such Change of Control Event, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

A Change of Control Offer may be made at the same time as consents are solicited with respect to an amendment, supplement or waiver of the provisions of the Indenture, the notes and/or Note Guarantees (but the Change of Control Offer may not condition tenders on the delivery of such consents).

Except as otherwise stated under "Modification of the Indenture," certain provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the notes as a result of a Change of Control Event may be waived or modified at any time prior to the occurrence of a Change of Control Event with the written consent of the holders of a majority in principal amount of the outstanding notes.

Certain Covenants

Suspension of Covenants

During any period of time that (i) the notes have Investment Grade Ratings from at least two of the three Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event"), the Parent Guarantor, the Issuer and the other Restricted Subsidiaries will not be subject to the provisions of the Indenture described under the following sections of this "Description of the Notes" (collectively, the "Suspended Covenants"):

- "—Limitation on Incurrence of Additional Indebtedness";
- "—Limitation on Guarantees";
- "—Limitation on Restricted Payments";
- "—Limitation on Asset Sales and Sales of Subsidiary Stock";
- "—Limitation on Designation of Unrestricted Subsidiaries";
- "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";
- clause (b) of "—Limitation on Merger, Consolidation or Sale of Assets";
- "—Limitation on Transactions with Affiliates"; and
- "—Conduct of Business."

In the event that the Parent Guarantor, the Issuer and the other Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") the notes no longer have Investment Grade Ratings from at least two of the Rating Agencies, then the Parent Guarantor, the Issuer and the other Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the suspension date and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness" below or one of the clauses set forth in paragraph (2) of "—Limitation on Incurrence of Additional Indebtedness" below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to paragraph (1) or (2) of "—Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of paragraph (2) of "—Limitation on Incurrence of Additional Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Limitation on Restricted Payments" will be made as though the covenant described under "—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted

Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of "—Limitation on Restricted Payments."

The Issuer will give the Trustee written notice of any Covenant Suspension Event and in any event not later than ten Business Days after such Covenant Suspension Event has occurred. In the absence of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. The Issuer will give the Trustee written notice of any occurrence of a Reversion Date not later than five Business Days after such Reversion Date. After any such notice of the occurrence of the Reversion Date, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. The Trustee shall have no duty to monitor the ratings of the notes, shall not be deemed to have any knowledge of the ratings of the notes and shall have no duty to notify holders if the notes achieve Investment Grade Ratings.

Limitation on Incurrence of Additional Indebtedness

(1) The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, unless at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom, (x) the Consolidated Fixed Charge Coverage Ratio of the Issuer is greater than 2.0 to 1.0, and (y) the Consolidated Net Leverage Ratio of the Issuer is lower than (i) 5.25 to 1.0, if such Incurrence occurs prior to July 1, 2022, (ii) 4.5 to 1.0, if such Incurrence occurs on or after July 1, 2022, but prior to July 1, 2023, (iii) 4.0 to 1.0, if such Incurrence occurs on or after July 1, 2023, but prior to July 1, 2024, and (iv) 3.75 to 1.0, if such Incurrence occurs on or after July 1, 2024.

(2) Notwithstanding paragraph (1) above, the Parent Guarantor, the Issuer and the other Restricted Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the notes (including any Note Guarantee in respect thereof) excluding Additional Notes;

(b) Guarantees by the Parent Guarantor, the Issuer or any other Restricted Subsidiary of Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary permitted under the Indenture;

(c) other Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary outstanding on the Issue Date (including additional Indebtedness in a principal amount not to exceed an amount equal to the Reference Unused Commitment (which additional Indebtedness in a principal amount not to exceed an amount equal to the Reference Unused Commitment shall be deemed to be Indebtedness outstanding on the Issue Date for purposes of this clause (c))), other than Indebtedness otherwise specified under any of the other clauses of this definition of "Permitted Indebtedness";

(d) Hedging Obligations entered into by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in the ordinary course of business and not for speculative purposes, including Hedging Obligations in respect of the notes or Additional Notes;

(e) intercompany Indebtedness between the Parent Guarantor, the Issuer or any other Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:

(A) if the Parent Guarantor, the Issuer or any other Restricted Subsidiary is the obligor on any such Indebtedness owed to a Restricted Subsidiary that is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, in the case of the Issuer, or such Guarantor's Note Guarantee, in the case of any such Guarantor; *provided* that the Parent Guarantor, the Issuer, its parent companies and any Guarantor shall agree to vote such Indebtedness, or provide their consents in connection with such

Indebtedness, in any Mexican or Spanish Restructuring, in a manner that is consistent with the vote of, or the consents provided by, the holders of the notes and other unaffiliated creditors of the same class as the notes; and

(B) in the event that at any time any such Indebtedness ceases to be held by the Parent Guarantor, the Issuer or any other Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (e) at the time such event occurs;

(f) Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;

(g) Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary in respect of judicial or administrative proceedings (such as bonds or fianzas), workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self-insurance obligations, performance, bid, surety and similar bonds and completion Guarantees (not for borrowed money) provided in the ordinary course of business;

(h) Capitalized Lease Obligations or Purchase Money Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary, in each case Incurred for the purpose of acquiring or financing all or any part of the purchase price or cost of construction or improvement of property or equipment used in the business of the Parent Guarantor, the Issuer or such other Restricted Subsidiary in an aggregate principal amount outstanding at any one time not to exceed the greater of (x) U.S.$200 million and (y) 10.0% of Consolidated Net Tangible Assets of the Parent Guarantor and its Restricted Subsidiaries;

(i) Indebtedness in respect of bid, performance or surety bonds or *fianzas* in the ordinary course of business for the account of the Parent Guarantor, the Issuer or any other Restricted Subsidiary, including Guarantees or obligations of the Parent Guarantor, the Issuer or any other Restricted Subsidiary with respect to letters of credit or *fianzas* supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);

(j) Refinancing Indebtedness in respect of:

(A) Indebtedness (other than Indebtedness owed to the Parent Guarantor, the Issuer or any Subsidiary of the Parent Guarantor) Incurred pursuant to paragraph (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such paragraph (1) above), or

(B) Indebtedness Incurred pursuant to clause 2(a) or 2(c) of this covenant (excluding Indebtedness owed to the Parent Guarantor, the Issuer or any Subsidiary of the Parent Guarantor) above;

(k) Indebtedness arising from agreements of the Parent Guarantor, the Issuer or any other Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business or assets of the Parent Guarantor or Issuer or any business, assets or Capital Stock of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided that:

(A) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to subsequent changes in value) actually received by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in connection with such disposition; and

(B) such Indebtedness is not reflected on the balance sheet of the Parent Guarantor, the Issuer or any other Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (k));

(l) Permitted Acquisition Indebtedness; and

(m) In addition to the items referred to in clauses (a) through (l) above, Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) U.S.$200 million and (y) 10.0% of Consolidated Net Tangible Assets of the Parent Guarantor and its Restricted Subsidiaries at any one time outstanding.

(3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(n) The amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

(o) The accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; provided that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of paragraph (2) of this covenant will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

(p) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

(q) In the event that Indebtedness meets the criteria of more than one of the clauses of Permitted Indebtedness described above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify such Indebtedness at the time of its Incurrence in any manner that complies with this covenant. In addition, any Indebtedness originally classified as Incurred pursuant to any clause of Permitted Indebtedness may later be reclassified by the Issuer, in its sole discretion, such that it will be deemed to be Incurred pursuant to another of such clauses to the extent that such reclassified Indebtedness could be Incurred pursuant to such other clause at the time of such reclassification.

(r) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, principal amount of Indebtedness denominated in a currency other than U.S. dollars shall be the U.S. Dollar Equivalent thereof. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent Guarantor, the Issuer or any other Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.

(s) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of particular amount of Indebtedness will not be included.

Limitation on Guarantees

The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries that is not a Guarantor to Guarantee any Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary or to secure any Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary with a Lien on the assets of the Issuer or such Restricted Subsidiary in excess of U.S.$10 million, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the notes, as the case may be, on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed or secured; *provided* that the foregoing shall not apply to any Guarantees or Liens in respect of Indebtedness existing as of the Issue Date or at the time such Person became a Restricted Subsidiary, as applicable; *provided*, *further*, that (i) such Restricted Subsidiary's Note Guarantee will be limited to the maximum amount that would not result in a breach or violation by such Restricted Subsidiary of any provision of any agreement to which it is party existing at the time of Incurrence of such Guarantee or creation of such security interest; *provided*, *further*, that such provision was not adopted to avoid Guaranteeing the notes or the Indenture, and (ii) such Restricted Subsidiary shall not be required to become a Guarantor and execute any such supplemental indenture if the execution or enforcement of such supplemental indenture and the resultant Note Guarantee thereunder is (x) prohibited by, or in violation of, any applicable law to which such Restricted Subsidiary is subject, or (y) prohibited or prevented by the existence of, or exercise of equity holder rights by, any of the minority equity holders (other than the Parent Guarantor, the Issuer, its Subsidiaries or their Affiliates) of any such Restricted Subsidiary (or the minority equity holder of a Person controlling such Restricted Subsidiary) and, in each case, the Issuer has delivered to the Trustee an Opinion of Counsel to that effect.

Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiaries will be subordinated and junior in right of payment to the contemporaneous Note Guarantee by such Restricted Subsidiary.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Parent Guarantor, the Issuer or any other Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Parent Guarantor;
- dividends or distributions payable to the Parent Guarantor, the Issuer and/or a Restricted Subsidiary; or
- dividends, distributions or returns of capital made on a pro rata basis to the Parent Guarantor, the Issuer and any Restricted Subsidiary, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value:

- any Capital Stock of the Parent Guarantor, or
- any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Parent Guarantor (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except

for Capital Stock held by the Parent Guarantor or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a pro rata basis from the Parent Guarantor and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Restricted Subsidiary;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness (excluding (x) any intercompany Indebtedness between or among the Parent Guarantor, the Issuer and/or any Restricted Subsidiaries or (y) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate to the notes or any Note Guarantee, as the case may be, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of such date of purchase, repurchase or acquisition); or

(d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Parent Guarantor or the Issuer is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness"; or

(3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, less any Investment Return calculated as of the date thereof, shall exceed the sum of:

(A) 50% of cumulative Consolidated Net Income of the Parent Guarantor or, if such cumulative Consolidated Net Income of the Parent Guarantor is a loss, *minus* 100% of the loss, accrued during the period, treated as one accounting period, beginning on the first day of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Parent Guarantor is available; *plus*

(B) 100% of the aggregate net cash proceeds received by the Parent Guarantor from any Person from any:

– contribution to the equity capital of the Parent Guarantor (not representing an interest in Disqualified Capital Stock) or issuance and sale of Qualified Capital Stock of the Parent Guarantor, in each case, subsequent to the Issue Date, or

– issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Parent Guarantor or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Parent Guarantor,

excluding, in each case, any net cash proceeds:

(w) received from a Subsidiary of the Parent Guarantor;

(x) used to redeem notes under "—Optional Redemption—Optional Redemption Upon Equity Offerings";

(y) used to acquire Capital Stock or other assets from an Affiliate of the Parent Guarantor or a Permitted Holder; or

(z) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below;

plus

(C) U.S.$10 million.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or giving of the redemption notice, as the case may be, if the dividend or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph; *provided* that such redemption shall be included (without duplication for the declaration) in the calculation of the amount of Restricted Payments;

(2) the acquisition of any Shares of Capital Stock of the Parent Guarantor,

(x) in exchange for Qualified Capital Stock of the Parent Guarantor, or

(y) through the application of net proceeds received by the Parent Guarantor (whether in whole or in part) from a substantially concurrent sale of Qualified Capital Stock of the Parent Guarantor or a contribution to the equity capital of the Parent Guarantor not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Parent Guarantor;

provided that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net proceeds shall be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Parent Guarantor, of:

(x) Qualified Capital Stock of the Parent Guarantor; or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

provided that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net proceeds referred to above shall be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(4) repurchases by the Parent Guarantor of Common Stock of the Parent Guarantor or options, warrants or other securities exercisable or convertible into Common Stock of the Parent Guarantor from any current or former employees or directors or consultants of the Parent Guarantor or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees, officers or directors, or the termination of retention of any such consultant, in an amount not to exceed U.S.$10 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) plus the cash proceeds of key man life insurance policies received by the Parent Guarantor , the Issuer and any other Restricted Subsidiary;

(5) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants;

(6) the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Parent Guarantor or any Restricted Subsidiary issued on or after the Issue Date in accordance with the test set forth in paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness";

(7) upon the occurrence of a Change of Control Event and within 90 days after the completion of the offer to repurchase the notes pursuant to the covenant described under "—Change of Control" above, any repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Issuer or any Guarantor required pursuant to the terms thereof as a result of such Change of Control Event; provided that (A) the terms of such purchase or redemption are substantially similar in all material respects to the comparable provision included in the Indenture, and (B) at the time of such purchase or redemption no Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Parent Guarantor of fractional shares arising out of stock dividends, splits or combinations or business combinations;

(9) repurchases by the Parent Guarantor of Common Stock pursuant to the Parent Guarantor's stock repurchase plan (programa de recompra), as recommended in good faith by the Board of Directors of the Parent Guarantor and approved by the shareholders of the Parent Guarantor from time to time; and

(10) if no Default or Event of Default has occurred and is continuing or would exist after giving pro forma effect thereto, Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (10), does not exceed U.S.$10 million in any calendar year (with unused amounts in any calendar year being carried over to the next succeeding calendar year subject to a maximum distribution of U.S.$10 million under this clause (10) in such succeeding calendar year).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend) (4), (7) and (9) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (6), (8) and (10) above shall not be included in such calculation.

Limitation on Asset Sales and Sales of Subsidiary Stock

The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Parent Guarantor, the Issuer or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets (measured at the time of contractually agreeing to such Asset Sale) sold or otherwise disposed of, and

(b) at least 75% of the consideration received for the assets sold by the Parent Guarantor, the Issuer or the applicable Restricted Subsidiary, as the case may be, in the Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale.

For purposes of this clause (b), the following are deemed to be cash:

(i) Indebtedness and other liabilities shown on the most recent consolidated balance sheet of the Parent Guarantor prior to the date of such Asset Sale (other than Subordinated Indebtedness) that are (i) assumed by the transferee of any such assets (or a third party in connection with such transfer) or (ii) otherwise cancelled or terminated in connection with the transaction with such transferee (other than the intercompany debt owed to the Parent Guarantor, the Issuer or a Restricted Subsidiary (other than the Restricted Subsidiary subject to the Asset Sale)), and as a result of which the Parent Guarantor, the Issuer and the applicable Restricted Subsidiaries are released from all liability in connection therewith at the time of such Asset Sale;

(ii) any securities, notes or other obligations received by the Parent Guarantor, the Issuer or any such Restricted Subsidiary from such transferee that are converted, sold or exchanged by the Parent Guarantor, the Issuer or such other Restricted Subsidiary into cash or Cash Equivalents within 180 days, to the extent of the cash or Cash Equivalents received in that conversion, sale or exchange;

(iii) Indebtedness of any Restricted Subsidiary that ceases to be a Restricted Subsidiary as a result of such Asset Sale (other than intercompany debt owed to the Parent Guarantor, the Issuer or any other Restricted Subsidiary), to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Sale; and

(iv) any Investment, Capital Stock, assets, property or capital or other expenditure of the kind referred to in clause (c) of the following paragraph.

The Parent Guarantor, the Issuer or any such other Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(a) repay any Senior Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary (including, without limitation, Capitalized Lease Obligations);

(b) make capital expenditures in a Permitted Business, or

(c) purchase

(1) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in a Permitted Business, or

(2) all or substantially all of the assets of, or any Capital Stock of, a Person engaged solely in a Permitted Business if, after giving effect to any such acquisitions of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary from a Person other than the Parent Guarantor, the Issuer and any Restricted Subsidiary; *provided* that, in the case of clauses (1) and (2), a binding commitment to acquire such assets or such Capital Stock shall be deemed a permitted application of such Net Cash Proceeds hereunder, so long as (i) the Parent Guarantor, the Issuer or such Restricted Subsidiary enters into such binding commitment within 365 days after receipt of such Net Cash Proceeds, (ii) such binding commitment is subject only to customary conditions and (iii) such acquisition is consummated within six months from the date of signing such binding commitment.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within 365 days of the Asset Sale as set forth in clause (a) or (b) (or, in the case of clause (c) only, within such longer period set forth therein) of the immediately preceding paragraph, the Issuer will make an offer to purchase notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the notes to be purchased, *plus* accrued and unpaid interest thereon, to but not including the date of purchase (the "Asset Sale Offer Amount"). The Issuer will purchase pursuant to an Asset Sale Offer from all tendering holders on a pro rata basis, and, at the Issuer's option, on a pro rata basis with the holders of any other Senior Indebtedness with similar provisions requiring the Issuer to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Issuer may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale. The Issuer may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.$20 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of U.S.$20 million, will be applied as required pursuant to this covenant. Pending application in accordance with this covenant, Net Cash Proceeds will be applied to temporarily reduce revolving credit borrowings that can be reborrowed or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be given to the record holders of notes in accordance with the provisions described under "—Certain Covenants—Notices" within 20 days following such 365th day, with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is given, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, holders of notes may elect to tender their notes in whole or in part in amounts of €100,000 or integral multiples of €1,000 in excess thereof in exchange for cash. The principal amount of the notes accepted for purchase in an Asset Sale Offer shall not exceed the Asset Sale Offer Amount. If notes validly tendered in an Asset Sale Offer exceed the Asset Sale Offer Amount, such tendered notes will be subject to proration.

At least one Business Day prior to the Asset Sale Offer Payment Date, the Issuer will, to the extent lawful deposit with the Principal Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered.

On the Asset Sale Offer Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered pursuant to the Asset Sale Offer; and

(2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Issuer.

To the extent holders of notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Issuer will purchase the notes and the other Senior Indebtedness on a pro rata basis (based on amounts tendered). If only a portion of a note is purchased pursuant to an Asset Sale Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Issuer will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Parent Guarantor, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited by the Indenture.

In the event of the transfer of substantially all (but not all) of the property and assets of the Parent Guarantor and its Restricted Subsidiaries (including the Issuer) as an entirety to a Person in a transaction permitted under "—Limitation on Merger, Consolidation and Sale of Assets," the Surviving Entity will be deemed to have sold the properties and assets of the Parent Guarantor, the Issuer and the other Restricted Subsidiaries not so transferred for purposes of this covenant, and will comply with the provisions of this covenant with respect to the deemed sale as if it were an Asset Sale. In addition, the Fair Market Value of properties and assets of the Parent Guarantor, the Issuer or any other Restricted Subsidiary so deemed to be sold will be deemed to be Net Cash Proceeds for purposes of this covenant.

If at any time any non-cash consideration received by the Parent Guarantor, the Issuer or any other Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition will be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof will be applied in accordance with this covenant within 365 days of conversion or disposition.

Limitation on Designation of Unrestricted Subsidiaries

The Parent Guarantor may designate after the Issue Date any Subsidiary of the Parent Guarantor (other than the Issuer) as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation and any transactions between the Parent Guarantor, the Issuer or any of the other Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "—Limitation on Transactions with Affiliates";

(2) at the time of and after giving effect to such Designation, the Parent Guarantor could Incur U.S.$1.00 of additional Indebtedness pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness";

(3) the Parent Guarantor would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of "—Limitation on Restricted Payments" in an amount (the "Designation Amount") equal to the amount of the Parent Guarantor's Investment in such Subsidiary on such date;

and at the time of such Designation, neither the Parent Guarantor, the Issuer nor any other Restricted Subsidiary will:

(1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of such Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(2) be directly or indirectly liable for any Indebtedness of such Unrestricted Subsidiary; or

(3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of such Unrestricted Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Issuer or any Restricted Subsidiary of the Capital Stock of such Unrestricted Subsidiary.

The Parent Guarantor may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) No Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

The Designation of a Subsidiary of the Parent Guarantor as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a Board Resolution of the Parent Guarantor, certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of the Issuer or any other Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Issuer or any other Restricted Subsidiary or pay any Indebtedness owed to the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Parent Guarantor, the Issuer or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Parent Guarantor, the Issuer or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order;

(2) the Indenture, the notes and the Note Guarantees;

(3) the terms of any Indebtedness outstanding on, and other contractual restrictions in effect as of, the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or Refinancing thereof; *provided* that any amendment, modification, restatement, renewal, restructuring, replacement or Refinancing is not, in the good faith judgment of the Parent Guarantor or Issuer, as applicable, materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of the Issuer or any other Restricted Subsidiary, or any customary restriction on the ability of the Issuer or any other Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;

(5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(6) restrictions with respect to the Issuer or any other Restricted Subsidiary imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of the Issuer or such other Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of the Issuer or such other Restricted Subsidiary being sold;

(7) customary restrictions imposed on the transfer of copyrighted or patented materials;

(8) an agreement governing Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant set forth under "—Limitation on Incurrence of Additional Indebtedness"; *provided* that, the provisions relating to such encumbrance or restriction contained in such agreement are not materially more restrictive, taken as a whole, than those contained in the agreement referred to in clause (3) as determined in good faith by the Issuer or, in the case of Indebtedness Incurred pursuant to this clause (8) to Refinance Acquired Indebtedness, no materially more restrictive, taken as a whole, than those contained in the agreement referred to in clause (5) of this paragraph as determined in good faith by the Parent Guarantor;

(9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of paragraph (a) above;

(10) Liens permitted to be incurred under the provisions of the covenant described below under the caption "—Limitation on Liens" that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(11) provisions limiting the payment of dividends in the organizational documents, shareholders' agreements, joint venture agreements, agreements governing Indebtedness or similar documents of, or related to, the Issuer or any other Restricted Subsidiary that are not Wholly Owned Subsidiaries and which have been entered into (A) in the ordinary course of business and (B) with the approval of the Parent Guarantor or the Issuer's Board of Directors; or

(12) restrictions on cash deposited with banks in the ordinary course of business consistent with past practice.

Limitation on Liens

The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made:

(1) in the case of the Issuer or any non-Guarantor Restricted Subsidiary, to secure the notes and all other amounts due under the Indenture; and

(2) in the case of a Guarantor, to secure such Guarantor's Note Guarantee of the notes and all other amounts due under the Indenture;

in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the notes or such Note Guarantee, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Parent Guarantor and the Issuer will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Parent Guarantor or the Issuer is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Parent Guarantor's or the Issuer's properties and assets (determined on a consolidated basis for the Parent Guarantor or the Issuer and the applicable Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Parent Guarantor or the Issuer, as applicable, shall be the surviving or continuing corporation, or

(2) the Person (if other than the Parent Guarantor or the Issuer, as applicable) formed by such consolidation or into which the Parent Guarantor or Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Parent Guarantor or the Issuer and of the applicable Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) shall be a corporation organized and validly existing under the laws of Mexico, the United States, any State thereof or the District of Columbia or any other country that is a member country of the European Union or of the Organization for Economic Cooperation and Development (each a "Permitted Jurisdiction");

(B) shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, (x) the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of every covenant of the notes and the Indenture on the part of the Issuer to be performed or observed and (y) to pay Additional Amounts, if any; and

(C) in the case of a transaction involving the Issuer, the Surviving Entity shall be a Subsidiary of the Parent Guarantor; and

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Parent Guarantor, the Issuer or such Surviving Entity, as the case may be, will be able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness";

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

(d) each Guarantor (including Persons that become Guarantors as a result of the transaction and the Surviving Entity in a transaction involving the Parent Guarantor) has confirmed by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity or the Issuer, as applicable, in respect of the Indenture and the notes;

(e) the Issuer or the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each of the United States, Mexico, Spain or any such other country, as the case may be, to the effect that, as applicable:

(i) the holders of the notes (a) will not recognize income, gain or loss for income tax purposes as a result of the transaction and (b) will be taxed in the jurisdiction of organization or residence (for tax purposes) of the Issuer or the Surviving Entity, as applicable, in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are required to be paid on the notes) and at the same time as would have been the case if the transaction had not occurred;

(ii) any payment of interest or principal under or relating to the notes or any Note Guarantee will be paid in compliance with any requirements under "—Additional Amounts"; and

(iii) no other taxes on income, including capital gains, will be payable by holders of the notes under the laws of the United States, Mexico, Spain or such other country relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and is not deemed to use or hold the notes in carrying on a business in such jurisdiction, and

(f) the Issuer or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction (and the execution of the supplemental indenture, if any) have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of the Restricted Subsidiaries of the Parent Guarantor or the Issuer or the Capital Stock of which constitutes all or substantially all of the properties and assets of the Parent Guarantor or the Issuer (determined on a consolidated basis for the Parent Guarantor or the Issuer and their applicable Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Parent Guarantor or the Issuer, as applicable, unless such transfer is to the Parent Guarantor, the Issuer or to a Guarantor.

The provisions of clauses (b) and (c) above will not apply to:

(1) any transfer of the properties or assets of a Restricted Subsidiary (other than the Issuer) to the Issuer, a Guarantor or another Restricted Subsidiary;

(2) any merger of a Restricted Subsidiary (other than the Issuer) into the Issuer or a Guarantor, or the Issuer into the Parent Guarantor; or

(3) any merger of the Parent Guarantor, the Issuer or any other Restricted Subsidiary into (i) a Wholly Owned Subsidiary of the Parent Guarantor created for the purpose of holding the Capital Stock, the properties or assets of the Parent Guarantor, or (ii) a Restricted Subsidiary, as the case may be, so long as, in each case the Indebtedness of the Parent Guarantor and its Restricted Subsidiaries taken as a whole is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Parent Guarantor or the Issuer and the applicable Restricted Subsidiaries, taken as a whole, in accordance with this covenant, in which the Parent Guarantor or the Issuer, as applicable is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Parent Guarantor or the Issuer is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Parent Guarantor or the Issuer, as applicable, under the Indenture and the notes with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Issuer (including a Surviving Entity, if applicable) under "—Change of Control," if applicable.

No Subsidiary Guarantor will, and the Parent Guarantor will not cause or permit the Issuer or any Subsidiary Guarantor to, consolidate with or merge into, or sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions to, any Person (other than the Parent Guarantor or the Issuer) that is not a Subsidiary Guarantor unless immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing and:

(1) such Person (if other than such Subsidiary Guarantor) assumes all of the obligations of such Subsidiary Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture;

(2) such Note Guarantee is to be released as provided under "—Note Guarantees"; or

(3) such sale or other disposition of substantially all of such Subsidiary Guarantor's assets is made in accordance with "—Limitation on Asset Sales and Sales of Subsidiary Stock."

Limitation on Transactions with Affiliates

(1) The Parent Guarantor will not, and will not cause or permit the Issuer or any of its other Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Parent Guarantor;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$20 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Parent Guarantor (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$30 million, the Parent Guarantor will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Parent Guarantor, the Issuer and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Parent Guarantor and any Wholly Owned Subsidiary or between or among Wholly Owned Subsidiaries;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Parent Guarantor, the Issuer or any Restricted Subsidiary as determined in good faith by the Parent Guarantor's Board of Directors;

(c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification, extension or replacement of such agreement (so long as such amendment, modification, extension or replacement is not materially more disadvantageous to the holders of notes, taken as a whole, than the original agreement as in effect on the Issue Date);

(d) any Restricted Payments made in compliance with "—Limitation on Restricted Payments";

(e) loans and advances to officers, directors and employees of the Parent Guarantor, the Issuer or any other Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding U.S.$2 million outstanding at any one time; and

(f) any issuance of Capital Stock (other than Disqualified Capital Stock) of the Parent Guarantor to Affiliates of the Parent Guarantor or to any director, officer, employee or consultant of the Parent Guarantor, and the granting and performance of registration rights.

Conduct of Business

The Parent Guarantor, the Issuer and the other Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders

So long as any notes are outstanding, the Parent Guarantor will furnish to the Trustee:

(a) Within 120 days following the end of each of the Parent Guarantor's fiscal years, information (presented in the English language) including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section with scope and content substantially similar to the corresponding section of this offering memorandum (after taking into consideration any changes to the business and operations of the Parent Guarantor after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Parent Guarantor for the two most recent fiscal years in accordance with IFRS, which need not, however, comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Parent Guarantor's independent auditors; and

(b) Within 60 days following the end of the first three fiscal quarters in each of the Parent Guarantor's fiscal years, quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for the Parent Guarantor and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with IFRS, which need not, however, comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language).

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, the Parent Guarantor and the Issuer, as applicable, shall furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act by Persons who are not "affiliates" under the Securities Act.

In addition, if and so long as the notes are admitted to listing on the SGX-ST and to trading on the Official List of the SGX-ST and the rules of the SGX-ST so require, copies of such reports furnished to the Trustee will also be made available by the Issuer at the specified office of the paying agent in Singapore.

The Trustee shall have no duty to review or analyze reports delivered to it. Delivery of any such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Parent Guarantor's, Issuer's or any other Person's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers' Certificate). The Trustee shall have no obligation or responsibility to monitor or determine whether the Issuer has delivered any notice or report in accordance with the requirements specified in this covenant.

Listing

In the event that the notes are admitted to listing on the Official List of the SGX-ST, we will use our reasonable best efforts to maintain such listing; *provided* that we may delist the notes from the SGX-ST in accordance with the rules of the SGX-ST and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the SGX-ST or by such other listing authority, stock exchange and/or quotation system as we may decide provided that such other listing, trading and/or quotation qualifies as a regulated market, multilateral trading facility or other organized market under First Additional Provision of Spanish Law 10/2014, of June 26. Although we cannot assure you as to the liquidity that may result from a listing on the SGX-ST, delisting the notes from the SGX-ST may have a material effect on the ability of holders of the notes to resell the notes in the secondary market.

For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the global note is exchanged for notes in definitive form. In addition, in the event that the global note is exchanged for notes in definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the notes in definitive form, including details of the paying agent in Singapore.

Notices

As long as the notes are represented by a global note deposited with a common depositary for Clearstream and Euroclear, notices to be given to holders will be given to Clearstream and Euroclear in accordance with their applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the register maintained by the registrar, and will be deemed given when mailed.

From and after the date the notes are listed on the SGX-ST and to trading on the Official List of the SGX-ST and so long as it is required by the rules of such exchange, all notices to holders of notes will be published by the Issuer in English on the website of the SGX-ST, *www2.sgx.com*. The Issuer (and not the Trustee) shall have the sole responsibility for ensuring notices are sent in accordance with the requirements of the SGX-ST. Such notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Events of Default

The following are "Events of Default":

(1) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest, or Additional Amounts, if any, on any notes;

(3) the failure to perform or comply with any of the provisions described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";

(4) the failure by the Parent Guarantor, the Issuer or any other Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 45 days or more after written notice to the Issuer from the Trustee or to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding notes;

(5) default by the Parent Guarantor, the Issuer or any other Restricted Subsidiary under any Indebtedness which:

(A) is caused by a failure to pay principal of such Indebtedness prior to the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(B) results in the acceleration of such Indebtedness prior to its stated maturity;

and the principal amount of Indebtedness covered by subclause (A) or (B) at the relevant time, aggregates U.S.$50 million or more;

(6) failure by the Parent Guarantor, the Issuer or any other Restricted Subsidiary to pay one or more final judgments against any of them, aggregating U.S.$50 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) the entering of a decree or order by a court (or equivalent authority) having jurisdiction shall have been entered adjudging the Parent Guarantor, the Issuer or any other Restricted Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, *concurso de acreedores, concurso mercantil* or *quiebra,* of or by the Parent Guarantor, the Issuer or any other Restricted Subsidiary, and such decree or order continuing to be undischarged or unstayed for a period of 60 days; the entering of a decree or order of a court (or equivalent authority) having jurisdiction for the appointment of a receiver, *administrador concursal, conciliador* or liquidator or for the liquidation or dissolution of the Parent Guarantor, the Issuer or any other Restricted Subsidiary, and such decree or order continuing to be undischarged and unstayed for a period of 60 days; the institution by the Parent Guarantor, the Issuer or any other Restricted Subsidiary of any proceeding to be adjudicated as voluntary bankrupt, *concurso de acreedores*, *concurso mercantil*, liquidated or dissolved, or their respective consent to the filing of a bankruptcy, *concurso de acreedores*, *concurso mercantil*, liquidation or dissolution proceeding against any of them, or the filing of a petition or answer or consent seeking reorganization, or the consent to the filing of any such petition or appointment of a receiver, *administrador concursal*, *conciliador* or liquidator or trustee or assignee in bankruptcy, *concurso de acreedores*, *concurso mercantil*, liquidation, dissolution or insolvency of the Parent Guarantor, the Issuer or any other Restricted Subsidiary or of any substantial part of their respective property; or

(8) except as permitted by the Indenture, any Note Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms such Guarantor's obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Parent Guarantor or the Issuer) shall occur and be continuing, the Trustee or holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Issuer and the Trustee (if notice is given by the holders) specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) above occurs with respect to the Parent Guarantor or the Issuer, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other action the part of the Trustee, or any holder of notes.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, holders of a majority in principal amount of the outstanding notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances (including without limitation, reasonable and documented counsel fees and expenses).

No rescission will affect any subsequent Default or impair any rights relating thereto.

Holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default (i) in the payment of the principal of, premium, if any, or interest on any notes or (ii) with respect to any provision, the modification of which requires the consent of the holders of each outstanding note.

The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of notes, unless such holders have offered to the Trustee indemnity reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such holder gives to the Trustee written notice of a continuing Event of Default;

(2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;

(3) such holders of notes provide to the Trustee satisfactory indemnity;

(4) the Trustee does not comply within 60 days of such request and offer of indemnity; and

(5) during such 60-day period holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

The Issuer is required to deliver to the Trustee written notice of any event which would constitute certain Defaults or Events of Default, their status and what action the Issuer is taking or proposes to take in respect thereof. In addition, the Issuer is required to deliver to the Trustee, within 150 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default (other than a payment default) unless written notice of such Default or Event of Default has been given to a responsible officer of the Trustee with direct responsibility for the administration of the Indenture by the Issuer or any holder of notes.

The Indenture provides that if a Default or Event of Default occurs with respect to which the Trustee is deemed to have knowledge in accordance with the foregoing paragraph, the Trustee must give each holder of notes notice of the Default or Event of Default within 90 days after the Trustee obtains knowledge thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as a responsible officer of the Trustee in good faith determines that withholding notice is in the interests of the holders of notes.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding notes and all obligations of the Guarantors under the Note Guarantees discharged ("Legal Defeasance"). Such Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and Note Guarantees after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of holders of notes to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;

(2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(3) the rights, powers, indemnities and immunities of the Trustee and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants (including, without limitation, obligations to make Change of Control Offers, Asset Sale Offers, the obligations described under "—Certain Covenants" and the cross-acceleration provisions and judgment default provisions described under "—Events of Default") that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes or the Note Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy (*quiebra*), *concurso de acreedores*, *concurso mercantil*, receivership, appointment of an *administrador concursal* or *conciliador*, reorganization and insolvency events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of notes cash in Euros, European Government Obligations, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Issuer has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Issuer to the effect that:

- the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling; or

- since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) in the case of Legal Defeasance or Covenant Defeasance, the Issuer has delivered to the Trustee:

- an Opinion of Counsel from counsel in Spain reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Issuer to the effect that, based upon Spanish law then in effect, holders of notes will not recognize income, gain or loss for Spanish tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Spanish taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or

- a ruling directed to the Trustee received from the tax authorities of Spain to the same effect as the Opinion of Counsel described in clause (a) above;

(5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants—Limitation on Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(6) the Trustee has received an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;

(7) the Issuer has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring holders of notes over any other creditors of the Issuer or any Subsidiary of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

(8) the Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel reasonably acceptable to the Trustee and independent of the Issuer, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with (subject to customary exceptions and exclusions); and

(9) the Issuer has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee and independent of the Issuer to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy (*quiebra*), *concurso de acreedores*, *concurso mercantil*, insolvency, reorganization or similar laws affecting creditors' rights generally (subject to customary exceptions and exclusions).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes and the rights, powers, indemnities and immunities of the Trustee and the Issuer's and the Guarantors' obligations in connection therewith, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all notes not theretofore delivered to the Trustee for cancellation have become due and payable, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee cash in Euros, European Government Obligations, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment;

(2) the Issuer has paid all other sums payable under the Indenture and the notes by it; and

(3) the Issuer has delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Issuer, the Guarantors and the Trustee, without the consent of the holders, may amend the Indenture, the notes or the Note Guarantees for certain specified purposes, including curing ambiguities, defects or inconsistencies, to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Issuer's or a Guarantor's obligations under the Indenture, the notes and the Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable, to the extent permitted under the Indenture; to make any change that would provide any additional rights or benefits to the holders; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this "Description of the Notes"; to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes and to release a Guarantor from its Note Guarantee in accordance with the terms of the Indenture; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Indenture, to otherwise comply with any requirement of the Indenture; to add guarantees or provide collateral with respect to the notes; to issue Additional Notes, and make any other changes which do not adversely affect the rights of any of the holders in any material respect.

Other modifications and amendments of the Indenture, the notes or the Note Guarantees may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may:

(1) reduce the amount of notes whose holders must consent to an amendment or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the notes is not limited by this clause);

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any notes payable in money other than that stated in the notes or the place of payment;

(5) make any change in provisions of the Indenture entitling each holder of notes to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of outstanding notes to waive certain Defaults or Events of Default;

(6) amend, change or modify in any material respect the obligation of the Issuer to make and consummate a Change of Control Offer in respect of a Change of Control Event that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the notes is not limited by this clause);

(7) eliminate or modify in any manner a Guarantor's obligations with respect to its Note Guarantee which adversely affects holders of notes in any material respect, except as expressly contemplated in the Indenture;

(8) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes; or

(9) make any change to the provisions of the Indenture or the notes that adversely affect the ranking of the notes.

The Trustee will be entitled to conclusively rely on an Opinion of Counsel and Officers' Certificate in connection with executing any amendment, and shall have no liability whatsoever in reliance upon the foregoing.

Governing Law; Jurisdiction

The Indenture (including the Notes Guarantees) and the notes will be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. In particular, the due authorization of the notes and the tax regime applicable to payments made by the Issuer under the notes will be governed by, and construed in accordance with, the laws of Spain.

In connection with any legal action or proceeding arising out of or relating to the notes, the Note Guarantees or the Indenture (subject to the exceptions described below), each of the parties thereto will agree:

- to submit to the exclusive jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, the City of New York and, in respect of itself, to the courts of its own respective corporate domicile in respect of any actions brought against it as a defendant in any legal action or proceeding arising out of or related to the Indenture, the notes and/or any Note Guarantee;

- that all claims in respect of such legal action or proceeding may be heard and determined in such New York state or U.S. federal court and in respect of itself, to the courts of its own respective corporate domicile in respect of any actions brought against it as a defendant and waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding;

- to irrevocably waive the right to have such legal action or proceeding heard and determined in any other jurisdiction that it may have by reason of law, domicile, place of residence or for any other reason;

- that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding and may be enforced in the courts of the jurisdiction of which it is subject by a suit upon judgment; and

- that service of process by mail to the address specified in the Indenture shall constitute personal service of such process on it in any such suit, action or proceeding.

The Issuer and the Guarantors providing a Note Guarantee on the Issue Date will agree to appoint National Registered Agents, Inc, with an office at 28 Liberty Street, New York, New York, 10005, United States of America as process agent and the Issuer and the Guarantors incorporated under the laws of Spain or Mexico shall grant irrevocable powers of attorney for lawsuits or for lawsuits and collections, as applicable (*poderes irrevocables para pleitos* or *poderes irrevocables para pleitos y cobranzas*) before a Spanish or a Mexican notary public, as applicable, in favor of the agent for service of process.

Each of the parties to the Indenture, and the holders by acceptance of their notes, will waive their rights to a jury trial.

The Trustee

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided* that if the Trustee acquires any conflicting interest (within the meaning of the Trust Indenture Act), it must eliminate such conflict or resign.

No Personal Liability

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Issuer or any Guarantor shall not have any liability for any obligations of the Issuer or such Guarantor under the notes (including the Note Guarantees) or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

Currency Indemnity

The Issuer and each Guarantor, if applicable, will pay all sums payable under the Indenture or the notes solely in Euro. Any amount that any holder or the Trustee receives or recovers in a currency other than Euro in respect of any sum expressed to be due to such Person from the Issuer or any Guarantor will only constitute a discharge to us to the extent of the Euro amount which such holder or the Trustee, as applicable, is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which such holder or the Trustee, as applicable, is able to do so. If the Euro amount is less than the Euro amount expressed to be due to any holder under any note or the Trustee under the Indenture, to the extent permissible under applicable law, the Issuer and the Guarantors will jointly and severally indemnify each of the holders and the Trustee against any loss any of them sustains as a result. In any event, the Issuer and the Guarantors will jointly and severally indemnify each of the holders and the Trustee against the cost of making any purchase of Euro. For the purposes of this paragraph, it will be sufficient for the relevant payee to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of Euro been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which such payee is able to do so. In addition, such payee will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder of notes or the Trustee; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or Note Guarantee or the Indenture.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Parent Guarantor, the Issuer or any other Restricted Subsidiary or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Parent Guarantor, the Issuer or other Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above. *"Additional Notes*" has the meaning set forth under "—Additional Notes" above.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Asset Acquisition*" means:

(1) an Investment by the Parent Guarantor, the Issuer or other Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(2) the acquisition by the Parent Guarantor, the Issuer or any other Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Parent Guarantor) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a "disposition") by the Parent Guarantor, the Issuer or any other Restricted Subsidiary of:

(a) any Capital Stock other than Capital Stock of the Parent Guarantor or the Issuer; or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Parent Guarantor, the Issuer and the other Restricted Subsidiaries as permitted under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets";

(2) a disposition of inventory or damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;

(3) a disposition of assets of the Parent Guarantor, the Issuer or any other Restricted Subsidiary or Capital Stock of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate Fair Market Value not to exceed U.S.$15 million in any fiscal year;

(4) for purposes of "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock" only, the making of Restricted Payments or Permitted Investments permitted under "—Certain Covenants—Limitation on Restricted Payments";

(5) a disposition to the Parent Guarantor, the Issuer or to any other Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;

(6) a disposition of assets received by the Parent Guarantor, the Issuer or any other Restricted Subsidiary upon the foreclosure on a Lien in the ordinary course of business;

(7) the expiration of a License Agreement, pursuant to its terms; and

(8) the creation of a Lien permitted under the Indenture (other than a deemed Lien in connection with a Sale and Leaseback Transaction).

"Asset Sale Offer" has the meaning set forth under "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock."

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (1) of that definition.

"Board of Directors" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in New York City, Madrid (Spain) or Mexico.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease contract for financial reporting purposes, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation; and the stated maturity thereof shall be the date of the last lease payment or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty. Notwithstanding any other provision in the Indenture, all obligations of any Person that are or would have been characterized as an operating lease for purposes of IAS 17 – Leases prior to the effective date of accounting pronouncement IFRS 16 – Leases as of January 1, 2019 ("IFRS 16"), shall continue to be accounted for as an operating lease (and shall not be recognized as a Capitalized Lease Obligation) (whether or not such lease obligations were in effect on such date), and thereby do not constitute Indebtedness of that Person, notwithstanding the application of IFRS 16 (on a prospective or retroactive basis or otherwise) and regardless of any change in IFRS that would otherwise require such obligation to be recharacterized as a Capitalized Lease Obligation.

"*Capital Stock*" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"*Cash Equivalents*" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) *Certificados de la Tesoreria de la Federación* (Cetes) or *Bonos de Desarrollo del Gobierno Federal* (Bondes), in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from any of S&P, Moody's or Fitch or any successor thereto;

(4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or Moody's or at least F-1 from Fitch;

(5) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than U.S.$500 million, (c) any commercial bank the long term debt of which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by S&P or Moody's or carrying an equivalent rating by a nationally recognized rating agency in the United States, if both of S&P and Moody's cease publishing ratings of investments, and having a combined capital and surplus in excess of US$500,000,000; or (d) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;

(6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above; and

(7) investments in money market funds which invest substantially all of their assets in securities of the types described in clauses (1) through (6) above.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) any Person or Group other than the Permitted Holders is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of more than 50% of the total voting power of the Voting Stock of the Parent Guarantor (including a Surviving Entity, if applicable) with the power to appoint the majority of the members of the Parent Guarantor's Board of Directors;

(2) the Parent Guarantor consolidates with, or merges with or into, another Person, or the Parent Guarantor sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Parent Guarantor, determined on a consolidated basis, to any Person, other than a transaction where (a) the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Parent Guarantor are, by virtue of such prior ownership, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect Wholly Owned Subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture or (b) the Permitted Holders, taken together, constitute the largest single Group in terms of Voting Stock or any of the Permitted Holders is part of a Control Group; or

(3) the approval by the shareholders of the Parent Guarantor of any plan or proposal for the liquidation or dissolution of the Parent Guarantor, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

(a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have "beneficial ownership" of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition;

(b) "Person" and "Group" will have the meanings for "person" and "group" as used in Sections 13(d) and 14(d) of the Exchange Act; and

(c) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a Person held by any other Person (the "parent entity") so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50% of the voting power of the Voting Stock of the parent entity and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent entity.

"*Change of Control Event*" means

(i) the occurrence of an Issuer Change of Control; or

(ii) the occurrence of (x) a Change of Control and (y) a reduction in the rating of the notes by any Rating Agency by one or more categories (i.e., notches), at any time within 60 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any Rating Agency) commencing the first date of public notice of a Change of Control, or of the Parent Guarantor's or Issuer's intention to effect a Change of Control; *provided* that any such rating decline shall not be deemed to be in respect of a Change of Control unless the applicable Rating Agency announces or publicly confirms or informs the Trustee in writing at its request that such decrease in rating of the notes was the result of, in whole or in part, any event or circumstance comprised of or arising as a result of, or in respect of, such Change of Control.

"Change of Control Payment" has the meaning set forth under "Change of Control." *"Change of Control Payment Date*" has the meaning set forth under "Change of Control."

"Clearstream" means Clearstream Banking S.A.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests, provided that they do not qualify as Preferred Stock.

"Consolidated EBITDA" means, for any Person for any period, Consolidated Net Income for such Person for such period, *plus* the following, without duplication, to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Income Tax Expense for such Person for such period;

(2) Consolidated Interest Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) net after-tax losses from Asset Sale Transactions or abandonments or reserves relating thereto for such period; and

(5) any income or loss from discontinued operations;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required under IFRS and (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) will be added to Consolidated Net Income in calculating Consolidated EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) held directly or indirectly by such Person at the date of determination, and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) pursuant to its charter and bylaws and each law, regulation, agreement or judgment applicable to such distribution.

"Consolidated Fixed Charge Coverage Ratio" means, for any Person as of any date of determination, the ratio of the Consolidated EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four Quarter Period") to Consolidated Fixed Charges for such Person for such Four Quarter Period. For purposes of this definition, "Consolidated EBITDA"

and "Consolidated Fixed Charges" will be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period.

Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on any Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter will be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination;

(b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination will be deemed to have been in effect during the Four Quarter Period;

(c) notwithstanding clause (a) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by an Interest Rate Agreement, will be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreement;

(d) interest on Capitalized Lease Obligations shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of such Person to be the rate of interest implicit in such Capitalized Lease Obligations in accordance with IFRS; and

(e) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

"*Consolidated Fixed Charges*" means, for any Person for any period, the sum, without duplication, of:

1. Consolidated Interest Expense for such Person for such period, *plus*

2. the product of:

   a. the amount of all cash and non-cash dividend payments on any series of Preferred Stock or Disqualified Capital Stock of such Person (other than dividends paid in Qualified Stock) or any Subsidiary of such Person (Restricted Subsidiary in the case of the Parent Guarantor) paid, accrued or scheduled to be paid or accrued during such period, excluding dividend payments on Preferred Stock or Disqualified Capital Stock paid, accrued or scheduled to be paid to such Person or another Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor), and

b. a fraction, the numerator of which is one and the denominator of which is one *minus* the then-current effective income tax rate of such Person in its principal taxpaying jurisdiction (Mexico in the case of the Parent Guarantor), expressed as a decimal.

"*Consolidated Income Tax Expense"* means, with respect to any Person for any period, the provision for U.S. federal, state, local and non-U.S. income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period as determined on a consolidated basis in accordance with IFRS.

"Consolidated Interest Expense" means, for any Person for any period, the sum of, without duplication determined on a consolidated basis in accordance with IFRS:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period determined on a consolidated basis in accordance with IFRS, including, without limitation, (whether or not interest expense in accordance with IFRS):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees);

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(g) any interest expense paid in respect of Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor); and

(2) the interest component of Capitalized Lease Obligations and other lease liabilities (if and to the extent that such interest component of lease liabilities would appear as interest expense in such Person's financial statements prepared in accordance with IFRS) paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with IFRS; *provided* that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiaries in the case of the Parent Guarantor); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (3) of the first paragraph of "—Certain Covenants—Limitation on Restricted Payments" only, Consolidated Net Income of the Parent Guarantor will include the Parent Guarantor's proportionate share of the net income of:

(a) any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Parent Guarantor or any Restricted Subsidiary; or

(b) a Surviving Entity prior to assuming the Parent Guarantor's obligations under the Indenture and the notes pursuant to "—Certain Covenants—Limitation on Merger, Consolidation and Sales of Assets";

(4) the net income (but not loss) of any Subsidiary of such Person (only Restricted Subsidiaries in the case of the Parent Guarantor) to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiaries in the case of the Parent Guarantor) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiaries in the case of the Parent Guarantor);

(6) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;

(7) any gain (or loss) from foreign exchange translation or change in net monetary position; and

(8) the cumulative effect of changes in accounting principles.

"Consolidated Net Leverage Ratio" means, for any Person as of any date of determination, the ratio of: (i) without duplication, the aggregate amount of Consolidated Total Indebtedness and lease liabilities (if and to the extent that such lease liabilities would appear as a liability in such Person's financial statements prepared in accordance with IFRS) of such Person as of such date, *minus* the amount of cash and Cash Equivalents held by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) as of the end of the last completed quarter immediately preceding such date of determination to (ii) Consolidated EBITDA of such Person for the most recent Four Quarter Period. For purposes of this definition, "Consolidated Total Indebtedness" and "Consolidated EBITDA" will be calculated after giving effect on a pro forma basis for the period of such calculation to:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries, in the case of the Parent Guarantor), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period.

Furthermore, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such Four Quarter Period, or

(b) if such facility was created after the end of such Four Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving pro forma effect to any borrowings related to any transaction referred to in clause (2) above. For the avoidance of doubt, this paragraph shall not apply to any amount repaid under a revolving credit facility to the extent commitments thereunder are permanently reduced by such amount repaid, and shall be given effect on a pro forma basis pursuant to clause (1) above.

"Consolidated Net Tangible Assets" means, for any Person at any time, the Total Assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) determined on a consolidated basis, *less* Intangible Assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) determined on a consolidated basis, *less* all current Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) determined on a consolidated basis after eliminating all current maturities of long-term Indebtedness, in each case, as set forth on the balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with IFRS.

"*Consolidated Non-cash Charges"* means, for any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period, determined on a consolidated basis in accordance with IFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Total Indebtedness" means, for any Person as of any date of determination, an amount equal to the sum of the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) outstanding at such time.

"Contingent Obligation" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, dividend, worker social security, sureties in connection with pending litigation, or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor; or

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor.

"Covenant Defeasance" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Designation" and *"Designation Amount"* have the meanings set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries" above.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the notes shall not constitute Disqualified Capital Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and "—Change of Control"; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Capital Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Capital Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Capital Stock as reflected in the most recent financial statements of such Person.

"Equity Offering" has the meaning set forth under "Optional Redemption."

"Euroclear" means Euroclear Bank SA/NV.

"*European Government Obligations*" means direct non-callable and non-redeemable obligations denominated in Euros (in each case, with respect to the issuer thereof) of any member state of the European Union that is a member of the European Union as of the Issue Date.

"Event of Default" has the meaning set forth under "Events of Default."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Parent Guarantor acting in good faith, and will be evidenced by a Board Resolution.

"FATCA" has the meaning set forth under "—Additional Amounts" above.

"Fitch" means Fitch Ratings and any successor to its rating agency business.

"Four Quarter Period" has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means the Parent Guarantor and any of its Restricted Subsidiaries or other Person which provides a Note Guarantee pursuant to the Indenture until such time as its Note Guarantee is released in accordance with the Indenture.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time or, with respect to the Parent Guarantor, any financial reporting standards required for public companies by the Mexican *Comisión Nacional Bancaria de Valores*.

"*Incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding).

"*Indebtedness*" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable, prepayments or deposits received from customers and other accrued liabilities, in each case arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof (except to the extent related to trade payables or other ordinary course surety or bid bonds or judicial bonds);

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) net obligations under Hedging Obligations of such Person (the amount of any such obligation to be equal at any time to the net payment under the agreement giving rise to such obligation that would be payable by or to such Person at the termination of the agreement or arrangement);

(9) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivables and related assets; and

(10) all Disqualified Capital Stock issued by such Person;

provided that with respect to clauses (1), (2), (3), (4) and (5), above, if and to the extent that any of the foregoing Indebtedness would appear as a liability in such Person's financial statements prepared in accordance with IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations incurred in the ordinary course of business and consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) to the extent applicable, amounts owed to dissenting stockholders (including in connection with, or as a result of, exercise of dissenters' or appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, amalgamation, merger or transfer of assets that complies with the covenants described under "—Limitation on Merger, Consolidation or Sale of Assets."

"Independent Financial Advisor" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Parent Guarantor's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"Intangible Assets" means with respect to any Person at any time, all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) which would be treated as intangibles on the consolidated balance sheet of such Person, prepared in accordance with IFRS.

"Interest Rate Agreement" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"*Investment*" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person;

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) other Person; or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" will have corresponding meanings.

For purposes of the "Limitation on Restricted Payments" covenant, the Parent Guarantor will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Parent Guarantor or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Parent Guarantor, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Parent Guarantor or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Parent Guarantor or any Restricted Subsidiary or owed to the Parent Guarantor or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than (i) BBB- (or the equivalent) by S&P, (ii) Baa3 (or the equivalent) by Moody's and (ii) BBB- (or the equivalent) by Fitch, or, if any such entity ceases to rate the notes for reasons outside of the control of the Parent Guarantor, the equivalent investment grade credit rating by any other Rating Agency.

"Investment Return" means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Parent Guarantor or any Restricted Subsidiary:

(1) the cash proceeds received by the Parent Guarantor or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Parent Guarantor and its Restricted Subsidiaries in full, less any payments previously made by the Parent Guarantor or any Restricted Subsidiary in respect of such Guarantee;

(2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(a) the Parent Guarantor's Investment in such Unrestricted Subsidiary at the time of such Revocation;

(b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Parent Guarantor's equity interest in such Unrestricted Subsidiary at the time of Revocation; and

(c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

(3) in the event the Parent Guarantor or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the existing Investment of the Parent Guarantor and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under "—Certain Covenants—Limitation on Restricted Payments" less the amount of any previous Investment Return in respect of such Investment.

"Issue Date" means the first date of issuance of notes under the Indenture.

"*Issuer Change of Control*" means the occurrence of one or more of the following events: (i) any event as a result of which the Parent Guarantor shall cease, in the aggregate, to have, directly or indirectly, the power to direct or cause the direction of the Issuer's management and policies, whether through the ownership of Voting Stock, by contract or otherwise, (ii) the adoption of a plan relating to the Issuer's liquidation or dissolution, (iii) the direct or indirect sale, transfer, conveyance or other disposition in one or a series of related transactions, of all or substantially all of the Issuer's and its subsidiaries' properties taken as a whole (other than to a Restricted Subsidiary of the Parent Guarantor), (iv) the Parent Guarantor or any Permitted Holder (or any combination of the foregoing) shall for any reason cease to be, in the aggregate, directly or indirectly, the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of at least 75% of the outstanding Voting Stock of the Issuer, measured by voting power rather than number of shares.

"Legal Defeasance" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"License Agreement" means any agreement entered into by the Issuer in the ordinary course of its business for purposes of using a trade mark or trade name owned by a third-party or operating any franchise from such third party.

"Lien" means any lien, mortgage, deed of trust, pledge, security trust *(fideicomiso de garantías)*, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"Mexican Restructuring" or *"Spanish Restructuring,"* as the case may be, means any case or other proceeding against or involving the Parent Guarantor, the Issuer or any Subsidiary with respect to it or its debts under any bankruptcy, *concurso de acreedores*, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, *conciliador*, *administrador concursal*, liquidator, custodian or other similar official of it or any substantial part of its property or notifying the competent courts of the commencement of pre-insolvency negotiations with its creditors under any of those laws.

"*Moody's*" means Moody's Investors Service, Inc., or any successor thereto.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Parent Guarantor, the Issuer or any other Restricted Subsidiary from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Parent Guarantor, the Issuer or any other Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Parent Guarantor, the Issuer or any other Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"Non-Recourse Indebtedness" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 365 days after the acquisition or construction of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness.

"Note Guarantee" means any Guarantee of the Issuer's Obligations under the notes and the Indenture provided by any Person pursuant to the Indenture.

"*Obligations*" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

"*Officers' Certificate*" means, when used in connection with any action to be taken by the Issuer or any Guarantor, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer or such Guarantor, as applicable, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Issuer (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

"Permitted Acquisition Indebtedness" means Indebtedness of the Parent Guarantor or the Issuer to the extent such Indebtedness was: (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Parent Guarantor or the Issuer, or (iii) Indebtedness assumed in connection with the acquisition of assets from a Person; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged, consolidated or amalgamated into the Parent Guarantor or the Issuer or assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, the Parent Guarantor or the Issuer, as applicable, would be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to paragraph (1) of "—Limitation on Incurrence of Additional Indebtedness."

"Permitted Business" means the business or businesses conducted by the Parent Guarantor, the Issuer and the other Restricted Subsidiaries and associates as of the Issue Date and any business ancillary or complementary thereto or is an extension or development of any thereof.

"Permitted Holders" means (i) any of Cosme Torrado Martínez, Alberto Torrado Martínez, Armando Torrado Martínez, Federico Tejado Bárcena, Fabián Gerardo Gosselin Castro and Alicia Martinez Alvarado, (ii) a parent, brother or sister of any of the settlors and beneficiaries referred in clause (i), (iii) the spouse or a former spouse of any settlor and beneficiary referred in clause (i) or (ii), (iv) the lineal descendants or the spouse or a former spouse of any person named in clauses (i) through (iii), or any trust or other investment vehicle for the primary benefit of any of the foregoing, (v) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i) through (iv), (vi) any Person or Persons constituting a "group" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) which is controlled, directly or indirectly, by any one or more of the Persons named in clauses (i) through (v).

"Permitted Indebtedness" has the meaning set forth under clause (2) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

"*Permitted Investments*" means:

(1) Investments in the Parent Guarantor, the Issuer or any other Restricted Subsidiary, or by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Parent Guarantor, the Issuer or with or into any

other Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary that is not a Guarantor;

(2) Investments in cash and Cash Equivalents;

(3) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind or otherwise, pursuant to the terms of such Investment as of the Issue Date);

(4) Investments permitted pursuant to clause (2)(b) or (e) of "—Certain Covenants—Limitation on Transactions with Affiliates";

(5) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(6) Investments made by the Parent Guarantor, the Issuer or any other Restricted Subsidiary as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock";

(7) Investments in any Person, taken together with all other Investments made pursuant to this clause (9) that are at that time outstanding, not to exceed (as of the date the Investment is effected and without giving effect to subsequent changes in value) the greater of (a) U.S.$200 million and (b) 10.0% of Consolidated Net Tangible Assets of the Parent Guarantor and the Restricted Subsidiaries at any one time outstanding;

(8) to the extent constituting Investments, prepayments and other credits to customers, clients, distributors, suppliers or purchasers or sellers of goods or services and other receivables owing to the Parent Guarantor, the Issuer or any other Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(9) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(10) Investments in existence on the Issue Date, or an Investment consisting of any extension, modification, replacement, renewal or reinvestment of any Investment existing on the Issue Date; provided that the amount of any such Investment may be increased only as required by the terms of such Investment existing on the Issue Date (including as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities or otherwise).

(11) Investments in Capital Stock, obligations or securities received in settlement of claims or disputes related to debts created in the ordinary course of business and owing to the Parent Guarantor, the Issuer or any other Restricted Subsidiary or received as a result of bankruptcy, insolvency receivership, appointment of an *administrador concursal* or *conciliador* or reorganization of any Person;

(12) Investments in and derived from License Agreements entered into in the ordinary course of business and consistent with past practice;

(13) Investments the payment for which consists of Capital Stock (other than Disqualified Stock) of the Parent Guarantor; *provided* that such Capital Stock will not increase the amount available for Restricted Payments under clause (3) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments";

(14) to the extent constituting Investments, Indebtedness to the extent permitted under the covenant described under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(15) to the extent constituting Investments, purchases and acquisitions of inventory, supplies, materials or equipment or purchases, acquisitions, licenses or leases of other assets, intellectual property, receivables owing to the Parent Guarantor, the Issuer or any other Restricted Subsidiary or other rights or the contribution of intellectual property pursuant to joint marketing arrangements with other Persons, in each case in the ordinary course of business;

(16) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business;

(17) repurchases of the notes to the extent permitted under the Indenture; and

(18) loans and advances to employees, directors, officers, members of management, independent contractors and consultants for business-related travel expenses, moving expenses, payroll advances and other similar expenses or payroll expenses, in each case incurred in the ordinary course of business and consistent with past practice or to future, present and former employees, directors, officers, members of management, independent contractors and consultants to fund such Person's purchase of Equity Interests of the Parent Guarantor.

"Permitted Liens" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by IFRS shall have been made in respect thereof;

(2) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Parent Guarantor, the Issuer or any other Restricted Subsidiary, including rights of offset and set-off;

(6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;

(7) (x) Liens existing on the Issue Date, and (y) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" not Incurred pursuant to clause (10) or (11) and which Indebtedness has been Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided* that such new Liens:

(a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(8) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; provided that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Parent Guarantor, the Issuer or any other Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Parent Guarantor, the Issuer or any other Restricted Subsidiary and

(b) such Liens do not extend to or cover any property of the Parent Guarantor, the Issuer or any other Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(9) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Parent Guarantor, the Issuer or any other Restricted Subsidiary other than the property so acquired, and

(b) the Lien securing such Indebtedness will be created within 90 days of such acquisition;

(10) Liens securing an amount of Indebtedness (including all Refinancing thereof) outstanding at any one time not to exceed the greater of (x) U.S.$200 million and (y) 10.0% of the Consolidated Net Tangible Assets of the Parent Guarantor and its Restricted Subsidiaries;

(11) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;

(12) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(13) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or

similar agreements or arrangement designed to protect the Issuer and its Restricted Subsidiaries from fluctuations in the price of commodities;

(14) Liens for Taxes that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(15) licenses of intellectual property in the ordinary course of business;

(16) Liens to secure a defeasance trust;

(17) easements, rights of way zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Parent Guarantor, the Issuer or any other Restricted Subsidiary) or materially impair their use in the operation of the business of the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(18) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in the ordinary course of business;

(19) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired; or

(20) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary.

"*Person*" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Post-Petition Interest*" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Rating Agencies" means S&P, Moody's and Fitch or, if S&P, Moody's or Fitch or all of them shall not make a rating publicly available on the notes, or, in the case of the definition of "Cash Equivalents," the relevant

security, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P, Moody's or Fitch or each of them, as the case may be.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to redeem refinance, replace, defease, discharge or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary issued to Refinance any other Indebtedness of the Parent Guarantor, the Issuer or any other Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Parent Guarantor, the Issuer or any other Restricted Subsidiary in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes or the relevant Note Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced, except in the case of Refinancing Indebtedness the entire net proceeds of which are promptly used to redeem the notes in whole or in part, or deposited to defease or discharge the notes, in each case in accordance with the Indenture.

"*Relevant Jurisdiction*" has the meaning set forth under "—Additional Amounts" above.

"Representative" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness of the Issuer.

"Required Subsidiaries" means Operadora de Franquicias Alsea, S.A.P.I. de C.V., Fast Food Chile S.A., Gastrococina Sur S.P.A., Starbucks Coffee Chile, S.A., Gastronomía Italiana en Colombia S.A.S. and Café Sirena Uruguay S.A.

"Restricted Payment" has the meaning set forth under "—Certain Covenants—Limitation on Restricted Payments."

"Restricted Subsidiary" means the Issuer and any other Subsidiary of the Parent Guarantor which at the time of determination is not an Unrestricted Subsidiary.

"*Revocation*" has the meaning set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

"*S&P*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Issuer or a Restricted Subsidiary of any property, whether owned by the Parent Guarantor, the Issuer or any other Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Parent Guarantor, the Issuer or any other Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"Senior Indebtedness" means (i) with respect to the Issuer and the Guarantors, the notes and the Note Guarantees, as applicable, and any other Indebtedness of the Issuer or any Guarantor that ranks equal in right of payment with the notes or the relevant Note Guarantee, as the case may be, and (ii) with respect to any other Person, the general, direct, unsecured and unsubordinated Indebtedness of such Person.

"Significant Subsidiary" means a Subsidiary of the Parent Guarantor constituting a "Significant Subsidiary" of the Parent Guarantor in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Indebtedness" means, with respect to the Issuer or any Guarantor, any Indebtedness of the Issuer or such Guarantor, as the case may be which is expressly subordinated in right of payment to the notes or the relevant Note Guarantee, as the case may be.

"*Subsidiary*" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"*Subsidiary Guarantor*" means, a Guarantor that is a Subsidiary of the Parent Guarantor.

"Surviving Entity" has the meaning set forth under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets."

"*Tax*" has the meaning set forth under "—Additional Amounts" above.

"Total Assets" means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) as set forth on the balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with IFRS.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer Designated as such pursuant to "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a Board Resolution of the Issuer, subject to the provisions of such covenant.

"U.S. Dollar Equivalent" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such non-U.S. dollar currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable non-U.S. dollar currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

"Voting Stock" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly Owned Subsidiary" means, for any Person, any Subsidiary (Restricted Subsidiaries in the case of the Parent Guarantor) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

BOOK-ENTRY, DELIVERY AND FORM

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Notes also may be offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S ("Regulation S notes"). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with a common depositary for Euroclear and Clearstream and registered in the name of the common depositary for credit to the accounts of Euroclear and Clearstream, who will credit the accounts of direct or indirect participants in Euroclear or Clearstream, as described below under "—Depository Procedures."

Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be transferred to a U.S. person only in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their direct or indirect participants, which may change from time to time.

Depository Procedures

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Information Concerning Euroclear and Clearstream

All book-entry interests will be subject to the operations and procedures of Euroclear and/or Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions only through Euroclear or Clearstream participants.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a global note registered in the name of the common depository will be payable by the Principal Paying Agent to the common depository in its capacity as the registered holder under the Indenture. We and the Trustee and each of our respective agents will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of us, the Trustee or any of our respective agents has or will have any responsibility or liability for:

- any aspect of Euroclear and/or Clearstream’s records or any participant’s or indirect participant’s records relating to or payments made on account of beneficial ownership interests in the global notes, or for maintaining, supervising or reviewing any of Euroclear and/or Clearstream’s records or any participant’s or indirect participant’s records relating to the beneficial ownership interests in the global notes; or
- any other matter relating to the actions and practices of Euroclear and/or Clearstream or any of its participants or indirect participants.

Subject to the transfer restrictions described under “Transfer Restrictions,” transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Each of Euroclear and Clearstream has advised the issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account with Euroclear and/or Clearstream interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction.

The information in this section concerning Euroclear and Clearstream and their book-entry systems has been obtained from sources that the issuer believes to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form (“certificated notes”) if:

(1) (a) the common depositary notifies us that it is unwilling or unable to continue as depositary for the global notes and (b) we fail to appoint a successor depositary within 90 days of such notice;

(2) we, at our option, notify the Trustee in writing that we have elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee in accordance with the Indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the notes are being transferred to a person:

(a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

(b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers of beneficial interests within a global note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in Euroclear and Clearstream by means of an instruction originated by participants in the clearing system(s). Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of Euroclear and Clearstream for payment.

TAXATION

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective purchasers of the notes. The following is a general description of certain tax considerations relating to the notes. It does not constitute tax advice and does not purport to be a complete analysis of all tax considerations relating to the notes, as applicable, whether in Spain; Mexico, United States or elsewhere. Holders should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of notes and receiving payments of interest, principal and/or other amounts under the notes. This summary is based upon the law as in effect on the date of this offering memorandum and is subject to any change in law that may take effect after such date.

Holders should also note that the appointment of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Holders should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR SPANISH, MEXICAN, UNITED STATES OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING, IN PARTICULAR, THE APPLICATION TO THEIR PARTICULAR SITUATIONS OF THE TAX CONSIDERATIONS DISCUSSED BELOW.

Certain Spanish Tax Considerations

The following summary describes the main Spanish tax implications related to the holding or transfer of the notes by holders that are resident or non-resident in Spain for tax purposes that are the beneficial owners of the notes (for the purposes of this section, the "noteholders").

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of noteholders, some of which (such as look through entities or noteholders by reason of employment) may be subject to special rules. Prospective purchasers of the notes are advised to consult their own tax advisors as to the tax consequences of purchasing, owning and disposing of notes. This tax section is based on Spanish law as in effect on the date of this offering memorandum as well as on administrative interpretations thereof, and does not take into account any changes in the law implemented after the date of this offering memorandum. It does not indicate the tax treatment applicable under the regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, or under the provisions passed by autonomous regions which may apply to specific holders for specific taxes. References in this section to holders include the beneficial owners of the notes, where applicable.

The information provided below has been prepared in accordance with the following Spanish tax legislation in force at the date of this offering memorandum:

(i) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the EU and other tax rules;

(ii) for individuals with tax residency in Spain who are personal income tax ("PIT") taxpayers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended, (the "PIT Law"), and Royal Decree 439/2007, of 30 March, promulgating the Personal Income Tax Regulations as amended, along with Law 19/1991, of June 6, 1991, on the Net Wealth Tax and Law 29/1987, of December 18, 1987, on the Inheritance and Gift Tax, as amended ("IGT");

(iii) for legal entities resident for tax purposes in Spain which are corporate income tax ("CIT") taxpayers, Law 27/2014, of 27 November, of the Corporate Income Tax Law ("CIT Law"), and Royal Decree 634/2015, of 10 July, promulgating the Corporate Income Tax Regulations as amended (the "CIT Regulations"); and

(iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Spanish Non-Resident Income Tax ("NRIT"), Royal Legislative Decree 5/2004, of March 5, 2004, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of July 30, 2004, promulgating the NRIT Regulations, along with Law 19/1991, of June 6, 1991, on the Net Wealth Tax and Law 29/1987, of December 18, 1987, on the IGT.

Indirect taxation

Whatever the nature and residence of the noteholders, the acquisition and transfer of notes is exempt from indirect taxes in Spain, including transfer tax and stamp duty, in accordance with the consolidated text of such taxes promulgated by Royal Legislative Decree 1/1993, of September 24, 1993, and exempt from value added tax, in accordance with Law 37/1992, of December 28, 1992, regulating such tax and article 314 of the Consolidated Text of the Spanish Securities Market Law and related provisions. Additionally, the acquisition and transfer of notes fall outside the scope of the Spanish Financial Transaction Tax ("*Impuesto de Transacciones Financieras*").

Withholding tax

According to First Additional Provision of Law 10/2014 and Section 44.5 of Royal Decree 1065/2007, interest payments and income derived from the redemption and repayment of the notes will be made without withholding on account of Spanish income taxes to the noteholders, provided that the notes are listed on a regulated market, multilateral trading facility or other organized market on any payment date, the notes are registered in a non-Spanish clearing and settlement entity recognized by Spanish legislation or by the legislation of another OECD country (such as DTC, Euroclear and/or Clearstream) and the Payment Statement is submitted to the issuer by the Paying Agent in a timely manner, notwithstanding the information obligations of the issuer under general provisions of Spanish tax legislation.

If the Paying Agent fails or, for any reason, is unable to deliver the Payment Statement in a timely manner as set forth in Section 44.5 of Royal Decree 1065/2007, the issuer will withhold the relevant percentage (19%, as of the date of this offering memorandum) and will not pay to the noteholder any additional amounts with respect to any such withholding.

However, if, before the tenth calendar day of the month following the relevant payment date, the Paying Agent provides to the issuer or the Spanish guarantor, as the case may be, the required information, the issuer or the Spanish guarantor, as the case may be, will reimburse to the relevant noteholder the amounts withheld. Noteholders who are not resident in Spain for tax purposes and are entitled to exemption from NRIT on income derived from the Notes, but where the issuer or the Spanish guarantor, as the case may be, does not timely receive the relevant information about the notes set out in Annex A (the Payment Statement) from the Paying Agent, would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law (which are detailed in section "*Compliance with Certain Requirements In Connection with Income Payments*").

Individuals resident in Spain for tax purposes

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)

Both interest periodically received and income deriving from the transfer, redemption or repayment of the notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and should be included in each investor's taxable savings base and taxed at the tax rate applicable from time to time, currently at the rate of 19% for taxable income up to €6,000; 21% for taxable income between €6,000.01 to €50,000; 23% for taxable income between €50,000.01 to €200,000 or 26% for any amount in excess of €200,000.

As a general rule, both types of income are subject to withholding tax on account at the rate of 19%. However, according to Section 44.5 of Royal Decree 1065/2007, no withholding on account of PIT will be imposed by the issuer on interest payments (understood as coupon payments, premiums and any accrued interest, if any, paid upon redemption or repayment) under the notes to individual noteholders subject to PIT, provided that the requirements according to Section 44.5 of Royal Decree 1065/2007 are met, including the relevant information about the notes set out in Annex A (the Payment Statement) being submitted by the Paying Agent to the issuer in a timely manner.

Notwithstanding the above, withholding tax at the applicable rate of 19% may be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

In any event, individual noteholders may credit the withholding against their PIT liability for the relevant fiscal year and may be refundable pursuant to Section 103 of the PIT Law.

Reporting Obligations

We will comply with the reporting obligations set out in the Spanish tax laws with respect to noteholders who are individuals resident in Spain for tax purposes.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Individuals resident in Spain for tax purposes that hold notes at 31 December of any year are subject to Net Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation of autonomous regions). Therefore, they should take into account the average market value of the notes during the last quarter of the year and, the applicable rates ranging between 0.2% and 3.5% (although the final tax rates may vary depending on any applicable regional tax laws) and that some reductions may apply.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals with tax residency in Spain who acquire ownership or other rights over any notes by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. As at the date of this offering memorandum, the applicable tax rates currently range between 7.65% and 81.6% depending on the relevant factors (such as previous net wealth or family relationship between the transferor and transferee) although the final tax rate may vary depending on any applicable regional tax laws.

Legal Entities resident in Spain for tax purposes

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest accrued and income deriving from the transfer, redemption or repayment of the notes must be included in the taxable income of legal entities with tax residency in Spain and are subject to Spanish CIT, generally, at a 25% rate.

No withholding on account of CIT is imposed on interest payments (understood as coupon payments, premiums and any accrued interest, if any, paid upon redemption or repayment) provided that the requirements according to Section 44.5 of Royal Decree 1065/2007 are met, including the Paying Agent providing us, in a timely manner, with a duly executed and completed Payment Statement. See "— *Compliance With Certain Requirements In Connection With Income Payments*".

Income obtained upon the transfer of the notes may be subject to withholding tax at a 19% rate, to be deducted by other entities (such as financial entities with tax residency in Spain acting on behalf of the transferor).

Notwithstanding the above, amounts withheld, if any, may be offset by the entity against its final Spanish CIT liability.

Wealth tax (Impuesto sobre el Patrimonio)

Legal entities resident in Spain are not subject to wealth tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Legal entities resident in Spain are not subject to Inheritance and Gift Tax. Notwithstanding the above, entities which acquire ownership or other rights over the notes by inheritance, gift or legacy must include the market value of the notes in their taxable income for Spanish CIT purposes.

Reporting Obligations

We will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the notes that are legal persons or entities resident in Spain for tax purposes.

Individuals and legal entities that are not resident in Spain for tax purposes

Non-resident noteholders acting in respect of the notes through a permanent establishment in Spain

If the notes are held by a permanent establishment in Spain of a person or legal entity that is not resident in Spain for non-resident income tax purposes, such permanent establishment will be subject to NRIT on terms similar to those described above for Spanish CIT taxpayers.

Non-resident noteholders not acting in respect of the notes through a permanent establishment in Spain

Interest due and income deriving from the transfer, redemption or repayment of the notes, obtained by individuals or entities that are not resident in Spain for tax purposes and do not act, with respect to the notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT is levied on such income provided that the Paying Agent provides us, in a timely manner, with a duly executed and completed Payment Statement, as set forth in article 44 of Royal Decree 1065/2007 and that Law 10/2014 applies in connection with the notes. See "—Compliance With Certain Requirements In Connection With Income Payments".

Net Wealth Tax (Impuesto sobre el Patrimonio)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Spanish Net Wealth Tax would generally not be subject to such tax. Otherwise, individuals not resident in Spain for tax purposes are subject to Net Wealth Tax in Spain, which imposes a tax on property and rights in excess of €700,000 when such property is located in Spain, or those rights can be exercised within the Spanish territory. Net Wealth Tax accrues on such assets and rights held on December 31 of any fiscal year. Net Wealth Tax is due at marginal rates varying between 0.2% and 3.5%. Autonomous regions in Spain have enacted specific legislation on Net Wealth Tax. These specialities apply to individuals not resident in Spain in accordance with the legislation in force by the autonomous region where the assets and rights with more value are situated. As such, holders should consult their tax advisers. However, noteholders not resident in Spain for tax purposes that hold notes are exempt from Net Wealth Tax in Spain so far as the notes income derived from the notes is exempt from NRIT.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the notes by inheritance, gift or legacy, are subject to Inheritance and Gift Tax in accordance with the applicable Spanish legislation, unless they reside in a country for tax purposes with which Spain has entered into a treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant treaty for the avoidance of double taxation will apply.

Generally, individuals not resident in Spain for tax purposes are subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional and national legislation, to the extent that rights deriving from the notes can be exercised within the Spanish territory. If the deceased or the donee is not resident in Spain for tax purposes, the applicable rules will be those corresponding to the relevant Spanish autonomous region where the assets and rights with more value are situated. As such, holders should consult their tax advisers.

Legal entities not resident in Spain for tax purposes that acquire ownership or other rights over the notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. Such acquisitions are subject to NRIT (as described above), without prejudice to the provisions of any applicable treaty for the avoidance of double taxation entered into by Spain.

Compliance with Certain Requirements In Connection with Income Payments

In accordance with Section 44 of Royal Decree 1065/2007, certain information with respect to the notes must be submitted to us by the Paying Agent before the close of business on the Business Day (as defined in the Description of the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the redemption of the notes (each, a "Payment Date") is due. Such information is the following:

(i) identification of the notes (as applicable) in respect of which the relevant payment is made;

(ii) income payment date when the relevant payment is made (or redemption if the notes are issued at discount or are segregated);;

(iii) total amount of income (or total amount to be reimbursed if the debt securities are issued at discount or are segregated) paid on the relevant payment date; and

(iv) total amount of the income corresponding to notes held through each entity that manages a clearing and settlement system for securities situated outside Spain.

In particular, the Paying Agent must certify the information above about the notes by means of the Payment Statement which is attached as Annex A to this offering memorandum.

In light of the above, we and the Paying Agent have arranged certain procedures to facilitate the collection of the Payment Statement by the close of business on the Business Day immediately preceding each relevant Payment Date.

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to us in a timely manner in respect of a payment of interest or any amounts in respect of the early redemption of the notes to the relevant holder, the issuer will withhold tax at the then-applicable rate (currently 19%) from any payment in respect of the relevant notes and will not pay to the noteholder any Additional Amounts with respect to any such withholding, subject to limitations and exceptions as described under "Description of the Notes—Payment of Additional Amounts".

If, before the tenth calendar day of the month following the relevant payment date, the Paying Agent provides to the issuer or any Spanish Guarantor the required information, the issuer or the Spanish Guarantor, as the case may be, will reimburse to the relevant noteholder the amounts withheld. Noteholders who are not resident in Spain for tax purposes and are entitled to exemption from NRIT on income derived from the Notes, but where we do not timely receive from the Paying Agent the information above about the notes by means of a certificate the form of which is attached as Annex A to this offering memorandum, would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

In this vein, according to Royal Decree 1776/2004, of July 30, 2004 and the Order of the Ministry of Finance and Taxation EHA/3316/2010, of December 17, a refund of an amount withheld in excess of any applicable NRIT (taking into account an available exemption or reduction under First Additional Provision of Law 10/2014, NRIT Law or any applicable double tax treaty) may be requested to be obtained directly from the relevant Spanish tax authorities.

To pursue the refund claim, the noteholder (who is the beneficial owner entitled to receive the income payments in respect of the notes) is required to file *inter alia*:

- the corresponding Spanish tax refund form (currently, tax form 210);
- a valid certificate of tax residence issued by the relevant tax authorities of the country of residence of the relevant noteholder stating that the noteholder is a resident of such country (and, in case an exemption or reduction of NRIT is claimed pursuant to a double tax treaty, such certificate must indicate that the relevant noteholder is a resident therein within the meaning of the relevant double tax treaty or, as the case may be, the equivalent double tax treaty form);

- proof of beneficial ownership on the notes; and
- documentary evidence of the bank account to which the excess amount withheld should be paid.

For the purposes of this section, a noteholder must file the tax form 210 (together with the corresponding documentation) during the period from February 1 of the year following the year in which the NRIT was withheld, and ending on the expiration of the 4-year period which commenced with the end of the corresponding filing period in which the issuer reported and paid such withholding taxes.

For further details, prospective noteholders should consult their own tax advisors.

Noteholders should note that we do not accept any responsibility relating to the procedures established for the collection of information concerning the notes. Accordingly, we will not be liable for any damage or loss suffered by any noteholder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Paying Agent has failed or for any reason has been unable to deliver the duly executed and completed Payment Statement to us in a timely manner. Moreover, we will not pay any additional amounts with respect to any such withholding. See "*Risk Factors — Risks Related to the Notes and the Note Guarantees—There are risks related to withholding tax in Spain, including in conjunction with the delivery of certain documentation by the Paying Agent*".

Set out below is Annex A. Annex A (which is the Payment Statement) must be delivered by the Paying Agent to the issuer, in a timely manner, and must include certain details of the notes, in order to meet the requirements of Section 44.5 of Royal Decree 1065/2007. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex A and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of this offering memorandum is English. The Spanish language text of Annex A has been included in order that the correct technical meaning may be ascribed to such text under applicable Spanish la

Certain Mexican Federal Income Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are not residents of Mexico for tax purposes and that do not hold the notes through a permanent establishment in Mexico to which the income under the notes is attributable for tax purposes. For purposes of this summary, each such non-resident holder is a "foreign holder."

This summary is based upon the provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), in effect on the date of this offering memorandum, which is subject to change, possibly with retroactive effect or to new or different interpretations, which could affect the continued validity of this summary.

This summary does not constitute tax advice and does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes including a comprehensive description of all Mexican federal tax considerations. This summary does not describe any tax consequences arising under the laws of any state or municipality of Mexico.

Tax residency is a highly technical definition that involves the application of a number of factors that are specified in the Mexican Tax Code (*Código Fiscal de la Federación*). An individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory, this will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in any calendar year is from a Mexican source of income, or (ii) the principal center of the professional activities of the individual is located in Mexico. Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered as Mexican residents for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business or the place of effective management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed to be a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident, or to such deemed resident, will be subject to Mexican income tax, in accordance with applicable Mexican tax laws.

Taxation of Payments of Interest

Under the Mexican Income Tax Law, payments of interest (including original issue discount and premiums, which are deemed interest under the Mexican Income Tax Law) made by Alsea, S.A.B. de C.V. or the subsidiary guarantors that are residents in Mexico for tax purposes in respect of the notes to a foreign holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9%, if, as expected, the following requirements are met:

- the notes are placed outside Mexico through banks or broker-dealers, in a country with which Mexico has a treaty for the avoidance of double taxation in effect (which currently includes the United States);

- a notice is filed before the CNBV, describing the main characteristics of the notes offering pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis, 24 Bis 1 and other applicable provisions of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*); and

- the information requirements specified from time to time by the Mexican Tax Authority (*Servicio de Administración Tributaria*) under its regulations, including, after completion of the offering of the notes, the filing of certain information related to the notes offering and this offering memorandum, are duly and timely complied with.

If any of such requirements is not met, the withholding tax applicable to interest payments under the notes made to non-residents of Mexico will be imposed at a rate of 10% or higher.

In addition, if the effective beneficiaries, whether acting directly or indirectly, severally or jointly with related parties, receiving more than 5% of the aggregate amount of each interest payment under the notes are (i) shareholders holding more than 10% of our voting stock, directly or indirectly, severally or jointly with related parties, or (ii) corporations or other entities having more than 20% of their stock owned, directly or indirectly, jointly or severally, by persons related to us, the Mexican withholding tax will be applied at substantially higher rates.

Payments of interest in respect of the notes made by us or any subsidiary guarantor that is a resident of Mexico for tax purposes to a non-Mexican pension or retirement fund will be exempt from Mexican withholding taxes if:

- such fund is organized pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;

- such income is exempt from income taxes in such country; and

- such fund is registered with the Mexican Ministry of Finance and Public Credit for these purposes.

Holders or beneficial owners of the notes may be requested, subject to specified exemptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments that we make to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in such law. In the event that the specified information or documentation concerning the holder or beneficial owner is not timely or completely provided, we may withhold Mexican tax from that interest payment on the notes to that holder or beneficial owner at the maximum applicable rate, and our obligation to pay Additional Amounts relating to those withholding taxes would be limited as described under "Description of the Notes—Payment of Additional Amounts."

Taxation of Principal Payments

Under the Mexican Income Tax Law, payments of principal made by us or any subsidiary guarantor in respect of the notes to a foreign holder will not be subject to Mexican withholding tax.

Taxation of Dispositions and Acquisitions of the Notes

Under the Mexican Income Tax Law, gains resulting from the sale or disposition of the notes by a foreign holder to another foreign holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a foreign holder to a purchaser who is a Mexican resident for tax purposes, or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to Mexican tax income or other taxes pursuant to the rules described above in respect of interest payments, unless an applicable income tax treaty provides otherwise. The acquisition of the notes at a discount by a foreign holder will be deemed interest income, and subject to Mexican withholding taxes if the seller is a Mexican resident or a foreign resident deemed to have a permanent establishment in Mexico.

Other Mexican Taxes

Under current Mexican tax laws, there are no estate, inheritance, succession or gift taxes generally applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of Mexican income taxes upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes or in connection with the issuance of the notes.

Certain U.S. Federal Income Tax Considerations

The following is a general summary of certain U.S. federal income tax considerations generally applicable to U.S. holders (as defined below) associated with the ownership and disposition of the notes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date of this offering memorandum and all of which are subject to change, possibly with retroactive effect, and different interpretations. This summary addresses tax considerations only for holders that purchase the notes pursuant to this offering at the original issue price and that hold the notes as "capital assets" as defined in the Code (generally, property held for investment). Moreover, this summary is for general informational purposes only and does not address all of the tax consequences that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.S. federal income tax laws (such as banks, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt entities, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, brokers, expatriates, entities treated as partnerships for U.S. federal income tax purposes and partners therein, persons who hold their notes as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. holders whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax, accrual basis taxpayers required under Section 451(b) of the Code to conform the timing of income accruals with respect to the notes to their financial statements, or persons deemed to sell the notes under the constructive sale provisions of the Code), all of whom may be subject to tax rules that differ significantly from those summarized below. The discussion below does not address U.S. federal estate and gift tax considerations, any aspect of the Medicare tax on net investment income or the effect of any state, local or non-U.S. tax law. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions.

HOLDERS OF THE NOTES ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE OR LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax, regardless of the source thereof; or
- a trust (1) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) if it has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes acquires notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of an entity treated as a partnership that is considering an investment in the notes should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning and disposing of notes.

Payment of Interest and Additional Amounts

Interest income (including any Additional Amounts and Spanish taxes withheld from stated interest payments and any Additional Amounts) will generally be taxable to a U.S. holder as ordinary income at the time it is paid or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. U.S. holders using the cash basis method of accounting will be required to include in income the U.S. dollar value of each interest payment based on the spot rate in effect on the date the payment is received, regardless of whether the payment is in fact converted into U.S. dollars at that time, and will recognize no exchange gain or loss on receipt of the payment. U.S. holders using the accrual method of accounting may translate accrued interest into U.S. dollars at the average rate of exchange for the period or periods during which the interest accrued, or, at the holder's election, at the spot rate on (i) the last day of the accrual period, (or, if the accrual period straddles the holder's taxable year, the last day of the taxable year) or (ii) the date the interest payment is received if such date is within five business days of the end of the accrual period. The election described in the preceding sentence must be consistently applied to all debt instruments from year to year and can be changed only with the consent of the IRS. Accrual basis U.S. holders will recognize ordinary exchange gain or loss on the receipt of payments in respect of accrued interest (including, upon sale or other disposition of a note, proceeds attributable to accrued interest previously included in income) in an amount equal to the difference between (i) the U.S. dollar value of the payment (as determined based on the spot rate in effect on the date the payment is received) and (ii) the amount of interest income accrued in respect of the payment. Any such exchange gain or loss will generally be U.S. source.

While it is not anticipated that the notes will be issued with more than de minimis original issue discount ("OID"), if the notes are issued with OID in excess of a de minimis amount, a U.S. holder will be required to include the OID in ordinary income during the term of the notes on a constant yield accrual basis. The remainder of this discussion assumes that the notes are not issued with OID in excess of a de minimis amount.

U.S. holders may be entitled to deduct or credit any tax withheld from stated interest payments and any Additional Amounts, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of such U.S. holder's foreign taxes for a particular tax year). Interest income (including Spanish taxes withheld from the interest payments and any Additional Amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income". U.S. holders may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where the U.S. holder was entitled to a refund of the tax but did not seek to obtain the refund. The rules governing the foreign tax credit are complex. U.S. holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes under their particular circumstances.

Sale, Exchange, Redemption, Retirement or Other Dispositions

A U.S. holder will generally recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of a note in an amount equal to the difference between the amount realized (less amounts received attributable to accrued interest or Additional Amounts, which will be taxed as such to the extent not previously included in income by the U.S. holder) and the U.S. holder's adjusted tax basis in the note at the time of such disposition. A U.S. holder's adjusted tax basis in a note generally will be the U.S. dollar value of the euro purchase price of the note to the U.S. holder on the date of purchase calculated at the spot rate of exchange on that date decreased by any payments received on the note other than stated interest received on the note. Except as described below, any gain or loss recognized on a disposition of a note will be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the U.S. holder has held the note for more than one year at the time of disposition. Certain non-corporate U.S. holders are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. holder on the disposition of a note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. holder held such note. Such foreign currency exchange gain or loss will equal the difference between (1) the U.S. dollar value of the stated principal amount (if the notes are redeemed) or disposition price (denominated in euros) calculated at the spot rate of exchange on the date such disposition payment is received or the note is disposed of, and (2) the U.S. dollar value of the U.S. holder's initial purchase price (denominated in euros) calculated at the spot rate of exchange on the date of purchase. If the notes are traded on an established securities market, a U.S. holder using the cash method of accounting, and, if it so elects, a U.S. holder using the accrual method of tax accounting, will determine the U.S. dollar value of the amount of euros realized upon a disposition by translating such amount at the spot rate of exchange on the settlement date of such disposition. The election described in the preceding sentence must be consistently applied by to all debt instruments from year to year and can be changed only with the consent of the IRS. The realization of any foreign currency exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of a note.

If a Spanish income tax is withheld on the sale or other disposition of notes, the amount of cash considered received will include the gross amount of the proceeds of that sale or other taxable disposition before deduction of the Spanish income tax. Capital gain or loss, if any, realized by a U.S. holder on the sale, exchange or other taxable disposition of our notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of our notes that is subject to Spanish income tax, a U.S. holder may not be able to benefit from the foreign tax credit for that Spanish income tax (because the gain from the disposition would be U.S. source), unless the U.S. holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources or is entitled to treat such gain as Spanish source under the United States-Spain Income Tax Treaty. Alternatively, a U.S. holder may take a deduction for the Spanish income tax if the U.S. holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The foreign tax credit rules are complex, and U.S. holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, exchange, redemption, retirement or other taxable disposition of the notes.

Specified Foreign Financial Assets

Certain U.S. holders are required to report information relating to an interest in the notes, subject to certain exceptions, by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the notes. Substantial penalties can apply if a U.S. holder is required to submit such information to the IRS and fails to do so. U.S. holders are urged to consult their tax advisors regarding information reporting requirements relating to ownership of the notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated the date of this offering memorandum among the issuer, the guarantors and the initial purchasers, the issuer has agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us the principal amount of notes set forth in the purchase agreement. The initial purchasers may offer and sell the notes through certain of their affiliates. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

Certain initial purchasers are not broker-dealers registered with the SEC and, therefore, may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that such initial purchasers intend to effect sales of the notes in the United States, they will do so only through one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. CaixaBank, S.A. is only participating in the offering outside the United States under Regulation S of the Securities Act. CaixaBank, S.A. is not a broker dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered under Securities Laws

The notes have not been, and will not be, registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales that occur outside of the United States pursuant to Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

The notes have not been registered in Mexico with the RNV maintained by the CNBV, or otherwise be the subject of intermediation activities in Mexico, except that the notes may be offered privately in Mexico pursuant to the private placement exemptions set forth in Article 8 of the Mexican Securities Market Law.

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system other than the SGX-ST. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so, and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the notes will be made to investors on or about January 21, 2022, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 180 days after the date of this offering memorandum, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions and Stabilizing Transactions

In connection with the offering, ING Bank N.V. (the "stabilizing manager") or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the stabilizing manager, or persons acting on its behalf, may bid for and purchase notes in the open markets to stabilize the price of the notes. The stabilizing manager, or persons acting on its behalf, may also over allot the offering, creating a syndicate short position, and may bid for and purchase notes in the open market to cover the syndicate short position. In addition, the stabilizing manager, or persons acting on its behalf, may bid for and purchase notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the notes above market levels that may otherwise prevail. The stabilizing manager are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant initial purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the initial purchaser to reclaim a selling concession from a broker or dealer when the notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Certain Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In particular, certain of the initial purchasers and/or their affiliates are lenders under the facilities that may be repaid with proceeds of this offering. Such initial purchasers may be deemed to have a "conflict of interest" with us.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments.

Sales Outside the United States

The notes may be offered and sold in the United States and certain jurisdictions outside the United States in which such offer and sale is permitted by affiliates of the initial purchasers.

In particular, with regard to the European Economic Area, the notes may only be offered and sold in terms enabling the issuer to rely on an exemption from publication of a prospectus under Article 1.4 of the EU Prospectus Regulation.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

(1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

(2) outside of the United States, to certain non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The notes have not been registered in Mexico with the RNV maintained by the CNBV. Accordingly, the notes may not be offered or sold publicly or otherwise be the subject of intermediation activities in Mexico, absent an available exemption under Article 8 of the Mexican Securities Market Law.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person outside the United States.

(2) It acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that notes offered to non-U.S. persons outside the United States in reliance on Regulation S will also be represented by one or more global notes.

(4) It will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.

(5) It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

(6) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture.

(7) It acknowledges that the Trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee, registrar or transfer agent that the restrictions set forth in this offering memorandum have been complied with.

(8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers.

(9) If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this note, agrees that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it will notify any purchaser of this note from it of the resale restrictions referred to above.**
>
> **The foregoing legend may be removed from this note only with the consent of the issuer."**

The following is the form of the restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.**
>
> **The foregoing legend may be removed from this note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this note."**

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Book-Entry, Delivery and Form."

CERTAIN INSOLVENCY CONSIDERATIONS AND LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES

Set out below is a summary of certain insolvency considerations and certain limitations on the enforceability of the guarantees in each of the jurisdictions in which guarantees are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of any or future guarantor of the notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the notes and the guarantees.

European Union

The issuer and certain guarantors of the notes are organized under the laws of Spain, a Member State of the European Union.

Pursuant to Regulation (EU) No. 2015/848 of May 20, 2015 (the "Recast Insolvency Regulation"), which applies within the European Union, other than Denmark, to insolvency proceedings opened on and from June 26, 2017 (and replaces Council Regulation (EC) no. 1346/2000 on insolvency proceedings, which continues to apply to insolvency proceedings opened prior to June 26, 2017), the courts of the Member State in which a company's "center of main interests" ("COMI") (as that term is used in Article 3(1) of the Recast Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the Recast Insolvency Regulation throughout the European Union.

Article 3(1) of the Recast Insolvency Regulation states that the COMI of a company is located in the Member State where the company "conducts the administration of its interests on a regular basis and which is ascertainable by third parties". In addition, there is a presumption under Article 3(1) of the Recast Insolvency Regulation that a company has its COMI in the Member State in which it has its registered office (in the absence of proof to the contrary). This rebuttable presumption shall only apply where the company's registered office has not been moved to another Member State within a three month period prior to the opening of insolvency proceedings. The courts have taken into consideration a number of factors in determining the COMI of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's COMI may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

If the center of main interests of a company, at the time that the request to open insolvency proceedings is made, is located in a Member State (other than Denmark), the main insolvency proceedings in respect of the company under the Recast Insolvency Regulation would be commenced in that jurisdiction, and accordingly a court in that jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast Insolvency Regulation.

If the COMI of a company is in one Member State (other than Denmark) under Article 3(2) to Article 3(4) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets (the "Establishment"). The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its COMI, any proceedings opened subsequently in another Member State in which the company has an Establishment shall be secondary insolvency proceedings. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Where main proceedings in the Member State in which the company has its COMI have not yet been opened, territorial insolvency proceedings can only be opened in another Member State (other than Denmark) where the company has an Establishment where either (i) insolvency proceedings cannot be opened in the Member State in which the company's COMI is situated under that Member State's law; or (ii) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the Establishment (or under certain circumstances, a public authority).

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's COMI is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Please also note that the EU directive 2019/1023 of the European Parliament and the Council of June 20, 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "EU Restructuring Directive") was published on June 20, 2019.

The objectives of the EU Restructuring Directive are to ensure that (i) viable enterprises and entrepreneurs that are in financial difficulty have access to effective national preventive restructuring frameworks that enable them to continue operating, (ii) honest insolvent or over-indebted entrepreneurs (i.e. individuals) can benefit from a full discharge of debt after a reasonable period of time, thereby affording them a second chance and (iii) the effectiveness of procedures concerning restructuring, insolvency and discharge of debt is improved, in particular with a view to shortening their length.

The EU Restructuring Directive aims to achieve a higher degree of harmonization in the field of restructuring, insolvency, discharge of debt and disqualifications by establishing substantive minimum standards for preventive restructuring procedures as well as for procedures leading to a discharge of debt for entrepreneurs in order to promote a culture that encourages early preventive restructuring to address financial difficulties at an early stage, when it appears likely that insolvency can be prevented and the viability of the business can be ensured. Most notably, the EU Restructuring Directive provides for a framework pursuant to which (a) a stay of individual enforcement actions by creditors against debtors must be introduced by Member States national legislation, (b) all creditor claims shall be grouped into separate classes each of which shall reflect a commonality of interests based on verifiable criteria (at a minimum, creditors of secured and unsecured claims shall be treated in separate classes), (c) creditor claims may be restructured in a restructuring plan by majority vote with a majority of not more than 75% of the amount of the claims in each class and, where the Member State so requires, a majority in number of affected parties in each class or, where applicable, of the number of affected parties in each class and (d) a cross-class cram-down is introduced whereby a restructuring plan may, under certain conditions, be adopted and bind dissenting creditors even if the creditors of one or more classes do not consent to the restructuring plan with the required majority. In order to be adopted, the plan will have to be confirmed by a judicial or administrative authority that will in particular, ensure the protection of each type of creditors' rights and compliance with the priority rules governing the adoption of the plan. The transposition of the EU Restructuring Directive into national legislation shall protect new financing and interim financing and may also, subject to Member States' discretion, provide priority ranking to new or interim financing granted in the context of the restructuring.

The EU Restructuring Directive had to be transposed into national laws or regulations by Member States by July 17, 2021 (with the exception of the provisions relating to the use of electronic means of communication for which the time period for the transposition expires in certain respects on July 17, 2024 or, in others, on July 17, 2026), subject to a maximum 1 year extension of the transposition period for Member States encountering particular difficulties in implementing the EU Restructuring Directive.

Spain

The issuer and certain guarantors of the notes are incorporated under the laws of the Kingdom of Spain. Consequently, in the event of insolvency, insolvency proceedings may be initiated in Spain and be governed by the consolidated text of the insolvency law approved by Spanish Royal Legislative Decree 1/2020, of 5 May, as amended (the "Spanish Insolvency Law"). The insolvency proceedings (*concurso de acreedores*) are applicable to persons or entities and may lead either to the restructuring of the business through the implementation of a voluntary composition agreement between the creditors and the debtor or to the liquidation of the debtor's assets.

The Spanish Insolvency Law is expected to be amended to implement the restructuring framework required by the EU Restructuring Directive. Although the EU Restructuring Directive should have been transposed into Spanish law by 17 July 2021, the Spanish Government requested, and received, a one-year extension. A bill to transpose the EU Restructuring Directive, and which also contains other substantial amendments to the Spanish Insolvency Law, was approved by the Spanish Government on 21 December 2021 and submitted to the Spanish Parliament for tis review and subsequent enactment as a law. The Spanish Insolvency Law will be substantially affected not only as a result of the implementation of the EU Restructuring Directive but also of those additional provisions and potential amendments included in the law that the Parliament ultimately decide to approve.

The insolvency proceedings (*concurso de acreedores*) may lead either to the restructuring of the business through the implementation of a voluntary composition agreement between the creditors and the debtor or to the liquidation of the debtor's assets.

Insolvency

Under the current Spanish Insolvency Law, a debtor is considered insolvent when it cannot regularly pay its debts as they fall due – current insolvency (*insolvencia actual*). As a general rule, a debtor (and in the case of a company, its directors) must file for insolvency within two months of the date when it becomes aware, or should have become aware, of its current insolvency (unless, as explained below, the company has made a pre-insolvency filing in accordance with Article 583 of the Spanish Insolvency Law, in which case the debtor will have an additional three-month grace period to, *inter alia*, reach an agreement with its creditors and one more month to file for insolvency). Insolvency is considered voluntary (*concurso voluntario*) if filed by the debtor and it is presumed that the debtor becomes aware of its insolvency, unless otherwise proven, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. As a result of the COVID-19 pandemic, the Spanish Government has approved various extraordinary regulations which include, amongst others, Law 3/2020, of 18 September, of procedural and organisational measures to tackle COVID-19 in the realm of the administration of justice, as amended by Royal Decree-law 5/2021, of 12 March, of extraordinary measures to support company solvency in response to the COVID-19 pandemic and Royal Decree-law 27/2021, of 23 November, extending certain economic measures to support recovery, which have established a moratorium in connection with the legal duty to file for insolvency until June 30, 2022 (irrespective of the debtor having submitted the communication established in Article 583 et. seq. of the Spanish Insolvency Law). According to these regulations, the two-month term to file for insolvency will start on July 1, 2022.

The debtor may, but will not be obliged to, file for insolvency when it expects that it will shortly be unable to meet its current payment obligations as they fall due on a regular basis – imminent insolvency (*insolvencia inminente*).

In addition, the declaration of insolvency may be requested by any creditor (provided that the claim was not acquired on a singular basis and *inter vivos* within the six months prior to the filing of the petition for insolvency and such claim was not due and payable at the time it was acquired). A creditor can file a petition for a debtor to be declared insolvent if it can prove its current insolvency and not just its imminent insolvency, by providing evidence that it has failed to attach any assets, or sufficient assets, to pay any amounts owed that are due and payable. A creditor may also apply for a declaration of insolvency if, inter alia: (i) there are no sufficient assets of the debtor that can be attached to pay the claim; (ii) there is a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) there is a generalized default on payments by the debtor; (iv) there is a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months); or (v) or there is a misplacement, "fire sale" or sale or ruinous liquidation of the debtor's assets. Upon receipt of an insolvency petition by a creditor, which must be filed before the commercial court of the place where the debtor has its "center of main interests" in Spain, the insolvency court may issue provisional measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover the damages caused by such interim measures. The above-referred COVID-19 regulations have established that creditors' insolvency petitions will not be admitted for processing (*admitidas a trámite*) until June 30, 2022 (inclusive). The debtor will be entitled to file an opposition to any creditor's insolvency petition justified on the abovementioned circumstances (iii),

(iv) or (v), and will have to prove that either lack of creditor's standing, or such circumstances do not actually exist, or, if existing, the debtor was not, or is no longer, insolvent. The court will then summon the parties to a hearing, and will finally render a court ruling either dismissing the application filed by the creditor, or declaring the insolvency of the debtor.

Notwithstanding the foregoing, the general duty to file for insolvency within the referred two-month period is suspended if the debtor who is in current or imminent insolvency notifies the applicable court that it has initiated negotiations with its creditors to obtain support to reach a pre-packaged composition agreement (*propuesta de convenio anticipado*), a refinancing agreement (*acuerdo de refinanciación*) or an out-of-court repayment agreement (*acuerdo extrajudicial de pagos*), in accordance with Article 583 et. seq. of the Spanish Insolvency Law.

Effectively, by means of this communication, on top of the two months, the debtor gains an additional three-month period to achieve an agreement with its creditors and an additional month to file for the declaration of insolvency if within the above mentioned three-month period it has not been able to overcome the insolvency situation (thus, in total, the debtor will benefit from a four-month extension) and none of the above-mentioned agreements has been finalized in such time frame. During such three month period, creditors' petitions for mandatory insolvency (*concurso necesario*) will not be accepted (when filed within the subsequent month, they will be processed only if the debtor has not filed for insolvency by the end of the month) and court or out-of-court enforcement actions, other than public law claims, are prohibited or suspended (as applicable) over assets which are necessary for the continuity of the debtor's business activities. In addition, enforcement proceedings brought by creditors holding financial claims against any kind of debtor's assets (i.e. irrespective of the asset being necessary for the continuity of the debtor's business or not) shall be prohibited or suspended (as applicable) provided that the debtor evidences that at least 51% of the creditors holding all financial liabilities (by value) have supported the initiation of negotiations to enter into a refinancing agreement and have agreed to suspend or not initiate enforcement proceedings against the debtor while creditors holding financial liabilities are still negotiating. Nevertheless, secured creditors shall be entitled to bring enforcement proceedings against their security although once proceedings have been initiated they shall be immediately suspended. Furthermore, any outstanding enforcement action which falls into the above categories that was commenced before the filing for a pre-insolvency moratorium will be suspended. Once the communication has been submitted to the court, no further communications of this kind can be submitted within one year.

Effects of the Insolvency on the Debtor

The insolvency court will issue an order either rejecting the petition or declaring the insolvency. In the event of declaration of insolvency, the insolvency court order will appoint an insolvency administrator (*administración concursal*) (and, in certain cases, a second insolvency administrator if deemed of public interest) and will order the publication of such declaration of insolvency in the State Official Gazette (*Boletín Oficial del Estado*). The declaration of insolvency shall also be filed in the Commercial Registry (*Registro Mercantil*) and in the Public Registry of Insolvency (*Registro Público Concursal*).

If filed by the debtor, the insolvency is deemed "voluntary" (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed "mandatory" (*concurso necesario*). In the case of voluntary insolvency, as a general rule, the debtor remains in possession, that is, it retains the management and powers of disposal over its assets, although it is subject to the intervention (*intervención*) of the insolvency administrator (*administrador concursal*), who must approve any management or disposal decision. In the case of mandatory insolvency, as a general rule, the debtor's management powers are suspended (*sustitución*), and management's former powers, including the power to dispose of assets, is conferred solely upon the insolvency administrator. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator's request, the court has the power to swap the intervention regime for a suspension regime or *vice versa*. The time between the petition and the insolvency declaration by the court will depend upon a number of factors, including whether the filing has been made by the debtor or the creditor (and in turn whether the debtor has challenged the petition made by the creditor), whether all appropriate documentation has been submitted on a timely basis or is incomplete, and the workload of the court.

Actions carried out by the debtor that breach any required supervision or approval of the insolvency administrator may be declared null and void unless ratified by the insolvency administrator. Notwithstanding this, as a general rule, any sale or encumbrance of the debtor's assets or rights before the approval of a voluntary composition agreement or the opening of the liquidation phase requires specific authorization from the court. There are certain exceptions to this rule including, among others, transactions in the ordinary course of business, or transactions essential to assure the viability of the company's business or its treasury needs required by the continuation of the insolvency proceedings.

Claw back and Hardening Periods

There is no automatic claw back by operation of law. Therefore, there are no transactions that automatically become void as a result of the initiation of insolvency proceedings; instead the insolvency administrator must expressly challenge those transactions that could be deemed as having "damaged" the debtor's estate. In addition, creditors who have applied to exercise any claw back actions (stating the specific action they aim to contest or revoke and their grounds) will be entitled to exercise such actions if the insolvency administrator does not do so within the two months following their request. Under the Spanish Insolvency Law, any transaction, action carried out or agreement entered into by the debtor in the two years preceding its declaration of insolvency (the "suspect" period) can be rescinded by the court if the action or agreement was "detrimental to the insolvency estate" (*perjudicial para la masa activa*), including in the absence of fraudulent intent (transactions taking place more than two years before the declaration of insolvency may be challenged under the general applicable regime, under which fraud is required, among other things (see below)). The analysis of whether an action, agreement or transaction is detrimental to the insolvency estate must be made on a case-by-case basis.

The Spanish Insolvency Law does not define which acts are "detrimental" (*perjudiciales*) to the insolvency estate. The consequences of the transaction on the debtor's estate or on the equality of treatment among creditors, rather than the intent of the parties, is relevant. The Spanish Insolvency Law establishes a series of presumptions that give some indication as to how a court would rule in specific cases:

- A transaction will be deemed to be detrimental in all cases if: (i) it is carried out for no consideration; or (ii) it involves the early settlement (by payment or otherwise) of non-secured debts maturing after the declaration of insolvency.

- A transaction will be presumed to be detrimental but that presumption may be rebutted if the transaction: (i) is carried out in favor of persons specially related to the debtor (such as intragroup guarantees, as so construed by the Spanish Supreme Court); (ii) involves creating *in rem* guarantees securing pre-existing debts (or new debts incurred to replace pre-existing ones); or (iii) involves the early settlement (by payment or otherwise) of debts secured with an *in rem* guarantee maturing after the declaration of insolvency.

Specific transactions cannot be rescinded including: (i) actions taken by a debtor in the ordinary course of business and in normal terms; (ii) the creation of *in rem* guarantees securing either public law claims, or in favor to the Guarantee Salary Fund (*Fondo de Garantía Salarial*); (iii) transactions that are a result of the implementation of resolutions measures upon credit entities and investment services entities; and (iv) netting and transfer orders entered into a payment and securities settlement system before the declaration of insolvency.

The detriment caused by any action not falling within any of the above categories will need to be evidenced by the insolvency administrator or the creditor requesting claw back.

Reinstatement claims will not be permitted under the Spanish Insolvency Law where the party who benefits from the act impairing the insolvency estate proves that such act is subject to the law of another member State that does not allow its challenge in any case.

Protection of Certain Refinancing Agreements

Certain refinancing agreements may be protected from claw-back risk provided that they comply with certain requirements set out under "*Cram Down Mechanism*" below. However, in the case that such refinancing agreements are not subject to the procedure of judicial sanctioning therein described (*homologación*), in order to benefit from such protection they must be backed by at least $^{3}/_{5}$ of the total claims of the debtor (calculated on an individual and on a consolidated basis but excluding intragroup claims). The refinancing agreements must be executed by a debtor in actual or imminent insolvency, as well as founded on a viability plan reflecting that the debtor will be viable in the short- and medium-term and must comply with the rest of requirements explained below.

Fraudulent Conveyance Laws

In addition to the claw-back mechanism, under Spanish law, the insolvency administrator and any creditor may bring an action to rescind a contract (*acción rescisoria pauliana)* against its debtor and the third party which is a party to such contract, provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way.

Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor must owe the creditor an amount under a valid contract and a fraudulent action must have taken place after such debt was created;
- the debtor must have carried out an act that is detrimental to the creditor and beneficial to a third party;
- such action must have taken place within four years before the date of the claim;
- there must not be other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- the debtor must be insolvent, meaning that the debtor must have suffered a relevant decrease in its estate making it impossible or more difficult for the creditor to collect the claim.

The existence of fraud (which must be proved by the creditor) is one of the essential requirements under Article 1291.3º of the Spanish Civil Code for this action to succeed. Pursuant to Article 1297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*), will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (i.e., cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (i.e., a rebuttable presumption). Payments of debts made by the debtor in a state of insolvency, when such debt is not due or the debtor is yet to be in default regarding such debt, can be also rescinded.

If the rescission action is upheld, the third party must return the consideration received under the contract, as well as interests and proceeds, in order to satisfy the debt owed to the creditor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for the damage caused if it is proved that such third party incurred in bad faith when entering into the fraudulent agreement with the debtor. In any other case (i.e. if it is proved that the third party acted in good faith) it will be the person who has actually caused the damage to the creditor who will have to reimburse the corresponding amount.

Request for Joint Insolvency

Joint insolvency may be requested by the insolvent debtors and the insolvency administrators, or common creditors, in respect of two or more debtors if either (a) there is a confusion of assets among them or (b) they form part of the same group of companies. The request for the joint insolvency of two or more legal entities requires that each of the affected companies is separately insolvent. Further, the insolvent debtors, or any of the appointed insolvency administrators, as the case may be, may apply for the accumulation of insolvency proceedings already declared under certain circumstances (and, in particular, if the insolvent debtors form part of the same group of companies).

In addition, creditors may apply for the procedural consolidation of the insolvency proceedings of two or more of its debtors already declared insolvent provided that a petition has not been submitted by any of the insolvent debtors or by the insolvency administrators, and there is there is a confusion of assets among them, they form part of the same group of companies, or they are managers, shareholders, partners or members personally liable for the debts of the debtor if it is a legal entity.

Insolvency proceedings declared jointly or accumulated are processed in coordination, without consolidation of the estate of the insolvent debtors. As a result, and as a general rule, a "group insolvency" does not lead to a commingling of the debtors' assets and creditors of such group. This means that the creditors of one company of the group will not have recourse to the assets of the other companies of the same group (except where cross-guarantees exist, in which case such a claim is likely to be subordinated). The current system is basically a procedural one, aimed at making the insolvency proceedings as time and cost efficient as possible. However, exceptionally, assets and liabilities amongst the companies declared insolvent may be consolidated where there is a confusion of estates and the assets and liabilities belonging to each of the companies cannot be identified, without incurring on unjustified costs or delays.

Ranking of Claims

Before the insolvency creditors (*acreedores concursales*) are paid pursuant to the order indicated below, specific creditors, denominated "creditors of the insolvency estate" (*acreedores de la masa*), will have claims against the insolvency estate (*créditos contra la masa*) that will also be paid from the insolvency estate. These claims must generally be paid as they fall due and in accordance with their own terms and will therefore be deducted from the insolvency estate prior to the payment of any other claims of creditors of the insolvency estate. As an exception, assets subject to a security interest cannot be affected by claims of creditors of the insolvency estate.

Creditors of the Insolvency Estate (acreedores de la masa)

The Spanish Insolvency Law contains a closed-ended list of claims against the insolvency estate (*créditos contra la masa*). These claims include, among others:

(i) Salary claims accrued during the 30 working days preceding the declaration of insolvency, provided they do not exceed more than two times the applicable minimum legal wage (*salario mínimo interprofesional*).

(ii) Fees and expenses of the insolvency proceedings, including fees associated with the filing for insolvency, the publication of the declaration of insolvency or any other court resolution, as well as fees incurred by the insolvency administrator.

(iii) Costs incurred for the continuation of the business following the declaration of insolvency, including wages and employment-restructuring costs, until the insolvency proceedings end.

(iv) Payments arising from agreements with outstanding mutual obligations that survive after the declaration of insolvency, and any amounts due as a result of their termination, whether due to a breach or court order.

(v) Claims arising from the reinstatement of credit or facility agreements.

(vi) Claims arising in favor of a creditor subject to a claw-back action rescinding agreements of bilateral nature, unless the creditor acted in bad faith.

(vii) Claims arising from obligations lawfully undertaken by the debtor with the approval of the insolvency administrator during the insolvency proceedings.

(viii) Claims arising from obligations under applicable law and tort liability incurred after the declaration of insolvency until conclusion of the proceedings.

(ix) In the event of subsequent insolvency, up to 50% of the claims arising from new money provided to the debtor in compliance with, or pursuant to, a qualifying refinancing agreement that is not subject to claw-back (unless the lender is a specially related to the debtor).

(x) New money provided to the debtor to finance a viability plan under a voluntary composition agreement, in the event of liquidation due to breach of the voluntary composition agreement. New money provided by legal or natural persons specially related to the debtor through a share-capital increase, loans or similar transactions will not be recognised as claims against the insolvency estate. Pursuant to COVID-19 regulations, in the event of default of voluntary composition agreements that were approved or modified in the two years following March 14, 2020, insofar as the voluntary composition agreements have identified the party with the obligation and the maximum amount of the financing to be granted or the guarantee to be perfected, new money provided by persons specially related to the debtor will qualify as claims against the insolvency estate.

The claims against the insolvency estate described in paragraph (i) must be paid immediately. As a general rule, all other claims against the insolvency estate will be paid as they fall due. However, the Spanish Insolvency Law establishes that if the insolvency administrator expects that the insolvency estate will be sufficient to pay all claims against it, this rule may be modified and the payment of specific claims brought forward. This decision cannot affect claims held by employees or by tax or social-security authorities. There is a specific ranking for payment of claims against the estate when the insolvency administrator notifies the court that the estate is not sufficient to repay all of them in full.

Insolvency Creditors (acreedores concursales)

The insolvency estate (*masa activa*) is formed by all assets and rights owned by the debtor at the time the insolvency is declared as well as those that are returned to the debtor as a consequence of the exercise of claw-back actions or acquired during the proceedings. Creditors are paid out of the insolvency estate.

The insolvency administrator will prepare and file an inventory of assets identifying all assets and rights, as well as their value and status, albeit merely for informative purposes.

The insolvency administrator must also file a list of creditors identifying all the debtor's liabilities and quantifying and classifying the liabilities in accordance with their nature and the Spanish Insolvency Law. When preparing the list of creditors, the insolvency administrator will rely on the debtor's accounting information, as well as the notices of claims that all creditors are obliged to lodge before the end of the first month following the publication of the declaration of insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*). Creditors must lodge their claims in a timely manner following the opening of the insolvency proceedings. Notices of claims may still be lodged after the end of the one-month period although, in that case and as a general rule, the claim will be classified as subordinated (unless the creditor can prove that it was unaware of the existence of the claim at that time or the recognition of the claim is mandatory for the insolvency administrator pursuant to the Spanish Insolvency Law).

Creditors are entitled to challenge the list of creditors, which will result in a formal court procedure before the same insolvency court (*incidente concursal*).

Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrator will draw up a list of acknowledged insolvency creditors (*acreedores concursales*) and claims and classify them according to the following categories established in the Spanish Insolvency Law:

(1) Specially privileged claims (*créditos con privilegio especial*). Specially privileged claims are those that have an *in rem* right over a specific asset that they can enforce or attach, – as a general rule and subject to certain conditions – separately from the insolvency proceedings and in priority to other creditors. Specially privileged creditors hold a preferential claim in connection with the proceeds of the sale or enforcement of the asset affected by their security or *in rem* right. Specially privileged claims include, among others:

    (i) those secured by a specific asset or right (e.g. claims secured by a real-estate mortgage, chattel mortgage, possessory pledge, financial collateral, pledge without transfer of possession);

    (ii) credit rights under financial leases; and

    (iii) credit rights arising out of sale agreements with a deferred price and a retention-of-title, prohibition-against-disposal or termination clause in the event of payment default.

    The security interest must be perfected before the declaration of insolvency and comply with all legal requirements and formalities established to be enforceable vis-à-vis third parties.

Claims secured with pledges over future credit rights are only considered specially privileged if (a) the future credit rights arise from agreements or relationships established or executed prior to the declaration of insolvency; and (b) (i) in the case of possessory pledges, the pledge was granted as a public document or, (ii) in the case of non-possessory pledges (*prenda sin desplazamiento*), the pledge was registered with the applicable public registry.

Special rules apply if the future credit rights to be pledged arise from the termination of concession agreements or other public-works or service contracts executed with the State or other public entities.

Specially privileged claims are paid with preference to other claims from the proceeds obtained from the sale or enforcement of the collateral, including with preference over creditors of the insolvency estate.

The recognition of specially privileged claims in the list of creditors is nevertheless limited to the amounts that do not exceed the "value of the collateral", which is calculated pursuant to the following formula, i.e. the Security Value:

Security Value = 90% of "reasonable value" – legally preferred claims

where:

(a) "*Reasonable value*" is the value determined pursuant to specific rules set forth in the Spanish Insolvency Law (e.g., real-estate assets will be valued by means of an appraisal report issued by an approved appraiser registered with a special registry of the Bank of Spain, securities listed on a regulated market will be valued pursuant to the average weighted price at which they have been traded on one or multiple regulated markets in the quarter preceding the declaration of insolvency).

(b) "*Legally preferred claims*" are senior-ranking charges and encumbrances (including charges and attachments by operation of law), but do not include mere contractual preferences, such as those agreed in an inter-creditors agreement.

(2) Generally privileged claims (*créditos con privilegio general*): generally privileged claims are those paid from the debtor's assets rather than from an entitlement to any particular asset. Consequently, generally privileged claims are paid after repayment of secured claims, but prior to ordinary claims. They include, among others:

(i) Claims for salaries up to a specific amount, severance payments and compensation for the termination of employment agreements up to a specific amount, compensation for work-related accidents or sicknesses and surcharges on amounts owed for the breach of labour-related health-and-safety obligations established before the declaration of insolvency.

(ii) Claims for amounts relating to unpaid withholding taxes and social-security contributions.

(iii) Claims for other amounts to be paid to the tax authorities and social-security authorities (up to 50% of the aggregate amount).

(iv) Claims for non-contractual (tort) liability, including claims by social-security or tax authorities deriving from criminal offences (*responsabilidad civil derivada de delito*).

(v) In cases of subsequent insolvency, the remaining 50% of the claims arising from new money granted to the debtor pursuant to a qualifying refinancing agreement that is not subject to claw back that are not considered claims against the insolvency estate (unless the lender is a specially related party to the debtor).

(vi) Claims of the creditor that filed the request for insolvency, up to 50% of the aggregate amount of the creditor's unsubordinated claims.

Claims that benefit from a general preference are paid after secured claims (and before ordinary claims) in accordance with the order outlined above. If the assets are insufficient to fully satisfy any of the subclasses listed above, creditors of the same subclass will be paid *pro rata* to the amount of their claims.

(3) Ordinary claims (*créditos ordinarios*): ordinary claims are those that are neither expressly privileged nor expressly subordinated. Ordinary claims rank *pari passu* and are paid *pro rata*.

(4) Subordinated claims *(créditos subordinados):* subordinated claims are those paid last and include:

(i) Claims that creditors do not lodge with the insolvency administrator on time.

(ii) Claims that are contractually subordinated to all remaining debts of the debtor.

(iii) Claims for interest (accrued before the declaration of insolvency) and surcharges, except surcharges and interest in connection with secured claims, and subject to the limit of the Security Value. Claims will not accrue interest after the declaration of insolvency, except for remunerative secured interest subject to the limit of the Security Value.

(iv) Claims for fines and sanctions.

(v) Claims held by legal or natural persons who are specially related to the debtor, except for claims held by shareholders and common shareholders who are specially related to the debtor, provided that they arise from contracts other than loans, facility agreements or similar financing arrangements (e.g. commercial relationships, services agreements, asset transfers) (see below for more details).

(vi) Claims in favor of a creditor as a result of a claw-back action if the court finds that the creditor acted in bad faith.

(vii) Claims arising from either reciprocal obligations or reinstated financing contracts if the court finds, based on the report of the insolvency administrator, that the creditor repeatedly obstructed compliance with the contract to the detriment of the insolvency estate.

The main consequences of subordination are:

- Subordinated creditors are paid last, and only if ordinary creditors have been repaid in full. Subordinated creditors are then paid in the order listed above. If assets are insufficient to fully satisfy the claims of any of the subordination subclasses, creditors of the same subclass will be paid *pro rata* to the amount of their claims.

- Any security interest over assets or rights of the insolvency estate created to secure a subordinated claim will be automatically cancelled, unless the subordinated creditor successfully challenges the classification of its claim, in which case the security interests will only be released when a final judgment that is not subject to appeal is handed down.

- Subordinated creditors will not be entitled to vote on any refinancing agreement or voluntary composition agreement with respect to their subordinated claims. Voluntary composition agreements approved within the insolvency proceedings bind subordinated creditors.

Specially Related Parties (*partes especialmente relacionadas*)

As described above, claims of legal or natural persons who are "specially related" to the debtor are subordinated. The Spanish Insolvency Law contains an exhaustive list of situations in which a creditor is deemed to be "specially related" to the debtor. Specially related parties' claims executing a refinancing agreement are not considered when calculating the relevant thresholds.

The following creditors will be considered to be specially related to the debtor if the debtor is a legal person:

(i) Shareholders holding a stake, whether directly or indirectly through controlled companies, of 10% or more of the debtor's share capital (or 5% or more if the debtor has securities listed on an official secondary market) at the time the loan or claim was granted.

(ii) Creditors that become direct or indirect shareholders after the claim was originated will not be subordinated.

Creditors who have directly or indirectly capitalised their credit rights pursuant to a voluntary composition agreement or a qualifying refinancing agreement will not be deemed to be specially related persons in connection with any new money provided in the context of the voluntary composition agreement or qualifying refinancing agreement. This protection will be afforded even when, as a result of the debt-for-equity transaction, they have assumed a position on the debtor's board of directors.

(iii) Directors, including legal and shadow directors, liquidators and general managers acting under general powers of attorney, and those who have held those positions or roles in the two years immediately preceding the declaration of insolvency.

(iv) Entities forming part of the debtor's group, as well as their "common shareholders" meeting the conditions indicated in paragraph (i).

"Common" shareholders are those who simultaneously hold (i) any stake in the debtor in insolvency; and (ii) a stake higher than 10% of any unlisted group company (or 5% of any listed group company) as at the date of the creation of the claim.

A claim is subordinated if it was created when the creditor formed part of the debtor's group, even if the creditor no longer forms part of the group at the time the insolvency is declared.

The Spanish Insolvency Law also establishes that assignees of a claim assigned by a specially related party will be presumed to be a specially related party if the debtor is declared insolvent in the subsequent two years. This legal presumption is rebuttable.

In addition, when a guarantor who is specially related to an insolvent debtor pays the guaranteed obligation (and thus holds itself a claim against the debtor), the claim of the guarantor will be classified by the insolvency administrator with the lowest of the possible rankings that would have been afforded to any of the claims (i.e. the original claim repaid under the guarantee and the recovery claim of the guarantor against the debtor), and even if the claim held by the original creditor could have been classified as ordinary or privileged.

Lastly, COVID-19 regulations establish that, in connection with insolvency proceedings declared prior to 14 March 2022, new money provided following the declaration of the state of emergency in Spain (i.e. 14 March 2020) by specially related persons, as well as any claims in which a specially related person is subrogated after that date due to a payment of debt on behalf of the debtor, will be classified as ordinary claims, without prejudice to any potential privileges.

Cram Down Mechanism

In order to seek protection against claw back, refinancing agreements (out-of-court workouts) executed by a debtor who is in actual or imminent insolvency, but has not been declared in insolvency yet, may be judicially sanctioned by the commercial court that would be competent to conduct the insolvency proceeding of the debtor should it fall into insolvency, upon request by the debtor or by any creditor party to such refinancing agreement. The refinancing agreement must: (i) ensure the debtor's viability in the short and medium term; (ii) at least, provide for an increase of the funds available to the debtor or an extension of the term or replacement of the pre-existing (refinanced) debt; (iii) have been entered into by creditors holding financial claims representing at least 51% of the debtor's total financial claims as at the date of the refinancing agreement, which majority must be certified by the company's auditor (in the case of a group a companies, the majority refers both individually to each company and to the group as a whole, without taking into account intercompany claims); and (iv) the refinancing agreement must have been formalised in a public document (i.e. with the intervention of a Spanish notary public). Judicially sanctioned refinancing agreements, as well as acts, security and transactions set forth therein, are not subject to claw back.

In addition, the Spanish Insolvency Law provides that certain effects of a judicially sanctioned refinancing agreement may be imposed on non-participating or dissenting financial creditors (cram down) if certain requirements are met. This means that, among others, labour creditors, creditors holding claims governed by public law (e.g., public creditors such as the tax authorities or Social Security) and trade creditors are excluded, even if the maturity of their claims has been deferred. They may voluntarily adhere to the refinancing agreement, but their vote will not be counted to determine if the required majorities have been obtained.

The cram down regime depends on whether the claim is secured or unsecured, the value of the security interest (if applicable) and the creditor support achieved. In order to identify which claims are in or out of the money, the security value of the collateral (the "Security Value") will need to be calculated pursuant to the rules established in the Spanish Insolvency Law described above. As a result, depending on the Security Value, one creditor may be treated, in respect of the same debt, as a holder of both a secured and unsecured claim (in the latter case, in connection with the portion of its claim that falls short of the Security Value).

The Spanish Insolvency Law establishes a rather broad (albeit specific and closed-ended) list of effects that may be extended to holders of unsecured and secured financial claims and that depends on the majorities achieved, as summarised in the following chart:

Restructuring measure	**Majority of total financial claims**	**Additional majority of total secured financial claims (Security Value)**
Deferral of principal, interest or any other due amount for a period not exceeding five years	60%	65%
Deferral of principal, interest or any other due amount for a period of five to ten years	75%	80%
Conversion into participative loans (PPLs) for a period not exceeding five years	60%	65%
Conversion into PPLs for a period of five to ten years	75%	80%
Conversion into convertible obligations, subordinated loans, payment-in-kind facilities or into any other financial instrument with a ranking, maturity or features distinct from those of the original debt	75%	80%
Haircuts below 25%	60%	65%
Haircuts over 25%	75%	80%
Debt-for-assets (1)	75%	80%

Restructuring measure	Majority of total financial claims	Additional majority of total secured financial claims (Security Value)
Debt-for-equity [(2)]	75%	80%
Other	75%	80%

(1) Including the assignment of assets or rights in kind or for the total or partial payment of the debt (*datio pro soluto* and *datio pro solvendo*).

(2) Those creditors who have not supported the refinancing agreement (either because they did not sign the agreement or because they opposed it) may choose between (a) the debt-for-equity swap or (b) an equivalent discharge of their claims.

The calculation of the thresholds referred to above is not always straightforward, and some uncertainties are yet to be solved by the Spanish courts. Grounds for opposition by dissenting creditors are limited to (i) an incorrect calculation of these thresholds or (ii) the imposition of a disproportionate sacrifice upon the dissenting creditor.

In addition to the above, if 75% of the claims subject to a pooling regime and relating to syndicated financing vote for the arrangement, it will be considered that all the claims in respect of that syndicated financing vote for it, unless the syndicated financing agreement establishes a lower majority, in which case that lower majority will be sufficient. The scope of this measure (particularly as to whether this majority of 75% might also serve for the cram down and stays of payments over the rest of syndicated claims) is not clear among Spanish scholars or courts and therefore it is not possible yet to ascertain what its practical effects will be.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "center of main interests" or COMI. This COMI is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the center of main interests are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide. If the COMI is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "*territorial insolvency proceedings*"). See "European Union" section above.

In the event Spanish courts have jurisdiction (upon a judicial consideration that the issuer and/or the Spanish guarantor's COMI is in Spain), Article 263.2 of the current Spanish Insolvency Law would apply to us. Article 263.2 provides that creditors holding a third party guarantee will be recognized in the insolvency proceedings for the full amount without any limitation and without prejudice to the fact that if the guarantor is subrogated in the creditor's place when the guarantee is enforced, the claim of the guarantor will be classified in accordance with the lower ranking corresponding to either the original creditor or the guarantor.

Moratorium

The current Spanish Insolvency Law imposes a moratorium on the enforcement of secured creditor's rights (in rem security) over assets or rights that are considered to be necessary for the continuance of the debtor's business in the event of insolvency. The moratorium would take effect following the declaration of insolvency until the earlier of (i) one year from the declaration of the insolvency if the insolvent company has not been placed in liquidation or (ii) the date the creditors reach a voluntary composition agreement that does not affect the exercise of the rights granted by the security interest. After this term, enforcement of secured creditor's rights over assets or rights not necessary for the continuance of the business will not require specific evidence of the unnecessary nature of those assets or rights.

Additional Effects for the Debtor and on Contracts

Additionally, once the insolvency proceedings are declared open, singular, judicial or extrajudicial enforcements may not be initiated, except for administrative or labor enforcement proceedings in certain circumstances.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings which can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral as defined in Royal Decree-law 5/2005, of 11 March, on urgent reforms for the bolstering of productivity and improvement of public contracting, which, amongst others, implements Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements – the Financial Collateral Directive). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Law extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

The declaration of insolvency does not impair the existence of the contracts with reciprocal obligations pending performance by either the insolvent party or the counterparty, which will remain in force and the obligations of the insolvent debtor would be fulfilled against the insolvency estate. Any contractual arrangements establishing the termination of a contract with reciprocal obligations and/or entitling the relevant creditor to terminate them in the event of declaration insolvency of the debtor will be unenforceable (except if expressly permitted by specific laws). The court can nonetheless terminate any such contracts at the request of the insolvency administrator (provided that management's powers have been solely conferred upon the insolvency administrator), or the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency administrator), when such termination is in the interest of the estate (*resolución del contrato en interés del concurso*) or at the request of the non-insolvent party if there has been a breach of such contract although the judge has the discretion to reject such request in the interest of the estate (*mantenimiento del contrato en interés del concurso*), in which case all due amounts will be recognized as a claim against the insolvency estate (pre-deductible claim from the estate). The termination of such contracts may result in the insolvent debtor having to return the consideration received and indemnify damages to its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency administrator's request (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall be entitled to seek specific performance against the insolvency estate (pre-deductible claim from the estate). Additionally, the declaration of insolvency determines that interest accrual is suspended, except credit rights secured with an *in rem* right, in which case remunerative interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

According to the Spanish Insolvency Law, the insolvency administrator, unilaterally or at the request of the insolvent debtor, may reinstate (*rehabilitación*) facility agreements which were accelerated by the creditor as a result of a payment default (of principal or interest) in the three months preceding the declaration of insolvency, provided that: (i) the insolvency administrator serves a notice of the reinstatement to the creditor before the expiry of the term available to communicate claims (generally, one month from the opening of the insolvency proceedings), and (ii) the administrator pays any due amounts and thereafter shall pay any amounts arising from the credit against the insolvency estate. The foregoing will not be applicable if the creditor has opposed to the reinstatement and has started enforcement proceedings before the declaration of the insolvency.

Liquidation

If neither the debtor nor a creditor proposes a voluntary composition agreement, or if no voluntary composition agreement is approved by the required majority, or if the approved voluntary composition agreement is not subsequently sanctioned by the court, the court will declare the debtor's liquidation. Once the composition agreement is sanctioned by court, liquidation shall be opened upon the petition of the debtor who anticipates it cannot meet the payments and obligations provided in the court-sanctioned composition agreement. The debtor may apply for liquidation at any time during the insolvency proceedings. Likewise, the liquidation may also be triggered at the request of the insolvency administrator if the debtor's business or professional activities have ceased. Although creditors generally lack from legal standing to request the liquidation of the debtor, while a composition agreement is in force the creditors can file a petition for liquidation if court is satisfied with evidences showing the debtor meets the grounds for being subjected to insolvency proceedings.

The opening of the liquidation phase entails several consequences for the debtor and its management, including the following:

- The debtor's management will be dismissed and replaced by the insolvency administrator.
- The court will declare the debtor's dissolution (which would have otherwise required the approval of its shareholders).
- Deferred claims will be accelerated and non-monetary claims will be converted into monetary claims.
- The court will decide if the insolvency is negligent (*concurso culpable*) or not (*concurso fortuito*).

Even if the court orders the liquidation, the debtor's business operations may continue until the court approves a liquidation plan – and also subsequently until the conclusion of the liquidation. Liquidation therefore does not necessarily imply the cessation of the business activities. The Spanish Insolvency Law does not establish a mandatory period for concluding the liquidation. The insolvency administrator is required to report quarterly on the liquidation. If the liquidation is not completed within one year, the court may appoint a different insolvency administrator when there is no justified reason for the delay.

Limitations on Validity and Enforcement of the notes and the guarantees under Spanish law

In case of any claims brought against the issuer and the Spanish guarantors before Spanish courts, the obligations of the issuer and the guarantors under the notes and the guarantees might not necessarily be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, inter alia, the nature of the remedies available in the Spanish courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings and the availability of defenses. In this regard:

- Spanish law does not possess the concept of "indemnity" in contracts, and the specific reception of this common law notion in the Spanish legal system is still subject to a degree of uncertainty. Spanish law recognizes explicitly liquidated damages provisions, as well as penalty provisions (both dimensions fall within the Spanish term *cláusula penal*). Article 1152 of the Spanish Civil Code establishes that a *cláusula penal* agreed by the parties, unless otherwise determined by the agreement, will be deemed as a substitute for damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach. Spanish courts may modify an agreed *cláusula penal* on an equitable basis if the debtor has partially or irregularly performed the obligations for whose complete breach the *cláusula penal* was foreseen in the contract. Other grounds for the modification of a *cláusula penal* are possible but exceptional.
- Spanish law does not know punitive or exemplary damages, in contract or in tort. On non-contractual grounds, the excessive nature of the punitive or exemplary damages may run counter to Spanish public policy (*orden público*). In contract, there is doubt as to the enforceability in Spain of punitive or exemplary damages.
- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the relevant jurisdiction. In general, a Spanish court will take into consideration the overriding mandatory provisions of the jurisdiction where the obligations arising out of the contract have to be or have been performed, in so far as those provisions render the performance of the contract unlawful. In considering whether to give effect to those foreign provisions, the court will consider their nature and purpose and the consequences of their application or non-application.
- A Spanish court will apply the overriding mandatory provisions of the laws of Spain. A Spanish court may refuse the application of a provision of a foreign law applicable to the contract if the content of such provision is manifestly incompatible with the public policy (*orden público*) of Spain.
- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties (Article 1256 of the Spanish Civil Code). Therefore, Spanish courts may

refuse to uphold and enforce terms and conditions of an agreement giving ample discretionary authority to one of the contracting parties to make binding determinations affecting the other party.

- Spanish law, as construed by the Spanish Supreme Court, sets limits based on good faith to the exercise by one party of the right to terminate an agreement granted by a provision therein, on the basis of a breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main undertakings (such as payment obligations under financing agreements), foreseen under the relevant agreement.

- A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default underlying the decision to accelerate were only of minimal or trivial importance. Acceleration, in principle, is to be associated with a material default. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would infringe Article 1256 of the Spanish Civil Code. It may not be disregarded that the enforcement of a guarantee or collateral granted by a Spanish guarantor could require a judgment to be previously rendered in New York declaring the default or acceleration of the secured obligations and the amount due and payable thereunder.

- Under Spanish law, claims may become time-barred due to the lapse of the statute of limitations (five years being the general term established for obligations *in personam* under Article 1964 of the Spanish Civil Code) or an applicable statute of repose. Claims may also be or become subject to the defense of set-off or counterclaim.

- In addition, Article 1851 of the Spanish Civil Code (a provision whose application may be excluded by agreement of the guarantor and the creditor) establishes that an extension granted to a debtor by a creditor without the consent of the guarantor extinguishes the guarantee. The application of this provision is particularly likely when the extension granted may have some potential negative effect to the recovery rights of the guarantor vis-à-vis the debtor.

- In general terms, under Spanish law, any guarantee must guarantee a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee agreement, and a guarantee such as the guarantees granted by the Spanish guarantors will be null and void if the obligations it secures are declared null and void and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the issuer's obligations under the notes The enforcement of guarantees may be limited since the guarantor may not be required to pay any amount in excess of the amount owed by the principal debtor or under conditions that are less favorable than those applying to the principal debtor.

- The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, enforcement before the courts will in any event be subject to:

  (a) the nature of the remedies available in the courts;

  (b) damages may be awarded if the specific performance of an obligation is deemed impracticable;

  (c) Spanish public policy (*orden público*);

  (d) the availability of defenses such as (without limitation), set-off (unless validly waived), indirect infringement or circumvention of a mandatory legal rule (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, extraordinary unforeseen circumstances, undue influence (and under some laws in Spain other than the common laws of Spain, unfair advantage), fraud, duress, abatement and counter-claim; and

(e) potential modifications by a court of the obligations deriving from the Spanish guarantees could be exceptionally imposed by Spanish courts when deemed necessary to restore the balance between the obligations of the parties to a contract in the presence of unexpected and exceptional circumstances directly affecting such balance, and such circumstances (i) were unforeseeable when the guarantees were executed, (ii) would not have been expressly or implicitly assumed in the objective risk assessment of the transaction and subjective risk assessment of the parties, and (iii) directly affect the position of the parties and entail a drastic change in the consideration or the reciprocal obligations assumed in the contract, to such an extent that strict compliance with the obligations assumed by one party turns to be nearly impracticable or extremely burdensome.

- The Spanish financial assistance rules set forth in section 143.2 of the Spanish Companies Act regarding Spanish private limited liability companies (*sociedades limitadas*) and in section 150 of the Spanish Companies Act regarding Spanish public limited liability companies (*sociedades anónimas*) provide that Spanish public limited liability companies cannot grant any type of funds, guarantees or any other financial assistance to facilitate the acquisition of their own shares or the shares of their parent companies. This prohibition is broader for private limited liability companies, which cannot provide financial assistance to facilitate the acquisition of their shares, the shares of their parent companies or the shares of other companies within their corporate group. In particular, no Spanish guarantor may secure or guarantee any payment, prepayment, repayment or reimbursement obligation derived from any finance document used, or that may be used, for the purposes of payment of acquisition debt or the refinancing of the same (for the purposes of sections 143.2, 149 or 150, as applicable, of the Spanish Companies Act) or the payment of any costs or transaction expenses related to, or paying the purchase price for, such acquisition of shares.

  In this regard, the guarantee provided by Sigla, S.A.U. shall be limited and shall not guarantee any amounts of the notes used to pay and cancel any financial debt assumed by its parent to fund the acquisition of Sigla, S.A.U. otherwise may be rendered null and void due to Spanish financial assistance regulations.

- In addition, certain defenses available to any additional Spanish guarantors may limit the amount guaranteed under the guarantees by reference to the net assets and share capital of such Spanish guarantors. Under the Spanish Companies Act, Spanish companies (both public limited liability companies (*sociedades anónimas*) and private limited liability companies (*sociedades de responsabilidad limitada*), as well as *sociedades comanditarias por accione*s may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to private limited liability companies. Pursuant to section 401 of the Spanish Companies Act, the issuance by private limited liability companies cannot exceed an aggregate maximum amount equal to twice its own funds (*recursos propios*); unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution. There is no consistent opinion among scholars and practitioners yet nor case law regarding the interpretation of Section 401 of the Spanish Companies Act on whether the restriction set out therein should apply not only to the issuance of notes but also to the guarantee provided by private limited liability companies covering such notes. Additionally, private limited liability companies cannot issue or guarantee (or provide security for) notes convertible into quota shares (*participaciones sociales*).

- The Spanish Companies Act under its section 160f) establishes that deliberating and deciding on matters involving the "acquisition, disposal or transfer" of a company's essential assets falls within the scope of the general shareholders' meeting's jurisdiction (*competencia de la junta general*). It is presumed that assets are considered essential when the amount of the transaction exceeds twenty-five percent of the value of the company's assets shown in the latest approved balance sheet, although assets under that threshold may be considered essential as well. In the absence of sufficient and conclusive case law (*jurisprudencia),* Spanish scholars (*doctrina*) have not reached a consensus at the time of this issuance as to whether the creation of encumbrances or liens on essential assets of a company (such as pledges or mortgages) shall be deemed to be an act of "disposal" for the purposes of section 160 f) of the Spanish Companies Act and, thus, fall within the scope of the aforementioned section, or whether it shall not be deemed to be an act of "disposal" and, thus, not fall within the scope of this section. The second interpretation would allow for the management body of a company —instead of the general shareholders' meeting— to deliberate and decide on the creation of encumbrances or liens on essential assets of a company.

On demand guarantee

The structure of on demand guarantees is not specifically regulated in the Spanish Civil Code but their validity and effectiveness have been reviewed in several judgments and defined by the Spanish Supreme Court (*Tribunal Supremo*) as autonomous, independent and abstract (*funcionalmente abstractas*) guarantees. These judgments acknowledge the validity of provisions pursuant to which guarantors waive the ability to call on enforceability exceptions different to those arising from the guarantee. Notwithstanding the foregoing, certain case law has also admitted the possibility that, with certain limitations, the guarantor automatically raises the enforceability exception of fraud, bad faith or abuse of right (*abuso de derecho*) where the beneficiary enforces the guarantee in a fraudulent manner or in bad faith.

Trust and Parallel debt

Given that the concept of "trust" and/or "parallel debt" is not recognized under Spanish law, guarantees and security interests require that the beneficiary of the guarantee/security interests and the creditor to be the same person. Such guarantee/security interests cannot be held by a third party which does not hold the guaranteed/secured claim but purports to hold guarantees/security interests for the parties that do. In any proceedings directly brought within the Spanish jurisdiction against any Spanish guarantor, the concept of "parallel debt" is likely to be questioned by Spanish courts; the issuer is not aware of any court precedent where a parallel debt constructions has been considered.

Corporate Benefit

All acts and transactions performed and carried out by a Spanish company must be in pursuit of and aligned with its corporate benefit and interest and, in particular, directors have a duty to act in the best interest of the Spanish company, as such interpretations of the laws of Spain by the Spanish courts may limit the ability of Spanish guarantors to guarantee the notes. The absence of such a reasonable and justified corporate benefit and interest may constitute grounds to challenge such acts and transactions. When assessing whether or not directors have acted in the best interest of a Spanish company, only the interest of such Spanish company are taken into account. Accordingly, transactions undertaken for the benefit of the group are not always considered consistent with the best interest of a Spanish company. In the context of upstream and cross-stream guarantees, the Spanish Supreme Court has ruled that the subsidiary granting the guarantee or security interest to secure the debt of its parent company or other companies of its group, should receive some kind of consideration or benefit, either directly or indirectly, to compensate the financial burden assumed in the interest of the group. This compensation (i) must be verifiable, even if it is not received simultaneously to the delivery of the guarantee or security; (ii) must be adequate and proportional to the burden assumed by the relevant company in the interest of its group; and (iii) must have an economic value. Furthermore, the action or transaction undertaken in the interest of the group must be justified and must not put the solvency of the subsidiary into jeopardy.

LEGAL MATTERS

Certain legal matters in connection with this international offering will be passed upon for Alsea, S.A.B. de C.V., with respect to New York law, by DLA Piper (US) LLP, with respect to Spanish law, by J&A Garrigues S.L.P. and with respect to Mexican law by DLA Piper México, S.C. Certain legal matters in connection with this international offering will be passed upon for the initial purchasers, with respect to New York law, by Skadden, Arps, Slate, Meagher & Flom LLP, with respect to Spanish law, by Uría Menéndez Abogados, S.L.P. and, with respect to Mexican law, by Galicia Abogados, S.C.

INDEPENDENT AUDITORS

The audited consolidated financial statements were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited, and a member of the Association of Public Accountants of Mexico (*Colegio de Contadores Públicos de México, A.C.*). Such financial statements have not had any adverse or qualified opinion by the independent auditor, nor has any opinion with respect to such financial statements been modified by the independent auditor.

With respect to the unaudited consolidated financial statements, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. The independent auditor's separate report relating to the unaudited condensed consolidated interim financial statements included in this offering memorandum contains an explanatory paragraph that states that certain circumstances raise substantial doubt about our ability to continue as a going concern and draws attention to notes 1 and 11 of the unaudited condensed consolidated interim financial statements and indicates that we have negotiated amendments to certain of our credit facilities that, among other things, temporarily suspend the application of and/or modify specified financial covenants (including leverage ratio and interest coverage ratio) through June 30, 2022. As indicated in note 11, we were in compliance with the temporarily modified covenants in effect as of September 30, 2021. We did not have sufficient capital to repay our debt at September 30, 2021, and management stated that we would not likely generate sufficient capital to repay the debt once original covenants are reinstated on June 30, 2022. These events or conditions, along with other matters as set forth in note 1 to the unaudited condensed consolidated interim financial statements indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. Management's plans regarding these matters are also described in note 1 to the unaudited condensed consolidated interim financial statements. On November 29, 2021, we entered into certain permanent amendments to our credit facilities that became effective on December 13, 2021. Such amendments include financial covenants that management expects to comply with in accordance with their terms. The independent auditor's conclusion is not modified in respect of this matter. The independent auditor did not audit and they did not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. See "Summary—Recent Developments," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Going Concern" and "—Liquidity and Capital Resources—Description of Certain Indebtedness."

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the U.S. Securities Exchange Act. For so long as any of the notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish, upon prior written request of any registered owner of a note, or note holder, or beneficial owner of a note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such note holder or note owner, (b) to a prospective purchaser of such note (or beneficial interest therein) who is a qualified institutional buyer designated by such note holder or note owner or (c) to the trustee for delivery to such note holder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such note holder or note owner with Rule 144A in connection with the resale of such note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or (2) we qualify for the exemption to Rule 12g3-2(b).

In addition, for so long as the notes are listed and admitted to trading on the SGX-ST, copies of the following items will be available in physical form at Avenida Revolución 1267, Torre Corporativa Piso 21, Colonia Los Alpes, Alcaldía Álvaro Obregón, 01040, Mexico City, Mexico:

- this offering memorandum;
- a copy of the issuer's bylaws (*estatutos sociales*);
- the parent's audited consolidated financial statements and our unaudited condensed consolidated interim financial statements;
- a copy of the indenture governing the notes; and
- any other documents relating to the offering of the notes referred to herein.

Clearing System

The notes have been accepted for clearance through Euroclear and Clearstream. For the Rule 144A notes, the ISIN number is XS2432310436, and the common code is 243231043. For the Regulation S notes, the ISIN number is XS2432286974, and the common code is 243228697.

Listing

Application will be made for the listing of the notes on the Official List of the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for as long as any of the notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for notes in definitive form. In addition, in the event that the Global Note is exchanged for notes in definitive form, an announcement of such exchange shall be made by or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the notes in definitive form, including details of the paying agent in Singapore.

Authorization

The proposed offering of the notes was authorized by the parent's board of directors on December 27, 2021, and by the issuer's board of directors on January 9, 2022.

No Material Adverse Change

Save as disclosed in this offering memorandum, there has been no material adverse change in our prospects since December 31, 2020, and there has been no significant change in our financial or trading position since September 30, 2021.

Principal Executive Offices

The issuer is a public limited liability company (*sociedad anónima*), incorporated under the laws of Spain on December 7, 2000 having its registered office at Camino de la Zarzuela 1, 28023 Madrid, Spain, registered with the Commercial Registry of Madrid at Volume 33,888, Page 207 and Sheet M-271,121, with Spanish Tax Identification Number (*N.I.F.*) A-82798943 and LEI Code 95980020140005812514.

The parent's corporate headquarters are located at Avenida Revolución 1267, Torre Corporativa Piso 21, Colonia Los Alpes, Alcaldía Álvaro Obregón, 01040, Mexico City, Mexico. Our telephone number at this address is +(52 55) 7583 2000.

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Report on Review of Interim Financial Information to the Board of Directors and Stockholders of Alsea, S.A.B. de C.V.

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Alsea, S.A.B. de C.V. and subsidiaries (the "Entity") as of September 30, 2021 and the related condensed interim consolidated statements of income for the three and nine-month periods ended September 30, 2021 and 2020, and the condensed interim consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2021 and 2020, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our reviews.

Scope of Review

We conducted our reviews in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Entity as of September 30, 2021, and of its financial performance for the three and nine-month periods ended September 30, 2021 and 2020, and its cash flows for the nine-month periods ended September 30, 2021 and 2020 in accordance with IAS 34.

Deloitte.

Material Uncertainty Related to Going Concern

We draw attention to Notes 1 and 11 in the financial statements, the Entity negotiated waivers that, among other things, temporarily modify certain covenants specified in its borrowing arrangements through September 30, 2022. As indicated in Note 11, the Entity is in compliance with the temporarily modified covenants in effect as of September 30, 2021. However, management states that the Entity was not in compliance with the original covenants as of June 30, 2021, nor will it likely comply with the original covenants once such covenants enter into effect on September 30, 2022. The Entity does not have sufficient capital to repay its debt at September 30, 2021 and management states that the Entity will not likely generate sufficient capital to repay the debt upon expiration of the temporary waivers on June 30, 2022. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. Our conclusion is not modified in respect of this matter.

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

C.P.C. Juan Carlos Reynoso Degollado
Mexico City, Mexico
November 16, 2021

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Interim Consolidated Statements of Financial Position

As of September 30, 2021 and December 31, 2020
(Figures in thousands of Mexican pesos)

Assets	**Notes**	**September 30, 2021 Unaudited**	**December 31, 2020**
Current assets:			
Cash and cash equivalents	4	$ 3,585,129	$ 3,932,409
Customers, net	5	1,044,611	890,484
Value-added tax and other recoverable taxes		689,767	1,274,055
Other accounts receivable		746,914	730,291
Inventories, net	6	1,853,084	1,617,570
Advance payments		597,741	328,034
Total current assets		8,517,246	8,772,843
Long-term assets:			
Guarantee deposits, mainly bank deposits		1,515,478	1,789,833
Investment in shares	10	111,162	90,110
Store equipment, leasehold improvements and property, net	8	14,737,663	15,879,778
Right of use assets	7	21,995,575	23,423,275
Intangible assets, net	9	28,277,453	28,816,687
Deferred income taxes		4,915,682	4,665,412
Total long-term assets		71,553,013	74,665,095
Total assets		$ 80,070,259	$ 83,437,938

Liabilities and stockholders' equity	**Notes**	**September 30, 2021 Unaudited**	**December 31, 2020**
Current liabilities:			
Current maturities of long-term debt	11	$ 23,968,538	$ 24,233,053
Current obligation under finance leases		4,215,031	4,207,633
Debt instruments	12	7,981,454	7,979,149
Suppliers		2,417,569	2,949,829
Factoring of suppliers		757,959	654,115
Accounts payable to creditors		3,062,039	2,834,150
Accrued expenses and employee benefits		3,768,338	4,279,180
Option to sell the non-controlling interest		1,420,723	2,701,407
Total current liabilities		47,591,651	49,838,516
Long-term liabilities:			
Obligation under finance leases		19,525,400	21,092,417
Other liabilities		904,783	265,050
Deferred income taxes		4,052,613	4,364,054
Employee retirement benefits		254,138	244,056
Total long-term liabilities		24,736,934	25,965,577
Total liabilities		72,328,585	75,804,093
Stockholders' equity:	14		
Capital stock		478,749	478,749
Premium on share issue		8,676,827	8,676,827
Reserve for repurchase of shares		660,000	660,000
Reserve for obligation under put option of non-controlling interest		(808,098)	(2,013,801)
Retained earnings		(1,889,482)	(683,700)
Other comprehensive income items		(170,454)	(814,676)
Stockholders' equity attributable to the controlling interest		6,947,542	6,303,399
Non-controlling interest	15	794,132	1,330,446
Total stockholders' equity		7,741,674	7,633,845
Total liabilities and stockholders' equity		$ 80,070,259	$ 83,437,938

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Interim Consolidated Statements of Income

For the three and nine-month periods ended September 30, 2021 and 2020
(Figures in thousands of Mexican pesos)

	Note	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Continuing operations					
Net sales	17	$ 13,958,275	$ 9,895,518	$ 36,647,357	$ 27,198,385
Cost of sales exclusive of depreciation and amortization shown separately below	18	4,319,601	3,092,984	11,610,430	8,917,367
Depreciation and amortization	7, 8 and 9	1,917,951	2,028,464	5,913,565	6,194,393
Selling expenses		5,637,543	3,986,915	14,487,716	12,580,983
Administrative expenses		810,226	558,583	2,203,408	1,721,635
Other operating expenses		46,613	149,559	308,717	215,930
Operating profit (loss)		1,226,341	79,013	2,123,521	(2,431,923)
Interest income		(31,916)	(17,435)	(90,243)	(125,542)
Interest expenses		870,109	806,013	2,513,508	2,451,328
Changes in the fair value of financial instruments		14,382	(2,227)	(74,981)	572,865
Exchange loss (gain), net		(12,687)	176,974	(61,796)	(663,138)
Equity in results of associates	10	482	(87)	743	(2,887)
Income (loss) before income taxes		386,935	(884,399)	(162,224)	(4,670,323)
Income tax (benefit) expense		114,527	(293,981)	(22,331)	(707,402)
Consolidated net income (loss) from continuing operations		$ 272,408	$ (590,418)	$ (139,893)	$ (3,962,921)

	Note	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Net income (loss) for the year attributable to:					
Controlling interest		$ 173,029	$ (476,112)	$ (79)	$ (3,352,036)
Non-controlling interest		$ 99,379	$ (114,306)	$ (139,814)	$ (610,885)
Earnings per share:					
Basic and diluted net earnings per share from continuing operations (cents per share)	16	$ 0.21	$ (0.57)	$ (0.00)	$ (4.00)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Interim Consolidated Statements of Other Comprehensive Income

For the three and nine-month periods ended September 30, 2021 and 2020
(Figures in thousands of Mexican pesos)

	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Consolidated net (loss) income	$ 272,408	$ (590,418)	$ (139,893)	$ (3,962,921)
Items that may be reclassified subsequently to income:				
Valuation of financial instruments, net of income taxes	30,446	(39,131)	214,017	(262,716)
Inflation effect, net of income taxes	103,025	(72,698)	475,310	(205,883)
Cumulative translation adjustment, net of income taxes	(288,486)	182,498	(45,105)	521,202
	(155,015)	70,669	644,222	52,603
Total comprehensive (loss) income, net of income taxes	$ 117,393	$ (519,749)	$ 504,329	$ (3,910,318)
Comprehensive (loss) income for the year attributable to:				
Controlling interest	$ 18,014	$ (405,443)	$ 644,143	$ (3,299,433)
Non-controlling interest	$ 99,379	$ (114,306)	$ (139,814)	$ (610,885)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

For the six-month periods ended September 30, 2021 and 2020
(Figures in thousands of Mexican pesos)

	Contributed capital			Retained earnings			Other comprehensive income items						
	Capital stock	Premium on issuance of share	Reserve for repurchase of shares	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Inflation effect	Valuation of financial instruments	Cumulative translation adjustment	Remeasurement of defined benefit obligation	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2020	$ 478,749	$ 8,670,873	$ 660,000	$ (2,013,801)	$ 100,736	$ 2,451,138	$ 858,898	$ (49,971)	$ (1,489,515)	$ (86,108)	$ 9,580,999	$ 1,961,563	$ 11,542,562
Other changes (Note 15)	-	-	-	-	-	-	-	-	-	-	-	68,719	68,719
Comprehensive income	-	-	-	-	-	(3,352,036)	(205,883)	(262,716)	521,202	-	(3,299,433)	(610,885)	(3,910,318)
Balances at September 30, 2020	478,749	8,670,873	660,000	(2,013,801)	100,736	(900,898)	653,015	(312,687)	(968,313)	(86,108)	6,281,566	1,419,397	7,700,963
Balances at January 1, 2021	478,749	8,676,827	660,000	(2,013,801)	100,736	(784,436)	1,122,634	(252,304)	(1,620,792)	(64,214)	6,303,399	1,330,446	7,633,845
Other changes (Note 15)	-	-	-	1,205,703	-	(1,205,703)	-	-	-	-	-	(396,500)	(396,500)
Comprehensive income	-	-	-	-	-	(79)	475,310	214,017	(45,105)	-	644,143	(139,814)	504,329
Balances at September 30, 2021	$ 478,749	$ 8,676,827	$ 660,000	$ (808,098)	$ 100,736	$ (1,990,218)	$ 1,597,944	$ (38,287)	$ (1,665,897)	$ (64,214)	$ 6,947,542	$ 794,132	$ 7,741,674

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2021 and 2020
(Figures in thousands of Mexican pesos)

	Note	For the nine month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Cash flows from operating activities:			
Consolidated net loss		$ (139,893)	$ (3,962,921)
Adjustments for:			
Income tax benefit		(22,331)	(707,402)
Equity in results of associates		(743)	2,887
Interest expense		2,513,508	2,451,328
Interest income		(90,243)	(125,542)
Disposal of store equipment, leasehold improvements and property		828,975	373,303
Changes in the fair value of financial instruments		(74,981)	572,865
Depreciation and amortization	7, 8 and 9	5,913,565	6,194,393
		8,927,857	4,798,911
Changes in working capital:			
Customers		(154,127)	(126,420)
Other accounts receivable		(16,623)	15,874
Inventories		(235,514)	119,960
Advance payments		4,648	(1,407,848)
Suppliers		(532,260)	(434,199)
Factoring of suppliers		103,844	(364,396)
Accrued expenses and employee benefits		431,332	3,187,177
Other liabilities		(7,076)	(265,136)
Labor obligations		10,082	(30,294)
Net cash flows provided by operating activities		8,532,163	5,493,629
Cash flows from investing activities:			
Interest collected		90,243	125,542
Store equipment, leasehold improvements and property	8	(1,344,430)	(979,401)
Intangible assets	9	(94,616)	(321,970)
Investment in shares		(12,519)	-
Payments on option to sell the non-controlling interest		(1,219,330)	-
Net cash flows used in investing activities		(2,567,025)	(1,175,829)

(Continued)

	Note	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Cash flows from financing activities:			
Bank loans		145,948	9,606,556
Repayments of loans		(212,400)	(4,230,716)
Interest paid		(1,723,724)	(1,694,314)
Cash received non-controlling stake		(396,500)	68,719
Payments on finance leases		(3,836,956)	(3,046,026)
Net cash flows (used in) provided by financing activities		(6,023,632)	704,219
Net (decrease) increase in cash and cash equivalents		(58,494)	5,022,019
Exchange effects on value of cash		(288,786)	(2,991,277)
Cash and cash equivalents:			
At the beginning of the period		3,932,409	2,568,771
At end of period		$ 3,585,129	$ 4,599,513

(Concluded)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021 and 2020
(Figures in thousands of Mexican pesos)

1. Activity, main operations and significant events

Operations

Alsea, S.A.B. de C.V. and subsidiaries ("Alsea" or the "Entity") was incorporated as a variable income stock company on May 16, 1997 in Mexico. The Entity's domicile is Av. Revolución 1267 Int. 21 and 22, Col. Alpes, Alcaldía Álvaro Obregón, C.P. 01040, Mexico City, Mexico.

The Entity was incorporated for a period of 99 years, beginning on the date in which the deed was signed, which was April 7, 1997.

For disclosure purposes in the notes to the unaudited condensed interim consolidated financial statements, reference made to pesos, "$" or MXP is for thousands of Mexican pesos, and reference made to dollars is for US dollars.

Alsea is mainly engaged in operating fast food restaurants "QSR" cafes and casual dining "Casual Dining". The brands operated in Mexico are Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, P.F. Chang's, Italianni's, The Cheese Cake Factory, Vips, El Portón, Corazón de Barro and La Casa del Comal. In order to operate its multi-units, the Entity has the support of its shared service center, which includes the supply chain through Distribuidora e Importadora Alsea, S.A. de C.V. (DIA), real property and development services, as well as administrative services (financial, human resources and technology). The Entity operates the Burger King, P.F. Chang's, Chili's Grill & Bar and Starbucks brands in Chile. In Argentina, Alsea operates the Burger King, and Starbucks brands. In Colombia, Alsea operates the Domino's Pizza, Starbucks, P.F. Chang's and the Archie's brands. In Uruguay, it operates the Starbucks brand. In Spain, Alsea operates the brands Foster's Hollywood, Burger King, Domino's Pizza, VIPS, VIPS Smart, Foster's Hollywood Street, Starbucks, Ginos, Fridays and Ole Mole and until mid-2020 Cañas y Tapas, and from January and February 2019, Alsea operates the Starbucks brand in France, Netherlands, Belgium and Luxembourg.

Significant events and going concern

a. ***Alsea increases its participation in Alsea Europe, incorporating BainCapital credit as an investor–***

In September 2021, the Entity, with Alia Capital Partners and Bain Capital Credit, agreed to invest in a minority stake of 21.1% in Food Service Project, S.A. (Alsea Europe). After transaction is completed, Alsea will own 76.8% of Alsea Europa, (previously 66.2%), Bain Capital Credit will possess an indirect interest of 10.5%, and the remaining non-controlling represent 12.7%. The Entity disbursed 55 million euros (equivalent to $1,205,703), which represents that 10.5% of the minority interest.

Derived from this agreement, the Entity renegotiated the prior conditions as follows:

a) Deadline of December 31, 2026;
b) The Entity has a "Call Option" enforceable from the third year
c) The payment of a coupon (4.6% per annual) payable on an annual basis until the date the "Put Option" is exercised.
d) The Entity has the possibility to extinguish the obligation with an exchange of shares or cash;

According to IFRS 9 “Financial Instruments”, as it is a new debt, the current financial liability is derecognized and a new financial liability is recognized at fair value and its subsequent measurement is recognized at amortized cost, any difference between the derecognition of current financial liability and the recognition of the new financial liability is recognized in profit or loss. The effect of this transaction as of September 30, 2021, is not material to the results of the period.

b. ***Going Concern and Implications resulted from COVID-19–***

At September 30, 2021, the Entity must comply with certain covenants related to its borrowing arrangements, including certain financial ratios related to bank loans. As discussed further below, the Entity has obtained temporary waivers which temporarily modify certain debt covenants, thereby enabling the Entity to comply with its debt covenants as of June 30, 2021. However, such waivers expire on June 30, 2022, at which time the original debt covenants enter into effect. As the Entity was unable to comply with the original covenants as of June 30, 2021 and will not likely comply with such covenants when the temporary waivers expire on June 30, 2022, Alsea is currently seeking new waivers or alternative financing prior to the expiration of the current waivers, as it does not have sufficient capital to repay its debt at September 30, 2021 and will not likely have generated sufficient capital to repay the debt if immediate payment is required upon expiration of the waivers on June 30, 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

The Entity has undertaken a series of actions to ensure the viability and the success of its operating performance and cash flows, which will depend to a significant extent on continuing developments related to the pandemic including the measures taken by the government authorities affecting the operations of restaurants.

c. ***Alsea receives liquidation letter*** - On February 14, 2020, Alsea informed that the Tax Administration Service (SAT) carried out a tax review related to the acquisition of the Vips restaurant division from Wal-Mart de México, S.A.B. de C.V. “Walmex” carried out in 2014. The SAT issued a liquidation document in which Alsea is required to pay taxes for alleged income from the acquisition of goods, which amounts to $3,881 million. This amount includes indexing, surcharges and penalty. On March 23, 2020, Alsea filed an Administrative Appeal with the tax authorities, which is under review. .

d. ***Alsea agrees to obtain a waiver in its credit agreements*** - On July 2, 2020, the Entity has reached agreements with all the banks with which it has a relationship, to negotiate various terms in their credit agreements, in order to suspend from June 29, 2020 to June 30, 2021, the commitments originally assumed with the banks that, due to the impacts of the pandemic, have been affected (mainly those related to the gross leverage ratio and the interest coverage index), thus achieving better conditions to face the situation derived from COVID-19.

Derived from the agreements, the cost of interest and commissions will be temporarily increased during the suspension period.

Additionally, Alsea has agreed with the banks, taking care at all times of the Entity's liquidity, to maintain a minimum level of capital expenditures that allows ensuring the continuity of its priority strategic projects and the operation of its restaurants in optimal conditions, as well as achieving growth organic estimated between 80 and 90 corporate units by 2021. In addition, Alsea will have the possibility of accessing additional debt, which will allow the Entity to have the ability to respond to any liquidity need during this contingency period.

Similarly, focusing on the Company's liquidity, the existing short-term credit agreements at the end of May 2020 have been refinanced, extending the payment commitments to June 30, 2021.

On April 5, 2021, Alsea has negotiated with all its relationship banks to extend the suspension of the computation of certain covenants in their credit contracts, (primarily those related to the gross leverage ratio and the interest coverage ratio) effective from April 1, 2021 to June 30, 2022. This puts Alsea in a stronger position to continue facing the impact of the COVID-19 pandemic and to ensure the continuity of its priority strategic projects, the operation of its restaurants in optimal conditions, as well as the continued organic growth of the Company.

In addition, Alsea has assumed the following commitments during the aforementioned period, which will be reviewed the banks on a monthly basis: Maximum indebtedness:

- The debt that Alsea has in Mexican pesos should not exceed 19.4 billion Mexican pesos or its equivalent in U.S. dollars or Chilean pesos.
- The debt that Alsea has in euros must not exceed 615 million euros or its equivalent in U.S. dollars or Chilean pesos.

- Minimum liquidity:

  - During this period, Alsea agrees to maintain a minimum liquidity level of 3 billion pesos.

- Minimum consolidated stockholders' equity:

  - During this period, Alsea must maintain a minimum consolidated stockholders' equity of 6.9 billion pesos.

- Capital expenditure (Capex):

  - The Company agrees not to exceed 800 million pesos in capital expenditure per quarter during the established period.

2. Basis of presentation

a. *Unaudited condensed interim consolidated financial statements*

The accompanying unaudited condensed consolidated interim financial statements as of September 30, 2021 and for the three and nine-month periods ended September 30, 2021 and 2020, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and have not been audited. In the opinion of Entity's management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Entity and their respective notes for the year ended December 31, 2020.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2020, except as mentioned in Note 3.

3. Application of new and revised International Financial Reporting Standards

a. *Application of new and revised International Financing Reporting Standards ("IFRS" or "IAS") and interpretations that are mandatorily effective for 2021*

During the current year, the Entity applied the following amendment, which is effective for the annual period starting on or as of January 1, 2021. The adoption of this amendment did not have any material effects on the disclosures or amounts recorded in these unaudited condensed interim consolidated financial statements.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds Before Intended Use
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

Management does not expect that the adoption of the standards listed above will have a material impact on the unaudited condensed interim financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Reference to the Conceptual Framework

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendment is effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 8 – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendment is effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendment is effective for annual periods beginning on or after January 1, 2023.

Annual Improvements to IFRS Standards 2018–2020

The *Annual Improvements* include amendments to certain standards.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date, the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

4. Cash and cash equivalents

For the purpose of the unaudited condensed interim consolidated statements of cash flows, the cash and cash equivalents caption includes cash, banks and investments in money market instruments.

The cash and cash equivalents balance included in the unaudited condensed interim consolidated statements of financial position and the unaudited condensed interim consolidated statements of cash flows at September 30, 2021 and December 31, 2020, is comprised as follows:

	September 30, 2021 Unaudited	December 31, 2020
Cash	$ 2,260,599	$ 2,614,467
Investments with original maturities of under three months	1,324,530	1,317,942
Total cash and cash equivalents	$ 3,585,129	$ 3,932,409

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

5. Customers, net

The accounts receivable from customers disclosed in the unaudited condensed interim consolidated statements of financial position are classified as loans and accounts receivable and therefore they are valued at their amortized cost.

At September 30, 2021 and December 31, 2020, the customer balance is comprised as follows:

	September 30, 2021 Unaudited	December 31, 2020
Franchises	$ 1,123,540	$ 917,477
Other (1)	102,815	71,030
	1,226,355	988,507
Expected credit losses	(181,744)	(98,023)
	$ 1,044,611	$ 890,484

(1) In others, there are concepts such as third parties, officials and employees and vouchers to be redeemed.

Accounts receivable

The average credit term for the sale of food, beverages, containers, packaging, royalties and other items to owners of sub-franchises is from 8-30 days. Starting from the day next dates of the contractual maturity are generated interests on the defeated balance at moment of settlement. The rate comprises the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points and is multiplied by 2.

The reserve is then composed of the part of the general and significant customers, which follows a procedure of credit losses expected according to the provisions of the standard. Additionally, it incorporates a criterion to be followed, either quantitative or qualitative, to consider a significant increase in the credit risk of the account receivable and follow up to prepare the estimate of its reserves on a quarterly basis.

Before accepting any new client, the Entity uses an external credit rating system to evaluate the credit quality of the potential client and defines the credit limits per client. For the determination of the estimation of doubtful accounts, the Entity performs an analysis of balances seniority per client and is assigned based on the experience an estimation percentage.

This first analysis gives an indication of deterioration; subsequently, an analysis of the financial situation of all the included clients is carried out to determine which are the accounts that present an impairment according to the expected credit loss model and on these the corresponding estimate is recorded.

Following is the aging of past due but unimpaired accounts receivable:

	September 30, 2021 Unaudited	December 31, 2020
15-60 days	$ 116,913	$ 59,245
60-90 days	111,427	47,268
More than 90 days	284,863	171,351
Total	513,203	277,864
Current balance	713,152	710,643
Total account receivable	$ 1,226,355	$ 988,507

The concentration of credit risk is limited because the balance is composed of franchisees, which are supported or controlled by a service contract and / or master franchise; likewise consists of balances with from financial institutions cards, which are recovered within from 15 days.

6. Inventories, net

At September 30, 2021 and December 31, 2020, inventories are as follows:

	September 30, 2021 Unaudited	December 31, 2020
Food and beverages	$ 1,831,513	$ 1,599,260
Containers and packaging	23,531	21,479
Other (1)	1,062	2
Obsolescence allowance	(3,022)	(3,171)
Total	$ 1,853,084	$ 1,617,570

(1) In others are concepts such as toys, uniforms, cleaning utensils, kitchen appliances and souvenirs.

Derived from the COVID-19 pandemic, the entity had to take the following actions to avoid an increase in inventory obsolescence or the destruction of perishable foods:

a) Sales of slow moving products were made to employees
b) Analysis of slow-moving products was carried out on a weekly basis with the administration of each brand for decision-making

c) Donations of slow-moving and / or near-expiring products were made
d) The safety stock was reduced with the intention of not increasing the days of inventory, always monitoring the sale of the brands.

7. Entity as lessee

Entity leases premises for its stores, office, including an industrial warehouse, furniture and equipment. The average lease term is between 6 and 7 years for September 31, 2021 and December 31, 2020.

Right of use assets	Amount
Cost:	
Balance at January 1, 2020	$ 25,203,345
Additions and renovations	4,427,444
Balance as of September 30, 2020 Unaudited	29,630,789
Balance at January 1, 2021	$ 31,738,505
Additions and renovations	1,706,616
Balance as of September 30, 2021 Unaudited	33,445,121
Depreciation:	
Balance at January 1, 2020	$ (4,010,688)
Charge for depreciation for the period	(2,954,087)
Balance as of September 30, 2020 Unaudited	(6,964,775)
Balance at January 1, 2021	$ (8,315,230)
Charge for depreciation for the period	(3,134,316)
Balance as of September 30, 2021 Unaudited	(11,449,546)
Net cost:	
Balance as of September 30, 2020 Unaudited	$ 22,666,014
Balance as of September 30, 2021 Unaudited	$ 21,995,575

Amounts recognized in the consolidated statement income	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Depreciation expense of the asset for use rights	$ 1,069,993	$ 1,004,271	$ 3,134,316	$ 2,954,087
Finance expense caused by lease liabilities	277,097	243,471	789,784	757,014
Expense related to short-term leases	34,008	34,612	95,151	99,663
Expense related to variable lease payments, not included in the measurement of lease liabilities	146,076	80,731	422,131	201,432
Benefits obtained from negotiations related to COVID-19	122,480	473,340	722,441	1,026,362

Some of the leases of properties in which the Entity participates as lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The composition of the lease payments by the stores is detailed in the following table.

	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Fixed payments	$ 1,362,578	$ 1,293,777	$ 4,137,266	$ 3,870,956
Variable payments	146,076	80,731	422,131	201,432
Total lease payments	$ 1,508,654	$ 1,374,508	$ 4,559,397	$ 4,072,388

In general, variable payments constitute 10% and 5% of the Entity's total lease payments for the nine-month periods ended September 30, 2021 and 2020, respectively. Variable payments depend on sales and, consequently, on economic development during the following years.

The total cash outflows for leases amount to $4,559,397 and $4,072,388 for the nine-month periods ended September 30, 2021 and 2020, respectively.

Due to the COVID-19 pandemic generated as of March 2020, the Entity made different agreements with the tenants of the premises to achieve a decrease in the payment of rent or a grace period in those stores that had to be closed obligatorily by indications of the local authorities. In May 2020, the IASB issued an amendment to IFRS 16 called "Lease Concessions Related to Covid-19", exempting lessees from having to consider leases individually to determine whether the lease concessions to be produced as a direct consequence of the Covid-19 pandemic are modifications to those contracts, and it allows lessees to account for such concessions as if they were not modifications to the lease contracts.

In March 2021 the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021, which amended the date in paragraph 46B (b) of IFRS 16 from 30 June 2021 to 30 June 2022.

8. Store equipment, leasehold improvements and property, net

During the nine-month period ended September 30, 2021, Alsea acquired store equipment, leasehold improvements and property with a cost of $1,344,430 (unaudited), $979,401 for the nine-month period ended September 30, 2020, ($1,778,242 at December 31, 2020). The Entity disposed assets with a net carrying amount of $787,891 (unaudited) for the nine-month period ended September 30, 2021, $324,222 for the nine-month period ended September 30, 2020, ($558,256 at December 31, 2020). Depreciation expense for the nine-month period ended September 30, 2021 amounted to $2,453,515 and $2,793,885 for the nine-month period ended September 30, 2020, ($3,722,336 at December 31, 2020). The effects of conversion and inflation for the nine-months ended September 30, 2021 amounted to $754,861 and $2,569,345 for the nine-month period ended September 30, 2020, ($1,689,327 at December 31, 2020). All investments in store equipment, lease improvements and property were attributable to the opening of new stores, renovations of equipment and renovation of existing stores of the various chains operated by the Entity.

9. Intangible assets, net

During the nine-month period ended September 30, 2021, Alsea acquired brand rights, franchising and use of locale rights, store opening commissions and licenses and developments with a cost of $94,616 (unaudited), $321,970 for the nine-month period ended September 30, 2020, ($403,916 at December 31, 2020). The Entity disposed assets with a net carrying amount of $41,084 (unaudited) for the nine-month period ended September 30, 2021, $49,081 for the nine-month period ended September 30, 2020, ($13,379 at December 31, 2020). Amortization expense for the nine-month period ended September 30, 2021 amounted to $325,734 and $446,421 for the nine-month period ended September 30, 2020, ($408,312 at December 31, 2020). The effects of conversion and inflation for the nine-months ended September 30, 2021 amounted to $267,032 and $2,670,095 for the nine-month period ended September 30, 2020, ($1,432,495 at December 31, 2020). All investments in brand rights, franchising and use of locale rights, store opening commissions and licenses and developments were attributable to the opening of new stores, renovations of equipment and renovation of existing stores of the various chains operated by the Entity.

10. Investment in shares

For the three and nine-month periods ended September 30, 2021 and 2020, the investment in shares of associates is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%) September 30, 2021 Unaudited	December 31, 2020	Main operations	Interest in associated company September 30, 2021 Unaudited	Interest in associated company December 31, 2020
Operadora de Restaurantes AYB Polanco, S.A. de C.V. (1)	30.00%	30.00%	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ 13,434	$ 12,691
Other investments				97,728	77,419
Total				$ 111,162	$ 90,110

	September 30, 2021 Unaudited	December 31, 2020	Main operations	Equity in results: For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Operadora de Restaurantes AYB Polanco, S.A. de C.V	30.00%	30.00%	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ 482	$ (87)	$ 743	$ (1,790)
Other investments				-	-	-	(1,097)
				$ 482	$ (87)	$ 743	$ (2,887)

Operadora de Restaurantes AYB Polanco, S.A. de C.V.

Total assets, liabilities, equity and profit and losses of the associated entity are as follows:

	September 30, 2021 Unaudited	December 31, 2020
Current assets	$ 16,380	$ 15,410
Non-current assets	$ 38,864	$ 38,160
Current liabilities	$ 10,449	$ 11,268

	September 30, 2021 Unaudited	September 30, 2020
Income	$ 24,913	$ 11,675
Net profit (loss) for the period	$ 2,476	$ (5,967)

11. Long-term debt

Long-term debt at September 30, 2021 and December 31, 2020, is comprised of unsecured loans, as shown below:

Bank	Type of credit	Currency	Rate	Maturity	September 30, 2021 Unaudited	December 31, 2020
Sindicado	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2023	$ 4,420,455	$ 4,432,195
Sindicado	Simple credit	Euros	Variable rate Euribor +1.25%	2023	10,077,691	10,312,875
Sindicado	Simple credit	Euros	Euribor + 3.25%	2021	2,466,798	2,500,000
Sumitomo	Simple credit	Mexican pesos	Euribor + 1.60%	2021	597,365	599,223
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	Simple credit	Mexican pesos	Variable rate TIIE +1%	2025	1,663,203	1,668,413
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2021	154,042	155,000
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.15%	2025	992,035	993,526
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2022	283,677	283,594
Banco Santander, S.A.	Simple credit	Euros	Euribor + 1.35%	2022	334,518	243,802
Clover ING	Simple credit	Euros	Euribor + 1.70%	2022	1,123,026	1,145,869
Banca March	Simple credit	Euros	Euribor + 1.50%	2020	238,942	243,802
Santander Chile, S.A.	Simple credit	Chilean pesos	Variable rate TIIE +0.41%	2021	68,947	83,182
Banco de Chile	Simple credit	Chilean pesos	29% (Fixed rate)	2024	58,542	93,888
Bankia Icos	Simple credit	Euros	Euribor + 1.85%	2022	234,300	243,802
Sabadel Icos	Simple credit	Euros	Euribor + 2.20%	2023	129,387	136,773
Santander Icos	Simple credit	Euros	Euribor + 2.10%	2022	238,942	341,323
BBVA Icos	Simple credit	Euros	Euribor + 2.75%	2025	238,942	243,801
Ibercaja Icos	Simple credit	Euros	Euribor + 1.75%	2023	23,894	24,380
Abanca Icos	Simple credit	Euros	Euribor + 1.75%	2023	47,788	48,760
Caja rural Icos	Simple credit	Euros	Euribor + 1.60%	2023	35,841	36,571
BNP CIC	Simple credit	Euros	Euribor + 2%	2025	358,413	365,704
Santander Totta	Simple credit	Euros	Euribor + 1.50%	2026	35,841	36,570
BBVA Bancomer, S.A.	Bilateral	Euros	3% (Fixed rate)	2026	145,949	-
					23,968,538	24,233,053
			Less - current portion		(23,968,538)	(24,233,053)
			Long-term debt maturities		$ -	$ -

The declaration of the COVID-19 pandemic that emerged in 2020 had a great impact on the restaurant industry and on the Entity's operations, affecting the operation of restaurants. The foregoing had effects on income, operating results, and cash generation, mainly. The Entity must comply with certain covenants, as well as maintain certain financial ratios related to bank loans. At September 30, 2021 and December 31, 2020, the Entity has obtained temporary waivers expiring on June 30, 2022, thereby enabling the Entity to comply with its debt covenants as of September 30, 2021. However, such waivers expire on June 30, 2022, at which time the original debt covenants enter into effect. As the Entity was unable to comply with the original covenants as of June 30, 2021 and will not likely comply with such covenants when the temporary waivers expire on June 30, 2022, Alsea is currently seeking new waivers or alternative financing prior to the expiration of the current waivers, as it does not have sufficient capital to repay its debt at September 30, 2021 and will not likely have generated sufficient capital to repay the debt if immediate payment is required upon expiration of the waivers on June 30, 2022, to the extent that it is not in compliance with its covenants. As established by IAS 1 *Presentation of Financial Statements*, long-term debt shall be classified as current as of September 30, 2021 and December 31, 2020 given the noncompliance with covenants at that date. The amount of this debt was reclassified to short term amounted to $15,610 and $19,394 million at September 30, 2021 and December 31, 2020, respectively, causing short-term liabilities to significantly exceed short-term assets at that date.

The Entity has undertaken a series of internal actions to ensure the viability and the success of its operations will depend upon the circumstances surrounding the pandemic and the measures taken by different governments with respect to the operation of restaurants, as well as the ability of the management to generate income and liquidity.

The Entity as of September 30, 2021, has lines of credit available for 68,200 million Euros.

12. Debt instruments

In May 2019, the Entity placed debt instruments in the amount of $1,350,000 maturing in May 2024. Those instruments accrue interest at the 28-day TIIE rate plus 0.95 percentage points; and other debt instrument worth $2,650,000 over 7 years as from the issue date, maturing in May 2026. Those instruments will accrue interest at a fixed rate of 10.01%.

In October 2017, the Entity placed debt instruments in the amount of $1,000,000 maturing in September 2022. Those instruments accrue interest at the 28-day TIIE rate plus 0.90 percentage points; and other debt instrument worth $2,000,000 over 10 years as from the issue date, maturing in September 2027. Those instruments will accrue interest at a fixed rate of 8.85%.

In March 2015, the Entity placed of debt instruments worth $3,000,000 over 5 years as from the issuance date, maturing in March 2020.

Those instruments will accrue interest at the 28-day TIIE rate plus 1.10 percentage points; and other debt instrument worth $1,000,000 over 10 years as from the issue date, maturing in March 2025. Those instruments will accrue interest at a fixed rate of 8.07%.

At September 30, 2021 and December 31, 2020, the Entity has obtained temporary waivers expiring on June 30, 2022, thereby enabling the Entity to comply with its debt covenants as of September 30, 2021. However, such waivers expire on June 30, 2022, at which time the original debt covenants enter into effect. As the Entity was unable to comply with the original covenants as of June 30, 2021 and will not likely comply with such covenants when the temporary waivers expire on June 30, 2022, Alsea is currently seeking new waivers or alternative financing prior to the expiration of the current waivers, as it does not have sufficient capital to repay its debt at September 30, 2021 and will not likely have generated sufficient capital to repay the debt if immediate payment is required upon expiration of the waivers on June 30, 2022, to the extent that it is not in compliance with its covenants. As established by IAS 1 *Presentation of Financial Statements*, long-term debt shall be classified as current as of September 30, 2021 and December 31, 2020 given the noncompliance with covenants at that date. The amount of this debt was reclassified to short term amounted to $7,981 and $7,979 million at September 30, 2021 and December 31, 2020, respectively, causing short-term liabilities to significantly exceed short-term assets at that date.

13. Financial instruments

a. ***Financial instrument categories***

	September 30, 2021 Unaudited	December 31, 2020
Financial assets		
Cash and cash equivalents	$ 3,585,129	$ 3,932,409
Loans and accounts receivable at amortized cost	1,791,525	1,620,775
Financial liabilities at amortized cost		
Suppliers by merchandise	2,417,569	2,949,829
Factoring of suppliers	757,959	654,115
Current maturities of long-term debt	23,968,538	24,233,053
Current maturities of financial lease liabilities	4,215,031	4,207,633
Non-current financial lease liabilities	19,525,400	21,092,417
Option to sell the non-controlling interest	1,420,723	2,701,407
Debt instruments	7,981,454	7,979,149

b. ***Objectives of managing financial risks***

Among the main associated financial risks that the Entity has identified and to which it is exposed are: (i) market (foreign currency and interest rate), (ii) credit, and (iii) liquidity.

The Entity seeks to minimize the potential negative effects of the aforementioned risks on its financial performance by applying different strategies. The first involves securing risk coverage through derivative financial instruments. Derivative instruments are only traded with well-established institutions and limits have been set for each financial institution. The Entity has the policy of not carrying out operations with derivative financial instruments for speculative purposes.

c. ***Market risk***

The Entity is exposed to market risks resulting from changes in exchange and interest rates. Variations in exchange and interest rates may arise as a result of changes in domestic and international economic conditions, tax and monetary policies, market liquidity, political events and natural catastrophes or disasters, among others.

Exchange fluctuations and devaluation or depreciation of the local currency in the countries in which Alsea participates could limit the Entity's capacity to convert local currency to US dollars or to other foreign currency, thus affecting their operations, results of operations and consolidated financial position. The Entity currently has a risk management policy aimed at mitigating present and future risks involving those variables, which arise mainly from purchases of inventories, payments in foreign currencies and public debt contracted at a floating rate. The contracting of derivative financial instruments is intended to cover or mitigate a primary position representing some type of identified or associated risk for the Entity. Instruments used are merely for economic hedging purposes, not for speculation or negotiation.

The types of derivative financial instruments approved by the Entity for the purpose of mitigating exchange fluctuation and interest rate risk are as follows:

- USD/MXN exchange-rate forwards contracts
- USD/MXN exchange-rate options
- Interest Rate Swaps and Swaptions
- Cross Currency Swaps

Given the variety of possible derivative financial instruments for hedging the risks identified by the Entity, the Director of Corporate Finance is authorized to select such instruments and determine how they are to be operated.

d. ***Currency exchange risk management***

The following table shows a quantitative description of exposure to exchange risk based on foreign currency forwards and options agreements contracted by the Entity in USD/MXN, in effect as of September 30, 2021 and December 31, 2020.

			Underlying/ reference variable		Notional amount/ Face value (thousands of USD)		Fair value/ (thousands of USD)		Amounts of expiration
Type of derivative, security or contract	**Position**	**Objective of the hedging**	**30/09/2021 Unaudited current**	**31/12/2020 previous**	**30/09/2021 Unaudited current**	**31/12/2020 previous**	**30/09/2021 Unaudited current**	**31/12/2020 previous**	**(thousands of USD)**
Forwards	Long	Economic	20.5300 USDMXN	21.0200 USDMXN	-	78,100	-	$ 1,738	-
Options	Long	Economic	20.5300 USDMXN	20.9100 USDMXN	24,890	11,200	487	$ 2,697	24,890

e. ***Interest rate risk management***

The following table shows a quantitative description of exposure to interest rate risk based on interest rate forwards and options agreements contracted by the Entity, in effect as of September 30, 2021 and December 30, 2020.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying/ reference variable 30/09/2021 Unaudited current	Underlying/ reference variable 12/31/2020 previous	Notional amount/ face value (USD) 30/09/2021 Unaudited current	Notional amount/ face value (USD) 12/31/2020 previous	Fair value (USD) 30/09/2021 Unaudited current	Fair value (USD) 12/31/2020 previous	Amounts of expiration (thousands of USD)
IRS Plain Vanilla	Long	Coverage	4.7490% - TIIE 28 d	6.7376% - TIIE 28 d	198,958	208,817	$ 15,478	$ (1,302)	$ 206,562
IRS Plain Vanilla	Long	Economic	4.7490% - TIIE 28 d	6.7376% - TIIE 28 d	64,062	87,032	$ 117	$ (906)	$ 71,534
Capped IRS	Long	Economic	4.7490% - TIIE 28 d	6.7376% - TIIE 28 d	61,409	65,211	$ 487	$ (766)	$ 63,901

f. ***Credit risk management***

The Entity's maximum exposure to credit risk is represented by the carrying value of its financial assets. At September 30, 2021 and December 31, 2020, that risk amounts to $1,791,525 and $1,620,775, respectively.

g. ***Liquidity risk management***

The ultimate responsibility for managing liquidity lies in the Financial Director, for which purpose the Entity has established policies to control and follow up on working capital, thus making it possible to manage the Entity's short-term and long-term financing requirements. In keeping this type of control, cash flows are prepared periodically to manage risk and maintain proper reserves, credit lines are contracted and investments are planned.

The Entity's main source of liquidity is the cash earned from its operations.

The following table describes the contractual maturities of the Entity's financial liabilities considering agreed payment periods. The table has been designed based on undiscounted, projected cash flows and financial liabilities considering the respective payment dates. The table includes the projected interest rate flows and the capital disbursements made towards the financial debt included in the unaudited condensed interim consolidated statements of financial position. If interest is agreed at variable rates, the undiscounted amount is calculated based on the interest rate curves at the end of the period being reported. Contractual maturities are based on the minimum date on which the Entity must make the respective payments.

As of September 30, 2021 Unaudited	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more	Total
Long-term debt	6.48%	$ 25,727,367	$ -	$ -	$ -	$ -	$ 25,727,367
Debt instruments	8.13%	7,981,454	-	-	-	-	7,981,454
Financial leasing	4.00%	4,215,031	3,442,597	3,213,090	2,754,078	9,325,849	22,950,645
Option to sell the non-controlling interest		1,420,723	-	-	-	-	1,420,723
Derivatives		2,408	-	-	-	-	2,408
Suppliers		2,417,569	-	-	-	-	2,417,569
Factoring of suppliers (1)		757,959	-	-	-	-	757,959
Total		$ 42,522,511	$ 3,442,597	$ 3,213,090	$ 2,754,078	$ 9,325,849	$ 61,258,125

As of December 31, 2020	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more	Total
Long-term debt	6.48%	$ 24,233,053	$ -	$ -	$ -	$ -	$ 24,233,053
Debt instruments	8.13%	7,979,149	-	-	-	-	7,979,149
Financial leasing	4.00%	4,207,633	3,946,554	3,638,393	2,936,185	10,571,285	25,300,050
Option to sell the non-controlling interest		2,701,407	-	-	-	-	2,701,407
Derivatives		89,839	-	-	-	-	89,839
Suppliers		2,949,829	-	-	-	-	2,949,829
Factoring of suppliers (1)		654,115	-	-	-	-	654,115
Total		$ 42,815,025	$ 3,946,554	$ 3,638,393	$ 2,936,185	$ 10,571,285	$ 63,907,442

(1) The policy of payment to suppliers is 90 days, for which the Entity signed financial factoring contracts backed by credit lines with financial institutions, through which a supplier can contact the financial institution to collect the any invoice in particular, previously approved by Alsea, before the payment date, which ends the payment obligation of Alsea to the supplier; in turn, Alsea will settle the balance to the financial institution on the due date for the invoice, in accordance with the terms previously agreed with the supplier. This transaction has no cost to Alsea, provided that the balances are liquidated in a timely manner, the balances not settled in a timely manner will be subject to a default interest that will be determined by the financial institution. Additionally, Alsea receives a commission for the balances discounted by the suppliers. These amounts have been classified as factoring of suppliers in the unadited condensed interim consolidated statement of financial position.

h. ***Fair value of financial instruments***

This note provides information on the manner in which the Entity determines the fair values of the different financial assets and liabilities.

Some of the Entity's financial assets and liabilities are valued at fair value at each reporting period. The following table contains information on the procedure for determining the fair values of financial assets and financial liabilities (specifically the valuation technique(s) and input data used).

Financial assets/liabilities	Fair value (1)(2) Figures in thousands of USD 30/09/2021 Unaudited	12/31/2020	Fair value hierarchy
1) Forwards and currency options agreements	$ 487	$ (34,637)	Level 2
Valuation technique(s) and main input data	Plain vanilla forwards are calculated based on discounted cash flows on forward exchange type bases. The main input data are the Spot, the risk-free rates in MXN and USD + a rate that reflects the credit risk of counterparties. In the case of options, the methods used are Black and Scholes and Montecarlo digital and/or binary algorithms.		
2) Interest rate swaps	$ 15,595	$ (53,771)	Level 2
Valuation technique(s) and main input data	Discounted cash flows are estimated based on forwards interest rates (using the observable yield curves at the end of the period being reported) and the contractual rates, discounted at a rate that reflects the credit risk of the counterparties.		

During the period there were no transfers between level 1 and 3

(1) The fair value is presented from a bank's perspective, which means that a negative amount represents a favorable result for the Entity.

(2) The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, which issue the respective valuation reports at the month-end closing dates specified by the Entity.

(3) Techniques and valuations applied are those generally used by financial entities, with official price sources from banks such as Banxico for exchange rates, Proveedor Integral de Precios (PIP) and Valmer for supply and databases of rate prices, volatility, etc.

In order to reduce to a minimum, the credit risk associated with counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations.

In the case of derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. (ISDA) is executed with each counterparty; the standard confirmation forms required for each transaction are also completed.

Likewise, bilateral guarantee agreements are executed with each counterparty to determine policies for the margins, collateral and credit lines to be granted.

This type of agreement is usually known as a “Credit Support Annex”; it establishes the credit limits that financial institutions grant to the company and which are applicable in the event of negative scenarios or fluctuations that affect the fair value of the open positions of derivative financial instruments. These agreements establish the margin calls to be implemented if credit line limits are exceeded.

Aside from the bilateral agreements attached to the ISDA outline agreement known as the Credit Support Annex (CSA), the Entity monthly monitors the fair value of payable or receivable amounts. If the result is positive for the Entity and is considered relevant due to its amount, a CDS can be contracted to reduce the risk of counterparty noncompliance.

The Entity has the policy of monitoring the number of operations contracted with each of these institutions so as to avoid margin calls and mitigate the counterparty credit risk.

At September 30, 2021 and December 31, 2020, the Entity has not received any margin calls and does not have any securities given as a guarantee with counterparties as interest rate hedges. Furthermore, it did not record any instances of noncompliance with the contracts executed with different financial institutions for operations involving interest rate hedges.

i. ***Fair value of financial assets and liabilities that are not valued at fair value on a recurring basis (but that require fair value disclosure)***

Except for certain items described in the following table, Management considers that the carrying values of financial assets and liabilities recognized at amortized cost in the unadited condensed interim consolidated financial statements approximate their fair value:

	30/09/2021 Unaudited		12/31/2020	
Financial liabilities	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities maintained at amortized cost:				
Suppliers	$ 2,417,569	$ 2,417,569	$ 2,949,829	$ 2,949,829
Factoring of suppliers	757,959	757,959	654,115	654,115
Bank loans	23,968,538	25,727,367	24,233,053	25,796,432
Obligation under finance leases	4,215,031	4,215,031	4,207,633	4,207,633
Non-current financial lease liabilities	19,525,400	19,525,400	21,092,417	21,092,417
Option to sell the non-controlling interest	1,420,723	1,420,723	2,701,407	2,701,407
Debt instruments	7,981,454	8,010,452	7,979,149	8,442,256
Total	$ 60,286,674	$ 62,074,501	$ 63,817,603	$ 65,844,089

Financial liabilities September 30, 2021 Unaudited	**Level 2**
Financial liabilities maintained at amortized cost:	
Bank loans	$ 23,968,538
Current maturities of financial lease liabilities	4,215,031
Non-current financial lease liabilities	19,525,400
Option to sell the non-controlling interest	1,420,723
Debt instruments	7,981,454
Total	$ 57,111,146

Financial liabilities December 31, 2020	**Level 2**
Financial liabilities maintained at amortized cost:	
Bank loans	$ 24,233,053
Current maturities of financial lease liabilities	4,207,633
Non-current financial lease liabilities	21,092,417
Option to sell the non-controlling interest	2,701,407
Debt instruments	7,979,149
Total	$ 60,213,659

Valuation

a) ***Description of valuation techniques, policies and frequency:***

The derivative financial instruments used by Alsea (forwards and swaps) are contracted to reduce the risk of adverse fluctuations in exchange and interest rates. Those instruments require the Entity to exchange cash flows at future fixed dates on the face value or reference value and are valued at fair value.

b) ***Liquidity in derivative financial operations:***

1. The resources used to meet the requirements related to financial instruments, will come from the resources generated by Alsea.

1. External sources of liquidity: No external sources of financing will be used to address requirements pertaining to derivative financial instruments.

14. Stockholders' equity

Following is a description of the principal features of the stockholders' equity accounts:

a. ***Capital stock structure***

The movements in capital stock and premium on share issue are shown below:

	Number of actions	**Thousands of pesos social capital**	**Premium in issuance of shares**
Figures as of January 1, 2020	838,578,725	478,749	8,670,873
Placement of actions	-	-	-
Figures as of September 30, 2020 Unaudited	838,578,725	478,749	8,670,873

	Number of actions	Thousands of pesos social capital	Premium in issuance of shares
Figures as of January 1, 2021	838,578,725	478,749	8,676,827
Placement of actions	-	-	-
Figures as of September 30, 2021 Unaudited	838,578,725	478,749	8,676,827

The fixed minimum capital with no withdrawal rights is comprised of Class I shares, while the variable portion is represented by Class II shares, and it must in no case exceed 10 times the value of the minimum capital with no withdrawal rights.

The National Banking and Securities Commission has established a mechanism that allows the Entity to acquire its own shares in the market, for which purpose a reserve for repurchase of shares must be created and charged to retained earnings, which Alsea has created as of December 31, 2015.

Total repurchased shares must not exceed 5% of total issued shares; they must be replaced in no more than one year, and they are not considered in the payment of dividends.

The premium on the issuance of shares is the difference between the payment for subscribed shares and the par value of those same shares, or their notional value (paid-in capital stock divided by the number of outstanding shares) in the case of shares with no par value, including inflation, at December 31, 2012.

Available repurchased shares are reclassified to contribute capital.

b. ***Stockholders' equity restrictions***

I. 5% of net earnings for the period must be set aside to create the legal reserve until it reaches 20% of the capital stock. For the period and the year ended September 30, 2021 and December 31, 2020, the legal reserve amounted to $100,736, which amount does not reach the required 20%.

II. Dividends paid out of accumulated profits will be free of ISR if they come from the CUFIN and for the surplus 30% will be paid on the result of multiplying the dividend paid by the update factor. The tax arising from the payment of the dividend that does not come from the CUFIN will be charged to the Entity and may be credited against the corporate ISR for the following two years.

15. Non-controlling interest

a. Following is a detail of the non-controlling interest.

	Amount
Opening balance at January 1, 2020	$ 1,961,563
Equity in results for the year ended September 30, 2020	(610,885)
Other movements in capital	68,719
Ending balance at September 30, 2020 Unaudited	$ 1,419,397
Opening balance at January 1, 2021	$ 1,330,446
Equity in results for the year ended September 30, 2021	(139,814)
Other movements in capital	(396,500)
Ending balance at September 30, 2021 Unaudited	$ 794,132

b. Following is the detail of the Non-Controlling interest of the main subsidiaries of the Entity:

Subsidiary	Country	Percentages of the non-controlling interest 30/09/2021 Unaudited	12/31/2020	Income (loss) attributable to the non-controlling interest 30/09/2021 Unaudited	12/31/2020	Accumulated non-controlling interest 30/09/2021 Unaudited	12/31/2020
Food Service Project, S.L. (Grupo Zena) (2)	Spain	23.23%	33.76%	$ (142,321)	$ (617,817)	$ 854,322	$ 1,179,805
Operadora de Franquicias Alsea, S.A.P.I. de C.V. (1)	Mexico	-	20.00%	-	(35,908)	-	30,340
Estrella Andina, S.A.S.	Colombia	30.00%	30.00%	(601)	(10,757)	97,117	47,804

(1) On June 28, 2021, the entity purchase shares that represent 20% of the non- controlling interest of Operadora de Franquicias Alsea, S.A.P.I. de C.V., thereby increasing its participation in that entity to 100%. The amount of the transaction was for $30,254, which is equivalent to the book value, so a goodwill is not generated.

In September 2021, the Entity, with Alia Capital Partners and Bain Capital Credit, agreed to invest in a minority stake of 21.1% in Food Service Project, S.A. (Alsea Europe). After transaction is completed, Alsea will own 76.8% of Alsea Europa, (previously 66.2%), Bain Capital Credit will possess an indirect interest of 10.5%, and the remaining non-controlling represent 12.7%. The Entity disbursed 55 million euros (equivalent to $1,205,703), which represents that 10.5% of the minority interest.

Derived from this agreement, the Entity renegotiated the prior conditions as follows:

a) Deadline of December 31, 2026;
b) The Entity has a “Call Option” enforceable from the third year
c) The payment of a coupon (4.6% per annual) payable on an annual basis until the date the “Put Option” is exercised.
d) The Entity has the possibility to extinguish the obligation with an exchange of shares or cash;

According to IFRS 9 “Financial Instruments”, as it is a new debt, the current financial liability is derecognized and new financial liability is recognized at fair value and its subsequent measurement is recognized at amortized cost, any difference between the derecognition of current financial liability and the recognition of the new financial liability is recognized in profit or loss. The effect of this transaction as of September 30, 2021, is not material to the results of the period.

16. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the controlling interest holders of ordinary capital by the average weighted number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to controlling interest holders of ordinary capital (after adjusting for interest on the convertible preferential shares, if any) by the average weighted ordinary shares outstanding during the year plus average weighted ordinary shares issued when converting all potentially ordinary diluted shares to ordinary shares. For the period and the year ended September 30, 2021 and December 31, 2020, the Entity has no potentially dilutive shares, for which reason diluted earnings per share is equal to basic earnings per share. The following table contains data on income and shares used in calculating basic and diluted earnings per share:

	Three-month period ended September 30, 2021 Unaudited	Three-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Net profit (in thousands of Mexican pesos):				
Attributable to shareholders	$ 173,029	$ (476,111)	$ (79)	$ (3,352,034)

	Three-month period ended September 30, 2021 Unaudited	Three-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Shares (in thousands of shares):				
Weighted average of shares outstanding	838,579	838,579	838,579	838,579
Basic and diluted net income per share of continuous and discontinued operations (cents per share)	$ 0.21	$ (0.57)	$ (0.00)	$ (4.00)
Basic and diluted net income per share of continuous operations (cents per share)	$ 0.21	$ (0.57)	$ (0.00)	$ (4.00)

17. Revenues

	Three-month period ended September 30, 2021 Unaudited	Three-month period ended September 30, 2020 Unaudited	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Revenues from the sale of goods	$ 13,496,596	$ 9,574,856	$ 35,546,234	$ 26,321,906
Services	303,364	202,772	706,634	564,178
Royalties	158,315	117,891	394,489	312,301
Total	$ 13,958,275	$ 9,895,518	$ 36,647,357	$ 27,198,385

18. Cost of sales

The costs and expenses included in other operating costs and expenses in the unaudited condensed interim consolidated statements of income are as follows:

	Three-month period ended September 30, 2021 Unaudited	Three-month period ended 30, 2020 Unaudited	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended 30, 2020 Unaudited
Food and beverage of costs	$ 4,212,631	$ 2,989,235	$ 11,315,564	$ 8,639,479
Royalties of costs	30,828	24,705	86,809	70505
Other costs	76,142	79,044	208,057	207,383
Total	$ 4,319,601	$ 3,092,984	$ 11,610,430	$ 8,917,367

19. Balances and transactions with related parties

Officer compensations and benefits

The total amount of compensation paid by the Entity to its main advisors and officers was approximately $39,289 and $28,479 for the three-month periods ended September 30, 2021 and 2020, respectively, and approximately $94,942 and $80,459 for the nine-month periods ended September 30, 2021 and 2020, respectively.

This amount includes emoluments determined by the General Assembly of Shareholders of the Entity for the performance of their positions during said fiscal year, as well as salaries and salaries.

The Entity continuously reviews salaries, bonuses and other compensation plans in order to ensure more competitive employee compensation conditions.

20. Financial information by segments

Information on the segments for the three and nine-month periods ended September 30, 2021 and 2020 is as follows: (figures in millions of pesos).

Figures in millions of pesos:

	Food and beverages Mexico				Food and beveragesLATAM				Food and beverages Europe				Consolidated			
	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Income	$ 6,705	$ 4,569	$ 18,145	$ 13,547	$ 2,423	$ 1,266	$ 5,900	$ 3,793	$ 4,830	$ 4,061	$ 12,602	$ 9,858	$ 13,958	$ 9,896	$ 36,647	$ 27,198
Costs	2,366	1,701	6,462	4,999	797	452	1,982	1,383	1,157	940	3,166	2,535	4,320	3,093	11,610	8,917
Operating costs	2,410	1,617	6,251	5,327	1,070	494	2,652	1,971	2,158	1,876	5,585	5,283	5,638	3,987	14,488	12,581
EBITDA store	1,929	1,251	5,432	3,221	556	320	1,266	439	1,515	1,245	3,851	2,040	4,000	2,816	10,549	5,700
Depreciation and amortization	836	911	2,534	2,865	213	234	643	809	869	883	2,737	2,520	1,918	2,028	5,914	6,194
Non-operating expenses	389	269	975	686	149	125	368	356	319	314	1,169	896	857	708	2,512	1,938
Utility operation	704	71	1,923	(330)	194	(39)	255	(726)	327	48	(55)	(1,376)	1,225	80	2,123	(2,432)

	Food and beverages Mexico				Food and beverages LATAM				Food and beverages Europe				Consolidated			
	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited	For the three-month period ended September 30, 2021 Unaudited	For the three-month period ended September 30, 2020 Unaudited	For the nine-month period ended September 30, 2021 Unaudited	For the nine-month period ended September 30, 2020 Unaudited
Interest paid													$ 870	$ 806	$ 2,514	$ 2,451
Earned interests													(32)	(17)	(90)	(126)
Other financial expenses													2	175	(137)	(90)
													840	964	2,287	2,235
Participation in associates													-	-	1	(3)
Income taxes													115	(294)	(22)	(707)
Consolidated net income for the year													272	(590)	(140)	(3,963)
Non controlling interest													99	(114)	(140)	(611)
Majority net income													$ 173	$ (476)	$ -	$ (3,352)

21. Foreign currency position

Assets and liabilities expressed in US dollars, shown in the reporting currency at September 30, 2021 and December 31, 2020 are as follows:

	Thousands of Mexican pesos September 30, 2020 Unaudited	Thousands of Mexican pesos December 31, 2020
Assets	$ 4,989,658	$ 4,028,843
Liabilities	(20,690,591)	(19,872,347)
Net monetary liability position	$ (15,700,933)	$ (15,843,504)

The exchange rate to one US dollar at September 30, 2021 and December 31, 2020 was $20.49 and $19.90, respectively. At November 16, 2021, date of issuance of the consolidated financial statements, the exchange rate was $20.81 to one US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2020, 2019 and 2018 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin	Currency	Closing exchange rate September 30, 2021 Unaudited	Issuance November 16, 2021
Argentina	Argentinian peso (ARP)	0.2076	0.2091
Chile	Chilean peso (CLP)	0.0253	0.0259
Colombia	Colombian peso (COP)	0.0054	0.0054
Spain	Euro (EUR)	23.8946	23.6569
Uruguay	Uruguayan pesos (UYU)	0.4777	0.4717

Country of origin December 31, 2020	Currency	Closing exchange rate
Argentina	Argentinian peso (ARP)	0.2369
Chile	Chilean peso (CLP)	0.0280
Colombia	Colombian peso (COP)	0.0058
Spain	Euro (EUR)	24.3802
Uruguay	Uruguayan pesos (UYU)	0.4707

In converting the figures, the Entity used the following exchange rates:

Foreign transaction	Country of origin	Recording	Currency Functional	Presentation
Fast Food Sudamericana, S.A.	Argentina	ARP	ARP	MXP
Starbucks Coffee Argentina, S.R.L.	Argentina	ARP	ARP	MXP
Fast Food Chile, S.A.	Chile	CLP	CLP	MXP

Foreign transaction	Country of origin	Recording	Currency Functional	Presentation
Establecimientos Gastronómicos Asian Food Chile limitada	Chile	CLP	CLP	MXP
Gastrococina Sur S.P.A.	Chile	CLP	CLP	MXP
Starbucks Coffee Chile, S.A.	Chile	CLP	CLP	MXP
Gastronomía Italiana en Colombia, S.A.S.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S.A.S.	Colombia	COP	COP	MXP
Estrella Andina, S.A.S.	Colombia	COP	COP	MXP
Asian Bistro Colombia, S.A.S.	Colombia	COP	COP	MXP
Food Service Project S.L.	Spain	EUR	EUR	MXP

22. Commitments and contingent liabilities

Commitments:

a) The Entity leases locales to house its stores and distribution centers, as well as certain equipment further to the lease agreements entered into for defined periods (see Note 7).

b) The Entity has acquired several commitments with respect to the arrangements established in the agreements for purchase of the brands.

c) In the normal course of operations, the Entity acquires commitments derived from supply agreements, which in some cases establish contractual penalties in the event of breach of such agreements.

d) In the signed contracts with third parties, the Entity is entitled to comply with certain mandatory clauses; some of the main mandatory clauses are related to capital investments and opening of restaurants. As of September 30, 2021 and December 31, 2020, derived from the Covid-19 pandemic, it was business to limit the investment of new stores until the recovery of sales as normal.

Contingent liabilities:

a. In September 2014, the Finance Department of Mexico City determined taxable income for the company denominated Italcafé, S.A. de C.V. (Italcafé) based on amounts deposited in its bank accounts derived from different restaurants owned by Grupo Amigos de San Ángel, S.A. de C.V. (GASA), however, that these revenues were accumulated by the latter company giving it all the corresponding tax effects , that authority concluded that the observations were partially called into effect, and in January 2019, Italcafé brought an action for invalidity against the partial favourable decision, trial continues in legal process and in analysis by the Superior Chamber of the First Section of the Tax Court who shall be appointed to issue the decision.

   In March 2019, the Tax Administration Service (SAT) determined tax liabilities for GASA and Italcafé derived from the review performed for 2010 and 2011, respectively, with regard to the deposits made in their bank accounts. Accordingly, the companies filed a motion for reconsideration and, in August and November 2019, filed a proceeding for annulment against the rulings issued in the motions for reconsideration. The trial continues in its legal process.

   Please note that the former owners of GASA and Italcafé will assume the economic effects derived from the aforementioned tax liability due to the terms and conditions established in the agreements executed by Alsea with these vendors.

b. The tax authorities conducted an inspection of Alsea and its subsidiary, Operadora Alsea de Restaurantes Mexicanos, S.A., de C.V. (OARM) for 2014, which primarily focused on tax aspects related to the transactions performed to acquire the Vips division from Wal-Mart de México, S.A.B. de C.V. that year.

The tax authorities issued payment requests, the most significant of which requests the payment of taxes for alleged income derived from the acquisition of goods from ALSEA for the total amount of $3,881 million pesos, including restatement.

Alsea and its external attorneys consider that they have sufficient elements to show that the payment requests issued by the tax authorities are unlawful, while demonstrating that Alsea has fulfilled its tax obligations in time and form with regard to the aforementioned purchase-sale transaction; for this reason, an Administrative Appeal was lodged with the tax authorities on March 23, 2020, which is under review. The Entity has not been created a provision for this purpose.

Appeals for revocation have been filed with the tax authorities, which are still pending resolution, in order to make an adequate assessment of all the elements to be established to establish the improperness of the abovementan settlements.

The transaction was recorded for accounting purposes according to IFRS and, more specifically, International Accounting Standards (IAS) 27 and 28, *Consolidated and separate financial statements, and Investments in Associates and Joint Ventures*, respectively. These standards establish that, in a business combination, the surplus value forming part of the book value of an investment in a subsidiary is not recognized separately; i.e., the surplus value generated by the acquisition of Vips must be presented together with the investment in shares in the separate financial statements of OARM because it does not fulfill the definition of a separate asset in the individual financial statements.

In the separate financial statements of Alsea, the acquisition of the VIPS Brand is only referred to as the acquisition of the intellectual property of the VIPS brand.

Alsea applied the accounting or purchase method contained in IFRS 3, Business combination, which is only applicable to the buyer in the Entity’s consolidated financial statements. When applying this method, the assets and liabilities acquired through the purchase of this business included the identified intangible assets of the acquired company, the assets and liabilities covered by the previous terms are matched with the amount paid and the difference between these values is recorded as surplus value at the consolidated level.

As discussed above, purchase accounting is a special accounting treatment; the respective adjustments are only recognized in the consolidated financial statements, but are not recognized in the financial statements of the acquired entity or in the separate financial statements of the buyer.

23. Authorization of consolidated financial statement

The unadited condensed interim consolidated financial statements were authorized for issuance on November 16, 2021 by Mr. Rafael Contreras Grosskelwing, Chief Financial Officer, and therefore they do not reflect any facts that might occur after that date and are subject to the approval of the audit committee and the Entity's stockholders, who can decide to modify them in accordance with the provisions of the Corporations Law.

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Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020, 2019 and 2018, and Independent Auditors' Report Dated April 14, 2021

Alsea, S.A.B. de C.V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2020, 2019 and 2018

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Independent Auditors' Report to the Board of Directors and Stockholders of Alsea, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Alsea, S.A.B. de C.V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and the consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alsea, S.A.B. de C.V. and subsidiaries as of December 31, 2020, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis paragraph

As mentioned in Note 1a and 20 to the consolidated financial statements, the declaration of the COVID-19 pandemic that emerged in 2020 had a major impact on the restaurant industry and the Operations of the Entity, affecting the operation of the restaurants and, consequently, the amount of income. This had mainly impacts on operating results, cash generation.

In addition, as mentioned in Note 20 to the attached consolidated financial statements, as of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $19,394 million, causing short-term liabilities to significantly exceed short-term assets at that date.
On April 5, 2021, the Entity formalized a new negotiation of the conditions of the credit, which establish new debt obligations, which allows the Entity to have certainty about its fulfillment for the twelve-months period ending December 31, 2021.

The Entity has undertaken a series of internal actions to ensure the viability and the success of its operations will depend upon the continuity of the pandemic and the measures taken by different governments with respect to the operation of restaurants, as well as the ability of the management to generate income and liquidity. Our opinion has not been modified in relation to this matter.

Key Audit Matters

Key audit matters are those which, according to our professional judgment, have the greatest significance for our audit of the consolidated financial statements of the current period. They have been handled within the context of our audit of the consolidated financial statements taken as a whole and the formation of our opinion in this regard. Accordingly, we do not express a separate opinion on these matters. We have decided that the issues described below constitute the key audit matters that must be included in our report.

Impairment of Long-Lived Assets

The Entity has determined that the smallest cash generating units are its stores. It has developed financial and operating performance indicators for each of its stores and performs an annual study to identify indications of impairment. If necessary, it also performs an impairment analysis according to IAS 36, *Impairment of Assets* ("IAS 36"), in which discounted future cash flows are calculated to ascertain whether the value of assets has become impaired. However, a risk exists whereby the assumptions utilized by management to calculate future cash flows may not be fair based on current conditions and those prevailing in the foreseeable future.

The audit procedures we applied to cover the risk of the impairment of long-lived assets include the following:

The application of internal control and substantive tests, in which we performed a detailed review of projected income and expenses and, on this basis, discounted future cash flows. We also verified, according to our knowledge of the business and historical audited information, the regularization of any nonrecurring effect, so as to avoid considering these effects in the projections. We evaluated the fairness of the discount rate utilized by management, for which purpose we requested support from our firm's experts. The results derived from the application of our audit tests were reasonable.

As discussed in Note 4m to the consolidated financial statements, the Entity has recorded an amount of $220,000 (thousand) for impairment as of December 31, 2020.

Goodwill and Other Intangible Assets

Given the importance of the goodwill balance and continued economic uncertainty, when necessary, it is important to ensure that goodwill is adequately reviewed to identify potential impairment.

The determination as to whether the book value of goodwill is recoverable requires the Entity's management to make significant estimates regarding future cash flows, discount rates and growth based on its opinion regarding future business perspectives.

In our capacity as auditors, we have analyzed the assumptions utilized in the impairment model, specifically including cash flow projections, discount rates and long-term rate growth. The key assumptions used to estimate cash flows in the Entity's impairment tests are those related to the growth of revenues and the operating margin.

Our fair value valuation specialists assisted us by preparing an independent evaluation of the discount rates and methodology used to prepare the impairment testing model, together with the utilized market multiple estimates. We also tested the completeness and accuracy of the impairment model.

The results of our audit tests were reasonable and we agree that the utilized assumptions, including the discount rate and the goodwill impairment amount recorded for the year, are appropriate.

Information Other Than the Consolidated Financial Statements and Independent Auditors' Report

The management is responsible for the other information. The other information includes the information included in the annual report (but does not include the consolidated financial statements, nor our audit report) that the Entity is obliged to prepare in accordance with the General Provisions Applicable to Issuers and other Market Participants of Securities in Mexico. The annual report is expected to be available for our reading after the date of this audit report.

Our opinion regarding the consolidated financial statements does not cover the other information and we do not give any assurance in this regard.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the annual report and other information, when it is available, and when we do so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or that appears to contain a material error. If, based on the work we have carried out, we conclude that there is a material error in the other information; we would have to report it in the declaration on the annual report required by the National, Banking and Securities Commission and those responsible for the Entity's government.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided the Entity's corporate governance officers with a declaration to the effect that we have fulfilled applicable ethical requirements regarding our independence and have reported all the relations and other issues that could be reasonably be expected to affect our independence and, when applicable, the respective safeguards.

The issues we have reported to the Entity's governance officers include the matters that we consider to have the greatest significance for the audit of the consolidated financial statements of the current period and which, accordingly, are classified as key audit matters. We have described these matters in this audit report, unless legal or regulatory provisions prevent them from being disclosed or, under extremely infrequent circumstances, we conclude that a given matter should be excluded from our report because we can fairly expect that the resulting adverse consequences will exceed any possible benefits as regards the public interest.

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

C.P.C. Juan Carlos Reynoso Degollado
Mexico City, Mexico
April 14, 2021

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

At December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

Assets	Notes	2020	2019	2018 (Restated)
Current assets:				
Cash and cash equivalents	7	$ 3,932,409	$ 2,568,771	$ 1,987,857
Customers, net	8	890,484	764,902	582,135
Value-added tax and other recoverable taxes		1,274,055	338,597	286,360
Other accounts receivable		730,291	682,319	211,086
Inventories	9	1,617,570	1,779,646	2,120,208
Non-current assets classified as held for sale		-	52,546	70,340
Advance payments	10	328,034	289,885	412,676
Total current assets		8,772,843	6,476,666	5,670,662
Long-term assets:				
Guarantee deposits		1,789,833	753,850	863,512
Investment in shares of associated companies	17	90,110	85,471	14,296
Store equipment, leasehold improvements and property, net	13	15,879,778	16,692,801	18,960,250
Right of use assets	11	23,423,275	21,192,657	-
Intangible assets, net	14 and 19	28,816,687	27,375,209	27,779,352
Deferred income taxes	23	4,665,412	3,835,593	2,867,571
Total long-term assets		74,665,095	69,935,581	50,484,981
Total assets		$ 83,437,938	$ 76,412,247	$ 56,155,643

Liabilities and stockholders' equity	Notes	2020	2019	2018 (Restated)
Current liabilities:				
Current maturities of long-term debt	20	$ 24,233,053	$ 305,668	$ 2,586,553
Current obligation under finance leases	12	4,207,633	3,915,338	6,799
Debt instruments		7,979,149	-	-
Suppliers		2,949,829	2,327,048	2,290,788
Factoring of suppliers		654,115	889,046	757,976
Accounts payable to creditors		2,834,150	2,234,461	2,326,156
Accrued expenses and employee benefits		4,279,180	3,278,798	4,239,559
Option to sell the non-controlling interest	22	2,701,407	2,304,864	2,506,006
Total current liabilities		49,838,516	15,255,223	14,713,837
Long-term liabilities:				
Long-term debt, not including current maturities	20	-	17,102,448	16,040,204
Obligation under finance leases	12	21,092,417	19,542,694	284,375
Debt instruments	21	-	7,973,765	6,983,244
Other liabilities		265,050	416,663	758,053
Deferred income taxes	23	4,364,054	4,365,095	3,772,048
Employee retirement benefits	24	244,056	213,797	151,988
Total long-term liabilities		25,965,577	49,614,462	27,989,912
Total liabilities		75,804,093	64,869,685	42,703,749
Stockholders' equity:	26			
Capital stock		478,749	478,749	478,749
Premium on share issue		8,676,827	8,670,873	8,444,420
Retained earnings		(683,700)	2,551,874	3,906,447
Reserve for repurchase of shares		660,000	660,000	660,000
Reserve for obligation under put option of non-controlling interest	22 and 26	(2,013,801)	(2,013,801)	(2,013,801)
Other comprehensive income items		(814,676)	(766,696)	97,337
Stockholders' equity attributable to the controlling interest		6,303,399	9,580,999	11,573,152
Non-controlling interest	27	1,330,446	1,961,563	1,878,742
Total stockholders' equity		7,633,845	11,542,562	13,451,894
Total liabilities and stockholders' equity		$ 83,437,938	$ 76,412,247	$ 56,155,643

See accompanying notes to the consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Note	2020	2019	2018
Continuing operations				
Net sales	29	$ 38,495,420	$ 58,154,617	$ 46,156,590
Cost of sales	30	11,454,884	17,164,021	14,187,508
Depreciation and amortization	11, 13 and 14	8,435,190	8,046,665	3,114,728
Employee benefits		12,138,673	16,044,061	11,557,626
Services		2,004,405	2,872,443	2,533,938
Advertising		1,398,352	2,026,539	1,644,825
Royalties		1,124,108	1,779,165	1,460,437
Repair and maintenance		866,926	1,080,830	923,279
Supplies		765,373	928,544	852,515
Distribution		521,046	613,309	644,022
Other operating expenses		1,303,972	3,028,149	5,944,126
(Loss) operating profit		(1,517,509)	4,570,891	3,293,586
Interest income		(118,987)	(101,168)	(56,526)
Interest expenses		3,225,511	3,123,023	1,627,938
Changes in the fair value of financial instruments	22	456,548	(201,142)	(114,806)
Exchange loss (gain), net		11,318	29,083	(636)
		3,574,390	2,849,796	1,455,970
Equity in results of associated companies	17	(2,647)	(942)	-
(Loss) income before income taxes		(5,094,546)	1,720,153	1,837,616
(Profit) income taxes	23	(1,199,088)	635,420	698,294
Consolidated net (loss) income from continuing operations		$ (3,895,458)	$ 1,084,733	$ 1,139,322
Net (loss) income for the year attributable to:				
Controlling interest		$ (3,235,574)	$ 926,669	$ 953,251
Non-controlling interest		$ (659,884)	$ 158,064	$ 186,071
Earnings per share:				
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	28	$ (3.86)	$ 1.11	$ 1.14
Basic and diluted net earnings per share from continuing operations (cents per share)	28	$ (3.86)	$ 1.11	$ 1.14

See accompanying notes to the consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Other Comprehensive Income

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	2020	2019	2018
Consolidated net (loss) income	$ (3,895,458)	$ 1,084,733	$ 1,139,322
Items that may be reclassified subsequently to income:			
Valuation of financial instruments, net of income taxes	(202,333)	12,686	149,109
Remeasurement of defined benefit obligation, net of income taxes	21,894	(48,782)	26,887
Inflation effect, net of income taxes	263,736	313,132	545,766
Cumulative translation adjustment, net of income taxes	(131,277)	(1,141,069)	190,222
	(47,980)	(864,033)	911,984
Total comprehensive (loss) income, net of income taxes	$ (3,943,438)	$ 220,700	$ 2,051,306
Comprehensive (loss) income for the year attributable to:			
Controlling interest	$ (3,283,554)	$ 62,636	$ 1,865,235
Non-controlling interest	$ (659,884)	$ 158,064	$ 186,071

See accompanying notes to the consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Contributed capital			Retained earnings			Other comprehensive income items						
	Capital stock	Premium on issuance of share	Reserve for repurchase of shares	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Inflation effect	Valuation of financial instruments	Cumulative translation adjustment	Remeasurement of defined benefit obligation	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2018	$ 478,749	$ 8,223,224	$ 660,000	$ (2,673,053)	$ 100,736	$ 3,506,551	$ -	$ (211,766)	$ (538,668)	$ (64,213)	$ 9,481,560	$ 1,121,566	$ 10,603,126
Repurchase of shares (Note 26a)	-	(152,204)	-	-	-	-	-	-	-	-	(152,204)	-	(152,204)
Sales of shares (Note 26a)	-	373,400	-	-	-	-	-	-	-	-	373,400	-	373,400
Dividend paid (Note 26a)	-	-	-	-	-	(654,091)	-	-	-	-	(654,091)	(66,052)	(720,143)
Acquisition of business and sale option for uncontrolled participation (Note 26)	-	-	-	659,252	-	-	-	-	-	-	659,252	613,029	1,272,281
Other movements	-	-	-	-	-	-	-	-	-	-	-	24,128	24,128
Comprehensive income	-	-	-	-	-	953,251	545,766	149,109	190,222	26,887	1,865,235	186,071	2,051,306
Balances at December 31, 2018	478,749	8,444,420	660,000	(2,013,801)	100,736	3,805,711	545,766	(62,657)	(348,446)	(37,326)	11,573,152	1,878,742	13,451,894
Effect of change in accounting policy for initial application of IFRS 16	-	-	-	-	-	(2,281,242)	-	-	-	-	(2,281,242)	-	(2,281,242)
Sales of shares (Note 26a)	-	226,453	-	-	-	-	-	-	-	-	226,453	-	226,453
Other movements (Note 27)	-	-	-	-	-	-	-	-	-	-	-	(75,243)	(75,243)
Comprehensive income	-	-	-	-	-	926,669	313,132	12,686	(1,141,069)	(48,782)	62,636	158,064	220,700
Balances at December 31, 2019	478,749	8,670,873	660,000	(2,013,801)	100,736	2,451,138	858,898	(49,971)	(1,489,515)	(86,108)	9,580,999	1,961,563	11,542,562
Repurchase of shares (Note 26a)	-	5,954	-	-	-	-	-	-	-	-	5,954	-	5,954
Other movements (Note 27)	-	-	-	-	-	-	-	-	-	-	-	28,767	28,767
Comprehensive income	-	-	-	-	-	(3,235,574)	263,736	(202,333)	(131,277)	21,894	(3,283,554)	(659,884)	(3,943,438)
Balances at December 31, 2020	$ 478,749	$ 8,676,827	$ 660,000	$ (2,013,801)	$ 100,736	$ (784,436)	$ 1,122,634	$ (252,304)	$ (1,620,792)	$ (64,214)	$ 6,303,399	$ 1,330,446	$ 7,633,845

See accompanying notes to the consolidated financial statements.

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Note	2020	2019	2018
Cash flows from operating activities:				
Consolidated net income		$ (3,895,458)	$ 1,084,733	$ 1,139,322
Adjustment for:				
Income taxes		(1,199,088)	635,420	698,294
Equity in results of associated companies		2,647	942	-
Interest expense		3,225,511	3,123,023	1,627,938
Interest income		(118,987)	(101,168)	(56,526)
Disposal of store equipment, leasehold improvements and property		324,877	1,362,947	87,673
Impairment goodwill	19	220,000	32,469	-
Profit on sale of fixed assets		(178,774)	10,994	(70,374)
Changes in the fair value of financial instruments		456,548	(201,142)	(114,806)
Depreciation and amortization	11,13 and 14	8,212,474	8,046,665	3,114,728
		7,049,750	13,994,883	6,426,249
Changes in working capital:				
Customers		(125,582)	(4,299)	217,292
Other accounts receivable		(47,972)	(261,948)	57,151
Inventories		162,076	356,210	57,253
Advance payments		(1,074,132)	398,617	(102,897)
Suppliers		622,781	(645,479)	(1,822)
Factoring of suppliers		(234,931)	131,070	184,879
Accrued expenses and employee benefits		1,251,019	(1,209,205)	343,403
Income taxes paid		(546,667)	(588,322)	(709,011)
Other liabilities		(326,440)	(482,203)	539,553
Labor obligations		61,536	(7,880)	(6,287)
Net cash flows provided by operating activities		6,791,438	11,681,444	7,005,763
Cash flows from investing activities:				
Proceeds from equipment and property		231,320	82,668	-
Interest collected		118,987	101,168	56,526
Store equipment, leasehold improvements and property	13	(1,778,242)	(3,087,269)	(4,253,226)
Intangible assets	14	(403,916)	(425,573)	(356,929)
Acquisition in investment in shares of associated companies		(7,286)	(72,117)	(14,296)
Acquisitions of business, net of cash acquired	1 and 18	-	(1,109,933)	(10,618,697)
Net cash flows used in investing activities		(1,839,137)	(4,511,056)	(15,186,622)

(Continued)

	Note	2020	2019	2018
Cash flows from financing activities:				
Bank loans		10,045,269	1,633,890	21,515,017
Repayments of loans		(4,703,310)	(2,797,076)	(9,849,731)
Issuance of debt instruments	21	-	4,000,000	-
Payments for debt instruments		-	(3,000,000)	-
Interest paid		(3,225,511)	(3,123,023)	(1,627,938)
Dividends paid		-	-	(720,143)
Cash received non-controlling stake		28,767	(75,243)	637,157
Payments for financial leasing		(4,186,643)	(4,139,136)	(10,269)
Repurchase of shares		5,954	221,400	(152,204)
Sigla debt payment		-	-	(1,690,050)
Sales of shares		-	5,053	373,400
Net cash flows (used in) provided by financing activities		(2,035,474)	(7,274,135)	8,475,239
Net increase (decrease) in cash and cash equivalents		2,916,827	(103,747)	294,380
Exchange effects on value of cash		(1,553,189)	684,661	153,074
Cash and cash equivalents:				
At the beginning of the year		2,568,771	1,987,857	1,540,403
At end of year		$ 3,932,409	$ 2,568,771	$ 1,987,857

(Concluded)

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

1. Activity, main operations and significant events

Operations

Alsea, S.A.B. de C.V. and Subsidiaries (Alsea or the Entity) was incorporated as a variable income stock company on May 16, 1997 in Mexico. The Entity's domicile is Av. Revolución 1267 Int. 20 and 21, Col. Alpes, Alcaldía Álvaro Obregón, C.P. 01040, Mexico City, Mexico.

The Entity was incorporated for a period of 99 years, beginning on the date in which the deed was signed, which was April 7, 1997.

For disclosure purposes in the notes to the consolidated financial statements, reference made to pesos, "$" or MXP is for thousands of Mexican pesos, and reference made to dollars is for US dollars.

Alsea is mainly engaged in operating fast food restaurants "QSR" cafes and casual dining "Casual Dining". The brands operated in Mexico are Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, P.F. Chang's, Italianni's, The Cheese Cake Factory, Vips, El Portón, Corazón de Barro, La Casa del Comal and Ole Mole. In order to operate its multi-units, the Entity has the support of its shared service center, which includes the supply chain through Distribuidora e Importadora Alsea, S.A. de C.V. (DIA), real property and development services, as well as administrative services (financial, human resources and technology). The Entity operates the Burger King, P.F. Chang's, Chili's Grill & Bar and Starbucks brands in Chile. In Argentina, Alsea operates the Burger King, and Starbucks brands. In Colombia, Alsea operates the Domino's Pizza, Starbucks, P.F. Chang's and the Archie's brands. In Uruguay, it operates the Starbucks brand. In Spain, Alsea operates the brands Foster's Hollywood, Burger King, Domino's Pizza, VIPS, VIPS Smart, Foster's Hollywood Street, Starbucks, Ginos, Fridays and Wagamama and until mid-2020 Cañas y Tapas, and from January and February 2020, Alsea operates the Starbucks brand in France, Netherlands, Belgium and Luxembourg.

Significant events

a. ***Implications resulted from COVID-19 –*** Net sales in 2020 decreased by 33.8% to $38,495 million pesos, compared to $58,155 million pesos the previous year. This decrease is mainly due to the impact of the contingency related to the COVID-19 pandemic, which affected both the number of units in operation, as well as the trend of consumption and changes in purchasing habits. During the fourth quarter of the year, there was a recovery in sales in Mexico and South America compared to the third quarter of 2020, reporting growth of 21% and 36%, respectively. Europe declined by 1%, as a result of health restrictions implemented due to the spread of the infection.

   EBITDA in 2020 decreased 45.2% to reach $6,918 million pesos, compared to $12,618 million pesos the previous year. The decrease in EBITDA of 5.7 billion pesos was mainly due to the decrease in the generation of EBITDA in all geographies where Alsea has a presence, affected by the implementation of contingency measures by the COVID-19 pandemic.

   In the fourth quarter of the year, resulting from the recovery in sales and savings generated, adjusted EBITDA (store level) increased by 146% in Mexico, 68% in Europe and 119% in South America in comparison to 3Q20. In all the geographies the Entity has managed to reopen more stores. At the end of the year, they have in operation approximately 88% of the stores, operating under home delivery schemes, deliveries at the counter to take away and with on-site service implementing a limited capacity, while the remaining 12% remains closed.

Alsea continues with agreements reached with all banks, with the aim of suspending (financial constraints) from 29 June 2020 to 30 June 2021, the commitments originally made to banks that, in the event of the impacts of the pandemic, have been affected (mainly those related to the gross leverage index and interest hedging index) , thus being in a better position to deal with the situation arising from COVID-19.

b. ***Alsea receives liquidation letter*** - On February 14, 2020, Alsea informs that the Tax Administration Service (SAT) carried out a review of the fiscal aspects related to the purchase operation of the Vips restaurant division from Wal-Mart de México, S.A.B. de C.V. "Walmex" carried out in 2014. The SAT issued a liquidation document in which Alsea is required to pay taxes for alleged income from the acquisition of goods, which amounts to $3,881 million. This amount includes upgrade, surcharges and penalty. On March 23, 2020, Alsea filed an Administrative Appeal with the tax authorities, which is under review.

c. ***Alsea agrees to obtain a waiver in its credit agreements*** - On July 2, 2020, the Entity has reached agreements with all the banks with which it has a relationship, to negotiate various terms in their credit agreements, in order to suspend from June 29, 2020 to June 30, 2021, the commitments originally assumed with the banks that, due to the impacts of the pandemic, have been affected (mainly those related to the gross leverage ratio and the interest coverage index), thus achieving better conditions to face the situation derived from COVID-19.

Derived from the agreements, the cost of interest and commissions will be temporarily increased during the suspension period.

Additionally, Alsea has agreed with the banks, taking care at all times of the Entity's liquidity, to maintain a minimum level of Capex that allows ensuring the continuity of its priority strategic projects and the operation of its restaurants in optimal conditions, as well as achieving growth organic estimated between 80 and 90 corporate units by 2021. In addition, Alsea will have the possibility of accessing additional debt, which will allow the Entity to have the ability to respond to any liquidity need during this contingency period.

Similarly, focusing on the Company's liquidity, the existing short-term credit agreements at the end of May 2020 have been refinanced, extending the payment commitments to June 30, 2021.

On April 5, 2021, Alsea has negotiated with all its relationship banks to extend the suspension of the computation of certain covenants in their credit contracts, (primarily those related to the gross leverage ratio and the interest coverage ratio) effective from April 1, 2021 to June 30, 2022. This puts Alsea in a stronger position to continue facing the impact of the COVID-19 pandemic and to ensure the continuity of its priority strategic projects, the operation of its restaurants in optimal conditions, as well as the continued organic growth of the Company.

In addition, Alsea has assumed the following commitments during the aforementioned period, which will be reviewed with the banks on a monthly basis:

- Maximum indebtedness:
  - The debt that the company has in Mexican pesos should not exceed 19.4 billion Mexican pesos or its equivalent in U.S. dollars or Chilean pesos.
  - The debt that the company has in euros must not exceed 615 million euros or its equivalent in U.S. dollars or Chilean pesos.
- Minimum liquidity:
  - During this period, the company agrees to maintain a minimum liquidity level of 3 billion pesos.

- Minimum consolidated stockholders' equity:

  - During this period, the company must maintain a minimum consolidated stockholders' equity of 6.9 billion pesos.

- Capital expenditure (Capex):

  - The Company agrees not to exceed 800 million pesos in capital expenditure per quarter during the established period.

The Entity's management is in the process of formalizing the contractual extension of the term of its short-term loan contracts to renegotiate the maturities that it will have during 2021, which will be formally approved during May 2021.

d. ***Development of the Starbucks brand in Netherlands, Belgium and Luxembourg –*** In February 2019, Alsea executed a development contract with Starbucks Coffee Company to obtain the full license and acquire Starbucks corporate store operations in Netherlands, Belgium and Luxembourg. This transaction resulted in the acquisition by Alsea of 13 corporate units in Netherlands, as well as the rights to provide services to licensed operators in those countries (95 licensed stores in these territories), while operating and generating expansion opportunities for Starbucks stores in those countries. Alsea concluded the purchase process on February 25, 2019.

e. ***Transfer of operations and development rights of the California Pizza Kitchen (CPK) brand –*** In May 2019, as follow-up on the portfolio restructuring strategy, Alsea reached an agreement with CPK to divest the brand under an asset lease scheme and transfer operating and development rights to Opcal, S.A. de C.V. as of May 8, 2019, while also assuming the operation of the 13 corporate units, the rights to 2 sub-franchises at airports, together with the rights to develop and build the CPK brand in Mexico.

f. ***Transfer of operations and development rights of the P.F. Chang's brand in Brazil –*** In June 2019, as follow-up on the portfolio restructuring strategy and to seek efficiencies, Alsea executed an agreement with Banco de Franquias for the incorporation of a joint venture involving P.F. Chang's in Brazil as of June 2019. As part of this agreement, Banco de Franquias will manage the operation of the P.F. Chang's units in that country within the joint venture, while also developing new units.

   In November 2020, Alsea concluded an agreement for the sale of the P.F. Chang's in Brazil to Banco de Franquicias mentioned in the previous paragraph. As part of this agreement, Alsea will cease to operate the brand in that Country. This operation is aligned with the portfolio restructuring strategy and search for its efficiencies to increase the profitability of the company.

g. ***Transfer of operations and development rights of the Burger King brand in Colombia and the P.F. Chang's brand in Argentina –*** In August 2019, Alsea executed an agreement to sell the Burger King business in Colombia and the P.F. Chang's business in Argentina.

   As part of this agreement, Alsea will cease to operate its 16 Burger King units in Colombia and 1 unit in Argentina. This transaction is aligned with the portfolio restructuring strategy and to seek efficiencies to enhance the company's profitability.

h. ***Acquisition of Sigla, S.A. -*** In October 2018, through its subsidiary Food Service Project, S.L. (Grupo Zena), Alsea entered into a purchase and sale agreement whereby, subject to the conditions contained therein, it acquired from the majority stockholders and founders, led by the Arango family and ProA Capital Iberian Buyout Fund II, F.C.R., a Spanish company, 100% of the common stock of the company known as Sigla, S.A., established under the laws of Spain and which, in conjunction with its subsidiaries is known as Grupo VIPS, and is engaged in the exploitation of multibrand restaurant establishments in Spain of the brands VIPS, VIPS Smart, Starbucks, GINOS, Fridays, and Wagamama, for the price of €471 million after debt (equivalent to MX $10,618,697) (hereinafter the acquisition price). Alsea consolidates the financial information of Grupo VIPS as of December 27, 2018, when the acquisition was formalized (see accounting effects in Note 18).

The business of Grupo VIPS comprises more than 400 establishments between corporate and franchises, including a total of six brands, which address the segments of Casual Meals, Fast-Casual, Family Restaurants and Cafeterias in Spain, Portugal and Andorra.

i. ***Development of the Starbucks brand in France*** - In December 2018, Alsea entered into a development contract with Starbucks Coffee Company to obtain the total license and acquire the operations of Starbucks corporate and stores in France.

This transaction resulted in Alsea acquiring 170 units (70 corporate and 100 franchises), and the rights to operate, sub-franchise and generate expansion opportunities for Starbucks stores in France. Alsea concluded the purchase process on January 27, 2019.

2. Basis of presentation

a. ***Explanation for translation into English***

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

b. ***Restatement of the consolidated financial statements 2018***

During December 2019, the period allowed by IFRS 3, Business Combinations, Alsea concluded the valuation of the acquisitions of Grupo VIPS mentioned in Note 1 to the consolidated financial statements. The final valuation resulted in changes to the preliminary accounting of such acquisitions; the changes are presented in Note 18. Following is a summary of the effects of the adjustments to the consolidated statements of financial position:

Concept	Figures previously reported	Valuation adjustment		Balance as of December 31, 2019 (As adjusted)
Current assets:				
Customers, net	$ 814,032	$ (231,897)	(1)	$ 582,135
Advance payments	404,969	7,707	(1)	412,676
Long – term assets:				
Guarantee deposits	678,260	185,252	(1)	863,512
Store equipment, leasehold improvements and property, net	19,167,225	(206,975)	(1)	18,960,250
Intangible assets, net	25,822,831	1,956,521	(1)	27,779,352
Deferred income taxes	2,764,884	102,687	(2)	2,867,571
	$ 49,652,201	$ 1,813,295		$ 51,465,496
Current liabilities:				
Current maturities of long – term debt	$ 2,588,266	$ (1,713)	(1)	$ 2,586,553
Suppliers	4,457,901	159,043	(1)	4,616,944
Long – term liabilities:				
Long – term debt, not including current maturities	16,038,416	1,788	(1)	16,040,204
Other liabilities	802,211	(44,158)	(1)	758,053
Deferred income taxes	2,073,713	1,698,335	(2)	3,772,048
	$ 25,960,507	$ 1,813,295		$ 27,773,802

Adjustments explanations:

(1) Related to the net effect of the valuation at fair value of the fixed assets, intangible assets, accrued expenses and employee benefits of Grupo VIPS (see Note 18).

(2) Related to the effect in income taxes due to the increase in the fair value of fixed assets and intangible assets by $1,698,335, and the effect of the assets deferred tax pending register by $102,687 (see Note 18).

3. Application of new and revised International Financial Reporting Standards

a. ***Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2020.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

These modifications have not implied changes for the Entity since it has no exposure to IBOR reference interest rates.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date in the consolidated statement of income under other operating expenses.

Impact on accounting for changes in lease payments applying the exemption

The Entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

The Entity has benefited from reductions in the rental payment amounts for leases. The waiver of lease payments of $1,596,496 has been accounted for as a negative variable lease payment in profit or loss. The Entity has derecognized the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

The Entity has negotiated with its lessors different discount percentages depending on the impact on the flow of customers suffered by each brand operated. The discount percentages are periodically reviewed and; in some cases, readjusted as a result of reductions in operating hours, limited capacity and/or restrictions on the opening of restaurants in shopping malls, mainly. The Entity continued to recognise interest expense on the lease liability.

Impact of the initial application of other new and amended IFRS Standards that are effective for the fiscal years and reporting periods beginning on or after January 1, 2020

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

During the current year, the Entity applied a series of amendments to the Standards and Interpretations of IFRS issued by the International Accounting Standards Board (IASB), which are effective for the annual period starting on or as of January 1, 2020. Their adoption did not have any material effects on the disclosures or amounts recorded in these consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The Entity has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards, which are amended, are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Entity has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

	The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
	Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.
	The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.
Amendments to IAS 1 and IAS 8 Definition of material	The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.
	The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.
	In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Annual Improvements to IFRS Standards 2018–2020

The *Annual Improvements* include amendments to four Standards.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date, the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

4. Significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

The entity's management has, at the time of approving the financial statements, a reasonable expectation that the Entity has the necessary resources to continue operating in the foreseeable future. Therefore, they continue to adopt the Going Concern accounting basis when preparing the financial statements.

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. ***Historical cost***

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. ***Fair value***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

iii. ***Re-expression of financial statements***

As of July 1, 2018, accumulated inflation of the last three years in Argentina exceeded levels of 100%, for which reason the Argentine peso was classified as a currency in a hyperinflationary economic environment. As a result, the financial statements of the subsidiaries in that country, whose functional currency is the Argentine peso, have been re-expressed to adopt the requirements of International Accounting Standard 29, *Financial Information in Hyperinflationary Economies*, (IAS 29) and have been consolidated in accordance with the requirements of IAS 21, *Effects of Variances in the Exchange Rates of the Foreign Currency*. The purpose of applying such requirements is to consider the changes in the general purchasing power of the Argentine peso and thus present the financial statements in the current measurement unit at the date of the statement of financial position. Argentina, for purposes of its financial reporting, updated its figures using the country's inflation rate based on official indexes. The financial statements before the re-expression were prepared using the historical costs method.

c. ***Basis of consolidation of financial statements***

The consolidated financial statements incorporate the financial statements of Alsea, S.A.B. de C.V. and entities controlled by the Entity. Control is obtained when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. ***Information by segment***

The operating segments are reported consistently with the internal reports prepared to provide information to the Audit Committee, which is responsible for assisting the Board of Directors, which is why it is considered the body that makes strategic decisions for the allocation of resources and the evaluation of the operating segments on the established platform of Corporate Governance.

e. ***Previous fiscal year reclassifications***

The financial statements for the year ended December 31, 2019 have been reclassified in certain items for the adequate presentation of lease liabilities and that the information can be presented in a comparative way with that used in 2020.

Concept	Figures previously reported 2019	Reclassifications	Reclassified balance 2019
Cash and cash equivalents	$ 2,625,389	$ (56,618)	$ 2,568,771
Customers, net	974,187	(209,285)	764,902
Other accounts receivable	473,034	209,285	682,319
Guarantee deposits	697,232	56,618	753,850
Current obligation under finance leases	8,763,668	(4,848,330)	3,915,338
Suppliers	4,561,509	(2,234,461)	2,327,048
Accounts payable to creditors	111,702	2,122,759	2,234,461
Accrued expenses and employee benefits	2,595,586	683,212	3,278,798
Income taxes	571,510	(571,510)	-
Obligation under finance leases	14,694,364	4,848,330	19,542,694

i) The balance of Current obligation under finance leases for short-term leases was reclassified to Obligation under finance leases because the review of the lease payments determined that the short-term liability was lower.

ii) The balance of Suppliers was reclassified to Accrued expenses and employee benefits to show only the balances of suppliers for the acquisition of products.

f. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets and financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognize immediately in profit or loss.

g. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

A financial asset is held for trading if:

- It has been obtained with the main objective of being sold in the short term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent pattern of obtaining profits in the short term; or
- It is a derivative (except for derivatives that are contractual financial guarantees or a designated and effective hedging instrument).

(ii) *Debt instruments classified as at FVTOCI*

The corporate bonds held by the Entity are classified as at FVTOCI. Fair value. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘finance income’ line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.

  In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘other gains and losses’;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the ‘other gains and losses’. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘other gains and losses’ line item; and
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);

(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 16, *Leases*.

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

h. ***Cash and cash equivalents***

They consist mainly of bank deposits in checking accounts and investments in short-term securities, liquid, easily convertible into cash or with a maturity of up to three months from the date of acquisition and subject to insignificant risks of changes in value.

Cash is presented at nominal value and equivalents are valued at fair value; fluctuations in its value are recognized in income for the period.

Cash equivalents are represented by investments in money desks and mutual funds and are recognized at fair value.

i. ***Inventories and cost of sales***

Inventories are valued at the lower of cost or net realizable value. Costs of inventories are determined using the average cost method.

The Entity reviews the book value of inventories, in the presence of any indication of impairment that would indicate that their book value may not be recoverable, estimating the net realizable value, the determination of which is based on the most reliable evidence available, at the time the estimate of the amount in which they are expected to be made is made. Net realizable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale. Cost of sales represents the cost of inventories at the time of sale, increased, when applicable, by reductions in the value of inventory during the year to its net realizable value. The Entity records the necessary estimations to recognize reductions in the value of its inventories due to impairment, obsolescence, slow movement and other causes that indicate that utilization or realization of the items comprising the inventories will be below the recorded value.

j. ***Store equipment, leasehold improvements and property***

Store equipment, leasehold improvements and property are recorded at acquisition cost.

Depreciation of store equipment, leasehold improvements and property is calculated by the straight-linemethod, based on the useful lives estimated by the Entity's management. Annual depreciation rates of the main groups of assets are as follows:

	Rates
Buildings	5
Store equipment	5 to 30
Leasehold improvements	7 to 20
Transportation equipment	25
Computer equipment	20 to 30
Production equipment	10 to 20
Office furniture and equipment	10

Any significant components of store equipment, leasehold improvements and property that must be replaced periodically are depreciated as separate components of the asset and to the extent they are not fully depreciated at the time of their replacement, are written off by the Entity and replaced by the new component, considering its respective useful life and depreciation.

Likewise, when major maintenance is performed, the cost is recognized as a replacement of a component provided that all recognition requirements are met. All other routine repair and maintenance costs are recorded as an expense in the period as they are incurred.

Buildings, furniture and equipment held under finance leases are depreciated based on their estimated useful life as own assets. However, when there is no reasonable certainty that the property is obtained at the end of the lease term, the assets are depreciated over the shorter of the lease life and life period.

k. ***Advance payments***

Advance payments include advances for purchase of inventories, leasehold improvements and services that are received in the twelve months subsequent to the date of the consolidated statements of financial position and are incurred in the course of regular operations.

l. ***Intangible assets***

1. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Brands owned by Alsea included under intangibles assets are the following:

Brand	Country	
Archie's	Colombia	Own brand
Foster's Hollywood	Spain	Own brand
Vips	Mexico	Own brand
El Portón	Mexico	Own brand
La Finca	Mexico	Own brand
Casa de comal	Mexico	Own brand
Corazón de barro	Mexico	Own brand
Vips	Spain	Own brand
Ginos	Spain	Own brand
Ole Mole	Spain	Own brand

2. Intangible assets acquired separately

Other intangible assets represent payments made to third parties for the rights to use the brands with which the Entity operates its establishments under the respective franchise or association agreements. Amortization is calculated by the straight-line method based on the use period of each brand, including renewals considered to be certain, which are generally for 10 to 20 years. The terms of brand rights are as follows:

			America		
Brands	**Mexico**	**Argentina**	**Chile**	**Colombia**	**Uruguay**
Domino's Pizza	2025	-	-	2026	-
Starbucks Coffee	2037	2027	2027	2033	2026
Burger King	Depending on opening dates			-	-
Chili's Grill & Bar	2023	-	2026	-	-
P.F. Chang's	2029 (2)	-	2021(2)	2021(2)	-
The Cheesecake Factory	Depending on opening dates	-	-	-	-
Italianni's	2031	-	-	-	-

		Europe					
Brands	**Spain**	**Luxembourg**	**Portugal**	**Andorra**	**France**	**Netherlands**	**Belgium**
Domino's Pizza	2029 (3)	-	-	-	-	-	-
Starbucks Coffee	2030	2030	2030		2034	2034	2034
Fridays	2030	-	2030	2030	-	-	-
Wagamama	2036	-	2036	2036	-	-	-
Burger King	Depending on opening dates	-	-	-	-	-	-

(1) The term for each store under this brand is 20 years as of the opening date, with the right to a 10-year extension.

(2) The term for each store under this brand is 10 years as of the opening date, with the right to a 10-year extension.

(3) Term of 10 years with the right to an extension, where Domino's Pizza Spain renewed its contract in 2019. Burger King Spain is valid for 20 years.

The Entity has affirmative and negative covenants under the aforementioned agreements, the most important of which are carrying out capital investments and opening establishments. As of December 31, 2020, derived from the Covid-19 pandemic, it was business to limit the investment of new stores until the recovery of sales as normal. At December 31, 2019 and 2018, the Entity has fully complied with those obligations.

Amortization of intangible assets is included in the depreciation and amortization accounts in the consolidated statements of income.

3. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

m. ***Impairment in the value of long-lived assets, equipment, leasehold improvements, properties, and other intangible assets***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The Entity performs impairment test annually to identify any indication.

As of December 31, 2020, 2019 and 2018, the Entity recorded an amount of $220,000, $32,469 and $3,647, respectively, for impairment of the values of its long-lived assets.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n. ***Business combinations***

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquire and the equity interests issued by the Entity in exchange for control of the acquire. Acquisition-related costs are generally recognized in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2, *Share-based Payments*, at the acquisition date;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

o. ***Goodwill***

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss.

An impairment loss recognized for goodwill is not reversed in subsequent periods.
At December 31, 2018, the Entity has identified impairment effects on its La Vaca Argentina and Il Tempietto brands for an amount of $3,270, and $377, respectively.

At December 31, 2019, the Entity has identified impairment effects on its El Portón brands for an amount of $32,469.

During 2020, the Entity has identified impairment effects on its El Portón, Stabucks Coffee, Burger King, Italiani´s y Vips brands for an amount of $220,000.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

p. ***Investment in shares of associated companies and joint venture***

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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

Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

q. ***Leasing***

- The Entity as lessor

  The Entity executes lease contracts for certain investment properties as the lessor. The Entity also rents the equipment needed by retailers for the presentation and development of their activities and the equipment manufactured by the Entity.

  The leases in which the Entity acts as lessor are classified as capital leases or operating leases.

  When contractual terms substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a capital lease. All other contracts are classified as operating contracts.

  When the Entity acts as an intermediary lessor, it accounts for the main lease and sublease as two separate contracts. The sublease is classified as a capital lease or operating lease with regard to the right-of-use asset derived from the main lease.

  Rental revenue derived from operating leases is recognized according to the straight-line method during the relevant lease period. The direct initial costs incurred for the negotiation and arrangement of the operating lease are added to the book value of the leased asset and are recognized in conformity with the straight-line method throughout the lease period.

  The outstanding amounts of finance leases are recognized as leases receivable for the amount of the net investment in the leases. Income from finance leases is allocated to accounting periods in such a way as to reflect a constant periodic rate of return on the net unpaid investment in respect of the leases.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to assign the respective payment to each contractual component.

- <u>The Entity as lessee as of January 1, 2019</u>

The Entity assesses whether a contract initially contains a lease.

The Entity recognizes a right-of-use asset and the respective lease liability for all the lease contracts in which impacts it acts as lessee, albeit with the exception of short-term leases (executed for periods of 12 months or less) and those involving low-value assets (like electronic tablets, personal computers and small items of office furniture and telephones). For these leases, the Entity records rental payments as an operating expense according to the straight-line method throughout the lease period, unless another method is more representative of the time pattern in which economic gains result from the consumption of the leased assets.

The lease liability is initially measured at the present value of the rental payments that are not settled at the starting date, discounted according to the implied contractual rate. If this rate cannot be easily determined, the Entity utilizes incremental rates.

The rental payments included in the lease liability measurement are composed by:

- Fixed rental payments (including substantially fixed payments), less any received lease incentive;
- Variable rental payments that depend on an index or rate, which are initially measured by utilizing the index or rate in effect at the starting date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The purchase option exercise price, if it is reasonably certain that the lessee will exercise these options; and
- Penalty payments resulting from the termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured based on the book value increase to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

The Entity revalues the lease liability (and makes the respective adjustments to the related right-of-use asset) as long as:

- The lease period is modified or an event or significant change takes place with regard to the circumstances of the lease, thereby resulting in a change to the assessment of the purchase option exercise, in which case, the lease liability is measured by discounting restated rental payments and utilizing a restated discount rate.
- Rental payments are modified as a result of changes to indexes or rates, or a change in the payment expected under a guaranteed residual value, in which case, the lease liability is revalued by discounting restated rental payments by using the same discount rate (unless the change in rental payments is due to a change of variable interest rate, in which case a restated discount rate is used).
- A lease contract is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is revalued according to the amended lease period by discounting restated rental payments using a discount rate restated at the date on which the amendment took effect.

The Entity did not make any of these adjustments in the presented periods.

Right-of-use assets are composed by the initial measurement of the respective lease liability, the rental payments made on or prior to the starting date, less any received lease incentive and any initial direct costs. The subsequent valuation is the cost less accumulated depreciation and impairment losses.

If the Entity assumes an obligation derived from the cost of dismantling and removing a leased asset, to restore the place where it is located or restore the underlying asset to the condition required by lease terms and conditions, a provision measured according to IAS 37 must be recognized. To the extent that costs are related to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventories.

Right-of-use assets are depreciated during the shorter of the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity plans to exercise the purchase option, the right-of-use asset is depreciated according to its useful life. Depreciation begins at the lease starting date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and to account for any identified impairment loss, as described in the ‘Property, plant and equipment’ policy.

Variable leases that do not depend on index or rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense of the period in which the event or condition leading to the payments arises and are included under the “Other expenses” heading in the consolidated statement of income.

As a practical expedient, IFRS 16 offers the option of not separating non-lease components and instead recording any lease and its associated non-lease components as a single agreement. The Entity has not utilized this practical expedient. For contracts containing lease components and one or more additional lease or non-lease components, the Entity assigns the contractual payment to each lease component according to the relative stand-alone selling price method for all non-lease components.

- <u>The Entity as lessee, until December 31, 2018</u>

Leases are classified as capital leases when the terms of the lease substantially transfer all the risks and rewards inherent to ownership to lessees. All other leases are classified as operating leases.

The assets maintained under capital leases are recognized as the Entity’s assets at fair value at the start of the lease or, if this value is lower, at the present value of the minimum lease payments. The respective liability of the lessor is included in the consolidated statement of changes in financial position as a capital lease liability.

Lease payments are distributed between financial expenses and the reduction of lease obligations in order to obtain a constant interest rate for the remaining liability balance. Financial expenses are charged directly to results.

Operating lease rental payments are charged to results by utilizing the straight-line method during the respective lease period.

The lessors of leased real property require guarantee deposits equal to between 1 and 2 monthly rentals. These deposits are classified as non-current.

r. ***Foreign currency transactions***

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Latin America and Europe), which comprise 50%, 53% and 45% of consolidated net income and 39%, 36% and 34% of the total consolidated assets at December 31, 2020, 2019 and 2018, respectively, companies apply the policies followed by the Entity.

The financial statements of consolidating foreign operations are converted to the reporting currency by initially identifying whether or not the functional and recording currency of foreign operations is different, and subsequently converting the functional currency to the reporting currency. The functional currency is equal to recording currency of foreign operations, but different to the reporting currency.

In order to convert the financial statements of subsidiaries resident abroad from the functional currency to the reporting currency at the reporting date, the following steps are carried out:

- Assets and liabilities, both monetary and non-monetary, are converted at the closing exchange rates in effect at the reporting date of each consolidated statements of financial position.

- Income, cost and expense items of the consolidated statements of income are converted at the average exchange rates for the period, unless those exchange rates will fluctuate significantly over the year, in which case operations are converted at the exchange rates prevailing at the date on which the related operations were carried out.

- Capital movements (contributions or reductions) are converted at the exchange rate on the date these movements were carried out.

- All conversion differences are recognized as a separate component under stockholders' equity and form part of other comprehensive income items.

s. ***Employee benefits***

<u>Retirement benefits costs from termination benefits</u>

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The defined benefit plan includes retirement. The other benefits correspond to the legal seniority premium in Mexico. Its cost is determined using the projected unit credit method, with actuarial valuations that are made at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Statutory employee profit sharing (PTU)

As result of the PTU is recorded in the results of the year in which it is incurred and is presented in other expenses and other income.

As result of the 2014 Income Tax Law, as of December 31, 2020, 2019 and 2018, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

t. ***Income taxes***

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

   Current income tax (ISR) is recognized in the results of the year in which is incurred.

2. Deferred income tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

   Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

   Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

   The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

   Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

u. ***Provisions***

Provisions are recorded when the Entity has a present obligation (be it legal or assumed) as a result of a past event, and it is probable that the Entity will have to settle the obligation and it is possible to prepare a reliable estimation of the total amount.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flow.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are classified as current or non-current based on the estimated period of time estimated for settling the related obligations.

1. Contingent liabilities acquired as part of a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date.

At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IFRS 15.

v. ***Financial liabilities and equity instruments***

1. Classification as debt or equity

Debt and / or equity instruments are classified as financial liabilities or as capital in accordance with the substance of the contractual agreement and the definitions of liabilities and capital.

2. Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

3. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.
The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

w. ***Derivative financial instruments***

Alsea uses derivative financial instruments (DFI) known as forwards or swaps, in order to a) mitigate present and future risks of adverse fluctuations in exchange and interest rates, b) avoid distracting resources from its operations and the expansion plan, and c) have certainty over its future cash flows, which also helps to maintain a cost of debt strategy.

DFI's used are only held for economic hedge purposes, through which the Entity agrees to the trade cash flows at future fixed dates, at the nominal or reference value, and they are valued at fair value.

Embedded derivatives: The Entity reviews all signed contracts to identify the existence of embedded derivatives. Identified embedded derivatives are subject to evaluation to determine whether or not they comply with the provisions of the applicable regulations; if so, they are separated from the host contract and are valued at fair value. If an embedded derivative is classified as trading instruments, changes in their fair value are recognized in income for the period.

Changes in the fair value of embedded derivatives designated for hedging recognize in based on the type of hedging: (1) when they relate to fair value hedges, fluctuations in the embedded derivative and in the hedged item they are valued at fair value and are recorded in income; (2) when they relate to cash flows hedges, the effective portion of the embedded derivative is temporarily recorded under other comprehensive income, and it is recycled to income when the hedged item affects results. The ineffective portion is immediately recorded in income.

Strategy for contracting DFI's: Every month, the Corporate Finance Director's office must define the price levels at which the Corporate Treasury must operate the different hedging instruments. Under no circumstances should amounts above the monthly resource requirements be operated, thus ensuring that operations are always carried out for hedging and not for speculation purposes. Given the variety of derivative instruments available to hedge risks, Management is empowered to define the operations for which such instruments are to be contracted, provided they are held for hedging and not for speculative purposes.

Processes and authorization levels: The Deputy Director of Corporate Treasury must quantify and report to the Director of Administration and Finance the monthly requirements of operating resources. The Director of Administration and Finance may operate at his discretion up to 50% of the needs for the resources being hedged, and the Administration and Financial Management may cover up to 75% of the exposure risk. Under no circumstances may amounts above the limits authorized by the Entity's General Management be operated, in order to ensure that operations are always for hedging and not for speculation purposes. The foregoing is applicable to interest rates with respect to the amount of debt contracted at variable rates and the exchange rate with respect to currency requirements. If it becomes necessary to sell positions for the purpose of making a profit and/or incurring a "stop loss", the Administration and Finance Director must first authorize the operation.

Internal control processes: With the assistance of the Deputy Director of Corporate Treasury, the Director of Administration and Finance must issue a report the following working day, specifying the Entity's resource requirements for the period and the percentage covered by the Administration and Financial Manager. Every month, the Corporate Treasury Manager will provide the Accounting department with the necessary documentation to properly record such operations.

The Administration and Finance Director will submit to the Corporate Practices Committee a quarterly report on the balance of positions taken.

The actions to be taken in the event that the identified risks associated with exchange rate and interest rate fluctuations materialize, are to be carried out by the Internal Risk Management and Investment Committee, of which the Alsea General Director and the main Entity's directors form part.

Main terms and conditions of the agreements: Operations with DFI's are carried out under a master agreement on an ISDA (International Swap Dealers Association) form, which must be standardized and duly formalized by the legal representatives of the Entity and the financial institutions.

Margins, collateral and credit line policies: In certain cases, the Entity and the financial institutions have signed an agreement enclosed to the ISDA master agreement, which stipulates conditions that require them to offer guarantees for margin calls in the event that the mark-to-market value exceeds certain established credit limits.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid as much as possible margin calls and diversify its counterparty risks.

Identified risks are those related to variations in exchange rate and interest rate. Derivative instruments are contracted under the Entity's policies and no risks are expected to occur that differ from the purpose for which those instruments are contracted.

Markets and counterparties: Derivative financial instruments are contracted in the local market under the over the counter (OTC) mode. Following are the financial entities that are eligible to close operations in relation to the Entity's risk management: BBVA Bancomer S.A., Banco Santander, S. A., Barclays Bank México S. A., UBS AG Actinver Casa De Bolsa, Banorte-Ixe, BTG Pactual, Citi, Credit Suisse, Grupo Bursátil Mexicano GBM Casa De Bolsa, HSBC Global Research, Interacciones Casa de Bolsa, Intercam Casa de Bolsa, Invex, Itau BBA, Monex Casa de Bolsa, UBS Investment Research, Grupo Financiero BX+, and Vector Casa de Bolsa.

The Corporate Financial Director is empowered to select other participants, provided that they are regulated institutions authorized to carry out this type of operations, and that they can offer the guarantees required by the Entity.

Hedge accounting: DFI's are initially recorded at their fair value, which is represented by the transaction cost. After initial recognition, DFI's are valued at each reporting period at their fair value and changes in such value are recognized in the consolidated statements of income, except if those derivative instruments have been formally designated as and they meet the requirements to be considered hedge instruments associated to a hedge relation.

Polices for designating calculation and valuation agents: The fair value of DFIs is reviewed monthly. The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, who is asked to issue the respective reports at the month-end closing dates specified by the Entity.

Likewise, as established in the master agreements (ISDA) that cover derivative financial operations, the respective calculations and valuations are presented in the quarterly report. The designated calculation agents are the corresponding counterparties. Nevertheless, the Entity validates all calculations and valuations received by each counterparty.

x. ***Revenue recognition***

The Entity recognizes income from the following sources:

Sale of goods
Provision of services
Royalties

Sale of goods

Beverages and food sold by Alsea are transferred to the customer at the time they are delivered and/or consumed by them. Mostly sales of goods, the payment method is cash and is recorded at the time they are delivered to the customer.

Provision of services

The income is recognized according to the percentage of termination. Every month the Entity receives from the clients a fixed agreed payment and the recording is made when the services have been accrued and generally accepted in time.

Royalties

Revenue from royalties is based on a fixed percentage on sales of subfranchises. Alsea has two revenues from the sale of the subfranchises. At the beginning of the contract, the subfranchisee pays an amount depending on the franchise, which is recorded as income in the period of the duration of the contract.

5. Critical accounting judgments and key sources for estimating uncertainties

In the application of the Entity's accounting policies, which are described in Note 3, the Entity's management is required to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimations and assumptions are reviewed on a regular basis. Changes to the accounting estimations are recognized in the period in which changes are made, or in future periods if the changes affect the current period and other subsequent periods.

a. ***Critical judgments for applying the accounting policies***

There are critical judgments, apart from those involving estimations, that the Entity's management has made in the process of applying the Entity´s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Control over Food Service Project, S.L. (Zena Group) and sale option of the non-controlling interest

Note 22 mentions that Grupo Zena is a subsidiary of Alsea, over which it owns 66.24%. Based on the contractual agreements between the Entity and other investors, Alsea has the power to appoint and dismiss the majority of the members of the board of directors, executive committee and management positions of Grupo Zena, which have the power to direct the activities of the Zena Group. Therefore, the Entity's management concluded that Alsea has the ability to direct the relevant activities of Grupo Zena and therefore has control over that entity.

Similarly, Grupo Zena has the right to sell Alsea its uncontrolled participation (21.06% put option). The sale option may be exercised no later than June 20, according to the addendum to the shareholders' agreement dated June 20, 2019 and the remaining 12.70%, the put option may be exercised during the 7-year period as of the acquisition date.

Alsea's management has calculated the financial liability derived from the contractual requirements in effect at the purchase option date, as well as the current value of the financial liability according to the requirements of IAS 32. Details of this liability can be consulted in Note 22.

b. ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Impairment of long-lived assets

The Entity annually evaluates whether or not there is indication of impairment in long-lived assets and calculates the recoverable amount when indicators are present. Impairment occurs when the net carrying value of a long-lived asset exceeds its recoverable amount, which is the higher of the fair value of the asset less costs to sell and the value in-use of the asset. Calculation of the value in-use is based on the discounted cash flow model, using the Entity's projections of its operating results for the near future.

The recoverable amount of long-lived assets is subject to uncertainties inherent to the preparation of projections and the discount rate used for the calculation.

2. Right-of-use asset

The main aspects considered by the Entity for the implementation of IFRS 16 are: a) assess, at the start of the contract, whether the right to control the use of an identified asset for a given period of time is obtained; b) a change in the nature of lease-related expenses by replacing the operating lease expense determined according to IFRS 16 with the depreciation or amortization of right-of-use assets (in operating costs) and an interest expense for lease liabilities in interest expenses; and c) the determination of lease payments because the Entity has variable rental contracts.

The recoverable amount of right-of-use assets is sensitive to the uncertainty inherent to the preparation of projections and the discount rate utilized in the calculation.

3. Discount rate to determine lease payments

IFRS 16 requires the tenant to discount the lease liability using the interest rate implied in the lease if that rate can be easily determined. If the interest rate implied in the lease cannot be easily determined, then the tenant must use its incremental indebtedness rate. The renter's incremental loan rate is the interest rate that the tenant would have to pay to borrow for a similar term, with similar security and the funds needed to obtain an asset of a value similar to the right-to-use asset in a similar economic environment.

There are three steps to determining the incremental loan rate: (i) determining a benchmark rate, (ii) determining the credit risk adjustment, and, (iii) determining the specific adjustment of the lease.

4. Income tax valuation

The Entity recognizes net future tax benefits associated with deferred income tax assets based on the probability that future taxable income will be generated against which the deferred income tax assets can be utilized. Evaluating the recoverability of deferred income tax assets requires the Entity to prepare significant estimates related to the possibility of generating future taxable income.

Future taxable income estimates are based on projected cash flows from the Entity's operations and the application of the existing tax laws in Mexico, LATAM and Spain.

The Entity's capacity to realize the net deferred tax assets recorded at any reporting date could be negatively affected to the extent that future cash flows and taxable income differ significantly from the Entity's estimates. Additionally, future changes in Mexico's tax laws could limit the capacity to obtain tax deductions in future periods.

5. Fair value measurements and valuation processes

Some of the Entity's assets and liabilities are measured at fair value for financial reporting purposes. The Entity's Board of Directors has set up a valuation committee, which is headed up by the Entity's Financial Director, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or liability, the Entity uses market-observable data to the extent it is available. When level 1 inputs are not available, the Entity engages third party qualified appraisers to perform the valuation.

The valuation committee works closely with the qualified external appraiser to establish the appropriate valuation techniques and inputs to the model. Every three months, the Financial Director reports the findings of the valuation committee to the Entity's board of directors to explain the causes of fluctuations in the fair value of assets and liabilities. Information about the valuation techniques and inputs used in the determining the fair value of various assets and liabilities are disclosed Note 25 i.

6. Contingencies

Given their nature, contingencies are only resolved when one or more future events occur or cease to occur. The evaluation of contingencies inherently includes the use of significant judgment and estimations of the outcomes of future events.

6. Non-monetary transactions

The Entity carried out the following activities, which did not generate or utilize cash, for which reason, they are not shown in the consolidated statements of cash flows:

As discussed in Note 22, Grupo Zena has the option of selling the noncontrolling interest of Alsea. On October 30, 2018, Alsea and the investors of Grupo Zena signed a new agreement for purchase and sale options, termination of the stockholders’ agreement and a commitment to enter into a new stockholders’ agreement, which was ratified on December 27, 2018, stipulating the termination of the original stockholders’ agreement and the formalization of this new agreement, whereby Grupo Zena has the right to sell to Alsea its noncontrolling interest in other investors for 21.06% of the equity of Grupo Zena, the net amount between termination of the original agreement and recognition of the new right was recorded net in the consolidated statement of changes in stockholders’ equity under Reserve for purchase of noncontrolling interest, in the amount of $659,252 at December 31, 2018.

7. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the cash and cash equivalents caption includes cash, banks and investments in money market instruments. The cash and cash equivalents balance included in the consolidated statements of financial position and the consolidated statements of cash flows at December 31, 2020, 2019 and 2018 is comprised as follows:

	2020	2019	2018 (restated)
Cash	$ 2,614,467	$ 1,864,521	$ 1,769,871
Investments with original maturities of under three months	1,317,942	704,250	217,986
Total cash and cash equivalents	$ 3,932,409	$ 2,568,771	$ 1,987,857

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

8. Customers, net

The accounts receivable from customers disclosed in the consolidated statements of financial position are classified as loans and accounts receivable and therefore they are valued at their amortized cost.

At December 31, 2020, 2019 and 2018, the customer balance is comprised as follows:

	2020	2019	2018 (restated)
Franchises	$ 917,477	$ 746,115	$ 523,049
Credit card and daily sale	52,505	75,862	97,256
Other (1)	18,525	36,105	59,085
	988,507	858,082	679,390
Expected credit losses	(98,023)	(93,180)	(97,255)
	$ 890,484	$ 764,902	$ 582,135

(1) In others there are concepts such as third parties, officials and employees and vouchers to be redeemed.

Accounts receivable

The average credit term for the sale of food, beverages, containers, packaging, royalties and other items to owners of sub-franchises is from 8-30 days. Starting from the day next dates of the contractual maturity are generated interests on the defeated balance at moment of settlement. The rate comprises the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points and is multiplied by 2.

The reserve is then composed of the part of the general and significant customers, which follows a procedure of credit losses expected according to the provisions of the standard. Additionally, it incorporates a criterion to be followed, either quantitative or qualitative, to consider a significant increase in the credit risk of the account receivable and follow up to prepare the estimate of its reserves on a quarterly basis.

Before accepting any new client, the Entity uses an external credit rating system to evaluate the credit quality of the potential client and defines the credit limits per client. As mentioned in Note 4g, for the determination of the estimation of doubtful accounts, the Entity performs an analysis of balances seniority per client and is assigned based on the experience an estimation percentage.

This first analysis gives an indication of deterioration; subsequently, an analysis of the financial situation of all the included clients is carried out to determine which are the accounts that present an impairment according to the expected credit loss model and on these the corresponding estimate is recorded.

Following is the aging of past due but unimpaired accounts receivable:

	2020	2019	2018 (restated)
15-60 days	$ 59,245	$ 125,380	$ 95,469
60-90 days	47,268	32,360	24,213
More than 90 days	171,351	71,312	123,622
Total	$ 277,864	$ 229,052	$ 243,304
Current balance	745,203	629,030	436,086
Total account receivable	$ 988,507	$ 858,082	$ 679,390

The concentration of credit risk is limited because the balance is composed of franchisees, which are supported or controlled by a service contract and / or master franchise; likewise consists of balances with from financial institutions cards, which are recovered within from 15 days.

9. Inventories, net

At December 31, 2020, 2019 and 2018, inventories are as follows:

	2020	2019	2018 (restated)
Food and beverages	$ 1,599,260	$ 1,747,219	$ 2,095,626
Containers and packaging	21,479	33,445	25,883
Other (1)	2	3,430	6,676
Obsolescence allowance	(3,171)	(4,448)	(7,977)
Total	$ 1,617,570	$ 1,779,646	$ 2,120,208

(1) In others are concepts such as toys, uniforms, cleaning utensils, kitchen appliances and souvenirs.

Derived from the COVID-19 pandemic, the entity had to take the following actions to avoid an increase in inventory obsolescence or the destruction of perishable foods:

a) Sales of slow moving products were made to employees
b) Analysis of slow-moving products was carried out on a weekly basis with the administration of each brand for decision-making
c) Donations of slow-moving and / or near-expiring products were made
d) The safety stock was reduced with the intention of not increasing the days of inventory, always monitoring the sale of the brands.

10. Advance payments

Advance payments were made for the acquisition of:

	2020	2019	2018 (restated)
Insurance and other services	$ 138,983	$ 39,760	$ 124,116
Inventories	160,271	224,497	255,531
Lease of locales	28,780	25,628	33,029
Total	$ 328,034	$ 289,885	$ 412,676

11. Entity as lessee

Entity leases premises for its stores, office, including an industrial warehouse, furniture and equipment. The average lease term is between 6 and 7 years for 2020 an 2019.

Right of use assets	Amount
Cost:	
Balance at January 1, 2019	$ 18,493,689
Additions	6,709,656
Balance as of December 31, 2019	25,203,345
Additions and renovations	6,535,160
Balance as of December 31, 2020	$ 31,738,505
Depreciation:	
Balance at January 1, 2019	$ -
Charge for depreciation for the year	(4,010,688)
Balance as of December 31, 2019	(4,010,688)
Charge for depreciation for the year	(4,304,542)
Balance as of December 31, 2020	$ (8,315,230)
Net cost:	
Balance as of December 31, 2019	$ 21,192,657
Balance as of December 31, 2020	$ 23,423,275

Amounts recognized in the consolidated statement income	2020	2019
Depreciation expense of the asset for use rights	$ 4,304,542	$ 4,010,688
Finance expense caused by lease liabilities	1,034,284	1,081,791
Expense related to short-term leases	199,669	216,883
Expense related to leasing of low-value assets	36,847	42,045
Expense related to variable lease payments, not included in the measurement of lease liabilities	316,173	101,069
Benefits obtained from negotiations related to COVID-19	(1,596,496)	-

Some of the leases of properties in which the Entity participates as lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The composition of the lease payments by the stores is detailed in the following table.

	2020	2019
Fixed payments	$ 5,344,326	$ 4,949,390
Variable payments	316,173	101,069
Total lease payments	$ 5,660,499	$ 5,050,459

In general, variable payments constitute 6% and 2% at December 31, 2020 and 2019, respectively, of the Entity's total lease payments. The Entity expects this proportion to remain constant in future years. Variable payments depend on sales and, consequently, on economic development during the following years.

Considering into consideration the development of expected sales over the next 10 years, it is expected that the expense for variable leases will continue to present a similar proportion of store sales in the following years. The total cash outflows for leases amount to $5,660,499 and $5,050,459 for 2020 and 2019, respectively.

Due to the COVID-19 pandemic generated as of March 2020, the entity made different agreements with the tenants of the premises to achieve a decrease in the payment of rent or a grace period in those stores that had to be closed obligatorily by indications of the local authorities. In May 2020, the IASB issued an amendment to IFRS 16 called "Lease Concessions Related to Covid-19", exempting lessees from having to consider leases individually to determine whether the lease concessions to be produced as a direct consequence of the Covid-19 pandemic are modifications to those contracts, and it allows tenants to account for such concessions as if they were not modifications to the lease contracts.

12. Obligation under finance leases

		2020
Maturity analysis:		
Year 1	$	5,092,312
Year 2		4,640,483
Year 3		4,158,803
Year 4		3,320,533
Year 5		2,698,233
Later		8,768,258
		28,678,622
Less: Unearned interest		(3,378,572)
	$	25,300,050
Analyzed:		
Long term		21,092,417
Short term		4,207,633
	$	25,300,050

		2019
Maturity analysis:		
Year 1	$	4,574,273
Year 2		3,950,863
Year 3		3,308,716
Year 4		2,846,815
Year 5		2,316,689
Later		9,657,198
		26,654,554
Less: Unearned interest		(3,196,522)
	$	23,458,032
Analyzed:		
Long term	$	19,542,694
Short term		3,915,338
	$	23,458,032

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

13. Store equipment, leasehold improvements and property, net

Store equipment, leasehold improvements and properties are as follows:

Cost	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Balance as of January 1, 2019	$ 947,088	$ 10,209,510	$ 16,333,671	$ 282,859	$ 269,900	$ 1,270,902	$ 987,519	$ 427,312	$ 2,436,776	$ 33,165,537
Acquisitions	-	1,020,646	1,236,703	-	51,915	251,680	68,587	273,727	184,011	3,087,269
Business acquisitions	-	69,215	388,528	-	-	-	-	5,842	13,774	477,359
Reclassified of equipment under financial leasing contracts	-	-	(309,463)	(282,859)	-	-	-	-	-	(592,322)
Disposals	(29,085)	(419,724)	(611,966)	-	(28,726)	(87,089)	(65,798)	(41,787)	(402,224)	(1,686,399)
Restatement	-	335,129	504,801	-	1,649	21,441	-	7,290	70,327	940,637
Adjustment for currency conversion	(10,721)	(738,536)	(1,471,548)	-	(14,395)	(84,549)	-	(108,373)	(130,896)	(2,559,018)
Balance as of December 31, 2019	907,282	10,476,240	16,070,726	-	280,343	1,372,385	990,308	564,011	2,171,768	32,833,063
Acquisitions	54,590	668,875	844,503	-	25,946	99,727	24,733	59,868	-	1,778,242
Disposals	(60,829)	(355,725)	(827,659)	-	(27,153)	(27,858)	(931)	(55,533)	(188,632)	(1,544,320)
Restatement	-	233,034	349,978	-	1,078	15,286	-	4,980	39,398	643,754
Adjustment for currency conversion	77,554	552,760	2,002,050	-	22,026	84,588	-	262,902	4,868	3,006,749
Balance as of December 31, 2020	$ 978,597	$ 11,575,184	$ 18,439,598	$ -	$ 302,240	$ 1,544,128	$ 1,014,110	$ 836,228	$ 2,027,402	$ 36,717,488

Depreciation	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Balance as of January 1, 2019	$ 113,919	$ 5,133,697	$ 7,239,212	$ 45,830	$ 133,639	$ 874,273	$ 557,725	$ 106,992	$ -	$ 14,205,287
Charge for depreciation for the year	6,240	1,150,947	2,204,789	-	49,800	202,407	41,546	134,828	-	3,790,557
Reclassified of equipment under financial leasing contracts	-	-	-	(45,830)	-	-	-	-	-	(45,830)
Disposals	(2,096)	(377,119)	(592,571)	-	(25,769)	(83,145)	(65,781)	(67,698)	-	(1,214,179)
Restatement	-	131,018	236,050	-	1,450	10,420	-	2,528	-	381,466
Adjustment for currency conversion	(1,396)	(306,697)	(554,998)	-	(7,002)	(56,767)	-	(50,179)	-	(977,039)
Balance as of December 31, 2019	116,667	5,731,846	8,532,482	-	152,118	947,188	533,490	126,471	-	16,140,262
Charge for depreciation for the year	56,317	1,054,166	2,164,640	-	44,804	184,627	39,224	178,558	-	3,722,336
Disposals	(2,238)	(293,138)	(603,537)	-	(20,477)	(26,471)	(917)	(39,286)	-	(986,064)
Restatement	-	163,195	289,240	-	1,147	13,590	-	3,903	-	471,075
Adjustment for currency conversion	46,258	413,768	802,607	-	10,028	63,571	-	153,867	-	1,490,100
Balance as of December 31, 2020	$ 217,004	$ 7,069,837	$ 11,185,432	$ -	$ 187,620	$ 1,182,505	$ 571,797	$ 423,513	$ -	$ 20,837,710

Net cost	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Balance as of January 1, 2019	$ 833,169	$ 5,075,813	$ 9,094,459	$ 237,029	$ 136,261	$ 396,629	$ 429,794	$ 320,320	$ 2,436,776	$ 18,960,250
Balance as of December 31, 2019	$ 790,615	$ 4,744,394	$ 7,538,244	$ -	$ 128,225	$ 425,197	$ 456,818	$ 437,540	$ 2,171,768	$ 16,692,801
Balance as of December 31, 2020	$ 761,593	$ 4,505,347	$ 7,254,166	$ -	$ 114,620	$ 361,623	$ 442,313	$ 412,715	$ 2,027,402	$ 15,879,778

14. Intangible assets, net

Intangible assets are comprised as follows:

Cost	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Balance as of January 1, 2019	$ 15,515,745	$ 525,592	$ 1,443,581	$ 1,534,295	$ 12,553,038	$ 31,572,251
Acquisitions	85,407	15,396	139,001	185,769	-	425,573
Business acquisition	608,076	-	308,701	-	19,823	936,600
Adjustment for currency conversion	(1,154,231)	(8,391)	43,580	(72,271)	-	(1,191,313)
Disposals	(152,513)	(10,068)	(446,916)	(2,302)	-	(611,799)
Restatement	99,570	40	-	-	-	99,610
Balance as of December 31, 2019	15,002,054	522,569	1,487,947	1,645,491	12,572,861	31,230,922
Acquisitions	33,881	110	160,076	209,849	-	403,916
Adjustment for currency conversion	553,775	149,145	227,883	126,510	477,505	1,534,818
Disposals	(93,080)	(3,689)	(25,128)	(3,787)	-	(125,684)
Restatement	58,734	1,711	8,228	3,343	-	72,016
Balance as of December 31, 2020	$ 15,555,364	$ 669,846	$ 1,859,006	$ 1,981,406	$ 13,050,366	$ 33,115,988

Amortization	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Balance as of January 1, 2019	$ 1,483,851	$ 489,078	$ 597,291	$ 1,205,726	$ 16,953	$ 3,792,899
Amortization	182,621	286	154,466	175,184	-	512,557
Business acquisition	(143,522)	(4,656)	(23,083)	(10,340)	-	(181,601)
Adjustment for currency conversion	(178,218)	(46,736)	(9,676)	(52,186)	-	(286,816)
Disposals	24,180	211	(5,717)	-	-	18,674
Balance as of December 31, 2019	1,368,912	438,183	713,281	1,318,384	16,953	3,855,713
Amortization	143,572	91,748	72,698	100,294	-	408,312
Adjustment for currency conversion	57,383	39,046	1,011	118,490	-	215,930
Disposals	(98,206)	(3,649)	(18,548)	(18,660)	-	(139,063)
Restatement	(31,819)	(1,681)	(4,603)	(3,489)	-	(41,592)
Balance as of December 31, 2010	$ 1,439,842	$ 563,647	$ 763,838	$ 1,515,019	$ 16,953	$ 4,299,301
Net cost						
Balance as of January 1, 2019	$ 14,031,894	$ 36,514	$ 846,290	$ 328,569	$ 12,536,085	$ 27,779,352
Balance as of December 31, 2019	$ 13,633,142	$ 84,386	$ 774,666	$ 327,107	$ 12,555,908	$ 27,375,209
Balance as of December 31, 2020	$ 14,115,522	$ 106,199	$ 1,095,167	$ 466,387	$ 13,033,413	$ 28,816,687

As of December 31, 2020, derived from the COVID-19 pandemic, the entity recorded a loss in its brands El Portón, Stabucks Coffe, Burger King, Italiani's and Vips, for an amount of $220,000, affecting $58,163 to fixed assets and $161,837 to intangible assets.

15. Operating lease agreements

a. ***Operating leases, until December 31, 2018***

The real estate housing the majority of the stores of Alsea are leased from third parties. In general terms, lease agreements signed for the operations of the Entity's establishments are for a term of between five and ten years, with fixed rates set in pesos. Lease payments are generally revised annually and they increase on the basis of inflation. Alsea considers that it depends on no specific lessor and there are no restrictions for the entity as a result of having signed such agreements. Some of the Entity's subsidiaries have signed operating leases for company vehicles and computer equipment. In the event of breach of any of the lease agreements, the Entity is required to settle in advance all its obligations, including payments and penalties for early termination, and it must immediately return all vehicles to a location specified by the lessor.

The amounts of the lease payments derived from the operating leases related to the premises where the stores of the different Alsea brands are located are presented below. Rental expense derived from operating lease agreements related to the real estate housing the stores of the different Alsea brands are as follows:

	2018
Minimum lease payments	$ 3,944,744

b. ***Commitments non-cancellable operating leases***

	2018
Less than a year	$ 4,598,153
Between one and five years	24,731,869

c. ***Financial lease liabilities***

From 2014, the Entity has entered into leases that qualify as finance in the Vips brand, which are recorded at present value of minimum lease payments or the market value of the property, whichever is less, and are amortized over the period of the lease renewals considering them. As of 2019, the lease liability on leases previously classified as finance leases under IAS 18 and previously presented under “Obligations under finance leases” is now presented under “Lease liability”. There were no changes in the recognized liability. Future minimum lease payments and the present value of the minimum lease payments are summarized below:

	Minimum payments of leases 2018
Less than a year	$ 32,398
Between one and five years	113,295
More than five years	456,633
	602,326
Less future finance charges	(311,152)
Minimum lease payments	$ 291,174

		Present value of minimum payments of leases 2018
Less than a year	$	6,799
Between one and five years		23,898
More than five years		260,477
Present value of minimum lease payments	$	291,174
Included in the consolidated financial statements as:		
Short-term financial liability	$	6,799
Long-term financial liability		284,375
	$	291,174

16. Investment in subsidiaries

The Entity's shareholding in the capital stock of its main subsidiaries is as follows:

Name of subsidiary	Principal activity	2020	2019	2018
Panadería y Alimentos para Food Service, S.A. de C.V.	Distribution of Alsea brand foods	100.00%	100.00%	100.00%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Mexico	100.00%	100.00%	100.00%
Operadora de Franquicias Alsea, S.A. de C.V. (1)	Operator of the Burger King brand in Mexico	80.00%	80.00%	80.00%
Operadora y Procesadora de Productos de Panificación, S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	100.00%	100.00%	100.00%
Gastrosur, S.A. de C.V.	Operator of the Chili's Grill & Bar brand in Mexico	100.00%	100.00%	100.00%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	100.00%	100.00%	100.00%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	100.00%	100.00%	100.00%
Starbucks Coffee Argentina, S.R.L.	Operator of the Starbucks brand in Argentina	100.00%	100.00%	100.00%
Servicios Múltiples Empresariales ACD, S.A. de C.V. (before SOFOM E.N.R.)	Operator of Factoring and Financial Leasing in Mexico	100.00%	100.00%	100.00%
Asian Bistro Colombia, S.A.S.	Operator of the P.F. Chang's brand in Colombia	100.00%	100.00%	100.00%
Asian Bistro Argentina, S.R.L. (2)	Operator of the P.F. Chang's brand in Argentina	-	-	100.00%
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.03%	95.03%	95.03%
Asian Food, Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%	100.00%

Name of subsidiary	Principal activity	2020	2019	2018
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	100.00%	100.00%	100.00%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's brand in Mexico	100.00%	100.00%	100.00%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	100.00%	100.00%	100.00%
Italcafé, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Starbucks Coffee Chile, S.A.	Operator of the Starbucks brand in Chile	100.00%	100.00%	100.00%
Estrella Andina, S.A.S.	Operator of the Starbucks brand in Colombia	70.00%	70.00%	70.00%
Operadora Vips, S. de R.L. de C.V.	Operator of Vips brand	100.00%	100.00%	100.00%
OPQR, S.A. de C.V.	Operator Brand Cheesecake Factory in Mexico	100.00%	100.00%	100.00%
Food Service Project, S.L. (Grupo Zena)	Operator of Spain	66.24%	66.24%	66.24%
Gastrococina Sur, S.P.A.	Operator of Chili’s Grill & Bar in Chile	100.00%	100.00%	100.00%
Gastronomía Italiana en Colombia, S.A.S.	Operator of Archie´s brand in Colombia	97.60%	97.60%	97.60%
Sigla, S.A. (Grupo VIPS) (see Note 2)	Operator of the VIPS, VIPS Smart, Starbucks, GINOS, Fridays and Wagamama brands in Spain	100.00%	100.00%	100.00%
Café Sirena Uruguay, S.A.	Operator of Starbucks brand in Uruguay	100.00%	100.00%	100.00%
Operadora GB Sur, S.A. de C.V.	Operator of the Burger King and Domino’s Pizza brand in Mexico	70.90%	70.90%	70.90%

(1) Control over Operadora de Franquicias Alsea, S.A. de C.V. (OFA) - Based on the contractual agreements signed by the Entity and other investors, the Entity is empowered to appoint and remove most of the members of the board of directors of OFA, which has the power to control the relevant operations of OFA. Therefore, the Entity's management concluded that the Entity has the capacity to unilaterally control the relevant activities of OFA and therefore it has control over OFA.

Certain significant decisions, including the following are subject to the unanimous consent of the two stockholders: 1) the approval or modification of the budget of the year, and 2) changes to the development schedule, which do not modify the Entity’s control over the subsidiary.

17. Investment in shares of associated companies

At December 31, 2020, 2019 and 2018, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%) 2020	2019	2018	Main operations	Interest in associated company 2020	2019	2018
Operadora de Restaurantes AYB Polanco, S.A. de C.V. (1)	30.00%	30.00%	-	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ 12,691	$ 14,932	$ 14,296
Other investments					77,419	70,539	-
Total					$ 90,110	$ 85,471	$ 14,296

	(%) 2020	2019	2018	Main operations	Equity in results 2020	2019	2018
Operadora de Restaurantes AYB Polanco, S.A. de C.V (1)	30.00%	30.00%	-	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ (1,550)	$ 636	$ -
Other investments					(1,097)	(1,578)	-
Total					$ (2,647)	$ (942)	$ -

(1) On September 12, 2018, AFP Asesores de Franquicias, S.A. of C.V. (subsidiary of Alsea) signed an investment contract for $14,296 that represents 30% of the shareholding of Restaurant Operator AYB Polanco, S.A. de C.V.

Operadora de Restaurantes AYB Polanco, S.A. de C.V.

Total assets, liabilities, equity and profit and losses of the associated entity are as follows:

	2020	2019	2018
Current assets	$ 15,410	$ 14,263	$ -
Non-current assets	$ 38,160	$ 40,924	$ -
Current liabilities	$ 11,268	$ 5,413	$ -

	2020	2019	2018
Income	$ 19,379	$ 46,224	$ -
Net profit for the period	$ (5,166)	$ 2,120	$ -

18. Business combination

Subsidiaries acquired

Entity name	Main activity	Acquisition date	Proportion of shares acquired (%)	Consideration transferred
Clover	Operator of the Starbucks brand in France, Holland, Belgium and Luxembourg	February 25, 2019	100%	$ 1,109,933
Sigla, S.A.	Operator of the VIPS, VIPS Smart, Starbucks, GINOS, Fridays and Wagamama brands in Spain	December 27, 2018	100%	$ 10,618,697

The following transactions classify as a business combination and have been recognized by utilizing the purchase method as of the acquisition date based on the following steps:

i. Recognize and value the assets, liabilities and non-controlling interest.
ii. In a business combination performed by stages, the buyer revalues its equity in the acquired entity prior to the acquisition date at face value to recognize the resulting profit or loss, as the case may be in results.
iii. Identify intangible assets and determine goodwill.

Acquisition of Clover

During the months of January and February 2019, the acquisition process was concluded with Starbucks Coffee Company to obtain the full license and acquire the store operations of the Starbucks companies in France, the Netherlands, Belgium and Luxembourg and which together with its subsidiaries they are called Clover.

The consideration paid for the acquisition was €50 million after debt payable in cash (equivalent to MX $1,109,933).
The acquisition does not contemplate any contingent consideration.

The following is an analysis of the preliminary allocation of the cost of acquisition over the values of the net assets acquired and that are in the measurement stage according to IFRS 3. Since it is in the measurement period, the preliminary amounts below are subject to change:

Concept		Fair value
Current assets		
Cash and cash equivalents	$	188,675
Customers, net		199,078
Inventories, net		15,648
Advance payments		110,237
Long-term assets:		
Store equipment, leasehold improvements and property, net		477,359
Intangible assets, net		936,600
Guarantee deposits		55,927
Deferred income taxes		21,287

Concept	Fair value
Current liabilities:	
Suppliers and other accounts payable	(590,044)
Long-term liabilities:	
Deferred income taxes	(183,845)
Other liabilities	(140,812)
Fair value of net assets	1,090,110
Considerations paid in cash	1,109,933
Goodwill	$ 19,823

The goodwill that arises from the acquisition of Clover, derives from the paid consideration that included amounts related to the benefits of operating more than 270 establishments between corporate and franchisees, expecting a market growth with a development plan for the next five years in the market, likewise the adjacent benefits mainly income growth, synergies expected in the operation and in the purchase of inputs. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash flows related to the acquisition of the subsidiary total $921,258, corresponding to the consideration paid in cash of $1,109,933, less cash and cash and cash equivalent balances acquired for $188,675.

If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period would have been $933,045 and revenues would have been $58,371,001. Acquisition expenses related to this transaction amounted to $42,006, which is shown within other expenses (income).

Acquisition of Sigla

On December 27, 2019, the acquisition process was concluded for the majority stockholders and founders, led by the Arango family and ProA Capital Iberian Buyout Fund II, F.C.R., a Spanish company, whereby 100% of the common stock of the company known as Sigla, S.A., established under the laws of Spain and which, in conjunction with its subsidiaries is known as Grupo VIPS.

As of December 31, 2018, a consideration paid for €500 million euros was considered, however, this figure was made up of a contribution made after the takeover by Grupo Zena and should not have been considered as part of the price paid. The final consideration paid for the acquisition was €471 million euros after debt payable in cash (equivalent to $10,618,697). At the same time, the previous shareholders of Grupo Zena, the Arango family and ProA Capital, reinvested €75 million (equivalent to MX $1,711,703 (thousand)), through a capital increase in Grupo Zena, after which they became minority shareholders.

The acquisition does not contemplate any contingent consideration. This transaction establishes a purchase and sale option for 12.70% of the share capital during the 7-year period as of the acquisition date, which was recorded under IFRS 9, *Financial Instruments: Presentation* (Note 22).

In December 2019, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept	Preliminary book entry	Adjustment for valuation	Fair value
Current assets:			
Cash and cash equivalents	$ 413,716	$ -	$ 413,716
Accounts receivable and other accounts receivable	431,694	(231,897)	199,797
Inventories	369,541	-	369,541
Advance payments	-	7,707	7,707
Long-term assets:			
Store equipment, leasehold improvements and property, net	2,707,972	(206,975)	2,500,997
Intangible assets, net	125,085	6,842,156	6,967,241
Guarantee deposits	-	185,252	185,252
Deferred income taxes	457,679	102,687	560,366
Current liabilities:			
Accounts payable to suppliers and other accounts payable	(1,802,471)	(159,043)	(1,961,514)
Current maturities of long-term debt	(1,713)	1,713	-
Long-term liabilities:			
Other liabilities	(150,654)	44,158	(106,496)
Long – term debt, not including current maturities	(2,481,009)	(1,788)	(2,482,797)
Deferred income taxes	(12,198)	(1,698,335)	(1,710,533)
Fair value of net assets	57,642	4,885,635	4,943,277
Considerations paid in cash	10,618,697	-	10,618,697
Goodwill	$ 10,561,055	$ (4,885,635)	$ 5,675,420

The goodwill that arises from the acquisition of Grupo VIPS, derives from the paid consideration that included amounts related to the benefits of operating more than 400 establishments between corporate and franchisees, expecting a market growth with a development plan for the next five years in the market, likewise the adjacent benefits mainly income growth, synergies expected in the operation and in the purchase of inputs. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash flows related to the acquisition of the subsidiary total $10,204,981, corresponding to the consideration paid in cash of $10,618,697, less cash and cash and cash equivalent balances acquired for $413,716.

If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period would have been $682,777 and revenues would have been $54,849,482. Acquisition expenses related to this transaction amounted to $54,172, which is shown within other expenses.

19. Goodwill

Assignment of goodwill to cash generating units

In order to carry out impairment tests, goodwill was assigned to the following cash generating units:

Concept	2020	2019	2018 (Restated)
Burger King	$ 1,336,967	$ 1,336,967	$ 1,336,967
Domino's Pizza	1,078,622	1,078,622	1,078,622
Chili's	26,614	26,614	26,614
Italianni's	785,816	785,816	785,816
Vips	3,058,697	3,058,697	3,058,697
Starbucks Coffee	368,513	368,513	368,513
Foster's Hollywood	198,598	198,598	198,598
Grupo Vips Spain (See Note 18)	3,662,326	3,374,722	3,374,722
Ginos	1,224,095	1,127,665	1,127,665
Starbucks Spain	917,727	845,431	845,431
Fridays	6,006	5,534	5,534
British Sandwich Factory	349,609	322,068	322,068
Clover	19,823	19,823	-
Cañas and Tapas	-	6,838	6,838
	$ 13,033,413	$ 12,555,908	$ 12,536,085

As of December 31, 2020, 2019 and 2018, the studies carried out on the impairment tests concluded that the goodwill has no impairment.

20. Long-term debt

Long-term debt at December 31, 2020, 2019 and 2018 is comprised of unsecured loans, as shown below:

Bank	Type of credit	Currency	Rate	Maturity	2020	2019	2018 (Restated)
Sindicado	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2023	$ 4,432,195	$ 4,533,800	$ 3,681,937
Sindicado	Simple credit	Euros	Variable rate Euribor +1.25%	2023	10,312,875	8,969,600	8,872,628
Sindicado	Simple credit	Euros	Euribor + 3.25%	2021	2,500,000	-	-
Bank of America	Simple credit	Mexican pesos	6.11% (Fixed rate)	2020	-	-	1,000,000
Sumitomo	Simple credit	Mexican pesos	Euribor + 1.60%	2021	599,223	-	-
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	Simple credit	Mexican pesos	Variable rate TIIE +1%	2025	1,668,413	1,668,411	1,661,002
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2021	155,000	113,628	152,893
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	285,993	-
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.1%	2021	-	400,000	400,000
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.15%	2025	993,526	-	-
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2022	283,594	287,500	285,369
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.65%	2020	-	-	200,000
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.50%	2020	-	-	120,000
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.65%	2020	-	-	130,000
Banco Santander, S.A.	Simple credit	Euros	Euribor + 1.35%	2022	243,802		
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	-	200,000

Bank	Type of credit	Currency	Rate	Maturity	2020	2019	2018 (Restated)
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	-	200,000
BBVA Bancomer, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.75%	2020	-	-	400,000
Sindicado	Simple credit	Argentine pesos	Euribor + 1.25%	2023	-	-	19,466
Clover ING	Simple credit	Euros	Euribor + 1.95%	2022	1,145,869	411,072	819,999
Clover Rabobank	Simple credit	Euros	Euribor + 1.95%	2022	-	411,072	-
Banca March	Simple credit	Euros	Euribor + 1.50%	2020	243,802	205,536	-
Banco Unión Argentina	Simple credit	Argentine pesos	29% (Fixed rate)	2019	-	-	19,466
Banco Unión Argentina	Simple credit	Argentine pesos	29.25% (Fixed rate)	2019	-	-	27,253
Banco HSBC, S.A.	Simple credit	Argentine pesos	29% (Fixed rate)	2019	-	-	106,157
Banco Citibank	Simple credit	Argentine pesos	29.25% (Fixed rate)	2019	-	-	107,079
Banco Citibank Argentina	Simple credit	Argentine pesos	29.50% (Fixed rate)	2019	-	-	71,628
Santander Chile, S.A.	Simple credit	Chilean pesos	3.6% (Fixed rate)	2020	-	121,504	151,880
Santander Chile, S.A.	Simple credit	Chilean pesos	Variable rate TIIE +0.41%	2021	83,182	-	-
Banco de Chile	Simple credit	Chilean pesos	29% (Fixed rate)	2024	93,888	-	-
Bankia Icos	Simple credit	Euros	Euribor + 1.85%	2022	243,802	-	-
Sabadel Icos	Simple credit	Euros	Euribor + 2.20%	2023	136,773	-	-
Santander Icos	Simple credit	Euros	Euribor + 2.10%	2022	341,323	-	-
BBVA Icos	Simple credit	Euros	Euribor + 2.75%	2025	243,801	-	-
Ibercaja Icos	Simple credit	Euros	Euribor + 1.75%	2023	24,380	-	-
Abanca Icos	Simple credit	Euros	Euribor + 1.75%	2023	48,760	-	-
Caja rural Icos	Simple credit	Euros	Euribor + 1.60%	2023	36,571	-	-
BNP CIC	Simple credit	Euros	Euribor + 2%	2025	365,704	-	-
Santander Totta	Simple credit	Euros	Euribor + 1.50%	2026	36,570	-	-
					24,233,053	17,408,116	18,626,757
			Less - current portion		(24,233,053)	(305,668)	(2,586,553)
			Long-term debt maturities		$ -	$ 17,102,448	$ 16,040,204

Annual debt maturities at December 31, 2020 are as follows:

Year	Amount
2021	$ 4,838,775
2022	6,332,063
2023	11,244,335
2024	728,380
2025	1,089,500
	$ 24,233,053

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2020, 2019 and 2018, all such obligations have been duly met.

The declaration of the COVID-19 pandemic that emerged in 2020 had a great impact on the restaurant industry and on the Entity's operations, affecting the operation of restaurants. The foregoing had effects on income, operating results, and cash generation, mainly. As of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $19,394 million, causing short-term liabilities to significantly exceed short-term assets at that date.

On April 5, 2021, the Entity formalized a new negotiation of the conditions of the credit, which establish new debt obligations, which allows the Entity to have certainty about its fulfillment for the twelve-months period ending December 31, 2021.
The Entity has undertaken a series of internal actions to ensure the viability and the success of its operations will depend upon the continuity of the pandemic and the measures taken by different governments with respect to the operation of restaurants, as well as the ability of the management to generate income and liquidity.

The Entity's management is in the process of formalizing the contractual extension of the term of its short-term loan contracts to renegotiate the maturities that it will have during 2021, which will be formally approved during May 2021.

The Entity as of December 31, 2020, has lines of credit contracted for 75,700 million Euros.

21. Debt instruments

In May 2019, the Entity placed of debt instruments worth $1,350,000 over 5 years as from the issuance date, maturing in May 2024. Those instruments will accrue interest at the 28-day TIIE rate plus 0.95 percentage points; and other debt instrument worth $2,650,000 over 7 years as from the issue date, maturing in May 2026. Those instruments will accrue interest at a fixed rate of 10.01%.

In October 2017, the Entity placed of debt instruments worth $1,000,000 over 5 years as from the issuance date, maturing in September 2022. Those instruments will accrue interest at the 28-day TIIE rate plus 0.90 percentage points; and other debt instrument worth $2,000,000 over 10 years as from the issue date, maturing in September 2027. Those instruments will accrue interest at a fixed rate of 8.85%.

In March 2015, the Entity placed of debt instruments worth $3,000,000 over 5 years as from the issuance date, maturing in March 2020.

Those instruments will accrue interest at the 28-day TIIE rate plus 1.10 percentage points; and other debt instrument worth $1,000,000 over 10 years as from the issue date, maturing in March 2025. Those instruments will accrue interest at a fixed rate of 8.07%.

The balance at December 31, 2020, 2019 and 2018 amounts to $7,979,149, $7,973,765 and $6,983,244, respectively.

Year	Amount
2022	$ 1,000,000
2024	1,350,000
2025	979,149
2026	2,650,000
2027	2,000,000
	$ 7,979,149

As of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $7,979 million, causing short-term liabilities to significantly exceed short-term assets at that date.

22. Long-term liabilities, option to sell noncontrolling interest

In October 2014, the Entity acquired Grupo Zena; as a result, it has the right to sell to Alsea its noncontrolling interest for 28.24% in other investors, upon completion of the fourth year after the acquisition (original agreement). In compliance with IFRS 9, *Financial Instruments*, the present value of the estimated debt that will be liquidated at the time the sale option is exercised should be recognized in accordance with the clauses of the contract. The initial recognition of such debt is recognized as a supplemental equity account and every year its revaluation affects the result for the year.

On October 30, 2018, an agreement was signed for purchase and sale options, termination of the stockholders' agreement and a commitment to sign a new stockholders' agreement, ratified on December 27, 2019, whereby the following agreements were reached:

1. Terminate the original stockholders' agreement and formalize this new agreement.
2. The minority stockholders invested €75 million in Grupo Zena, which resulted in the acquisition of 7.7% of the common stock of Grupo Zena by such minority stockholders.
3. Britania Investments, S.A.R.I. has the right to sell to Alsea its noncontrolling interest in other investors equal to 21.06%, in April 2019. In compliance with IFRS 9, Financial Instruments, the present value of the estimated debt that will be liquidated at the time the sale option is exercised should be recorded in accordance with the contract clauses. The net amount between termination of the agreement mentioned in the first point and recognition of the new right was recorded net in the consolidated statement of changes in stockholders' equity under Reserve for purchase of noncontrolling interest, for the amount of $659,252 as of December 31, 2019.
4. Britania Investments, S.A.R.I., on June 20, 2019, signs a new agreement in which a fixed amount of €111 million euros is agreed, which will be liquidated when exercising the put option according to the clauses of the new agreement to take effect no later than June 2022. The present value of the estimated debt as of December 31, 2020 and 2019 as of $2,701,407 and $2,304,864, respectively.
5. In the new agreement Grupo Zena has the right to sell to Alsea 12.7% of its noncontrolling interest in other investors upon completion of the seventh year after the acquisition; such right will be liquidated through delivery of the variable number of shares of Alsea. Consequently, in accordance with IFRS 9, it is accounted for as a financial derivative that will be settled at the time the sale option is exercised in accordance with the contract clauses. The liability will be restated every year up to the date on which the option is exercised, and the effects generated subsequently will be recognized in the statement of income. The financial liability derived from the sale option as of December 31, 2020 and 2019 is $50,178 and $17,436, respectively.

23. Income taxes

The Entity is subject to ISR. Under the ISR Law the rate for 2020, 2019 and 2018 was 30% and will continue at 30% and thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the long-term income tax benefit calculated as of that date over a five-year period beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2018 Tax Law, given that as of December 31, 2014, the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

The ISR liability as of December 31, 2017 is $19,892 related to the effects for benefits and fiscal deconsolidation, which was paid in 2018.

In Chile, in September 2014, the government gradually enacted a rate increase in its tax reform according to the following 25.5% for 2017, by 2018, 2019 and 2020 the rate will be 27%, according to the taxation system chosen. The change in The First Category tax was enacted in July 2010.

In Colombia, the applicable tax provisions stipulate that the rate applicable to income tax for taxable years 2018 and 2019 is 33%, 32% for 2020, 31% for 2021 and 30% from the 2022 taxable year. Likewise, for taxable bases over $800,000,000 Colombian pesos must settle a surcharge of 4% for the year 2018 that will not be applicable from 2019. In any event, from the 2018 taxable year, the taxable amount of income tax may not be less than 3.5% of the liquid assets of the immediately before, this percentage will be reduced to 1.5% for taxable years 2019 and 2020 and 0% from the 2021 taxable year.

In addition, tax losses determined from 2017 may be offset by liquid income earned within twelve (12) years. The term for offsetting presumptive income excesses will remain five (5) years. These tax credits cannot be tax reset.

In Argentina, i.- Income tax: The Entity applies the deferred method to recognize the accounting effects of income tax; the tax rate was 30% for the year 2018 and 2019 and 25% from 2020.; this change was suspended until fiscal years commrising from 1 January 2021 inclusive, the reduction in the aforementioned income tax aliquot will remain at 30% during the suspension period. In addition, withholding tax on dividends for accrued profits will be 7% during the same period. (ii.- Presumed minimum earnings tax (IGMP), the company determined the IGMP by applying the 1% rate on computable assets at the end of the 2018 financial year; from 2019 on this tax was repealed. -

In Spain, tax reforms, which include the reduction of this tax rate 25% in 2020, 2019 and 2018, with the exception of credit institutions and entities engaged in hydrocarbon exploration, research and exploration. Newly created companies will pay tax at the 15% rate during the first tax period in which their tax basis is positive and in the following period. As of 2021, the tax exemption on dividends and capital gains is limited from 100% to 95%, so that 5% of income will be taxed in Spain without said adjustment being eliminated in consolidation. Similarly, as part of these tax reforms, tax losses will be applicable without a time limitation; until 2015, the right to apply such losses expired after 18 years.

The tax rates established for the financial year 2020, in the rest of the countries in which Alsea is present in Europe are as follows:

- Portugal: 21%.
- France: 28%
- Netherlands: First 200,000 euros at 16.5%, the rest at 25.00%.
- Belgium: 25%
- Luxembourg: 16.05% plus solidarity and municipal surcharges (includes the solidarity surcharge of 7% on the CIT amount).

a. ***Income taxes recognized in income***

	2020	2019	2018
Current	$ 465,379	$ 988,600	$ 836,509
Deferred	(1,664,467)	(353,180)	(138,215)
	$ (1,199,088)	$ 635,420	$ 698,294

The tax expense attributable to income before ISR differs from that arrived at by applying the 30% statutory rate in 2020, 2019 and 2018 due to the following items:

	2020	2019	2018
Statutory income tax rate	(30%)	30%	30%
Non-deductible expenses	2%	6%	6%
Effects of inflation and others	3%	9%	11%
Fixed asset update	1%	(3%)	(7%)
Others	1%	(5%)	(2%)
Effective consolidated income tax rate	(23%)	37%	38%

b. ***Deferred taxes in the statement of financial position***

Following is an analysis of deferred tax assets shown in the consolidated statements of financial position:

	2020	2019	2018 (restated)
Deferred (assets) liabilities:			
Estimation for doubtful accounts and inventory obsolescence	$ (29,897)	$ (29,048)	$ (28,802)
Liability provisions	(995,418)	(657,526)	(743,666)
Advances from customers	(64,507)	(121,311)	(38,180)
Unamortized tax losses	(969,854)	(568,505)	(586,659)
Store equipment, leasehold improvements and property	1,596,223	1,748,904	2,228,491
Advance payments	162,095	156,988	73,293
	$ (301,358)	$ 529,502	$ 904,477

c. ***Deferred tax in statement of financial position***

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statements of financial position:

	2020	2019	2018 (restated)
Deferred tax assets	$ 4,665,412	$ 3,835,593	$ 2,867,571
Deferred tax liabilities	4,364,054	4,365,095	3,772,048
	$ (301,358)	$ 529,502	$ 904,477

d. ***Deferred income tax balances***

2020	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences:					
Estimation for doubtful accounts and inventory obsolescence	$ (29,048)	$ (849)	$ -	$ -	$ (29,897)
Liability provisions	(657,526)	(250,628)	(87,263)	-	(995,417)
Advances from customers	(121,311)	56,804	-	-	(64,507)
Store equipment, leasehold improvements and property	1,748,904	(1,073,552)	920,870	-	1,596,222
Prepaid expenses	156,988	5,107	-	-	162,095
	1,098,007	(1,263,118)	833,607	-	668,496
Tax loss carryforwards and unused tax credits:					
Tax loss carryforwards	(568,505)	(401,349)	-	-	(969,854)
	$ 529,502	$ (1,664,467)	$ 833,607	$ -	$ (301,358)

2019	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences:					
Estimation for doubtful accounts and inventory obsolescence	$ (28,802)	$ (246)	$ -	$ -	$ (29,048)
Liability provisions	(743,666)	177,382	5,437	(96,679)	(657,526)
Advances from customers	(38,180)	(83,131)	-	-	(121,311)
Store equipment, leasehold improvements and property	2,228,491	(549,034)	156,613	(87,166)	1,748,904)
Prepaid expenses	73,293	83,695	-	-	156,988
	1,491,136	(371,334)	162,050	(183,845)	1,098,007
Tax loss carryforwards and unused tax credits:					
Tax loss carryforwards	(586,659)	18,154	-	-	(568,505)
	$ 904,477	$ (353,180)	$ 162,050	$ (183,845)	$ 529,502

2018 (restated)	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences					
Estimation for doubtful accounts and inventory obsolescence	$ (2,347)	$ (26,455)	$ -	$ -	$ (28,802)
Liability provisions	(623,225)	(125,079)	78,030	(73,392)	(743,666)
Advances from customers	(164,635)	126,455	-	-	(38,180)
Store equipment, leasehold improvements and property	471,310	30,044	196,829	1,530,308	2,228,491
Prepaid expenses	123,515	(50,222)	-	-	73,293
	(195,382)	(45,257)	274,859	1,456,916	1,491,136
Tax loss carryforwards and unused tax credits					
Tax loss carryforwards	(186,952)	(92,958)	-	(306,749)	(586,659)
	$ (382,334)	$ (138,215)	$ 274,859	$ 1,150,167	$ 904,477

The benefits of restated tax loss carryforwards for which the deferred ISR asset and tax credit, respectively, have been (in such case partially) recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2020, are:

Year of maturity	Amortizable losses	Country
2023	$ 12,103	Mexico
2024	84,111	Mexico
2025	261,962	Mexico
2026	102,966	Mexico
2027	130,658	Mexico
2028	259,130	Mexico
2029	996,703	Mexico
2030	1,555,070	Mexico
Losses of entities abroad without expiration	2,122,390	Spain
Losses of entities abroad without expiration	812,010	Chile
2022	234	Argentina
2023	39,315	Argentina
2023	28,055	Argentina
Losses of entities abroad without expiration	211	Colombia
	$ 6,404,918	

24. Employee retirement benefits

Defined contribution plans

Retirement plan is established with the objective of offering benefits in addition to and complementary to those provided by other public retirement plans.

The total revenue recognized in the consolidated statements of income and other comprehensive income is $(31,277), $69,689 and $35,411 in 2020, 2019 and 2018, respectively.

The net cost for the period related to obligations derived from seniority premiums amounted to $23,838, $1,669 and $($522) in 2020, 2019 and 2018, respectively.

25. Financial instruments

a. ***Capital risk management***

The Entity manages its capital to ensure that the companies that it controls are able to continue operating as a going concern while they maximize the yield for their shareholders by streamlining the debt and equity balances. The Entity's general strategy has not changed in relation to 2019.

The Entity's capital structure consists of the net debt (the loans described in Note 20, compensated by cash balances and banks) and the Entity's capital (made up of issued capital stock, reserves and retained earnings, as shown in Note 26).

The Entity is not subject to external requirements to manage its capital.

The main purpose for managing the Entity's capital risk is to ensure that it maintains a solid credit rating and sound equity ratios to support its business and maximize value to its shareholders.

The Entity manages its capital structure and makes any necessary adjustments based on changes in economic conditions. In order to maintain and adjust its capital structure, the Entity can modify the dividend payments to the shareholders, reimburse capital to them or issue new shares. For the years ended December 31, 2020, 2019 and 2018, there were no modifications to the objectives, policies or processes pertaining to capital management.

The following ratio is used by the Entity and by different rating agencies and banks to measure credit risk.

- Net Debt to EBITDA = Net Debt / EBITDA ltm.

  At December 31, 2019 and 2018, the financial restriction established in the Entity's loan agreements relates to the Net Debt to EBITDA ratio for the last twelve months. The Entity complied with the established ratio.

  As of December 31, 2020, the company agreed, through a waiver, not to measure the financial restriction established in the Entity's credit agreements corresponding to the ratio of Total Debt to EBITDA in the last twelve months.

b. ***Financial instrument categories***

	2020	2019	2018 (restated)
Financial assets			
Cash and cash equivalents	$ 3,932,409	$ 2,568,771	$ 1,987,857
Loans and accounts receivable at amortized cost	1,620,775	1,447,221	793,221
Financial liabilities at amortized cost			
Suppliers by merchandise	2,949,829	2,327,048	2,290,788
Factoring of suppliers	654,115	889,046	757,976
Current maturities of long-term debt	24,233,053	305,668	2,586,553
Current maturities of financial lease liabilities	4,207,633	3,915,338	6,799
Long-term debt, not including current maturities	-	17,102,448	16,040,204
Non-current financial lease liabilities	21,092,417	19,542,694	284,375
Debt instruments	7,979,149	7,973,765	6,983,244

c. ***Objectives of managing financial risks***

Among the main associated financial risks that the Entity has identified and to which it is exposed are: (i) market (foreign currency and interest rate), (ii) credit, and (iii) liquidity.

The Entity seeks to minimize the potential negative effects of the aforementioned risks on its financial performance by applying different strategies. The first involves securing risk coverage through derivative financial instruments. Derivative instruments are only traded with well-established institutions and limits have been set for each financial institution. The Entity has the policy of not carrying out operations with derivative financial instruments for speculative purposes.

d. ***Market risk***

The Entity is exposed to market risks resulting from changes in exchange and interest rates. Variations in exchange and interest rates may arise as a result of changes in domestic and international economic conditions, tax and monetary policies, market liquidity, political events and natural catastrophes or disasters, among others.

Exchange fluctuations and devaluation or depreciation of the local currency in the countries in which Alsea participates could limit the Entity's capacity to convert local currency to US dollars or to other foreign currency, thus affecting their operations, results of operations and consolidated financial position. The Entity currently has a risk management policy aimed at mitigating present and future risks involving those variables, which arise mainly from purchases of inventories, payments in foreign currencies and public debt contracted at a floating rate. The contracting of derivative financial instruments is intended to cover or mitigate a primary position representing some type of identified or associated risk for the Entity. Instruments used are merely for economic hedging purposes, not for speculation or negotiation.

The types of derivative financial instruments approved by the Entity for the purpose of mitigating exchange fluctuation and interest rate risk are as follows:

- USD/MXN exchange-rate forwards contracts
- USD/MXN exchange-rate options
- Interest Rate Swaps and Swaptions
- Cross Currency Swaps

Given the variety of possible derivative financial instruments for hedging the risks identified by the Entity, the Director of Corporate Finance is authorized to select such instruments and determine how they are to be operated.

e. ***Currency exchange risk management***

The Entity carries out transactions in foreign currency and therefore it is exposed to exchange rate fluctuations. Exposure to exchange rate fluctuations is managed within the parameters of approved policies, using foreign currency forwards contracts. Note 33 shows foreign currency positions at December 31, 2020, 2019 and 2018. It also shows the exchange rates in effect at those dates.

USD hedging and its requirements are determined based on the cash flow budgeted by the Entity, and it is aligned to the current Risk Management Policy approved by the Corporate Practices Committee, the General Director's office and the Administration and Financial Director's office. The policy is overseen by the Internal Audit Department.

The exchange rate risk expressed in a foreign currency (USD) is internally monitored on a weekly basis with the positions or hedges approximating maturity at market exchange rates. The agent calculating or valuing the derivative financial instruments is in all cases the counterparty designated under the master agreement.

The purpose of the internal review is to identify any significant changes in exchange rates that could pose a risk or cause the Entity to incur in non-compliance with its obligations. If a significant risk position is identified, the Corporate Treasury Manager informs the Corporate Financial Director's office.

The following table shows a quantitative description of exposure to exchange risk based on foreign currency forwards and options agreements contracted by the Entity in USD/MXN, in effect as of December 31, 2020, 2019 and 2018.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Notional amount/ face value (thousands of USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Fair value (thousands of USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Amounts of maturities (thousands of USD)
Forwards	Long	Economic	21.0200 USDMXN	19.8727 USDMXN	19.6512 USDMXN	78,100	28,350	62,650	$ 1,738	$ 2,450	$ 147	78,100
Options	Long	Economic	20.9100 USDMXN	19.8727 USDMXN	19.6512 USDMXN	11,200	31,250	56,400	$ 2,697	$ 267	$ 18,880	11,200

1. Foreign currency sensitivity analysis

At December 31, 2020, 2019 and 2018, the Entity has contracted hedging in order to purchase US dollars for the next 12 months, a total of $89.3, $59 and $119 million dollars, respectively, at the average exchange rate of $21.69, $19.45 and $19.16 pesos per US dollar, respectively the valuation is based on an average exchange rate of $19.94, $19.00 and $19.65, pesos per US dollar, respectively, over the next 12 months as of December 31, 2020, 2019 and 2018. The initial price of currency derivatives is ($89.3), $(3.9) and $(10.9) million Mexican pesos, respectively, payable to the Entity.

Given the values and amounts of exchange rate hedges, management does not foresee a significant risk that could affect its results at the December 31, 2020 close or the obligations contracted under current operations that will expire during the next 12 months. The Entity does not match its net asset position with financial liabilities denominated in US dollars because it is not representative or material. The analysis shows only the effect on hedging for purchases of US dollars contracted and in effect at the December 31, 2020 closing.

Management considers that in the event of a stress scenario as the one described above, the Entity's liquidity capacity would not be affected, there would be no negative effects on its operations, nor would compliance with the commitments assumed in relation to contracted derivative financial instruments be at risk.

2. Foreign currency forwards and options contracts

At December 31, 2020, 2019 and 2018, a total of 539, 603 and 465 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 240.3, 329.7 and 275.6 million US dollars, respectively. The absolute value of the fair value of the derivative financial instruments entered into per quarter over the year does not comprise more than 5% of assets, liabilities or total consolidated capital, or otherwise 3% of the total consolidated sales for the last quarter. Therefore, the risk for the Entity of exchange rate fluctuations will have no negative effects, nor will it affect its capacity to carry out derivative financial instrument operations.

At December 31, 2020, 2019 and 2018, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately 89, 59 and 119 million USD, at the average exchange rate of $20.69, $19.45 y $19.16 pesos to the dollar, respectively.

At December 31, 2020, 2019 and 2018, the Entity had contracted the financial instruments shown in the table above.

f. ***Interest rate risk management***

The Entity faces certain exposure to the volatility of interest rates as a result of contracting bank and public stock exchange debt at fixed and variable interest rates. The respective risks are monitored and evaluated monthly on the basis of:

- Cash flow requirements

- Budget reviews

- Observation of the market and interest rate trends in the local market and in the countries in which Alsea operates (Mexico, Argentina, Chile and Colombia).

- Differences between negative and positive market rates

The aforementioned evaluation is intended to mitigate the Entity's risk concerning debt subject to floating rates or indicators, to streamline the respective prices and to determine the most advisable mix of fixed and variable rates.

The Corporate Treasury Manager is responsible for monitoring and reporting to the Administration and Financial Director any events or contingencies of importance that could affect the hedging, liquidity, maturities, etc. of DFI's. He in turn informs Alsea's General Management of any identified risks that might materialize.

The type of derivative products utilized and the hedged amounts are in line with the internal risk management policy defined by the Entity's Corporate Practices Committee, which contemplates an approach to cover foreign currency needs without the possibility to carry out speculative operations.

At December 31, 2020, the Entity has a total debt of $32,212 million pesos, this debt was contracted at a fixed rate and a variable rate; in addition to the above, it was decided to apply a risk management strategy in order to you mitigate the fluctuations of the interest rate staying in a mix of rates where 39% is fixed at a weighted rate of 8.11%, and 61% at a variable rate, this strategy has generated a positive result for the Entity.

- ***Interest rate swap contracts***

  According to contracts for swaps of interest (Interest Rate Swap - ISR), the Entity agrees to exchange the difference between the amounts of the fixed and variable rates calculated on the agreed notional amount.

Such contracts allow the Entity to mitigate interest rate change risks on the fair value of the debt issued at a fixed interest rate and the exposure to cash flows on the debt issued at a variable interest rate. The starting price of the swaps of interest at the end of the period being reported is determined by discounting future cash flows using the curves at the end of the period being reported and the credit risk inherent to the contract, as described further on in these consolidated financial statements. The average interest rate is based on current balances at the end of the period being reported.

The following table shows a quantitative description of exposure to interest rate risk based on interest rate forwards and options agreements contracted by the Entity, in effect as of December 31, 2020, 2019 and 2018.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Notional amount/ face value (USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Fair value (USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Amounts of expiration (thousands of USD)
IRS Plain Vanilla	Long	Coverage	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	208,817	207,495	187,853	$ (1,302)	$ 11,565	$ 20,413	$ 207,495
IRS Plain Vanilla	Long	Economic	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	87,032	144,161	107,326	$ (906)	$ 723	$ (7,251)	$ 144,161
Capped IRS	Long	Economic	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	65,211	32,890	33,263	$ (766)	$ 89	$ (53)	$ 32,890

1. Analysis of interest rate sensitivity

The following sensitivity analysis has been determined on the basis of the exposure to interest rates of derivative instruments and of non-derivative instruments at the end of the period being reported. In the case of variable rate liabilities, an analysis is prepared assuming that the amount of the liability held at the end of the period being reported has been the amount of the liability throughout the year.

- The first stress scenario considered by the Entity’s management is a 200 bps increase in the 28-day TIIE reference rate while the rest of the variables remain constant. With the mix in the hedging portfolio of plain vanilla interest rate swaps and the swaptions contracted at the December 31, 2020 close, the increase in financial costs is of approximately $247.8 million. The above effect arises because the barriers protecting the increase in the interest rates are exceeded, which leaves the Entity exposed to market rates, with approximately 49% coverage of the debt.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $186.3 million, which poses no risk to the Entity's liquidity nor gives rise to a negative effect on the business's operations or in assuming commitments for contracting interest rate derivative financial instruments.

- Lastly, the scenario with a 100 bps increase in the 28-day TIIE reference rate would have a positive effect on the financial cost of approximately $124.8 million.

The previous scenarios were carried out on the bank and stock market debt contracted in Mexican pesos with 28-day TIIE floating rate, which represents about 7.26% of the total debt contracted by the Entity.

g. ***Credit risk management***

Credit risk refers to the uncertainty of whether one or several of the counterparties will comply with their contractual obligations, which would result in a financial loss for the Entity. The Entity has adopted the policy of only operating with solvent institutions and obtaining sufficient collateral, when deemed necessary, as a way to mitigate the risk of financial loss caused by non-compliance.

The Entity has identified in its portfolio a credit risk among its derivative financial instruments designed as cash flow hedges, since are measured at fair value.

The Entity's exposure and the credit ratings of its counterparties are supervised on a regular basis. The maximum credit exposure levels allowed are established in the Entity's risk management internal policies. Credit risk over liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by accepted rating agencies.

In order to reduce to a minimum, the credit risk associated to counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations and which form part of the Mexican Financial System.

With respect to derivative financial instruments, the Entity signs a standard agreement approved by the International Swaps and Derivatives Association Inc. with each counterparty along with the standard confirmation forms for each operation. Additionally, the Entity signs bilateral guarantee agreements with each counterparty that establish the margin, collateral and credit line policies to be followed. Such agreements, commonly known as "Credit Support Annexes", establish the credit limits offered by credit institutions that would apply in the event of negative scenarios or fluctuations that might affect the fair value of open positions of derivative financial instruments. Such agreements establish the margin calls for instances in which credit facility limits are exceeded.

In addition to the bilateral agreements signed further to the ISDA maser agreement, known as Credit Support Annexes (CSA), the Entity monitors the favorable or negative fair value on a monthly basis. Should the Entity incur a positive result, and that result be considered material in light of the amount, a CDS could be contracted to reduce the risk of breach by counterparties.

The methodologies and practices generally accepted in the market and which are applied by the Entity to quantify the credit risk related to a given financial agent are detailed below.

1. Credit Default Swap, the credit risk is quantified based on the quoted market price. The CDS is the additional premium that an investor is willing to pay to cover a credit position, meaning that the risk quantification is equal to this premium. This practice is utilized as long as quoted CDS are available on the market.

2. Issuance Credit Spread, if issuances are available for quotation on different financial markets, the credit risk can be quantified as the difference between the internal rate of return of the bonds and the risk-free rate.

3. Comparable items, if the risk cannot be quantified by using the above methodologies, the use of comparable items is generally accepted; i.e., the use of entities or bonds of the sector that the company wishes to analyze as a reference.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls and mitigate credit risks with counterparties.

At the close of December 31, 2020 and 2018, the Entity has incurred in 28 and 13 margin calls just in 2020 and 2019 respectively. At December 31, 2019 has had no margin calls.

At December 31, 2020, 2019 and 2018, the Entity has recorded no breaches to the agreements signed with different financial entities for exchange rate hedging operations.

The Entity's maximum exposure to credit risk is represented by the carrying value of its financial assets. At December 31, 2020, 2019 and 2018, that risk amounts to $5,629,155, $4,072,609 and $3,012,975, respectively.

The credit risk generated by the management of the Entity’s temporary investments reflects its current investment policy, which has the following objectives: I) enhance resource efficiency, and II) mitigate the credit risk. In order to fulfill these objectives, certain guidelines and maximum amounts were established for counterparties, instruments and periods within the Entity’s policies.

All transactions performed in Mexican pesos and foreign currency are supported by an outline brokerage agreement duly executed by both parties with regulated institutions belonging to the Mexican Financial System, which have the guarantees required by the Entity and recognized credit ratings. The only instruments authorized for temporary investments are those issued by the federal government, corporate and banking institutions under the repurchase modality.

h. ***Liquidity risk management***

The ultimate responsibility for managing liquidity lies in the Financial Director, for which purpose the Entity has established policies to control and follow up on working capital, thus making it possible to manage the Entity's short-term and long-term financing requirements. In keeping this type of control, cash flows are prepared periodically to manage risk and maintain proper reserves, credit lines are contracted and investments are planned.

The Entity's main source of liquidity is the cash earned from its operations.

The following table describes the contractual maturities of the Entity's financial liabilities considering agreed payment periods. The table has been designed based on undiscounted, projected cash flows and financial liabilities considering the respective payment dates. The table includes the projected interest rate flows and the capital disbursements made towards the financial debt included in the consolidated statements of financial position. If interest is agreed at variable rates, the undiscounted amount is calculated based on the interest rate curves at the end of the period being reported. Contractual maturities are based on the minimum date on which the Entity must make the respective payments.

As of December 31, 2020	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more	Total
Long-term debt	6.48%	$ 24,233,053	$ -	$ -	$ -	$ -	$ 24,233,053
Debt instruments	8.13%	7,979,149	-	-	-	-	7,979,149
Financial leasing	4.00%	4,207,744	3,946,443	3,638,393	2,936,185	10,571,285	25,300,050
Derivatives		89,839	-	-	-	-	89,839
Suppliers		2,949,829	-	-	-	-	2,949,829
Factoring of suppliers (1)		654,115	-	-	-	-	654,115
Total		$ 40,113,729	$ 3,946,443	$ 3,638,393	$ 2,936,185	$ 10,571,285	$ 61,206,035

As of December 31, 2019	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more	Total
Long-term debt	8.76%	$ 1,093,453	$ 1,558,759	$ 2,394,325	$ 13,906,439	$ 1,139,110	$ 20,092,086
Debt instruments	9.03%	735,841	735,841	1,715,588	648,077	8,554,678	12,390,025
Financial leasing	4.00%	4,574,273	3,950,863	3,308,716	2,846,815	11,077,714	25,758,381
Derivatives		3,904	-	-	-	-	3,904
Suppliers		2,327,048	-	-	-	-	2,327,048
Factoring of suppliers (1)		889,046	-	-	-	-	889,046
Total		$ 9,623,565	$ 6,245,463	$ 7,418,629	$ 17,401,331	$ 20,771,502	$ 61,460,490

As of December 31, 2018 (restated)	Average effective interest rate	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more	Total
Long-term debt	9.53%	$ 3,093,379	$ 1,090,172	$ 2,726,458	$ 6,358,985	$ 7,277,773	$ 20,546,767
Debt instruments	9.18%	640,446	3,397,887	353,787	1,325,103	3,789,577	9,506,800
Financial leasing	4.00%	32,398	32,398	32,398	32,398	472,734	602,326
Derivatives		10,361	-	-	-	-	10,361
Suppliers		2,290,788	-	-	-	-	2,290,788
Factoring of suppliers (1)		757,976	-	-	-	-	757,976
Total		$ 6,825,348	$ 4,520,457	$ 3,112,643	$ 7,716,486	$ 11,540,084	$ 33,715,018

(1) The policy of payment to suppliers is 90 days, for which the Entity signed financial factoring contracts backed by credit lines with financial institutions, through which a supplier can contact the financial institution to collect the any invoice in particular, previously approved by Alsea, before the payment date, which ends the payment obligation of Alsea to the supplier; in turn, Alsea will settle the balance to the financial institution on the due date for the invoice, in accordance with the terms previously agreed with the supplier. This transaction has no cost to Alsea, provided that the balances are liquidated in a timely manner, the balances not settled in a timely manner will be subject to a default interest that will be determined by the financial institution; Additionally, Alsea receives a commission for the balances discounted by the suppliers. These amounts have been classified as factoring of suppliers in the statement of financial position.

i. ***Fair value of financial instruments***

This notes provides information on the manner in which the Entity determines the fair values of the different financial assets and liabilities.

Some of the Entity's financial assets and liabilities are valued at fair value at each reporting period. The following table contains information on the procedure for determining the fair values of financial assets and financial liabilities (specifically the valuation technique(s) and input data used).

Financial assets/liabilities	Fair value (1)(2) Figures in thousands of USD 12/31/2020	12/31/2019	12/31/2018	Fair value hierarchy
1) Forwards and currency options agreements	$ (34,637)	$ 46,244	$ 147,543	Level 2
Valuation technique(s) and main input data	Plain vanilla forwards are calculated based on discounted cash flows on forward exchange type bases. The main input data are the Spot, the risk-free rates in MXN and USD + a rate that reflects the credit risk of counterparties. In the case of options, the methods used are Black and Scholes and Montecarlo digital and/or binary algorithms.			
2) Interest rate swaps	$ (53,771)	$ 5,041	$ 18,880	Level 2
Valuation technique(s) and main input data	Discounted cash flows are estimated based on forwards interest rates (using the observable yield curves at the end of the period being reported) and the contractual rates, discounted at a rate that reflects the credit risk of the counterparties.			

During the period there were no transfers between level 1 and 3

(1) The fair value is presented from a bank's perspective, which means that a negative amount represents a favorable result for the Entity.

(2) The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, who is asked to issue the respective reports at the month-end closing dates specified by the Entity.

(3) Techniques and valuations applied are those generally used by financial entities, with official price sources from banks such as Banxico for exchange rates, Proveedor Integral de Precios (PIP) and Valmer for supply and databases of rate prices, volatility, etc.

In order to reduce to a minimum, the credit risk associated with counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations.

In the case of derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. (ISDA) is executed with each counterparty; the standard confirmation forms required for each transaction are also completed.

Likewise, bilateral guarantee agreements are executed with each counterparty to determine policies for the margins, collateral and credit lines to be granted.

This type of agreement is usually known as a “Credit Support Annex”; it establishes the credit limits that financial institutions grant to the company and which are applicable in the event of negative scenarios or fluctuations that affect the fair value of the open positions of derivative financial instruments. These agreements establish the margin calls to be implemented if credit line limits are exceeded.

Aside from the bilateral agreements attached to the ISDA outline agreement known as the Credit Support Annex (CSA), the Entity monthly monitors the fair value of payable or receivable amounts. If the result is positive for the Entity and is considered relevant due to its amount, a CDS can be contracted to reduce the risk of counterparty noncompliance.

The Entity has the policy of monitoring the number of operations contracted with each of these institutions so as to avoid margin calls and mitigate the counterparty credit risk.

At December 31, 2020, 2019 and 2018, the Entity has not received any margin calls and does not have any securities given as a guarantee with counterparties as interest rate hedges. Furthermore, it did not record any instances of noncompliance with the contracts executed with different financial institutions for operations involving interest rate hedges.

j. ***Fair value of financial assets and liabilities that are not valued at fair value on a recurring basis (but that require fair value disclosure)***

Except for the matter described in the following table, Management considers that the carrying values of financial assets and liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value:

	12/31/2020		12/31/2019		12/31/2018	
Financial liabilities	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities maintained at amortized cost:						
Suppliers	$ 2,949,829	$ 2,949,829	$ 2,327,048	$ 2,327,048	$ 2,290,788	$ 2,290,788
Factoring of suppliers	654,115	654,115	889,046	889,046	757,976	757,976
Bank loans	24,233,053	25,796,432	305,668	322,187	2,586,553	2,702,880
Obligation under finance leases	4,207,633	4,207,633	3,915,338	3,915,338	6,799	6,799
Long-term bank loans	-	-	17,102,448	17,102,448	16,040,204	16,040,204
Non-current financial lease liabilities	21,092,417	21,092,417	19,542,694	19,542,694	284,375	284,375
Debt instruments	7,979,149	8,442,256	7,973,765	8,243,744	6,983,244	6,809,099
Total	$ 61,116,196	$ 63,142,682	$ 52,056,007	$ 52,342,505	$ 28,949,939	$ 28,892,121

Financial liabilities 2020	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 24,233,053
Current maturities of financial lease liabilities	4,207,633
Non-current financial lease liabilities	21,092,417
Debt instruments	7,979,149
Total	$ 57,512,252

Financial liabilities 2019	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 305,668
Current maturities of financial lease liabilities	3,915,338
Long-term bank loans	17,102,448
Non-current financial lease liabilities	19,542,694
Debt instruments	7,973,765
Total	$ 48,839,913

Financial liabilities 2018	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 2,586,553
Current maturities of financial lease liabilities	6,799
Long-term bank loans	16,040,204
Non-current financial lease liabilities	284,375
Debt instruments	6,983,244
Total	$ 25,901,175

Valuation

a) ***Description of valuation techniques, policies and frequency:***

The derivative financial instruments used by Alsea (forwards and swaps) are contracted to reduce the risk of adverse fluctuations in exchange and interest rates. Those instruments require the Entity to exchange cash flows at future fixed dates on the face value or reference value and are valued at fair value.

b) ***Liquidity in derivative financial operations:***

1. The resources used to meet the requirements related to financial instruments, will come from the resources generated by Alsea.

2. External sources of liquidity: No external sources of financing will be used to address requirements pertaining to derivative financial instruments.

26. Stockholders' equity

Following is a description of the principal features of the stockholders' equity accounts:

a. ***Capital stock structure***

The movements in capital stock and premium on share issue are shown below:

	Number of actions	Thousands of pesos social capital	Premium in issuance of shares
Figures as of January 1, 2019	835,640,182	$ 478,749	$ 8,444,420
Placement of actions	2,938,543	-	226,453
Figures as of December 31, 2019	838,578,725	478,749	8,670,873
Placement of actions	-	-	5,954
Figures as of December 31, 2020	838,578,725	478,749	$ 8,676,827

As discussed in Note 22, Grupo Zena has the sale option of the noncontrolling interest of Alsea. On October 30, 2018, Alsea and the investors of Grupo Zena entered into a new agreement for purchase and sale options, termination of the stockholders' agreement and a commitment to sign a new stockholders' agreement, which was ratified on December 27, 2018, and stipulates the termination of the original stockholders' agreement and the formalization of this new agreement, whereby Grupo Zena has the right to sell to Alsea its noncontrolling interest in other investors equal to 21.06% of the equity of Grupo Zena. The net amount between the termination of the original agreement and recognition of the new right was recorded net in the consolidated statement of changes in stockholders' equity under Reserve for purchase of noncontrolling interest, in the amount of $659,252, as of December 31, 2018.

In April 2018, Alsea declared a dividend payment of $654,091 with a charge to the after-tax earnings account, which is to be paid against net earnings at $0.78 (zero pesos seventy and eight cents) per share. The Treasury society must make payment on April 23, 2018 for $654,091.

The fixed minimum capital with no withdrawal rights is comprised of Class I shares, while the variable portion is represented by Class II shares, and it must in no case exceed 10 times the value of the minimum capital with no withdrawal rights.

The National Banking and Securities Commission has established a mechanism that allows the Entity to acquire its own shares in the market, for which purpose a reserve for repurchase of shares must be created and charged to retained earnings, which Alsea has created as of December 31, 2015.

Total repurchased shares must not exceed 5% of total issued shares; they must be replaced in no more than one year, and they are not considered in the payment of dividends.

The premium on the issuance of shares is the difference between the payment for subscribed shares and the par value of those same shares, or their notional value (paid-in capital stock divided by the number of outstanding shares) in the case of shares with no par value, including inflation, at December 31, 2012.

Available repurchased shares are reclassified to contribute capital.

b. ***Stockholders' equity restrictions***

I. 5% of net earnings for the period must be set aside to create the legal reserve until it reaches 20% of the capital stock. At December 31, 2020, 2019 and 2018, the legal reserve amounted to $100,736, which amount does not reach the required 20%.

II. Dividends paid out of accumulated profits will be free of ISR if they come from the CUFIN and for the surplus 30% will be paid on the result of multiplying the dividend paid by the update factor. The tax arising from the payment of the dividend that does not come from the CUFIN will be charged to the Entity and may be credited against the corporate ISR for the following two years.

27. Non-controlling interest

a. Following is a detail of the non-controlling interest.

		Amount
Ending balance at January 1, 2019 (Restated)	$	1,878,742
Equity in results for the year ended December 31, 2019		158,064
Other movements in capital		(75,243)
Ending balance at December 31, 2019		1,961,563
Equity in results for the year ended December 31, 2020		(659,884)
Other movements in capital		28,767
Ending balance at December 31, 2020	$	1,330,446

b. Following is the detail of the Non-Controlling interest of the main subsidiaries of the Entity:

Subsidiary	Country	Percentages of the non-controlling interest 31/12/2020	31/12/2019	31/12/2018	Income (loss) attributable to the non-controlling interest 31/12/2020	31/12/2019	31/12/2018	Accumulated non-controlling interest 31/12/2020	31/12/2019	31/12/2018
Food Service Project, S.L. (Grupo Zena)	Spain	33.76%	33.76%	33.76%	$ (617,817)	$ 169,700	$ 200,690	$ 1,179,805	$ 1,797,622	$ 1,704,079
Operadora de Franquicias Alsea, S.A. de C.V.	Mexico	20.00%	20.00%	20.00%	(35,908)	2,530	(8,350)	30,340	66,248	63,718
Estrella Andina, S.A.S.	Colombia	30.00%	30.00%	30.00%	(10,757)	(12,404)	(10,936)	47,804	58,561	65,114

28. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the controlling interest holders of ordinary capital by the average weighted number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to controlling interest holders of ordinary capital (after adjusting for interest on the convertible preferential shares, if any) by the average weighted ordinary shares outstanding during the year plus average weighted ordinary shares issued when converting all potentially ordinary diluted shares to ordinary shares. For the years ended December 31, 2020, 2019 and 2018, the Entity has no potentially dilutive shares, for which reason diluted earnings per share is equal to basic earnings per share.

The following table contains data on income and shares used in calculating basic and diluted earnings per share:

	2020	2019	2018
Net profit (in thousands of Mexican pesos):			
Attributable to shareholders	$ (3,235,574)	$ 926,669	$ 953,251
Shares (in thousands of shares):			
Weighted average of shares outstanding	838,579	838,579	835,640
Basic and diluted net income per share of continuous and discontinued operations (cents per share)	$ (3.86)	$ 1.11	$ 1.14
Basic and diluted net income per share of continuous operations (cents per share)	$ (3.86)	$ 1.11	$ 1.14

29. Revenues

	2020	2019	2018
Revenues from the sale of goods	$ 37,403,800	$ 56,594,841	$ 44,991,698
Services	676,154	850,163	742,915
Royalties	415,466	709,613	421,977
Total	$ 38,495,420	$ 58,154,617	$ 46,156,590

For the year ended December 31, 2020, operating income decreased 34% compared to the year ended December 31, 2019, primarily driven by the effects of the COVID-19 pandemic.

30. Cost of sales

The costs and expenses included in other operating costs and expenses in the consolidated statements of income are as follows:

	2020	2019	2018
Food and beverage of costs	$ 10,873,059	$ 16,457,416	$ 13,438,000
Royalties of costs	96,524	160,732	158,930
Other costs	485,301	545,873	590,578
Total	$ 11,454,884	$ 17,164,021	$ 14,187,508

31. Balances and transactions with related parties

Officer compensations and benefits

The total amount of compensation paid by the Entity to its main advisors and officers for the period ended December 31, 2020, 2019 and 2018 was of approximately $137,839, $134,000 and $185,740, respectively.

This amount includes emoluments determined by the General Assembly of Shareholders of the Entity for the performance of their positions during said fiscal year, as well as salaries and salaries.

The Entity continuously reviews salaries, bonuses and other compensation plans in order to ensure more competitive employee compensation conditions.

32. Financial information by segments

The Entity is organized into three large operating divisions comprised of sales of food and beverages in Mexico and South America (LATAM - Argentina, Chile, Colombia and Uruguay) and Europe (Spain, Portugal, France, Netherlands, Belgic and Luxemburg) all headed by the same management.

The accounting policies of the segments are the same as those of the Entity's described in Note 3.

The Food and Beverages segments in which Alsea in Mexico, Europe and Latin America (LATAM) participates are as follows:

Fast Food: This segment has the following features: i) fixed and restricted menus, ii) food for immediate consumption, iii) strict control over individual portions of each ingredient and finished product, and iv) individual packages, among others.

This type of segment can be easily accessed and therefore penetration is feasible at any location.

Coffee Shops: Specialized shops where coffee is the main item on the menu. The distinguishing aspects are top quality services and competitive prices, and the image/ambiance is aimed at attracting all types of customers.

Casual Dining: This segment comprises service restaurants where orders are taken from customers and there are also to-go and home delivery services. The image/ambiance of these restaurants is aimed at attracting all types of customers. This segment covers fast food and gourmet restaurants.

The main features of casual dining stores are i) easy access, ii) informal dress code, iii) casual atmosphere, iv) modern ambiance, v) simple decor, vi) top quality services, and vii) reasonable prices. Alcoholic beverages are usually sold at those establishments.

Restaurant - cafeteria - (Vips): Is a familiar-type segment and its main characteristic is the hospitality, and be close to the client. These restaurants have a wide variety of menus.

Fast Casual Dining: This is a combination of the fast food and casual dining segments.

The definition of the operating segments is based on the financial information provided by General Management and it is reported on the same bases as those used internally by each operating segment. Likewise, the performance evaluations of the operating segments are periodically reviewed.

Information on the segments for the years ended December 31, 2020, 2019 and 2018 is as follows: (figures in millions of pesos).

Figures in millions of pesos as of December 31, division:

	Food and beverages Mexico			Food and beverages LATAM			Food and beverages Europe			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Income												
From third parties	$ 19,067	$ 27,217	$ 25,462	$ 5,568	$ 9,732	$ 10,832	$ 13,861	$ 21,206	$ 9,862	$ 38,496	$ 58,155	$ 46,156
Income	19,067	27,217	25,462	5,568	9,732	10,832	13,861	21,206	9,862	38,496	58,155	46,156
Costs	6,018	8,398	8,032	1,954	3,190	3,430	3,483	5,576	2,726	11,455	17,164	14,188
Operating costs	7,750	10,066	11,530	2,749	4,710	5,906	6,830	9,834	5,220	17,329	24,610	22,656
EBITDA store	5,299	8,753	5,900	865	1,832	1,496	3,548	5,796	1,916	9,712	16,381	9,312
Depreciation and amortization	3,616	3,921	2,123	1,015	907	572	3,804	3,219	419	8,435	8,047	3,114
Non-operating expenses	1,263	1,617	1,553	283	664	803	1,178	1,482	549	2,724	3,763	2,905
Utility operation	420	3,215	2,224	(433)	261	121	(1,434)	1,095	948	(1,447)	4,571	3,293

	Food and beverages Mexico			Food and beverages LATAM			Food and beverages Europe			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Interest paid										3,226	3,123	1,628
Earned interests										(119)	(101)	(57)
Other financial expenses										468	(172)	(115)
										3,575	2,850	1,456
Participation in associates										(3)	(1)	-
Income taxes										(1,178)	635	698
Consolidated net income for the year										(3,847)	1,085	1,139
Noncontrolling interest										(660)	158	186
Majority net income										$ (3,187)	$ 927	$ 953

	Food and beverages Mexico			Food and beverages LATAM			Food and beverages Europe			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Assets	$ 50,009	$ 46,557	$ 23,610	$ 6,570	$ 4,922	$ 5,469	$ 25,044	$ 21,077	$ 6,652	$ 81,623	$ 72,556	$ 35,731
Investment in productive assets												
Investment in associates	(435)	85	14	525	-	-	-	-	-	90	85	14
Investment in Fixed Assets and Intangible	747	1,718	3,014	243	649	1,155	784	1,404	16,242	1,774	3,771	20,411
Total assets	$ 50,321	$ 48,360	$ 26,638	$ 7,338	$ 5,571	$ 6,624	$ 25,828	$ 22,481	$ 22,894	$ 83,487	$ 76,412	$ 56,156
Total liability	$ 48,203	$ 39,818	$ 25,315	$ 3,792	$ 2,466	$ 1,638	$ 23,809	$ 22,586	$ 15,751	$ 75,804	$ 64,870	$ 42,704

33. Foreign currency position

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2020, 2019 and 2018, are as follows:

	Thousands of Mexican pesos 2020	Thousands of Mexican pesos 2019	Thousands of Mexican pesos 2018
Assets	$ 4,028,843	$ 3,238,135	$ 2,331,077
Liabilities	(19,872,347)	(15,310,246)	(14,955,348)
Net monetary liability position	$ (15,843,504)	$ (12,072,111)	$ (12,624,271)

The exchange rate to the US dollar at December 31, 2020, 2019 and 2018 was $19.91, $18.87 and $19.65, respectively. At April 14, 2021, date of issuance of the consolidated financial statements, the exchange rate was $20.07 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2020, 2019 and 2018 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin	Currency	Closing exchange rate	Issuance April 14, 2021
2020			
Argentina	Argentinian peso (ARP)	0.2369	0.2164
Chile	Chilean peso (CLP)	0.0280	0.0283
Colombia	Colombian peso (COP)	0.0058	0.0054
Spain	Euro (EUR)	24.3802	23.9767

Country of origin	Currency	Closing exchange rate
2019		
Argentina	Argentinian peso (ARP)	0.5192
Chile	Chilean peso (CLP)	0.0283
Colombia	Colombian peso (COP)	0.0061
Spain	Euro (EUR)	22.5340

Country of origin	Currency	Closing exchange rate
2018		
Argentina	Argentinian peso (ARP)	1.0509
Chile	Chilean peso (CLP)	0.0321
Colombia	Colombian peso (COP)	0.0066
Spain	Euro (EUR)	23.6587

In converting the figures, the Entity used the following exchange rates:

Foreign transaction	Country of origin	Currency Recording	Functional	Presentation
Fast Food Sudamericana, S.A.	Argentina	ARP	ARP	MXP
Starbucks Coffee Argentina, S.R.L.	Argentina	ARP	ARP	MXP
Asian Bistro Argentina, S.R.L.	Argentina	ARP	ARP	MXP
Fast Food Chile, S.A.	Chile	CLP	CLP	MXP
Asian Food Ltda,	Chile	CLP	CLP	MXP
Gastronomía Italiana en Colombia, S.A.S.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S.A.	Colombia	COP	COP	MXP
Asian Bistro Colombia, S.A.S.	Colombia	COP	COP	MXP
Food Service Project S.L.	Spain	EUR	EUR	MXP

34. Commitments and contingent liabilities

Commitments:

a) The Entity leases locales to house its stores and distribution centers, as well as certain equipment further to the lease agreements entered into for defined periods (see Note 15).

b) The Entity has acquired several commitments with respect to the arrangements established in the agreements for purchase of the brands.

c) In the normal course of operations, the Entity acquires commitments derived from supply agreements, which in some cases establish contractual penalties in the event of breach of such agreements.

d) In the signed contracts with third parties, the Entity is entitled to comply with certain mandatory clauses; some of the main mandatory clauses are related to capital investments and opening of restaurants. As of December 31, 2020, derived from the Covid-19 pandemic, it was business to limit the investment of new stores until the recovery of sales as normal. As of December 31, 2019 and 2018, these obligations have been met.

Contingent liabilities:

a. In September 2014, the Finance Department of Mexico City determined taxable income for the company denominated Italcafé, S.A. de C.V. (Italcafé) based on amounts deposited in its bank accounts derived from different restaurants owned by Grupo Amigos de San Ángel, S.A. de C.V. (GASA), however, that these revenues were accumulated by the latter company giving it all the corresponding tax effects , that authority concluded that the observations were partially called into effect, and in January 2019, Italcafé brought an action for invalidity against the partial favourable decision, trial continues in legal process and in analysis by the Superior Chamber of the First Section of the Tax Court who shall be appointed to issue the decision.

   In March 2019, the Tax Administration Service (SAT) determined tax liabilities for GASA and Italcafé derived from the review performed for 2010 and 2011, respectively, with regard to the deposits made in their bank accounts. Accordingly, the companies filed a motion for reconsideration and, in August and November 2019, filed a proceeding for annulment against the rulings issued in the motions for reconsideration. The trial continues in its legal process.

   Please note that the former owners of GASA and Italcafé will assume the economic effects derived from the aforementioned tax liability due to the terms and conditions established in the agreements executed by Alsea with these vendors.

b. The tax authorities conducted an inspection of Alsea and its subsidiary, Operadora Alsea de Restaurantes Mexicanos, S.A., de C.V. (OARM) for 2014, which primarily focused on tax aspects related to the transactions performed to acquire the Vips division from Wal-Mart de México, S.A.B. de C.V. that year.

   The tax authorities issued payment requests, the most significant of which requests the payment of taxes for alleged income derived from the acquisition of goods from ALSEA for the total amount of $3,881 million pesos, including restatement.

   Alsea and its external attorneys consider that they have sufficient elements to show that the payment requests issued by the tax authorities are unlawful, while demonstrating that Alsea has fulfilled its tax obligations in time and form with regard to the aforementioned purchase-sale transaction; for this reason, an Administrative Appeal was lodged with the tax authorities on 23 March 2020, which is under review. I do not know, a provision has not been created for this purpose.

Appeals for revocation have been filed with the tax authorities, which are still pending resolution, in order to make an adequate assessment of all the elements to be established to establish the improperness of the abovementan settlements.

The transaction was recorded for accounting purposes according to IFRS and, more specifically, International Accounting Standards (IAS) 27 and 28, *Consolidated and separate financial statements, and Investments in Associates and Joint Ventures*, respectively. These standards establish that, in a business combination, the surplus value forming part of the book value of an investment in a subsidiary is not recognized separately; i.e., the surplus value generated by the acquisition of Vips must be presented together with the investment in shares in the separate financial statements of OARM because it does not fulfill the definition of a separate asset in the individual financial statements.

In the separate financial statements of Alsea, the acquisition of the VIPS Brand is only referred to as the acquisition of the intellectual property of the VIPS brand.

Alsea applied the accounting or purchase method contained in IFRS 3, Business combination, which is only applicable to the buyer in the Entity's consolidated financial statements. When applying this method, the assets and liabilities acquired through the purchase of this business included the identified intangible assets of the acquired company, the assets and liabilities covered by the previous terms are matched with the amount paid and the difference between these values is recorded as surplus value at the consolidated level.

As discussed above, purchase accounting is a special accounting treatment; the respective adjustments are only recognized in the consolidated financial statements, but are not recognized in the financial statements of the acquired entity or in the separate financial statements of the buyer.

35. Subsequent events

On April 5, 2021, Alsea has negotiated with all banks an extension to suspend the calculation of certain covenants for their credit contracts, (primarily those related to the gross leverage ratio and the interest coverage ratio) effective from April 1, 2021 to June 30, 2022. By doing so Alsea is a stronger position to continue facing the impact of the COVID-19 pandemic and to ensure the continuity of its priority strategic projects, the operation of its restaurants in optimal conditions, as well as the continued organic growth of the Entity.

In addition, Alsea has assumed the following commitments during the aforementioned period, which will be reviewed with the banks on a monthly basis:

- Maximum indebtedness:
    - The debt that the company has in Mexican pesos should not exceed 19.4 billion Mexican pesos or its equivalent in U.S. dollars or Chilean pesos.
    - The debt that the company has in euros must not exceed 615 million euros or its equivalent in U.S. dollars or Chilean pesos.
- Minimum liquidity:
    - During this period, the company agrees to maintain a minimum liquidity level of 3 billion pesos.

- Minimum consolidated stockholders' equity:

  - During this period, the company must maintain a minimum consolidated stockholders' equity of 6.9 billion pesos.

- Capital expenditure (Capex):

  - The company agrees not to exceed 800 million pesos in capital expenditure per quarter during the established period.

The Entity has undertaken a series of internal actions to ensure the viability and their success will depend upon the continuityof the pandemic and the measures taken by different governments regarding the operation of the restaurants, as well as the ability to the management to generate income and liquidity.

36. Authorization of consolidated financial statement

The consolidated financial statements were authorized for issuance on April, 14 2021 by Mr. Rafael Contreras Grosskelwing, Administration and Financial Director, and therefore they do not reflect any facts that might occur after that date and are subject to the approval of the audit committee and the Entity's stockholders, who can decide to modify them in accordance with the provisions of the Corporations Law.

* * * * * *

ANNEX A

Set out below is Annex A. Annex A (which is the Payment Statement) must be delivered by the Paying Agent to the issuer, in a timely manner, and must include certain details of the notes, in order to meet the requirements of Section 44.5 of Royal Decree 1065/2007. This offering memorandum is drawn up in the English language. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In case there is any discrepancy between the English text and the Spanish text, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

Any foreign language text included in this offering memorandum is for convenience purposes only and does not form part of this offering memorandum.

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal ( )[(1)], en nombre y representación de (entidad declarante), con número de identificación fiscal ( )[(1)] y domicilio en ( ) en calidad de (marcar la letra que proceda):

Mr (name), with tax identification number)[(1)], in the name and on behalf of (entity), with tax identification number ( )[(1)] and address in ( ) as (function – mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Principal Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1 En relación con los apartados 3 y 4 del artículo 44:

1 In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores

1.1 Identification of the securities

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated)

2 En relación con el apartado 5 del artículo 44.

2 In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores

2.1 Identification of the securities

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en………………a … de………………de …

I declare the above in …………… on the … of …………… of …

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia.

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence

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€300,000,000

5.500% Senior Notes due 2027

OFFERING MEMORANDUM

Global Coordinators and Joint Active Bookrunners

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January 13, 2022