CONFIDENTIAL OFFERING MEMORANDUM

131,147,540 Shares

Alsea, S.A.B. de C.V.
Single Series, Class I Common Shares
Offering Price: Ps.45.75 per Share

We are offering 131,147,540 shares of our Single Series, Class I common stock, no par value (the "Shares"), in a combined global offering consisting of a public Mexican Offering of 62,973,627 Shares in the United Mexican States ("Mexico") to the general public approved by the *Comisión Nacional Bancaria y de Valores* (the "Mexican National Banking and Securities Commission" or "CNBV"), and an International Offering of 68,173,913 Shares in the United States of America (the "United States" or the "U.S.") to qualified institutional buyers as defined under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") in transactions exempt from registration thereunder and in other countries outside of Mexico and the U.S. to certain non-U.S. persons in reliance on Regulation S under the Securities Act. Shares being offered in the combined offering may be reallocated between the Mexican Offering and the International Offering (together, the "Global Offering"). Closing of each of the Mexican Offering and International Offering are conditioned on each other. See "Plan of Distribution."

We have granted an over-allotment option to the Initial Purchasers and the Mexican Underwriters, exercisable within a period of 30 days from the date of this offering memorandum, to purchase up to an aggregate of 19,672,131 additional Shares from us at the offering price less the underwriting discounts and commissions. See "Plan of Distribution."

Our shares of common stock trade on the *Bolsa Mexicana de Valores, S.A.B. de C.V.* (the "BMV") under the symbol "ALSEA." We have applied to update the registration of our Shares in Mexico with the *Registro Nacional de Valores* (the "RNV") maintained by the Mexican National Banking and Securities Commission. The updating of the registration of the Shares with the RNV is expected to be obtained on or before the closing of the Global Offering as required under the *Ley del Mercado de Valores* (the "Mexican Securities Market Law"). On June 24, 2014, the last reported sales price of our shares of common stock on the BMV was Ps.46.12 per Share (U.S.$3.54 per Share at an exchange rate of Ps.13.02 per U.S. dollar published by the Mexican Central Bank on June 24, 2014). Registration of the Shares with the RNV does not imply any certification as to the investment quality of the Shares, our solvency or the accuracy or completeness of the information contained in this offering memorandum, and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

Investing in the Shares involves risks. For a discussion of certain risk factors you should consider before investing in our Shares, see "Risk Factors" beginning on page 22.

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

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

We expect that delivery of the Shares will be made to investors on or about June 30, 2014 through the book-entry system of S.D. Indeval Institución para el Depósito de Valores, S. A. de C.V. ("Indeval") in Mexico City, Mexico.

Joint International Bookrunners

HSBC **Citigroup** **BBVA** **ITAÚ BBA**

The date of this offering memorandum is June 24, 2014

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We have not authorized anyone to provide any information other than that contained in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information others may give you. We have not authorized anyone to provide you with information that is different. This offering memorandum may only be used where it is legal to sell these Shares. You should assume that the information in this document may only be accurate as of the date on the front cover of this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this offering memorandum. We are not making an offer of these Shares in any jurisdiction where such an offer is not permitted.

THIS OFFERING MEMORANDUM IS SOLELY THE RESPONSIBILITY OF ALSEA, S.A.B. DE C.V. AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. APPLICATION HAS BEEN MADE TO UPDATE THE REGISTRATION OF OUR SHARES IN MEXICO WITH THE RNV MAINTAINED BY THE CNBV, WHICH IS A REQUIREMENT UNDER THE MEXICAN SECURITIES MARKET LAW TO PUBLICLY OFFER SUCH SHARES IN MEXICO. THIS UPDATING OF REGISTRATION IS EXPECTED TO BE OBTAINED ON OR BEFORE THE CLOSING OF THE GLOBAL OFFERING AND DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE SHARES, OUR SOLVENCY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, AND SUCH REGISTRATION DOES NOT RATIFY OR VALIDATE ACTS OR OMISSIONS, IF ANY, UNDERTAKEN IN CONTRAVENTION OF APPLICABLE LAW. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE SHARES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF ALSEA, S.A.B. DE C.V.

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "Alsea," "the Issuer," "the Company," "we," "us," and "our" refer to Alsea, S.A.B. de C.V. and its subsidiaries except for Arrendadora de Restaurantes, S. de R.L. de C.V. ("Arrendadora de Restaurantes" or "ARE"), Operadora Vips, S. de R.L. de C.V. ("Operadora" or "OVI"), Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.

("Servicios Ejecutivos" or "SRE") and Holding de Restaurantes, S. de R.L. de C.V. ("Holding de Restaurantes" or "HRE") (collectively, the "Vips entities" or "Vips"), unless specifically stated.

This offering memorandum is highly confidential, and we have prepared it for use solely in connection with the proposed International Offering of our Shares. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the general public to subscribe to or otherwise acquire the Shares.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws including the Securities Act or pursuant to registration or exemption from them. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, investors must rely on their own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Shares or possess or distribute this offering memorandum or the Mexican Prospectus and must obtain any consent, approval or permission you require for your purchase, offer or sale of Shares under the laws and regulations 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 will have any responsibility therefor.

We and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the Shares offered hereby. We reserve the right to sell less than all of the Shares offered hereby.

NOTICE TO INVESTORS

The Mexican Offering is being made in Mexico pursuant to a prospectus in Spanish with the same date as this offering memorandum that complies with the requirements of the Mexican Securities Market Law and the regulations thereunder. The Mexican prospectus, which has been filed with and is under review and subject to approval by the CNBV, and this offering memorandum contain substantially the same information, in all material respects, except that the Mexican prospectus includes other information required by regulation in Mexico. The International Offering is being made in the United States and elsewhere outside Mexico solely on the basis of information contained herein.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. By purchasing the Shares, you will be deemed to have made the acknowledgments, representations and agreements described under "Transfer Restrictions" in this offering memorandum. We are not, and the Initial Purchasers are not, making an offer to sell the Shares in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum solely to a limited number of institutional investors in the United States and to certain investors outside the United States and Mexico so that they can consider a purchase of the Shares. We have not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Transfer Restrictions."

We and the Initial Purchasers cannot assure you that the information contained herein is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum.

We are not making any representation to any purchaser regarding the legality of an investment in the Shares by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, financial, business and tax advice regarding any investment in the Shares.

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

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

You must comply with all applicable laws and regulations in force in the jurisdiction to which you are subject and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Shares under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the Initial Purchasers will have any responsibility therefrom.

In making an investment decision, you must rely on your own examination of us and the terms of this offering, including the merits and risks involved. Neither the SEC nor any other securities commission or other regulatory authority has approved or disapproved the Shares or determined if this offering memorandum is truthful, accurate, adequate or complete. Any representation to the contrary is a criminal offense.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the United States federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the United States federal income tax treatment of the offering.

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

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

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

(b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Initial Purchasers has been given to the offer or resale; or (2) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

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

IMPORTANT INFORMATION

No representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Initial Purchasers or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this offering memorandum. Each person receiving this offering memorandum acknowledges that such person has not relied on the Initial Purchasers or any of their respective affiliates in connection with the accuracy of such information or its investment decision.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima bursátil de capital variable* (a publicly traded variable capital corporation) organized under the laws of Mexico, having our principal place of business (*domicilio social*) in Mexico City, Distrito Federal, Mexico. Most of our directors, officers and controlling persons and certain experts reside outside the United States. Substantially all of the assets of such persons are located in Mexico. Furthermore, substantially all of our assets are located in Mexico. As a result, it may not be possible for investors to effect service of process within any jurisdiction outside of Mexico upon our directors or officers or to enforce against us or our directors or officers in any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction. Based on the opinion of Díaz de Rivera y Mangino, S.C., our Mexican legal counsel, 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 of Mexico, of civil liabilities under the laws of any jurisdiction outside of Mexico.

WHERE YOU CAN FIND MORE INFORMATION

We are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For so long as any of the Shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish upon the request of any shareholder of the Shares, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the

Shares or interests therein who is a "qualified institutional buyer" within the meaning of Rule 144A(a)(1), information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Exchange Act or furnish the information to the SEC in accordance with Section 13 or 15 of the Exchange Act.

We have furnished, and will be required periodically to furnish, certain information, including quarterly and annual reports to the CNBV and to the BMV. You may read and copy the documentation submitted by Alsea to the CNBV for registration of its Shares in the RNV and the authorization of the Global Offering at the offices of the BMV or on its website: www.bmv.com.mx. Copies of such documents may also be obtained upon written request by any investor to our offices located at Av. Paseo de la Reforma No.222, 3er piso, Col. Juárez, 06600, México, D.F., Attention: Diego Gaxiola Cuevas and/or Eric Meléndez Camarillo, telephone number (52-55) 5241-7100. Our website is: http://www.alsea.com.mx. Information about us posted on our website should not be considered part of this offering memorandum or of any other document used by us in relation to the Global Offering.

INDUSTRY AND MARKET DATA

Market data and other statistical information (other than with respect to our financial results and performance) used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources, including but not limited to the *Consumer Foodservice in Mexico 2012* report and other reports published on a yearly basis by Euromonitor International.

Some data are also based on our estimates, which are derived from our review of internal surveys and independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee their accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. In some instances, we have also reclassified this information where we have believed it necessary to make it more reliable and consistent. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

FORWARD-LOOKING STATEMENTS

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

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

- competition within our industry and the markets in which we operate;
- the availability of goods and services that we rely on, such as basic materials and power, 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;
- 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, including the recently acquired Vips entities;

- economic trends in the industries or the markets in which we operate;
- the performance of the Mexican economy 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 in Mexico, intervention by regulatory authorities, governmental directives and fiscal policy;
- political, economic and social conditions in Mexico and other countries where we operate;
- our ability to pay our debt, fund our working capital requirements, and comply with the covenants in our credit agreements;
- 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;
- the loss or termination of our licensing or franchising contracts;
- 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
- the risk factors discussed under "Risk Factors."

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, forecast or intended.

Prospective investors should read the sections of this offering memorandum entitled "Summary," "Risk Factors," "Unaudited Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the markets and industry sectors in which we operate.

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

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements

Alsea

Pursuant to the *Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores* (General Provisions Applicable to Securities Issuers and Other Participants in the Securities Markets, or the "Regulations") issued by the CNBV, beginning with the year ended December 31, 2012, Mexican companies with securities listed on a Mexican securities exchange are required to prepare and present financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. We have adopted IFRS for the year ended December 31, 2012, with a transition date as of January 1, 2011.This offering memorandum includes: (i) our audited annual consolidated financial statements as of January 1, 2011 and December 31, 2011 and 2012 and for the years ended December 31, 2011 and 2012 and as of and for the years ended December 31, 2012 and 2013, prepared in accordance with IFRS (the "Alsea Audited Financial Statements"), as well as (ii) our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2013 and 2014, prepared in accordance with IAS 34 (the "Alsea Interim Financial Statements", and together with the Alsea Audited Financial Statements, the "Alsea Financial Statements"), together with the notes thereto. This offering memorandum includes our unaudited consolidated pro forma financial information as of and for the year ended December 31, 2013 and as of and for the three months ended March 31, 2013 and 2014, together with the notes thereto.

Vips entities

The summary historical financial information for the Vips entities was derived from: (i) the audited financial statements of Operadora Vips and Arrendadora de Restaurantes as of and for the years ended December 31, 2012 and 2013, included elsewhere in this offering memorandum, and as of and for the years ended December 31, 2011 and 2012, not included in this offering memorandum, each of which has been prepared in accordance with IFRS (the "OVI/ARE Audited Financial Statements"), (ii) the unaudited condensed interim financial statements of Operadora Vips and Arrendadora de Restaurantes as of and for the three months ended March 31, 2013 and 2014, prepared in accordance with IAS 34 (the "OVI/ARE Interim Financial Statements"), (iii) the audited financial statements of Servicios Ejecutivos and Holding de Restaurantes as of December 31, 2013 and for the period from April 26, 2013 to December 31, 2013, included elsewhere in this offering memorandum, prepared in accordance with IFRS (the "SRE/HRE Audited Financial Statements") and (iv) the unaudited condensed interim financial statements of Servicios Ejecutivos and Holding de Restaurantes as of and for the three months ended March 31, 2014, included elsewhere in this offering memorandum, prepared in accordance with IAS 34 (the "SRE/HRE Interim Financial Statements", and together with the OVI/ARE Audited Financial Statements, the OVI/ARE Interim Financial Statements and the SRE/HRE Audited Financial Statements, the "Vips Financial Statements"). Servicios Ejecutivos and Holding de Restaurantes were incorporated in April 2013 to transfer personnel working at different Wal-Mex companies that form part of the Vips acquisition together with Operadora Vips and Arrendadora de Restaurantes.

Certain Vips pro forma combined financial information

This offering memorandum also presents certain pro forma unaudited figures relating to Vips, such as combined pro forma net sales and combined pro forma EBITDA, to show for illustrative purposes financial information relating to the entities comprising Vips (as further set forth below) as if such entities had been operating on a combined basis at the beginning of the periods indicated. These figures were derived from the audited and unaudited financial statements of the entities comprising Vips, applying pro forma adjustments and eliminations thereto for the periods indicated, and are presented in this offering memorandum for illustrative purposes only. We present this information as we believe it is useful for investors, but you should not place undue reliance on such information, nor does such information purport to represent the actual results of operations had the Vips entities operated on a combined basis during the periods indicated or to project results for any future periods.

Rounding adjustments

Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

EBITDA

For both Vips and Alsea, 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. 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. EBITDA may not be comparable with other metrics reported by other companies under similar titles. Additionally, EBITDA is not indicative of the resources available for distribution of dividends, retained earnings or other discretionary purposes.

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, and references to “U.S. dollar,” “U.S. dollars,” “dollar,” “dollars” or “U.S. $” are to United States dollars.

In this offering memorandum, where information is presented in thousands, millions or billions of pesos or thousands, millions or billions of U.S. dollars, amounts of less than one thousand, one million, or one billion, as the case may be, have been 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.

GLOSSARY OF TERMS AND DEFINITIONS

Unless otherwise indicated by the context, the following terms will, for purposes of this offering memorandum, have the meanings ascribed to them below, whether used in singular or plural form.

“**Additional Shares**” shall mean the 19,672,131 Shares that may be acquired by the Initial Purchasers and the Mexican Underwriters pursuant to the over-allotment option granted to them.

“**ALDI**” means Grupo Alimentos y Diversión, S.A. de C.V.

“**Alsea Audited Financial Statements**” means, collectively, our audited annual consolidated financial statements as of January 1, 2011 and December 31, 2011, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013.

“**Alsea Financial Statements**” means, collectively, the Alsea Audited Financial Statements and the Alsea Interim Financial Statements.

“**Alsea Interim Financial Statements**” means, collectively, our unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2013 and 2014.

“**Arrendadora de Restaurantes**” or “**ARE**” means Arrendadora de Restaurantes, S. de R.L. de C.V.

“**Associated Units**” means the Starbucks units in Argentina and Chile in which we had a partial stake until we acquired a 100% interest in the Starbucks franchise in those countries in 2013.

“**BKC**” means Burger King Corporation.

“**BKW**” means Burger King Worldwide, Inc.

“**BMV**” or “**Mexican Stock Exchange**” means Bolsa Mexicana de Valores, S.A.B. de C.V.

“**Café Sirena**” means Café Sirena, S. de R.L. de C.V..

“**CAGR**” means compounded annual growth rate.

“**CEMEFI**” means the Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía A.C.*).

“CEPAL” means the Economic Commission for Latin America (*Comisión Económica para América Latina*).

“**CNBV**” means Mexico’s National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*).

“**Company Store**” means any outlet, establishment, store, unit or coffee shop operated directly by us under our various brands.

“**CONAPO**” means Mexico’s National Population Council (*Consejo Nacional de Población*).

“Corporations Law” means the Mexican Corporations Law (*Ley General de Sociedades Mercantiles*).

“**CPK**” means California Pizza Kitchen.

“**DIA**” means Distribuidora e Importadora Alsea, S.A. de C.V.

“**Dollars**” or “**U.S.$**” means the legal tender of the United States of America.

“Dominalco” means Dominalco, S.A.

“**Domino’s Pizza System**” means all of the Domino’s Pizza units currently in operation in Mexico, whether Company Stores or sub-franchised stores.

"DPI" means Domino's Pizza, Inc.

"DPII" means Domino's Pizza International, Inc., a subsidiary of DPI.

"**EBITDA**" for both Alsea and Vips 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. EBITDA should not be construed as an alternative to our net profit as an indicator of our financial performance or as an alternative to our cash flow from operations as a measure of our liquidity. EBITDA may not be comparable with other metrics reported by other companies under similar titles. Additionally, EBITDA is not indicative of the resources available for distribution of dividends, retained earnings or other discretionary purposes.

"**Estrella Andina**" means Estrella Andina, S.A.S.

"**Euromonitor**" means the 2012 consumer foodservice reports for the United States, Mexico, Argentina, Chile and Colombia published by Euromonitor International.

"**EY**" means Ernst & Young.

"**Fast food outlet**" means those outlets where the customer pays for his or her food before consuming it.

"Financial Statements" means, collectively, the Alsea Financial Statements and the Vips Financial Statements.

"**FINSAT**" means the news agency belonging to El Financiero Comercial.

"**GASA**" means Grupo Amigos de San Ángel, S.A. de C.V.

"**Grupo Axo**" means Grupo Axo, S.A.P.I. de C.V.

"**Grupo Calpik**" means Grupo Calpik, S.A.P.I. de C.V. (formerly Grupo Calpik, S.A. de C.V.).

"**Grupo Nutresa**" means Grupo Nutresa, S.A.

"**Holding de Restaurantes**" or "**HRE**" means Holding de Restaurantes, S. de R.L. de C.V.

"**IAS 34**" means IAS 34 *Interim Financial Reporting* from the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

"**Indeval**" means S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V., a Mexican securities depository institution.

"**INEGI**" means Mexico's National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*).

"**Initial Purchasers**" means HSBC Securities (USA) Inc., Citigroup Global Markets Inc., Banco Bilbao Vizcaya Argentaria, S.A., and Itaú BBA USA Securities Inc.

"**Italcafé**" means Italcafé, S.A. de C.V., the operator of Italianni's.

"**IVA**" means *impuesto al valor agregado* (value-added tax in Mexico).

"**Latin America**" or "**LatAm**" means, collectively, Mexico, Argentina, Chile and Colombia.

"**Mexican Securities Market Law**" means the Mexican Securities Market Law (*Ley del Mercado de Valores*).

"**Mexican Underwriters**" means HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC, Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex, and Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer

"**Mexico**" means the United Mexican States.

"**OFA**" means Operadora de Franquicias Alsea, S.A.P.I. de C.V. (formerly Operadora Dopitam S.A. de C.V.)

"**OIA**" means Operadora Internacional Alsea, S.A. de C.V.

"**Operadora DP**" means Operadora DP de México, S.A. de C.V.

"**Operadora Vips**" or "**OVI**" means Operadora Vips, S. de R.L. de C.V.

"**Operadora West**" means Operadora West, S.A. de C.V.

"**Operadora y Procesadora de Pollo**" means Operadora y Procesadora de Pollo, S.A. de C.V.

"**Outlet,**" "**Store,**" "**Unit**" or "**Coffee shop**" means each of the outlets, stores, units or coffee shops operated by us under our various brands, as the context may require.

"**OVI/ARE Audited Financial Statements**" means the audited financial statements of Operadora Vips and Arrendadora de Restaurantes as of and for the years ended December 31, 2012 and 2013, included in this offering memorandum, and as of and for the years ended December 31, 2011 and 2012 not included in this offering memorandum.

"**OVI/ARE Interim Financial Statements**" means the unaudited condensed interim financial statements of Operadora Vips and Arrendadora de Restaurantes as of and for the three months ended March 31, 2013 and 2014.

"**Panadería y Alimentos**" means Panadería y Alimentos para Food Service, S.A. de C.V.

"**Pei Wei**" or "**P.F. Chang's**" means PFCCB International, Inc.

"**Pesos**" or "**Ps.**" means the legal tender of Mexico.

"PFCCB" means PFCCB International, Inc., parent company of P.F. Chang's and Pei Wei Asian Diner.

"**Principal Shareholders**" means Alberto Torrado Martínez, Cosme Alberto Torrado Martínez, Armando Torrado Martínez and Alicia Martínez Alvarado.

"Pro Forma Financial Information" means our unaudited consolidated pro forma statement of financial position and income statement as of December 31, 2013 and March 31, 2014 and for the year ended December 31, 2013 and the three months ended March 31, 2013 and 2014 and the notes to those financial statements, giving effect to the acquisition of Vips.

"**QSR**" means Quick Service Restaurants.

"**ROE**" means Return on Equity, or our net income for the most recent twelve month period, divided by our average-month stockholders' equity over the same period.

"**ROIC**" means Return on Invested Capital, or our net income after income taxes for the most recent twelve month period, divided by our average month-end net investments in our operating activities (i.e., total assets, cash and cash equivalents, and interest-free liabilities such as utilities, suppliers, and legal and labor costs) over the same period.

"**RNV**" means the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV.

"**Same-store sales**" means the comparison of same-store sales that have been in operation for at least 60 weeks.

"**SC de México**" means SC de México, S.A. de C.V.

"**SCI**" means Starbucks Coffee International, Inc.

"**Senior Management**" means our executive officers and senior management members who report directly to our board of directors.

"**Servicios Ejecutivos**" or "**SRE**" means Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.

"**Servicios Inmobiliarios Alsea**" means Servicios Inmobiliarios Alsea, S.A. de C.V.

"**Servicios Múltiples Empresariales**" means Servicios Múltiples Empresariales ACD, S.A. de C.V., SOFOM, E.N.R.

"**Shared Service Center**" means the services rendered in connection with the operation and development of each of our brands.

"**South America**" means the South American continent, in particular, the South American countries where we operate, or intend to commence operations of, restaurants: Colombia, Chile, Argentina, and Brazil.

"**SRE/HRE Audited Financial Statements**" means the audited financial statements of Servicios Ejecutivos and Holding de Restaurantes as of December 31, 2013 and for the period from April 26, 2013 to December 31, 2013.

"**SRE/HRE Interim Financial Statements**" means the unaudited condensed interim financial statements of Servicios Ejecutivos and Holding de Restaurantes as of and for the three months ended March 31, 2014.

"**Starbucks Argentina**" means Starbucks Coffee Argentina, S.R.L.

"**Starbucks Chile**" means Starbucks Coffee Chile, S.A.

"**Sub-Franchised Units**" means the 210 Domino's Pizza sub-franchises, 226 Burger King sub-franchises, 11 Italianni's sub-franchises and the 2 California Pizza Kitchen sub-franchises in Mexico.

"**Vips**" means, collectively, Arrendadora de Restaurantes, Operadora Vips, Servicios Ejecutivos and Holding de Restaurantes.

"**TIIE**" means the Mexican benchmark interbank money market rate (*Tasa de Interés Interbancaria de Equilibrio*).

"**Wal-Mex**" means Wal-Mart de México, S.A.B.de C.V.

"**West Alimentos**" means West Alimentos, S.A. de C.V.

"**Vips Financial Statements**" means, collectively, the OVI/ARE Audited Financial Statements, the OVI/ARE Interim Financial Statements, the SRE/HRE Audited Financial Statements and the SRE/HRE Interim Financial Statements.

SUMMARY

The following summary contains a description of our business and certain summary financial information. Unless otherwise expressly indicated herein, the terms "Alsea," the "Company" and "we," refer to Alsea, S.A.B. de C.V. and its subsidiaries except Vips, unless specifically stated. This summary may not contain all the information that you may wish to consider prior to making any decision to invest in our Shares. Accordingly, you should carefully read this offering memorandum in its entirety, including, without limitation, the sections entitled "Risk Factors," "Business," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the Financial Statements and Pro Forma Financial Information included in this offering memorandum.

Overview

We are a leading regional operator of global brands in the fast food, coffee shop and casual dining segments, and, based on internal estimates of the number of points of sale, the number of brands we manage and our sales, we believe we are the largest restaurant operator in Latin America. Our significant and diverse portfolio includes brands such as Domino's Pizza, Starbucks, Burger King, Chili's Bar & Grill, California Pizza Kitchen, P.F. Chang's, Pei-Wei, Italianni's and The Cheesecake Factory. As of March 31, 2014, we operated 1,881 units in Mexico, Argentina, Chile and Colombia (excluding the 360 units being integrated to our portfolio from the Vips acquisition). We will commence operations in Brazil in 2014 by introducing P.F. Chang's. Our business model includes a shared services center that supports each of our operating brands by providing development and administrative services and acting as the supply chain.

During the three months ended March 31, 2014, we had net sales of Ps.3,992 million and EBITDA of Ps.424 million, while Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million. During the year ended December 31, 2013, we had net sales of Ps.15,719 million and EBITDA of Ps.2,038 million, while Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million.

Our consolidated net sales for the year ended December 31, 2013 totaled Ps.15,719 million and our consolidated net sales for the three months ended March 31, 2014 totaled Ps.3,992 million. Our consolidated net sales can be broken down into the following categories (without giving effect to inter-company transactions):

	Year ended December 31, 2013		Three months ended March 31, 2014	
	(in millions)			
Food and beverage (Mexico)	Ps.	10,371.3	Ps.	2,726.8
Food and beverage (South America)	Ps.	4,219.3	Ps.	997.4
Distribution to third parties	Ps.	4,330.0	Ps.	1,098.9

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 position in the region 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 1998 to 2013, our sales and EBITDA grew at a compounded annual growth rate, or "CAGR," of 22% and 19%, respectively.

Vips Acquisition

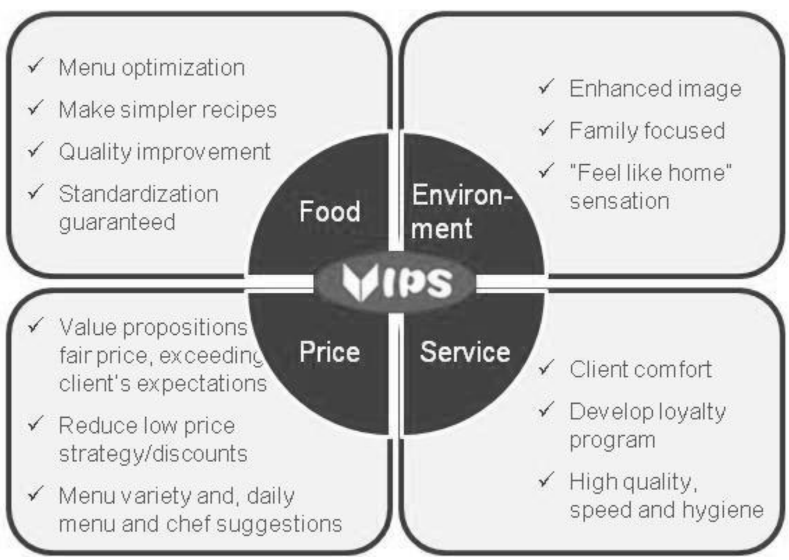
On May 9, 2014, we completed the acquisition of the partnership interests representing all of the outstanding capital of Vips, as well as all intellectual property rights to the "Vips," "El Portón," "Ragazzi" and "La Finca" trademarks and certain real estate properties and constructions, and all rights and obligations under certain lease agreements for real estate properties used in connection with Vips' operations, for a purchase price of Ps.8.2 billion, subject to adjustment.

Vips is a full service restaurant chain with 262 units in 65 cities located throughout Mexico. We believe that the "Vips" trademark enjoys iconic status within the Mexican restaurant industry, as evidenced by its 99% name recognition and 12.7% market share in the Mexican chained full-service restaurant market in 2013, according to Euromonitor. "El Portón," Vips' second largest brand, whose 90 restaurants are located on busy avenues, offers traditional Mexican food in a home-like environment, while our six "Ragazzi" units serve Italian food and our two "La Finca" units have Mexican offerings. Vips caters primarily to the growing lower-middle class segment of Mexico's population —a segment not presently served by the full-service brands in our existing portfolio. The chain strives to provide its customers with value by offering high-quality menu items at affordable prices, efficient service and convenient locations.

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million, which represents a pro forma EBITDA margin of 15.6%. During the year ended December 31, 2013, Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million, which represents a pro forma EBITDA margin of 15.8%. In 2012, Vips had combined pro forma net sales of Ps. 6,025 million and combined pro forma EBITDA of Ps.963 million, which represents a pro forma EBITDA margin of 16.0%.

The Vips acquisition also includes a production facility responsible for product standardization, bulk purchases, the centralized receipt of suppliers' deliveries, and the production of desserts, sauces and dressings. Our strategy in connection with the Vips acquisition is focused on:

- Accelerating our growth by taking advantage of additional growth opportunities;
- Consolidating a leadership position in the full-service restaurant industry in Mexico;
- Expanding an iconic brand in the Mexican market;
- Supplementing our business model by catering to the lower-middle-class sector; and
- Seeking to increase returns from the adoption and implementation of Alsea's corporate culture and standards.



Our Markets

We operate global brands in the fast food, coffee shop and casual dining segment. In the casual dining segment, we have attained substantial market share by incorporating new brands that Mexican consumers have embraced (such as Chili's and P.F. Chang's), and our acquisition of Vips will help strengthen our position in this market segment. We believe that our extensive experience in operating the casual dining segment in Mexico has enabled us to successfully replicate our business model in the fast food and coffee shop segments in South America, where we recently entered the casual dining market. In 2013, our brands served more than 263 million customers, which is almost equal to the combined population of Mexico, Argentina, Chile and Colombia. During the three months ended March 31, 2014, we served 66 million customers.

Our operations and geographic presence are strategically concentrated in Mexico, Argentina, Chile and Colombia, as the economic conditions and population growth in these countries are more favorable than they are in other developed markets.

As of March 31, 2014, we operated 1,881 units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) in Mexico, Argentina, Chile and Colombia, including 1,432 company units and 449 sub-franchises strategically located throughout the region, as detailed below.

Mexico

Domino's Pizza		Burger King	Chili's	California Pizza Kitchen	P.F. Chang's	Pei Wei Asian Diner	Italiannis	Vips	El Portón
592	419	436	40	20	14	3	63	270(1)	90

Argentina

	Burger King	P.F. Chang's
72	73	1

Chile

	Burger King	P.F. Chang's
57	34	1

Colombia

Domino's Pizza	Burger King	P.F. Chang's
39	16	1

(1) Includes six units operating under the "Ragazzi" trademark and two restaurants operating under the "La Finca" trademark.

Our Shared Services Model

Our success has been driven in part by our shared services model 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, 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

Leader in the food service industry through the operation of franchises and brands in market and product segments with significant growth potential

We have a strong presence in the Latin American region in the food industry through the operation of franchises and brands in market and product segments with significant growth potential. By targeting young adults and families, we have benefited from the increase in population in Latin America and improved macroeconomic conditions in some of the countries in which we operate. According to CEPAL, in 2012, the four countries in which we currently operate had a combined population of approximately 224 million, of which 45% is under the age of 25. Their economies have grown steadily in a time of global economic crisis, at rates of 5.1% (Argentina), 4.4% (Colombia), 4.4% (Chile), 2.2% (Brazil) and 1.2% (Mexico) on average over the past five years. In addition to these demographic and economic trends, we have benefited from our customers' increased purchasing power and changing tastes. Consumers' stronger preferences for dining outside the home and for fast food, combined with higher disposable income, have increased the size of our potential customer base.

We have built a diversified portfolio of local and international brands in Mexico. We operate in the fast food, coffee shop and casual dining segments, whose performance remained stable through the economic crisis and which we believe offer significant growth potential. Through these segments, we serve individuals from various socioeconomic segments that account, in total, for over 74% of Mexico's population, which we believe protects us from the effects of adverse economic cycles. As of March 31, 2014, 53% of our units in Mexico operated in the fast food segment (Domino's Pizza, Burger King), 21.5% in the coffee shop segment (Starbucks Coffee) and 26% in the casual dining segment (Chili's Grill & Bar, California Pizza Kitchen, P.F. Chang's, Pei Wei, Italianni's and Vips). In South America, 55% of our units operated in the fast food segment, 44% in the coffee shop segment, and 1% in the casual dining segment.

We believe that the food service industry offers significant opportunities for growth in the countries in which we operate. According to Euromonitor, as of December 31, 2013, the per capita share of the food service industry's sales in Mexico, Chile, Colombia and Argentina was U.S.$458, U.S.$405, U.S.$312 and U.S.$452, respectively, as compared with U.S.$1,485 in the United States. During the period from 2011 to 2013, our Mexican operations' net sales and EBITDA increased by 46% and 86%, respectively, while our operations in South America saw an increase in net sales and EBITDA of 76% and 40%, respectively. These figures reflect the application of our experience and know-how in Mexico to our operations in South America as well as the increase in store openings in that region. In addition, our industry experience and our management have enabled us to improve our margins and, thus, the profitability of our business units. We believe the integration of Vips into our portfolio has the potential to create various efficiencies and further support our growth.

Large operator of a multi-brand portfolio and strategic partner in Latin America

In Mexico, we operate 1,138 company-owned units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) that span across the majority of Mexico's territory, creating a barrier to entry for our potential competitors. Although we operate a majority of our stores (72% 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. In addition to our company stores, we currently manage 449 sub-franchises in Mexico. In South America we operate 294 units, of which 289 are company-owned and five are sub-franchises.

As part of the Vips acquisition completed on May 9, 2014, we acquired from Wal-Mex the "Vips" trademark, which provides us with flexibility with respect to innovation, image management and our plans for expansion. We are in the process of integrating 360 Vips units into our production chain, which will contribute critical mass to our portfolio and enable us to obtain important synergies through the creation of economies of scale in our operations, thereby reducing our distribution and overhead costs as a percentage of our total sales. In addition, we believe the Vips acquisition provides us with an attractive opportunity to increase our profitability by improving our margins since the operation of these units does not require us to pay any royalties or other fees to third parties.

Given our sustained growth and the contracts we have entered into, we believe we have become a strategic regional partner for each of the brands we operate, and we intend to continue to maintain solid business relations with our partners in order to continue to operate and grow our brand portfolio. We believe that our efficient operating model has allowed us to share some of our best practices with our international partners.

Proven financial strength as a result of a sustained and profitable growth and ability to integrate acquisitions

We have historically reported sustained and profitable levels of organic and inorganic growth, while maintaining a solid capital structure. Our EBITDA margin for the year ended December 31, 2013 was 13.0%, up from 11.9% for the year ended December 31, 2012. Our organic growth has been financed through our operating cash flows and, given the low penetration of the food service industry, we believe that significant potential for additional organic growth exists within our current territories. Over the past few years we have also grown inorganically through a series of mergers and acquisitions that have been financed through debt and additional equity. These have included businesses with significant growth potential that cater to previously underserved population segments, as well as recognized brands with the potential for creating significant synergies, such as Italianni's in 2012 and, most recently, Vips. In addition, since 2009, we have added several international brands such as P.F. Chang's, Pei Wei and The Cheesecake Factory to our portfolio.

In the past, we have been able to integrate our acquisitions into our existing operating network without affecting our profitability by taking into consideration the financing needed and the acquisitions' potential for margin expansion. We believe we will meet with similar success following our acquisition of Vips. We believe that as we integrate and transition Vips to operating under Alsea's standards we will generate many operating efficiencies. We expect that Vips will benefit from our focus on better customer service and greater customer satisfaction, improved menu offerings based on simpler recipes, enhanced store image, attractive price point and a prudent growth strategy for new restaurant openings.

Vertical integration through our state-of-the-art distribution platform and efficient logistics operations

We believe we have the ability to control the supply and distribution of commodities to each of our business units through our subsidiary DIA, which 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 throughout Mexico (Mexico City, Hermosillo, Cancun and Monterrey), and are in the process of building a sixth center in Bogota, Colombia. We have another six distribution centers, including one in Mexico City, three in Colombia and one in each of Argentina and Chile, which are operated by third parties under the same guidelines, standards and procedures as our company-owned distribution centers. Once construction is completed, our distribution center in Bogota will assume all of our distribution and logistics operations in Colombia.

We produce and distribute pizza dough for the entire Domino's Pizza System in Mexico and are the largest supplier to Burger King and Domino's Pizza sub-franchisors in Mexico. In addition, as part of our vertical integration strategy and in order to ensure the development of differentiated products for some of our brands, we began producing baked goods and sandwiches for select brands we operate in 2011.

We believe that our distribution network, which has sufficient capacity to support our growth over the next several years, provides us with a competitive advantage by ensuring an efficient and flexible procurement process for all of our operating units. We recently 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.

Shared services model provides effective management of our resources throughout our network

We believe that one of the key elements of our success lies in the shared services model designed for our operations. Our shared service center allows for the creation of important synergies and economies of scale that translate into substantial cost savings by centralizing all of the administrative and logistics processes that would otherwise prevent us from focusing on the actual operation of our business units. In general terms, our shared service center performs back-office functions such as accounting, human resources, IT, real estate development, maintenance and procurement. This model allows us to consolidate and improve the efficiency of our processes as a company while also enabling our individual business units to focus their time and efforts on the operation of their respective brands, thereby enhancing the quality of our customer service. In addition, our shared services model facilitates the integration of our new acquisitions and business units and our success in this area has led to the ongoing improvement of our results. Due to our shared services model, our operating margins have increased year over year over the past few years, as evidenced by our EBITDA margin, which increased from 11.9% in 2012 to 13% by the end of 2013.

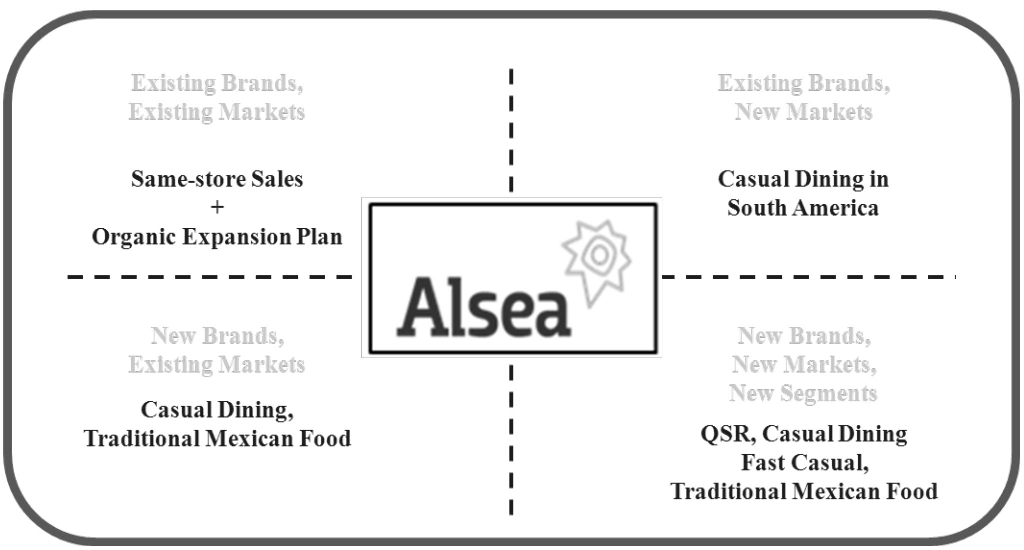
Seasoned and highly qualified management team, with significant industry experience and track record of integrating acquisitions.

Our management team has an average of 15 years' experience in the industry and we believe possesses the appropriate qualifications, expertise and motivation to implement our development strategy, as demonstrated by its track record of store openings, the successful integration of Italianni's, and the Vips acquisition. We believe that our culture of focusing on our 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 brand formats, thus facilitating the implementation of our process centralization strategy at our points of sale. 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.

We have a proven history of integrating new brands into our portfolio, having successfully added Italianni's to our operations in 2012. We believe that our recent acquisition of Vips will be a similar success, and have identified important synergies which we believe will enable us to further take advantage of economies of scale.

Our Strategy

Our primary aim is to preserve our position as a leading operator of fast food outlets, coffee shops and casual dining restaurants under global brands in Mexico and South America. We intend to carry out this aim while maintaining a solid financial position that we believe will enable us to seize growth opportunities, add value for our shareholders, and exceed our clients' expectations. We will continue to pursue the following strategies, which we believe will further enhance our business, market position and competitive advantages:



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. From 2003 to 2013, our number of units has grown at a CAGR of 26.5%, reaching 1,881 units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) as of March 31, 2014.

We also intend to increase our same-store sales through the implementation of promotional strategies, new product offerings and the ongoing improvement of our customer service. For example, our “Reinventing Pizza” (“*Reinventando la Pizza*”) campaign, which promoted an improved pizza with high-end ingredients at attractive prices, helped us reposition the Domino’s Pizza brand in Mexico. We succeeded in increasing the number of orders and later introduced more profitable products, which resulted in increased sales without compromising our margins. We offer a loyalty program through Starbucks, which helps us build strong, long-lasting relationships with our customers and to strengthen their preference for our brand through targeted promotions, special treatment and additional benefits for our “gold” members.

As part of our Vips value-generation strategy we intend to focus on (i) making use of our shared services and distribution platform to create economies of scale, (ii) optimizing our pricing and menu options for our customers, (iii) improving our customer service and providing an enhanced customer experience at our stores, (iv) reconfiguring our underperforming units, (v) optimizing the use of our real estate, and (vi) growing the business through a prudent strategy of opening additional stores.

Given our brands’ current market penetration, we believe there is significant potential for growth through the continuing expansion of our geographic coverage in Mexico, Chile, Colombia, Argentina and, during 2014, Brazil. We intend 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.

Pursuing new business opportunities on an ongoing basis to provide increased value to our company and our shareholders

The Latin American 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 cuisines and dining experiences at varying price points. According to our estimates, which are based on Euromonitor data, as of December 31, 2013, this sector represented a potential market of approximately U.S.$93.3 billion in the countries in which we currently operate (excluding Brazil). Although we believe that our existing brand portfolio and geographic presence continue to offer attractive opportunities to our shareholders, as part of our strategy, we remain engaged in an ongoing search for new opportunities in Mexico and South America, primarily through the following initiatives:

- *Development of the casual dining market in South America*. We believe that South America offers significant opportunities for the development of our existing brands and the implementation of our best practices in new markets. We opened our first P.F. Chang’s restaurant in each of Chile, Argentina and Colombia, and intend to further develop this business segment in the region.

- *Further diversification of our brand portfolio in order to achieve increased margins*. We seek to identify and explore potential brand acquisitions that may increase the value of our business portfolio. We believe our arrangements for the development of the The Cheesecake Factory trademark in Mexico and Chile and the acquisition of Vips will enable us to remain one of the largest restaurant operators in Latin America, to foster growth and to generate increased value for our shareholders.

Remaining the strategic partner of choice in the region

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. For instance, we acquired the exclusive rights to the Burger King master franchise for Mexico in April 2013 through a strategic operation with Burger King Worldwide, or "BKW." We expect that this transaction, which included the acquisition of 97 restaurants, will provide us with important synergies that will increase the brand's profitability. Furthermore, SCI reaffirmed its belief in our company by allowing us to acquire its interests in our joint ventures in Mexico, Argentina and Chile. We have also secured an extension of our exclusive rights to develop and operate the California Pizza Kitchen restaurants in Mexico through the end of 2022, which will allow us to continue to implement our growth and expansion plan throughout the entire Mexican territory.

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 Mexico and South America provide us with access to a unique platform that has enabled us to seize new business opportunities.

Maintaining a solid financial position in order to implement our strategic expansion plan and generate attractive 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 so as to create synergies, minimize risk and generate increased value for our shareholders. 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.

We believe that our growth strategy must be supported by an adequate capital structure, a solid liquidity position and a moderate debt profile that provides us with the flexibility we need to invest in the growth opportunities we identify. Our financial strategy is focused on maximizing the efficiency of our cash flows and strengthening our balance sheet.

Exceed our customers' expectations through the best product offerings 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. The Domino's Pizza innovations described above, the introduction of new sales formats such as our Burger King ice cream kiosks, and Starbucks' loyalty and reward programs are a few examples of our many customer service strategies.

Furthering our corporate governance practices and social awareness programs in order to earn the respect of our customers, associates and shareholders

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. In 2012, we were awarded the distinction of "Socially Responsible Company" by CEMEFI, for our commitment to the principles of the World Pact. For the first time, in 2012, we incorporated into our annual report our results expressed in terms of the economic value generated for our shareholders and our social and environmental performance.

Recent Developments

The following is a summary of certain material events that occurred since December 31, 2013 through the date of this offering memorandum.

Approval for a Capital Increase in Connection with the Global Offering

On May 29, 2014, a general extraordinary shareholders' meeting was held for the approval of a Ps.93,150,000 increase in the fixed portion of our capital stock, to Ps.343,879,527, through the issuance of up to 186,300,000 additional Shares of our Single Series, Class I common stock, for subscription and payment in connection with the Global Offering at an aggregate purchase price of approximately Ps.6.9 billion. As a result of this increase, upon completion of the Global Offering our authorized capital will be Ps.437,029,527, represented by an aggregate of 874,059,054 Shares, subject to adjustment based on the actual number of Shares sold in the Global Offering as described below. See "The Global Offering."

Extension of our exclusive development agreement with Chili's Grill & Bar

On March 24, 2014, we announced the renewal of our exclusive development agreement to operate the Chili's Grill & Bar brand in Mexico City and the surrounding states. The new agreement provides for the same royalty and store opening fees as the prior agreement. We also agreed to have a minimum of 56 Chili's restaurants in operation by December 31, 2018. As of March 31, 2014, we operated 40 Chili's restaurants in Mexico City and the surrounding states.

Completion of the Vips Acquisition

On November 29, 2013, we entered into certain credit agreements with HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC; Banco Nacional de México, S.A., Institución de Banca Múltiple, Grupo Financiero Banamex; and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, pursuant to which these financial institutions granted (i) a Ps.5.2 billion bridge loan to us and (ii) a Ps.3.0 billion term loan to one of our subsidiaries, which we refer to collectively as the "Vips Acquisition Loans".

On May 5, 2014, the *Comisión Federal de Competencia Económica* (Mexican Antitrust Commission) approved and authorized us to complete the acquisition of Vips.

As a consequence of the Mexican Antitrust Commission's authorization to acquire Vips, on May 9, 2014, we completed the acquisition of the partnership interests representing all of the outstanding capital of the Vips entities, as well as all intellectual property rights to the "Vips," "El Portón," "Ragazzi" and "La Finca" trademarks and certain real estate properties and constructions, and all rights and obligations under certain lease agreements for real estate properties used in connection with Vips' operations, for a purchase price of Ps.8.2 billion subject to price adjustment under the terms of the purchase agreement.

Corporate Information

We are a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Our corporate headquarters are located at Paseo de la Reforma 222, Piso 3, Col. Juárez, Delegación Cuauhtémoc, 06600 Mexico, D.F., Mexico. Our telephone number at this address is +(52 55) 5241-7100. Our website is www.alsea.com.mx. The information contained in or accessible through our website is not incorporated by reference in and does not constitute part of this offering memorandum.

THE GLOBAL OFFERING

Issuer	Alsea, S.A.B. de C.V.
Offering price	Ps.45.75 per share
Shares offered by us in the Global Offering	We are offering 131,147,540 Shares of our Single Series Class I common stock, no par value.
Over-allotment option...	We have granted an over-allotment option to the Initial Purchasers and the Mexican Underwriters, exercisable within a period of 30 days from the date of this offering memorandum, to purchase up to an aggregate of 19,672,131 additional Shares from us at the offering price, less underwriting discounts and commissions.
Basis for the determination of the offering price	The offering price per Share was determined taking into consideration, among other factors, (i) our financial and operating condition, (ii) the performance of our Shares on the Mexican Stock Exchange, (iii) the expected trends in the markets in which we operate, (iv) the general condition of the Mexican and global securities markets and (v) the performance of the securities issued by other participants in our industry.
The International Offering..	We are offering an aggregate of 68,173,913 Shares in the United States to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act and in other countries outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.
The Mexican Offering	Concurrently with the International Offering, as part of our public offering in Mexico, we are offering 62,973,627 Shares through the Mexican Underwriters to the public in Mexico, by means of a separate Spanish language prospectus prepared in accordance with Mexican legal requirements, which contains information that is substantially similar to the information included in this offering memorandum. The closing of the Mexican Offering is a condition to the closing of the International Offering and the closing of the International Offering is a condition to the closing of the Mexican Offering.
The Global Offering	We refer to the International Offering and the Mexican Offering together as the Global Offering. This offering memorandum relates solely to the International Offering.
Reallocation..	The number of Shares to be offered pursuant to the International Offering and the Mexican Offering is subject to reallocation between the Initial Purchasers and the Mexican Underwriters depending on the existing demand in the various markets. See "Plan of Distribution."

Shares outstanding	Immediately prior to the Global Offering, we will have 687,759,054 Shares outstanding. After the Global Offering, we will have 818,906,594 Shares outstanding, assuming the over-allotment option is not exercised, or 838,578,725 Shares outstanding if the over-allotment option is exercised in full. The Shares in the Global Offering will represent 16.0% of our outstanding Shares immediately following the Global Offering, assuming the over-allotment option is not exercised, or 18.0% of our outstanding Shares if the over-allotment option is exercised in full.
Use of proceeds	We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately Ps.5,833,317,127 (U.S.$447,965,498 at the Mexican Central Bank Exchange Rate published on June 24, 2014 of Ps.13.02 per U.S.$1.00), without considering the over-allotment option, or Ps.6,733,317,127 (U.S.$517,080,367 at the Mexican Central Bank Exchange Rate published on June 24, 2014 of Ps.13.02 per U.S.$1.00), assuming the exercise of the over-allotment option in full, after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the prepayment of a bridge loan in the amount of Ps.5,200 million which was used exclusively for the purposes of acquiring the restaurant chain Vips, and any remaining proceeds will be used for general corporate purposes.
Listing	Our outstanding Shares are registered with the National Securities Registry (“RNV”) and listed on the Mexican Stock Exchange (“BMV”) under the symbol “ALSEA”. We have applied to register the Shares subject to the Global Offering with the RNV and to list the Shares on the Mexican Stock Exchange. We do not currently anticipate applying to list our Shares or any other securities on any automated quotation system outside of Mexico.
Mexican Stock Exchange symbol	“ALSEA.”
Payment, settlement and delivery	Settlement of the Shares will be made on or about June 30, 2014 through the book-entry, settlement and custody system of Indeval.
Voting rights	The Shares confer upon their holders full voting and ownership rights. Each Share entitles its holder to exercise his/her voting rights fully and individually, and to place a vote at any of the Issuer’s general shareholder meetings. See “Description of our Capital Stock and Bylaws” for a discussion of voting rights.

Principal Shareholders	Following the completion of the Global Offering and assuming the over-allotment option is not exercised, the Principal Shareholders will continue to own approximately 40.93% of our outstanding Shares. In the event that the over-allotment option to purchase Additional Shares is exercised in full, the Principal Shareholders will continue to own approximately 39.97% of our outstanding Shares. See "Principal Shareholders."
Transfer restrictions	The International Offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth in "Transfer Restrictions." As a result of these restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the Shares.
Lock-up period	We, our Principal Shareholders and our Senior Management have agreed, subject to certain exceptions, not to sell or otherwise dispose of any Shares or securities convertible into or exchangeable for any Shares for a period of 90 days from the date of this offering memorandum without the prior written consent of the Initial Purchasers and the Mexican Underwriters, provided that each Senior Management member may, in one or more transactions, sell up to 100,000 of his/her Shares.
Dividends	See "Dividends" for further information.
Taxation	See "Taxation" for a discussion of certain material United States federal income tax and Mexican tax consequences of holding and disposing of the Shares.
Risk Factors	See "Risk Factors" and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the Shares.
Depository	The Shares offered in connection with the Global Offering will be represented by a global certificate deposited with Indeval.
Potential buyers	The Shares may be purchased by individuals or legal entities of Mexican or foreign nationality, provided their investment regulations expressly permit it.

Corporate approvals	On May 29, 2014, our shareholders approved, among other things, an increase in our capital stock, through the issuance of up to 186,300,000 new Shares for their subscription and payment in connection with the Global Offering. Under Mexican law, existing shareholders do not enjoy pre-emptive rights to the new Shares.
Initial Purchasers	HSBC Securities (USA) Inc., Citigroup Global Markets Inc., Banco Bilbao Vizcaya Argentaria, S.A. and Itaú BBA USA Securities Inc.
Mexican Underwriters	HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC, Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex, and Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer.

Certain of our Principal Shareholders, board members and members of our management, have agreed to purchase 9,890,710 Shares, or approximately 7.5% (or approximately 6.6% assuming full exercise of the over-allotment option), of the Shares in the Global Offering at the offering price to investors.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents a summary of our consolidated financial information and operating information for the dates and periods indicated therein. We have derived our summary consolidated financial information from the Alsea Financial Statements. Results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2014.

Pursuant to the Regulations published by the CNBV, beginning with the year ended December 31, 2012, Mexican companies with securities listed on a Mexican securities exchange are required to prepare and present financial information in accordance with IFRS. We have adopted IFRS for the year ended December 31, 2012, with a transition date of January 1, 2011.

Alsea, S.A.B. de C.V. and Subsidiaries
Summary Statement of Income and Other Financial Data

	Years ended December 31,			Three months ended March 31,		Twelve months ended March 31,	Pro forma twelve months ended March 31,
	2011	2012	2013	2013	2014	2014(3)	2014(3)
	(in thousands of Mexican pesos)						
Net sales	Ps.10,668,771	Ps.13,519,506	Ps.15,718,543	Ps. 3,398,746	Ps. 3,992,036	Ps.16,311,833	Ps.22,404,929
Cost of sales	3,787,599	4,755,290	5,227,739	1,162,341	1,336,476	5,401,874	7,291,403
Operating and other expenses(1)	6,428,105	7,966,907	9,375,729	2,067,037	2,477,560	9,786,252	13,346,717
EBITDA	1,123,067	1,608,607	2,038,196	373,467	423,753	2,088,482	3,050,460
Consolidated net income	236,761	401,798	663,320	72,952	68,422	658,790	1,051,814
Net income attributable to controlling interest	209,643	364,918	681,014	65,149	86,778	702,643	1,095,667
Basic and diluted net earnings per share(2)	0.34	0.57	0.99	0.09	0.12	1.02	
Capital expenditures	1,245,400	2,751,000	3,644,000	146,202	274,500		

(1) Operating and other expenses represents the sum of leases, depreciation and amortization, operating costs and expenses and other expenses (income) – net.

(2) These amounts are reflected in Mexican pesos, not thousands of Mexican pesos.

(3) The historical and pro forma income statement data for the twelve months ended March 31, 2014 have been derived by taking the historical or pro forma income statement data for the fiscal year ended December 31, 2013, subtracting the historical or pro forma income statement data for the three months ended March 31, 2013, and adding the historical or pro forma income statement data for the three months ended March 31, 2014, as applicable.

	Years ended December 31,			Three months ended March 31,		Twelve months ended March 31,	Pro forma twelve months ended March 31,
	2011	2012	2013	2013	2014	2014	2014
	(in thousands of Mexican pesos)						
EBITDA Reconciliation:							
EBITDA	Ps. 1,123,067	Ps. 1,608,607	Ps. 2,038,196	Ps. 373,467	Ps. 423,753	Ps. 2,088,482	Ps. 3,050,460
Less:							
Depreciation and amortization	670,000	811,298	923,121	204,099	245,753	964,775	1,283,651
Equity in results of associated companies	(8,805)	(12,978)	(43,582)	(3,148)	(5,722)	(46,156)	(46,156)
Net financing cost(1)	118,094	189,342	210,470	55,976	87,583	242,076	438,503
Income before income taxes	343,778	620,945	948,187	116,540	96,139	927,787	1,374,462

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

Alsea, S.A.B. de C.V. and Subsidiaries
Summary Financial Position Data and Financial Ratios

	As of December 31,			As of March 31,	Pro forma as of March 31,
	2011	2012	2013	2014	2014
	(in thousands of Mexican pesos)				
Total assets	Ps. 9,374,174	Ps. 9,797,593	Ps. 12,381,659	Ps. 12,439,759	Ps. 21,614,405
Total liabilities	6,081,443	4,968,696	7,878,357	7,951,464	17,126,110
Total stockholders' equity	3,292,731	4,828,897	4,503,302	4,488,295	4,488,295
Total liabilities and stockholders' equity	9,374,174	9,797,593	12,381,659	12,439,759	21,614,405

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
Financial Ratios:					
EBITDA margin	10.5%	11.9%	13.0%	11.0%	10.6%
EBITDA/Interest expense	7.4x	6.6x	8.4x	7.5x	7.3x
Net debt/EBITDA(1)	3.0x	1.0x	2.2x	0.9x	2.2x
ROIC(2)	7.0%	8.6%	11.7%	8.9%	11.5%
ROE(3)	7.2%	10.5%	14.5%	10.9%	14.7%

(1) Represents our total debt, less our cash and cash equivalents, divided by our EBITDA for each of the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively. Net debt is calculated as follows:

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican Pesos)				
Total debt	Ps. 4,056,531	Ps. 2,474,480	Ps. 5,043,617	Ps. 2,416,101	Ps. 5,110,669
Cash and cash equivalents	739,379	932,594	663,270	849,218	530,784
Net debt	3,317,152	1,541,886	4,380,347	1,566,883	4,579,885

(2) After-tax profit/net operating investment = ROIC. Net operating investment represents total assets less total liabilities less cash and cash equivalents. The amounts shown in the table below represent the average of each figure for each year.

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican Pesos)				
After-tax profit	Ps. 317,147	Ps. 578,162	Ps. 830,207	Ps. 631,291	Ps. 854,708
Total assets	6,448,034	9,868,052	10,371,659	9,555,570	11,087,576
Cash and cash equivalents	509, 376	882,840	733,618	31,483	653,256
Liabilities	1,395,009	2,262,398	2,569,406	3,236,166	7,442,246
Net operating investment	4,543,649	6,722,814	7,068,635	6,434,166	7,442,246

(3) Consolidated net income / stockholders' equity = ROE.

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

Information on Units in Operation

	As of December 31,			As of March 31,
	2011	**2012**	**2013**	**2014**
Brands(1)				
Domino's Pizza Mexico(2)	578	584	590	592
Domino's Pizza Colombia	22	29	38	39
Burger King Mexico	107	107	436	436
Burger King Argentina	58	65	72	73
Burger King Chile	32	34	34	34
Burger King Colombia	10	15	16	16
Total fast food units	807	834	1,186	1,190
Starbucks Mexico	337	367	413	419
Starbucks Chile	36	41	53	57
Starbucks Argentina	50	64	71	72
Total coffee shop units	423	472	537	548
Chili's Grill & Bar	33	36	39	40
California Pizza Kitchen	10	13	19	20
P.F. Chang's China Bistro	9	10	13	14
P.F. Chang's China Bistro LatAm	0	1	3	3
Pei Wei Asian Diner	1	2	3	3
Italianni's	0	53	62	63
Total casual dining units	53	115	139	143
TOTAL UNITS	**1,283**	**1,421**	**1,862(2)**	**1,881**
Company Units	1,077	1,161	1,411	1,427
Total sub-franchised units	170	219	451	454
Total Associated Units	36	41		

(1) Does not include the 360 units being integrated to our portfolio from the Vips acquisition.

(2) Includes our Domino's Pizza sub-franchises in Mexico.

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

Financial Information by Business Segment

	Years ended December 31,			Three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	(in millions of Mexican pesos)				
Net sales by business segment:					
Food and beverages, Mexico	Ps. 7,083.8	Ps. 8,752.2	Ps. 10,371.3	Ps. 2,276.5	Ps. 2,726.8
Food and beverages, South America	2,401.7	3,416.3	4,219.3	824.0	997.4
Distribution and production	3,395.6	4,032.4	4,330.0	976.6	1,098.9
Intercompany transactions(1)	(2,212.3)	(2,681.4)	(3,202.1)	(678.3)	(831.0)
Total	Ps. 10,668.8	Ps. 13,519.5	Ps. 15,718.5	Ps. 3,398.7	Ps. 3,992.0
EBITDA by business segment:					
Food and beverages, Mexico	Ps. 840.1	Ps. 1,374.2	Ps. 1,562.0	Ps. 360.4	Ps. 311.2
Food and beverages, South America	198.7	214.3	277.5	23.7	53.2
Distribution and production	39.6	206.8	253.8	30.5	73.3
Other(2)	44.7	(186.7)	(55.1)	(41.2)	(13.9)
Total	Ps. 1,123.1	Ps. 1,608.6	Ps. 2,038.2	Ps. 373.5	Ps. 423.8

(1) For purposes of the presentation of the segment information, these transactions were included in each of the relevant segments.

(2) "Other" includes the results of the service entity, the real estate entity and the holding company.

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Food and beverages, Mexico:					
EBITDA	Ps. 840.1	Ps. 1,374.2	Ps. 1,562.0	Ps. 360.4	Ps. 311.2
Less:					
Depreciation and amortization	478.3	558.3	637.0	138.8	174.8
Net financing cost(1)	4.0	58.8	34.7	9.9	6.0
Income before income taxes	357.8	757.1	890.3	211.7	130.4

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Food and beverages, South America:					
EBITDA	Ps. 198.7	Ps. 214.3	Ps. 277.5	Ps. 23.7	Ps. 53.2
Less:					
Depreciation and amortization	130.4	168.4	177.5	39.0	41.1
Equity in results of associated companies	(8.8)	(13.0)	0	(3.1)	0
Net financing cost(1)	13.9	23.8	45.8	9.1	20.6
Income before income taxes	63.2	35.1	54.2	(21.3)	(8.5)

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Distribution and production:					
EBITDA	Ps. 39.6	Ps. 206.8	Ps. 253.8	Ps. 30.5	Ps. 73.3
Less:					
Depreciation and amortization	31.0	51.4	61.3	7.6	16.9
Net financing cost(1)	37.0	43.4	8.4	0.0	5.6
Income before income taxes	(28.4)	112.0	184.1	22.9	50.7

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 March 31, 2014.

	Net sales (in thousands of pesos)	Percentage of total business
Geographic Region		
Mexico	Ps. 2,994,666	75%
Argentina	616,024	15%
Chile	259,274	7%
Colombia	122,072	3%

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and operated exclusively in Mexico.

Summary Vips Financial Information

The summary historical financial information for Vips was derived from the OVI/ARE Audited Financial Statements, the OVI/ARE Interim Financial Statements, the SRE/HRE Audited Financial Statements and the SRE/HRE Interim Financial Statements. Servicios Ejecutivos and Holding de Restaurantes were incorporated in April 2013 to transfer the personnel working at different Wal-Mex companies that form part of the Vips acquisition together with Operadora Vips and Arrendadora de Restaurantes. Results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2014.

Summary Income Statement Data

	Three months ended March 31,					
	2013		2014			
	(in thousands of Mexican pesos)					
	OVI	ARE	OVI	ARE	SRE	HRE
Net sales, rental, service and other income	Ps. 1,491,749	Ps. 59,937	Ps. 1,459,596	Ps. 46,323	Ps. 142,858	Ps. 272,504
Gross profit	1,074,652		1,069,606			
Net income (loss)	5,378	26,217	22,840	20,398	7,594	(791)
EBITDA	88,668	36,189	98,375	32,867	15,549	307

	Three months ended March 31,					
	2013		2014			
	(in thousands of Mexican pesos)					
	OVI	ARE	OVI	ARE	SRE	HRE
EBITDA Reconciliation						
EBITDA	Ps. 88,668	Ps. 36,189	Ps. 98,375	Ps. 32,867	Ps. 15,549	Ps. 307
Less:						
Depreciation and amortization	70,678	7,430	62,785	6,359	3,951	-
Net financing cost (income) (1)	9,716	(6,282)	2,854	(2,632)	749	1,437
Income (loss) before income taxes	8,274	35,041	32,736	29,140	10,849	(1,130)

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

	Years ended December 31,							
	2011		2012		2013(1)			
	OVI	ARE	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)							
Net sales, rental, service and other income	Ps.5,894,855	Ps. 221,657	Ps.6,112,172	Ps. 242,852	Ps. 6,204,924	Ps. 214,439	Ps. 308,872	Ps. 629,638
Gross profit (loss)	4,236,789		4,416,756		4,413,167			
Net income (loss)	111,642	101,456	162,484	128,053	69,659	183,265	(8,955)	(4,250)
EBITDA	-	-	517,600	196,717	421,541	253,030	(2,808)	(3,854)

(1) SRE and HRE income statement data is for the period from April 26 through December 31, 2013.

	Years ended December 31,					
	2012		2013(1)			
	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)					
EBITDA Reconciliation						
EBITDA	Ps. 517,600	Ps. 196,717	Ps. 421,541	Ps. 253,030	Ps. (2,808)	Ps. (3,854)
Less:						

Depreciation and amortization	237,105	30,449	255,664	28,189	7,686	–
Net financing cost (income) (2)	45,047	(13,917)	58,121	(20,108)	1,912	2,308
Income (loss) before income taxes	235,448	180,185	107,756	244,949	(12,406)	(6,162)

(1) SRE and HRE income statement data is for the period from April 26 through December 31, 2013.

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

Summary Statement of Financial Position Data

	As of March 31,			
	2014			
	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)			
Total assets	Ps. 2,526,673	Ps. 666,911	Ps. 121,664	Ps. 234,741
Total liabilities	869,697	41,791	125,804	243,195
Total equity (deficit)	1,656,976	625,120	(4,140)	(8,454)
Total liabilities and equity (deficit)	2,526,673	666,911	121,664	234,741

	As of December 31,							
	2011		2012		2013			
	OVI	ARE	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)							
Total assets	Ps. 3,080,730	Ps. 895,157	Ps. 8,260,755	Ps. 1,019,515	Ps. 2,750,356	Ps. 660,942	Ps. 124,589	Ps. 206,403
Total liabilities	1,873,737	42,753	6,891,278	39,058	1,116,220	56,220	136,323	214,066
Total equity (deficit)	1,206,993	852,404	1,369,477	980,457	1,634,136	604,722	(11,734)	(7,663)
Total liabilities and equity (deficit)	3,080,730	895,157	8,260,755	1,019,515	2,750,539	660,942	124,589	206,403

Summary Pro Forma Financial Information

The following unaudited pro forma financial information is based on our historical financial statements and the historical financial statements of Arrendadora de Restaurantes, Operadora Vips, Servicios Ejecutivos and Holding de Restaurantes and presents our pro forma financial position and pro forma results of operations resulting from the Vips acquisition. The accompanying pro forma financial information reflects adjustments to our historical financial data to give effect to the Vips acquisition as if it had occurred on December 31, 2013, and March 31, 2014 for the purpose of the pro forma statements of financial position at such dates, and on January 1, 2013 for the purpose of the pro forma statements of income.

The unaudited pro forma financial information is provided for informational purposes only and does not purport to represent our financial condition or results of our operations had the Vips acquisition occurred on or as of the dates noted above or to project the results for any future date or period. The pro forma adjustments are preliminary and based upon available information and certain estimates and assumptions. The unaudited pro forma financial information does not purport to project our future financial position or operating results.

The pro forma adjustments to our historical financial information give effect to the Vips acquisition as well as events that are directly attributable to the Vips acquisition, which are factually supportable, and with respect to the statements of operations, which are expected to have a continuing impact on the consolidated results of operations of Alsea. See "Unaudited Pro Forma Financial Information."

Summary Unaudited Pro Forma Income Statement Data

	Year ended December 31, 2013	Three months ended March 31, 2014
	(in thousands of Mexican pesos)	
Net sales	Ps. 21,843,045	Ps. 5,432,743
Cost of sales	7,142,477	1,759,009
Operating and other expenses(1)	12,953,059	3,355,466
EBITDA	3,000,920	648,454
Consolidated net income	1,053,956	137,821
Net income attributable to controlling interest	1,071,650	156,177

(1) Operating and other expenses represents the sum of leases, depreciation and amortization, operating costs and expenses and other expenses (income) – net.

	Year ended December 31, 2013	Three months ended March 31, 2014
	(in thousands of Mexican pesos)	
EBITDA Reconciliation:		
EBITDA	Ps. 3,000,920	Ps. 648,454
Less:		
Depreciation and amortization	1,253,411	330,186
Equity in results of associated companies	(43,582)	(5,722)
Net financing cost(1)	408,450	155,098
Income before income taxes	1,382,641	168,892

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

Summary Unaudited Pro Forma Statement of Financial Position Data

	As of December 31, 2013	As of March 31, 2014
	(in thousands of Mexican pesos)	
Total assets	Ps. 21,596,217	Ps. 21,614,405
Total liabilities	17,092,915	17,126,110
Total equity	4,503,302	4,488,295
Total liabilities and equity	21,596,217	21,614,405

RISK FACTORS

Our prospective investors should carefully consider the risks described below, together with the rest of the information contained in this offering memorandum, before making any decision to purchase our Shares. Any of the following risks could materially and adversely affect our business, results of operations and financial condition. In such event, the market price of our Shares could decline and our investors could lose all or part of their investment. The risks described below are those which we are currently aware of and which we currently believe may materially and adversely affect us. Additional risks not currently known to us, or those which we currently believe are immaterial, may also have a material adverse effect on us and our business. As a result, any investment in our Shares involves a certain degree of risk.

Risks Relating to Our Business

We are a holding company and the majority of our assets consist of the shares of stock of our operating subsidiaries.

We are a holding company and, as such, we conduct our business activities through our subsidiaries, which are responsible for the operation and development of our various brands. The operations of our subsidiaries are supported through technical and administrative services rendered by other subsidiaries. All of the assets used in the operation of our retail outlets, production facilities and distribution centers are owned by or licensed to our subsidiaries. Accordingly, our only assets are the shares of stock we own in our subsidiaries (including the recently acquired Vips entities partnership interests). Our ability to pay dividends, service our debt and make other distributions depends on our subsidiaries' ability to distribute their profits and other revenues to us. If our subsidiaries' ability to pay dividends or transfer other amounts to us becomes subject to restrictions, our financial condition and liquidity could be adversely affected. The cash distributions by our subsidiaries may be subject to legal and corporate restrictions.

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 (such as Domino's Pizza and Burger King) 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"), 29.3 million individuals, or 56.8% of Mexico's 51.5 million person 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 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, which would 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 — 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.

The agreements governing our bank debt contain certain financial covenants that require us to maintain (i) a total debt (including debt taken on in the Vips acquisition) to EBITDA ratio no greater than 5.0x until the loan matures, based on our quarterly consolidated financial statements; (ii) an EBITDA to interest expense ratio, after giving effect to the Vips acquisition, equal to or greater than 3.0x, based on our quarterly consolidated financial statements; and (iii) minimum stockholders' equity, after giving effect to the Vips acquisition, equal to 90% of the stockholders' equity reflected in our audited financial statements as of and for the year ended December 31, 2012, in constant pesos. Prior to the Vips acquisition, we secured from each of our lenders all the requisite waivers and consents to enter into the relevant agreements with the financial covenants described above. Our failure to maintain the aforementioned ratios and to successfully negotiate a waiver would entitle our lenders to terminate these agreements and accelerate our obligations, which would have a material adverse effect on our business. 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 — Indebtedness."

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

The agreements governing our bank debt contain certain financial covenants that require us to maintain a total debt (including debt assumed in the Vips acquisition) to EBITDA ratio no greater than 5.0x until the loan matures. Accordingly, if we needed to incur any additional indebtedness to satisfy our cash requirements, we would need to secure a waiver from our lenders in order to increase our permitted debt levels, as failure to do so could accelerate required payment in full of our loans.

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 to finance our operations and expansion projects.

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, restaurant and coffee shop 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. In particular, we may be unable to integrate our new operations in the casual dining segment into our fast food operations and business model given their large dissimilarities including, for example, that casual dining outlets require a significantly larger investment, more staff and more advance personnel training processes than fast food outlets. If we are unable to efficiently operate our casual dining outlets and integrate them into our business model, our financial condition, results of operations and liquidity could be adversely affected.

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 confidential the owners' proprietary information. 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, we would lose the right to use the relevant trademark. Any such event would 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 pertinent 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' 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 the Intellectual Property Law in Mexico.

The trademarks we operate represent a competitive advantage and are governed by the Intellectual Property Law (*Ley de la Propiedad Industrial*) in Mexico. This regulation may be changed from time to time, with a general tendency towards becoming more stringent. Even though we have budgeted future capital and operating expenditures in order to comply with this regulation, we cannot assure that our budgeted amounts will be enough to satisfy any changes in the law. Moreover, the costs of complying with current or future intellectual property regulations or 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, which would affect our ability to ensure that our retail outlets are situated in suitable locations.

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 herein. 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 a new location for the relevant unit.

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 under (i) the Burger King trademark in Argentina, Chile and Colombia through our subsidiaries Fast Food Sudamericana, S.A., Fast Food Chile, S.A. and Operadora Alsea Colombia, S.A., respectively; (ii) the Domino's Pizza trademark in Colombia through our subsidiary Dominalco; (iii) the Starbucks trademark in Argentina, Chile and Colombia through Starbucks Argentina, Starbucks Chile and Estrella Andina, respectively; and (iv) the P.F. Chang's trademark in Argentina, Chile and Colombia through Asian Bistro Argentina, S.R.L., Establecimientos Gastronómicos Asian Food Limitada, and Asian Bistro Colombia, S.A.S., respectively. Our expansion plan includes venturing into other countries, primarily in South America, with some of the brands that we currently operate in Mexico. To this end, we have entered into arrangements to operate under the P.F. Chang's trademark in Brazil, the Starbucks trademark in Colombia, and the The Cheesecake Factory trademark in Mexico and Chile. The economies of some Latin American countries may be in different stages of socioeconomic development. In addition, we could be exposed to the risks associated with the fluctuation in foreign exchange, interest and inflation rates, our ability to purchase dollars or other currencies; social instability and other political, economic or social conditions, regulatory changes and the consumers' preferences and spending patterns 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 federal, state 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 recent 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.

For example, a new law relating to business establishments in the Federal District, Mexico soon to be published in the Official Gazette aims to reduce the consumption of high-calorie beverages and improve public health. To this end, restaurants in Mexico City will be obligated to provide free potable water to their customers. This will require a significant investment on our part in water purification systems to comply with the requirements under the law and may also lead to a reduction in sales of bottled water.

Regulation may also have a negative impact on our distribution and production segment. Mexican Official Norm NOM-012-SCT-2-2008 imposes limitations on the size and weight of all vehicles used in the provision of freight services on federal highways. Originally, Article Two of the Interim Provisions of NOM-012-SCT-2-2008 authorized T3-S2-R4 (i.e., 9-axis, 34-wheel, 66.5-ton) and T3-S2-R3 (i.e., 8-axis, 30-wheel, 63-ton) vehicles to circulate exclusively on Class ET and Class A roadways (i.e., all-traffic roadways), with an additional 4.5-ton allowance during a five-year period. Future amendments to NOM-012-SCT-2-2008 could require us to reconfigure DIA's logistics in connection with the transportation of raw materials and products in order to comply with the new regulations, which could result in delays or changes in our scheduled deliveries. As a matter of policy, Fast Food Road, a third-party contractor, replaces its fleet every four to five years, depending on its condition. As of the date of this offering memorandum, Fast Food Road's fleet was in compliance with all the applicable regulations.

Given the complex nature of the legal regime applicable to our operations, and that we are subject to oversight by a large number of Federal, state 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 (including Vips 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 various risks relating to the Vips acquisition.

The Vips acquisition required us to take on a significant amount of additional debt pursuant to two credit agreements. This may adversely affect our capital structure and, to the extent that the cash flows generated by our operations subsequent to the integration of Vips are insufficient to offset the cost of such debt, our available cash. In addition, these credit agreements contain certain affirmative and negative covenants that, among other things, restrict our ability to incur additional debt and the use of proceeds from asset dispositions and obligate us to make certain capital investments and maintain certain financial ratios, all of which may limit our operating flexibility and, accordingly, our ability to pay dividends and finance new acquisitions, expansions, investments and maintenance costs. This may in turn have a material adverse effect on our business, financial condition, results of operations and the price of our Shares. For a description of the financing arrangements entered into in connection with the Vips acquisition, see "Management's Discussion of Financial Condition and Results of Operations — Liquidity and Capital Resources — Indebtedness."

As of the date of this offering memorandum we are not aware of any material failure by Vips to comply with the laws and regulations applicable to its operations nor have we identified any material contingency in connection therewith, but we can provide no assurances. While at this time we cannot assure you that no instance of non-compliance has occurred that could affect Vips' operations, as part of the Vips acquisition transaction Wal-Mex has agreed to indemnify us against and hold us harmless from any liability in which we may incur as a result of any undisclosed contingency associated with Vips' operations. See "Business."

We could face labor contingencies related to the Vips employees.

We plan to keep the entire labor force of Vips. As in any new business certain changes in personnel will be required from time to time in order to achieve a better transition. This could lead to reductions in our workforce and, consequently, we could be subject to contingencies such as litigation or the payment of high severance compensations.

We have no prior experience in the operation of outlets such as those operated by Vips.

Our business has been focused on the operation of outlets in the fast food, coffee shop and casual dining market segments. Vips units are different from our other outlets because they include a small kiosk selling candy, magazines and books within the premises. In the event that we as a whole or DIA in particular should prove unsuccessful at operating the stores located within the Vips units, Vips' individual results and, accordingly, our consolidated results, could be adversely affected.

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 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*). 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.

While our 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*), 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 sources and waste water discharge permits. The government of Mexico City, Federal District 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 waste water discharge permit or a registration. The aforementioned authority could revoke any of our permits or concessions for reasons of public interest or if it determines that we have incurred in repeated violations, which could in turn affect our financial condition, results of operations and liquidity.

Our Lerma bakery is subject to the industrial park internal regulations relating to the environment, the handling of waste water and the health-related standards issued by the Mexican Ministry of Health (*Secretaría de Salud*). Any failure to comply with such regulations could lead to the revocation or cancelation of this facility's operating license.

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.

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

In 2009, Mexico and other countries experienced an H1N1 influenza outbreak that had a negative impact on the sales of some of our retail outlets and, accordingly, on our results of operations. Any future outbreak of food-related illnesses or general concern regarding the safety of food or human health due to other circumstances could have a negative impact on the influx of tourism into Mexico, lead to the temporary closing of some of our establishments and affect the price and availability of our raw materials.

Mexican Official Norm NOM-120-SSA1-1994 sets forth the hygiene and sanitary guidelines applicable to the preparation of food and alcoholic and non-alcoholic beverages in order to minimize the risk to human health, including the requirements that need to be satisfied by all facilities involved in the procurement, preparation, manufacturing, mixing, conditioning, bottling, preservation, storage, distribution, handling and transportation of food and beverages and the raw materials and additives used therein. We believe that we are in compliance with NOM-120-SSA1-1994. However, any amendment of NOM-120-SSA1-1994 could require us to adapt our process in order to remain compliant therewith, and we cannot assure you that we would succeed in these efforts.

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 more strict 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 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*). In such event, 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.

We are susceptible to failures to comply with the Mexican 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 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.

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.

There is currently an investigation underway by the Mexican Antitrust Commission in connection with our acquisition of a 25% interest in Grupo Axo.

On April 1, 2014, we received a notice from the Mexican Antitrust Commission informing us of an investigation of our acquisition of a 25% interest in Grupo Axo in 2013 to determine whether we should have notified the Commission of the acquisition prior to its consummation. The notice of investigation requested that we supply information on the Company, which was submitted in a timely fashion. We believe we have established that the acquisition was permissible under the applicable laws. However, we cannot guarantee that the Mexican Antitrust Commission will not determine otherwise. Should the Mexican Antitrust Commission determine that we violated the law by not notifying them of the plan to acquire Grupo Axo in advance of the transaction, we may be required to pay a fine or otherwise be sanctioned. As part of the terms of our agreement with Grupo Axo, Grupo Axo will indemnify us for any fine we may be required to pay as a result of such a proceeding.

We are exposed to risks due to a proceeding the fiscal authorities have brought against Italcafé.

In August 2012, Italcafé was notified that the fiscal authorities would conduct an on-site audit, which was completed in August 2013, with the fiscal authorities noting that they considered certain income of Italcafé undeclared. This was due to the existence of an agreement between Italcafé and Grupo Amigos de San Ángel S.A. de C.V., or GASA, under which 34 restaurants were managed by Italcafé and the associated income and expenses were recognized in Italcafé's financial statements; however due to the management arrangement, for tax purposes, the income from these restaurants was declared by GASA rather than Italcafé.

The fiscal authorities will determine whether Italcafé is liable for tax duties valued at approximately Ps.150 million, which will be substantially offset by a corresponding tax credit for GASA. On February 13, 2014, we requested that the Taxpayer Protection Bureau (PRODECON) make a final determination on the matter. PRODECON's inquiry is ongoing.

Under the terms and conditions of Alsea's acquisition agreement with the former owners of Italcafé, the former owners would ultimately be financially responsible for any duties assessed by the fiscal authorities as a result of the audit. As of the date of this offering memorandum, no further information was available on the status of this proceeding.

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

Changes in Mexican federal governmental policies could have an adverse effect on our 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 new administration will 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.

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 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 2011, 2012 and 2013, Mexico's annual inflation, as measured in terms of the changes in the Mexican National Consumer Price Index, or "NCPI," was 3.4%, 4.1% and 3.8%, 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 in Mexico could lead to an increase in our finance costs.

Mexico has also experienced high interest rates, both in nominal and real terms. According to the Mexican Central Bank, in 1999, 2000 and 2001 the average interest rate for the 28-day Mexican treasury certificates was 21.3%, 15.3% and 11.3%, respectively. While this rate decreased to 8.2% in 2002, 7.0% in 2003, 7.4% in 2004, 9.7% in 2005, 7.5% in 2006, 7.6% in 2007, 8.7% in 2008, 7.1% in 2009, 5.3% in 2010, 4.3% in 2011, 4.7% in 2012 and 4.8% in 2013, 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 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 and the price of our Shares.

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.

The Mexican Congress passed tax reform legislation that could affect our business, financial condition and results of operations.

In September 2013, the administration of President Enrique Peña Nieto submitted to the Mexican Congress a proposal to overhaul the country's taxation system. On October 31, 2013, the Mexican Congress issued a definitive opinion on these reforms, which was published in the Official Gazette (*Diario Oficial de la Federación*) on December 11, 2013. The reforms became effective on January 1, 2014. Among other things, the reforms seek to curtail tax exemptions and to tax or increase taxes on certain revenues, activities and products, including products that we currently produce, that are currently exempt or taxed at a lower rate, as well as to simplify the tax code in order to encourage formal economic activity and eliminate tax consolidation, which may have an adverse effect on our cash flow. Although we anticipate that any cost increase we may experience as a result of the enactment of these reforms will be passed on to the consumer, we cannot assure you that these reforms will not have an impact on our customers' consumption habits which in turn could have an impact on us. For example, the reforms introduce a tax on soft drinks and food with a high caloric content that could indirectly adversely affect our business due to higher prices resulting in decreased consumer spending.

We cannot predict the scope and potential impact of these and other reforms on our business, financial condition and results of operations. However, it is possible that these tax reforms may result in a reduction in individuals' disposable income and a corresponding reduction in our sales and adverse impact on our results of operations and cash flow, which may be further adversely affected by other changes in the tax code or the law.

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 also have operations in Argentina, Brazil, Chile and Colombia. 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, as is currently the case in Argentina, which could have a material effect on private sector entities in general, and foreign companies (such as Mexican companies, including us) in particular. 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.

Historically, inflation rates in each of the countries in which we operate have been extremely high. While inflation rates in Colombia and Chile have decreased in recent years, the inflation rate in Argentina has increased and the country has experienced economic slowdown and stagnation due to the curtailment of imports and the decrease in investors' confidence.

Risks Relating to Our Shares and the Global Offering

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

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

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- investors' perceptions of our prospects and the prospects of our sector;
- differences between our actual financial and operating results and those expected by investors;
- changes in earnings or variations in operating results;
- operating performance of companies comparable to us, whether in Mexico or elsewhere;
- actions by our Principal Shareholders with respect to the disposition of the Shares they beneficially own or the perception that such actions might occur;
- failure to maintain a large control group or a control group that will influence any and all corporate decisions;
- additions or departures of key management personnel;
- perceptions relating to the corporate manner through which our management personnel renders services to us;
- announcements by us or by our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures, or capital commitments;
- announcements of, or the participation of, other companies active in the Mexican food service or real estate market, having greater resources or experience than those that are available to us;
- increased competition;
- new laws or regulations or new interpretations of laws and regulations, including tax guidelines, applicable to our businesses or the Shares and regulations or different interpretations relating to environmental matters or concerns;
- general economic trends in the Mexican, U.S. or global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- political conditions or events in Mexico, South America, the United States and other countries, including safety concerns and concerns relating to value of properties in Mexico.

In addition, although there is no present intention to do so, in the future, we may issue additional equity securities or our Principal Shareholders may dispose of their interest in us. Any such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholders' economic and voting rights in us or a negative market perception and a potential decrease in the market price of the Shares.

Additionally, the listing on the BMV of our Shares might be suspended, or even cancelled, if we do not comply with the maintenance requirements, including the minimum number of investors and periodic delivery of information, among others, in accordance with the provisions of the Mexican Securities Market Law and the regulations issued by the CNBV.

If we decide to issue new Shares to finance our future acquisitions, our investors could experience dilution.

As part of our business strategy, we may decide to issue new Shares to finance our future acquisitions, the prepayment or settlement of our bank debt and/or debt securities, or our working capital requirements. Any issuance of additional Shares may result in the dilution of our investors' ownership interests in us.

Non-Mexican holders of our Shares will forfeit their Shares if they invoke the protection of their governments.

Under Mexican law, non-Mexican holders of our Shares may not ask their governments to file a diplomatic claim against Mexico in connection with their rights as shareholders. If this law is violated, our non-Mexican investors would automatically forfeit their Shares in favor of the Mexican government.

Presentation of certain statistical and market information.

Some of the information included in this offering memorandum has been derived from industry publications that we consider reliable. However, we have not independently verified such information. In addition, some of the market share data included in this offering memorandum has been derived from Euromonitor. However, in some instances we have reclassified this information where we have believed it necessary to make it more reliable and consistent. For example, while Euromonitor includes the pizza market (Domino's Pizza) in the home delivery segment rather than the fast food segment, we have reclassified the home delivery segment to be part of the fast food segment because, while Domino's Pizza offers home delivery service, it also offers in-store service.

The relatively low liquidity and high volatility of the Mexican Stock Exchange may cause the price and/or trading volume of our Shares to fluctuate significantly.

Our Shares are listed on the Mexican Stock Exchange. Although the Mexican Stock Exchange is one of Latin America's largest exchanges in terms of market capitalization, it remains relatively small, illiquid and volatile in comparison with other international exchanges, including, in particular, those in the United States and Europe. While the general public engages in securities transactions through the Mexican Stock Exchange, a substantial portion of the transactions conducted therein are executed on behalf of institutional investors. These conditions may limit our investors' ability to sell their Shares and may adversely affect the market price of our Shares. The trading volume of the securities of issuers organized or that operate in emerging market countries tends to be smaller than the trading volume of the securities of issuers organized or that operate in more developed countries.

The Mexican Underwriters and the Initial Purchasers belong to the same corporate groups as our lenders, who will receive a portion of the proceeds from the Global Offering, thereby giving rise to potential conflicts of interest.

We intend to use the net proceeds from the Global Offering to prepay of the bridge loan granted to us by HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Banco Nacional de México, S.A., Institución de Banca Múltiple, Grupo Financiero Banamex, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. These banking institutions belong to the same financial groups as the Mexican Underwriters and the Initial Purchasers. Notwithstanding that our lenders and the Mexican Underwriters and the Initial Purchasers constitute separate legal entities within their respective corporate groups, the Mexican Underwriters' and the Initial Purchasers' interests in the Global Offering may not be aligned or may conflict with those of our shareholders and prospective investors, which could have an indirect adverse effect on our financial condition.

We may prove unable to remain compliant with the registration and listing requirements imposed by the RNV and the BMV.

To date, we have complied with all the requirements necessary to maintain our Shares registered with the RNV and listed on the BMV. However, if we prove unable to comply with such requirements in the future for any reason, the registration of our Shares with the RNV could be cancelled by the CNBV and our Shares would be consequently delisted from the BMV.

We are subject to different disclosure and accounting standards than companies in other countries.

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be less or different publicly available information about foreign issuers of securities than is regularly published by or about issuers in other markets. We are subject to reporting obligations in respect of the Shares to be listed on the BMV. The disclosure standards imposed by the BMV may be different than those imposed by securities exchanges in other countries such as the United States. As a result, the level of information that is available may not correspond to what non-Mexican investors in the Shares receive in other jurisdictions. In addition, IFRS and the disclosure requirements thereunder differ from those of the United States. We have made no attempt to quantify the impact of those differences by reconciling our financial statements or other financial information in this offering memorandum to U.S. GAAP. We cannot be certain that reconciliation would not identify material quantitative or qualitative differences between our consolidated financial statements or other financial information as prepared on the basis of IFRS if such information were to be prepared on the basis of U.S. GAAP.

The interests of our Principal Shareholders could conflict with the interests of our other shareholders.

The Principal Shareholders have and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercise control over our business policies and affairs, including:

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

The Principal Shareholders may direct us to take actions that could be contrary to the interests of our other shareholders and under certain circumstances they may be able to prevent other shareholders, including you, from blocking these actions or from causing different actions to be taken. Also, the Principal Shareholders may prevent change of control transactions that might otherwise provide you with an opportunity to dispose of or realize a premium on your investment in the Shares. We cannot assure you that the Principal Shareholders will act in a manner consistent with your best interests. In addition, actions by the Principal Shareholders with respect to the disposition of the Shares, or the perception that such action might occur, may negatively affect the trading prices of the Shares.

The payment and amount of dividends are subject to determination by our shareholders.

The dividends payable for each fiscal year will be recommended by our board of directors and approved at our general shareholders' meeting. However, the general shareholders meeting may approve a different amount or may vote against the payment of dividends in any given fiscal year. As a result, there may be years in which we distribute no dividends and other years in which we distribute a substantial portion of our earnings. In the latter situation, our growth potential may be limited.

In any case, under Mexican law we can only pay amounts in respect of full year financials that have been absorbed or paid by shareholders, if losses for prior fiscal years have been recovered and if the applicable payment has been expressly approved by our shareholders. Any previous distribution of dividends is not a precedent for future distributions.

In addition, under Mexican law, prior to any distribution of dividends, at least 5.0% of our net earnings must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least 20.0% of our paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including the amount allocated to a fund for the repurchase of shares.

Preemptive rights may be unavailable to non-Mexican shareholders.

Under current Mexican law, whenever we issue new Shares for cash, subject to certain exceptions (including exceptions related to public offerings, mergers or conversions of securities), we must grant preemptive rights to our shareholders, giving them the right to purchase a sufficient number of Shares to maintain their existing ownership percentage. We may not be able to offer shares to non-Mexican shareholders pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares unless a registration statement under the Securities Act is effective or a similar procedure is followed with respect to such rights and shares or an exemption from the registration requirements of the Securities Act or a similar exemption is available.

We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with a registration statement to enable United States shareholders to exercise their preemptive rights, the indirect benefits of enabling United States shareholders to exercise preemptive rights and any other factors that we consider appropriate at the time. We will then decide whether to file such a registration statement.

Such a registration statement may not be filed. As a result, United States shareholders that are not QIBs may not be able to exercise their preemptive rights in connection with future issuances of our Shares. In this event, the economic and voting interest of United States shareholders in our total equity would decrease in proportion to the size of the issuance. Depending on the price at which shares are offered, such an issuance could result in dilution to United States shareholders that are not QIBs.

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

Under Mexican law, the protections afforded to minority shareholders and the fiduciary duties of officers and directors are, in certain respects, not as comprehensive as those in other jurisdictions. Although Mexican law permits any shareholder owning 5.0% of our outstanding shares to file a shareholder derivative suit and provides specific duties of care and loyalty applicable to our directors and to our principal officers, the Mexican legal regime concerning fiduciary duties of directors and officers is not as comprehensive as in other jurisdictions and has not been subject to judicial interpretation. Further, in Mexico, there are no procedures for shareholder class actions, like those actions conducted in the United States and other jurisdictions, and there are different procedural requirements for shareholder derivative suits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or officers than it would be for shareholders of a U.S. company.

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

Most of our directors, executive officers, controlling persons and experts named in this offering memorandum are non-residents of the United States, and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside of Mexico upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico 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. 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. See "Service of Process and Enforcement of Civil Liabilities."

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

We and certain of our Senior Management members and shareholders have agreed, subject to certain exceptions described under "Plan of Distribution," for a period of 90 days from the date of this offering memorandum, not to issue, sell or transfer, any shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock, subject to certain exceptions. After this lock-up agreement expires, the shares subject to such agreement will be eligible for sale in the market. The market price of our Shares could drop significantly if a substantial number of our Shares are sold or if the market expects such sales to occur.

Future offerings of securities ranking senior to our Shares may limit our operating and financial flexibility and may adversely affect the market price of, and dilute the value of, our Shares.

If we decide to issue debt securities in the future ranking senior to our Shares or otherwise incur indebtedness, it is possible that these debt securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to holders of our Shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our Shares and may result in dilution to holders of our Shares. Because our decision to issue securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our Shares and dilute the value of our Shares.

Dividend distributions to holders of our Shares will be made in pesos.

We will make dividend distributions to holders of our Shares in pesos. Any significant fluctuations in the exchange rates between pesos and U.S. dollars or other currencies could have an adverse impact on the U.S. dollar or other currency equivalent amounts holders of our Shares receive from the conversion. In addition, the amount paid by us in pesos may not be readily convertible into U.S. dollars or other currencies. While the Federal Government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or other currencies, the Federal Government could institute restrictive exchange control policies in the future. Future fluctuations in exchange rates and the effect of any exchange control measures adopted by the Federal Government on the Mexican economy cannot be predicted.

The terms of certain of our loan agreements limit our ability to pay dividends under certain circumstances.

The Vips Acquisition Loans entered into on November 29, 2013 consist of: (i) a Ps.5.2 billion bridge loan to us and (ii) a Ps.3.0 billion term loan to one of our subsidiaries. The terms of the bridge loan prevent us from paying dividends, making other distributions and granting inter-company loans. We intend to prepay the bridge loan using the proceeds of the Global Offering. The term loan, which will remain outstanding following the Global Offering, prohibits us from paying dividends or making other distributions if our net debt to EBITDA ratio would exceed 2.5x as a result of the expenditure. Due to these limitations on our ability to pay dividends, we may be unable to make dividend distributions to holders of our Shares.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately Ps.5,833,317,127 (U.S.$447,965,498 at the Mexican Central Bank Exchange Rate published on June 24, 2014 of Ps.13.02 per U.S.$1.00), without considering the over-allotment option, or Ps.6,733,317,127 (U.S.$517,080,367 at the Mexican Central Bank Exchange Rate published on June 24, 2014 of Ps.13.02 per U.S.$1.00), assuming the exercise of the over-allotment option in full, after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the prepayment of a bridge loan in the amount of Ps.5,200 million with a variable interest rate based on the TIIE rate plus a margin between 0.5% and 1.5%, and a maturity date of September 18, 2014, which was extended by Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, and HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, which was used exclusively for the purposes of acquiring the restaurant chain Vips, and any remaining proceeds for general corporate purposes.

CAPITALIZATION

The following table sets forth our capitalization (i) as of March 31, 2014, derived from our unaudited condensed consolidated financial statements prepared in accordance with IAS 34, (ii) as adjusted after giving effect to the Vips acquisition and (iii) as further adjusted to reflect our receipt of the net proceeds from the sale of the Shares by us in the Global Offering as described in "Use of Proceeds", assuming no exercise of the over-allotment option. You should read this table together with the information under the sections entitled "Unaudited Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Alsea Financial Statements and the Vips Financial Statements included elsewhere in this offering memorandum.

	As of March 31, 2014		
	Actual	**As Adjusted(1)**	**As Further Adjusted(2)**
	(thousands of pesos)		
Debt:			
Short-term debt	Ps. 556,133	Ps. 5,756,133	Ps. 556,133
Other current liabilities	2,560,593	3,062,456	3,062,456
Total current liabilities	**3,116,726**	**8,818,589**	**3,618,589**
Long-term debt	4,554,536	7,554,536	6,954,536
Other long-term liabilities	280,202	752,985	752,985
Total long-term liabilities	4,834,738	8,307,521	7,707,521
Total liabilities	Ps. **7,951,464**	Ps. **17,126,110**	Ps. **11,326,110**
Stockholders' equity:			
Capital stock	**403,339**	**403,339**	468,913
Premium from stock subscriptions	2,037,390	2,037,390	7,831,816
Other capital accounts	2,047,566	2,047,566	2,047,566
Total stockholders' equity	Ps. 4,488,295	Ps. 4,488,295	Ps. 10,348,295
Total capitalization	Ps. **12,439,759**	Ps. **21,614,405**	Ps. **21,674,405**

(1) As adjusted column includes indebtedness under the bridge loan in the amount of Ps.5.2 billion and the term loan in the amount of Ps.3 billion incurred on May 9, 2014 to pay the purchase price of the Vips acquisition. We intend to use the net proceeds of the Global Offering for the prepayment of the bridge loan.

(2) As further adjusted column reflects the application of the net proceeds of the Global Offering for the prepayment of the bridge loan as described under "Use of Proceeds."

DILUTION

Investors that purchase Shares in the Global Offering will suffer immediate dilution of their investment. The following is a description of the dilutive effect the Global Offering will have on value and percentage of shares owned. Dilution represents the difference between the offering price and the book value per share derived from our unaudited condensed consolidated financial statements, prepared in accordance with IAS 34 for the period ended March 31, 2014.

As of March 31, 2014, our net book value was Ps.6.19 per Share. Net book value per share represents the book value of total assets less total liabilities, divided by the number of shares outstanding. Our net book value per share as of that date would increase to Ps.12.36 per Share (or Ps.13.14 in the event that the over-allotment option is exercised in full), assuming:

- the sale of 131,147,540 Shares (or 150,819,671 Shares in the event that the over-allotment option is exercised in full) at the offering price of Ps.45.75 per Share; and

- the deduction of all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering.

This amount represents an immediate increase of Ps.6.16 in net book value per Share to our existing shareholders and an immediate dilution of Ps.33.39 in net book value per Share (or Ps.32.61 in the event that the over-allotment option is exercised in full) to new investors following their purchase at the offering price of Ps.45.75.

The following table illustrates the dilution in net tangible book value after the Global Offering taking into account the net book value per Share on March 31, 2014, without taking into account the exercise of the over-allotment option:

	Per Share	
Initial offering price	Ps.	45.75
Net book value before the Global Offering	Ps.	6.19
Increase in net book value attributable to the Global Offering	Ps.	6.16
Adjusted net book value after the Global Offering	Ps.	12.36
Dilution in net book value to purchasers	Ps.	33.39

DIVIDENDS

Dividend Policy

Our current dividend policy provides for the payment of annual dividends based on the cash flows generated by our operations during the previous fiscal year, after taking into consideration our future cash requirements in view of our expansion plans, as well as our current capitalization so as to ensure that we do not exceed certain financial ratios. The payment of any dividend by us is also subject to our investment plans and financial condition, and must be approved by our board of directors and shareholders.

Historical Dividends

On April 29, 2013, during a general ordinary and extraordinary shareholders' meeting, our shareholders approved a cash dividend of Ps.0.50 per share, or an aggregate of Ps.343,879,527.00 paid from our pre-tax profit account (*Cuenta de Utilidad Fiscal Neta*). We completed this distribution on May 9, 2013.

On April 11, 2012, during a general ordinary and extraordinary shareholders' meeting, our shareholders approved a stock dividend on the basis of one Share for each 37.52 Shares outstanding. To implement this dividend, we capitalized Ps.308,902,362 reflected in our pre-taxed profit account (*Cuenta de Utilidad Fiscal Neta*) and issued 16,466,010 new Shares for their distribution as stock dividends. We completed this distribution on April 27, 2012.

On April 15, 2011, during a general ordinary and extraordinary shareholders' meeting, our shareholders approved a cash dividend of Ps.0.20 per Share, or an aggregate of Ps.123,560,944.80. We paid this dividend on May 4, 2011.

Contractual Restrictions

The Vips Acquisition Loans restrict our ability to pay dividends. The terms of the bridge loan, which we intend to prepay with the proceeds of the Global Offering, prevent us from paying dividends, making other distributions and granting inter-company loans. The term loan, which will remain outstanding following the Global Offering, prohibits us from paying dividends or making other distributions where our net debt to EBITDA ratio would exceed 2.5x as a result of the expenditure.

EXCHANGE RATES

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

We cannot assure you that the Federal Government will maintain its current policies with respect to the peso or that the peso will not appreciate or depreciate significantly in the future. On June 24, 2014 the Mexican Central Bank Exchange Rate expressed in pesos was Ps.13.02 per U.S. dollar.

	Mexican Central Bank Exchange Rate(1)			
	Period-End	Average	High	Low
	(Ps. Per U.S.$)			
Year ended December 31,				
2009	13.07	13.57	15.37	12.60
2010	12.35	12.64	13.18	12.16
2011	13.95	12.47	14.24	11.50
2012	12.97	13.14	14.39	12.63
2013	13.08	12.88	13.44	11.98
Month Ended				
October 31, 2013	13.01	13.00	13.27	12.77
November 30, 2013	13.11	13.08	13.24	12.89
December 31, 2013	13.08	13.01	13.24	12.86
January 31, 2014	13.38	13.22	13.49	12.99
February 28, 2014	13.24	13.28	13.39	13.19
March 31, 2014	13.05	13.19	13.32	13.05
April 30, 2014	13.09	13.07	13.14	12.96
May 31, 2014	12.86	12.92	13.01	12.85
June (through June 24)	13.02	12.99	13.10	12.89

(1) Source: Mexican Central Bank.

MEXICAN SECURITIES MARKET INFORMATION

Our Shares are registered with the RNV maintained by the CNBV and are listed for trading on the Mexican Stock Exchange under trading symbol "ALSEA." Alsea's shares are not traded on any other market.

Trading activity in our Shares is considered high. Since 2011, our Shares are included in the Mexican Stock Exchange's Price and Quotations Index (*Índice de Precios y Cotizaciones*). As of January 31, 2014, our listed Shares were held by an aggregate of approximately 1,300 investors. Trading in our Shares on the Mexican Stock Exchange has not been suspended in the past three years.

The following tables set forth, for the periods indicated therein, the reported high, low and end-of-period sale prices for our Shares on the Mexican Stock Exchange. All data for 2007 and thereafter has been adjusted to reflect the four-to-one stock split effected in February 2007.

Annual Performance

Year	Trading Volume	High	Low	End of Period
2005	29,568,000	Ps. 7.50	Ps. 4.63	Ps. 6.94
2006	46,806,506	16.25	6.62	14.72
2007	238,345,057	20.93	12.66	15.30
2008	215,509,400	15.20	5.19	6.23
2009	486,578,064	10.24	3.20	10.09
2010	346,454,903	13.71	9.86	12.93
2011	251,921,992	14.32	9.80	14.08
2012	316,546,716	26.04	13.48	25.78
2013	426,030,024	41.39	27.65	40.79

Source: FINSAT.

Quarterly Performance

Year	Trading Volume	High	Low	End of Period
2011				
First quarter	72,769,124	Ps. 14.32	Ps. 11.84	Ps. 12.61
Second quarter	44,633,041	13.88	11.77	11.92
Third quarter	41,857,202	13.44	10.12	10.12
Fourth quarter	92,662,625	14.26	9.80	14.08
2012				
First quarter	67,438,867	Ps. 18.20	Ps. 14.48	Ps. 18.20
Second quarter	84,984,656	19.70	15.30	17.82
Third quarter	54,532,403	20.10	19.31	20.04
Fourth quarter	104,003,000	26.50	19.80	25.78
2013				
First quarter	116,861,501	Ps. 35.48	Ps. 26.85	Ps. 35.48
Second quarter	122,325,774	38.00	27.65	30.84
Third quarter	100,170,693	37.43	32.11	36.66
Fourth quarter	86,672,056	41.39	36.58	40.79
2014				
First quarter	112,785,724	47.50	37.86	47.50

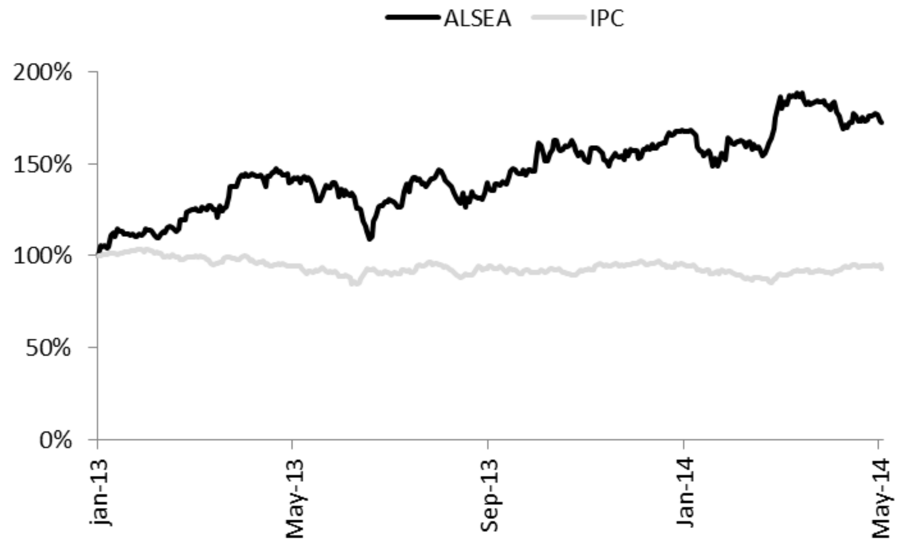
Source: FINSAT.

Monthly Performance

Year	Trading Volume	High		Low		End of Period	
2011							
January	38,926,706	Ps.	14.32	Ps.	13.02	Ps.	13.75
February	19,508,540		13.74		12.80		12.90
March	14,333,878		12.65		11.84		12.61
April	15,230,265		13.88		12.74		13.07
May	13,521,639		12.91		11.77		12.42
June	15,881,137		12.60		11.86		11.92
July	17,234,010		13.44		11.79		13.29
August	14,681,567		13.23		11.07		11.70
September	9,941,625		12.00		10.12		10.12
October	23,373,499		14.01		9.80		13.83
November	54,395,112		14.23		13.22		13.76
December	14,894,014		14.26		13.14		14.08
2012							
January	17,351,026	Ps.	15.79	Ps.	13.32	Ps.	14.70
February	25,902,300		17.29		14.79		16.74
March	23,839,833		18.30		16.70		18.20
April	15,735,753		19.90		17.50		17.84
May	24,111,841		18.08		15.73		16.77
June	45,110,280		18.33		14.95		17.82
July	17,977,054		19.10		17.31		18.36
August	21,001,061		19.33		17.90		18.89
September	15,554,288		20.10		19.71		20.04
October	23,029,080		21.08		20.73		21.00
November	29,617,760		22.20		19.80		21.88
December	52,470,401		26.50		21.88		25.78
2013							
January	42,597,489	Ps.	29.51	Ps.	26.85	Ps.	29.48
February	29,564,585		31.97		28.29		31.97
March	44,699,427		35.48		31.10		35.48
April	38,422,325		38.00		35.42		37.12
May	34,778,908		37.31		33.01		35.53
June	49,124,541		35.59		27.65		30.84
July	29,700,788		36.25		32.11		34.90
August	32,706,856		37.34		32.22		33.79
September	37,763,049		37.43		33.22		36.66
October	29,726,501		41.39		36.58		40.58
November	33,879,363		41.33		37.84		39.49
December	23,066,192		40.79		38.69		40.79
2014							
January	37,169,986	Ps.	42.78	Ps.	39.20	Ps.	39.90
February	39,896,560		41.75		37.86		41.08
March	35,719,178		47.50		39.15		47.50
April	23,219,550		47.88		45.19		45.19
May	37,249,479		45.04		42.86		43.83
June (through June 24)	32,393,531		47.93		44.56		46.12

Source: FINSAT.

Performance graph of the BMV's Benchmark Index ("IPC") and Alsea Stock Shown as percentages of their 2013 values:



Trading on the BMV

The BMV, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, the BMV is organized as a variable capital public stock corporation, or *sociedad anónima bursátil de capital variable*, the shares of which are traded. Securities trading on the BMV occurs each business day from 8:30 a.m. to 3:00 p.m., Mexico City time, subject to adjustments to operate uniformly with certain United States markets.

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

Settlement on the BMV is effected three business days after a share transaction. Deferred settlement is not permitted without the approval of the BMV. Securities traded on the BMV, including our Shares when traded, are on deposit in book-entry form through the facilities of Indeval, a securities depositary that acts as a clearinghouse, depositary and custodian, as well as a settlement, transfer and registration agent for BMV transactions, eliminating the need for the physical transfer of securities.

Transactions must be settled in pesos except under limited circumstances in which a settlement in foreign currencies may be permitted. Although the Mexican Securities Market Law acknowledges the possible existence of an over-the-counter market, no such market for securities in Mexico has developed.

The Mexican Securities Market Law provides that foreign-issued securities may be traded by brokerage firms and lending institutions through the International Trading System (*Sistema Internacional de Cotizaciones*), or SIC. These securities may be listed through the SIC if (i) the securities are not already listed on the RNV, (ii) the market of origin or the company issuing the shares has received, based on its characteristics, recognition from the CNBV and (iii) the securities satisfy the internal requirements of the applicable stock exchange.

In addition, the BMV operates a system which suspends trading of shares of a particular issuer upon price or volume volatility or changes in the offer or demand for such shares that are not consistent with the historic performance of the shares and cannot be explained solely through information made publicly available, pursuant to the CNBV's general regulations.

The Mexican Securities Market Law includes appropriate placement exemptions pursuant to which foreign securities may be sold to institutional and accredited investors without registration with the RNV.

Market Regulation and Registration Standards

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

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

Mexican Securities Market Law

On December 30, 2005, the current Mexican Securities Market Law was enacted and published in the Official Gazette (*Diario Oficial de la Federación*) and became effective on June 28, 2006. The Mexican Securities Market Law modified the Mexican securities' regulation in various material respects. The reforms introduced by this law were intended to update the Mexican regulatory framework applicable to the securities market and publicly traded companies, as compared to international standards. Publicly traded companies are regulated by the Mexican Securities Market Law and, secondarily, by the Corporations Law (*Ley General de Sociedades Mercantiles*).

The Mexican Securities Market Law (i) establishes that public entities and the entities controlled by them are considered a single economic unit (*e.g.*, holding companies and wholly owned subsidiaries), (ii) clarifies the rules for tender offers, dividing them into voluntary and mandatory categories, (iii) clarifies standards for disclosure of holdings of shareholders of public companies, (iv) clarifies, expands and strengthens the role of the board of directors of public companies (and of each of its members), (v) defines the standards applicable to the board of directors and the duties of the board, each director, the Secretary, the Chief Executive Officer and other executive officers (introducing concepts such as the duty of care, the duty of loyalty and safe harbors), (vi) replaces the statutory auditor (*comisario*) and its duties with an audit committee, a corporate practices committee and independent auditors, (vii) defines the roles and responsibilities of executive officers, (viii) improves the rights of minority shareholders relating to legal remedies, exercise of shareholder derivative actions and access to company information, (ix) introduces concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, (x) expands the definition of applicable sanctions for violations of the Mexican Securities Market Law, including punitive damages, (xi) clarifies rules relating to types of equity securities that may be offered by public companies, (xii) sets forth rules for share repurchases, and (xiii) specifies requirements for implementing anti-takeover measures.

Under the Mexican Securities Market Law public companies must have a board of directors comprised of no more than 21 members, of which at least 25.0% must be independent. Independent members must be selected at the company's general ordinary shareholders' meeting based on their experience, ability and reputation, among other factors. The conclusion as to whether a director is independent must be determined by the issuer's shareholders, and such determination may be challenged by the CNBV. Departing from legislative precedents, the Mexican Securities Market Law permits then-acting members of the board of directors, under certain circumstances, to appoint, on a temporary basis, new members of the board of directors.

The Mexican Securities Market Law requires the creation of one or more committees in charge of the audit and corporate practices functions of the company. These committees must consist of at least three members appointed by the board of directors (except for the Chairman who is appointed by the shareholders), and each member must be independent (except for corporations controlled by a person or group holding 50.0% or more of the outstanding capital stock, in which case the majority of the members of the committee in charge of the corporate practice functions must be independent).

The committee in charge of the corporate practice functions is required to provide opinions to the board of directors, to request and obtain opinions from independent third-party experts (primarily in respect of transactions with related parties and securities transactions), to call shareholders' meetings, to provide assistance to the board in the preparation of annual reports and to provide a report, on an annual basis, to the board of directors.

The principal activity of the committee entrusted with the audit function is to supervise the independent auditors of the issuer, to analyze the independent auditors' reports, to inform the board of directors with respect to existing internal controls, to supervise related party transactions, to require the issuer's officers to prepare reports when deemed necessary, to inform the board of any irregularities that it encounters, to supervise the activities of the issuer's officers and to provide a report, on an annual basis, to the board of directors.

The duty of care generally requires that directors obtain sufficient information and be sufficiently prepared to support their decisions, and to act in the best interests of the issuer. The duty of care is principally discharged by a director by requesting and obtaining from the issuer or officers of the issuer, as the case may be, all information that may be necessary to participate in discussions requiring the presence of such director, by requesting and obtaining information from third-party experts, by attending board meetings and by disclosing material information in possession of such director. Failure of directors to act with due care makes the relevant directors jointly and severally liable for damages and losses caused to the issuer and its subsidiaries, which may be limited by the company's bylaws or by resolution of a shareholders' meeting, except in the case of bad faith, willful misconduct or illegal acts. Liability for breach of the duty of care may also be covered by indemnification provisions and director and officer insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of the director's duties and abstaining from discussing or voting on matters, where the director has a conflict of interest. In addition, the duty of loyalty is violated if a shareholder or group of shareholders is knowingly favored or if, without the express approval of the board of directors, a director takes advantage of a corporate opportunity. The duty of loyalty also implies not disclosing information that is false or misleading or omitting to register any such information in the issuer's minute books and other corporate records. The violation of the duty of loyalty makes the relevant directors jointly and severally liable for damages and losses caused to the issuer and its subsidiaries. This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by the breaching directors. Liability for breach of the duty of loyalty may not be limited by the company's bylaws, by resolution of a shareholders' meeting or otherwise. The duty of loyalty is also breached if the director uses corporate assets or approves the use of corporate assets, in violation of an issuer's policies, discloses false or misleading information, orders or causes an incorrect entry of any transaction in an issuer's records that could affect its financial statements, or causes material information not to be disclosed or to be modified.

Liability for breach of the duty of care or the duty of loyalty may be claimed solely for the benefit of the issuer (as a derivative suit) and may only be exercised by the issuer or by shareholders holding shares of any class representing at least 5.0% of any outstanding shares in the aggregate.

As a safe-harbor for directors, the liability discussed above does not arise if the director acted in good faith and (i) complied with applicable law and the bylaws of the issuer, (ii) the decision was made based upon information provided by officers, independent auditors or third-party experts, the capacity and credibility of which were not the subject of reasonable doubt, (iii) selected the most appropriate alternative in good faith and any negative effects of such decision were not reasonably foreseeable, and (iv) actions were taken in compliance with resolutions adopted at a shareholders' meeting.

The issuer's principal executives are also required, under the Mexican Securities Market Law, to act for the benefit of the issuer and not for the benefit of any shareholder or group of shareholders. These executives are required to submit the major business strategies to the board of directors for approval, to submit proposals for internal controls to the audit committee, to disclose all material information to the public, and to maintain adequate accounting and registration systems and mechanisms for internal control.

The Mexican Securities Market Law also requires that any transaction or series of transactions that represent 20.0% or more of the consolidated assets of a public issuer during any fiscal year be approved at a shareholders' meeting.

In addition to the rights granted to minority shareholders representing 5.0% or more of the outstanding shares of a public company, to initiate a shareholder derivative suit for the benefit of the issuer in an amount equal to the damages or losses incurred by the issuer against directors for a breach of the duties of care or loyalty, the Mexican Securities Market Law sets forth the right of shareholders representing 10.0% of the outstanding voting shares to appoint a director, call a shareholders' meeting, and request that the vote on resolutions in respect of which they were not sufficiently informed be postponed. Also, holders of 20.0% of our outstanding voting shares may judicially oppose resolutions that were passed by a shareholders' meeting and file a petition for a court order to suspend the resolution, if the claim is filed within 15 days following the adjournment of the meeting at which the action was taken, provided that (i) the challenged resolution violates Mexican law or the company's bylaws, (ii) the opposing shareholders either did not attend the meeting or voted against the challenged resolution, and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; these provisions have seldom been invoked in Mexico and, as a result, any action that may be taken by a competent court is uncertain.

Limited or Non-voting Shares

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

As of the date of the offering memorandum, the only outstanding equity securities of the Company are our shares of common stock.

Disclosure of Shareholders' Agreements

Any shareholders' agreements containing non-compete clauses, any agreements related to the sale, transfer or exercise of preemptive rights (as set forth under article 132 of the Corporations Law), and any agreements which allow for the sale and purchase of shares, voting rights, and sale of shares in a public offering must be notified to the company within five business days following their execution to allow the company to disclose such agreements to the investors through the stock exchanges on which its securities are being traded and to be made public in an annual report prepared by the company. These agreements (i) will be available for the public to review at the company's offices, (ii) will not be enforceable against the company and a breach of such agreements will not affect the validity of the vote at a shareholders' meetings, and (iii) will only be effective between the parties once they have been disclosed to the public.

Regulations Applicable to Issuers, Brokerage Firms and Other Market Participants

In March 2003, the CNBV issued certain general regulations applicable to issuers and other securities market participants (*Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del mercado de valores*) or "General Issuers' Rules", which have been amended from time to time since their issuance. The General Issuers' Rules, which repealed several previously enacted CNBV regulations (*circulares*), now provide a single set of rules governing issuers and issuer activity, among other things.

Registration and Listing Standards

To offer securities to the public in Mexico, an issuer must meet specific qualitative and quantitative requirements. In addition, only securities that have been registered with the RNV pursuant to the CNBV's approval may be listed on the BMV, other than unregistered securities listed on the SIC (*Sistema Internacional de Cotizaciones*).

The CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV, nor does such registration ratify or validate acts or omissions, if any, undertaken in contravention of applicable law. The General Issuers' Rules state that the BMV must adopt minimum requirements for issuers to list their securities in Mexico. These requirements relate to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, among others. The General Issuers' Rules also state that the BMV must implement minimum requirements for issuers to maintain their listing in Mexico. These requirements relate to matters such as financial condition, trading minimums, capital structure and minimum public floats, among others. The CNBV may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each series of shares of the relevant issuer.

The BMV will review compliance with the foregoing requirements and other requirements on an annual, semi-annual and quarterly basis, provided that it may also review compliance at any other time.

The BMV must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the foregoing requirements, the BMV will request that the issuer propose a plan to comply with such requirements. If the issuer fails to propose a plan, if the plan is not satisfactory to the BMV or if an issuer does not make substantial progress with respect to the corrective measures, trading of the relevant series of shares on the BMV may be temporarily suspended. In addition, if an issuer fails to propose a plan or ceases to follow the plan proposed, the CNBV may cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100.0% of the outstanding shares of the issuer in accordance with the tender offer rules discussed below.

Reporting Obligations

Issuers of listed securities in Mexico are required to file unaudited quarterly financial statements and audited annual consolidated financial statements, as well as various periodic reports with the CNBV and the BMV. Mexican issuers of listed securities must file the following reports with the CNBV:

- an annual report prepared in accordance with the CNBV's general regulations by no later than April 30 of each year;
- quarterly reports, within 20 business days following the end of each of the first three quarters and 40 business days following the end of the fourth quarter;
- reports disclosing material events promptly upon their occurrence;
- reports regarding corporate restructurings such as mergers, acquisitions, splits or asset sales approved at shareholders' meetings or by the board of directors; and
- reports regarding the policies and guidelines with respect of the use of the company's (or its subsidiaries') assets by "related persons".

Pursuant to the CNBV's General Issuers' Rules, the internal rules of the BMV were amended to implement an automated electronic information transfer system (*Sistema Electrónico de Envío y Difusión de Información, or "SEDI"*), for information required to be filed with the BMV which is called *Sistema Electrónico de Comunicación con Emisoras de Valores*, or "EMISNET". Issuers of listed securities must prepare and disclose their financial information and any other required information via EMISNET. Immediately upon its receipt, the BMV makes the financial or other required information submitted via EMISNET by the issuer available to the public.

The General Issuers' Rules and the rules of the BMV require issuers of listed securities to disclose material events (*eventos relevantes*) through SEDI that relate to any act, event or circumstance that could influence an issuer's share price. If listed securities experience unusual price volatility, the BMV will immediately request that the issuer inform the public the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect. In addition, the BMV may immediately request that the issuer disclose any information relating to material events, when it deems the information currently disclosed to be insufficient, as well as instruct the issuer to clarify the information when necessary. The BMV may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The BMV must immediately inform the CNBV of any such requests.

In addition, the CNBV may also make any of these requests directly to issuers. An issuer may opt to defer the disclosure of material events, as long as:

- the issuer maintains adequate confidentiality measures (including maintaining records of persons or entities in possession of material non-public information);
- the information is related to transactions that have not been completed;

- there is no misleading public information relating to the material event; and
- no unusual price or volume fluctuation occurs.

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

Suspension of Trading

In addition to the authority of the BMV under its internal regulations as described above, pursuant to the rules of the CNBV, the CNBV and the BMV may suspend trading of an issuer's shares:

- if the issuer does not disclose a material event; or
- upon price or volume volatility or changes in the offer or demand for such shares that are not consistent with their historic performance and cannot be explained solely through information made publicly available pursuant to the CNBV's general regulations.

The BMV must immediately inform the CNBV and the general public of any such suspension. An issuer may request that the CNBV or the BMV resume trading, provided that the issuer demonstrates that the causes triggering the suspension have been resolved and, if applicable, that it is in full compliance with the periodic reporting requirements under applicable law. The BMV may reinstate trading in suspended shares (i) when it deems that the material events have been adequately disclosed to investors; (ii) when it deems that the issuer has adequately explained the reasons for the changes in offer and demand, volume traded, or prevailing share price or (iii) when the events affecting the unusual share price volatility or performance have ceased to exist. If an issuer's request has been granted, the BMV will determine the appropriate mechanism to resume trading. If trading of an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose via SEDI the causes that resulted in the suspension and reasons why it is now authorized to resume trading, before trading may resume.

Under current regulations, the BMV may consider the measures adopted by other non-Mexican stock exchanges to suspend and/or resume trading of an issuer's shares in cases where the relevant securities are simultaneously traded on stock exchanges located outside of Mexico.

Insider Trading, Trading Restrictions and Disclosure Requirements

The Mexican Securities Market Law contains specific regulations regarding insider trading, including the requirement that persons in possession of information deemed privileged, abstain: (i) from trading, directly or indirectly, in any relevant issuer's securities or derivatives with respect to such securities whose trading price could be affected by such information; (ii) from making recommendations or providing advice to third parties to trade in such securities, and (iii) from disclosing or communicating such privileged information to third parties (except for persons to whom such information must be disclosed as a result of their position or employment i.e., governmental authorities).

Pursuant to the Mexican Securities Market Law, the following persons must notify the CNBV of any transactions undertaken as they relate to a listed issuer's stock:

- members of a listed issuer's board of directors;
- shareholders controlling 10.0% or more of a listed issuer's outstanding share capital;
- groups controlling 25.0% or more of a listed issuer's outstanding share capital; and
- other insiders such as relevant officers and agents with authority to act for the issuers, among others.

In addition, under the Mexican Securities Market Law insiders must abstain from purchasing or selling securities of the issuer within 90 days from the last sale or purchase, respectively.

Subject to certain exceptions, any acquisition of a public company's shares that results in the acquirer owning 10.0% or more, but less than 30.0%, of an issuer's outstanding share capital must be publicly disclosed to the CNBV and the BMV, by no later than one business day following the acquisition.

Any acquisition by an insider that results in the insider holding 5.0% or more of a public company's outstanding share capital must also be publicly disclosed to the CNBV and the BMV no later than one business day following the acquisition. Some insiders must also notify the CNBV of share purchases or sales that occur within any three-month or five-day period and that exceed certain value thresholds. The Mexican Securities Market Law requires that convertible securities, warrants and derivatives to be settled in kind, be taken into account in the calculation of share ownership percentages.

Tender Offers

The Mexican Securities Market Law contains provisions relating to public tender offers in Mexico. According to the Mexican Securities Market Law, tender offers may be voluntary or mandatory. Both are subject to the prior approval of the CNBV and must comply with general legal and regulatory requirements. Any intended acquisition of a public company's shares that results in the buyer owning 30.0% or more, but less than a percentage that would result in the buyer acquiring control of a company's voting shares, requires the buyer to make a mandatory tender offer for the greater of (a) the percentage of the share capital intended to be acquired or (b) 10.0% of the company's outstanding capital stock. Finally, any acquisition of a public company's shares that is intended to obtain voting control, requires the potential buyer to make a mandatory tender offer for 100.0% of the company's outstanding capital stock (however, under certain circumstances the CNBV may permit an offer for less than 100.0%). Any tender offer must be made at the same price to all shareholders and classes of shares. The board of directors, with the advice of the audit committee, must issue its opinion of any tender offer resulting in a change of control, which opinion must take minority shareholder rights into account and which may be accompanied by an independent fairness opinion.

Under the Mexican Securities Market Law, all tender offers must be open for at least 20 business days and purchases thereunder are required to be made pro rata to all tendering shareholders. The Mexican Securities Market Law also permits the payment of certain amounts to controlling shareholders over and above the offering price, if these amounts are fully disclosed, approved by the board of directors and paid in connection with non-compete or similar obligations of such controlling shareholders. The Mexican Securities Market Law also provides exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with tender offer rules (e.g., suspension of voting rights, possible annulment of purchases, among others) and other rights available to former shareholders of the issuer.

The Mexican Securities Market Law also requires that convertible securities, warrants and derivatives that can be settled in kind representing underlying securities be taken into account in the calculation of the individual or group of individuals that, directly or indirectly, intends to acquire shares of a company.

Anti-Takeover Protections

The Mexican Securities Market Law provides that public companies may include anti-takeover provisions in their bylaws if such provisions (i) are approved by a majority of the shareholders present at a general extraordinary shareholders meeting, provided that no shareholder or group of shareholders representing 5.0% or more of the capital stock present at the relevant meeting vote against such provision, (ii) do not exclude any shareholders or group of shareholders, (iii) do not restrict, in an absolute manner, a change of control, and (iv) do not contravene legal provisions related to tender offers or have the effect of disregarding the economic rights related to the shares held by the acquiring party.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected consolidated financial information and operating information for the dates and periods indicated therein. We have derived our selected consolidated financial information from the Alsea Financial Statements. Results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2014.

Pursuant to the Regulations published by the CNBV, beginning with the year ended December 31, 2012, Mexican companies with securities listed on a Mexican securities exchange are required to prepare and present financial information in accordance with IFRS. We have adopted IFRS for the year ended December 31, 2012, with a transition date of January 1, 2011.

Alsea, S.A.B. de C.V. and Subsidiaries
Selected Statement of Income and Other Financial Data

	Years ended December 31,			Three months ended March 31,		Twelve months ended March 31,	Pro forma twelve months ended March 31,
	2011	2012	2013	2013	2014	2014(3)	2014(3)
	(in thousands of Mexican pesos)						
Net sales	Ps.10,668,771	Ps.13,519,506	Ps.15,718,543	Ps. 3,398,746	Ps. 3,992,036	Ps.16,311,833	Ps.22,404,929
Cost of sales	3,787,599	4,755,290	5,227,739	1,162,341	1,336,476	5,401,874	7,291,403
Operating and other expenses(1)	6,428,105	7,966,907	9,375,729	2,067,037	2,477,560	9,786,252	13,346,717
EBITDA	1,123,067	1,608,607	2,038,196	373,467	423,753	2,088,482	3,050,460
Consolidated net income	236,761	401,798	663,320	72,952	68,422	658,790	1,051,814
Net income attributable to controlling interest	209,643	364,918	681,014	65,149	86,778	702,643	1,095,667
Basic and diluted net earnings per share(2)	0.34	0.57	0.99	0.09	0.12	1.02	
Capital expenditures	1,245,400	2,751,000	3,644,000	146,202	274,500		

(1) Operating and other expenses represents the sum of leases, depreciation and amortization, operating costs and expenses and other expenses (income) – net.

(2) These amounts are reflected in Mexican pesos, not thousands of Mexican pesos.

(3) The historical and pro forma income statement data for the twelve months ended March 31, 2014 have been derived by taking the historical or pro forma income statement data for the fiscal year ended December 31, 2013, subtracting the historical or pro forma income statement data for the three months ended March 31, 2013, and adding the historical or pro forma income statement data for the three months ended March 31, 2014, as applicable.

	Years ended December 31,			Three months ended March 31,		Twelve months ended March 31,	Pro forma twelve months ended March 31,
	2011	2012	2013	2013	2014	2014	2014
	(in thousands of Mexican pesos)						
EBITDA Reconciliation:							
EBITDA	Ps. 1,123,067	Ps. 1,608,607	Ps. 2,038,196	Ps. 373,467	Ps. 423,753	Ps. 2,088,482	Ps. 3,050,460
Less:							
Depreciation and amortization	670,000	811,298	923,121	204,099	245,753	964,775	1,283,651
Equity in results of associated companies	(8,805)	(12,978)	(43,582)	(3,148)	(5,722)	(46,156)	(46,156)
Net financing cost(1)	118,094	189,342	210,470	55,976	87,583	242,076	438,503
Income before income taxes	343,778	620,945	948,187	116,540	96,139	927,787	1,374,462

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

Alsea, S.A.B. de C.V. and Subsidiaries
Selected Financial Position Data and Financial Ratios

	As of December 31,			As of March 31,	Pro forma as of March 31,
	2011	2012	2013	2014	2014
	(in thousands of Mexican pesos)				
Total assets	Ps. 9,374,174	Ps. 9,797,593	Ps. 12,381,659	Ps. 12,439,759	Ps. 21,614,405
Total liabilities	6,081,443	4,968,696	7,878,357	7,951,464	17,126,110
Total stockholders' equity	3,292,731	4,828,897	4,503,302	4,488,295	4,488,295
Total liabilities and stockholders' equity	9,374,174	9,797,593	12,381,659	12,439,759	21,614,405

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
Financial Ratios:					
EBITDA margin	10.5%	11.9%	13.0%	11.0%	10.6%
EBITDA/Interest expense	7.4x	6.6x	8.4x	7.5x	7.3x
Net debt/EBITDA(1)	3.0x	1.0x	2.2x	0.9x	2.2x
ROIC(2)	7.0%	8.6%	11.7%	8.9%	11.5%
ROE(3)	7.2%	10.5%	14.5%	10.9%	14.7%

(1) Represents our total debt, less our cash and cash equivalents, divided by our EBITDA for each of the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively. Net debt is calculated as follows:

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican Pesos)				
Total debt	Ps. 4,056,531	Ps. 2,474,480	Ps. 5,043,617	Ps. 2,416,101	Ps. 5,110,669
Cash and cash equivalents	739,379	932,594	663,270	849,218	530,784
Net debt	3,317,152	1,541,886	4,380,347	1,566,883	4,579,885

(2) After-tax profit/net operating investment = ROIC. Net operating investment represents total assets less total liabilities less cash and cash equivalents. The amounts shown in the table below represent the average of each figure for each year.

	As of December 31,			As of March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican Pesos)				
After-tax profit	Ps. 317,147	Ps. 578,162	Ps. 830,207	Ps. 631,291	Ps. 854,708
Total assets	6,448,034	9,868,052	10,371,659	9,555,570	11,087,576
Cash and cash equivalents	509, 376	882,840	733,618	31,483	653,256
Liabilities	1,395,009	2,262,398	2,569,406	3,236,166	7,442,246
Net operating investment	4,543,649	6,722,814	7,068,635	6,434,166	7,442,246

(3) Consolidated net income / stockholders' equity = ROE.

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

Information on Units in Operation

	As of December 31,			As of March 31,
	2011	2012	2013	2014
Brands(1)				
Domino's Pizza Mexico(2)	578	584	590	592
Domino's Pizza Colombia	22	29	38	39
Burger King Mexico	107	107	436	436
Burger King Argentina	58	65	72	73
Burger King Chile	32	34	34	34
Burger King Colombia	10	15	16	16
Total fast food units	807	834	1,186	1,190
Starbucks Mexico	337	367	413	419
Starbucks Chile	36	41	53	57
Starbucks Argentina	50	64	71	72
Total coffee shop units	423	472	537	548
Chili's Grill & Bar	33	36	39	40
California Pizza Kitchen	10	13	19	20
P.F. Chang's China Bistro	9	10	13	14
P.F. Chang's China Bistro LatAm	0	1	3	3
Pei Wei Asian Diner	1	2	3	3
Italianni's	0	53	62	63
Total casual dining units	53	115	139	143
TOTAL UNITS	**1,283**	**1,421**	**1,862(2)**	**1,881**
Company Units	1,077	1,161	1,411	1,427
Total sub-franchised units	170	219	451	454
Total Associated Units	36	41		

(1) Does not include the 360 units being integrated to our portfolio from the Vips acquisition.

(2) Includes our Domino's Pizza sub-franchises in Mexico.

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

Financial Information by Business Segment

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in millions of Mexican pesos)				
Net sales by business segment:					
Food and beverages, Mexico	Ps. 7,083.8	Ps. 8,752.2	Ps. 10,371.3	Ps. 2,276.5	Ps. 2,726.8
Food and beverages, South America	2,401.7	3,416.3	4,219.3	824.0	997.4
Distribution and production	3,395.6	4,032.4	4,330.0	976.6	1,098.9
Intercompany transactions(1)	(2,212.3)	(2,681.4)	(3,202.1)	(678.3)	(831.0)
Total	Ps. 10,668.8	Ps. 13,519.5	Ps. 15,718.5	Ps. 3,398.7	Ps. 3,992.0
EBITDA by business segment:					
Food and beverages, Mexico	Ps. 840.1	Ps. 1,374.2	Ps. 1,562.0	Ps. 360.4	Ps. 311.2
Food and beverages, South America	198.7	214.3	277.5	23.7	53.2
Distribution and production	39.6	206.8	253.8	30.5	73.3
Other(2)	44.7	(186.7)	(55.1)	(41.2)	(13.9)
Total	Ps. 1,123.1	Ps. 1,608.6	Ps. 2,038.2	Ps. 373.5	Ps. 423.8

(1) For purposes of the presentation of the segment information, these transactions were included in each of the relevant segments.

(2) "Other" includes the results of the service entity, the real estate entity and the holding company.

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Food and beverages, Mexico:					
EBITDA	Ps. 840.1	Ps. 1,374.2	Ps. 1,562.0	Ps. 360.4	Ps. 311.2
Less:					
Depreciation and amortization	478.3	558.3	637.0	138.8	174.8
Net financing cost(1)	4.0	58.8	34.7	9.9	6.0
Income before income taxes	357.8	757.1	890.3	211.7	130.4

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Food and beverages, South America:					
EBITDA	Ps. 198.7	Ps. 214.3	Ps. 277.5	Ps. 23.7	Ps. 53.2
Less:					
Depreciation and amortization	130.4	168.4	177.5	39.0	41.1
Equity in results of associated companies	(8.8)	(13.0)	0	(3.1)	0
Net financing cost(1)	13.9	23.8	45.8	9.1	20.6
Income before income taxes	63.2	35.1	54.2	(21.3)	(8.5)

	Years ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	(in thousands of Mexican pesos)				
EBITDA Reconciliation Distribution and production:					
EBITDA	Ps. 39.6	Ps. 206.8	Ps. 253.8	Ps. 30.5	Ps. 73.3
Less:					
Depreciation and amortization	31.0	51.4	61.3	7.6	16.9
Net financing cost(1)	37.0	43.4	8.4	0.0	5.6
Income before income taxes	(28.4)	112.0	184.1	22.9	50.7

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 March 31, 2014.

	Net sales (in thousands of pesos)	Percentage of total business
Geographic Region		
Mexico	Ps. 2,994,666	75%
Argentina	616,024	15%
Chile	259,274	7%
Colombia	122,072	3%

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and operated exclusively in Mexico.

Selected Vips Financial Information

The selected historical financial information for Vips was derived from the OVI/ARE Audited Financial Statements, the OVI/ARE Interim Financial Statements, the SRE/HRE Audited Financial Statements and the SRE/HRE Interim Financial Statements. Servicios Ejecutivos and Holding de Restaurantes were incorporated in

April 2013 to transfer the personnel working at different Wal-Mex companies that form part of the Vips acquisition together with Operadora Vips and Arrendadora de Restaurantes. Results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2014.

Selected Income Statement Data

	Three months ended March 31,					
	2013		2014			
	(in thousands of Mexican pesos)					
	OVI	ARE	OVI	ARE	SRE	HRE
Net sales, rental, service and other income	Ps. 1,491,749	Ps. 59,937	Ps. 1,459,596	Ps. 46,323	Ps. 142,858	Ps. 272,504
Gross profit	1,074,652		1,069,606			
Net income (loss)	5,378	26,217	22,840	20,398	7,594	(791)
EBITDA	88,668	36,189	98,375	32,867	15,549	307

	Three months ended March 31,					
	2013		2014			
	(in thousands of Mexican pesos)					
	OVI	ARE	OVI	ARE	SRE	HRE
EBITDA Reconciliation						
EBITDA	Ps. 88,668	Ps. 36,189	Ps. 98,375	Ps. 32,867	Ps. 15,549	Ps. 307
Less:						
Depreciation and amortization	70,678	7,430	62,785	6,359	3,951	-
Net financing cost (income) (1)	9,716	(6,282)	2,854	(2,632)	749	1,437
Income (loss) before income taxes	8,274	35,041	32,736	29,140	10,849	(1,130)

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

	Years ended December 31,							
	2011		2012		2013(1)			
	OVI	ARE	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)							
Net sales, rental, service and other income	Ps.5,894,855	Ps. 221,657	Ps.6,112,172	Ps. 242,852	Ps. 6,204,924	Ps. 214,439	Ps. 308,872	Ps. 629,638
Gross profit (loss)	4,236,789		4,416,756		4,413,167			
Net income (loss)	111,642	101,456	162,484	128,053	69,659	183,265	(8,955)	(4,250)
EBITDA	-	-	517,600	196,717	421,541	253,030	(2,808)	(3,854)

(1) SRE and HRE income statement data is for the period from April 26 through December 31, 2013.

	Years ended December 31,					
	2012		2013(1)			
	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)					
EBITDA Reconciliation						
EBITDA	Ps. 517,600	Ps. 196,717	Ps. 421,541	Ps. 253,030	Ps. (2,808)	Ps. (3,854)
Less:						
Depreciation and amortization	237,105	30,449	255,664	28,189	7,686	–
Net financing cost (income) (2)	45,047	(13,917)	58,121	(20,108)	1,912	2,308
Income (loss) before income taxes	235,448	180,185	107,756	244,949	(12,406)	(6,162)

(1) SRE and HRE income statement data is for the period from April 26 through December 31, 2013.

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

Selected Statement of Financial Position Data

	As of March 31,			
	2014			
	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)			
Total assets	Ps. 2,526,673	Ps. 666,911	Ps. 121,664	Ps. 234,741
Total liabilities	869,697	41,791	125,804	243,195
Total equity (deficit)	1,656,976	625,120	(4,140)	(8,454)
Total liabilities and equity (deficit)	2,526,673	666,911	121,664	234,741

	As of December 31,							
	2011		2012		2013			
	OVI	ARE	OVI	ARE	OVI	ARE	SRE	HRE
	(in thousands of Mexican pesos)							
Total assets	Ps. 3,080,730	Ps. 895,157	Ps. 8,260,755	Ps. 1,019,515	Ps. 2,750,356	Ps. 660,942	Ps. 124,589	Ps. 206,403
Total liabilities	1,873,737	42,753	6,891,278	39,058	1,116,220	56,220	136,323	214,066
Total equity (deficit)	1,206,993	852,404	1,369,477	980,457	1,634,136	604,722	(11,734)	(7,663)
Total liabilities and equity (deficit)	3,080,730	895,157	8,260,755	1,019,515	2,750,539	660,942	124,589	206,403

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the historical financial statements of Alsea and Arrendadora de Restaurantes, Operadora Vips, Servicios Ejecutivos and Holding de Restaurantes and presents Alsea's pro forma financial position and pro forma results of operations resulting from the Vips acquisition. The accompanying pro forma financial information reflects adjustments to Alsea's historical financial data to give effect to the Vips acquisition as if it had occurred on December 31, 2013 and March 31, 2014 for the purpose of the pro forma statements of financial position at such dates, and on January 1, 2013 for the purpose of the pro forma statements of income.

The following unaudited pro forma financial information should be read in conjunction with the historical financial statements of Alsea and the entities comprising Vips that are included in this offering memorandum. The unaudited pro forma financial information is provided for informational purposes only and does not purport to represent our financial condition or results of our operations had the Vips acquisition occurred on or as of the dates noted above or to project the results for any future date or period. The pro forma adjustments are preliminary and based upon available information and certain estimates and assumptions, as set forth in the notes to these statements, that we believe are reasonable as of the date of this offering memorandum.

Pro forma adjustments as of December 31, 2013 and March 31, 2014, included in the pro forma statement of financial position and the pro forma statements of income for the periods ended December 31, 2013 and March 31, 2013 and 2014, represent the acquisition of the net assets of the Vips entities as well as the debt issued to finance their acquisition. The acquisition of the Vips entities included, among other things: (i) the recognition of labor obligations related to the employees of Wal-Mex's companies that were not working in Operadora Vips and Arrendadora de Restaurantes as of the acquisition date, but that were transferred to Alsea as part of the Vips transaction; (ii) the transfer of real estate properties such as land, buildings and furniture and equipment, which form part of Arrendadora de Restaurantes's operations; and (iii) the elimination of balances and operations with related parties.

In order to present the effects of the Vips acquisition in the pro forma financial information, we applied certain pro forma adjustments to the historical figures of the Vips entities. As of the acquisition date, Alsea will recognize the transaction as an acquisition of a business, applying the accounting requirements of IFRS 3, *Business Combinations*, to its financial information. As further described below, the pro forma adjustments reflect the effects of acquisition accounting under IFRS as of the dates previously indicated.

The pro forma adjustments to Alsea's historical financial information give effect to the Vips acquisition as well as events that are directly attributable to the Vips acquisition, which are factually supportable, and with respect to the statements of operations, which are expected to have a continuing impact on the consolidated results of operations of Alsea.

The unaudited pro forma financial information should be read in conjunction with "Risk Factors," "Use of Proceeds," "Capitalization," "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes included elsewhere in this offering memorandum. Defined terms used in the notes to the Pro Forma Financial Information are as defined in such notes unless otherwise specified.

Unaudited pro forma statements of financial position
As of December 31, 2013 and March 31, 2014
(in thousands of Mexican pesos)

	As of March 31, 2014							
						Plus (minus)		
	Alsea (Note 2b)	OVI (Note 2b)	ARE (Note 2b)	SRE (Note 2b)	HRE (Note 2b)	Pro forma Adjustments (Note 3)		Pro forma Figures
Assets								
Current:								
Cash and cash equivalents	Ps. 530,784	Ps. 314,278	Ps. 81,597	Ps. 58,202	Ps. 132,976	Ps. (587,053)	3a and 3f	Ps. 530,784
Customers, net	350,679	13,866	255	1,628	2,820	(252)	3b and 3f	368,996
Value added tax and other recoverable taxes	414,569	50,676	15,310	-	28,639	(4,271)	3c and 3f	504,923
Due from related parties		10,866	152,011	27,234	57,369	(247,480)	3d and 3f	-
Other accounts receivable	233,668	16,795		--	-	(16,795)	3b and 3f	233,668
Inventories, net	577,106	204,633	-	-	-	-		781,739
Advance payments	330,078		88	512	-	21,742	3e and 3f	352,420
Total current assets	2,436,884	611,114	249,261	87,576	221,804	(834,109)		2,772,530
Long term assets:								
Guarantee deposits	133,504	21,742	-	-	-	(21,742)	3e and 3f	133,504
Investment in shares of associated company	794,387	-	-	-	-	-		794,387
Store equipment, leasehold improvements and property, net	4,666,136	1,893,778	395,055	31,275	-	649,750	3f	7,635,994
Intangible assets, net	3,319,866	39	-	1	-	5,830,758	3f	9,150,664
Deferred income taxes	1,088,982	-	22,595	2,812	12,937	-		1,127,326
Total long-term assets	10,002,875	1,915,559	417,650	34,088	12,937	6,458,766		18,841,875
Total assets	12,439,759	2,526,673	666,911	121,664	234,741	5,624,657		21,614,405
Liabilities								
Current liabilities:								
Current maturities of long-term debts	556,133	-	-	-	-	5,200,000	3g and 3f	5,756,133
Suppliers	1,214,621	129,962	-	-	-	54,822	3b and 3f	1,399,405
Due to related parties	-	109,532	10,365	35,798	115,484	(271,179)	3d and 3f	-
Accounts payable and accumulated liabilities	173,661	181,721	4,645	43,450	60,386	(78,388)	3h and 3f	385,475
Provisions	809,064	-	-	-	-	-		809,064
Income taxes	353,136	22,308	8,832	34,077	51,144	(11,096)	3c and 3f	458,401
Income taxes arising from tax consolidation	10,111	-	-	-	-	-		10,111
Total current liabilities	3,116,726	443,523	23,842	113,325	227,014	4,894,159		8,818,589
Long-term liabilities:								
Long-term debts, excluding current maturities	2,064,927	-	-	-	-	3,000,000	3g and 3f	5,064,927
Debt instruments	2,489,609	-	-	-	-	-		2,489,609
Other liabilities	93,145	317,946	17,949	-	-	-		429,040
Taxes arising from tax consolidation	15,923	-	-	-	-	-		15,923
Deferred income taxes	94,729	108,228	-	-	-	-		202,957
Employee retirement benefits	76,405	-	-	12,479	16,181	-		105,065
Total long-term liabilities	4,834,738	426,174	17,949	12,479	16,181	3,000,000		8,307,521
Total liabilities	7,951,464	869,697	41,791	125,804	243,195	7,894,159		17,126,110
Stockholders' equity (deficit)								
Capital stock	403,339	5,820,300	421,457	100	100	(6,241,957)	3i	403,339
Premium on share issue	2,037,390	-	-	-	-	-		2,037,390
Retained earnings (accumulated losses)	1,600,655	(4,163,324)	203,663	(1,361)	(5,041)	3,966,063	3i	1,600,655
Reserve for repurchase of shares	569,271	-	-	-	-	-		569,271
Other comprehensive income (loss) items	(351,647)	-	-	(2,879)	(3,513)	6,392	3i	(351,647)
Controlling interest	4,259,008	1,656,976	625,120	(4,140)	(8,454)	(2,269,502)		4,259,008
Non-controlling interest	229,287	-	-	-	-	-		229,287
Total stockholders' equity (deficit)	4,488,295	1,656,976	625,120	(4,140)	(8,454)	(2,269,502)		4,488,295
Total liabilities and stockholders' equity	Ps.12,439,759	Ps. 2,526,673	Ps. 666,911	Ps. 121,664	Ps. 234,741	Ps. 5,624,657		Ps.21,614,405

	As of December 31, 2013							
						Plus (minus)		
	Alsea (Note 2b)	OVI (Note 2b)	ARE (Note 2b)	SRE (Note 2b)	HRE (Note 2b)	Pro forma Adjustments (Note 3)		Pro forma Figures
Assets								
Current:								
Cash and cash equivalents	Ps. 663,270	Ps. 432,498	Ps. 114,131	Ps. 16,456	Ps. 19,142	Ps. (582,227)	3a and 3f	Ps. 663,270
Customers, net	360,104	39,351	-	-	-	3,959	3b and 3f	403,414
Value added tax and other recoverable taxes	369,350	48,656	–	–	22,749	(47,502)	3c and 3f	393,253
Due from related parties	-	38,110	121,356	66,553	156,508	(382,527)	3d and 3f	-
Other accounts receivable	268,714	-	35	1,794	2,333	-		272,876
Inventories, net	641,880	197,755	–	–	–	–		839,635
Advance payments	304,323	17,518	24	–	–	22,059	3e and 3f	343,924
Total current assets	2,607,641	773,888	235,546	84,803	200,732	(986,238)		2,916,372
Long term assets:								
Guarantee deposits	128,108	22,059	–	–	–	(22,059)	3e	128,108
Investment in shares of associated company	788,665	–	–	–	–	–		788,665
Store equipment, leasehold improvements and property, net	4,610,942	1,954,356	400,968	34,360	–	638,125	3f	7,638,751
Intangible assets, net	3,263,896	53	–	1	–	5,822,940	3f	9,086,890
Deferred income taxes	1,001,907	-	24,428	5,425	5,671	-		1,037,431
Total long-term assets	9,793,518	1,976,468	425,396	39,786	5,671	6,439,006		18,679,845
Total assets	$ 12,401,159	$ 2,750,356	$ 660,942	$ 124,589	$ 206,403	$ 5,452,768		$ 21,596,217
Liabilities								
Current liabilities:								
Current maturities of long-term debts	Ps. 388,486	–	Ps. –	Ps. –	Ps. –	Ps. 5,200,000	3g and 3f	Ps. 5,588,486
Suppliers	1,408,565	182,351	-	-	-	18,707	3b and 3f	1,609,623
Due to related parties	-	272,121	10,789	34,832	85,205	(402,947)	3d and 3f	-
Accounts payable and accumulated liabilities	170,862	187,934	4,967	56,676	53,090	(96,963)	3h and 3f	376,566
Provisions	730,727	–	–	–	–	–		730,727
Income taxes	360,947	42,359	22,219	33,018	61,795	(46,568)	3c and 3f	473,770
Income taxes arising from tax consolidation	10,111	–	–	–	–	–		10,111
Total current liabilities	3,069,698	684,765	37,975	124,526	200,090	4,672,229		8,789,283
Long-term liabilities:								
Long-term debts, excluding current maturities	2,166,281	–	–	–	–	3,000,000	3g and 3f	5,166,281
Debt instruments	2,488,850	–	–	–	–	–		2,488,850
Other liabilities	64,721	326,134	18,245	–	–	–		409,100
Taxes arising from tax consolidation	15,923	–	–	–	–	–		15,923
Deferred income taxes	19,500	105,321		-	-	-		124,821
Employee retirement benefits	72,884	-	–	11,797	13,976	–		98,657
Total long-term liabilities	4,828,159	431,455	18,245	11,797	13,976	3,000,000		8,303,632
Total liabilities	7,897,857	1,116,220	56,220	136,323	214,066	7,672,229		17,092,915
Stockholders' equity (deficit)								
Capital stock	403,339	5,820,300	421,457	100	100	(6,241,957)	3i	403,339
Premium on share issue	2,037,390	–	–	–	–	–		2,037,390
Retained earnings (accumulated losses)	1,512,464	(4,186,164)	183,265	(8,955)	(4,250)	4,016,104	3i	1,512,464
Reserve for repurchase of shares	569,271	–	–	–	–	–		569,271
Other comprehensive income (loss)items	(251,037)	–	–	(2,879)	(3,513)	6,392	3i	(251,037)
Controlling interest	4,271,427	1,634,136	604,722	(11,734)	(7,663)	(2,219,461)		4,271,427
Non-controlling interest	231,875	–	–	–	–	–		231,875
Total stockholders' equity (deficit)	4,503,302	1,634,136	604,722	(11,734)	(7,663)	(2,219,461)		4,503,302
Total liabilities and stockholders' equity	Ps.12,401,159	Ps. 2,750,356	Ps. 660,942	Ps. 124,589	Ps. 206,403	Ps. 5,452,768		Ps.21,596,217

Unaudited pro forma statements of income, For the year ended December 31, 2013 and the three months ended March 31, 2014 and March 31, 2013 (in thousands of Mexican pesos)

	Three months ended March 31, 2014							
		Vips				Plus (minus)		
	Alsea (Note 2b)	OVI (Note 2b)	ARE (Note 2b)	SRE (Note 2b)	HRE (Note 2b)	Pro forma adjustments (Note 3)		Pro forma figures
Net sales, rental, service and other income	Ps.3,992,036	Ps.1,459,596	Ps. 46,323	Ps.142,858	Ps. 272,504	Ps.(480,574)	3j	Ps.5,432,743
Cost of sales	1,336,476	389,990	-	-	-	32,543	3j	1,759,009
Operating expenses	2,497,145	1,033,011	20,550	131,863	268,610	(578,138)	3k	3,373,041
Other expenses (income), net	(19,585)	1,005	(735)	(603)	3,587	(1,244)	3k	(17,575)
Interest expense (income) – net	85,346	2,854	(2,632)	749	1,437	65,107	3l	152,861
Exchange loss – net	2,237	-	-	-	-	-		2,237
	90,417	32,736	29,140	10,849	(1,130)	1,158		163,170
Equity in results of associates	5,722	-	-	-	-	-		5,722
Income (loss) before taxes	96,139	32,736	29,140	10,849	(1,130)	1,158		168,892
Income taxes	27,717	9,896	8,742	3,255	(339)	(18,200)	3m	31,071
Net profit (loss)	68,422	22,840	20,398	7,594	(791)	19,358		137,821
Non-controlling interest	(18,356)	-	-	-	-	-		(18,356)
Controlling interest	Ps. 86,778	Ps. 22,840	Ps. 20,398	Ps. 7,594	Ps. (791)	Ps. 19,358		Ps. 156,177

	Year ended December 31, 2013							
		Vips				Plus (minus)		
	Alsea (Note 2b)	OVI (Note 2b)	ARE (Note 2b)	SRE (Note 2b)(1)	HRE (Note 2b)(1)	Pro forma adjustments (Note 3)		Pro forma figures
Net sales, rental, service and other income	Ps.15,718,543	Ps.6,204,924	Ps.214,439	Ps. 308,872	Ps. 629,638	Ps.(1,233,371)	3j	Ps. 21,843,045
Cost of sales	5,227,739	1,791,757	–	–	–	122,981	3j	7,142,477
Operating expenses	9,398,528	4,245,067	107,055	319,844	631,436	(1,611,925)	3k	13,090,005
Other expenses (income), net	(22,799)	2,223	(117,457)	(478)	2,056	(491)	3k	(136,946)
Interest expense (income) – net	202,345	58,121	(20,108)	1,912	2,308	155,747	3l	400,325
Exchange loss – net	8,125	–	–	–	–	–		8,125
	904,605	107,756	244,949	(12,406)	(6,162)	100,317		1,339,059
Equity in results of associates	43,582	–	–	–	–	–		43,582
Income (loss) before taxes	948,187	107,756	244,949	(12,406)	(6,162)	100,317		1,382,641
Income taxes	284,867	38,097	61,684	(3,451)	(1,912)	(50,600)	3m	328,685
Net profit (loss)	663,320	69,659	183,265	(8,955)	(4,250)	150,917		1,053,956
Non-controlling interest	(17,694)	–	–	–	–	–		(17,694)
Controlling interest	Ps. 681,014	Ps. 69,659	Ps. 183,265	Ps. (8,955)	Ps. (4,250)	Ps. 150,917		Ps. 1,071,650

(1) Information for SRE and HRE is for the period from April 26, 2013 to December 31, 2013.

	Three months ended March 31, 2013					
		Vips		Plus (minus)		
	Alsea (Note 2a)	OVI (Note 2a)	ARE (Note 2a)	Pro forma adjustments (Note 3)		Pro forma figures
Net sales, service and other income...	Ps. 3,398,746	Ps. 1,491,749	Ps. 59,937	Ps. (79,573)	3j	Ps. 4,870,859
Cost of sales	1,162,341	417,097	-	30,645	3j	1,610,083
Operating expenses	2,057,657	1,056,386	32,485	(194,100)	3k	2,952,428
Other expenses (income), net	9,380	276	(1,307)	1,031	3k	9,380
Interest expense (income) – net.........	33,224	9,716	(6,282)	65,635	3l	102,293
Exchange loss – net..........................	22,752	-	-	-		22,752
	113,392	8,274	35,041	17,216		173,923
Equity in results of associates...........	3,148	-	-	-		3,148
Income (loss) before taxes.................	116,540	8,274	35,041	17,216		177,071
Income taxes	43,588	2,896	8,824	(18,200)	3m	37,108
Net profit (loss)	72,952	5,378	26,217	35,416		139,963
Non-controlling interest	7,803	-	-	-		7,803
Controlling interest............................	Ps. 65,149	Ps. 5,378	Ps. 26,217	Ps. 35,416		Ps. 132,160

Alsea, S.A.B. de C.V. and Subsidiaries
NOTES TO THE PRO FORMA FINANCIAL STATEMENTS
As of December 31, 2013 and March 31, 2014 and for the three months ended March 31, 2014 and 2013 and the year ended December 31, 2013
(in thousands of Mexican pesos)

1. Company operations

Alsea, S.A.B. de C.V. and Subsidiaries ("Alsea" or the "Company") is mainly engaged in operating fast food or "QSR" and cafeteria and casual dining units or "Casual Dining". The brands operated in Mexico by the Company are Domino´s Pizza, Starbucks, Burger King, Chili's Grill & Bar, California Pizza Kitchen, P.F Chang´s , Pei Wei Asian Diner, and as of March 2012, Italianni's. The Company's operations are supported by 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 Company operates the Burger King and Starbucks brands in Chile and Argentina. In Colombia, it has operated the Domino's Pizza and Burger King brands since 2008. In May 2011, Alsea entered into an agreement with PFCCB International, Inc. for the exclusive development and operation of P.F. Chang's China Bistro in Argentina, Colombia and Chile, the latter country in which it opened its first P.F. Chang's unit in 2012.

Description of Vips acquisition

In September 2013, Alsea reached an agreement with Wal-Mart de México, S.A.B. de C.V. (Grupo Wal-Mart) to acquire 100% of VIPS, the Grupo Wal-Mart restaurant division, for a total of $8,200,000, which amount will be financed with debt.

VIPS operations include a total of 360 restaurants, of which 262 are of the "Vips" brand, 90 are "El Portón" brand, 6 are "Ragazzi" brand and two are "La Finca" brand. Those operations also include: I) the rights to intellectual property over the four brands, the menus, development of the product, the operating processes and other items; II) the acquisition of 18 real property assets; III) the buildings of 214 units; and IV) an administrative office dedicated to the standardization of products, bulk purchases, the centralization of deliveries by suppliers and the production of desserts, sauces and food dressings. The transaction included the acquisition of Operadora VIPS, S. de R.L. de C.V. (OVI) and Arrendadora de Restaurantes, S. de R.L. de C.V. (ARE), as well as the transfer of personnel who provide services to VIPS and that at the date of the transaction, worked in different Grupo Wal-Mart service companies; the personnel were transferred in 2013 to Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. (SER) and Holding de Restaurantes, S. de R.L. de C.V. (HRE). SER and HRE were incorporated in April 2013. On October 28, 2013, the shareholders of Alsea approved the acquisition of VIPS, and on April 30, 2014, the Federal Competition Commission authorized the transaction. Given the proximity of the acquisition to the March 31 reporting date, there is not full available information on the business acquisition, and consequently the disclosures required by the International Financial Reporting Standards (IFRS) have not been included.

2. Bases for presentation of the pro forma financial statements

Alsea has prepared pro forma financial information giving effect to the acquisition of VIPS based on the following information:

a. **Unaudited Pro forma Statements of Financial Position**

- Audited consolidated statement of financial position of Alsea as of December 31, 2013 prepared in accordance with IFRS;

- Unaudited condensed consolidated interim statement of financial position of Alsea as of March 31, 2014 prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34");

- Audited statements of financial position of OVI, ARE, SER and HRE at December 31, 2013, prepared in accordance with IFRS; and

- Unaudited condensed interim statements of financial position of OVI, ARE, SRE and HRE at March 31, 2014 prepared in accordance with IAS 34.

b. **Unaudited Pro forma Statements of Income**

- Audited consolidated statement of income of Alsea for the year ended December 31, 2013 prepared in accordance with IFRS;

- Unaudited condensed consolidated interim statements of income of Alsea for the three-month periods ended March 31, 2014 and 2013, prepared in accordance with IAS 34;

- Audited consolidated statements of income of OVI and ARE for the year ended December 31, 2013 prepared in accordance with IFRS;

- Unaudited condensed interim statements of income of OVI and ARE for the three-month periods ended March 31, 2014 and 2013 prepared in accordance with IAS 34;

- Audited consolidated statements of income of SRE and HRE for the period from April 26, 2013 (date of incorporation) to December 31, 2013 prepared in accordance with IFRS;

- Unaudited condensed interim statements of income of SRE and HRE for the three-month period ended March 31, 2014 prepared in accordance with IAS 34.

The pro forma information gives effect to the transaction as if it had occurred at: (i) March 31, 2014 and December 31, 2013, for purposes of the pro forma statements of financial position at such dates and (ii) January 1, 2013 for purposes of the pro forma income statements.

3. **Pro forma adjustments**

Pro forma adjustments included in the pro forma statements of financial position as of December 31, 2013 and March 31, 2014, and in the pro forma statements of income for the three-month periods ended March 31, 2014 and 2013, and for the year ended December 31, 2013, as described below, reflect the acquisition of the net assets of the VIPS entities as well as the debt issued to finance the acquisition. The acquisition of the VIPS entities includes, among other things, the recognition of labor obligations related to the employees of the Grupo Wal-Mart companies that were not employed by OVI and ARE as of the acquisition date, but that will be transferred to Alsea as part of the VIPS transaction, the transfer of properties such as land, buildings and furniture and equipment, which form part of ARE's operations, and the elimination of intercompany balances and transactions. This information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the financial position that would have resulted had the VIPS and related transactions had occurred on the aforementioned dates, nor is it intended to project Alsea's operating results and financial position for any future periods or as of any future dates.

In order to present the effects of the VIPS acquisition in the pro forma financial statements, we applied certain pro forma adjustments to the historical figures of the related entities. As mentioned above, in April 2014 Alsea obtained approval of the transaction by the relevant authorities. Accordingly, Alsea will recognize the transaction as an acquisition of a business, applying the accounting requirements of IFRS 3, *Business Combinations*, including taking into consideration the measurement period permitted by the standard to determine the final fair values of the acquired net assets. The pro forma adjustments reflect the effects of acquisition accounting under IFRS as of the dates previously established and are as follows:

Statements of financial position

a. Corresponds to the elimination of cash balances held at VIPS entities, since the transaction did not include the transfer of cash.

b. Corresponds principally to the elimination of certain balances with related parties (other accounts receivable) and reclassification of taxes receivable for purpose of presentation.

c. Corresponds to the netting of income taxes receivable (advance tax payments) against income taxes payable.

d. Transactions with related parties among the VIPS entities acquired in the transaction were eliminated. Remaining balances with related parties considered in the pro forma statements of financial position pertain to transactions related to the business's operations (mainly for the purchase of supplies, production materials and sales of VIPS products to Grupo Wal-Mart supermarkets, transactions with entities that will not form part of the acquisition transaction).

e. Corresponds to reclassifications between accounts for purposes of presentation from non-current assets to current assets.

f. Corresponds mainly to the effects of acquisition accounting arising from the acquisition of VIPS. Per the terms of the transaction, the Company will pay $8,200,000 in cash, subject to adjustment. The pro forma financial statements reflect the following allocation of the purchase consideration to the fair values of acquired net assets. The figures included herein are preliminary, given that the Company is still within the measurement period, which is expected to conclude in February 2015. Accordingly, the following preliminary figures are subject to change:

Item	**March 2014**	**December 2013**
Current assets	$ 335,646	$ 308,731
Property, equipment and intangible assets (1)	3,008,242	3,047,863
Current and long-term liabilities	(974,646)	(959,534)
Fair value of acquired net assets	2,369,242	2,377,060
Fair value of purchase price	8,200,000	8,200,000
Goodwill	$ 5,830,758	$ 5,822,940

(1) A number of pro forma adjustments were made to these balances whereby certain property, such as land and buildings, store equipment, leasehold improvements and other assets owned by other Grupo Wal-Mart subsidiaries, used by VIPS entities in their operations, are transferred to the Company as part of the acquisition. Additionally, ARE properties that are leased by other Grupo Wal-Mart subsidiaries and that will not form part of the acquisition were eliminated. Net adjustments as of March 31, 2014 and December 31, 2013 were $649,750 and $638,125, respectively.

g. Correspond to the issuance of a short-term bank loan of $5,200,000 and long-term bank loan of $3,000,000, at March 31, 2014 and December 31, 2013, which proceeds were used to finance the acquisition of VIPS.

h. Corresponds to adjustments to other accounts payable accounts, as well as to obligations for financial leases of furniture and equipment, which are liabilities that will not form part of the transaction.

i. Corresponds to the consolidation adjustment to eliminate the equity of the acquired VIPS entities (OVI, ARE, SER and HRE as of March 31, 2014 and December 31, 2013).

Statements of income

j. Adjustment represents the elimination of cafeteria revenues and the reclassification of related costs of operations that will not form part of the acquisition, as well as revenues from leases of real estate owned by ARE but were transferred to real estate companies of Grupo Wal-Mart that will not form part of the transaction. For the periods ended March 31, 2014, December 31, 2013 and March 31, 2013, these revenues represent $65,212, $294,861 and $79,573, respectively. In addition, the adjustment eliminated revenues from services by SER and HRE (incorporated during April 2013 as stated in Note 1) to OVI, from date of incorporation services revenues for the three- month period ended March 31, 2014 and for the year ended December 31, 2013 amounted to $415,362 and $938,510, respectively.

k. Adjustment represents the elimination of the following expenses:

- Current rental income between related parties paid by OVI to other real estate entities of Grupo Wal-Mart for assets that will be transferred to the VIPS entities as part of the acquisition (mainly leases of restaurants, buildings and land at a cost supported by a transfer pricing study); additionally, adjustment represents the related depreciation of these assets that will not be held by ARE.

- With respect to land on which restaurants and buildings are constructed that will not form part of the acquisition transaction but which were historically recorded in ARE, the adjustment includes the elimination of intercompany rent paid by OVI and the inclusion of a rental charge to third parties (Grupo Wal-Mart entities) at market value rates, based on a transfer pricing study. Adjustments also include the elimination of the effects of rental income of ARE related to those assets transferred to certain Grupo Wal-Mart real estate entities as part of the transaction.

- Adjustment includes the recognition of certain personnel expenses recognized in OVI, which were previously recognized in other Grupo Wal-Mart entities, where those employees previously resided; those employees will form part of the acquisition, for which reason their payroll costs are included herein. Costs mainly relate to VIPS restaurant personnel, delivery personnel and restaurant managers.

- Adjustment includes the elimination of royalty charges paid by OVI to Grupo Wal-Mart.

- Adjustment includes the elimination of related party transactions between OVI and ARE, as well as local taxes, advisory and legal services and insurance expenses.

- Adjustment includes the elimination of distribution center expenses (labor, rent and depreciation and amortization), as well as personnel and assets that will not be transferred and all distribution service fees. Those amounts include mainly costs related to the centralized personnel of the distribution center, the call center and management costs, as well as training costs of personnel that are not directly assigned to each restaurant.

  For the periods ended March 31, 2014, December 31, and March 31, 2013, the aforementioned adjustments totaled $162,776, $673,415 and $194,100, respectively. In addition, the adjustment eliminated expenses accrued to SER and HRE (incorporated during April 2013 as stated in Note 1) by OVI for service revenue, from date of incorporation of such entities to March 31, 2014 and December 31, 2013; these expenses amounted $415,362 and $938,510, respectively.

l. Adjustment represents the elimination of interest paid (earned) with Grupo Wal-Mart entities by VIPS entities, mainly arising from intercompany loans, of $4,440, $(12,920) and $4,968, as of March 31, 2014, December 31, 2013 and March 31, 2013, respectively. Additionally, the Company recognized interest on the $8,200,000 long-term bank loan totaling $60,667 for the periods ended of March 31, 2014 and 2013 and $168,667 for the year ended December 31, 2013.

m. Adjustment to recognize the income tax benefit related to interest accrued on the long-term loan for the periods ended March 31, 2014 and 2013 in the amount of $18,200 and for the year ended December 31, 2013 in the amount of $50,600, considering the 30% income tax rate.

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

The following discussion and analysis should be read in conjunction with the financial statements included elsewhere in this offering memorandum. This offering memorandum contains the Alsea Financial Statements and Vips Financial Statements prepared in accordance with IFRS or IAS 34 (as applicable), as set forth under "Presentation of Financial Information." Unless otherwise indicated, all the financial information included in this section is stated in nominal pesos for the relevant period.

This section contains forward-looking statements that involve risks and uncertainties. Our actual results could materially differ from those described in such forward-looking statements due to a number of factors, including, without limitation, the factors described under "Forward-looking Statements" and "Risk Factors."

General

We believe we are the largest restaurant operator in Latin America in terms of sales and a regional operator of global brands in the fast food, coffee shop and casual dining segments. Our vast and diverse portfolio includes brands such as Domino's Pizza, Starbucks, Burger King, Chili's Bar & Grill, California Pizza Kitchen, P.F. Chang's, Pei-Wei, Italianni's, The Cheesecake Factory and, as of May 9, 2014, Vips. As of March 31, 2014, we operated 1,881 units in Mexico, Argentina, Chile and Colombia (excluding the 360 units being integrated to our portfolio from the Vips acquisition), and we will commence operations in Brazil in 2014 with P.F. Chang's, one of our trademarks. As of March 31, 2014, we had approximately 34,000 employees (including our administrative and operating staff) in four countries (excluding the 17,535 employees added to our workforce as a result of the Vips acquisition).

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 Mexico City, Hermosillo, Monterrey and Cancun, is one of the largest logistics operations for the distribution of food in Mexico. As of March 31, 2014, DIA distributed supplies and raw materials to 1,580 units, making twice-weekly deliveries in 155 locations.

On May 9, 2014, we completed the Vips acquisition. Vips is a full service restaurant chain with operations in 65 cities located throughout Mexico. We believe that the Vips trademark enjoys iconic status within the Mexican restaurant industry, as evidenced by its 99% name recognition and 12.7% market share in the Mexican chained full-service restaurant market in 2013, according to Euromonitor. "El Portón," Vips' second largest brand, whose restaurants are located on busy avenues, offers traditional Mexican food in a home-like environment, while "Ragazzi" and "La Finca" serve Italian and Mexican food, respectively. Vips' value proposition consists in offering high-quality menu items at affordable prices, an efficient service and convenient locations, catering primarily to the growing lower-middle class segment of Mexico's population —a segment not presently served by the full-service brands in our existing portfolio.

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million, which represents an EBITDA margin of 15.6%. During the year ended December 31, 2013, Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million, which represents an EBITDA margin of 15.8%. In 2012, Vips had combined pro forma net sales of Ps. 6,025 million and combined pro forma EBITDA of Ps.963 million, which represents an EBITDA margin of 16.0%.

In addition, as part of our expansion strategy, in June 2013, we acquired a 25% equity interest in Grupo Axo, a leading distributor of internationally recognized brands of apparel and household products with 19 years' operating experience in Mexico. Grupo Axo operates over 2,000 points of sale within Mexico's largest department stores and over 140 company-owned stores. Grupo Axo's brand portfolio includes Brooks Brothers, Brunello Cucinelli, Chaps, Coach, Emporio Armani, Etro, Express, Guess, Marc Jacobs, Rapsodia, Theory, Thomas Pink, Tommy Hilfiger and Crate & Barrel.

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, 2011, 2012 and 2013.

	Three months ended March 31,				
	2013		2014		
	Amount	Margin	Amount	Margin	% Change
	(in millions of pesos, except percentages and per share data)				
Statement of income data:					
Net sales............	Ps. 3,398.7	100%	Ps. 3,992.0	100%	17.5%
EBITDA	373.5	11.0	423.8	10.6	13.5
Consolidated net income	65.1	1.9	86.8	2.2	33.2
Basic net earnings per Share........	0.63	N.A.	1.02	N.A.	61.4

	Years ended December 31,							
	2011		2012			2013		
	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. 10,668.8	100.0%	Ps. 13,519.5	100.0%	19.2%	Ps. 15,718.5	100%	16.3%
EBITDA............	1,123.1	10.5	1,608.6	11.9	12.0	2,038.2	12.9	19.9
Consolidated net income	236.8	2.2	401.8	3.0	58.9	663.3	4.2	26.7
Basic net earnings per Share........	0.34	N.A.	0.57	N.A.	38.4	0.99	N.A.	39.8

Macroeconomic Conditions

Our financial performance is closely tied to the performance of the Mexican and Latin American economies, including the domestic GDP growth rate and the growth in GDP per capita in our target markets. As a result, our financial performance and ability to implement our business strategy may be affected by adverse changes in global economic conditions.

The global economic outlook did not improve significantly in 2013, as a result of continuing uncertainties with respect to the fiscal and economic conditions in several countries in the Euro region, limited economic growth in the U.S. and the economic slowdown experienced by certain emerging market countries.

Notwithstanding the above, Mexico's strong macroeconomic fundamentals have enabled it to withstand the pressures associated with the adverse economic conditions worldwide. In 2013, Mexico continued the economic recovery process commenced in mid-2009. Since 2010, Mexico's GDP has remained above the levels reported before the 2008-2009 financial crisis. In 2012, Mexico's GDP growth slowed and GDP grew by 3.9% in real terms, and GDP growth at December 31, 2013 at an annualized rate in real terms was 1.1%. Inflation for 2013 remained below target Mexican Central Bank rates, at 3.97%.

In addition, our results for the three months ended March 31, 2014 were impacted by the effects of the tax reforms in Mexico, which have generally resulted in an increased contraction in consumer spending. We have sought to mitigate the impact of the tax reforms through our commercial strategies, including increased spending on advertising. In addition, the diverse price points across our brands have led to shifts rather than a decrease in consumer spending across our brands, where decreases in spending associated with certain brands with higher price points have been offset by increases in spending associated with brands at lower price points.

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 and Burger King sub-franchisees in Mexico and (iii) the provision of distribution and logistics services to Domino's Pizza and Burger King sub-franchises in Mexico.

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.

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.

Critical Accounting Policies

The preparation of our financial information requires that our management make certain estimates and assumptions 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 assumptions 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 assumptions 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 three months ended March 31, 2014 compared to the three months ended March 31, 2013

Net Sales

Our net sales for the three months ended March 31, 2014 increased by Ps.593 million, or 17.5%, to Ps.3,992 million from Ps.3,399 million for the three months ended March 31, 2013. This increase reflects the increase in sales in our food and beverage segments in Mexico and South America, which was primarily attributable to an 8.2% increase in same-store sales and an increase in the number of units in operation. The effects of this increase were partially offset by the effects of the devaluation of the Argentine peso, the effects of the tax reform in Mexico on consumer spending and the decrease in third-party sales in the distribution and production segment because Burger King stores are now company-owned.

Growth in brand sales was due to the net increase of 258 units during the twelve months ended March 31, 2014. Growth in brand sales is also attributable to growth in same-store sales from the operations in Mexico and South America, arising from an increase in the volume of transactions due to our different commercial strategies and a higher average ticket in the brands due mainly to the increase in prices in the Argentine market.

Cost of Sales

Our cost of sales as a percentage of net sales decreased from 34.2% during the three months ended March 31, 2013 to 33.5% for the three months ended March 31, 2014. The decrease in the cost of sales of 70 basis points is primarily attributable to our business mix, or the growth of brands with a lower percentage of costs and a decrease in cost of sales related to third-party sales because Burger King stores are now company-owned.

Operating and other expenses

Our operating and other expenses as a percentage of sales for the three months ended March 31, 2014 increased by 1.2%, from 60.8% for the three months ended March 31, 2013, to 62.1%. This increase is primarily attributable to higher advertising expenses as part of the commercial strategies of some of our brands, to the increase in pre-operating expenses related to the start of operations of P.F. Chang's in Brazil and of The Cheesecake Factory in Mexico. These effects were partially offset by gains from the growth in same-store sales and the increase in number of units in operation, resulting in operating efficiencies achieved during the period.

Net financing cost

Our net financing cost for the three months ended March 31, 2014 increased by Ps.32 million, or 56%, to Ps.88 million from Ps.56 million for the three months ended March 31, 2013. This increase is attributable to the Ps.52 million increase in net interest paid as a result of the cost of financing the Vips acquisition loans as well as to a higher level of indebtedness, which was partially offset by a Ps.21 million gain in our exchange result.

Income taxes

Our income tax expense for the three months ended March 31, 2014 decreased by Ps.16 million, or 36.4%, as compared with the three months ended March 31, 2013, to Ps.27.7 million from Ps.43.6 million, due to a Ps.20 million decrease in pre-tax income for the year ended December 31, 2013.

EBITDA

Our EBITDA increased by Ps.50 million, or 13.5%, from Ps.373 million in the three months ended March 31, 2013 to Ps.424 million in the three months ended March 31, 2014. This increase is primarily attributable to the growth in same-store sales and to an increase in the number of units in operation. Our EBITDA margin decreased by 0.4% to 10.6% in the three months ended March 31, 2014, from 11.0% in the three months ended March 31, 2013. The decrease in our EBITDA margin is attributable to the impact of pre-operating expenses associated with P.F. Chang’s Brazil and The Cheesecake Factory and the increase in the cost of certain raw materials.

Consolidated net income

During the three months ended March 31, 2014, consolidated net income decreased by Ps.4,530 million, or 6.2%, to Ps.68,422 million from Ps.72,952 million in the three months ended March 31, 2013, as a result of the factors set forth above.

Results of operations for the year ended December 31, 2013 compared to the year ended December 31, 2012

Net Sales

Our net sales for the year ended December 31, 2013 increased by Ps.2,199 million, or 16.3%, to Ps.15,719 million from Ps.13,520 million in 2012. This increase reflects the increase in sales in our food and beverage segments in Mexico and South America, which was primarily attributable to an 8% increase in same-store sales, the opening of 250 company-owned stores during 2013 and an increase in the number of units due to store openings and acquisitions. The increase in same-store sales is attributable to increased expenditures on the average ticket price in our restaurants due to new pricing strategies as well as an increase in the number of transactions. These effects were partially offset by a 15.2% decrease in third-party sales in the production and distribution segment as a result of our acquisition of Burger King in Mexico, which decreased third-party sales because Burger King stores are now company-owned.

Cost of Sales

Our cost of sales as a percentage of net sales decreased from 35.2% during 2012 to 33.3% for the year ended December 31, 2013. The decrease in the cost of sales of 190 basis points over the previous year is primarily due to our sales mix, or the growth of brands with a lower percentage of costs, and the increase in our number of units, resulting in economies of scale. These factors were partially offset by the effect on our costs of the depreciation of the Mexican peso against the U.S. dollar and a cost increase attributable to the sales growth of our third-party distribution operations.

Operating and other expenses

In the year ended December 31, 2013, our operating and other expenses as a percentage of sales increased by 0.7%, from 58.9% for the year ended December 31, 2012, to 59.6%. This increase is primarily attributable to our business mix, with the units reporting the largest increase in sales also reporting a higher cost of sales as a percentage of revenue, as well as higher payroll costs. To a lesser extent, this increase in operating and other expenses is owed to startup expenses related to our expansion plans. This effect was partly offset by the effects of having more units in operation and growth in same-store sales, both of which resulted in operating efficiencies achieved during the period.

Net financing cost

In the year ended December 31, 2013, our net financing cost increased by Ps.21.1 million, or 11%, to Ps.210 million from Ps.189.3 million in 2012. This increase is attributable to a foreign exchange loss of Ps.8.1 million compared to a gain of Ps.8.7 million in 2012, as well as to a decrease in interest income of Ps.8.0 million.

Income taxes

Our income tax expense for the year ended December 31, 2013 increased by Ps.66 million, or 30%, as compared with 2012, to Ps.284.9 million from Ps.219.1 million, due to a Ps.327 million increase in our net profit before income taxes.

EBITDA

Our EBITDA increased by Ps.430 million, or 26.7%, from Ps.1,609 million in the year ended December 31, 2012 to Ps.2,038 million in the year ended December 31, 2013. This increase is primarily attributable to an increase in both our same-store sales and our number of units in operation, and the improvement of our cost of sales and operating and other expenses. Our EBITDA margin, as a percentage of sales, increased by 1.1% to 13.0% in the year ended December 31, 2013, from 11.9% in 2012. The increase in our EBITDA margin is attributable to an increase in our same-store sales and our business mix, which is such that units with the largest increase in sales have a greater EBITDA margin as a percentage of their sales. In addition, our margin improved as a result of marketing and pricing strategies which were implemented across different brands, the appreciation of the Mexican peso against the U.S. dollar, and the operating efficiencies achieved during the period.

Consolidated net income

During the year ended December 31, 2013, consolidated net income increased by Ps.261 million, or 65.1%, to Ps.663 million from Ps.402 million in 2012, as a result of the factors set forth above.

Results of operations for the year ended December 31, 2012 compared to the year ended December 31, 2011

Net Sales

In 2012, our net sales increased by Ps.2,850.7 million, or 26.7%, to Ps.13,519.5 million from Ps.10,668.8 million in 2011. This increase reflects the increase in sales in our food and beverage segments in Mexico and South America, which was primarily attributable to a 10.5% increase in same-store sales, an increase in the number of units and, to a lesser extent, an increase in sales in our third-party distribution operations. The increase in sales in each of our market segments is attributable to the addition of 48 net units over the previous year, which operated for approximately half the year, and an increase in same-store sales in our Mexican and South American operations resulting from the marketing strategies implemented by our brands, which in turn led to an increase in the number of orders and the size of the average ticket.

Cost of Sales

Our cost of sales as a percentage of net sales decreased during the year ended December 31, 2012 as compared with the same period in 2011, from 35.5% in 2011 to 35.2% in 2012. The decrease in the cost of sales of 20 basis points over the previous year is primarily due to our sales mix, or the growth of brands with a lower percentage of costs, as well as the incorporation of Italianni's into our portfolio. The appreciation of the Mexican peso against the U.S. dollar in 2012 also contributed to the decrease in our cost of sales. These factors were partially offset by an increase in the price of some of our raw materials, as well as by the discount strategies implemented during the year.

Operating and other expenses

Our operating and other expenses for 2012, as a percentage of sales, increased by 4.9%, from 54.0% in 2011 to 58.9%. This improvement is primarily attributable to the increase in same-store sales, an increase in the number of units in operation and, to a lesser extent, the operating efficiencies achieved in 2012. The improvement was partially offset by the effects of our business mix, where the units reporting the largest increase in sales also experienced a cost increase as a result of such sales.

Net financing cost

Our net financing cost for 2012 increased by Ps.71.2 million, or 60.3%, from Ps.118.1 million in 2011 to Ps.189.3 million. This increase was primarily due to a Ps.67.0 million increase in our net interest expense, as a result of the additional debt incurred to finance the acquisition of Italianni's and, to a lesser extent, a Ps.4.2 million decrease in our foreign exchange gain.

Income taxes

In 2012, our income tax expense increased by Ps.112.1 million, or 105%, as compared with 2011, to Ps.219.1 million, due to a Ps.277.2 million increase in our net profit before income taxes and to the consolidation of our operations in South America, where the income tax rate in some countries is higher than the income tax rate in Mexico. Our deferred income tax asset increased by Ps.136.6 million, from Ps.692.4 million as of December 31, 2011, to Ps.829.0 million as of December 31, 2012. This increase in the deferred income tax asset was primarily due to the recognition of certain tax losses, as well as to the effect of the provisions that will be deductible in the future and the difference between the depreciation rate for accounting and tax purposes.

Our tax liability for 2012, net of our tax refund receivables, was Ps.89.5 million, primarily due to the increase in our income tax liability, partially offset by an increase in our value added tax refund receivables.

EBITDA

Our EBITDA grew by Ps.485.5 million, or 43.2%, to Ps.1,608.6 million in 2012 from Ps.1,123.1 million in 2011. This increase is primarily attributable to an increase in both our same-store sales and our number of units in operation. Our EBITDA margin, as a percentage of sales, increased by 1.4 percentage points, to 11.9% in 2012 from 10.5% in 2011. The increase in our EBITDA margin is attributable to an increase in our same-store sales, our business mix, where the units reporting the largest increase in sales also report the largest EBITDA margins as a percentage of sales, an improvement in our gross margin as a result of the marketing strategies implemented by our various brands, the appreciation of the Mexican peso against the U.S. dollar and, to a lesser extent, the operating efficiencies achieved during the period.

Consolidated net income

Our consolidated net income for 2012 increased by Ps.165.0 million, or 69.7%, from Ps.236.8 million in 2011 to Ps.401.8 million. This increase, which is primarily attributable to the Ps.4.2 million increase in the results of our associated entities, was partially offset by the Ps.112.1 million increase in income taxes and the Ps.71.2 million increase in our net financing cost.

Results of Operations by Business Segment

The following tables show our net sales and EBITDA by business segment for the year ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 and 2013, compared with the preceding periods.

	Three months ended March 31,				
	2013		2014		
	Amount	% of Total	Amount	% of Total	% Change
	(in millions of pesos, except percentages)				
Net sales by business segment:					
Food and beverage (Mexico)	Ps. 2,276.5	67.0%	Ps. 2,726.8	68.3%	19.8%
Food and beverage (South America)	823.9	24.2%	997.3	25.0%	21.0%
Distribution and production	976.6	28.7%	1,098.9	27.5%	12.5%
Inter-company transactions(1)	(678.3)	(20.0)%	(831.0)	(20.8)%	22.5%
Consolidated net sales	Ps. 3,398.7	100.00%	Ps. 3,992	100.0%	17.5%

(1) For the purposes of the presentation of the segment information, these transactions were included in each of the relevant segments.

	Years ended December 31,							
	2011		2012			2013		
	Amount	% of Total	Amount	% of Total	% Change	Amount	% of Total	% Change
	(in millions of pesos, except percentages)							
Net sales by business segment:								
Food and beverage (Mexico)	Ps. 7,083.8	66.4%	Ps. 8,752.2	64.7%	23.6%	Ps. 10,371.3	66%	18.5%
Food and beverage (South America)	2,401.7	22.5%	3,416.3	25.3%	42.2%	4,219.3	26.8%	23.5%
Distribution and production	3,395.6	31.8%	4,032.4	29.8%	18.8%	4,330.0	27.5%	7.4%
Inter-company transactions(1)	(2,212.3)	(20.7)%	(2,681.4)	(19.8)%	21.2%	(3,202.1)	(20.4)%	(19.4)%
Consolidated net sales	Ps. 10,668.8	100.0%	Ps. 13,519.5	100.0%	26.7	Ps. 15,718.5	100.0%	100.0

(1) For the purposes of the presentation of the segment information, these transactions were included in each of the relevant segments.

	Three months ended March 31,						
	2013			2014			
	Amount	% of Total	Margin	Amount	% of Total	Margin	% Change
	(in millions of pesos, except percentages)						
EBITDA by business segment:							
Food and beverage (Mexico)	Ps. 360.4	96.5%	15.8%	Ps. 311.2	73.4%	11.4%	(4.4)%
Food and beverage (South America)	23.7	6.3%	2.9%	53.2	12.6%	5.3%	2.5%
Distribution and production	30.5	8.2%	3.1%	73.2	17.3%	6.7%	3.5%
Other(1)	(41.2)	(11.0)%	(6.1)%	(13.9)	(3.3)%	(1.7)%	(4.4)%
Consolidated EBITDA	Ps. 373.4	100.0%	11.0%	Ps. 423.7	100.0%	(10.6)%	(0.4)%

	Years ended December 31,										
	2011			2012				2013			
	Amount	% of Total	Margin	Amount	% of Total	Margin	% Change	Amount	% of Total	Margin	% Change
	(in millions of pesos, except percentages)										
EBITDA by business segment:											
Food and beverage (Mexico)	Ps. 840.1	74.8	11.9%	Ps. 1,374.2	85.4	15.7%	63.5%	Ps. 1,562.0	76.6%	15.1%	13.7%
Food and beverage (South America)	198.7	17.7	8.3	214.3	13.3	6.3	7.8%	277.5	13.6%	6.6%	29.5%
Distribution and production	39.6	3.5	1.2	206.8	12.9	5.1	43.2%	253.8	12.5%	5.9%	22.7%
Other(1)	44.7	4.0	N.A.	(186.7)	(11.6)	N.A.	(550.3)%	(55.1)	(2.7)%	N.A.	(70.5)%
Consolidated EBITDA	Ps. 1,123.1	100.0	10.5%	Ps. 1,608.6	100.0	11.9%	(435.8)%	Ps. 2,038.2	100.0	13.0%	26.7%

(1) For the purposes of the presentation of the segment information, these transactions were included in each of the relevant segments.

Food and beverage (Mexico)

Sales for the three months ended March 31, 2014 increased by Ps.450.4 million, or 19.8%, to Ps.2,726.8 million from Ps.2,276.5 million for the three months ended March 31, 2013. This increase is primarily attributable to the addition of 179 net new company-owned stores across all our brands over the twelve months ended March 31, 2014 and to the growth in same-store sales of the segment in Mexico.

Sales for the year ended December 31, 2013 increased by Ps.1,619.1 million, or 18.5%, to Ps.10,371.3 million from Ps.8,752.2 million in 2012. This increase is primarily attributable to the segment's growth in same-store sales of Ps.1,619 million and to the addition of 175 new company-owned stores across all of our brands during the previous year.

In 2012 our sales increased by Ps.1,668.4 million, or 23.6%, from Ps.7,083.8 million in 2011 to Ps.8,752.2 million. This increase is primarily attributable to the segment's growth in same-store sales and to the addition of 48 new company-owned stores across all of our brands during the previous year.

The segment's EBITDA for the three months ended March 31, 2014 decreased by 13.9% to Ps.311.2 million from Ps.360.4 million for the same period in 2013. The decrease is attributable to the pre-operating expenses related to the start-up of operations of The Cheesecake Factory and to the opening of restaurants, as well as to the fact that that Burger King Mexico's inventories were adjusted downward during the quarter. The quarterly results were also impacted by the increased cost of some of our raw materials, the devaluation of the Mexican peso, and higher advertising expenses as part of the commercial strategies focused on generating higher traffic. These effects were partially offset by gains from the increase in same-store sales and the higher number of units in operation.

The segment's EBITDA for the year ended December 31, 2013 increased by 13.7% to Ps.1,562 million from Ps.1,374.2 million in 2012. This increase is attributable to the margins yielded by the segment's growth in same-store sales, the improvement in costs achieved as a result of the marketing and price strategies implemented by our various brands and, to a lesser extent, the effects of our business mix.

In 2012, the segment's EBITDA increased by Ps.534.1 million, or 63.6%, from Ps.840.1 million in 2011 to Ps.1,374.2 million. This increase is attributable to the margins yielded by the segment's growth in same-store sales, the improvement in costs achieved as a result of the marketing and price strategies implemented by our various brands and, to a lesser extent, the effects of our business mix.

Food and beverage (South America)

During the three months ended March 31, 2014, our South American food and beverage segment, comprised of our Burger King and P.F. Chang's operations in Argentina, Chile and Colombia, our Domino's Pizza operations in Colombia, and our Starbucks Coffee operations in Argentina and Chile, or an aggregate of 289 company-owned stores and five sub-franchises accounted for 25.0% of our consolidated sales. The segment's sales for the period increased by Ps.173.4 million, or 21%, to Ps.997.4 million from Ps.824.0 million in the three months ended March 31, 2013. The increase was primarily due to the addition of 79 net new company-owned stores and five sub-franchises over the twelve months ended March 31, 2014 as well as to the increase in same-store sales, which was partially offset by the impact of the devaluation of the Argentine peso.

During the year ended December 31, 2013, our South American food and beverage segment, comprised of our Burger King and P.F. Chang's operations in Argentina, Chile and Colombia, our Domino's Pizza operations in Colombia, and our Starbucks Coffee operations in Argentina and Chile, or an aggregate of 287 company-owned stores and four sub-franchises accounted for 26.8% of our consolidated sales. The segment's sales for the period increased by Ps.803 million, or 23.5%, to Ps.4,219 million from Ps.3,416.3 million in 2012, primarily as a result of the addition of 75 net new company-owned stores and four sub-franchises in the previous year and an increase in same-store sales for some of our brands in the region.

In 2012, the South American food and beverage segment, comprised of our Burger King operations in Argentina, Chile and Colombia, our Domino's Pizza operations in Colombia, our Starbucks Coffee operations in Argentina, and our P.F. Chang's operations in Chile, or an aggregate of 287 company-owned stores, accounted for 25.3% of our net sales. The segment's sales for the period increased by Ps.1,014.6 million, or 42.2%, from 2,401.7 million in 2011 to Ps.3,416.3. This increase was primarily due to an increase in same-store sales and the addition of 36 net new stores in the region during the previous year, which operated for approximately half the year.

In the three months ended March 31, 2014, the segment's EBITDA increased by Ps.29.5 million, or 124.5%, from Ps.23.7 million in the three months ended March 31, 2013 to Ps.53.2 million. The segment's EBITDA margin increased by 2.7% as compared with the three months ended March 31, 2013. This increase is attributable to the gains from the growth in same-store sales and to economies of scale arising from the addition of 79 net new company-owned stores and five sub-franchises over the twelve months ended March 31, 2014, as well as to a more advantageous business mix as the acquisition of Starbucks Chile resulted in a growth in brands with a lower percentage of costs. These variations were partially offset by increased expenses for restaurant personnel and by the impact of the devaluation of the Argentine peso.

In the year ended December 31, 2013, the segment's EBITDA increased by Ps.64 million, or 29.5%, from Ps.214.3 million in 2012 to Ps.278 million. The segment's EBITDA margin increased by 0.3% as compared with 2012. This increase is attributable to an increase in same-store sales as well as economies of scale resulting from a greater number of units and operating efficiencies as the acquisition of Starbucks Chile improved our business mix. These effects were partially offset by an increase in personnel costs and the effects of the devaluation of the Argentine peso.

During 2012 the segment's EBITDA increased by Ps.15.0 million, or 7.5%, from Ps.198.7 million in 2011 to Ps.214.3 million. This increase was primarily attributable to the segment's growth in number of units and, to a lesser extent, the diminished effect of the incorporation of new businesses as a result of the consolidation of our brands in the region. These changes were partially offset by the effects of the settlement of a labor-related liability in the fourth quarter of 2012.

Distribution and Production

During the three months ended March 31, 2014, net sales for our distribution and production segment increased by Ps.122.3 million, or 12.5%, to Ps.1,098.9 million from Ps.976.6 million in the three months ended March 31, 2013. This increase is attributable to the increase in same-store sales in Mexico and to the growth in the number of units served during the twelve months ended March 31, 2014, with a total of 1,580 units at March 31, 2014, as compared with 1,480 units at March 31, 2013, which represents a 6.8% increase. Sales to third parties decreased by 9.5%, to Ps.266.4 million as a result of our acquisition of Burger King Mexico, given that sales to Burger King restaurants were no longer accounted for as third-party sales.

Net sales, including intercompany sales, for the year ended December 31, 2013 increased by Ps.298 million, or 7.4% to Ps.4,330 million from Ps.4,032.4 million in the same period in 2012. This increase was attributable to the segment's growth in same-store sales and number of units served in Mexico during the previous year, which increased by 6.5% from 1,474 units served as of December 31, 2012, to 1,570 units served as of December 31, 2013. Sales to third parties decreased by 15.2% to Ps.1,130 million because our acquisition of Burger King Mexico meant that sales to Burger King restaurants were no longer accounted for as third-party sales and also as a result of a reduction in same-store sales at our Burger King restaurants and lower sales due to the appreciation of the Mexican peso against the U.S. dollar.

In 2012 net sales increased by Ps.636.8 million, or 18.8%, to Ps.4,032.4 million from Ps.3,395.6 million in 2011. This increase was attributable to the segment's growth in same-store sales and number of units served in Mexico during the previous year, which increased by 7.8% from 1,367 units served as of December 31, 2011, to 1,474 units served as of December 31, 2012. Sales to third-parties increased by 14.2%, to Ps.1,331.8 million, primarily as a result of an increase in Burger King and Domino's Pizza same-store sales in Mexico and the integration of Italianni's.

The segment's EBITDA for the three months ended March 31, 2014 increased by Ps.42.8 million, or 135.5%, compared to the three months ended March 31, 2013. This increase is primarily attributable to the improved margins in the bakery business due to higher volume and lower production costs and to a reduction in administrative and operating expenses.

The segment's EBITDA for the year ended December 31, 2013 increased Ps.47 million, or 22.7%, as a result of the increase in net sales and an improvement of the bakery business' margins due to its volume increase and lower production costs. The increase was also attributable to operating efficiencies achieved from streamlining our logistics operations and recovering IVA taxes from DIA.

In 2012 the segment's EBITDA increased by Ps.167.2 million, or 422%, to Ps.206.8 million from Ps.39.6 million in 2011. This increase was primarily attributable to the segment's growth in same-store sales and number of units in operation, as well as to a decrease in the effects of the integration of new businesses. The segment's EBITDA margin grew by 396 basis points compared to 2011, primarily as a result of a decrease in costs attributable to our business mix and the operating efficiencies achieved during the year.

Liquidity and Capital Resources

Cash and Cash Equivalents and Selected Financial Ratios

As of March 31, 2014, we had cash and cash equivalents of Ps.531 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 EBITDA ratio as of March 31, 2014, was 2.2x and our EBITDA to interest expense ratio for the same period was 7.3x. During the three months ended March 31, 2014, our ROIC increased to 11.5%, from 8.9% during the same period in 2013, while our ROE increased to 14.7% from 11.3% during the same period of 2013.

Our net debt to EBITDA ratio for the year ended December 31, 2013, was 2.1x, and our EBITDA to interest expense ratio for the same period was 8.4x. Our net debt to EBITDA ratio increased with respect to the year ended December 31, 2012 as a result of debt incurred in order to finance the increase in our equity interests in each of Starbucks Mexico, Starbucks Argentina and Starbucks Chile to 100%, the acquisition of Burger King Mexico, the acquisition of a 25% interest in Grupo Axo, and, to a lesser extent, to satisfy our capital investment obligations. During the year ended December 31, 2013, our ROIC increased to 11.7%, from 8.6% during 2012, while our ROE increased from 10.5% during 2012 to 14.5%.

Our net debt to EBITDA ratio for the year ended December 31, 2012, was slightly below 1.0x, and our EBITDA to interest expense ratio for the same period was 6.6x. During the year ended December 31, 2012, our ROIC increased to 8.6%, from 7.0% during the year ended December 31, 2011, while our ROE increased from 7.2% during the same period of 2011, to 10.5%.

Our net debt to EBITDA ratio for the year ended December 31, 2011, was 3.0x, and our EBITDA to interest expense ratio for the same period was 7.4x.

The following table contains a summary of our liquidity ratios as of December 31, 2011, 2012 and 2013 and as of March 31, 2014.

	As of December 31			As of March 31
	2011	2012	2013	2014
Current assets / current liabilities	2.1	0.9	0.8	0.8
Current assets / total liabilities	0.7	0.5	0.3	0.3

The following tables contain selected ratios and other data as of December 31, 2011, 2012 and 2013 and March 31, 2014, which have been derived from our financial statements.

	As of December 31			As of March 31
	2011	2012	2013	2014
Financial indicators				
EBITDA / Interest expense	7.4x	6.6x	8.4x	7.3x
Net debt / EBITDA	3.0x	1.0x	2.1x	2.2x
ROIC	7.0%	8.6%	11.7%	11.5%
ROE	7.2%	10.5%	14.5%	14.7%

	As of March 31		
	2013	2014	% Change
Financial indicators			
EBITDA / Interest expense	7.5x	7.3x	N/A
Net debt / EBITDA	0.9x	2.2x	N/A
ROIC	9.8%	11.5%	170 bps
ROE	11.3%	14.7%	340 bps
Market indicators			
Book value per share	6.2106	6.1926	–
Basic profit per share	Ps. 0.09	Ps. 0.12	33.3%
Shares outstanding at period's end (millions)	687,759,054	687,759,054	–
Price per share at period's end	35.48	47.50	33.9%

	As of December 31		
	2012	2013	% Change
Financial indicators			
EBITDA / Interest expense	6.6x	8.4x	N/A
Net debt / EBITDA	1.0x	2.2x	N/A
ROIC	8.6%	11.7%	30 bps
ROE	10.5%	14.5%	40 bps
Market indicators			
Book value per share	6.573	6.210	–
Basic profit per share	Ps. 0.57	Ps. 0.99	71.8%
Shares outstanding at period's end (millions)	687,759,054	687,759,054	–
Price per share at period's end	Ps. 25.78	Ps. 40.79	58.2%

Indebtedness

The following table presents our level of indebtedness as of December 31, 2011, 2012 and 2013 and as of March 31, 2014.

	As of December 31			As of March 31
	2011	2012	2013	2014
	(in thousands of pesos)			
Current liabilities				
Current maturities of long-term debt	Ps. 185,333	Ps. 396,647	Ps. 388,486	Ps. 556,133
Suppliers	1,021,424	1,129,612	1,408,565	1,214,621
Other(1)	784,090	1,068,038	1,272,647	1,345,972
Total current liabilities	1,990,847	2,594,297	3,069,698	3,116,726
Non-current liabilities				
Long-term debt	2,877,667	2,077,833	2,166,281	2,064,927
Debt instruments	993,531	-	2,488,850	2,489,609
Other long-term liabilities(2)	219,398	296,566	153,528	280,202
Total	Ps. 6,081,443	Ps. 4,968,696	Ps. 7,878,357	Ps. 7,951,464

(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 March 31, 2014 increased by Ps.67.4 million, to Ps.5,111 million from Ps.5,043.6 million on December 31, 2013. As of March 31, 2014, our consolidated net debt increased by Ps.200 million, to Ps.4,580 million as compared with Ps.4,380 million on December 31, 2013. This increase was primarily attributable to debt incurred to finance working capital. As of March 31, 2014, 89% of our debt was long-term debt, and 99% of our debt was denominated in Mexican Pesos. The remaining 1% was denominated in Argentine pesos and Chilean pesos.

Our total debt as of December 31, 2013, increased by Ps.2,569.1 million, to Ps.5,043.6 million from Ps.2,474.5 million in 2012. As of December 31, 2013, our consolidated net debt increased by Ps.2,838.5 million, to Ps.4,380.3 million from Ps.1,541.9 million. This increase was primarily attributable the Vips Acquisition Loans, as well as to the debt incurred in order to finance the increase in our equity interests in each of Starbucks Mexico, Starbucks Argentina and Starbucks Chile to 100%, the acquisition of Burger King Mexico, the acquisition of a 25% interest in Grupo Axo, and, to a lesser extent, to satisfy our capital investment obligations. As of December 31, 2013, 92.3%, or Ps.4,655.2 million of our outstanding debt was long-term debt, while Ps.388.4 million was current. As of that date, 98.87% of our total debt was denominated in Mexican pesos and 0.95% was denominated in Argentine pesos, and 0.18% was denominated in Chilean pesos.

Our total debt decreased by Ps.1,582.0 million, to Ps.2,474.5 million as of December 31, 2012, from Ps.4,056.5 million as of December 31, 2011. This decrease was primarily attributable to the prepayment of our ALSEA 11 notes (*certificados bursátiles*) with the proceeds from our 2012 equity offering and the cash flows generated by our company during the previous year.

As of December 31, 2012, 84.0% of our total debt was long-term debt. As of that date, 98.0% of our total debt was denominated in Mexican pesos and 2.0% was denominated in Argentine pesos. As of December 31, 2011, 95.4% of our total debt was long-term debt, all of which was denominated in Mexican pesos.

The following table presents our level of indebtedness and the types of interest applicable to our debt as of December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014.

	2011	2012	2013	March 31, 2014
Debt	Ps. 4,056,531	Ps. 2,474,480	Ps. 5,043,616	Ps. 5,110,669
Net debt / EBITDA	3.0	1.0	2.1	2.2
Interest Rate	Variable	Variable	Variable	Variable

The instruments used to finance our debt include long-term bank loans with variable interest rates, quarterly amortization and interest accruing monthly. These loans do not have penalties for prepayment in full or for advance payment. We also have short-term loans with fixed interest rates, redemption payments and interest paid on the maturity date with no penalty for prepayment in full or for advance payments. In addition, we have a long-term stock certificate with a variable interest rate and coupon payments every 28 days, eligible for penalty-free prepayment beginning with the fourteenth coupon.

We prepay debt consistent with our strategy of restructuring our debt, reducing costs and improving the maturity profile of our debt.

The following table contains a breakdown of our total debt as of March 31, 2014, including the amounts maturing in future periods and the percentage of the outstanding balance represented by such amounts as of such date.

	Original Amount	Outstanding Balance as of March 31, 2014	Interest Rate	Spread	Maturity Date
	(in millions of pesos)				
Bank debt					
BBVA Bancomer	Ps. 660.00	Ps. 657.09	28-day TIIE	1.50%	04/06/2018
BBVA Bancomer	615.00	612.12	28-day TIIE	1.50%	07/10/2018
Banco Santander	265.00	264.15	28-day TIIE	0.90%	05/06/2018
Banco Santander	100.00	100.00	4.37%	N.A.	05/27/2014
Banco Santander	60.00	60.00	4.37%	N.A.	06/11/2014
Banamex	97.50	97.20	28-day TIIE	1.50%	07/12/2018
Banamex	770.00	767.64	28-day TIIE	1.50%	07/11/2018

	Original Amount		Outstanding Balance as of March 31, 2014		Interest Rate	Spread	Maturity Date
	(in millions of pesos)						
Argentine bank debt		48.15		36.79	21.73%	N.A.	03/01/2015
Argentine bank debt		48.15		7.27	27.33%	N.A.	12/17/2015
Chilean bank debt		8.96		18.79	0.76%	N.A.	03/24/2015
Total bank debt	Ps.	2,630.35	Ps.	2,621.05			
Debt instruments							
Notes (*certificados bursátiles*)	Ps.	2,500.00	Ps.	2,489.61	28-day TIIE	0.75%	06/14/2018
Total debt instruments	Ps.	2,500.00	Ps.	2,621.06			
Total debt	Ps.	5,130.35	Ps.	5,110.67			

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 were in compliance with our obligations for the payment of the principal amount of and interest on our bank loans and debt instruments.

The terms of the seven credit agreements relating to our operations in Mexico (nine including the Vips Acquisition Loans), our notes (*certificados bursátiles*) and the three revolving loan agreements relating to our operations in Argentina and Chile include certain affirmative and negative covenants that, among other things, restrict our ability to (i) participate in any merger or spin-off, or adopt a different corporate form; (ii) change our corporate purpose; (iii) alter our capital structure; (iv) sell, lease, assign, transfer or otherwise dispose of or encumber our fixed assets, except for (a) obsolete assets in need of replacement, (b) assets that are not necessary for us to continue our operations in the ordinary course of business, and (c) unproductive assets, provided that the aggregate value of all the assets sold within any 12-month period does not exceed from 15% of our total assets or the total assets of our guarantors; and (vi) create any lien on our assets that may affect the performance of our obligations.

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 EBITDA ratio lower than 5.0x and (ii) an 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' EBITDA, which may not amount to less than Ps.700.0 million.

Pursuant to the terms of our notes (*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 note holders with any financial information on our company said representative may reasonably request. In addition, the terms of our notes 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.

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.

Description of Certain Indebtedness

As of March 31, 2014, our total long-term debt was Ps.4,555 million and our total short-term debt was Ps.556 million. All of our debt was denominated in Mexican pesos, Argentine pesos and Chilean pesos. The following table shows the balance and distribution of our debt as of March 31, 2014:

	Maturity	Average Annual Interest Rate	Average Annual Interest Rate (Including VIPS Acquisition Loans)	Millions of Mexican pesos as of March 31, 2014	
Total Debt	2012-2018	4.86%	5.80%	Ps.	5,111
Bank Debt	2012-2018	4.86%	5.80%	Ps.	2,621
Notes	2018	5.80%	4.55%	Ps.	2,490

The terms of the seven credit agreements relating to our operations in Mexico (nine including the Vips Acquisition Loans), our notes (*certificados bursátiles*) and the three revolving loan agreements relating to our operations in Argentina and Chile include 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 (i) maintain certain financial ratios during the effective term of the agreements governing such debt, including a net debt to EBITDA ratio lower than 5.0x and an EBITDA to interest expense ratio greater than 3.5x, in each case based on our quarterly financial statements; (ii) apprise our creditors in the event of any litigation, and (iii) maintain control over no less than 75% of our guarantors' EBITDA.

The terms of our bank debt also restrict our ability to (i) participate in any merger or spin-off, or adopt a different corporate form; (ii) change our corporate purpose; (iii) alter our capital structure; (iv) sell, lease, assign, transfer or otherwise dispose of or encumber our fixed assets, except for (a) obsolete assets in need of replacement, (b) assets that are not necessary for us to continue our operations in the ordinary course of business, and (c) unproductive assets, provided that the aggregate value of all the assets sold within any 12-month period does not exceed from 15% of our total assets or the total assets of our guarantors.

Vips Acquisition Loans

On November 29, 2013, we entered into the Vips Acquisition Loans which consist of: (i) a Ps.5.2 billion bridge loan to us and (ii) a Ps.3.0 billion term loan to one of our subsidiaries. The proceeds from the Vips Acquisition Loans were used to pay the purchase price for the partnership interests representing all of the outstanding capital of Vips, all the intellectual property rights to Vips' trademarks, certain real properties and all of Vips' rights and obligations under certain lease agreements for real estate properties used in connection with Vips' operations.

We intend to use a portion of the net proceeds from the Global Offering to prepay a portion of the bridge loan.

The agreements governing the Vips Acquisition Loans contain certain affirmative and negative covenants that, among other things, limit our ability and that of our subsidiaries to (i) make any transfer of assets representing a value in excess of Ps.500 million, other than in the ordinary course of our business; (ii) incur additional debt (including in the form of guaranties) in excess of Ps.200 million, in the case of the bridge loan, or where our total debt/EBITDA would exceed 3.0x as a result, in the case of the term loan; and (iii) pay dividends, make other distributions or grant inter-company loans, in the case of the bridge loan, or pay dividends or make other distributions where our net debt to EBITDA ratio would exceed 2.5x as a result, in the case of the term loan. Interest paid on the term loan is based on a sliding scale dependent on our total debt/EBITDA ratio. If our total debt/EBITDA ratio is greater than 3.0x, the interest rate is TIIE plus 225 basis points; if our total debt/EBITDA ratio is between 3.0x and 2.0x, the interest rate is TIIE plus 200 basis points; and below a total debt/EBITDA ratio of 2.0x, the interest rate is TIIE plus 175 basis points.

In addition, the terms of the Vips Acquisition Loans require us to maintain (i) a net debt to EBITDA ratio no greater than 5.0x during the six-month period beginning on the date of execution of the Vips acquisition documents, and no greater than 4.5x thereafter and until the maturity of the bridge loan, in each case after giving effect to the Vips acquisition, or no greater than 3.0x before giving effect to the Vips acquisition; (ii) an EBITDA to interest expense ratio no lower than 3.0x, in the case of the bridge loan; (iii) a net debt to EBITDA no greater than 3.5x, in the case of the term loan; and (iv) a stockholders' equity equal to at least 90% of our stockholders' equity according to our audited financial statements as of December 31, 2012, in the case of the bridge loan, or to our unaudited pro forma consolidated statements following the consummation of the Vips acquisition, in the case of the term loan. In addition, the percentage of our EBITDA that is attributable to our co-obligors during any quarterly period for the measurement of our financial ratios must be equal to or greater than 75% of our consolidated EBITDA (excluding Vips, in the case of the bridge loan, and including Vips, in the case of the term loan).

The term loan is secured by: (i) a first-ranking share pledge with respect to the shares and other equity interests in Operadora Alsea de Restaurantes Mexicanos, S.A. de C.V. and the partnership interests in the Vips entities; (ii) a first-ranking nonpossessory pledge over the movable and real property of the Vips entities; and (iii) a pledge over Vips' intellectual property.

For information concerning our financial ratios for the periods presented in this offering memorandum, see "—Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Selected Financial Ratios."

Notes (Certificados Bursátiles)

Pursuant to the terms of our notes we are required to: (i) comply with all the filing and information disclosure requirements applicable to publicly traded companies, and (ii) provide the common representative for our note holders with any financial information on our company. Said representative may reasonably request and, upon written request from the common representative, a certificate of compliance with the terms of the notes. We must also rectify any error in the accuracy of the financial or other information supplied to the CNBV and the BMV within 15 days of discovering such error. In addition, the terms of our notes include provisions that limit our ability to change our corporate purpose or transfer 10% or more of our consolidated assets according to our most recent financial statements.

Contractual Obligations

The table below presents our contractual obligations as of March 31, 2014.

		As of March 31, 2014					
		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 5 years or more	Total
		(In thousands of Mexican Pesos)					
Long-term debt	4.68%	Ps. 556,133	Ps. 473,575	Ps. 588,562	Ps. 741,562	Ps. 261,228	Ps. 2,621,060
Debt instruments	4.55%	—	—	—	—	2,489,609	2,489,609
Suppliers		1,214,621	—	—	—	—	1,214,621
Other accounts payable and others		982,725	—	—	—	—	982,725
Total		Ps. 2,753,479	Ps. 473,575	Ps. 588,562	Ps.741,562	Ps. 2,750,837	Ps. 7,308,015

Accounts payable to suppliers

Our accounts payable to suppliers decreased from Ps.1,409 million as of December 31, 2013, to Ps.1,215 million as of March 31, 2014. This decrease was primarily a result of the renegotiation of our payment terms with our suppliers, from 46 to 41 days.

Our accounts payable to suppliers increased from Ps.1,129.6 million as of December 31, 2012, to Ps.1,409 million as of December 31, 2013. This increase was primarily a reflection of the renegotiation of our payment terms with our suppliers, from 38 to 46 days, and, to a lesser extent, to an increase in our number of units in operation.

Our accounts payable to suppliers increased by Ps.108.2 million, from Ps.1,021.4 million as of December 31, 2011, to Ps.1,129.6 million as of December 31, 2012. This increase was primarily a reflection of the renegotiation of our payment terms with our suppliers and of an increase in the number of our units in operation.

Inventory

During the three months ended March 31, 2014, our inventory decreased by Ps.577 million as compared with the balance of inventory at December 31, 2013, or 5.3 days in inventory. This decrease is primarily attributable to a reduction in the practice of storing strategically purchased supplies to optimize costs of our materials, and, to a lesser extent, to the adjustment of Burger King Mexico's inventories.

During 2013, our inventory increased by Ps.91.6 million, or 2.7 days in inventory. This increase is attributable primarily to the gathering of materials for our operations in Argentina as well as to strategic purchases to optimize the costs of our materials.

During the year ended December 31, 2012, our inventory increased by Ps.147.3 million as compared with the year ended December 31, 2011, from Ps.403.1 million to Ps.550.4 million. This increase is primarily attributable to strategic purchases, the integration of Italianni's inventory following its acquisition, and the implementation of the inventory strategy devised for our operations in Argentina due to the restrictions on imports in effect in that country. To a lesser extent, the increase in inventory was also attributable to the increase in our number of units in operation.

Capital Expenditures

During the three months ended March 31, 2014, we made capital expenditures of Ps.274.5 million which were used to open new stores, refurbish certain pieces of equipment, improve logistics capabilities and renovate some of our existing stores across our various brand segments. These figures do not include our expenditures related to the Vips acquisition, for which we paid Ps.8.2 billion on May 9, 2014.

During the year ended December 31, 2013, we made capital expenditures of Ps.3,644 million, which were used to finance new acquisitions, open new stores, refurbish certain pieces of equipment and renovate some of our existing stores across our various brand segments.

During the year ended December 31, 2012, we made capital expenditures of Ps.2,751 million, which were used to finance new acquisitions, open new stores, refurbish certain pieces of equipment and renovate some of our existing stores across our various brand segments.

During the year ended December 31, 2011, we made capital expenditures of Ps.1,245 million, which were used to finance new acquisitions, open new stores, refurbish certain pieces of equipment and renovate some of our existing stores across our various brand segments.

Share Repurchase Program

During the three months ended March 31, 2014, we did not engage in any share repurchase transactions. As of March 31, 2014, we did not hold any repurchased shares.

During the year ended December 31, 2013, we engaged in share repurchase transactions totaling approximately Ps.140.9 million or 4,044,968 Shares. As of December 31, 2013, we did not hold any repurchased shares.

During the year ended December 31, 2012, we engaged in share repurchase transactions totaling Ps.212.6 million or 13.3 million Shares. As of December 31, 2012, we did not hold any 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 finance and administration department, in coordination with our corporate finance department and 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 March 31, 2014.

Type of derivative, security or agreement	Position	Purpose	Value of the underlying asset/reference variable		Notional amount/ nominal value (U.S.$)(1)		Fair value(2) (U.S.$)		Amount maturing in 2013-2016 (U.S.$)
			Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	
Forward	Long	Economic	13.08 USD/MXN	13.06 USD/MXN	$ 12,400	$ 2,500	$ (16.3)	$ (7.2)	$ 12,400
Option	Long	Economic	13.08 USD/MXN	13.06 USD/MXN	$ 41,600	$ 13,750	$ (8.6)	$ (6.6)	$ 41,600

(1) Includes all the transactions outstanding as of March 31, 2014 that have been valued at the exchange rate of Ps.13.00 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 notes (*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 (i.e., Mexico, Argentina, Chile and Colombia); 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 March 31, 2014.

			Value of the underlying asset/reference variable		Notional amount/ nominal value (U.S.$)(1)		Fair value(2) (U.S.$)		Amount maturing in
Type of derivative, security or agreement	Position	Purpose	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	Current Quarter	Previous Quarter	2013-2016 (U.S.$)
Plain vanilla IRS	Long	Economic	28-day TIIE + 3.82%	28-day TIIE + 3.79%	$ 38,214	$ 38,270	$ 175	$ 315	$ 38,214
Knock-out IRS	Long	Economic	28-day TIIE + 3.82%	28-day TIIE + 3.79%	$ 11,464	$ 11,481	$ 53	$ 56	$ 11,464
Limited IRS	Long	Economic	28-day TIIE + 3.82%	28-day TIIE + 3.79%	$ 11,464	$ 11,481	$ 63	$ 64	$ 11,464
Capped IRS	Long	Economic	28-day TIIE + 3.82%	28-day TIIE + 3.79%	$ 7,643	$ 7,654	$ 34	$ 47	$ 7,643

(1) Includes all the transactions outstanding as of March 31, 2014, 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 corporate 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 corporate 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 March 31, 2014, the estimated fair value of our bank debt and notes (*certificados bursátiles*) was approximately Ps.2,621,060 and Ps.2,489,609 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, 2012 and 2013, and the three months ended March 31, 2014, we entered into an aggregate of 309, 387 and 42 derivative financial transactions, respectively, including forwards and options in the aggregate amount of U.S. $146.1 million, U.S. $103.4 million, and U.S.$13.0 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 March 31, 2014 and December 31, 2013, we held derivative financial instruments for the purchase of U.S. dollars totaling approximately U.S. $54 million and U.S. $16.3 million, respectively, at an average exchange rate of approximately Ps.12.82 and Ps.12.56 to U.S. $1.0, respectively.

As of December 31, 2013 and 2012, we held derivative financial instruments for the purchase of U.S. dollars totaling approximately U.S. $16.3 million and U.S. $45 million, respectively, at an average exchange rate of approximately Ps.12.60 and Ps.12.84 to U.S. $1.0, respectively.

As of March 31, 2014, we were parties to the following derivative financial transactions:

- Plain vanilla variable to fixed rate swap in the amount of Ps.400 million. This swap matured in May 2014.
- Plain vanilla variable to fixed rate swap in the amount of Ps.100 million, maturing in December 2016.
- Knock-out swap and limited swap, each in the amount of a notional amount of Ps.150 million, maturing in December 2016.
- Capped interest rate swap in the amount of Ps.100 million, maturing in December 2016.

In the three months ended March 31, 2014, we entered into derivative financial transactions for the purchase of U.S. dollars in an aggregate amount of approximately U.S. $13 million, at an average exchange rate of Ps.12.91 to U.S. $1.00. In the year ended December 31, 2013 we recorded foreign exchange derivative maturities amounting to U.S.$146 million, using an average exchange rate of Ps.12.76 to U.S. $1.00. The result of this hedge was a foreign exchange gain of Ps.28.1 million.

In 2012, we recognized foreign exchange derivative maturities amounting to U.S. $103.4 million, using an average exchange rate of Ps.12.97 to U.S. $1.00. The result of this hedge was a foreign exchange gain of Ps.19.1 million. In 2013 we have entered into derivative financial transactions for the purchase of U.S. dollars in an aggregate amount of approximately U.S. $45.0 million, at an average exchange rate of Ps.12.84 to U.S. $1.00.

In 2011, we recorded foreign exchange derivative maturities amounting to U.S. $86.3 million, using an average exchange rate of Ps.12.06 to U.S. $1.00. The result of this hedge was a foreign exchange gain of Ps.6.7 million. In 2012 we entered into derivative transactions for the purchase of U.S. dollars in an aggregate amount of approximately U.S. $6.3 million, at an average exchange rate of Ps.12.46 to U.S. $1.00.

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, namely the Mexican peso, the Argentine peso, Chilean peso and the Colombian 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 10% in the value of the Mexican peso against the U.S. dollar would result in an increase/decrease of 1.2 percentage points in our cost of sales for the year ended December 31, 2013.

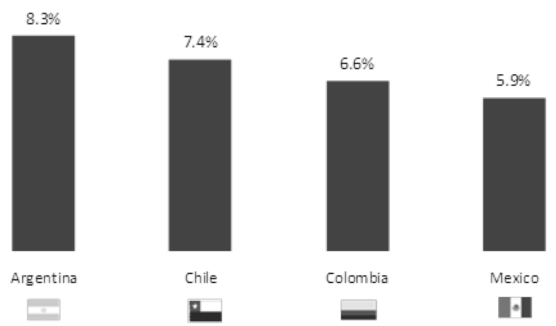
The main risks the company faces and which we aim to mitigate by using derivative financial instruments are the depreciation of local currencies against the U.S. dollar, interest rates, and inflation. We use derivative financial instruments to mitigate these risks. See also "—Market Risks" for further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

INDUSTRY

Our Industry

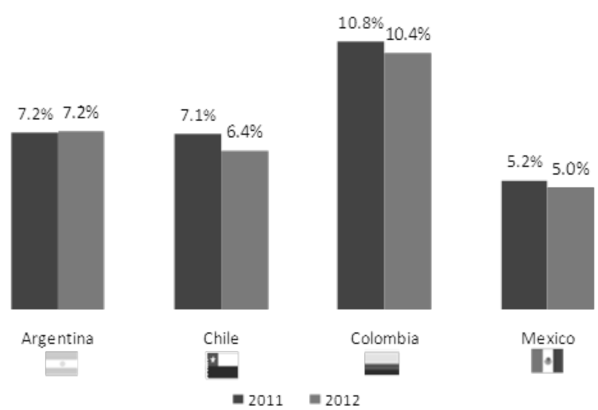
Our operations are strategically located in Mexico, Argentina, Chile and Colombia, whose dynamic economies offer a positive outlook for the food service industry. During the year ended December 31, 2013, our Mexican operations accounted for more than 75% of our total revenues. Economic growth in these four countries as measured in terms of the increase in gross domestic product, or "GDP," over the past five years, including during the economic recession experienced throughout Latin America in 2009, is indicative of the industry's potential for growth in the region.

GDP Growth '09 –'12
(CAGR as %)*

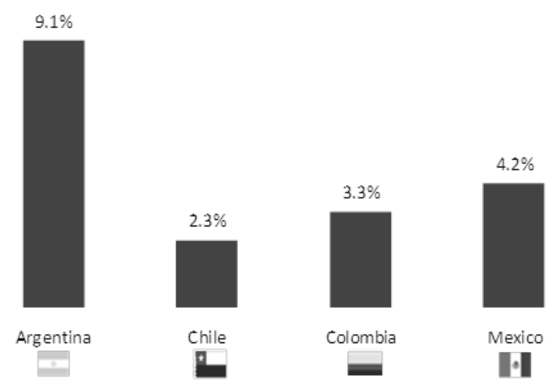


GDP per Capita '12
(U.S.$.)*

Unemployment Rate
(As % of working population)*

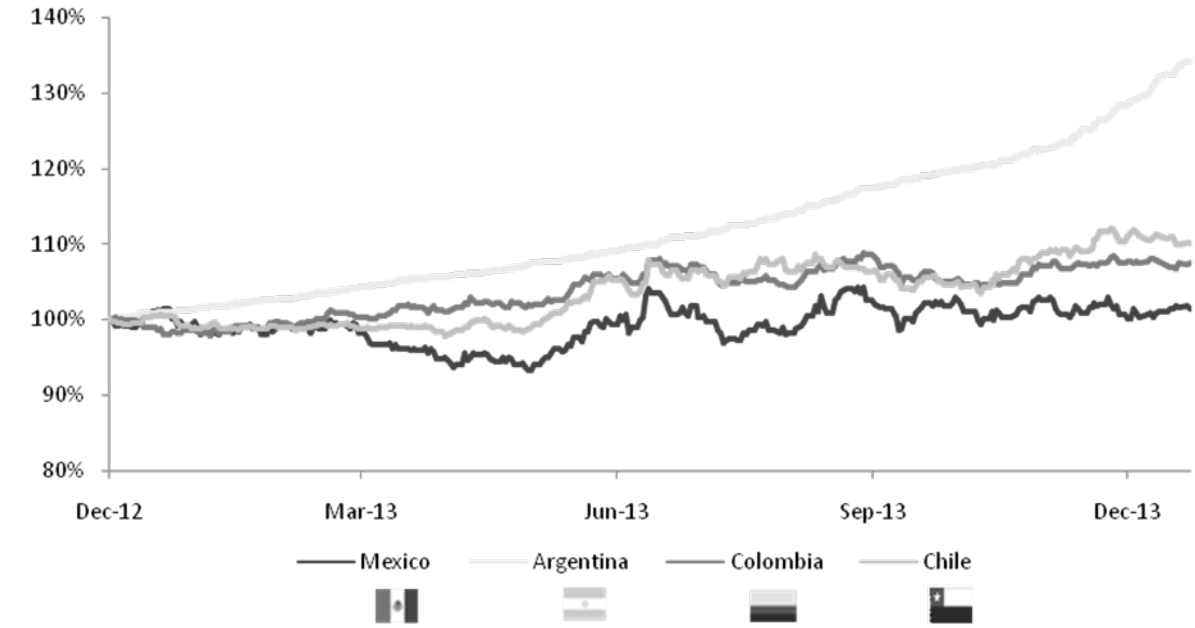


Inflation Average '09 – '12*



*Source: International Monetary Fund, World Economic Outlook Database, October 2013

Historical Evolution of Exchange Rates



Source: Bloomberg

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. Although the region's macroeconomic environment remained stable through the end of 2008, our industry was affected by the global financial crisis that erupted in the third quarter of 2008 and became exacerbated in 2009 and the first half of 2010, as consumer spending patterns shifted as a result of the growing inflation and unemployment rates and the decrease in purchasing power. The global economic environment in 2010 led to increased competition within our industry. The Mexican and South American food service industry experienced a significant recovery in 2012 and 2013 as a result of the improvement in macroeconomic conditions. In 2012 our industry was characterized by an increasing trend towards consolidation, as market participants sought to maximize their potential for growth. Over the past few months, these market participants have introduced new brands and store formats into the market.

The food service industry segments in which we operate are defined by Euromonitor 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.

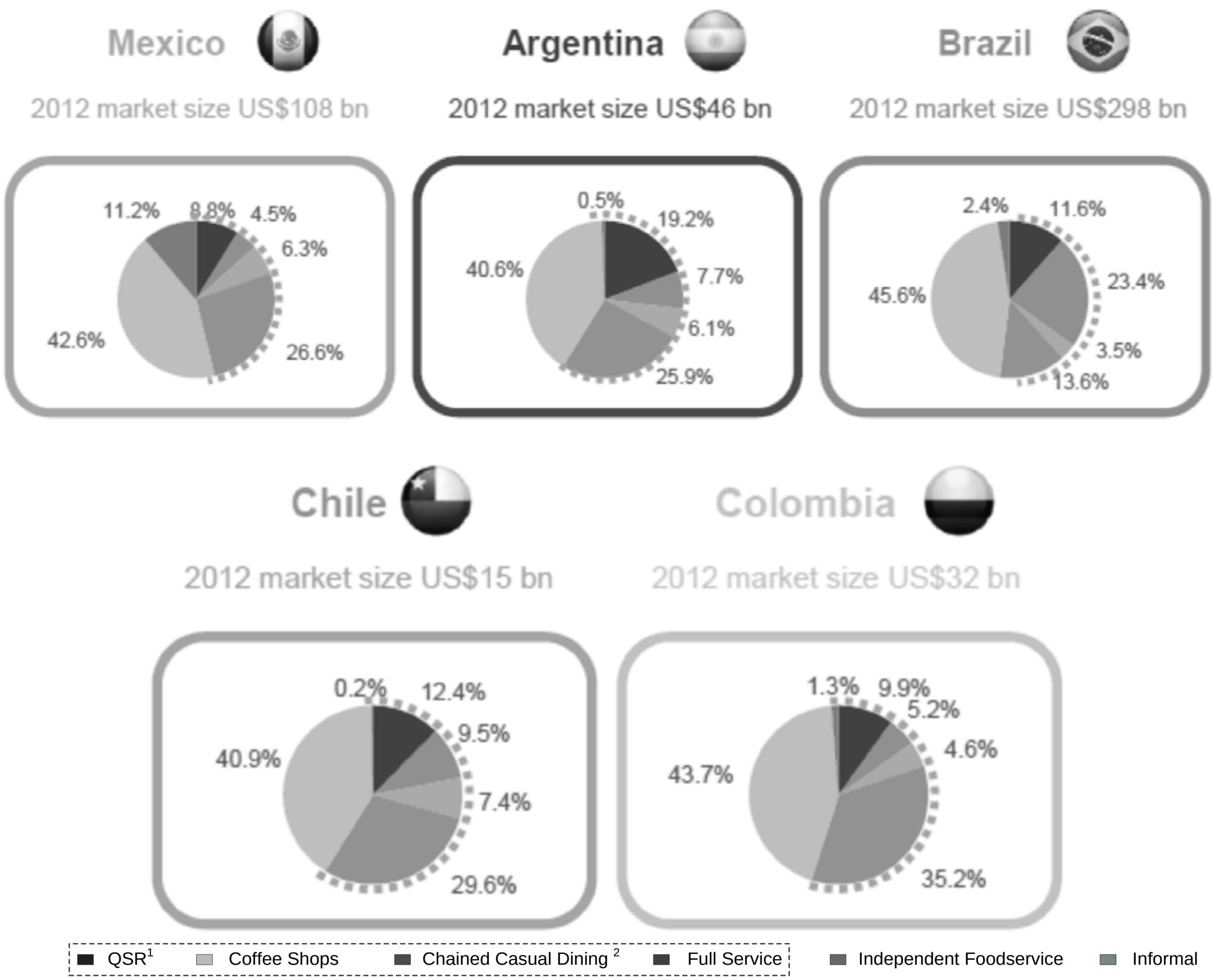
- *Coffee Shops*. Specialty stores where coffee is the primary menu item. These stores offer a wide variety of coffee and coffee-related products. Their menus may also include other products such as cakes, cookies, sandwiches and bread, and they have developed a wide variety of menu items, including 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 Dining*. An emerging, growing 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.

However, some of the market share data included in this section is based on a reclassification of Euromonitor's market segments. For example, while Euromonitor analyzes home delivery as an entirely separate segment, we have included it in the fast food segment based on the premise that, as in the case of fast food, customers pay for their home delivered food before consuming it. In addition, we present the casual dining segment separately due to its relative importance in value to the industry.

Composition of the Food Service Industry in Our Markets — 2012(3)
(U.S.$)



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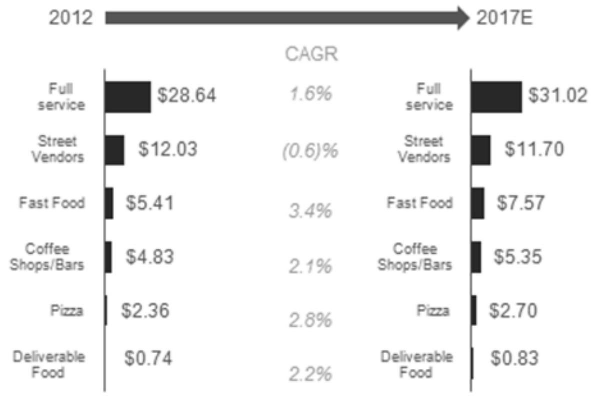
(1) Includes Euromonitor's "fast food" and "consumer foodservice."

(2) Includes Euromonitor's "chained consumer service" category.

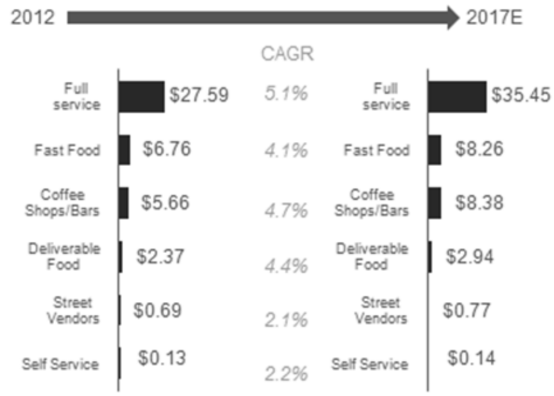
(3) The dotted line represents our participation in each segment.

Source: Company estimates/analysis and Euromonitor as of February 2014.

Industry Growth in Mexico
(US$ millions)



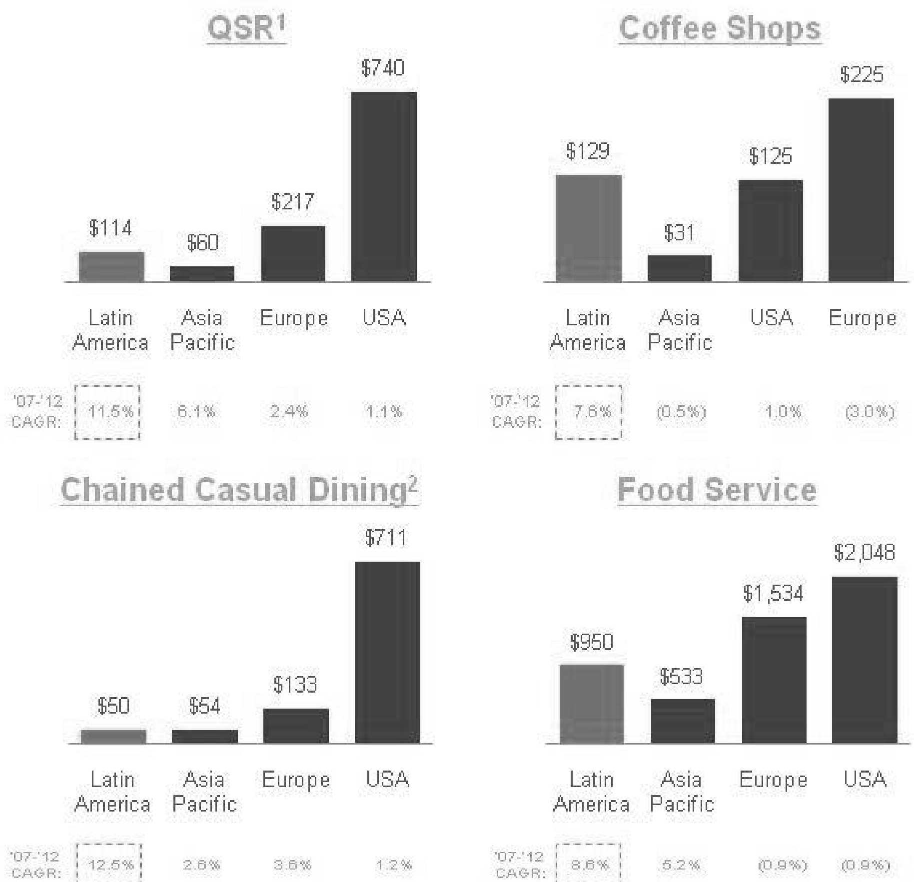
Industry Growth in LatAm
(US$ millions)



Source: Euromonitor 2012

According to Euromonitor, the segments in which we operate have shown significant growth in the LatAm region. We have benefited from the growth and expect to continue doing so.

Segment Value per Capita (2012, US$ mm)



Source: Company filings and Euromonitor as of February 2014.
1. Includes Euromonitor's "fast food" and "pizza consumer foodservice" categories.
2. Includes Euromonitor's "chained consumer service" category.

Mexico

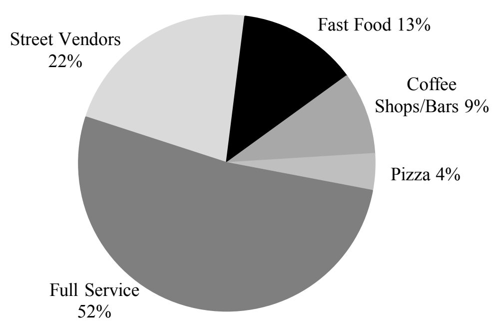
According to INEGI, in 2012 the Mexican food and beverage industry accounted for approximately 1.1% of the country's GDP. According to Euromonitor's estimates, Mexico's food service market is comprised of more than 757,613 food service outlets, of which approximately 30.2% are informal outlets or street vendors.

In 2012, Mexico's food service industry reported annual sales of Ps.692.9 billion represented by over 10.02 billion transactions and an average ticket (i.e., the average spend per transaction) of Ps.69.1. According to Euromonitor, during the period from 2007 to 2012 the volume of transactions and the market value grew at a CAGR of 1.1% and 2.5% in real terms, respectively.

The Mexican fast food industry is characterized by the availability of a wide array of outlet formats and food options. According to Euromonitor, the fast food industry is comprised of the following segments: full-service outlets, casual outlets, specialty coffee shops, fast food outlets, and informal outlets and street vendors. In 2012, street stalls and kiosks accounted for approximately 60.6% of the total number of food service outlets, while full-service outlets accounted for 29.8%, fast food outlets for 5.2%, coffee shops and bars for 0.3%, and casual dining outlets for 0.2%.

The following chart shows the percentage of the Mexican fast food industry's total sales contributed by each market segment in 2012.

Share of Sales Volume by Segment — Mexico



Source: Euromonitor 2012.

According to Euromonitor, the average ticket also varies from one market segment to another. While the average ticket for informal outlets or street vendors is approximately Ps.39, the average ticket for full-service outlets exceeds Ps.134.

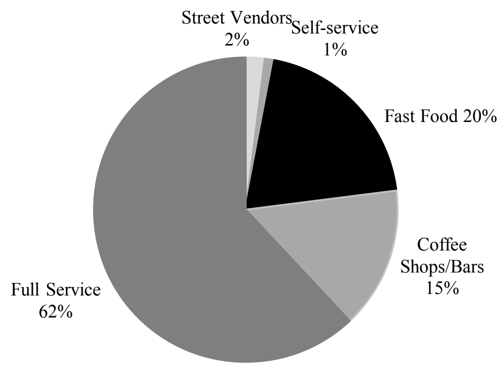
We operate in the Mexican fast food, coffee shop/bar and casual dining segments, which according to Euromonitor's estimates are expected to grow at a CAGR of 3.4%, 2.1% and 1.3%, respectively, between 2012 and 2017.

South America

The food service industry in Argentina, Chile and Colombia is characterized by the availability of a vast array of options and market segments, a majority of which continue to be local businesses. The region's informal economy and, accordingly, the informal food service segment, are expected to experience a significant slowdown, which should enable international fast food chains to improve their market position.

The following chart shows the percentage of the South American fast food industry's total sales contributed by each market segment in 2012.

Share of Sales Volume by Segment — South America



Source: Euromonitor.

We operate in the fast food and coffee shop/bar, casual dining segments in Argentina, Chile and Colombia, taken as a whole.

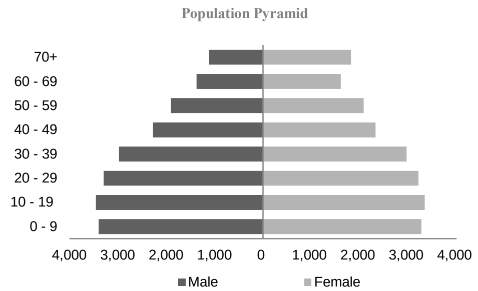
Industry Demographics

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 changing trend in South America's demographics has accelerated over the past few years and recent data indicates that 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.

Argentina

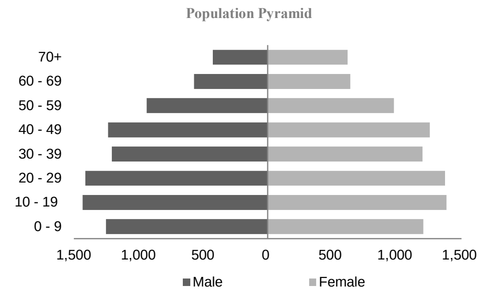
	15 – 24 years	15 – 64 years	Total population
Labor force participation rate in each group	41%	68%	47%



Source: World Bank

Chile

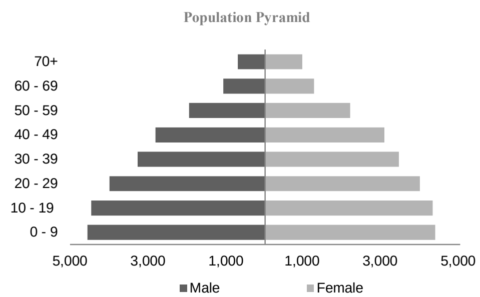
	15 – 24 years	15 – 64 years	Total population
Labor force participation rate in each group	37%	67%	49%



Source: World Bank

Colombia

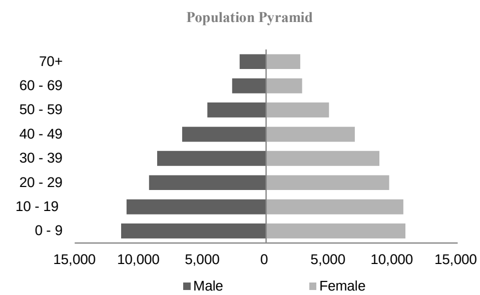
	15 – 24 years	15 – 64 years	Total population
Labor force participation rate in each group	46%	71%	50%



Source: World Bank

Mexico

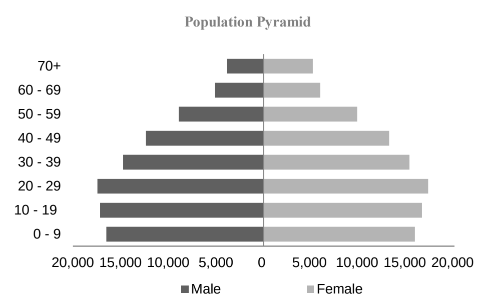
	15 – 24 years	15 – 64 years	Total population
Labor force participation rate in each group	48%	65%	47%



Source: World Bank

Brazil

	15 – 24 years	15 – 64 years	Total population
Labor force participation rate in each group	63%	75%	54%



Source: World Bank

Mexico

According to Mexico's National Population Council (*Consejo Nacional de Población*, or "CONAPO"), in 2012 Mexico's population was approximately 117.1 million, of which 51% were women and 49% were men, and is expected to reach 127 million by 2020.

Mexico is a young country. According to the CONAPO, approximately 49% of the Mexican population is under the age of 25. These young people are currently of school age or are just entering the job market. According to the INEGI, in 2011 Mexico had an economically active population of 52.8 million.

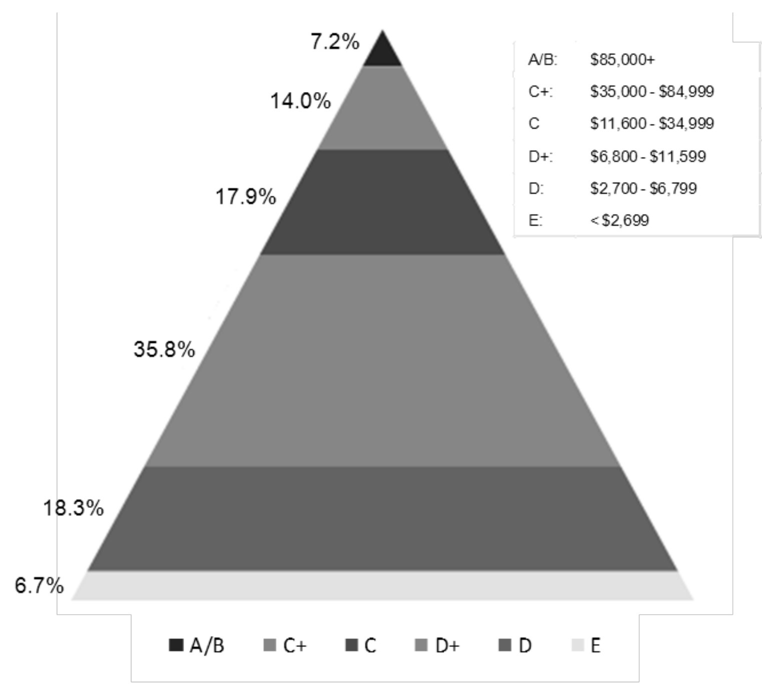
According to the CONAPO, the 25 to 39 age segment of Mexico's population accounts for 23% of the country's total population and 39% of its economically active population. This population segment is comprised primarily of working people, who tend to have higher income levels and to be more inclined to spend on food and beverages than other population segments.

During the period from 2008 to 2012, the level of spending on the consumption of food and beverages away from home grew by approximately 2.7%. According to the results of the bi-annual National Household Income/Spending Survey *(Encuesta Nacional Ingreso Gasto de los Hogares*) conducted by the INEGI in 2012, this translates into an increase in the share of total sales of food and beverages represented by those consumed away from home, from 18.8% in 2008 to 21.5% in 2012.

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 39% of the Mexican population in the A/B, C+ and C income segments, which are defined by the Mexican Association of Market Research and Public Opinion Agencies (*Asociación Mexicana de Agencias de Investigación de Mercado y Opinión Pública A.C.*, or AMAI) as those with a monthly household income in excess of Ps.11,600, while informal outlets and street vendors serve approximately 54% of the population in the D+ and D income segments, which are defined by the AMAI as those with a monthly household income ranging from Ps.2,700 to Ps.11,599. This is due to the fact that the limited availability of income in the latter population segments makes it more difficult for them to access fast food outlets, coffee shops and casual dining outlets.

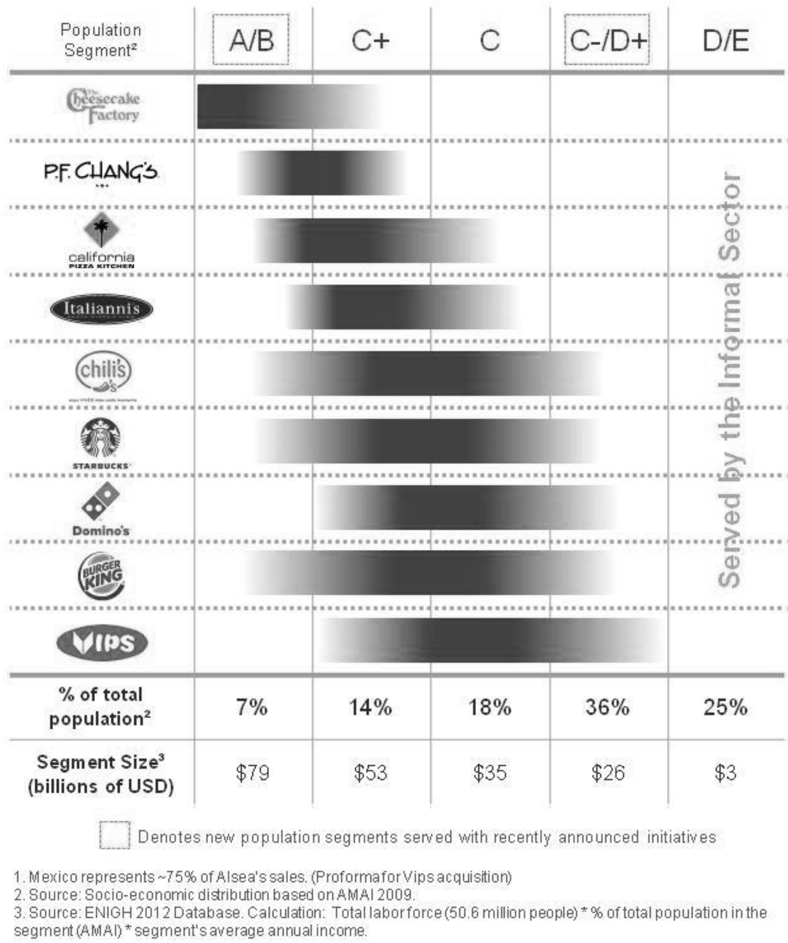
The following chart illustrates the distribution of income among Mexico's population:



Fuente: AMAI, Los Niveles Socioeconómicos y la distribución del gasto , Heriberto López Romo, Noviembre 2009

Source: AMAI 2009.

The chart below shows how our increased brand offering has helped Alsea to cover previously underserved population segments:



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. According to Euromonitor, in 2012, households with an annual disposable income of more than U.S.$75,000 represented 11.2% of the Mexican population; this segment is expected to grow to 33.9% of the population by 2030. Households with an annual disposable income between $45,000 and $75,000 represented 14.6% of the Mexican population in 2012; this segment is expected to grow to 24.3% by 2030. Households with a disposable income between U.S.$10,000 and U.S.$45,000 represented 59% of the Mexican population in 2012; this segment is expected to decrease to 37.7% by 2030. Finally, households with a disposable income of less than U.S.$10,000 represented 15.2% of the Mexican population in 2012; this segment is expected to decrease to 4.1% of the population by 2030.

In recent years, a number of cities have experienced significant growth as a result of the migration of people from the country's three largest cities (i.e., Mexico City, Guadalajara and Monterrey), to other cities where tourism or industrial development have led to the creation of job opportunities. According to CONAPO's estimates, Mexico's 59 largest cities account for 54% of the country's total population. Currently, Mexico has approximately 30 cities with a population of over 500,000. We believe that as these cities continue to grow and the demand for services and infrastructure increases, they should offer attractive opportunities for our industry to position itself to contribute to the satisfaction of the demand for new food services.

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.

According to the CEPAL, the South American countries in which we operate have a total population of approximately 104 million, which is comprised of 40.3 million in Argentina, 17.1 million in Chile and 46.4 million in Colombia. In 2010, 53% of South America's total population belonged to the 15 to 49 age segment, and this demographic trend is expected to continue through 2020. This provides us with a particularly good opportunity given that this age segment constitutes our primary target market.

Based on information derived from Euromonitor, we believe that we are the largest operator of fast food outlets in Mexico, where we offer a wide range of store and restaurant formats that operate under globally recognized brands and franchises, which enables us to cater to the diverse preferences and needs of a broad customer base located throughout a vast geographic region.

In the rest of Latin America, we have increased our market presence by (i) further developing our existing brands and (ii) introducing new brands to address the needs of consumers in the region while also offering them different and innovative options.

Competition

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 subsidiary DIA, which ensures 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 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 and South America.

With 2,241 units (on a pro forma basis, including the 360 units being integrated to our portfolio from the Vips acquisition) in operation as of March 31, 2014, we are the largest operator of fast food and casual dining establishments in Latin America. 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 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, 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 5.5% of the total number of points of sale and 13% 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 March 31, 2014, the Domino's Pizza System operated 592 stores in all 32 Mexican states, and 39 stores in the cities of Pereira, Cali, Medellin and Bogota, in Colombia.

We believe that Domino's Pizza is the leading pizza chain in Mexico in terms of sales. According to our own estimates, in 2012 Domino's Pizza accounted for nearly 58% of the pizza segment's total sales. Domino's Pizza's principal competitors nationwide in Mexico are 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, Little Caesar's, Charly Pizza and Lupillos.

Burger King

Burger King is Mexico's largest fast food hamburger chain. According to Agencia de Campo, in 2012 Burger King accounted for approximately 41% of the total number of trips to fast food hamburger outlets in Mexico. We hold Burger King's master franchise for Mexico. As of March 31, 2014, we owned and operated 436 Burger King company stores in Mexico (including 226 sub-franchises), 73 in Argentina (Buenos Aires, Mendoza, Córdoba, Mar de Plata, Rosario and Tucumán), 34 in Chile (Santiago, Rancagua, Concepción and Viña del Mar) and 16 in Colombia (Bogota).

Burger King's principal competitor is McDonald's, which currently holds the second place in the fast food hamburger market. Mexico is the only country where Burger King has more units than McDonald's: Burger King has 436 units and McDonald's has 402 units. 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 Shop Segment

The specialty coffee shop segment is highly fragmented and is dominated in terms of number of stores by the chain format. The principal competitors in the Mexican specialty coffee shop market are domestic chains that have developed specific concepts associated with the coffee-drinking experience. The predominant operating model in this market segment is the exploitation of franchises, which have contributed to the segment's rapid expansion. Other competitors include small, informal outlets that lack well-defined operating processes and standardized quality control systems.

In recent years, the expansion of the specialty coffee shop 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 in recent years, from 600 grams to 1.5 kilograms per capita in 2012, according to Expo Café, it continues to lag behind Europe, which consumes between 8 and 12 kilograms of coffee per capita per year, or Brazil, which consumes approximately 4.7 kilograms. We 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.

According to Euromonitor, Starbucks is Mexico's second largest specialty coffee shop chain in terms of number of stores and certain other metrics, with 419 stores as of March 31, 2014, and the largest chain in terms of sales, with a market share of 41% for 2012. 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 393 stores. Starbucks' other direct competitors include The Coffee Factory, Café Punta del Cielo, Café La Finca Sta.

Veracruz, La Selva Café, Cielito Querido and Coffee House. We own and operate 72 Starbucks stores in Argentina and 57 stores in Chile and hold the exclusive right to open Starbucks stores in Colombia.

The Casual Dining Segment

In 2012, 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 29.6%. 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 March 31, 2014, we operated 40 Chili's units in Mexico. According to Euromonitor, Chili's holds an estimated 6% share of the full service and casual dining chain market. Euromonitor's report also indicates that between 2007 to 2012 the market value of the casual dining segment in Latin America increased by approximately 13.8%, which we believe provides us with a strategic channel through which to continue to grow our business.

Our direct competitors in this segment include Applebee's, TGI Friday's, Tony Roma's, Grupo Andersons, Beer Factory, Ruby Tuesday and Hooters.

Italianni's

With a market presence spanning nearly 17 years and 63 units (including 11 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 4% 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 the 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. Italianni's has approximately 80 units in operation in four countries.

California Pizza Kitchen

California Pizza Kitchen is the creator of the original California-style pizza. California Pizza Kitchen's menu celebrates the ingredients' flavor, artisanal preparation methods and the imagination that goes into creating each dish. California Pizza Kitchen offers a relaxed atmosphere reminiscent of California's energy, where customers can experience the creativity associated with Californian cuisine. The California Pizza Kitchen franchise is comprised of 250 units in 11 countries, including units in 32 U.S. states. We acquired California Pizza Kitchen's master franchise for Mexico in 2008 and currently holds a 2% share of the Mexican market.

Our direct competitors in this segment include Olive Garden, 50 Friends, Giros, Trattoria Giacovanni and Non Solo Pasta.

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 39 U.S. states. We acquired the P.F. Chang's master franchise for Mexico in 2009, and for Argentina, Colombia and Chile in 2011. Our P.F. Chang's restaurants currently hold a 5% share of the Mexican market.

Pei Wei Asian Diner

Pei Wei's menu offerings include traditional dishes from five countries (Korea, Japan, Thailand, Vietnam and China), which are cooked to order in an open kitchen that allows customers to watch the preparation process.

The Pei Wei franchise is comprised of over 170 restaurants in the United States alone. We acquired the Pei Wei master franchise for Mexico in 2011. As of March 31, 2014 we operated three Pei Wei units in Mexico City.

Vips

We completed the acquisition of Vips on May 9, 2014. Vips is a full service restaurant chain with operations in 65 cities located throughout Mexico, which operates under four separate trademarks: "Vips," "El Portón," "Ragazzi" and "La Finca." Vips' distinctive value proposition consists in offering high-quality menu items at affordable prices, an efficient service and convenient locations.

Vips operates 262 units under the iconic Vips trademark, which enjoys a 99% name recognition and holds an 13.8% share of the Mexican chained full-service restaurant market. Vips also operates 90 units under Vips' second largest trademark, "El Portón," which are located on busy avenues and offer traditional Mexican food in a home-like environment. In addition, we operate six Ragazzi and two La Finca restaurants, which serve Italian and Mexican food, respectively.

Our direct competitors in this segment include Toks, Sanborns, Wings and California.

The Cheesecake Factory

On February 19, 2013, we acquired the exclusive right to develop and operate The Cheesecake Factory restaurants in Mexico, Chile, Argentina, Colombia, Brazil and Peru. 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 expect to open our first The Cheesecake Factory restaurant in Mexico in the third quarter of 2014. As of March 31, 2014, The Cheesecake Factory chain was comprised of 164 units in the U.S. and 4 in the Middle East.

Impact of Industry Trends on Us

The global economic environment of 2009 and 2010 led to increased competition within the food industry during 2011. In 2012 and 2013, the industry was characterized by an increasing trend towards consolidation. In addition, current high unemployment rates could lead to the formation of new independent competitors in the industry (mainly in the coffee shop and full service segments), which would intensify competition in urban markets. It is expected that within the casual dining segment, competitors will implement additional retention strategies such as offering low-cost menus, sacrificing average ticket prices in order to attract new customers.

We believe we are in a strong position to maintain our leadership within the current competitive environment. Our healthy operating cash flow, low leverage and shared services model have proven important competitive advantages through which we have been able to grow some of the most important brands in the fast food and casual dining segments in Mexico.

In the current environment of decreased purchasing power and growing inflation rates in which customers are increasingly cautious to obtain good value for their money, the key challenge for Alsea will be to maintain the high quality of its products and services and to continue offering attractive dining alternatives that provide customers with good value.

BUSINESS

Overview

We are a leading regional operator of global brands in the fast food, coffee shop and casual dining segments, and, based on internal estimates of the number of points of sale, the number of brands we manage and our sales, we believe we are the largest restaurant operator in Latin America. Our significant and diverse portfolio includes brands such as Domino's Pizza, Starbucks, Burger King, Chili's Bar & Grill, California Pizza Kitchen, P.F. Chang's, Pei-Wei, Italianni's and The Cheesecake Factory. As of March 31, 2014, we operated 1,881 units in Mexico, Argentina, Chile and Colombia (excluding the 360 units being integrated to our portfolio from the Vips acquisition). We will commence operations in Brazil in 2014 by introducing P.F. Chang's. Our business model includes a shared services center that supports each of our operating brands by providing development and administrative services and acting as the supply chain.

During the three months ended March 31, 2014, we had net sales of Ps.3,992 million and EBITDA of Ps.424 million, while Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million. During the year ended December 31, 2013, we had net sales of Ps.15,719 million and EBITDA of Ps.2,038 million, while Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million.

Our consolidated net sales for the year ended December 31, 2013 totaled Ps.15,719 million and our consolidated net sales for the three months ended March 31, 2014 totaled Ps.3,992 million. Our consolidated net sales can be broken down into the following categories (without giving effect to inter-company transactions):

	Year ended December 31, 2013		Three months ended March 31, 2014	
	(in millions)			
Food and beverage (Mexico)	Ps.	10,371.3	Ps.	2,726.8
Food and beverage (South America)	Ps.	4,219.3	Ps.	997.4
Distribution to third parties	Ps.	4,330.0	Ps.	1,098.9

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 position in the region 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 1998 to 2013, our sales and EBITDA grew at a compounded annual growth rate, or "CAGR," of 22% and 19%, respectively.

Vips Acquisition

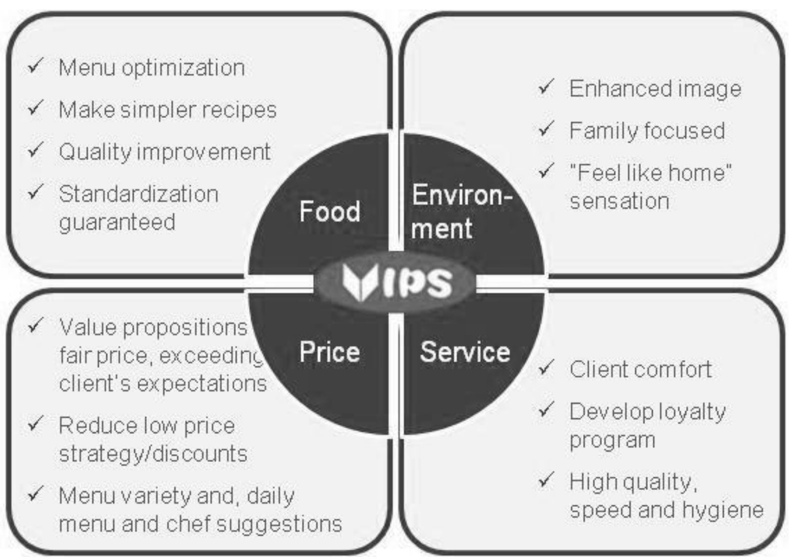
On May 9, 2014, we completed the acquisition of the partnership interests representing all of the outstanding capital of Vips, as well as all intellectual property rights to the "Vips," "El Portón," "Ragazzi" and "La Finca" trademarks and certain real estate properties and constructions, and all rights and obligations under certain lease agreements for real estate properties used in connection with Vips' operations, for a purchase price of Ps.8.2 billion, subject to adjustment.

Vips is a full service restaurant chain with 262 units in 65 cities located throughout Mexico. We believe that the "Vips" trademark enjoys iconic status within the Mexican restaurant industry, as evidenced by its 99% name recognition and 12.7% market share in the Mexican chained full-service restaurant market in 2013, according to Euromonitor. "El Portón," Vips' second largest brand, whose 90 restaurants are located on busy avenues, offers traditional Mexican food in a home-like environment, while our six "Ragazzi" units serve Italian food and our two "La Finca" units have Mexican offerings. Vips caters primarily to the growing lower-middle class segment of Mexico's population —a segment not presently served by the full-service brands in our existing portfolio. The chain strives to provide its customers with value by offering high-quality menu items at affordable prices, efficient service and convenient locations.

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million, which represents a pro forma EBITDA margin of 15.6%. During the year ended December 31, 2013, Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million, which represents a pro forma EBITDA margin of 15.8%. In 2012, Vips had combined pro forma net sales of Ps. 6,025 million and combined pro forma EBITDA of Ps.963 million, which represents a pro forma EBITDA margin of 16.0%.

The Vips acquisition also includes a production facility responsible for product standardization, bulk purchases, the centralized receipt of suppliers' deliveries, and the production of desserts, sauces and dressings. Our strategy in connection with the Vips acquisition is focused on:

- Accelerating our growth by taking advantage of additional growth opportunities;
- Consolidating a leadership position in the full-service restaurant industry in Mexico;
- Expanding an iconic brand in the Mexican market;
- Supplementing our business model by catering to the lower-middle-class sector; and
- Seeking to increase returns from the adoption and implementation of Alsea's corporate culture and standards.



Our Markets

We operate global brands in the fast food, coffee shop and casual dining segment. In the casual dining segment, we have attained substantial market share by incorporating new brands that Mexican consumers have embraced (such as Chili's and P.F. Chang's), and our acquisition of Vips will help strengthen our position in this market segment. We believe that our extensive experience in operating the casual dining segment in Mexico has enabled us to successfully replicate our business model in the fast food and coffee shop segments in South America, where we recently entered the casual dining market. In 2013, our brands served more than 263 million customers, which is almost equal to the combined population of Mexico, Argentina, Chile and Colombia. During the three months ended March 31, 2014, we served 66 million customers.

Our operations and geographic presence are strategically concentrated in Mexico, Argentina, Chile and Colombia, as the economic conditions and population growth in these countries are more favorable than they are in other developed markets.

As of March 31, 2014, we operated 1,881 units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) in Mexico, Argentina, Chile and Colombia, including 1,432 company units and 449 sub-franchises strategically located throughout the region, as detailed below.

Mexico

Domino's Pizza		Burger King	Chili's	California Pizza Kitchen	P.F. Chang's	Pei Wei	Italiannis	Vips	El Portón
592	419	436	40	20	14	3	63	270(1)	90

Argentina

	Burger King	P.F. Chang's
72	73	1

Chile

	Burger King	P.F. Chang's
57	34	1

Colombia

Domino's Pizza	Burger King	P.F. Chang's
39	16	1

(1) Includes six units operating under the "Ragazzi" trademark and two restaurants operating under the "La Finca" trademark.

Our Shared Services Model

Our success has been driven in part by our shared services model 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, 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

Leader in the food service industry through the operation of franchises and brands in market and product segments with significant growth potential

We have a strong presence in the Latin American region in the food industry through the operation of franchises and brands in market and product segments with significant growth potential. By targeting young adults and families, we have benefited from the increase in population in Latin America and improved macroeconomic conditions in some of the countries in which we operate. According to CEPAL, in 2012, the four countries in which we currently operate had a combined population of approximately 224 million, of which 45% is under the age of 25. Their economies have grown steadily in a time of global economic crisis, at rates of 5.1% (Argentina), 4.4% (Colombia), 4.4% (Chile), 2.2% (Brazil) and 1.2% (Mexico) on average over the past five years. In addition to these demographic and economic trends, we have benefited from our customers' increased purchasing power and changing tastes. Consumers' stronger preferences for dining outside the home and for fast food, combined with higher disposable income, have increased the size of our potential customer base.

We have built a diversified portfolio of local and international brands in Mexico. We operate in the fast food, coffee shop and casual dining segments, whose performance remained stable through the economic crisis and which we believe offer significant growth potential. Through these segments, we serve individuals from various socioeconomic segments that account, in total, for over 74% of Mexico's population, which we believe protects us from the effects of adverse economic cycles. As of March 31, 2014, 53% of our units in Mexico operated in the fast food segment (Domino's Pizza, Burger King), 21.5% in the coffee shop segment (Starbucks Coffee) and 26% in the casual dining segment (Chili's Grill & Bar, California Pizza Kitchen, P.F. Chang's, Pei Wei, Italianni's and Vips).

In South America, 55% of our units operated in the fast food segment, 44% in the coffee shop segment, and 1% in the casual dining segment.

We believe that the food service industry offers significant opportunities for growth in the countries in which we operate. According to Euromonitor, as of December 31, 2013, the per capita share of the food service industry's sales in Mexico, Chile, Colombia and Argentina was U.S.$458, U.S.$405, U.S.$312 and U.S.$452, respectively, as compared with U.S.$1,485 in the United States. During the period from 2011 to 2013, our Mexican operations' net sales and EBITDA increased by 46% and 86%, respectively, while our operations in South America saw an increase in net sales and EBITDA of 76% and 40%, respectively. These figures reflect the application of our experience and know-how in Mexico to our operations in South America as well as the increase in store openings in that region. In addition, our industry experience and our management have enabled us to improve our margins and, thus, the profitability of our business units. We believe the integration of Vips into our portfolio has the potential to create various efficiencies and further support our growth.

Large operator of a multi-brand portfolio and strategic partner in Latin America

In Mexico, we operate 1,138 company-owned units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) that span across the majority of Mexico's territory, creating a barrier to entry for our potential competitors. Although we operate a majority of our stores (72% 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. In addition to our company stores, we currently manage 449 sub-franchises in Mexico. In South America we operate 294 units, of which 289 are company-owned and five are sub-franchises.

As part of the Vips acquisition completed on May 9, 2014, we acquired from Wal-Mex the "Vips" trademark, which provides us with flexibility with respect to innovation, image management and our plans for expansion. We are in the process of integrating 360 Vips units into our production chain, which will contribute critical mass to our portfolio and enable us to obtain important synergies through the creation of economies of scale in our operations, thereby reducing our distribution and overhead costs as a percentage of our total sales. In addition, we believe the Vips acquisition provides us with an attractive opportunity to increase our profitability by improving our margins since the operation of these units does not require us to pay any royalties or other fees to third parties.

Given our sustained growth and the contracts we have entered into, we believe we have become a strategic regional partner for each of the brands we operate, and we intend to continue to maintain solid business relations with our partners in order to continue to operate and grow our brand portfolio. We believe that our efficient operating model has allowed us to share some of our best practices with our international partners.

Proven financial strength as a result of a sustained and profitable growth and ability to integrate acquisitions

We have historically reported sustained and profitable levels of organic and inorganic growth, while maintaining a solid capital structure. Our EBITDA margin for the year ended December 31, 2013 was 13.0%, up from 11.9% for the year ended December 31, 2012. Our organic growth has been financed through our operating cash flows and, given the low penetration of the food service industry, we believe that significant potential for additional organic growth exists within our current territories. Over the past few years we have also grown inorganically through a series of mergers and acquisitions that have been financed through debt and additional equity. These have included businesses with significant growth potential that cater to previously underserved population segments, as well as recognized brands with the potential for creating significant synergies, such as Italianni's in 2012 and, most recently, Vips. In addition, since 2009, we have added several international brands such as P.F. Chang's, Pei Wei and The Cheesecake Factory to our portfolio.

In the past, we have been able to integrate our acquisitions into our existing operating network without affecting our profitability by taking into consideration the financing needed and the acquisitions' potential for margin expansion. We believe we will meet with similar success following our acquisition of Vips. We believe that as we integrate and transition Vips to operating under Alsea's standards we will generate many operating efficiencies. We expect that Vips will benefit from our focus on better customer service and greater customer satisfaction, improved menu offerings based on simpler recipes, enhanced store image, attractive price point and a prudent growth strategy for new restaurant openings.

Vertical integration through our state-of-the-art distribution platform and efficient logistics operations

We believe we have the ability to control the supply and distribution of commodities to each of our business units through our subsidiary DIA, which 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 throughout Mexico (Mexico City, Hermosillo, Cancun and Monterrey), and are in the process of building a sixth center in Bogota, Colombia. We have another six distribution centers, including one in Mexico City, three in Colombia and one in each of Argentina and Chile, which are operated by third parties under the same guidelines, standards and procedures as our company-owned distribution centers. Once construction is completed, our distribution center in Bogota will assume all of our distribution and logistics operations in Colombia.

We produce and distribute pizza dough for the entire Domino's Pizza System in Mexico and are the largest supplier to Burger King and Domino's Pizza sub-franchisors in Mexico. In addition, as part of our vertical integration strategy and in order to ensure the development of differentiated products for some of our brands, we began producing baked goods and sandwiches for select brands we operate in 2011.

We believe that our distribution network, which has sufficient capacity to support our growth over the next several years, provides us with a competitive advantage by ensuring an efficient and flexible procurement process for all of our operating units. We recently 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.

Shared services model provides effective management of our resources throughout our network

We believe that one of the key elements of our success lies in the shared services model designed for our operations. Our shared service center allows for the creation of important synergies and economies of scale that translate into substantial cost savings by centralizing all of the administrative and logistics processes that would otherwise prevent us from focusing on the actual operation of our business units. In general terms, our shared service center performs back-office functions such as accounting, human resources, IT, real estate development, maintenance and procurement. This model allows us to consolidate and improve the efficiency of our processes as a company while also enabling our individual business units to focus their time and efforts on the operation of their respective brands, thereby enhancing the quality of our customer service. In addition, our shared services model facilitates the integration of our new acquisitions and business units and our success in this area has led to the ongoing improvement of our results. Due to our shared services model, our operating margins have increased year over year over the past few years, as evidenced by our EBITDA margin, which increased from 11.9% in 2012 to 13% by the end of 2013.

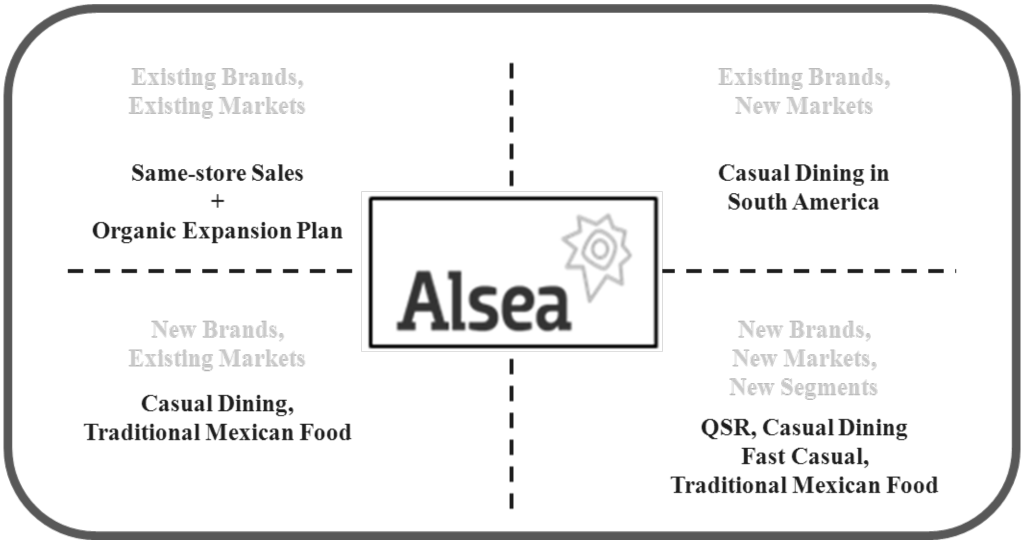
Seasoned and highly qualified management team, with significant industry experience and track record of integrating acquisitions.

Our management team has an average of 15 years' experience in the industry and we believe possesses the appropriate qualifications, expertise and motivation to implement our development strategy, as demonstrated by its track record of store openings, the successful integration of Italianni's, and the Vips acquisition. We believe that our culture of focusing on our 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 brand formats, thus facilitating the implementation of our process centralization strategy at our points of sale. 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.

We have a proven history of integrating new brands into our portfolio, having successfully added Italianni's to our operations in 2012. We believe that our recent acquisition of Vips will be a similar success, and have identified important synergies which we believe will enable us to further take advantage of economies of scale.

Our Strategy

Our primary aim is to preserve our position as a leading operator of fast food outlets, coffee shops and casual dining restaurants under global brands in Mexico and South America. We intend to carry out this aim while maintaining a solid financial position that we believe will enable us to seize growth opportunities, add value for our shareholders, and exceed our clients' expectations. We will continue to pursue the following strategies, which we believe will further enhance our business, market position and competitive advantages:



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. From 2003 to 2013, our number of units has grown at a CAGR of 26.5%, reaching 1,881 units (excluding the 360 units being integrated to our portfolio from the Vips acquisition) as of March 31, 2014.

We also intend to increase our same-store sales through the implementation of promotional strategies, new product offerings and the ongoing improvement of our customer service. For example, our "Reinventing Pizza" ("*Reinventando la Pizza*") campaign, which promoted an improved pizza with high-end ingredients at attractive prices, helped us reposition the Domino's Pizza brand in Mexico. We succeeded in increasing the number of orders and later introduced more profitable products, which resulted in increased sales without compromising our margins. We offer a loyalty program through Starbucks, which helps us build strong, long-lasting relationships with our customers and to strengthen their preference for our brand through targeted promotions, special treatment and additional benefits for our "gold" members.

As part of our Vips value-generation strategy we intend to focus on (i) making use of our shared services and distribution platform to create economies of scale, (ii) optimizing our pricing and menu options for our customers, (iii) improving our customer service and providing an enhanced customer experience at our stores, (iv) reconfiguring our underperforming units, (v) optimizing the use of our real estate, and (vi) growing the business through a prudent strategy of opening additional stores.

Given our brands' current market penetration, we believe there is significant potential for growth through the continuing expansion of our geographic coverage in Mexico, Chile, Colombia, Argentina and, during 2014, Brazil. We intend 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.

Pursuing new business opportunities on an ongoing basis to provide increased value to our company and our shareholders

The Latin American 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 cuisines and dining experiences at varying price points. According to our estimates, which are based on Euromonitor data, as of December 31, 2013, this sector represented a potential market of approximately U.S.$93.3 billion in the countries in which we currently operate (excluding Brazil). Although we believe that our existing brand portfolio and geographic presence continue to offer attractive opportunities to our shareholders, as part of our strategy, we remain engaged in an ongoing search for new opportunities in Mexico and South America, primarily through the following initiatives:

- *Development of the casual dining market in South America*. We believe that South America offers significant opportunities for the development of our existing brands and the implementation of our best practices in new markets. We opened our first P.F. Chang's restaurant in each of Chile, Argentina and Colombia, and intend to further develop this business segment in the region.

- *Further diversification of our brand portfolio in order to achieve increased margins*. We seek to identify and explore potential brand acquisitions that may increase the value of our business portfolio. We believe our arrangements for the development of the The Cheesecake Factory trademark in Mexico and Chile and the acquisition of Vips will enable us to remain one of the largest restaurant operators in Latin America, to foster growth and to generate increased value for our shareholders.

Remaining the strategic partner of choice in the region

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. For instance, we acquired the exclusive rights to the Burger King master franchise for Mexico in April 2013 through a strategic operation with Burger King Worldwide, or "BKW." We expect that this transaction, which included the acquisition of 97 restaurants, will provide us with important synergies that will increase the brand's profitability. Furthermore, SCI reaffirmed its belief in our company by allowing us to acquire its interests in our joint ventures in Mexico, Argentina and Chile. We have also secured an extension of our exclusive rights to develop and operate the California Pizza Kitchen restaurants in Mexico through the end of 2022, which will allow us to continue to implement our growth and expansion plan throughout the entire Mexican territory.

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 Mexico and South America provide us with access to a unique platform that has enabled us to seize new business opportunities.

Maintaining a solid financial position in order to implement our strategic expansion plan and generate attractive 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 so as to create synergies, minimize risk and generate increased value for our shareholders. 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.

We believe that our growth strategy must be supported by an adequate capital structure, a solid liquidity position and a moderate debt profile that provides us with the flexibility we need to invest in the growth opportunities we identify. Our financial strategy is focused on maximizing the efficiency of our cash flows and strengthening our balance sheet.

Exceed our customers' expectations through the best product offerings 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. The Domino's Pizza innovations described above, the introduction of new sales formats such as our Burger King ice cream kiosks, and Starbucks' loyalty and reward programs are a few examples of our many customer service strategies.

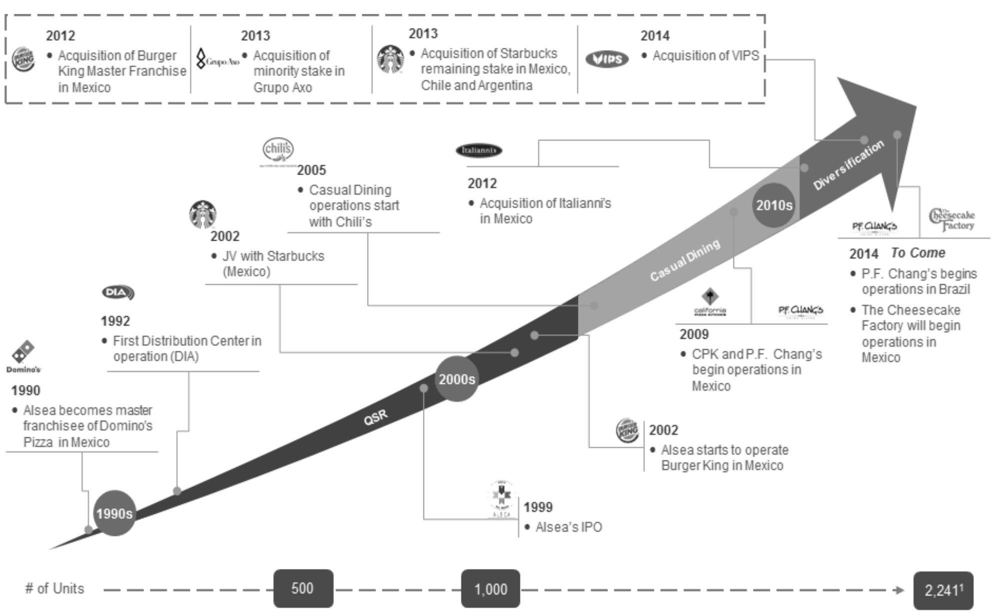
Furthering our corporate governance practices and social awareness programs in order to earn the respect of our customers, associates and shareholders

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. In 2012, we were awarded the distinction of "Socially Responsible Company" by CEMEFI, for our commitment to the principles of the World Pact. For the first time, in 2012, we incorporated into our annual report our results expressed in terms of the economic value generated for our shareholders and our social and environmental performance.

History

The following chart illustrates the principal milestones in our operating history



Source: Company filings.
1. Pro forma for VIPS acquisition as of March 31, 2013.

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 10,000 outlets in 70 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 592 units (comprised of 382 company-owned units and 210 sub-franchises) in 159 cities located throughout Mexico's 32 states, as of March 31, 2014. In Mexico, the average ticket price was approximately Ps.140 per person in 2013.

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. Of the 592 stores that comprised the Domino's Pizza System as of March 31, 2014, 79% were *home delivery* stores and the remaining 21% were *Express* stores.

In addition to the Domino's Pizza System, through our subsidiary Dominalco we hold the exclusive right to develop and operate the Domino's Pizza stores in Colombia. As of March 31, 2014, Dominalco operated 39 Domino's Pizza stores in four cities: Bogota, Medellin, Cali and Pereira.

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.

On September 15, 2012, we granted to 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 the master franchise for Burger King in Mexico. As of March 31, 2014, we operated an aggregate of 436 Burger King units (including 210 company-owned units and 226 sub-franchises) in 22 cities located in 14 states throughout Mexico. We operate each of our Burger King stores pursuant to a franchise agreement between BKC and

OFA. In addition, we are one of Burger King's largest franchisees in South America, with 123 units in the region as of March 31, 2014. As of March 31, 2014, we operated 73 units in Argentina, 34 in Chile and 16 in Colombia. In Mexico, the average ticket price was approximately Ps.75 per person in 2013.

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. This store format represents 47% of Burger King stores.

- *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. This store format represents 21% of Burger King stores.

- *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. This store format represents 26% of Burger King stores.

- *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. This store format represents 3% of Burger King stores.

- *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. We have about 30 Burger King kiosks.

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. With the exception of bread and sodas, all raw materials are purchased and supplied by DIA.

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 Shop Segment

Starbucks Coffee

General

Through our subsidiaries Café Sirena, Starbucks Argentina and Starbucks Chile, we are the exclusive operator of the Starbucks Coffee stores in Mexico, Argentina and Chile, respectively. We opened our first Starbucks on Avenida Paseo de la Reforma in Mexico City in September 2002. Additionally, through a joint venture between our subsidiary Estrella Andina and Grupo Nutresa, we have the exclusive rights to operate and develop Starbucks stores in Colombia. As of March 31, 2014, Starbucks Mexico had 419 stores, Starbucks Argentina had 72 stores, and Starbucks Chile had 57 stores. We currently expect to open the first Starbucks coffee shop in Colombia in the third quarter of 2014. In Mexico, the average ticket price across our Starbucks Coffee Stores was approximately Ps.60 per person in 2013.

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 Corporation 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 SCI, 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 March 31, 2014, Gastrosur operated 40 Chili's Grill & Bar restaurants, 32 of which were located in Mexico City's metropolitan area (which includes the Federal District and the State of Mexico), three in Queretaro, two in each of the cities of Puebla and Cuernavaca, and one in Pachuca. We operate our Chili's Grill & Bar restaurants pursuant to an international development agreement between Gastrosur and Brinker which we recently renewed through December 31, 2018. The renewed development contract requires us to have 56 Chili's Grill & Bar restaurants in operation by the end of 2018.

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.220 per person in 2013.

In 2012, Brinker developed and opened its first two restaurants in the Chili's Express format in Canada. Chili's Express, which is approximately 60% the size of a traditional Chili's Grill & Bar, requires a smaller investment and offers a more limited food and alcohol selection. At Chili's Express, customers place and pay for their order at the register, have a seat and wait to be served. Chili's Express offers a different experience by catering to customers who seek a high-quality meal in a pleasant setting in a short period of time. This concept is known as "fast casual."

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.

California Pizza Kitchen

General

We hold the exclusive right to develop and operate the California Pizza Kitchen restaurants in Mexico. As of March 31, 2014, we operated 20 California Pizza Kitchen units (including two sub-franchises) in Mexico City's metropolitan area (which encompasses the Federal District and the State of Mexico) and three additional states (Jalisco, Quintana Roo and Queretaro). The average ticket price was approximately Ps.210 per person in 2013.

California Pizza Kitchen is one of the world's most recognized casual dining brands. Established in 1985, the California Pizza Kitchen organization currently includes over 250 restaurants in the United States and has become increasingly prominent in other countries such as Malaysia, the Philippines, Singapore, China, Indonesia, Japan, Korea and, more recently, the United Arab Emirates (Dubai).

We believe that our investment in California Pizza Kitchen is an affirmation of our strategy to further expand our portfolio of casual dining trademarks in order to achieve a better mix of globally recognized restaurant concepts and attain a position of leadership in this market segment.

Products

The California Pizza Kitchen menu is comprised of a broad range of creative dishes that incorporate ingredients and flavors from different cultures in order to offer a dining experience that is completely out of the ordinary. One of California Pizza Kitchen's distinguishing features is its selection of mojitos, which are considered a house specialty.

Raw Materials and Suppliers

The principal raw materials and supplies used by California Pizza Kitchen are chicken, beef, pork, pizzas, salads, pastas, desserts, soft drinks, beer and mojitos. California Pizza Kitchen purchases its raw materials from various suppliers, including Tyson, Comercial Norte Americana, Coca-Cola and Cervecería Cuauhtémoc Moctezuma Heineken, although all purchase orders are processed through DIA.

Industrial and Commercial Processes

Service at California's Pizza Kitchen 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 choice. 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 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. 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, Colombia and Brazil. As of March 31, 2014, we operated 14 P.F. Chang's units in Mexico (Mexico City, Guadalajara, Merida and Cuernavaca) and one in each of Argentina (Buenos Aires), Chile (Santiago) and Colombia (Bogota). Our development and expansion strategy for the Brazilian market is based on the same successful business model used in connection with the other brands we operate in Latin America. We expect that our entry into the Brazilian market will enable us to further diversify our brand portfolio and increase our profitability in the region.

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.280 per person in 2013.

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.

Pei Wei Asian Diner

General

We hold the exclusive right to develop and operate the Pei Wei Asian Diner concept in Mexico for ten years ending in October 2021, with an option to extend. Our agreement gives us the option to open 50 Pei Wei units. As of March 31, 2014, we operated three Pei Wei units in Mexico City. The average ticket price was approximately Ps.225 per person in 2013.

Pei Wei Asian Diner is one of the leading brands in the Asian food segment of the U.S. fast casual market. The Pei Wei concept was developed by P.F. Chang's China Bistro in 2000, as part of a strategy to follow existing market trends by offering customers a value option that combines high-quality food with fast service. Pei Wei Asian Diner offers an Asian menu of dishes from five countries —China, Japan, Korea, Thailand and Vietnam— characterized by the use of fresh ingredients. Pei Wei's business model for Mexico offers eat-in, take-out and home delivery service, thereby adding to the brand's value. Our Pei Wei Asian Diner units, which are the first to be located outside the U.S., offer a value proposition consisting in a simple yet dynamic menu and agile and convenient service at an affordable price, which reflects prevailing consumer trends.

Products

Pei Wei offers customers a simple yet dynamic menu of dishes from China, Japan, Korea, Thailand and Vietnam that can be customized to incorporate their protein of choice (i.e., chicken, beef, shrimp or vegetables). All menu items are prepared to order, using the traditional Asian "wok" method, which provides them with a unique touch.

Raw Materials and Suppliers

The principal raw materials used in the preparation and sale of Pei Wei's products are chicken, beef, pork, shrimp and vegetables. In addition, Pei Wei sells desserts, wine, liquor, beer and soft drinks. A majority of Pei Wei's raw materials are purchased and distributed directly by DIA. In addition, DIA imports certain products that are not available in Mexico and various ingredients of Asian origin.

Industrial and Commercial Processes

The Pei Wei Asian Diner experience begins when customers enter the restaurant, review our on-screen menus and select the traditional dish of their choice, which can be prepared with chicken, beef, shrimp or vegetables, with a side of either brown or white rice. After placing and paying for their order, customers receive a red disk with a table number, and then proceed to the service area to fill their cups with their beverage of choice and gather sauces and utensils. They then select a table and place the red disk by their chop sticks. The rest of the process is on Pei Wei, which prepares the food and delivers it to the table for customers to enjoy their culinary experience.

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 March 31, 2014, we operated 63 Italianni's units, including 52 company-owned stores and 11 sub-franchised units (from which we receive royalty payments), primarily located in busy commercial centers. The average ticket price was approximately Ps.210 per person in 2013. The acquisition of Italcafé and GASA resulted from a settlement agreement following litigation with Italcafé's former owners.

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, Chile and, subject to the satisfaction of certain conditions, Argentina, Brazil, Colombia and Peru. We expect to open our first The Cheesecake Factory restaurant in Mexico in the third quarter of 2014.

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 March 31, 2014, The Cheesecake Factory chain was comprised of 164 units in the U.S. and 4 in the Middle East. Because the restaurant has not yet opened, information on the average ticket price per person is not yet available.

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.

Vips

General

We completed the Vips acquisition on May 9, 2014. Vips is a full service restaurant chain with operations in 65 cities located throughout Mexico. We believe that the Vips trademark enjoys of iconic status within the Mexican restaurant industry, as evidenced by its 99% name recognition and 12.7% market share of the chained full-service restaurant market in 2013, according to Euromonitor. "El Portón," Vips' second largest brand, whose restaurants are located on busy avenues, offers traditional Mexican food in a home-like environment, while "Ragazzi" and "La Finca" serve Italian and Mexican food, respectively. Vips' value proposition consists in offering high-quality menu items at affordable prices, an efficient service and convenient locations, catering primarily to the growing lower-middle class segment of Mexico's population —a segment not presently served by the full-service brands in our existing portfolio. As of March 31, 2014, Vips operated an aggregate of 360 restaurants in Mexico, including 262 under the "Vips" trademark, 90 under the "El Portón" trademark, six under the "Ragazzi" trademark and two under the "La Finca" trademark. Vips restaurants also operate convenience stores within the restaurants. The average ticket price was approximately Ps.90 per person in 2013.

In addition, Vips maintains a production facility that is responsible for its product standardization functions, negotiating bulk purchases and centralizing the receipt of supplies, and for the production of items such as rice dishes, soups, salsas and desserts, thereby ensuring product standardization and creating economies of scale that translate into costs savings and increased operating efficiencies at the restaurant level by reducing the units' workload, kitchen staff and storage space needs.

During the three months ended March 31, 2014, Vips had combined pro forma net sales of Ps.1,441 million and combined pro forma EBITDA of Ps.225 million, which represents an EBITDA margin of 15.6%. During the year ended December 31, 2013, Vips had combined pro forma net sales of Ps.6,125 million and combined pro forma EBITDA of Ps.963 million, which represents an EBITDA margin of 15.8%. In 2012, Vips had combined pro forma net sales of Ps. 6,025 million and combined pro forma EBITDA of Ps.963 million, which represents an EBITDA margin of 16.0%.

In order to ensure the continuity of Vips' operations, we entered into a transition services agreement with Wal-Mex pursuant to which Wal-Mex will provide us support in connection with certain aspects of Vips' operations for a period of one year. In addition, we have agreed to supply Wal-Mex with certain Vips products (primarily desserts and sauces) on an exclusive basis during a period of five years, subject to the satisfaction by Wal-Mex of certain minimum annual purchase requirements. See "— Our Business Operations — Material Agreements — Transition Services Agreement."

We expect to leverage Vips' 50 years of operating experience to expedite our growth and increase our profitability through the improvement of our customers' experience, the development of marketing campaigns, the renovation of some of our units and the creation of additional synergies within our shared services center.

Products

Vips restaurants offer a broad range of menu options that include Mexican, international and Italian classics, as well as coffee shop items.

Raw Materials and Suppliers

The principal raw materials used in the preparation of Vips products are chicken, fish, cold cuts, flour, vegetables, dairy products and eggs.

Industrial and Commercial Processes

Vips' operating process is designed to ensure the customers' utmost satisfaction with its high quality menu offerings, excellent service and a pleasant atmosphere.

From 1998 to 2013, net sales and EBITDA had a CAGR of 22% and 19%, respectively. The tables below provides certain statistical information and key metrics for some of our brands:

	Domino's Pizza		Burger King	chili's	California Pizza Kitchen	P.F. Chang's	Italiannis	Vips El Portón
Rights acquired	1989	2002	2001	2005	2008	2009	2012	2013
Number of Restaurants	631	548	559	40	20	17	63	360
Countries where operations are located	Mexico Colombia	Mexico Argentina Chile	Mexico Colombia Argentina Chile	Mexico	Mexico	Mexico Colombia Argentina Chile	Mexico	Mexico
Average ticket price (in Mexican pesos)(1)	Ps. 140	Ps. 60	Ps. 75	Ps. 220	Ps. 210	Ps. 280	Ps. 210	Ps. 90
Range of annual sales per restaurant (in thousands of Mexican pesos)(2)	Ps.6,500 – 7,150	Ps. 9,100 – 10,400	Ps. 19,500– 20,800	Ps.24,700 – 26,000	Ps. 19,500 – 20,800	Ps. 31,200– 32,500	Ps.20,150 – 21,450	Ps.16,600 – 17,900
Employees (3)	7,935	6,806	10,492	1,983	839	2,275	2,668	17,535
% of total sales(4)	18%	29%	27%	6%	2%	2%	6%	N/A

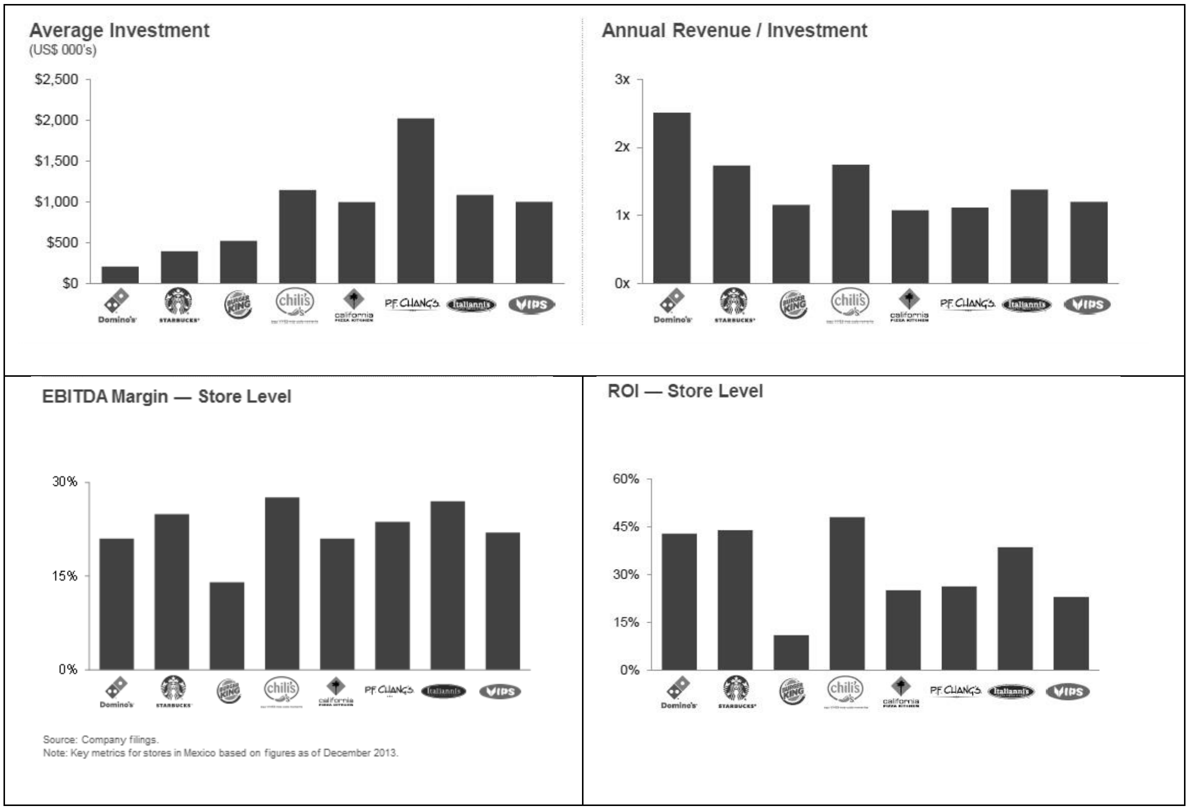
(1) Average ticket prices have been rounded and reflect only sales in Mexico.

(2) Range of annual sales per restaurant data is provided for the year ended December 31, 2013 at an exchange rate of Ps.13.00 to U.S.$1.00. The range is calculated based on weekly average high and low sales multiplied by 52 weeks.

(3) Employee data is as of March 31, 2014.

(4) Percentage of total sales information is for the year ended December 31, 2013, and excludes DIA's sales and inter-company transactions.

The following table presents some of our key metrics by brand:



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 distribution processes, thereby allowing our operating units to focus on sales and service. DIA also produces and distributes pizza dough for the entire Domino's Pizza System and is responsible for the development of new products and suppliers. In addition to managing our internal procurement and distribution functions, DIA serves as the exclusive distributor of the raw materials and supplies used by third-party franchisees of Domino's Pizza and Burger King in Mexico.

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 operates as a business hub for us, providing services to our businesses as well as to third parties. DIA has clients in the following business sectors: fast food (hamburgers, pizza), coffee shops, and casual dining. DIA's optimized inventory management enables us to function as a supplier and to meet the needs of providers to our stores and points of sale.

As of March 31, 2014, DIA had five distribution centers strategically located throughout Mexico (one of which is leased from a third party) to serve an aggregate of 1,580 units operating under our various trademarks.

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

Burger King

- Beef
- Potatoes
- Supplies

P.F. Chang's China Bistro

- Fish and shrimp
- Chicken, beef and pork
- Vegetables

Chili's

- Baby Back Ribs
- Large hamburger patties
- Breaded chicken breast cubes

Italianni's

- Fish and Shrimp
- Chicken, beef and pork
- Vegetables

California Pizza Kitchen

- Chicken, beef and shrimp
- Vegetables
- Pasta

Pei Wei Asian Diner

- Fish and shrimp
- Chicken, beef and pork
- Vegetables

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.

In connection with the Vips acquisition and in order to ensure continuity of operations in Vips' business, we entered into a transition services agreement with Wal-Mex that includes, among other things, logistics, procurement, quality control and maintenance as well as IT, administrative, accounting and HR services. The terms of the agreement with Wal-Mex also stipulate that in the first year following the acquisition, Vips will continue to use the same providers and logistics as it did prior to the acquisition. During this period, DIA may incorporate Vips products into its distribution routes to increase productivity.

Raw Materials and Suppliers

Approximately 35% of our raw materials are imported. These include primarily mozzarella cheese, frozen potatoes 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.
Corrugated cardboard boxes	Papel cartón y Derivados, S.A. de C.V. Biopapel, S.A. de C.V.
Frozen potatoes	Lamb Weston, Inc. Mc Cain México, S.A. de C.V.
Pre-cooked dough	Goglanian Bakeries Inc. TNT Crust Inc.
Flour	Harinera La Espiga, S.A. de C.V. Fábrica de Harinas Elizondo, S.A. de C.V.
Coffee	Starbucks Corporation
Meat, bacon and chicken wings	Derileq, S.A. de C.V. Empacadora Mexicana de Puebla, S.A. de C.V. Agrícola Ariztia, LTDA Comercializadora Avemex, S. de R.L. de C.V. Hormel Foods Corporation
Salsas	Heinz México, S.A. de C.V. Laboratorios Griffith de México, S.A. de C.V.
Hamburger meat	Alimentos Preformados, S.A. de C.V. American Beef
Bakery products and sandwiches	Sweet Street Desserts Indumaqsa, S.A. de C.V. Products Rich, S.A. de C.V. Schwans Foods Service, INC. Gate Gourmet & Massa México, S.A. de C.V. Panadería y Alimentos para Food Service, S.A. de C.V.

Infrastructure

Distribution Centers

Distribution Network

	Mexico City	Monterrey	Hermosillo	Cancún	Total
Distribution centers......	2	1	1	1	5
No. of cities served	99	23	21	11	154

DIA maintains 358 delivery routes that cover 1,580 points of sale in 136 cities, each of which is visited twice a week. This represents an aggregate of 3,524 deliveries per week, totaling 644,679 boxes delivered. In 2013, DIA's distribution fleet travelled in excess of 9.7 million kilometers and delivered 17.4 million kilos of pizza to the units comprising the Domino's Pizza System.

Panadería y Alimentos

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 and sandwich production facility in the municipality of Lerma, 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 65% of the sandwiches sold by the units operated under our various trademarks. The Lerma bakery's operations are supported by three sandwich assembly operations located within DIA's distribution centers in Monterrey, Cancun and Hermosillo, which distribute these products in their respective regions.

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

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.

Grupo Axo

On June 24, 2013, we entered into an agreement pursuant to which we agreed to purchase a 25% equity interest in Grupo Axo, a leading distributor of internationally recognized brands of apparel, cosmetics and household products with 19 years' operating experience in Mexico. Grupo Axo operates over 2,000 points of sale within Mexico's largest department stores and over 140 company-owned stores. Grupo Axo's brand portfolio includes Brooks Brothers, Brunello Cucinelli, Chaps, Coach, Emporio Armani, Etro, Express, Guess, Marc Jacobs, Rapsodia, Theory, Thomas Pink, Tommy Hilfiger, Sephora and Crate & Barrel.

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 5,600 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 40 Chili's Grill & Bar, 20 California Pizza Kitchen, 17 P.F. Chang's, 63 Italianni's and three Pei Wei 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 subsidiary DIA, we operate what we believe is one of the best and largest food distribution logistics systems in Mexico. As of December 31, 2013, DIA's operations included five distribution centers (one of which is leased from a third party) strategically located throughout Mexico as described below which cover 365 delivery routes that encompass more than 1,580 points of sale in 136 cities, each of which is visited twice a week:

- *Mexico City* — DIA operates two distribution centers in Mexico City. DIA's owned distribution center in Mexico City occupies a 43,369 square meter company-owned plot located in Avenida Tláhuac in the city's southeast region. The main building encompasses 12,968 square meters, of which 9,165 square meters are used as warehouse area. The remaining land is reserved for future expansions. The building is divided into three principal areas: the production and dry storage area, the refrigeration and freezing chambers area, with an aggregate capacity of 31,338 cubic meters, and the storage racks area. The facility includes 21 loading docks, of which eight operate at controlled temperatures and the rest are used for dry-storage. In addition, this distribution center includes office space and a general service area that encompasses 934 square meters. This distribution center began operations in August 1999. Our other distribution center in Mexico City is leased from a third party and functions as a storage facility for goods that are transferred to our owned distribution center.

- *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 cubic meters, the refrigeration area, with a capacity of 259 cubic meters, and the freezing chamber area, with an aggregate capacity of 1,117 cubic meters. This distribution center began operations in December 1993.

- *Monterrey* — DIA's distribution in Monterrey, which was built to replace the old distribution center that had been in operation since 1994, occupies a 13,516 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 170.39 cubic meters, a freezing chamber with an aggregate capacity of 1,226 cubic meters, and a production and dry storage area with an aggregate capacity of 2,796 cubic meters, and also includes office space. This distribution center began operations in April 2006.

- *Cancun*— DIA's distribution center in Cancun 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 695.49 cubic meters, a refrigeration area with an aggregate capacity of 181.64 cubic meters, and a dry storage area with an aggregate capacity of 1,415 cubic meters.

South America

We lease five distribution centers in South America, including three in Colombia and one in each of Argentina and Chile, which are operated by third parties under the same guidelines, standards and procedures as the company-owned distribution centers operated in Mexico by DIA. In addition, we are in the process of building a sixth distribution center in Bogota, Colombia. When construction is complete, our distribution center in Bogota will assume all of our distribution and logistics operations in Colombia.

- *Argentina* — Our distribution center in Argentina services an aggregate of 138 units located in seven cities, making an average of 2.3 visits per week to each of our Burger King stores, 2.0 visits per week to our Starbucks stores and 3.0 visits per week to our of P.F. Chang's units. Each distribution route covers five units and 50% of the distribution center's overall capacity.

- *Chile* — Our distribution center in Chile occupies a facility located on an approximately 5,000 square meter plot and services the 85 units we operate in that country under our various trademarks, through an average of 2.2 visits per week per unit. It includes 1,700 positions, of which we currently use only 800, including 520 for dry products and 280 for frozen products.

- *Colombia* — Our three distribution centers in Colombia are located in the cities of Cali, Medellin and Bogota. The Cali and Medellin distribution centers operate five days a week along three distribution routes that cover three cities, while the distribution center in Bogota operates six days a week. Each distribution route has a maximum capacity to service five units.

Corporate Structure

We are a holding company and our only assets are the shares of stock of our operating subsidiaries. The following table contains certain information relating to our operating subsidiaries as of March 31, 2014.

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	80.00
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	99.99
Fast Food Chile, S.A.	Operator of Burger King brand in Chile	99.99
Starbucks Coffee Argentina, S.R.L	Operator of Starbucks brand in Argentina	100.00
Starbucks Coffee Chile, S.A.	Operator of Starbucks brand in Chile	100.00
Dominalco, S.A.	Operator of Domino's Pizza brand in Colombia	95.00
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
Asian Bistro Argentina S.R.L.	Operator of P.F. Chang's brand in Argentina	100.00
Operadora Alsea en Colombia, S.A.	Operator of Burger King brand in Colombia	95.00
Asian Food Ltda.	Operator of P.F. Chang's brand in Argentina	100.00
Grupo Calpik Duraznos, S.A. de C.V.	Operator of California Pizza Kitchen brand in Mexico	99.99
Especialista en Restaurantes de Comida Estilo Asiática S.A. de C.V.	Operator of P.F. Chang's and Pei Wei brands in Mexico	99.99

Subsidiary	Business	% Interest
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	89.77
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	93.86(1)
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	94.88(2)
Servicios Inmobiliarios Alsea, S.A. de C.V.	Real estate	99.99
Grupo Axo, S.A.P.I. de C.V.	Distributor of apparel and household products	25.00
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)

(1) We own 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

Purchase Agreement with Wal-Mex

On September 9, 2013, we entered into an agreement, as amended, pursuant to which we agreed to purchase from Wal-Mex and certain of its subsidiaries, subject to the satisfaction of certain conditions precedent: (i) the partnership interests representing all of the outstanding capital of Arrendadora de Restaurantes, Operadora Vips, Servicios Ejecutivos and Holding de Restaurantes, which together comprise the Vips restaurant chain; (ii) all intellectual property rights to the "Vips," "El Portón," "Ragazzi" and "La Finca" trademarks; and (iii) certain real properties and constructions and all the rights and obligations under certain lease agreements for real estate properties used in connection with Vips' operations for a purchase price of Ps.8.2 billion, subject to price adjustment under the terms of the purchase agreement, based on Vips' working capital, liabilities and cash position as of the closing date. On May 9, 2014, we completed the acquisition of the partnership interests representing all of the outstanding capital of Vips for a purchase price of Ps.8.2 billion, subject to adjustment.

The agreement contains a series of provisions that are customary for transactions of this nature, including (a) sellers' representations as to (i) the ownership of their partnership interests in VIPs and (ii) Vips' capital structure, business, assets and financial condition; (b) affirmative and negative covenants relating to the period between the date of execution of the agreement and the closing date; (c) conditions precedent to the consummation of the transaction; (d) price adjustment mechanisms and (e) certain termination events. In addition, pursuant to the agreement Wal-Mex has agreed to indemnify and hold us harmless from any damage, loss or liability we may suffer or incur if any of Wal-Mex's representations proves untrue or inaccurate (including, among others, those relating to Wal-Mex's and Vips' corporate good standing, pending litigation, existing liabilities and the satisfaction of their tax and material contractual obligations), except those arising in the ordinary course of business and which are deemed immaterial, or as a result of the Sellers' default on their obligations under the purchase agreement. Wal-Mex's indemnification obligations will survive the closing date for a period of 21 months and are subject to an aggregate limit of Ps.956.2 million limit, except for its obligation to provide indemnification in connection with (i) its representations regarding tax matters, capitalization and powers and authority, which will remain in effect until the expiration of the applicable statute of limitations, and (ii) any pending legal or administrative action, which will remain in effect indefinitely and is not capped.

We have granted Wal-Mex the exclusive right to purchase certain Vips products from us (including, primarily, desserts and salsas) during the five-year period following the consummation of the transaction, subject to Wal-Mex's satisfaction of certain minimum annual purchase requirements.

Vips Acquisition Loans

In order to finance the Vips acquisition, on November 29, 2013, we entered into certain credit agreements with HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC; Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex; and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo

Financiero BBVA Bancomer, pursuant to which these financial institutions have granted (i) a Ps.5.2 billion bridge loan to us and (ii) a Ps.3.0 billion term loan to one of our subsidiaries.

These loan agreements contain certain affirmative and negative covenants that, among other things, limit our ability and that of our subsidiaries to: (i) make any transfer of assets representing a value in excess of Ps.500 million, other than in the ordinary course of our business; (ii) incur additional debt (including in the form of guaranties) in excess of Ps.200 million, in the case of the bridge loan, or where our net debt to EBITDA would exceed 3.0x as a result, in the case of the term loan and (iii) pay dividends, make other distributions or grant inter-company loans, in the case of the bridge loan, or pay dividends or make other distributions where our net debt to EBITDA ratio would exceed 2.5x as a result, in the case of the term loan.

In addition, the terms of the Vips Acquisition Loans require us to maintain: (i) a net debt to EBITDA ratio no greater than 5.0x during the six-month period beginning on the date of execution of the Vips acquisition documents, and no greater than 4.5x thereafter and until the maturity of the relevant loan, in each case after giving effect to the Vips acquisition, or no greater than 3.0x before giving effect to the Vips acquisition; (ii) an EBITDA to interest expense ratio no lower than 3.0x, in the case of the bridge loan; (iii) a total debt to EBITDA ratio no greater than 3.5x, in the case of the term loan and (iv) a stockholders' equity equal to at least 90% of our stockholders' equity according to our audited financial statements as of December 31, 2012, in the case of the bridge loan, or to our unaudited pro forma consolidated statements following the consummation of the Vips acquisition, in the case of the term loan. In addition, the percentage of our EBITDA that is attributable to our co-obligors during any quarterly period for the measurement of our financial ratios must be equal to or greater than 75% of our consolidated EBITDA (excluding Vips, in the case of the bridge loan, and including Vips, in the case of the term loan).

Transition Services Agreement

As part of the Vips acquisition and in order to ensure the continuity of Vips' operations, we have entered into a transition services agreement with Wal-Mex pursuant to which Wal-Mex has agreed to provide us certain logistics and procurement-related services for a period of one year, and certain quality control, maintenance, technical, administrative, accounting and human resources services for a period of six months following the consummation of the transaction.

Domino's Pizza

Master Franchise Agreement with DPII

On December 3, 1990, through our subsidiary, Operadora DP (formerly Torrquin, S.A. de C.V.), we entered into a master franchise agreement with DPII 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 DPII 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.

To ensure the consistent development and expansion of the Domino's Pizza System, each sub-franchise agreement imposes on the sub-franchisee obligations regarding (i) the opening of a specified number of stores within a specified period of time, (ii) the satisfaction of all the standards dictated by DPII, (iii) the payment of weekly royalties, (iv) exclusive use of DPII-authorized providers for the acquisition of all raw materials and supplies used in the preparation and sale of pizzas, and (v) the satisfaction of all pre-opening requirements, including the payment of certain fees to us. We are the only authorized Domino's Pizza sub-franchisor in Mexico and have the authority to take any action necessary to correct any deviation in the performance of the sub-franchisees' obligations.

Pursuant to this agreement, we are required to pay DPII (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) allow DPII to conduct on-site inspections and audits; (b) maintain an accounting and record-keeping system and submit for approval to DPII our financial statements and evidence of the satisfaction of our tax obligations; (c) use only DPII's global advertising and promotional programs and refrain from producing, developing or using any other advertising materials or programs, without DPII's written consent; (d) 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; (e) refrain from using or authorizing our sub-franchisees to use any ingredients, raw materials or products other than those approved by DPII in the preparation, packaging and delivery of pizzas; (f) use all licensed trademarks in accordance with the terms set forth in the agreement and with DPII's instructions; (g) refrain from selling or pledging any of our assets without DPII's prior written consent and (h) refrain from assigning to any person any of our rights under the agreement or under any sub-franchise agreement without DPII's prior consent.

The agreement contains various provisions the violation of which could give rise to its termination by DPII.

Starbucks Coffee

Mexico

Development and Master License Agreements

On February 26, 2002, through our subsidiary, Café Sirena, we entered into a territory development and operation agreement with SCI, and a trademark sublicense agreement with SBI Nevada Inc. as well as a supply contract with DIA, each of which has been modified from time to time.

Pursuant to the territory development and operation agreement, we hold the right to develop, open and operate Starbucks Coffee stores in Mexico through February 22, 2027. Pursuant to the trademark sublicense agreement, we hold the right to use SCI's confidential information, trademarks and know-how solely in connection with the development and operation of Starbucks Coffee stores during the effective term of the territory development and operation agreement. Under the supply agreement, Café Sirena acquires from DIA, and DIA purchases from SCI, all of the essential items for the operation of a Starbucks store, in particular, coffee.

Through its subsidiaries, Alsea owns 100% of the capital stock of Café Sirena, Starbucks Coffee Argentina and Starbucks Coffee Chile, the companies through which the Starbucks Coffee brand is operated in Mexico, Argentina, and Chile, respectively.

In addition, pursuant to the territory development and operation agreement and the trademark sublicense agreement, we are required to (i) refrain from wholesaling coffee or Starbucks products; (ii) sell only Starbucks branded and SCI-approved products in our Starbucks Coffee stores; (iii) refrain from selling, distributing or marketing Starbucks products through any other sales or distribution channels, including wholesale, mail order, or online; and (iv) pay to SCI certain royalties and technical assistance fees. Under the agreement, SCI must refrain from (i) developing, opening or operating Starbucks Coffee stores in Mexico; (ii) granting to any third party any franchise for the development, opening or operation of Starbucks Coffee stores in Mexico; and (iii) developing, opening, operating, or granting any third party any franchise for the development, opening or operation of any business that may compete with the Starbucks Coffee stores in Mexico. However, SCI is entitled to grant third parties licenses for the operation of Starbucks Coffee stores within or adjacent to hotels, supermarkets and other food service and hospitality facilities, subject to the satisfaction of certain requirements. According to the terms of this contract, Alsea is obligated to pay royalties for technical assistance and for the right to use the brand.

Distribution Agreement

On August 9, 2013, through Café Sirena, we entered into an agreement with Starbucks Coffee Corporation pursuant to which we were appointed the exclusive distributor of Starbucks coffee beans, ground coffee and chocolate mixes to supermarkets, grocery stores, convenience stores, department stores and pharmacies throughout Mexico. The effective term of this agreement is three years, subject to renewal.

Argentina

On December 14, 2007, through our subsidiary, Starbucks Argentina, we entered into a joint venture agreement consisting of (i) a territory development and operation agreement and a supply agreement with SCI, and (ii) a trademark sublicense agreement with SBI Nevada Inc.. This agreement granted us the exclusive right to develop Starbucks in Argentina, and we became owners of an 82% stake in Starbucks Coffee Argentina, S.R.L. (Starbucks

Argentina). On July 16, 2013, we acquired the remaining 18% of Starbucks Argentina from SCI, and the joint venture we were previously party to was terminated.

Pursuant to the territory development and operation agreement, we hold the right to develop, open and operate Starbucks Coffee stores in Argentina. Pursuant to the trademark license agreement, we hold the right to use SCI's confidential information, trademarks and know-how solely in connection with the development and operation of Starbucks Coffee stores during the effective term of the territory development and operation agreement. Pursuant to the supply agreement, we are required to purchase from SCI all of the basic raw materials and products used in connection with the operation of our Starbucks Coffee stores in Argentina, including, primarily, coffee.

In addition, pursuant to the territory development and operation agreement and the trademark sublicense agreement, we are required to: (i) refrain from wholesaling coffee or Starbucks products; (ii) sell only Starbucks branded and SCI-approved products in our Starbucks Coffee stores and (iii) refrain from selling, distributing or marketing Starbucks products through any other sales or distribution channel, including wholesale, mail order, or online. Under the agreement, SCI must refrain from (i) developing, opening or operating Starbucks Coffee stores in Argentina; (ii) granting any third party any franchise for the development, opening or operation of Starbucks Coffee stores in Argentina; and (iii) developing, opening, operating or granting any third party any franchise for the development, opening or operation of any business that may compete with the Starbucks Coffee stores in Argentina. However, SCI is entitled to grant third parties licenses for the operation of Starbucks Coffee stores within or adjacent to hotels, supermarkets and other food service and hospitality facilities, subject to the satisfaction of certain requirements.

We opened the first Starbucks store in Argentina on May 30, 2008, in the Alto Palermo Shopping Center, one of the most prestigious shopping centers in Buenos Aires. As of March 31, 2014, we operated 72 Starbucks locations in Argentina. In Argentina, Alsea is obligated to open at least 65 Starbucks stores in the next four years, in accordance with the contract we recently entered into with Starbucks Coffee International.

Chile

On December 14, 2007, Alsea entered into (a) a territory development and operation agreement and a supply agreement with SCI, and (ii) a trademark sublicense agreement with SBI Nevada Inc. On September 4, 2013, Alsea acquired SCI's share of Starbucks Chile, thereby terminating the agreement by which Alsea and SCI jointly operated Starbucks Chile.

Pursuant to the territory development and operation agreement, we hold the right to develop, open and operate Starbucks Coffee stores in Chile. Pursuant to the trademark license agreement, we hold the right to use SCI's confidential information, trademarks and know-how solely in connection with the development and operation of Starbucks Coffee stores during the effective term of the territory development and operation agreement. Pursuant to the supply agreement, we are required to purchase from SCI all of the basic raw materials and products used in connection with the operation of our Starbucks Coffee stores in Chile, including, primarily, coffee.

In addition, pursuant to the territory development and operation agreement and the trademark sublicense agreement, we are required to: (i) refrain from wholesaling of coffee or Starbucks products; (ii) limit the sales of our Starbucks Coffee stores to Starbucks branded and SCI-approved products and (iii) refrain from selling, distributing or marketing Starbucks products through any other sales or distribution channel, including wholesale, mail order, or online. Under the agreement, SCI must refrain from: (i) developing, opening or operating Starbucks Coffee stores in Chile; (ii) granting any third party any franchise for the development, opening or operation of Starbucks Coffee stores in Chile and (iii) developing, opening, operating or granting any third party any franchise for the development, opening or operation of any business that may compete with the Starbucks Coffee stores in Chile. However, SCI is entitled to grant third parties licenses for the operation of Starbucks Coffee stores within or adjacent to hotels, supermarkets and other food service and hospitality facilities, subject to the satisfaction of certain requirements. Currently, Alsea owns 100% of the stock in Starbucks Chile.

Colombia

On August 26, 2013, through our subsidiary, Estrella Andina, we entered into: (i) a territory development and operation agreement and a supply agreement with SCI, valid until 2033 with an option to renew for an additional five years and (ii) a trademark sublicense agreement with SBI Nevada Inc.

Pursuant to the territory development and operation agreement, we hold the right to develop, open and operate Starbucks Coffee stores in Colombia. Pursuant to the trademark license agreement, we hold the right to use SCI's confidential information, trademarks and know-how solely in connection with the development and operation of Starbucks Coffee stores during the effective term of the territory development and operation agreement. Pursuant to the supply agreement, we are required to purchase from SCI all of the basic raw materials and products used in connection with the operation of our Starbucks Coffee stores in Colombia, including, primarily, coffee.

In addition, pursuant to the territory development and operation agreement and the trademark sublicense agreement, we are required to: (i) refrain from wholesaling of coffee or Starbucks products; (ii) limit the sales of our Starbucks Coffee stores to Starbucks branded and SCI-approved products and (iii) refrain from selling, distributing or marketing Starbucks products through any other sales or distribution channel, including wholesale, mail order, or online. Under the agreement, SCI must refrain from: (i) developing, opening or operating Starbucks Coffee stores in Colombia; (ii) granting any third party any franchise for the development, opening or operation of Starbucks Coffee stores in Colombia and (iii) developing, opening, operating or granting any third party any franchise for the development, opening or operation of any business that may compete with the Starbucks Coffee stores in Colombia. However, SCI is entitled to grant third parties licenses for the operation of Starbucks Coffee stores within or adjacent to hotels, supermarkets and other food service and hospitality facilities, subject to the satisfaction of certain requirements.

Burger King

Mexico

Joint Operation and Master Franchise Agreements

On April 1, 2013, we completed a series of transactions with Burger King Worldwide pursuant to which: (i) Burger King Mexicana, S.A. de C.V. was merged into our subsidiary OFA; (ii) we acquired an 80% equity interest in OFA and BKC acquired the remaining 20%; (iii) OFA acquired the Burger King master franchise for Mexico, and (iv) OFA assumed all of BKC's rights and obligations as franchisor under each and all of the franchise agreements entered into between BKC and third parties in Mexico.

Pursuant to the Master Franchise Agreement, we hold the exclusive right to develop and grant third parties sub-franchises for the development of Burger King stores throughout Mexico for a period of 20 years. In addition, pursuant to the Master Franchise Agreement we are required to (a) open 400 new Burger King stores in Mexico during the effective term of the agreement; and (b) pay BKC (i) an opening fee in respect of each new company-owned and each sub-franchised store, (ii) royalties in the amount of a certain percentage of our total sales (the exact percentage will vary based on each store's opening date); (iii) the royalties received from our sub-franchisees, less a percentage of such royalties that we are allowed to retain as compensation for the collections, training, oversight, advertising, new-site approval and other services provided as franchisor to our franchisees and (iv) a marketing fee in the form of a contribution to an advertising fund managed by OFA.

Distribution Agreement

Since January 2004, through our subsidiary, DIA, we have held the non-exclusive right to distribute the raw materials and supplies used in connection with the operation of all company-owned and sub-franchised units in the Burger King system in Mexico, including food and paper products, store equipment and promotional items, pursuant to a distribution agreement with BKC that is subject to renewal on an annual basis.

Pursuant to the agreement, we are required to: (a) purchase all the products distributed by DIA from BKC-approved suppliers; (b) carry out all product storage, handling and distribution operations at BKC-approved facilities; (c) provide quality assurance for all Burger King products and limit the distribution of such products to the stores within the Burger King system in Mexico; (d) use BKC or its designee as our purchasing agent to negotiate the prices of the products we distribute, and pay BKC or its designee reasonable compensation for these services; (e) comply with BKC's "Policies and Procedures for International Distributors"; (f) make our best effort to supply products to any Mexican Burger King operator and (g) refrain from using BKC's trademarks in any way without BKC's prior written consent. The distribution agreement may be terminated by BKC at any time with 30-days' written notice to us, or by us with 90-days' written notice to BKC.

South America

Through our subsidiaries Fast Food Sudamericana, Fast Food Chile and Operadora Alsea en Colombia, S.A., we hold non-exclusive franchises for the development and operation of Burger King stores in Argentina, Chile and Colombia, respectively. We enter into a franchise agreement with BKC on a store-by-store basis. All of our franchise agreements with BKC are standard form agreements and are generally subject to the same terms and conditions, valid for 20 years from the opening of each establishment.

Pursuant to each franchise agreement: (a) we hold a non-exclusive license from BKC to use the Burger King system and trademarks in connection with the development and operation of a Burger King store at a specified location during a 20-year period; (b) the execution of any given franchise agreement by BKC does not imply any obligation on the part of BKC to grant us any additional license for the development and operation of any other Burger King stores and does not entitle us to the exclusive right to operate Burger Kings stores within a certain territory; (c) BKC has the right to enter into franchise agreements with third parties for the operation of Burger King stores in the same territory as or in the vicinity of any of our stores and (d) the franchisee is required to pay to BKC (i) an upfront fixed fee, (ii) royalties in an amount equal to five percent of the franchisee's total sales and (iii) advertising fees in the form of contributions to an advertising expense fund.

In addition, pursuant to each franchise agreement, the corporate purpose of each franchisee must be limited exclusively to the development and operation of Burger King stores, and the franchisee's corporate bylaws must include certain restrictions on the issuance and transfer of shares of its capital stock.

Chili's Grill & Bar

In September 2005, Grill & Bar International (a subsidiary of ALDI that was merged into ALDI, which subsequently merged into our subsidiary Gastrosur) entered into an international development agreement with Brinker. Pursuant to this agreement, we hold the exclusive rights for the development and operation of Chili's Grill & Bar restaurants in the Federal District and the states of Puebla, Morelos, Queretaro, México and Hidalgo. We recently renewed this agreement through 2018, and are required to have 56 Chili's Grill & Bar restaurants in operation by December 31, 2018.

Each Chili's Grill & Bar restaurant is operated under a separate franchise agreement that contains the specific terms and conditions applicable to the restaurant as well as the terms and conditions governing the use of the Chili's Grill & Bar trademarks, know-how and other industrial secrets. In addition, each Chili's Grill & Bar restaurant must satisfy Brinker's requirements for decor, menu, staff, quality and suppliers.

California Pizza Kitchen

On June 11, 2013, through our subsidiary Grupo Calpik, we entered into a development agreement with CPK. Pursuant to this agreement, we hold the exclusive right to develop and operate California Pizza Kitchen restaurants in Mexico through 2022, with a right to extend the agreement. Pursuant to this agreement, we are required to: (a) have at least 33 California Pizza Kitchen restaurants in operation by the expiration of the initial term in 2022 and (b) pay to CPK (i) an opening fee for each new restaurant and (ii) monthly royalties in an amount equal to a certain percentage of our gross sales.

Each California Pizza Kitchen restaurant is operated pursuant to an addendum to the development agreement which grants operating rights for 10 years and the option to renew for two additional five-year periods. Each California Pizza Kitchen restaurant must comply with CPK's policies regarding decor, menu, operating procedures, staff, quality, products and suppliers, and must undergo renovations every five years.

P.F. Chang's China Bistro

Mexico

On May 15, 2009, through our subsidiary, Especialista en Restaurantes de Comida Estilo Asiática, we entered into a master development and license agreement with PFCCBII pursuant to which we acquired the exclusive right to develop and operate P.F. Chang's China Bistro restaurants in Mexico, using PFCCBII's trademarks and industrial secrets. As part of this agreement, we are required to open 30 P.F. Chang's restaurants in Mexico over a 10-year period.

Each P.F. Chang's China Bistro restaurant is operated pursuant to an addendum to the development agreement, which contains a license to operate the unit and must comply with PFCCBII's specifications as to image, design, decor, menu, food preparation methods, staff, quality, products and suppliers. We are required to pay PFCCBII royalties in an amount equal to a percentage of our sales.

Argentina, Chile and Colombia

In May 2011, we entered into a development and operation agreement with PFCCBII pursuant to which we acquired the exclusive right to develop and operate P.F. Chang's China Bistro restaurants in Argentina, Chile and Colombia for a period of 10 years, with an option to extend the agreement. Pursuant to this agreement, we are required to open 17 P.F. Chang's units in these three countries over the next 10 years and we must pay PFCCBII royalties equal to 3.5% of our sales.

Brazil

In January 2013, we and PFCCBII entered into a development and operation agreement pursuant to which we acquired the exclusive right to develop and operate P.F. Chang's China Bistro restaurants in Brazil for a period of 10 years, with an option to extend the agreement. Pursuant to this agreement, we are required to pay PFCCBII royalties in an amount equal to 5% of our sales, though for our first 4 restaurants an alternative rate may apply.

Pei Wei

On October 14, 2011, through our subsidiary, ERCEA, we entered into a master development and license agreement with PFCCBII pursuant to which we acquired the exclusive right to develop and operate Pei Wei Asian Diners in Mexico, using PFCCBII's trademarks and industrial secrets.

Each Pei Wei restaurant is operated pursuant to an addendum to the development agreement that contains a license to operate the unit and requires compliance with PFCCBII's specifications for image, design, decor, menu, food preparation methods, staff, quality, products and suppliers. We are required to pay PFCCBII: (i) an opening fee for each new restaurant; (ii) royalties in an amount determined as a percentage of our sales; (iii) certain advertising fees and (iv) license renewal fees.

Italianni's

In February 2012, as a consequence of a settlement agreement, we entered into an assignment agreement pursuant to which we assumed all of the franchise's rights and obligations under the Italianni's development and master license agreement for Mexico. As a result of this assignment, we hold the exclusive right to develop, operate and/or grant sub-franchises to third parties for the development and operation of Italianni's restaurants in Mexico for an initial 20-year period, subject to renewal for an additional 10 years.

Each Italianni's restaurant is operated pursuant to an addendum to the development agreement that contains a license to operate the unit using Italianni's trademarks and industrial secrets.

The Cheesecake Factory

On February 19, 2013, we and TCCF entered into a development and master license agreement pursuant to which we acquired the exclusive right to develop and operate The Cheesecake Factory restaurants in Mexico and Chile for an initial eight-year period, subject to renewal for an additional five year period.

Pursuant to this agreement, we are required to: (a) open ten The Cheesecake Factory restaurants in Mexico and two in Chile within the next eight years, the first of which must open in 2014; (b) purchase solely from TCCF all of the cheesecakes and other bakery products sold in our restaurants; (c) pay TCCF (i) an opening fee for each new restaurant and (ii) monthly royalties and (d) incur advertising expenses in a specified minimum amount per year.

In addition, we hold an option to acquire the exclusive right to develop and operate The Cheesecake Factory restaurants in Argentina, Brazil, Chile and Peru, subject to the satisfaction of certain conditions.

Grupo Axo

As part of our acquisition of a 25% equity interest in Grupo Axo, in June 2013 we entered into a shareholders' agreement with Grupo Axo's remaining shareholders that sets forth our respective rights and obligations in connection with Grupo Axo's management and operation. Among other things, pursuant to this agreement we have the right to appoint two of Grupo Axo's directors and hold veto rights with respect to certain decisions, including the amendment of Grupo Axo's corporate bylaws. In addition, pursuant to the shareholders agreement: (a) Grupo Axo's shareholders, including us, have a right of first refusal to purchase shares of stock in Grupo Axo that another shareholder intends to transfer to a third party; (b) Grupo Axo's shareholders, including us, hold a tag-along right pursuant to which we may request that our respective shares of Grupo Axo be included in the shares that another shareholder intends to sell to a third party, up to a percentage equal to our respective equity interests in Grupo Axo and (c) Grupo Axo's other shareholders hold a drag-along right pursuant to which they may force us to sell our entire interest in Grupo Axo in the event that a third party offers to purchase 100% of the shares of Grupo Axo and the other shareholders elect to accept the offer, provided, among other things, that the purchase price for the shares is not less than the minimum specified in the shareholders' agreement.

Other

Lease Agreements

With the exception of 16 Vips units that are located on real property we own as a result of the Vips acquisition, all of the retail outlets that house our stores and restaurants are leased from third parties. In general, all of our lease agreements are for terms ranging from five to ten years and provide for the payment of fixed, peso-denominated rents that are subject to increase on an annual basis in accordance with the Mexican NCPI. As an exception, some of our lease agreements provide for dollar-denominated rents, while the rent for certain properties includes a variable component that is based on the sales of the relevant store or restaurant.

We lease from Wal-Mex the retail spaces that house 125 of our Vips units. Each of these leases is for an initial ten-year term that may be extended for an additional five years, and provides for the payment of a fixed rent during each of the first eight years and a variable rent that is based on the unit's sales beginning in year nine.

In order for our rights under any of our lease agreements to be enforceable against any future third-party buyer of the relevant property, the agreement must be registered with the Public Registry of Property for the jurisdiction where the property is located. As of the date of this offering memorandum, our lease agreements are not so registered and, accordingly, we are exposed to the risk that the buyer or buyers of any one or more of the properties where are units are located may not acknowledge our rights and may declare the lease terminated and demand the surrender of the premises.

Transportation Agreements

In January 2002, our subsidiary DIA and Fast Food Road, S.A. de C.V., or "Fast Food Road," entered into a transportation services agreement pursuant to which Fast Food Road provides transportation and other related services in connection with the distribution and delivery of raw materials and supplies to our stores and restaurants and to third parties on DIA's behalf. These services include route-planning services according to the schedules and other demands the parties may agree from time to time taking into consideration the products' temperature control and other special handling requirements, and the use of transportation equipment, personnel and other resources, whether owned by Fast Food Road of by third parties, as Fast Food Road may determine necessary and appropriate to accomplish the delivery of the products in a timely fashion. In addition, Fast Food Road is required to maintain a control system to enable DIA to address and mitigate the effects of any issue that may arise in connection with its logistics and distribution processes. This agreement is effective for an indefinite period of time.

In addition, DIA has entered into a transportation agreement with Cool Cargo, S.A. de C.V., pursuant to which Cool Cargo provides additional transportation services in connection with the distribution of raw materials, products and supplies to our various operating units in Mexico. This agreement is effective for an indefinite period of time.

Partnership and Other Agreements

In the ordinary course of our business operations, from time to time we enter into various partnership, distribution and/or other marketing agreements and arrangements with entities such as The Coca-Cola Export

Corporation, Pepsi, the Mexican Soccer Federation, Kraft Foods, Nestlé and Blockbuster, which help promote and enhance our corporate image.

Intellectual Property

We hold the ownership and registration rights to the trademarks "Vips," "El Portón" and "La Finca," as well as to various trade names and slogans used in connection with the operations of the Vips restaurants.

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," "California Pizza Kitchen," "P.F. Chang's China Bistro," "Pei Wei Asian Diner," "Italianni's" and "The Cheesecake Factory." We also hold the intellectual property rights to a number of trademarks, trade names and slogans used in connection with the sale of certain products, including "The Dominator," "Pizzamanía," "Canelazos," "Otra dimensión de Pizza," "Fajita Pizza," "Hawaiian Chick," "Chamoy Loco," "Se pinta sola," "Sabor que te llega," "Sandia Cósmica," "Piña Intensa," "Double Decker," "Saborea el momento al momento," "Papotas" and "Papotas Riquísimos Gajos de Papa Horneados con Especias," in the case of our Domino's Pizza operations; "Frapuccino" and "Tazo," in the case of our Starbucks Coffee operations; and "Whopper," in the case of our Burger King operations.

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

We and our subsidiaries (with the exception of Café Sirena) are organized as limited liability, variable capital corporations (*sociedades anónimas 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 common laws.

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.

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.

In September 2013, the administration of President Enrique Peña Nieto submitted to the Mexican Congress a proposal to overhaul the country's taxation system. On October 31, 2013, the Mexican Congress issued a definitive opinion on these reforms, which was published in the Official Gazette (*Diario Oficial de la Federación*) on December 11, 2013. The reforms will take effect on January 1, 2014. Among other things, the reforms seek to curtail tax exemptions and to tax or increase taxes on certain revenues, activities and products that are currently exempt or taxed at a lower rate, as well as to simplify the tax code in order to encourage formal economic activity. For example, the reforms introduce a tax on soft drinks and food with a high caloric content that could indirectly adversely affect our business.

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 law. In addition, our Starbucks, Burger King, California Pizza Kitchen, P.F. Chang's and Pei Wei 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.

We are also subject to various laws and regulations in the other countries in Latin America 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 March 31, 2014, our principal assets were comprised of the following:

- Leasehold improvements with a book value of approximately Ps.4.3 billion;
- Store equipment with a book value of approximately Ps.2.8 billion;
- Production equipment with a book value of approximately Ps. 752.1 million;
- Investments in progress with a book value of approximately Ps.502.7 million;
- Hardware and software with a book value of approximately Ps. 442.1 million;
- Constructions with a book value of approximately Ps.420.5 million.
- Transportation equipment with a book value of approximately Ps.107.0 million;
- Office furniture and equipment with a book value of approximately Ps.99.1 million; and

As of March 31, 2014, our accumulated depreciation in connection with these assets was approximately Ps.4.8 billion.

In addition, as a result of the Vips acquisition we own the retail spaces that house 16 of our Vips units.

In 2010, we focused on the stabilization and consolidation of our IT platform and architecture with the completion of various investments and projects undertaken in previous years. Additional activities for the year included the implementation of our IT tools and applications in our new acquisitions. For example, we re-engineered and refined our human resources control tools. In 2011 and 2012, we focused on the improvement of our financial reporting tools through the implementation of Hyperion and central repository systems and the revamp of our Oracle systems. We have recently designed and implemented business intelligence and customer relationship management systems and updated the warehouse and transportation management systems for our latest distribution center in Mexico City.

Real Property

We own the land and 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."

In addition, as a result of the Vips acquisition we own the retail spaces that house 16 of our Vips units.

Equipment, Furniture and Transportation Fleet

Domino's Pizza

Each of the 628 stores in the Domino's Pizza System as of December 31, 2013 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, 2013, 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, 2013, 382 of our company-owned stores and 210 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. As of December 31, 2013, all of the retail outlets where our Starbucks Coffee stores are located were leased from third parties or from our real estate subsidiary, Servicios Inmobiliarios Alsea, S.A. de C.V.

Our Starbucks Coffee stores are equipped with POS terminals that use conventional restaurant management software. As of December 31, 2013, 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. As of December 31, 2013, all of the retail outlets where our Burger King stores are located were leased from third parties.

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, 2013 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.

California Pizza Kitchen

Each of our California Pizza Kitchen units is 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, 2013 each of our California Pizza Kitchen restaurants was equipped with an average of five POS terminals with Radiant Systems' Aloha software. All of the POS equipment used in our California Pizza Kitchen 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.

In addition, as of December 31, 2013 each of our P.F. Chang's units was equipped with an average of 8.3 POS terminals with Radiant Systems' Aloha software. All of the POS equipment used in our P.F. Chang's restaurants is purchased from and maintained by Radiant Systems.

Pei Wei Asian Diner

We classify our investments in equipment for our Pei Wei Asian Diners 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 items of equipment include programmable fryers, industrial steamers for the preparation of dumplings 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 hospitality component in our Pei Wei restaurants includes stone and baroque design elements.

In addition, as of December 31, 2013 each of our Pei Wei restaurants was equipped with an average of five POS terminals with Radiant Systems' Aloha software. All of the POS equipment used in our Pei Wei restaurants is purchased from and maintained by Radiant Systems.

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, work tables 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, 2013 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

Vips

The Vips restaurant system includes a logistics operation that is responsible for the product standardization functions, negotiating bulk purchases and centralizing the receipt of supplies, and for the production of items such as rice dishes, soups, salsas and desserts, thereby creating economies of scale that translate into costs savings and increased operating efficiencies at the restaurant level by reducing the units' workload and kitchen staff and storage space needs.

DIA

Our production machinery and equipment is housed in our distribution centers in Mexico City, Monterrey, Cancun and Hermosillo. Each of our distribution centers is equipped with refrigeration and freezing chambers, storage shelves and racks for perishable products, an emergency power generator, an electrical substation, loading docks outfitted with hydraulic equipment, and electric forklifts. The pizza dough production area is equipped with mixers, rolling machines, conveyor belts, cutters and baking sheet washers.

We also maintain distribution centers in Argentina, Chile and Colombia, which are operated by third parties under the same guidelines, standards and procedures as our company-owned distribution centers in Mexico.

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.

- *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.

- *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.

- *Ongoing Improvement.* We seek to constantly improve our environmental performance and ensure that our preventive actions outnumber our corrective ones.

Examples of our environment-related actions include the following:

- The creation and implementation of our *Acciones Verdes* ("Green Actions") campaign, which is aimed at developing environmental awareness among our employees;

- Our operating units use placemats, napkins, paper bags, pizza boxes and cup holders that are made of recycled paper, only;

- In 2011 we purchased 37 EPA04-certified transportation units, which produce lower emissions of nitrogen oxide and hydrocarbon particles;

- In late 2011, we launched an energy savings project that entails the replacement of all incandescent and fluorescent light bulbs with LED bulbs, and the installation of automated light fixtures, in approximately 550 stores. This will allow us to achieve energy savings and discontinue the emission of approximately 7,049 tons of CO_2; and

- We have placed recycling bins throughout our corporate offices and five distribution centers in Mexico.

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 outcomes 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, suits or proceedings against or affecting us which would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

In August 2012, Italcafé was notified it would be audited by the fiscal authorities. The audit concluded in August 2013 with the authorities expressing the belief that they had identified some unreported income and that there were inconsistencies in the way in which IVA was disclosed. Currently, we are presenting additional documentation with a view to clarifying the perceived differences. The authorities have six months, or until February 2014, to make a determination on the issue of taxes owed in the approximate amount of Ps.146 million. We will raise the applicable defenses to the assessment of the tax credit; however, the former owners of Italcafé are responsible for paying the amount due pursuant to the terms and conditions of the settlement agreement that we entered into with the former owners of Italianni's. As of the date of this offering memorandum, no further information was available on the status of this proceeding.

Social Awareness

Fundación Alsea

In 2004 we created Fundación Alsea A.C., as our social awareness promotion vehicle. Fundación Alsea's mission is to address the nutritional needs of vulnerable communities and to foster human development through education-related initiatives. Fundación Alsea provides support to organizations devoted to fighting childhood hunger through sustainable (as opposed to paternalistic or relief) programs and actions.

Fundación Alsea has launched its *Va Por Mi Cuenta* ("It's On Me") program, which amounts to a collective movement towards ending childhood malnourishment by providing a meal to one child at a time, thereby ensuring that underprivileged children in Mexico have access to a sufficient amount of quality food in a healthy environment, accompanied by a set of values that fosters their physical and emotional development. Through *Va Por Mi Cuenta* we are seeking to raise at least Ps.100 million in the next five years, to build and run 10 *Nuestro Comedor* ("Our Dining Room") facilities for children. These establishments will serve approximately 2,530,000 meals to approximately 2,300 children per day, indirectly benefiting 16,100 people. We will finance the construction cost of the establishments, and our business partners, through their respective fundraising initiatives, will finance their operation.

At one year since the program's inception:

- We have three "*Nuestro Comedor*" establishments in operation in the municipalities of Metepec, Chalco and Ecatepec, in the State of Mexico.
- We have provided nearly 100,000 healthy meals, free of charge, to children living in conditions of extreme poverty.
- We feed 1,130 children on a daily basis, 73% of whom are now adequately nourished.
- We have raised in excess of Ps.19 million from our partners, customers and employees, and by donating 1% of our net profits.
- We have begun the construction of a fourth "*Nuestro Comedor*" establishment in Mexico City's Las Golondrinas neighborhood, which will feed an additional 330 children.

We have also launched our Semillas que Llenan de Vida ("Seeds That Brighten Up Life") campaign, which is aimed at fostering human development and helping poor Mexican families feed their children. We collect bags of rice and beans at our stores during the months of June, July and August, which are then delivered to our *Nuestro Comedor* establishments. Through this campaign, in September 2013 we delivered to *Nuestro Comedor* diners more than 22 combined tons of rice and beans.

In addition, we have created "Fondo para la Paz," or "Fund for Peace," to fight extreme poverty in 12 communities in the state of Oaxaca. The fund's objectives are to provide access to basic services, develop social capital, empower women, and reduce childhood malnutrition.

Employees

As of March 31, 2014, we had approximately 34,000 full-time employees (excluding Vips), of which 27,447 were unionized employees. In addition, as of such date we had 63 temporary employees. The following table shows our evolution in terms of number of employees over the periods indicated.

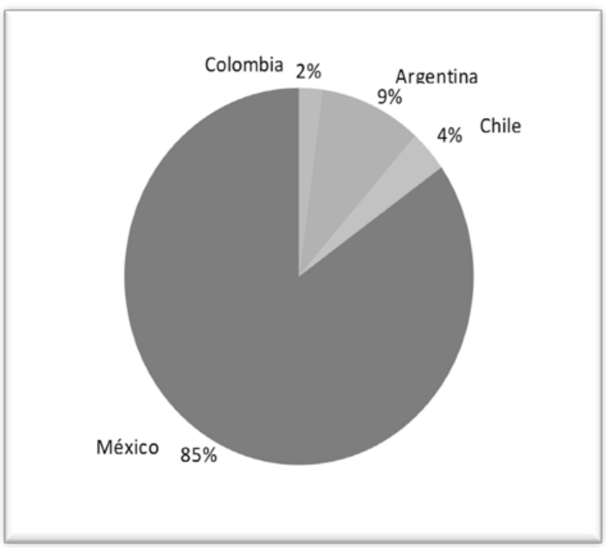
	As of December 31,						Three months ended March 31,	
	2011		2012		2013		2014	
	Number	%	Number	%	Number	%	Number	%
Administrative	1,572	7%	1,817	7%	2,093	7%	1,800	5%
Operating	20,865	93%	25,802	93%	29,216	93%	32,509	95%
Total	22,437	100%	27,619	100%	31,309	100%	34,309	100%

As of March 31, 2014, Vips had an aggregate of 17,535 employees, all of whom were located in Mexico.

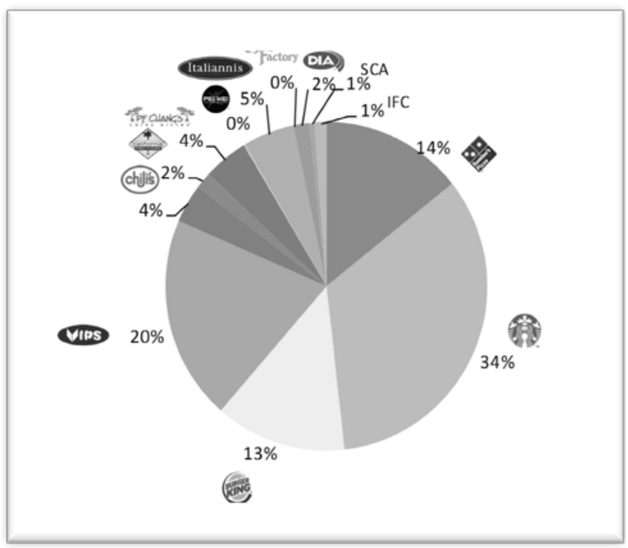
	Vips	Portón	Ragazzi	Finca	Total Restaurants	Main Offices	Administrative	Call Center	Total
Managers	270	83	4	1	358	0	0	0	358
Professionals	2,506	455	49	19	3,029	0	0	0	3,029
Service Personnel	10,439	2,743	143	67	13,392	0	0	0	13,392
Other	0	0	0	0	0	204	267	285	756
Total	13,215	3,281	196	87	16,779	204	267	285	17,535

The following charts illustrate the distribution of our total number of employees by country and brand as of March 31, 2014.

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. In 2012 we assigned special priority to this task and, as a result, each of our brands and internal business areas is now responsible for its own human resources planning in accordance with its own particular goals and needs. We have devised individual development plans for these individuals, thus ensuring our ability to retain our best employees and guaranteeing their advancement within our organization.

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 2012-2015, 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.

MANAGEMENT

Board of Directors

Pursuant to our bylaws, the management of our business affairs is entrusted to a board of directors comprised of not more than 21 members, 25% of whom must be independent. Our board of directors currently consists of 10 members, five of whom are independent. As of the date of this offering memorandum, no alternate directors have been appointed.

The members of our 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 our board of directors, all of whom were elected or reelected during the general annual ordinary and extraordinary shareholders' meeting held April 11, 2012.

Name	Age	Years in Position	Position
Alberto Torrado Martínez	50	16	Chairman of the Board
Cosme Alberto Torrado Martínez	51	16	Member
Armando Torrado Martínez	44	16	Member
Federico Tejado Bárcena	53	14	Member
Fabián Gerardo Gosselin Castro	51	9	Member
Marcelo A. Rivero Garza (Independent)(2)	66	12	Member
Julio Gutiérrez Mercadillo* (Independent)(1)(2)	54	3	Member
Raúl Méndez Segura (Independent)(1)	59	3	Member
Iván Moguel Kuri (Independent)(1)	51	3	Member
Leon Kraig Eskenazi* (Independent)(2)	59	2	Member
Xavier Mangino Duenas (Secretary, without being a member)	44	16	Secretary

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance Committee.

* Elected during the annual ordinary shareholders' meeting held on April 11, 2012.

Set forth below is a summary of the experience of the current members of our board of directors.

Alberto Torrado Martínez was appointed our Chairman of the Board and 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. From 1998 until May 2001, he served as our Corporate Director of Distribution.

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 since April 28, 2004. In 1990 he co-founded Operadora DP, which is engaged in the sale of Domino's Pizza franchises.

Armando Torrado Martínez was first elected to our board of directors during the general ordinary shareholders' meeting held on May 21, 1997. He currently serves as Chief Executive Office of Casual Dining. Previously, from 1997 to 2004, he served as Corporate Director of the Domino's Pizza System. He founded Operadora DP, S.A. de C.V. in 1990 and co-founded DIA in 1992. Armando holds a degree in Senior Management from IPADE.

Federico Tejado Bárcena was first elected to our board of directors during the general ordinary shareholders' meeting held on April 26, 1999. He is Chief Executive Officer of Starbucks Mexico since October 2010. He previously served as Chief Executive Officer of Domino's Pizza Brazil and Mexico. He has also served as the General Director of Hulera Hércules, the Director of Sales at Sabritas, and the General Director of Servimet.

Fabián Gerardo Gosselin Castro was first elected to our board of directors during the general ordinary shareholders' meeting held on April 28, 2006, and has served as Chief Executive Officer of Alsea since October 2010. He has also served as the Executive Director of the Shared Services Center (*Centro de Servicios Compartidos*), the General Director of OFA, and the General Director of SCA.

Marcelo A. Rivero Garza was first elected to our board of directors during the general ordinary shareholders' meeting held on April 30, 2001. He is President of Brain Strategic Insight. Previously, he served as Chief Executive Officer of Grupo Jumex from 1995 to 2011, Chief Executive Officer of Kentucky Fried Chicken from 1990 to 1995, Chief Executive Officer of Grupo Pillsbury from 1986 to 1990, and Chief Executive Officer of Clemente Jacques from 1982 to 1986.

Julio Gutiérrez Mercadillo was first elected to our board of directors during the general ordinary and extraordinary shareholders' meeting held on April 15, 2011. He is President and a co-founder of Grupo Metis. Previously, he served as President of Starbucks for Europe, the Middle East and Africa, Chief Executive Officer of Wal Mart Argentina, Chief Executive Officer of Grupo Martí, Chief Executive Officer of Sport City and Chief Executive Officer of Krups-Moulinex.

Raúl Méndez Segura was first elected to our board of directors during the general ordinary and extraordinary shareholders' meeting held on April 15, 2011. He is President of Grupo Metis. He has 18 years' experience as Chief Executive Officer of various companies, including Booz-Allen & Hamilton de México, Ixe Banco, Invex Consumer Banking, Green River de México and Universidad Tecnológica de México (UNITEC).

Iván Moguel Kuri was first elected to our board of directors during the general ordinary and extraordinary shareholders' meeting held on April 15, 2011. He has been a Partner at Chévez, Ruiz, Zamarripa y Cía., S.C., a tax advisory and consulting firm, since January 1, 1993, and has served as Managing Partner of its Consulting Division since 2007.

Leon Kraig Eskenazi was first elected to our 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.

Xavier Mangino Dueñas, is a partner of the law firm Díaz de Rivera y Mangino, S.C. He was appointed Secretary of the board of directors at the ordinary shareholders' meeting held on May 21, 1997.

Alberto Torrado Martínez, Cosme Alberto Torrado Martínez and Armando Torrado Martínez are siblings.

Leon Kraig Eskenazi, Marcelo A. Rivero Garza, Julio Gutierrez Mercadillo, Raúl Mendez Segura and Iván Moguel Kuri are not employees of Alsea, nor are they linked or associated with the company or its executives, and they are not shareholders.

The secretary non-member of our board of directors is Xavier Mangino Dueñas.

We are not controlled directly or indirectly by another company or by a foreign government. The "Principal 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 independent members. The current members of our audit committee are Iván Moguel Kuri (Chairman), Julio Gutiérrez Mercadillo and Raúl Méndez Segura, all of whom were appointed at the general ordinary and extraordinary shareholders' meeting held on April 29, 2013. Iván Moguel Kuri qualifies as financial expert for our audit committee and serves as its president. The duties of our audit committee are set forth in Article 42(II) of the Securities Market Law. 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 Cosme Alberto Torrado Martínez, Marcelo A. Rivero Garza, Julio Gutiérrez Mercadillo and Leon Kraig Eskenazi, all of whom were appointed at the general ordinary and extraordinary shareholders' meeting held on April 29, 2013. 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 us, of each of our executive officers.

Name	Position	Age	Years with Us
Alberto Torrado Martínez	Chairman of the Board and Executive President	50	24
Cosme Alberto Torrado Martínez	Managing Director for Latin America and Equity Director	51	24
Armando Torrado Martínez	Managing Director of Casual Dining and Equity Director	44	24
Fabián Gerardo Gosselin Castro	Chief Executive Officer of Alsea	51	22
Federico Tejado Bárcena	Chief Executive Officer of Starbucks Mexico	53	17
Francisco Javier Demesa Rodriguez (1)	Chief Executive Officer of Burger King Mexico	39	
Ricardo Ibarra González	Chief Executive Officer of Burger King Colombia	46	23
Pablo de los Heros	Regional Director for Chile and Argentina	47	21
Rodrigo Riveroll Otero	Director of Domino's Pizza and P.F. Chang's Colombia	47	15
Christian Gurría Dubernard	Director of Casual Dining	42	12
Gerardo Rojas Blázquez	Director of Domino's Pizza Mexico	39	11
Diego Gaxiola Cuevas	Chief Financial Officer of Alsea	43	9
Salvador Aponte Escalante	Corporate Director of Processes and Technology	50	2
Gerardo Díaz Canales	Real Estate and Development	46	1
Marc Branet	Chief Executive Officer of Supply Chain	45	2

(1) Formal appointment as officer of Alsea pending.

Francisco Demesa holds a B.A. in Marketing from Tecnológico de Monterrey and an MBA from Harvard Business School. He has 17 years of experience in diverse multinational companies like Unilever, DuPont and AstraZeneca, mainly in Marketing and Business Development. During the last year he was Vice President for North Latin America at Burger King Corporation in Miami, FL.

Ricardo Ibarra González has being working with Alsea for 20 years in different positions in Mexico. His last position was as Regional Director of Domino's Pizza (Central Region).

Pablo de los Heros joined Alsea in 1992 as restaurant manager of Fast Food America, S.A. He was General Manager of Burger King Argentina.

Rodrigo Riveroll Otero joined our company on December 1998 as Marketing Corporate Director. As of August 2011, he has been working as a director of Domino's Pizza and P.F. Chang's Colombia. He has served as the General Director of Pizza jal, a Domino's Pizza franchise with 28 stores in western Mexico.

Christian Gurría Dubernard joined our company in 2001, working in Domino's Pizza Mexico. Before joining Starbucks Coffee, he was for 5 months the Regional Operations Director for the south region of Domino's Pizza Mexico. He has also served as the Chief Operating Officer of Burger King Argentina.

Gerardo Rojas Blázquez joined our company in April 2002 as Chief Executive Officer of Starbucks México. Since 2010 he is Chief Executive Officer of Domino's Pizza México. Before joining our company, he worked in the marketing department at Grupo Bursátil Mexicano and Sabritas.

Diego Gaxiola Cuevas joined our company in February 2005. He currently serves as our Corporate Finance Director. Previously, he served as Director of Treasury at Grupo Cablevisión and Director of Investor Relations at Grupo Televisa. He holds a degree in Business from the Universidad Iberoamericana and a Master's degree in finance from the University of Anáhuac.

Salvador Aponte Escalante 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.

Gerardo Díaz Canales joined our company in 2013. He currently serves as our head Director of Real Estate and Development. He holds a degree in Cybernetics and Computer Science Engineering from Universidad La Salle in Mexico City and has over fifteen years' experience in real estate, construction and business development, including 15 years with Wal-Mart during which he worked in Mexico, Brazil and Miami.

Marc Branet joined our company in September 2012. He is the Corporate Director of our Supply Chain and has over 20 years' experience in this area.

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, 2013, was approximately Ps.76.2 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.

Alberto Torrado Martínez, Armando Torrado Martínez, Cosme Alberto Torrado Martínez, Federico Tejado Bárcena, Fabián Gerardo Gosselin Castro, Xavier Mangino Dueñas and the members of our committees who are not members of our board of directors have waived any compensation to which they may have been entitled for the years ended December 31, 2011, 2012 and 2013.

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. In 2003 and 2004, we offered an awards program that has since been terminated. The stock option plan devised in 2005 is currently in force. In 2011, 2012 and 2013, we implemented a deferred bonus plan.

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.

PRINCIPAL SHAREHOLDERS

As of March 31, 2014, our paid-in capital was Ps. 343,879,527, and we had 687,759,054 Single Series, Class I Common Shares outstanding. As of May 21, 2014, our Principal Shareholders owned, directly or beneficially, an aggregate of 325,274,026 Shares, or 47.30% of our paid-in capital. The rest of our shareholders as of such date are detailed below.

	Shares owned prior to the Global Offering		Shares owned after the Global Offering — No exercise of the over-allotment option		Shares owned after the Global Offering — Full exercise of the over-allotment option	
Shareholder	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**
Principal Shareholders(1)	325,274,026	47.30%	335,164,736	40.93%	335,164,736	39.97%
Board Members(2)	25,764,536	3.75%	25,764,536	3.15%	25,764,536	3.07%
Public and other	336,720,492	48.96%	457,977,322	55.92%	477,649,453	56.96%
Total	687,759,054	100.00%	818,906,594	100.00%	838,578,725	100.00%

(1) Our Principal Shareholders include: (a) Alicia Martínez Alvarado, owner of 41,018,274, or 5.96% of our paid-in capital; (b) Cosme Alberto Torrado Martínez, owner of 96,208,368 Shares, or 13.98% of our paid-in capital; (c) Armando Torrado Martínez, owner of 95,810,503 Shares, or 13.93% of our paid-in capital; and (d) Alberto Torrado Martínez, owner of 92,236,881 Shares, or 13.41% of our paid-in capital.

(2) Excludes board members that are Principal Shareholders.

As of May 21, 2014, the following members of our board of directors owned, directly or beneficially, the number of Shares set forth beside their respective names in the following table.

	Shares owned prior to the Global Offering		Shares owned after the Global Offering — No exercise of the over-allotment option		Shares owned after the Global Offering — Full exercise of the over-allotment option	
Shareholder	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**
Fabián Gerardo Gosselín Castro	13,376,533	1.94%	13,376,533	1.63%	13,376,533	1.60%
Federico Tejado Bárcena	12,388,003	1.80%	12,388,003	1.51%	12,388,003	1.48%
Cosme Alberto Torrado Martínez	96,208,368	13.98%	98,681,046	12.05%	98,681,046	11.77%
Armando Torrado Martínez	95,810,503	13.93%	98,283,181	12.00%	98,283,181	11.71%
Alberto Torrado Martínez	92,236,881	13.41%	94,709,559	11.57%	94,709,559	11.29%
Total	310,020,288	45.07%	317,438,321	38.76%	317,438,321	37.85%

As of May 21, 2014, the following individuals owned, directly or beneficially, more than 5% of the outstanding capital stock of the Company. 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 prior to the Global Offering		Shares owned after the Global Offering — No exercise of the over-allotment option		Shares owned after the Global Offering — Full exercise of the over-allotment option	
Shareholder	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**	**Number of Shares (Class I and II)**	**%**
Cosme Alberto Torrado Martínez	96,208,368	13.98%	98,681,046	12.05%	98,681,046	11.77%
Armando Torrado Martínez	95,810,503	13.93%	98,283,181	12.00%	98,283,181	11.71%
Alberto Torrado Martínez	92,236,881	13.41%	94,709,559	11.57%	94,709,559	11.29%
Alicia Martínez Alvarado	41,018,274	5.96%	43,490,952	5.31%	43,490,952	5.19%
Total	325,274,026	47.30%	335,164,736	40.93%	335,164,736	39.97%

Certain of our Principal Shareholders, board members and members of our management, have agreed to purchase 9,890,710 Shares, or approximately 7.5% (or approximately 6.6% assuming full exercise of the over-allotment option), of the Shares in the Global Offering at the offering price to investors.

RELATED PARTY TRANSACTIONS

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 corporate and tax law.

We expect to continue to enter into transactions with affiliates in the future in compliance with applicable Mexican 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.

DESCRIPTION OF OUR CAPITAL STOCK AND BYLAWS

Set forth below is a description of our capital stock and a brief summary of certain significant provisions of our corporate bylaws and Mexican law, as currently in effect. This description does not purport to be complete and is qualified in its entirety by reference to our bylaws and the relevant provisions of Mexican law.

Capital Stock

We were organized in 1997 as a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*). As such, our capital stock consists of a fixed portion and a variable portion. As of the date of this offering memorandum, our issued and outstanding capital stock consists entirely of Single Series Class I shares of common stock, no par value, issued in registered form, which represent the fixed portion of our capital. The variable portion of our capital stock is represented by Single Series Class II shares of common stock. As of the date of this offering memorandum we had no Class II Shares outstanding. Holders of our Class II Shares, if any, are not entitled to exercise the withdrawal rights otherwise afforded by the Corporations Law (*Ley General de Sociedades Mercantiles*) to holders of shares representing a company's variable capital.

Our Shares can be held by Mexican and non-Mexican investors; provided, that, any non-Mexican investor that acquires an interest in us will be considered as Mexican for purposes of such interest and will be deemed to have agreed not to invoke the protection of his own government, under penalty, in case of violation of such agreement, of forfeiture of such interest in favor of the Mexican government.

Changes to Our Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted by our shareholders in an extraordinary shareholders' meeting, provided that our bylaws are concurrently amended to reflect such increase or decrease. The variable portion of our capital stock may be increased or decreased by our shareholders in an ordinary shareholders' meeting without the amendment of our bylaws, provided that the minutes of the relevant shareholders' meeting are notarized. Increases or decreases in the fixed or variable portion of our capital stock must be recorded in our registry of capital variations. We are not authorized to issue any new Shares unless the issued and outstanding Shares at the time of the issuance have been paid in full. However, we may issue treasury shares for their subscription and payment in connection with a public offering. The shareholders' meeting that approves the issuance of treasury shares must also determine the maximum number thereof and the terms and conditions for their issuance.

Registration and Transfer

Our Shares are evidenced by securities issued in registered form. Our shareholders may hold their Shares in the form of physical certificates, or in book entry form through participants that have accounts with Indeval. Accounts may be maintained at Indeval by brokers, banks and other financial institutions and other entities authorized by the CNBV to be participants at Indeval. We maintain a stock registry that sets forth the name, nationality and address of our shareholders, and the particulars of the provisional or definitive stock certificates held by them. Only persons listed in our stock registry and holders of certificates issued by Indeval or by Indeval participants will be recognized as our shareholders. Our stock registry may be kept by the secretary of our board of directors, a securities depository, a bank or any person designated to such effect by our board.

Change in Control

Our bylaws require the prior written consent of our board of directors if any of the following events occur:

- any person who, individually or together with related parties, attempts to purchase shares or control of our shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 10% or more of our shares;
- any person who owns 10% of our outstanding shares and who, individually or together with related parties, attempts to purchase shares or control of the shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 20% or more of our shares;

- any person who owns 20% of our outstanding shares and who, individually or together with related parties, attempts to purchase shares or control of the shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 30% or more of our shares;

- any person who owns 30% of our outstanding shares and who, individually or together with related parties, attempts to purchase shares or control of the shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 40% or more of our shares;

- any person who owns 40% of our outstanding shares and who, individually or together with related parties, attempts to purchase shares or control of the shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 50% or more of the shares;

- any person who is a competitor of Alsea's or one of its subsidiaries, who individually or together with a related party who attempts to purchase shares or control of the shares by any means, directly or indirectly, either in a single transaction or in multiple transactions over any period of time, the consequence of which would be individual ownership or joint ownership with a related party of 5% or more of our shares;

- any contract, covenant or judicial act, including derivative financial instruments, that purports to limit or transfer any of the rights and privileges that pertain to 5% or more of our shareholders, such as the loss or limitation of the voting rights associated with the shares; and

- changes to material restrictive covenants.

In any of these cases the written consent of our board of directors will be required whether the purchase of our shares or control over the shares takes place on the stock exchange or privately, directly or indirectly, via public or private tender offer, or in any other way, whether in a single transaction of any kind or in multiple transactions, in Mexico or abroad.

Shareholders' Meetings

We may hold general ordinary, extraordinary or special shareholders' meetings. Extraordinary shareholders' meetings are those called to discuss any of the matters referred to in Article 182 of the Corporations Law or reserved to such meetings pursuant to our bylaws including, among others:

- any spin-off involving us;

- the cancellation of the registration of our Shares with the RNV, or their delisting on the Mexican Stock Exchange or any foreign exchange on which they may be listed for trading; provided, that, our board of directors is authorized to approve the delisting of our Shares on any automated quotation or other over-the-counter trading system;

- any issuance of preferred stock;

- the issuance of secured or unsecured debentures, whether or not convertible into our Shares; and

- any other matter for which applicable Mexican law or our bylaws specifically require a special quorum.

Ordinary shareholders' meetings are those called to consider any matter not specified in Article 182 of the Corporations Law, including the increase or decrease of the variable portion of our capital stock. Ordinary shareholders' meetings may be held at any time, but an ordinary shareholders' meeting must be held at least once a year, within four months following the end of each fiscal year, to discuss the matters specified in Article 181 of the Corporations Law, including the approval of the report referred to in Article 172 of the Corporations Law for the previous year, taking into consideration the annual reports submitted by the audit committee and the corporate governance committee pursuant to Article 43 of the Mexican Securities Market Law and the report submitted by the Chief Executive Officer pursuant to Article 44(XI) thereof, as well as the following matters:

- the allocation of our profits for the previous year;
- the appointment of the members of our board of directors, their certification as independent, as the case may be, and the determination of the compensations, taking into consideration the opinion of the corporate governance committee;
- the appointment or removal of the chairman of the audit committee and the corporate governance committee;
- the increase or decrease of our variable capital, except where Mexican law does not require that the relevant increase or decrease be approved by our shareholders;
- the determination of the amount that may be allocated to repurchase our Shares each year;
- any disposition by us or any of our subsidiaries, in a single transaction or a series of related transactions, of 20% or more of our consolidated assets pursuant to our financial statements as of the end of the previous quarter; and
- any other matter submitted to its approval that is not expressly reserved by applicable law or our bylaws to the general extraordinary shareholders' meeting.

Special shareholders' meetings are those called to discuss any matter that may affect the rights of the holders of a specific class of stock, but not the rights of the holders of other classes of stock. Special shareholders' meetings are subject to the same rules as extraordinary shareholders' meetings.

Ordinary meetings are legally convened when at least 50% of our outstanding Shares are represented, and resolutions are valid when approved by a majority of the Shares present. If a quorum is not present, a second or subsequent notice of the meeting will be issued and resolutions will be valid when approved by a majority of the Shares present, regardless of their number. Extraordinary meetings are legally convened when at least 75% of our outstanding Shares are represented, and resolutions are valid when approved by at least 50% of our outstanding Shares. If a quorum is not present, a second or subsequent notice of the meeting will be issued and resolutions will be valid when approved by at least 50% of our outstanding Shares, regardless of the number of Shares present.

Pursuant to the Corporations Law and our bylaws, shareholders' meetings may be called by: (i) the chairman or the secretary of our board of directors, or the chairman of our audit committee or our corporate governance committee; (ii) any holder or group of holders of at least 10% of our outstanding capital stock; (iii) any holder of one Share, in the events specified in Article 185 of the Corporations Law; and (iv) if a shareholders' meeting is not called within 15 days from the relevant request, by a competent civil or district judge in Mexico City, Mexico, at the request of any interested party upon submission of the relevant share certificates or evidence of their deposit with a securities depository.

Notices of shareholders' meetings must be published in the Official Gazette (*Diario Oficial de la Federación*) or in one of the newspapers of general circulation in Mexico City, at least 15 calendar days prior to the date of the meeting. Each notice must set forth the place, date, time and agenda for the meeting. From the date on which a notice is published until the date of the corresponding meeting, all relevant information regarding the meeting must be made available to the shareholders at our corporate headquarters. To be admitted to any shareholders' meeting, shareholders must submit their stock certificates or evidence of their deposit with a bank, securities depository or Indeval, to the secretary of our board of directors.

At any shareholders' meeting held to consider the appointment of the members of our board of directors, any holder of at least 10% of our outstanding Shares will be entitled to appoint a director and an alternate. See "Management—Board of Directors."

Preemptive Rights

Pursuant to the Corporations Law, our shareholders have preemptive rights for all share issuances. Accordingly, if we issue additional shares, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time period set forth at the shareholders' meeting that approves the issuance, provided that this period may not be less than 15 days from the publication of notice of the issuance in the Official Gazette (*Diario Oficial de la Federación*) and in a newspaper of general circulation in Mexico City. Preemptive rights do not apply to shares issued for placement in a public offering.

Notwithstanding the above, we may issue treasury shares for their future placement in a public offering pursuant to the Mexican Securities Market Law.

Dividends

Pursuant to the Corporations Law, at our annual ordinary shareholders' meeting, our board of directors must submit our financial statements for the previous fiscal year for approval. Following the approval of such financial statements, our shareholders determine the allocation of our net profits for the relevant year. Pursuant to the Corporations Law and our bylaws, prior to any distribution of dividends, we are required to allocate 5% of our net profits to a legal reserve fund. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts allocated to a reserve for the repurchase of Shares. The remaining balance, if any, may be distributed as dividends. Any cash dividends on Shares that are not deposited with Indeval will be paid upon surrender to us of the relevant dividend coupon. See "Dividends." Pursuant to the Corporations Law, any dividends not claimed within five years from their payment date shall be forfeited to us.

Redemption

We may redeem our Shares in connection with a reduction of our capital stock approved at an extraordinary shareholders' meeting. In such event, the redemption of Shares must be made pro rata among all shareholders.

Dissolution and Liquidation

In the event of our dissolution or liquidation, one or more liquidators must be appointed at an extraordinary shareholders' meeting. Pursuant to the Corporations Law, the liquidators will have broad powers and authority to wind up our business affairs and to distribute the proceeds thereof to our shareholders in proportion to the number of Shares held by each. All fully paid and outstanding Shares will be entitled to participate equally in any liquidation proceeds.

Certain Minority Protections

Pursuant to the Securities Market Law and the Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that allow:

- holders of at least 10% of our outstanding Shares to:
    - appoint or revoke the appointment of one member of our board of directors at any shareholders' meeting called to consider such matters;
    - request at any time that the chairman of the board of directors, or of our audit committee or our corporate governance committee, call a general shareholders' meeting; and
    - request that resolutions with respect to any matter on which they do not believe themselves to be sufficiently informed, be postponed on a single occasion for a three-day period, without need to call a new shareholders' meeting; and
- holders of at least 20% of our outstanding Shares to oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend the relevant resolution, provided they were entitled to vote thereon.

Additional Matters

Non-Mexican Investors

Our bylaws provide that any non-Mexican investor that acquires an interest in us, whether upon its incorporation or at any time thereafter, will be considered as Mexican for purposes of such interest and will be deemed to have agreed not to invoke the protection of his own government, under penalty, in case of violation of such agreement, of forfeiture of such interest in favor of the Mexican government.

Duration

The duration of our corporate existence is 99 years from April 27, 2006, date on which we fully amended and restated our bylaws.

Repurchase of Our Shares

Pursuant to the Mexican Securities Market Law, we may choose to acquire our own Shares through the Mexican Stock Exchange. The acquisition must be carried out at the then prevailing market price and in accordance with the other terms and conditions set forth in the Mexican Securities Market Law.

Acquisition of Our Shares by Our Subsidiaries

Our subsidiaries may not, directly or indirectly, invest in our Shares or in other instruments convertible into or exchangeable for our Shares, except to the extent acquired through a mutual investment fund.

Conflicts of Interest

The Mexican Securities Market Law provides that any director (which for these purposes includes the secretary of our board of directors) whose interest on any business transaction conflicts with ours, must refrain from participating in any deliberation or vote on such transaction; provided that this requirement will not affect the requisite quorum for the relevant board meeting.

Jurisdiction

Pursuant to our bylaws, our shareholders expressly submit to the jurisdiction of the competent courts for Mexico City, Federal District, Mexico, for purposes of the resolution of any matter concerning the interpretation or enforcement of our bylaws, and waive any other jurisdiction to which they may be entitled.

Appraisal Rights

Pursuant to the Corporations Law, whenever our shareholders approve a change in our corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter is entitled to withdraw its Shares and receive the book value of such Shares, as set forth in the financial position statement last approved by our shareholders. This appraisal right may only be exercised within 15 days following the adjournment of the meeting at which the relevant change was approved.

Cancellation of Registration with the RNV

Pursuant to the Securities Market Law, the provisions issued by the CNBV and our bylaws, if the registration of our Shares with the RNV is cancelled at our request or as a result of a resolution issued by the CNBV, our controlling shareholders are required to conduct a tender offer to repurchase all the outstanding Shares prior to such cancellation. The tender offer price will be the higher of: (1) the weighted average quotation price per Share on the Mexican Stock Exchange for the previous 30 days prior to the date on which the tender offer is made, provided that such 30 days are comprised in a period not to exceed six months, or (2) the book value of our Shares in accordance with our most recent quarterly report submitted to the CNBV and the Mexican Stock Exchange. We will be required to create a trust for a period not to exceed six months as of the effective date of the cancelation of the registration of our Shares, and to contribute to such trust funds in an amount sufficient to purchase, at the same price offered pursuant to the tender offer, all of the outstanding Shares not otherwise acquired in connection with the tender offer. Any amendment of the aforementioned provisions of our bylaws must be approved by not less than 95% of our outstanding Shares, subject to the prior approval of the CNBV. Our controlling shareholders will not be required to conduct a tender offer if the cancellation of the registration of our Shares is approved by the unanimous consent of the holders of all our outstanding Shares.

Variable Capital and Appraisal Rights

Our bylaws provide that our capital stock will consist of a fixed portion and a variable portion. For identification purposes, our fixed capital is represented by Single Series Class I Shares, while our variable capital is represented by Single Series Class II Shares. Pursuant to the Mexican Securities Market Law, holders of our Class II Shares, as the case may be, are not entitled to exercise the withdrawal rights otherwise afforded by the Corporations Law to holders of Shares representing a company's variable capital.

TAXATION

Mexican Taxation

The following summary contains a description of certain tax consequences, under the Mexican Income Tax Law, of the acquisition, ownership and disposition of our Shares by a beneficial owner of such Shares that is a non-Mexican holder (as described below), and it does not purport to be a comprehensive description of all of the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. In addition, this summary does not address any non-Mexican or Mexican state or municipal tax considerations that may be relevant to any non-Mexican holder.

This summary is intended to be for general information purposes only, and is based upon the Mexican Income Tax Law as in effect on the date of this offering memorandum, which is subject to change.

Prospective investors in the Shares should consult their own tax advisors as to the United States, Mexican or other tax consequences of the purchase, ownership and disposition of the Shares including, in particular, the effect of any foreign, state or local tax laws, and their entitlement to the benefits, if any, afforded by the income tax treaty between Mexico and the United States (the "Treaty") and other tax treaties to which Mexico may be a party and which are in effect.

For purposes of this summary, the term "non-Mexican holder" shall mean a beneficial owner that is not a resident of Mexico for tax purposes, and that will not hold the Shares, or a beneficial interest therein, in connection with the conduct of a trade or business through a permanent establishment for tax purposes in Mexico.

For purposes of Mexican taxation:

- individuals are residents of Mexico if they have established their principal place of residence in Mexico or, if they have established their principal place of residence outside Mexico, if their core of vital interests (*centro de intereses vitales*) is located within Mexican territory. This will be deemed to occur if (i) at least 50.0% of their aggregate annual income derives from Mexican sources, or (ii) the main center of their professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years;

- unless proven differently, a Mexican national individual shall be deemed a Mexican resident. An individual will also be considered a resident of Mexico if such individual is a state employee, regardless of the location of the individual's core of vital interests; and

- 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.

Non-residents of Mexico who are deemed to have a permanent establishment in Mexico for tax purposes shall be subject to Mexican tax laws, and all income attributable to such permanent establishment will be subject to Mexican taxes in accordance with the Mexican Income Tax Law. Non-residents of Mexico will be subject to Mexican tax laws if their source of wealth is located in Mexico.

Taxation on Dividends

Pursuant to the provisions of the Mexican Income Tax Law, dividends paid to non-Mexican holders, with respect to our Shares, are currently subject to a 10% withholding tax. This tax is considered final and cannot be credited against any other tax in Mexico. This withholding applies to dividends from profits earned after January 1, 2014.

Dividends paid from distributable earnings that have not been subject to Mexican corporate income tax are subject to a tax at the corporate level, payable by us, in addition to the withholding tax. This corporate tax on the distribution of earnings is not final and may be credited by us against income tax payable by us during the fiscal year in which the tax was paid and for the following two years. Dividends paid from distributable earnings, after corporate income tax has been paid on such earnings, are not subject to corporate income tax, but the withholding tax applies.

Taxation on Capital Gains

Gains on the sale of Shares by a non-Mexican holder will generally be subject to a 10% income tax if the transaction is carried out through the BMV or other stock exchange or securities market approved by the Secretary of Finance and Public Credit. Transfers of Shares by a non-Mexican holder carried out in a different manner are generally subject to a 25.0% income tax rate in Mexico, which is applicable to the gross proceeds realized from the sale. Should the buyer in any such transactions be a Mexican resident for tax purposes, or a non-resident with a permanent establishment in Mexico for tax purposes, the applicable tax would be withheld by such buyer from the acquisition price. Alternatively, a non-Mexican holder may, subject to certain requirements, opt to pay taxes on the gains realized from the sale of the Shares on a net basis at a rate of 35%.

Under the Treaty, a non-Mexican holder that is eligible to claim the benefits under such Treaty may be exempt from Mexican taxes on gains realized from a sale or other disposition of shares issued by a Mexican entity in a transaction conducted through the BMV or another approved securities market to the extent such non-Mexican holder did not own, directly or indirectly, 25.0% or more of the outstanding shares of the issuer during the twelve-month period preceding the date of the sale or disposition, and provided that certain formal requirements set forth by the Mexican Income Tax Law are also complied with. Notwithstanding, the Treaty specifically excludes this benefit in the case of shares issued by an entity the main value of which derives from real estate located in Mexico. Therefore, a tax exemption will apply only in the case of a sale in the BMV or another approved securities market of less than 10.0% of our Shares.

Other Mexican Taxes

There is currently no Mexican estate, gift, inheritance or value-added tax applicable to the purchase, ownership or disposition of our Shares by a non-Mexican holder; however, gratuitous transfers of our Shares may, in certain circumstances, result in the imposition of Mexican federal income tax on the recipient.

There is currently no Mexican stamp, issue, registration or similar tax or duty payable by a non-Mexican holder with respect to the purchase, ownership or disposition of the Shares.

U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues discussed below. Additional issues that are not discussed below could affect the U.S. federal tax treatment of your ownership and disposition of Shares. This disclosure was written in connection with the marketing of Shares, and it cannot be used by anyone for the purpose of avoiding penalties under the Internal Revenue Code of 1986, as amended (the "Code"). You should seek advice based on your particular circumstances from your own adviser.

The following is a description of certain U.S. federal income tax consequences to U.S. Holders (defined below) of owning and disposing of Shares held as capital assets. It does not describe all of the tax consequences that may be relevant in light of your particular circumstances, including alternative minimum tax consequences and the Medicare contribution tax on net investment income, as well as tax consequences that may apply if you are an investor subject to special rules, such as a regulated investment company, a dealer in securities, a trader in securities who has elected a mark-to-market method of tax accounting, a person holding Shares as part of a straddle, wash sale, or conversion transaction or entering into a constructive sale with respect to Shares, a person whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, a tax-exempt entity (including an "individual retirement account" or a "Roth IRA"), a person that owns or is deemed to own ten per cent or more of the shares or an entity classified as a partnership for U.S. federal income tax purposes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between Mexico and the United States (the "Treaty"), all as in effect as of the date hereof, any of which is subject to change, possibly with retroactive effect.

A "U.S. Holder" is a beneficial owner of Shares that is eligible for the benefits of the Treaty and is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If you are a prospective U.S. shareholder, you should consult your tax advisor concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of Shares in your particular circumstances. In particular, the determination of eligibility for Treaty benefits can be complex. You should consult your tax advisor to determine whether you are eligible for the benefits of the Treaty.

Except where specifically indicated, the discussion below assumes that we are not a "passive foreign investment company" for U.S. federal income tax purposes.

Taxation of Distributions

Distributions paid on Shares, other than certain *pro rata* distributions of Shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions you receive generally will be reported as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at favorable rates. You should consult your tax adviser regarding the availability of the reduced tax rate on dividends in your particular circumstances.

The amount of a dividend will include any amounts withheld in respect of Mexican taxes. A dividend will be included in your income on the date you receive it, will be treated as foreign-source income, and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. The amount of any dividend income paid in pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on that date, regardless of whether the payment is in fact converted into U.S. dollars. If the pesos are converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the pesos are converted into U.S. dollars after the date of receipt.

Subject to certain conditions and limitations concerning credits for non-U.S. taxes, Mexican taxes, if any, withheld from dividends on Shares may be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability of foreign taxes in your particular circumstances.

Sale or Other Disposition of Shares

Gain or loss realized on the sale or other disposition of Shares will be capital gain or loss, and will be long-term capital gain or loss if you held the Shares for more than one year. The amount of the gain or loss will equal the difference between the amount realized on the disposition and your tax basis in the Shares disposed of, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders is eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

We believe that we were not a passive foreign investment company (or "PFIC"), for U.S. federal income tax purposes for our current taxable year and do not expect to become one in the foreseeable future. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which you held Shares, certain adverse consequences could apply to you. For instance, any gain you recognized on a sale or other disposition of Shares would be allocated ratably over your holding period for the Shares. The amounts allocated to the taxable year of the disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability. Similar rules would apply to any "excess distribution" with respect to your Shares. If we were a PFIC for any taxable year during which you held Shares, you might be required to file a report with the Internal Revenue Service containing such information as the U.S. Treasury may require.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) you are a corporation or other exempt recipient or (ii) in the case of backup withholding, you provides a correct taxpayer identification number and certify that you are not subject to backup withholding. The amount of any backup withholding will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

HSBC Securities (USA) Inc., Citigroup Global Markets Inc., Banco Bilbao Vizcaya Argentaria, S.A., and Itaú BBA USA Securities Inc., are acting as representatives of the Initial Purchasers with respect to the offering of Shares sold to investors located outside of Mexico. The Global Offering consists of the International Offering of 68,173,913 Shares in the United States and in other countries outside of Mexico and the concurrent Mexican Offering of 62,973,627 Shares by means of the Mexican Prospectus.

Pursuant to the terms and subject to the conditions set forth in the purchase agreement, dated June 24, 2014, each Initial Purchaser named below has severally and not jointly agreed to purchase, and we have agreed to sell to each Initial Purchaser severally and not jointly, the number of Shares set forth in the table below opposite such Initial Purchaser's name:

Initial Purchasers	Number of Shares
HSBC Securities (USA) Inc.	20,452,174
Citigroup Global Markets Inc.	20,452,174
Banco Bilbao Vizcaya Argentaria, S.A.	20,452,174
Itaú BBA USA Securities Inc.	6,817,391
Total	68,173,913

In respect of the Mexican Offering, subject to the terms and conditions set forth in the Mexican *contrato de colocación* (underwriting agreement), dated June 24, 2014, each Mexican Underwriter named below has severally and not jointly agreed to purchase from us, and we a have agreed to sell to each Mexican Underwriter severally and not jointly, the number of Shares set forth in the table below opposite such Mexican Underwriter's name:

Mexican Underwriters	Number of Shares
HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC	18,193,081
Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex	25,907,350
Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer	18,873,196
Total	62,973,627

Certain of our Principal Shareholders, board members and members of our management, have agreed to purchase 9,890,710 Shares, or approximately 7.5% (or approximately 6.6% assuming full exercise of the over-allotment option), of the Shares in the Global Offering at the offering price to investors.

The Initial Purchasers and the Mexican Underwriters have entered into an intersyndicate agreement providing for the coordination of their activities. Under the intersyndicate agreement, the Mexican Underwriters may offer and sell a portion of the Shares to be sold pursuant to the purchase agreement, the Initial Purchasers may purchase a portion of the Shares to be sold pursuant to the Mexican underwriting agreement, and the Initial Purchasers and the Mexican Underwriters have agreed to coordinate their efforts to stabilize and exercise options to purchase additional Shares to cover over-allotments, in each case, on the terms and subject to the conditions set forth in the intersyndicate agreement and in accordance with the applicable rules prescribed by the CNBV.

The closing of the International Offering and the Mexican Offering are conditioned upon one another and will occur simultaneously. We have granted the Initial Purchasers an option, exercisable within a period of 30 days from the date of this offering memorandum, to purchase up to an additional 10,226,087 Shares at the offering price, set forth on the cover of this offering memorandum less underwriting discounts and commissions. We have also granted the Mexican Underwriters an option, exercisable within a period of 30 days from the date of this offering memorandum, upon notice to us and the Initial Purchasers, to purchase up to an additional 9,446,044 Shares at the offering price, set forth on the cover of this offering memorandum less underwriting discounts and commissions. To the extent the option to purchase additional Shares is exercised, each Initial Purchaser and Mexican Underwriter, as applicable, must purchase an additional number of Shares approximately proportionate to such Initial Purchaser's or Mexican Underwriter's firm commitment to purchase Shares as set forth in the tables above. The over-allotment option granted to the Initial Purchasers and the Mexican Underwriters may be exercised independently but in coordination, in accordance with applicable law in the relevant jurisdiction. The number of additional Shares that the Initial Purchasers and the Mexican Underwriters have the option to purchase to cover over-allotments may be reallocated between the Initial Purchasers and the Mexican Underwriters in accordance with the provisions of the intersyndicate agreement.

The Shares have not been, and will not be, registered under the Securities Act, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S under the Securities Act. Resales of the Shares are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of the offering, an offer or sale of Shares within the United States by a broker-dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or another available exemption from the registration requirements under the Securities Act.

Our Shares are registered with the RNV maintained by the CNBV. Registration of the Shares in the RNV does not imply any certification as to the investment quality of the securities offered pursuant to this offering memorandum, our solvency or the accuracy or completeness of the information contained in this offering memorandum nor does such registration ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

The Mexican underwriting agreement and the purchase agreement provide that the obligation of the Mexican Underwriters and the Initial Purchasers to purchase, offer and sell the Shares is subject to, among other conditions, the absence of any material adverse change in our business, the delivery of certain legal opinions by our legal counsel in Mexico and in the United States and comfort letters from our independent accountants. The purchase agreement further provides that if any of the Shares covered by such agreements are not purchased, offered or sold, the Initial Purchasers are obligated, severally and not jointly, to purchase them on a firm commitment basis on the closing date subject to certain conditions and exceptions contained in the purchase agreement. The Initial Purchasers and the Mexican Underwriters will initially purchase the Shares from us at the price indicated on the cover page of this offering memorandum and the Mexican prospectus, respectively, less the underwriting discounts and commissions. The purchase agreement contains conditions for the placement of the Shares by the Initial Purchasers similar to those of the Mexican underwriting agreement. Purchasers of Shares outside of the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

We have agreed to indemnify the Initial Purchasers and the Mexican Underwriters, under the terms of each of the purchase agreement and the Mexican underwriting agreement, against liabilities, including liabilities under the Securities Act and under the Mexican Securities Market Law, and, in the case of the purchase agreement, to contribute to payments that they may be required to make in that respect, subject to limitations set forth in the purchase agreement in respect of indemnification and contribution and the Mexican underwriting agreement in respect of indemnification.

The Initial Purchasers and/or their affiliates may enter into derivative transactions in connection with the Shares, acting at the order and for the account of their clients. The Initial Purchasers and/or their affiliates may also purchase some of the Shares in this offering as a hedge for such transactions. These transactions may have an effect on demand, price or other terms of the Global Offering.

Banco Bilbao Vizcaya Argentaria, S.A. one of the Initial Purchasers, is only participating in the offering of Shares outside of the United States under Regulation S under the Securities Act. Banco Bilbao Vizcaya Argentaria, 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 U.S. nationals or residents.

Lock-up Agreements

We, our Principal Shareholders and our Senior Management have agreed, subject to certain exceptions, not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our equity securities, or securities convertible into or exchangeable or exercisable for any of our equity securities, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our equity securities, whether any of these transactions are to be settled by delivery of our equity securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, without, in each case, the prior written consent of HSBC Securities (USA) Inc., Citigroup Global Markets Inc., Banco Bilbao Vizcaya Argentaria, S.A. and Itaú BBA USA Securities Inc., for a period of 90 days after the date of this offering memorandum, provided that each Senior Management member may, in one or more transactions, sell up to 100,000 of his/her Shares.

Relationship between Alsea and the Initial Purchasers and the Mexican Underwriters

The Initial Purchasers and the Mexican Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In addition to the commercial relationships arising from the Global Offering, from time to time, certain of the Initial Purchasers and the Mexican Underwriters and their respective affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In the ordinary course of their various business activities, the Initial Purchasers and the Mexican Underwriters 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 (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours (except when such investments or transactions involving securities of ours are expressly prohibited by law). In the case of derivatives transactions on behalf of clients outside of Mexico, in connection with our Shares, the Initial Purchasers and the Mexican underwriters and their respective affiliates may also purchase some of the securities in the Global Offering as a hedge for such transactions, and these transactions may have an effect on the demand, price or other terms of the Global Offering. The Initial Purchasers and the Mexican Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Except for the commissions and discounts to be received within the scope of the Global Offering, no other remuneration will be paid by us to the Initial Purchasers and the Mexican Underwriters, or their respective affiliates.

In connection with the Vips acquisition, on November 29, 2013, we entered into the Vips Acquisition Loans with HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC; Banco Nacional de México, S.A., Institución de Banca Múltiple, Grupo Financiero Banamex; and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. These financial institutions or their affiliates are acting as Initial Purchasers in the Global Offering. We intend to use the net proceeds of the Global Offering for the prepayment of the Ps.5.2 billion bridge loan.

Selling Restrictions

Other than with respect to the public offering of the Shares listed on the BMV, no action has been or will be taken in the United States or any other country or jurisdiction by us, the Mexican Underwriters or the Initial Purchasers that would permit a public offering of the Shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Shares may be distributed, published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Shares, the distribution of this offering memorandum and resale of the Shares. See “Transfer Restrictions.”

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the Shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of Shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this offering memorandum or any other prospectus, disclosure document, offering material or advertisement relating to the Shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Hong Kong

The Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

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

Japan

The securities offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

Where the Shares are subscribed or purchased under section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Shares under section 275 except: (1) to an institutional investor under section 274 of the SFA or to a relevant person, or any person pursuant to section 275(1a), and in accordance with the conditions, specified in section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Shares which are the subject of the placement contemplated by this offering memorandum (the "Securities") may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Securities may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive.

Provided that no such offer of Securities shall require us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU. This EEA selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

United Kingdom

Each Initial Purchaser has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

France

No prospectus (including any amendment, supplement, or replacement thereto) has been prepared in connection with the offering of our Shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another Relevant Member State and notified to the *Autorité des marchés financiers*. No Shares have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in Article D. 341-1 of the French *Code monétaire et financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*; none of this offering memorandum or any other materials related to the offer or information contained herein relating to the Shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any Shares acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

Italy

The offering of our Shares has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Societá e la Borsa*, or the CONSOB) pursuant to Italian securities legislation and, accordingly, our Shares may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to our Shares or the offer be distributed in Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of our Shares or distribution of copies of this offering memorandum or any other document relating to our Shares or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;

- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and

- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing our Shares in the offer is solely responsible for ensuring that any offer or resale of Shares it purchased in the offer occurs in compliance with applicable laws and regulations. This offering memorandum and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospectus Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading "—European Economic Area" above shall apply to Italy.

Switzerland

The Shares may not and will not be publicly offered, distributed or re-distributed on a professional basis in or from Switzerland and neither this offering memorandum nor any other solicitation for investments in the Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering memorandum may not be copied, reproduced, distributed or passed on to others without our and the Initial Purchasers' prior written consent. This offering memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our Shares on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules. The Shares have not and will not be registered with the Swiss Federal Banking Commission and have not and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994, does not extend to acquirers of the Shares.

Spain

Neither the Shares nor this offering memorandum have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Shares may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Germany

The Shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffenlichen ist—Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

The Netherlands

Our Shares may not be offered, sold, transferred or delivered, in or from the Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering memorandum nor any other document in respect of the offering may be distributed in or from the Netherlands, other than to individuals or legal entities which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of Shares is publicly announced that the offer is exclusively made to said individuals or legal entities.

Argentina

We have not made, and will not make, any application to obtain an authorization from the National Securities Exchange Commission (*Comisión Nacional de Valores* or the "CNV") for the public offering of the Shares in Argentina. The CNV has not approved the Shares, the Global Offering nor any document relating to the offering of the Shares. The Shares will not be offered or sold in Argentina, except in transactions that will not constitute a public offering of securities within the meaning of Section 16 of the Argentine Public Offering Law N° 17,811, as amended. Argentine insurance companies may not purchase the Shares.

Brazil

The offer of securities described in this offering memorandum will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the securities have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the interests in Brazil is not legal without such prior registration. Documents relating to the offering of the securities, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the securities is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the securities to the public in Brazil. This offering memorandum is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Chile

Neither we nor the Shares are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or the "SVS"), or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the Shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the Shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

La oferta de los valores comienza el 6 de Junio de 2014 y está acogida a la NCG N° 336, de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (SVS).

La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública, mientras no sean inscritos en el registro de valores correspondiente.

Colombia

The Shares have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and may not be offered, sold or negotiated or otherwise be subject to brokerage activities in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Part 4 of Decree 2555 of 2010 to privately market and offer the Shares to their Colombian clients.

Peru

Neither the Shares nor this offering memorandum have or will be registered with or approved by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*). Accordingly, the Shares cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among others, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

TRANSFER RESTRICTIONS

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico and, accordingly, may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Shares are being offered and sold only:

- in the United States to qualified institutional buyers ("QIBs") in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser (other than the Initial Purchasers) of Shares offered to U.S. persons, and therefore in reliance on Rule 144A, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico and are intended to be exempt from registration under the Securities Act;

- the purchaser is acquiring the Shares for its own account (or, if it is acquiring the Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the representations, warranties and agreements herein on behalf of each such account);

- the purchaser is not acquiring the Shares with a view to any distribution of the Shares within the meaning of the Securities Act;

- such Shares may not be offered, sold, pledged or otherwise transferred except (A) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (B) in accordance with Regulation S under the Securities Act, or (C) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States.

- the purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of independently evaluating the merits and risks of an investment in the Shares, and the purchaser is able to bear the economic risk of the investment. The purchaser has made its own investment decision regarding the Shares based on its own knowledge;

- the purchaser has had the opportunity to ask questions of, and receive answers from us, concerning us, our business and financial condition and the Shares to be acquired by the purchaser and other related matters. The purchaser further represents and warrants that we have made available to the purchaser or its agents all documents and information requested by the purchaser or on its behalf relating to an investment in the Shares, including this offering memorandum. In evaluating the suitability of an investment in the Shares, the purchaser has not relied and will not rely on any other representations or other information (whether oral or written) made by or on behalf of us (or any of our agents, including, without limitation, the Mexican Underwriters and the Initial Purchasers) other than as contemplated by the two preceding sentences;

- the purchaser agrees not to deposit the Shares into an unrestricted American or global depositary facility, for so long as the Shares constitute restricted securities, as such term is defined in Rule 144 under the Securities Act; and

- the purchaser acknowledges that we, the Initial Purchasers, the Mexican Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Each purchaser (other than the Initial Purchasers) of Shares offered to non-U.S. persons outside the United States, and therefore in reliance on Regulation S, will be deemed to have represented and agreed that it understands that:

- such Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico; and
- such securities may not be offered, sold, pledged or otherwise transferred prior to the expiration of 40 days after the date of this offering memorandum, except (A) in accordance with Regulation S under the Securities Act or (B) to a person whom the seller and any person acting on its behalf reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, in either case in accordance with any applicable securities laws of any state of the United States.

VALIDITY OF THE SHARES

The validity of the Shares will be passed upon by Díaz de Rivera y Mangino, S.C., our Mexican counsel. Certain U.S. legal matters in connection with the Global Offering will be passed upon by Davis Polk & Wardwell LLP, our U.S. counsel. Certain legal matters in connection with the Global Offering will be passed upon for the Initial Purchasers by Dechert LLP, U.S. counsel to the Initial Purchasers, and Mijares, Angoitia, Cortés y Fuentes S.C., Mexican counsel to the Mexican Underwriters.

INDEPENDENT AUDITORS

Pursuant to our bylaws, the Board of Directors is responsible for establishing the policies and guidelines for engaging an external auditor, following a recommendation by the Audit and Corporate Practices Committee.

Galaz, Yamazaki, Ruiz Urquiza, S. C. (Member of Deloitte Touche Tohmatsu Limited) ("Deloitte") was appointed by our Board of Directors to act as our independent auditor based upon its profile and in view of its experience and its recognition by authorities as well as financial institutions. The offices of the independent auditor are located at Paseo de la Reforma 489, Int. 6, Col. Cuauhtemoc, Mexico, D.F., 06500.

The consolidated financial statements of Alsea, S.A.B. de C.V. and subsidiaries as of December 31, 2013 and 2012 and for the years then ended, included in this offering memorandum, have been audited by Deloitte, independent auditors, as stated in their reports included elsewhere herein.

The consolidated financial statements of Alsea, S.A.B. de C.V. and subsidiaries as of December 31, 2011 and January 1, 2011 (date of transition) and for the year ended December 31, 2011, included in this offering memorandum, have been audited by KPMG Cárdenas Dosal, S.C., independent auditors, as stated in their report included elsewhere herein.

The financial statements as of and for the years ended December 31, 2012 and 2013 of Operadora Vips, S. de R.L. de C.V. and Arrendadora de Restaurantes, S. de R.L. de C.V., and the financial statements as of December 31, 2013 and for the period from April 26, 2013 to December 31, 2013 of Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. and Holding de Restaurantes, S. de R.L. de C.V., included in this offering memorandum, were audited by Mancera, S.C., a member practice of Ernst & Young Global, independent auditors, as stated in their reports appearing herein.

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ALSEA

VIPS ENTITIES

Operadora Vips, S. de R.L. de C.V.

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements for the Three-Month Periods Ended March 31, 2014 and 2013

Alsea, S.A.B. de C.V. and Subsidiaries

Condensed Consolidated Interim Financial Statements for the Three-Month Periods Ended March 31, 2014 and 2013

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Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited condensed consolidated interim statements of financial position

At March 31, 2014
(Figures in thousands of pesos)

Assets

Assets	Note	3/31/2014 (Unaudited)	12/31/2013
Assets			
Cash and cash equivalents	6	$ 530,784	$ 663,270
Customers, net of reserve for doubtful accounts of $52,134 and $54,074 in 2014 and 2013, respectively.		350,679	360,104
Value added tax and other recoverable taxes		414,569	369,350
Other accounts receivable		233,668	268,714
Inventories, net	7	577,106	641,880
Advance payments		330,078	304,323
Total current assets		2,436,884	2,607,641
Guarantee deposits		133,504	128,108
Investment in shares of associated company	8	794,387	788,665
Store equipment, leasehold improvements and property, net	9	4,666,136	4,610,942
Intangible assets	10	3,319,866	3,263,896
Deferred income taxes		1,088,982	1,001,907
Total non-current assets		10,002,875	9,793,518
Total assets		$ 12,439,759	$ 12,401,159

Liabilities and stockholders' equity

Liabilities and stockholders' equity	Notes	3/31/2014 (Unaudited)	12/31/2013
Liabilities			
Current maturities of long-term debt	11	$ 556,133	$ 388,486
Suppliers		1,214,621	1,408,565
Accounts payable and accumulated liabilities		173,661	170,862
Provisions	12	809,064	730,727
Income taxes		353,136	360,947
Tax arising from tax consolidation		10,111	10,111
Total current assets		3,116,726	3,069,698
Long-term debt, not including current maturities		2,064,927	2,166,281
Debt instruments		2,489,609	2,488,850
Other liabilities		93,145	64,721
Tax payable arising from tax consolidation		15,923	15,923
Deferred income taxes		94,729	19,500
Employee retirement benefits		76,405	72,884
Total non-current liabilities		4,834,738	4,828,159
Commitments			
Total liabilities		7,951,464	7,897,857
Stockholders' equity			
Capital stock	15	403,339	403,339
Premium on share issue		2,037,390	2,037,390
Retained earnings		1,600,655	1,512,464
Reserve for repurchase of shares		569,271	569,271
Other comprehensive income items		(351,647)	(251,037)
Controlling interest		4,259,008	4,271,427
Non-controlling interest	16	229,287	231,875
Total stockholders' equity		4,488,295	4,503,302
Total liabilities and stockholders' equity		$ 12,439,759	$ 12,401,159

See accompanying notes to the unaudited condensed consolidated interim financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr. Alejandro Villarruel Morales
Chief Executive Officer	Chief Financial Officer	Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited condensed consolidated interim statements of income

For the three-month periods ended March 31, 2014 and 2013
(Figures in thousands of pesos)

	Note	Three-month period ended 3/31/2014 (Unaudited)	Three-month period ended 3/31/2013 (Unaudited)
Net sales		$ 3,992,036	$ 3,398,746
Cost of sales		1,336,476	1,162,341
Leases		335,037	284,825
Depreciation and amortization		245,753	204,099
Operating costs and expenses		1,916,355	1,568,733
Other expenses (income), net	13	(19,585)	9,380
Interest income		(5,026)	(11,318)
Exchange gain (loss)		2,237	22,752
Interest expenses		90,372	44,542
		90,417	113,392
Equity in results of associated company	8	5,722	3,148
Income before income taxes		96,139	116,540
Income taxes	14	27,717	43,588
Consolidated net income		$ 68,422	$ 72,952
Income (loss) for the period attributable to:			
Controlling interest		$ 86,778	$ 65,149
Non-controlling interest	16	$ (18,356)	$ 7,803
Net earnings per share	17	$ 1.02	$ 0.63

See accompanying notes to the unaudited condensed consolidated interim financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited condensed consolidated interim statements of income and other comprehensive income

For the three-month periods ended March 31, 2014 and 2013
(Figures in thousands of pesos)

	Three-month period ended	
	3/31/2014 (Unaudited)	3/31/2013 (Unaudited)
Consolidated income for the period	$ 68,422	$ 72,952
Items that may be reclassified to income:		
Valuation of financial instruments, net of income taxes	-	797
Conversion of foreign operations	(100,610)	(67,235)
Total comprehensive (loss) income for the period, net of income taxes	$ (32,188)	$ 6,514
Comprehensive income (loss) for the period attributable to:		
Controlling interest	$ (13,832)	$ (1,289)
Non-controlling interest	$ (18,356)	$ 7,803

See accompanying notes to the unaudited condensed consolidated interim financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited condensed consolidated interim statements of changes in stockholders' equity

For the three-month period ended March 31, 2014 and 2013
(Figures in thousands of pesos)

				Retained earnings						Total capital stock	
	Capital stock	Repurchased shares	Premium on issue of shares	Legal reserve	Retained earnings	Reserve for repurchase of shares	Valuation of financial instruments	Effect of conversion of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2013	$ 403,339	$ -	$ 2,466,822	$ 100,736	$ 1,072,957	$ 564,201	$ (797)	$ (86,550)	$ 4,520,708	$ 308,189	$ 4,828,897
Dividends declared in cash by subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	(30,600)	(30,600)
Other movements (unaudited)	-	-	(170)	-	4,774	-	-	-	4,604	(4,013)	591
Comprehensive income (unaudited)	-	-	-	-	65,149	-	797	(67,235)	(1,289)	7,803	6,514
Balances as of March 31, 2013 **(Unaudited)**	$ 403,339	$ -	$ 2,466,652	$ 100,736	$ 1,142,880	$ 564,201	$ -	$ (153,785)	$ 4,524,023	$ 281,379	$ 4,805,402
Balances at January 1, 2014	$ 403,339	$ -	$ 2,037,390	$ 100,736	$ 1,411,728	$ 569,271	$ -	$ (251,037)	$ 4,271,427	$ 231,875	$ 4,503,302
Purchase of non-controlling interest (unaudited)	-	-	-	-	-	-	-	-	-	14,426	14,426
Other movements (unaudited)	-	-	-	-	1,413	-	-	-	1,413	1,342	2,755
Comprehensive loss (unaudited)	-	-	-	-	86,778	-	-	(100,610)	(13,832)	(18,356)	(32,188)
Balances as of March 31, 2014 **(Unaudited)**	$ 403,339	$ -	$ 2,037,390	$ 100,736	$ 1,499,919	$ 569,271	$ -	$ (351,647)	$ 4,259,008	$ 229,287	$ 4,488,295

See accompanying notes to the unaudited condensed consolidated interim financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr. Alejandro Villarruel Morales
General Director	Administration and Financial Director	Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Unaudited condensed consolidated interim statements of cash flows

For the three-month period ended March 31, 2014 and 2013
(Figures in thousands of pesos)

	Three-month period ended	
	2014 (Unaudited)	2013 (Unaudited)
Operating activities:		
Net profit	$ 68,422	$ 72,952
Adjustment for:		
Income taxes recognized in income	27,717	43,588
Equity in results of associated company	(5,722)	(3,148)
Financial costs recognized in income	90,372	44,542
Interest income	(5,026)	(11,318)
Loss on disposal of store equipment and property	7,029	3,526
Provisions	78,337	102,312
Depreciation and amortization	245,753	204,099
Subtotal	506,882	456,553
Customers	(3,712)	7,545
Other accounts receivable	(38,309)	33,805
Inventories	40,470	107,996
Suppliers	(134,920)	(41,137)
Advance payments	(43,217)	(141,546)
Guarantee deposits	(5,396)	(4,649)
Income taxes paid	(169,503)	(114,299)
Other liabilities	31,138	(45,724)
Employee retirement benefits	3,521	5,208
Net cash flows provided by operating activities	186,954	263,752
Investing activities:		
Interest collected	5,026	11,318
Store equipment, leasehold improvements and property	(228,848)	(168,933)
Acquisition of rights for use of brands and other intangible assets	(85,765)	(61,633)
Net cash flows used in investing activities	(309,587)	(219,248)

	2014 (Unaudited)	2013 (Unaudited)
Financing activities:		
Bank loans	174,730	-
Amortization of bank financing	(99,042)	(55,170)
Debt instruments	759	-
Interest paid	(90,372)	(44,542)
Dividends paid	-	(30,600)
Net cash flows (used in) provided by financing activities	(13,925)	(130,312)
Net decrease in cash and cash equivalents	(136,558)	(86,808)
Effects of exchange rates on value of cash	4,072	3,152
Cash and cash equivalents:		
At beginning of period	663,270	932,594
At end of period	$ 530,784	$ 849,218

See accompanying notes to the unaudited condensed consolidated interim financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Notes to the unaudited condensed consolidated interim financial statements

For the three-month periods as of March 31, 2014 and 2013
(Figures in thousands of pesos)

1. Entity's activity and main 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 Paseo de la Reforma No. 222, tercer piso, Col. Juárez, Delegación Cuauhtémoc C.P. 06600, México, D.F.

The Entity was incorporated for a period of 99 years, starting as from the date on which the respective deed was signed, which was April 7, 1997.

For the purpose of disclosure in the notes to condensed consolidated interim financial statements, reference made to pesos, “$” or MXP, it is for thousands of Mexican pesos, and reference made to dollars is for US dollars.

Operations

Alsea is mainly engaged in operating fast food restaurants or “QSR” and cafeteria and casual dining units or “Casual Dining”. The brands operated in Mexico by the Company are Domino´s Pizza, Starbucks, Burger King, Chili´s Grill & Bar, California Pizza Kitchen, P.F Chang´s and Pei Wei Asian Diner, and it has operated the Italianni’s brand beginning in March 2012. 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 Company operates the Burger King and Starbucks. brands in Chile and Argentina. In Colombia, it has operated the Domino's Pizza and Burger King brands since 2008. In May 2011, Alsea entered into an agreement with PFCCB International, Inc. for the exclusive development and operation of P.F. Chang's China bistro in Argentina, Colombia and Chile, the latter country in which it opened its first P.F. Chang's unit in 2012.

Significant events

a. ***Renewal of the agreement for the Chili’s® Grill & Bar brand*.-** In March 2014, Alsea renewed, through 2018, the exclusive agreement to operate the Chili’s® Grill & Bar brand in Mexico and surrounding states. As a result, Alsea agrees to have at least 56 Chili's restaurants operating by December 31, 2018. To date, Alsea has 40 Chili's restaurants in operation. The renewal of the exclusive rights to operate the Chili's brand contemplates the same economic terms regarding royalties and opening fees, which will make it possible for Alsea to continue with its expansion plan and projected growth.

b. ***Final agreement for the acquisition of VIPS.-*** In September 2013, Alsea reached an agreement with Wal-Mart de México, S.A.B. de C.V. (Group Wal-Mart) to acquire 100% of VIPS, the Group Wal-Mart restaurant division, for a total of $8,200,000, which will be financed with debt.

VIPS operations include a total of 361 restaurants, of which 263 are of the "Vips" brand, 90 are "El Portón" brand, 7 are "Ragazzi" brand and two are "La Finca" brand. Those operations also include: I) the rights to intellectual property over the four brands, the menus, development of the product, the operating processes and other items; II) the acquisition of 18 real property assets; III) the buildings of 214 units; and IV) an administrative office dedicated to the standardization of products, bulk purchases, the centralization of deliveries by suppliers and the production of desserts, sauces and food dressings. The transaction included the acquisition of Operadora VIPS, S. de R.L. de C.V. (OVI) and Arrendadora de Restaurantes, S. de R.L. de C.V. (ARE), as well as the transfer of personnel who provide services to VIPS and that at the date of the transaction worked in different Group Wal-Mart service companies; the transfer became effective as of August 2013 and the personnel were transferred to Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. (SER) and Holding de Restaurantes, S. de R.L. de C.V. (HRE), which are newly created companies. On October 28, 2013, the Alsea shareholders approved the acquisition of VIPS and authorization for carrying out that operation was secured from the Competition Federal Commission as of April 30, 2014. Given the proximity of the acquisition date to the reporting date, there is no full information on the business acquisition yet, which is why the disclosures required by the IFRS have not been included.

2. Bases for preparation of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements of Alsea for the three-month periods ended March 31, 2014 and 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Information (IAS 34), issued by the International Accounting Standards Board (IASB).

The unaudited condensed consolidated interim financial statements have not been audited. It is the Entity's management's opinion that all adjustments (ordinary and recurring) required for a fair presentation of the unaudited condensed consolidated interim financial statements have been included. The profit or loss for the periods in question is not necessarily indicative of the profit or loss for the full year.

These unaudited condensed consolidated interim financial statements should be read together with the Entity's audited consolidated financial statements and the respective notes for the year ended December 31, 2013.

The unaudited condensed consolidated interim financial statements were prepared on a historical cost basis, except for the valuation of derivative financial instruments, which were recognized at fair value.

Preparation of these unaudited condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires that management exercise its judgment in the process of applying the Entity's accounting policies.

3. New and amended International Financial Reporting Standards (IFRS).

The following amendments, in effect as of January 1, 2014, were taken into consideration when preparing the unaudited condensed consolidated interim financial statements and application thereof had no effects on the Entity's financial position or its results.

Amendments to IAS 32 - *Compensation of financial assets and liabilities*
Amendments to IAS 36 – *Recoverable amount disclosures for non-financial assets.*

4. Summary of the significant accounting policies

The accounting policies applied by the Entity to these unaudited condensed consolidated interim financial statements are the same as those applied by the Entity in its consolidated financial statements at December 31, 2013 and for the year ended on that date.

5. Business combinations

Acquisition of the non-controlling interest of Starbucks Coffee Chile

In September 2013, Alsea acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile), which operates the Starbucks stores in Chile, as a result of which Alsea's shareholding in that entity increased from 18% to 100%. This transaction constitutes a business combination that is currently undergoing valuation using the acquisition method in accordance with IFRS.

Following is an analysis of the preliminary assignment of the acquisition cost to the fair values of acquired net assets. Given that the accounting for the acquisition is currently in the measurement period, which is expected to conclude in September 2014, the following preliminary figures are subject to change:

Item	Preliminary figures
Current assets	$ 218,083
Store equipment, improvements and intangible assets	148,125
Current and long-term liabilities	(101,807)
Fair value of net assets acquired	264,401
Fair value of previously held interest	47,593
Consideration paid in cash	928,595
Total value of the consideration paid	976,188
Goodwill	$ 711,787

Goodwill arising from the acquisition of Starbucks Coffee Chile derives from the price paid, which included amounts in relation to the benefits of operating 44 stores for which market growth is expected based on a development plan over the next five years in Chile, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

Acquisition of Burger King Mexicana

The valuation process for acquisition of the BURGER KING® master franchise in Mexico ("Burger King Mexicana") concluded in March 2014. Following is an analysis of the assignment of the acquisition cost over the fair value of the net assets acquired at acquisition date, indicating changes from the preliminary figures previously recognized:

Item	Preliminary figures	Adjustment for valuation	Fair value
Current assets:	$ 106,128	$ -	$ 106,128
Store equipment, improvements and intangible assets	309,374	235,599	544,973
Deferred taxes	62,803	(78,734)	(15,931)
Current and long-term liabilities	(73,547)	-	(73,547)
Fair value of net acquired assets	404,758	156,865	561,623
Price paid in shares	217,534	13,041	230,575
Price paid in cash	333,895	-	333,895
Total value of the consideration paid	551,429	13,041	564,470
Goodwill	$ 146,671	$ (143,824)	$ 2,847

The consideration paid in Operadora de Franquicias Alsea, S.A. de C.V. (OFA) shares, which is in the measurement phase, totals $230,757 and compromises 20% of its stockholders' equity.

Goodwill arising from the acquisition of Burger King Mexicana derives from the price paid, which included amounts related to the benefits of operating 204 stores (97 acquired and 107 own stores), for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies resulting from the merger of the Burger King brand in Mexico. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

6. Cash and cash equivalents

The cash and cash equivalents balance included in the unaudited condensed consolidated interim statements of financial position as of March 31, 2014 and December 31, 2013 is comprised as follows:

	31/03/2014 (Unaudited)	31/12/2013
Cash	$ 388,807	$ 545,708
Investments with original maturities of under three months	141,977	117,562
Total cash and cash equivalents	$ 530,784	$ 663,270

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

7. Inventories

At March 31, 2014 and December 31, 2013, inventories are as follows:

	31/03/2014 (Unaudited)	31/12/2013
Food and beverages	$ 431,502	$ 491,256
Containers and packaging	54,055	57,682
Other	96,388	99,403
Allowance for obsolescence	(4,839)	(6,461)
Total	$ 577,106	$ 641,880

8. Investment in shares of associated company

At March 31, 2014 and December 31, 2013, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	Shareholding %	Main operations	Equity in stockholders' equity 31/03/2014 (Unaudited)	31/12/2013
Grupo Axo, S.A.P.I. de C.V.	25%	Company engaged in sales of prestigious brands of clothes and accessories	$ 794,387	$ 788,665

	Shareholding %	Main operations	Equity in results of: Three-month period ended 31/03/2014 (Unaudited)	Equity in results of: Three-month period ended 31/03/2013 (Unaudited)
Starbucks Coffee Chile, S.A.	18%	Operator of the Starbucks brand in Chile	$ -	$ 3,148
Grupo Axo, SA. de C.V.	25%	Company engaged in sales of prestigious brands of clothes and accessories	5,722	-
			$ 5,722	$ 3,148

Grupo Axo, S.A. de C.V.

The Entity's interest in assets and liabilities as of March 31, 2014, as well as in the results of the associated entity for the period from the date of acquisition to March 31, 2014 is 25%. The associated company's total assets, liabilities and equity are as follows:

	31/03/2014 (Unaudited)
Current assets	$ 1,255,626
Non-current assets	$ 951,308
Current liabilities	$ 882,912
Non-current liabilities	$ 367,624
Equity	$ 938,000
Non-controlling equity	$ 18,398

	31/03/2014 (Unaudited)
Revenue	$ 527,317
Costs	$ 504,530
Net profit for the period	$ 22,888
Net profit for the period attributable to the non-controlling interest	$ (101)

The reconciliation of the financial information summarized to the carrying value of the Entity’s interest in Grupo Axo is as follows:

	2014
Net assets of associated company	$ 938,000
Entity's interest in Grupo Axo (25%)	$ 234,500
Plus: goodwill	559,887
Carrying value of the Entity's interest in Grupo Axo	$ 794,387

	2014
Profit for the period of associated company	$ 22,888
Entity's equity in Grupo Axo (25%)	$ 5,722

9. Store equipment, leasehold improvements and property

In the three-month period ended March 31, 2014, Alsea acquired assets worth $230,234 (unaudited) ($168,933 in the same period in 2013, unaudited). The total amount of investments was consisted of opening of units, equipment renewals and refurbishing of existing units of the different brands operated by the Entity, mainly Starbucks, Domino's Pizza and Burger King.

10. Intangible assets

As of March 31, 2014 and December 31, 2013, the intangible assets balance is comprised as follows:

	31/03/2014 (Unaudited)	31/12/2013
Goodwill	$ 1,690,429	$ 1,765,672
Brands	1,073,804	970,421
Rights and licenses	545,525	516,516
Other intangible assets	10,108	11,287
	$ 3,319,866	$ 3,263,896

In the three-month period ended March 31, 2014, the Entity acquired intangible assets worth $85,765. The increase in brands is also due to conclusion of the period for measurement of the Burger King Mexicana acquisition, as described in Note 5.

Goodwill is comprised as follows:

Item	Amount
Balance as of December 31, 2013	$ 1,765,672
Starbucks Coffee Chile (1)	68,581
Final valuation of BKM (reassignment of values)(2)	(143,824)
Balance as of March 31, 2014 (Unaudited)	$ 1,690,429

(1) Refers to payment of tax withheld on the acquisition of 82% of Starbucks Coffee Chile. Those taxes arose from payments made to Starbucks Coffee International (an affiliate of Starbucks Coffee Company).

(2) The decrease relates to the assignment of fair value to store equipment, improvements and intangible assets resulting from conclusion of the measurement period for the acquisition of Burger King Mexicana, as specified in Note 5.

11. Long-term debt

In the three-month period ended March 31, 2014, the Entity entered into long-term, interest-bearing loans that are payable monthly; it made no principal payments to existing long-term loans. In the period, the Entity obtained a short-term loan for $60,000.

12. Provisions

Provisions at March 31, 2014 and December 31, 2013 are comprised as follows:

	Compensation and other personnel payments	Supplies and others	Total
Balances as of January 1, 2013	$ 137,704	$ 524,031	$ 661,735
Increases charged to income	545,424	426,466	971,890
Payments and cancellations	(532,121)	(370,777)	(902,898)
Balances as of December 31, 2013	151,007	579,720	730,727
Increases charged to income	146,598	218,143	364,741
Payments and cancellations	(128,340)	(158,064)	(286,404)
Balances at March 31, 2014	$ 169,265	$ 639,799	$ 809,064

13. Other expenses (income)

Other expense (income) for the three-month periods ended March 2014 and 2013 is comprised as follows:

	30/03/2014 (Unaudited)	30/03/2013 (Unaudited)
Legal expenses	$ 6,113	$ 240
Gain (loss) on fixed asset disposals, net	8,633	2,158
Statutory employee profit sharing	3,419	1,812
Inflationary effects on tax refund	(4,265)	-
Other (expenses) income, net	(33,485)	5,170
Total	$ (19,585)	$ 9,380

14. Income taxes

Income taxes recognized within income for the period -

The provisions for income taxes for the three-month period ended March 31, 2014 and 2013 are comprised as follows:

	31/03/2014 (Unaudited)	31/03/2013 (Unaudited)
Current income tax	$ 95,782	$ 92,123
Deferred income tax	(68,065)	(48,535)
	$ 27,717	$ 43,588

Current and deferred income taxes are recognized based on the effective rates obtained from the month prior to the reporting month (which relates to the calculation of the actual current and deferred tax provision) and are applied to pre-tax income for the interim period. The effective tax rate applied to taxable income for the three-month period ended March 31, 2014 and 2013 was 29% and 37%, respectively.

15. Stockholders' equity

At March 31, 2014 and December 31, 2013, subscribed fixed and variable capital stock is comprised of common nominative shares with no par value, as shown below:

Description	Number of shares	Amount
Fixed capital stock	687,759,054	$ 403,339

16. Non-controlling interest

Following is a detail of the non-controlling interest:

	Amount
Beginning balance at January 1, 2014	$ 231,875
Equity in results for the year ended March 31, 2014	(18,356)
Non-controlling interest resulting from acquisition of Burger King Mexicana (see Note 5)	13,041
Other movements in capital stock	1,342
Capital contributions to Dominalco	1,013
Capital contributions to Opalcol	372
Ending balance as of March 31, 2014	$ 229,287

17. 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 are calculated by dividing the net profit attributable to controlling interest holders of common capital stock (after adjusting them for interest on the convertible preferential shares, if any) by the weighted average of common shares outstanding during the period, plus the weighted average of common shares that would have been issued when converting all potentially diluted common shares into common shares. For the three-month periods ended March 31, 2014 and 2013, the Entity has no potentially dilutive shares, for which reason diluted earnings per share is equal to basic earnings per share.

The following tables contain data on income and shares used in calculating basic and diluted earnings per share for the 12 and 3 month periods:

	31.03.2014 (Unaudited)	31.03.2013 (Unaudited)
Net profit for the 12 month period ended (in thousands of pesos):		
Attributable to controlling interest	$ 702,643	$ 413,024
Shares (in thousands of shares)		
Weighted average number of shares outstanding (in thousands)	687,514	656,101
Basic and diluted earnings per share	1.02	0.63

	31.03.2014 (Unaudited)	31.03.2013 (Unaudited)
Net profit for the three-month period (in thousands of pesos):		
Attributable to controlling interest	$ 86,778	$ 65,149
Shares (in thousands of shares)		
Weighted average number of shares outstanding (in thousands)	687,759	687,759
Basic and diluted earnings per share	0.12	0.09

18. 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 and distribution services, all headed by the same management.

Following is the information related to segments for the three-month periods ended March 31, 2014 and 2013 (figures in millions of pesos):

	Food and Beverage division		LATAM division		Division, distribution and Production		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales										
From third parties	$ 2,721	$ 2,276	$ 997	$ 824	$ 266	$ 294	$ 8	$ 5	$ 3,992	$ 3,399
Between segments	6	-	-	-	833	683	(839)	(683)	-	-
Net sales	2,727	2,276	997	824	1,099	977	(831)	(678)	3,992	3,399
Costs	931	741	336	285	909	825	(840)	(689)	1,336	1,162
Operating expenses	1,485	1,174	608	517	117	121	22	52	2,232	1,864
Depreciation and amortization	174	139	41	38	17	8	14	19	246	204
Operating income	137	222	12	(16)	56	23	(27)	(60)	178	169
Interest expense	23	35	24	12	5	3	38	(6)	90	44
Interest income	(19)	(25)	(6)	(3)	-	-	20	17	(5)	(11)
Other financial expenses	2	-	3	-	1	(3)	(3)	26	3	23
	6	10	21	9	6	-	55	37	88	56
Interest in associated company	-	-	-	3	-	-	6	-	6	3
Income taxes	44	55	16	6	(7)	(3)	(25)	(15)	28	43
Results of segments	87	157	(25)	(28)	57	26	(51)	(82)	$ 68	$ 73
Net profit attributable to:										
Non-controlling interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (18)	$ 8
Controlling interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 86	$ 65
Assets:										
Investment in productive assets	$ 9,463	$ 8,943	$ 2,329	$ 1,640	$ 1,963	$ 1,503	$ (1,726)	$ (2,559)	$ 12,029	$ 9,527
Investment in associated companies	-	-	-	-	-	-	-	-	-	-
Investment in fixed assets and intangible assets	279	125	24	10	13	11	-	-	316	146
Total assets	$ 9,742	$ 9,068	$ 2,353	$ 1,650	$ 1,976	$ 1,514	$ (1,726)	$ (2,559)	$ 12,345	$ 9,673
Total liabilities	$ 6,119	$ 4,991	$ 2,220	$ 1,327	$ 1,233	$ 840	$ (1,715)	$ (2,290)	$ 7,857	$ 4,868

19. Non-monetary operations

During the three-month period ended March 31, 2014, the Entity carried out the following non-cash activities, which are not reflected in the unaudited condensed consolidated interim statement of cash flows:

- As specified in Note 5, the Entity concluded the period for valuation of the acquisition of Burger King Mexicana. Such valuation resulted in an increase in store equipment, improvements and intangible assets of $235,599 and a decrease in deferred taxes of $78,734, and it did not represent a cash outflow.

20. Fair value of financial assets and liabilities

a. ***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.

1. Fair value of the Entity's financial assets and liabilities measured at fair value on recurring bases.

Certain of the Entity's financial assets and liabilities are valued at fair value at each 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 USD 31/03/2014	Fair value (1)(2) Figures in USD 31/12/2013	Fair value hierarchy	Valuation technique(s) and main input data
1) Forwards and currency options agreements	$ (598)	$ (24,850)	Level 2	Plain vanilla forwards are calculated based on discounted cash flows at forward exchange rates. 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	$ 325,129	$ 482,266	Level 2	Discounted cash flows. Future cash flows are estimated based on forwards exchange 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.

No transfers were made during the period between levels 1 and 2.

(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 generally used by financial institutions, sources of new rates as the central bank for the exchange rate, Integral Price Provider (PIP) and Valmer to supply database and price rate, volatility, etc.

b. ***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 amounts disclosed below, management considers that the carrying values of financial assets and liabilities recognized at amortized cost in the financial statements approximate their fair value:

	31/03/2014		31/12/2013	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities				
Financial liabilities held at amortized cost:				
Bank loans	$ 2,621,060	$ 2,631,812	$ 2,554,767	$ 2,565,755
Debt instruments	2,489,609	2,498,123	2,488,850	2,497,028
Total	$ 5,110,669	$ 5,129,935	$ 5,043,617	$ 5,062,783

Financial liabilities	**Nivel 1**	**Nivel 2**
Financial liabilities held at amortized cost:		
Bank loans	$ -	$ 2,621,060
Debt instruments	-	2,489,609
Total	$ -	$ 5,110,669

21. Financial statement authorization

The accompanying unaudited condensed consolidated interim financial statements and the notes thereto were authorized for issuance on April 30, 2014 by Mr. Diego Gaxiola Cuevas, Administration and Financial Director, and therefore they do not reflect any events that have occurred or may occur after that date.

* * * * *

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated financial statements for
the years ended December 31, 2013 and
2012, and Independent Auditors' Report
dated February 21, 2014

Alsea, S.A.B. de C.V. and Subsidiaries

Independent auditors' report and consolidated financial statements for 2013 and 2012

Contents **Page**

Independent auditors' report to the Board of Directors and Shareholders of Alsea, S.A.B. de C.V.

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 at December 31, 2013 and 2012, and the consolidated statements of income, of income and other comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Entity's Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alsea, S. A.B. de C. V. and its subsidiaries as of December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

/s/ Francisco Torres Uruchurtu

C. P. C. Francisco Torres Uruchurtu

February 21, 2014

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of financial position

At December 31, 2013 and 2012
(Figures in thousands of Mexican pesos)

Assets	Notes	2013	2012
Current assets			
Cash and cash equivalents	6	$ 663,270	$ 932,594
Customers, net	7	360,104	339,481
Value-added tax and other recoverable taxes		369,350	272,254
Other accounts receivable		268,714	196,450
Inventories, net	8	641,880	550,394
Advance payments	9	304,323	184,201
Total current assets		2,607,641	2,475,374
Long-term assets			
Guarantee deposits	10	128,108	110,020
Investment in shares of associated companies	15	788,665	40,296
Store equipment, leasehold improvements and property, net	11	4,610,942	3,924,108
Intangible assets, net	12 and 17	3,263,896	2,418,830
Deferred income taxes	20	982,407	828,965
Total long-term assets		9,774,018	7,322,219
Total assets		$ 12,381,659	$ 9,797,593

Liabilities and stockholders' equity	Notes	2013	2012
Current liabilities			
Current maturities of long-term debt	18	$ 388,486	$ 396,647
Suppliers		1,408,565	1,129,612
Accounts payable and accrued liabilities		170,862	209,669
Provisions	21	730,727	661,735
Income taxes		360,947	189,749
Taxes arising from tax consolidation	20	10,111	6,885
Total current liabilities		3,069,698	2,594,297
Long-term liabilities			
Long-term debt, not including current maturities	18	2,166,281	2,077,833
Debt instruments	19	2,488,850	-
Other liabilities		64,721	58,787
Taxes arising from tax consolidation	20	15,923	186,569
Employee retirement benefits		72,884	51,210
Total long-term liabilities		4,808,659	2,374,399
Total liabilities		7,878,357	4,968,696
Stockholders' equity	24		
Capital stock		403,339	403,339
Premium on share issue		2,037,390	2,466,822
Retained earnings		1,512,464	1,173,693
Reserve for repurchase of shares		569,271	564,201
Other comprehensive income items		(251,037)	(87,347)
Stockholders' equity attributable to the controlling interest		4,271,427	4,520,708
Non-controlling interest	25	231,875	308,189
Total stockholders' equity		4,503,302	4,828,897
Total liabilities and stockholders' equity		$ 12,381,659	$ 9,797,593

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr. Alejandro Villarruel Morales
General Director	Administration and Financial Director	Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2013 and 2012
(Figures in thousands of Mexican pesos)

	Note	2013	2012
Net sales	27	$ 15,718,543	$ 13,519,506
Cost of sales		5,227,739	4,755,290
Leases		1,262,533	1,066,583
Depreciation and amortization		923,121	811,298
Other operating costs and expenses		7,212,874	6,098,830
Other income, net	29	(22,799)	(9,804)
Interest income		(39,044)	(47,043)
Exchange loss (gain), net		8,125	(8,719)
Interest expenses		241,389	245,104
		904,605	607,967
Equity in results of associated companies	15	43,582	12,978
Income before income taxes		948,187	620,945
Income taxes	20	284,867	219,147
Consolidated net income		$ 663,320	$ 401,798
Net income (loss) for the year attributable to:			
Controlling interest		$ 681,014	$ 364,918
Non-controlling interest		$ (17,694)	$ 36,880
Basic and diluted net earnings per share (cents per share)	26	$ 0.99	$ 0.57

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas
Chief Executive Officer	Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of income and other comprehensive income

For the years ended December 31, 2013 and 2012
(Figures in thousands of Mexican pesos)

	2013	2012
Consolidated net income	$ 663,320	$ 401,798
Items that may be reclassified subsequently to income:		
Valuation of financial instruments, net of income taxes	-	(9,963)
Exchange differences on translating foreign operations	(164,487)	(114,134)
	(164,487)	(124,097)
Total comprehensive income for the period, net of income taxes	$ 498,833	$ 277,701
Comprehensive income (loss) for the year attributable to:		
Controlling interest	$ 516,527	$ 240,821
Non-controlling interest	$ (17,694)	$ 36,880

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2013 and 2012
(Figures in thousands of Mexican pesos)

	Contributed capital			Retained earnings			Other comprehensive income items				
	Capital stock	Premium on issuance of share	Repurchased shares	Reserve for repurchase of shares	Legal reserve	Retained earnings	Valuation financial instruments	Effect of conversion of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2012	$ 368,362	$ 1,092,047	$ (5,901)	$ 383,903	$ 93,611	$ 1,025,156	$ 9,166	$ 27,584	$ 2,993,928	$ 298,803	$ 3,292,731
Repurchase of shares (Note 24)	-	1,090	(291)	(12,860)	-	(1,090)	-	-	(13,151)	-	(13,151)
Sales of shares (Note 24)	-	-	6,192	193,158	-	-	-	-	199,350	-	199,350
Transfer of legal reserve (Note 24)	-	-	-	-	7,125	(7,125)	-	-	-	-	-
Purchase of non-controlling interest (Note 1j, 16 and 25)	-	(15,262)	-	-	-	-	-	-	(15,262)	(494)	(15,756)
Stock dividends declared (Note 24)	8,233	300,669	-	-	-	(308,902)	-	-	-	-	-
Dividends declared in cash by a subsidiary (Note 24)	-	-	-	-	-	-	-	-	-	(27,000)	(27,000)
Placement of shares (notes 3h and 24)	26,744	1,088,278	-	-	-	-	-	-	1,115,022	-	1,115,022
Comprehensive income	-	-	-	-	-	364,918	(9,963)	(114,134)	240,821	36,880	277,701
Balances at December 31, 2012	403,339	2,466,822	-	564,201	100,736	1,072,957	(797)	(86,550)	4,520,708	308,189	4,828,897
Repurchase of shares (Note 24)	-	-	(1,011)	(67,927)	-	-	-	-	(68,938)	-	(68,938)
Sales of shares (Note 24)	-	-	1,011	72,997	-	-	-	-	74,008	-	74,008
Purchase of non-controlling interest (Note 25)	-	(429,262)	-	-	-	-	-	-	(429,262)	(28,020)	(457,282)
Dividends declared in cash (Note 24)	-	-	-	-	-	(343,880)	-	-	(343,880)	(30,600)	(374,480)
Other movements	-	(170)	-	-	-	1,637	797	-	2,264	-	2,264
Comprehensive income	-	-	-	-	-	681,014	-	(164,487)	516,527	(17,694)	498,833
Balances at December 31, 2013	$ 403,339	$ 2,037,390	$ -	$ 569,271	$ 100,736	$ 1,411,728	$ -	$ (251,037)	$ 4,271,427	$ 231,875	$ 4,503,302

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr. Alejandro Villarruel Morales
General Director	Administration and Financial Director	Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2013 and 2012
(Figures in thousands of Mexican pesos)

	Note	2013	2012
Operating activities:			
Consolidated net income		$ 663,320	$ 401,798
Adjustment for:			
Income taxes		284,867	219,147
Equity in results of associated companies		(43,582)	(12,978)
Interest expense		241,389	245,104
Interest income		(39,044)	(47,043)
Loss on disposal of store equipment and property		24,386	64,200
Provisions		68,993	90,005
Depreciation and amortization		923,121	811,298
Cost of purchase of non-controlling interest		-	(11,748)
Effect of valuation of financial instruments		-	(9,963)
		2,123,450	1,749,820
Changes in working capital			
Customers		(15,629)	(79,917)
Recoverable taxes		-	(758)
Other accounts receivable		(84,317)	(23,263)
Inventories		(82,506)	(100,418)
Advance payments		(102,645)	(38,332)
Guarantee deposits		(18,088)	(23,029)
Suppliers		264,222	80,640
Taxes paid		(456,397)	(220,337)
Other liabilities		(41,453)	85,066
Labor obligations		21,674	19,460
Net cash flows provided by operating activities		1,608,311	1,448,932
Cash flows from investing activities:			
Interest collected		39,044	47,043
Store equipment, leasehold improvements and property		(1,127,548)	(921,123)
Intangible assets		(339,428)	(220,542)
Reimbursement of guarantee deposit		-	2,262,800
Acquisitions of business, net of cash acquired	1 and 16	(1,764,508)	(1,765,000)
Net cash flows used in investing activities		(3,192,440)	(596,822)

	Note	2013	2012
Cash flows from financing activities:			
Bank loans	18	2,538,686	75,092
Repayments of loans		(2,449,815)	(750,168)
Issuance of debt instruments	1 and 19	2,488,850	-
Repayments of debt instrument		-	(1,000,000)
Increase in capital stock	24	-	1,115,022
Interest paid		(241,389)	(245,104)
Dividends paid		(343,880)	-
Other items		-	(27,000)
Acquisition of non-controlling interest		(683,441)	(15,262)
Repurchase of shares		(67,927)	(13,151)
Sales of shares		72,997	199,350
Net cash flows provided by (used in) by financing activities		1,314,081	(661,221)
Net (decrease) increase in cash and cash equivalents		(270,048)	190,889
Exchange effects on value of cash		724	2,326
Cash and cash equivalents:			
At the beginning of the year		932,594	739,379
At end of year		$ 663,270	$ 932,594

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas
Chief Executive Officer	Chief Financial Officer

/s/ Alejandro Villarruel Morales

Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

1. Activity, main operations and significant events

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 Paseo de la Reforma No. 222, tercer piso, Col. Juárez, Delegación Cuauhtémoc C.P. 06600, México, D.F.

The Entity was incorporated for a period of 99 years, starting as from the date on which the respective 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.

Operations

Alsea is mainly engaged in operating fast food restaurants or "QSR" and cafeteria and casual dining units or "Casual Dining". The brands operated in Mexico by the Entity are Domino´s Pizza, Starbucks, Burger King, Chili´s Grill & Bar, California Pizza Kitchen, P.F Chang´s and Pei Wei Asian Diner, and it has operated the Italianni’s brand beginning in March 2012. 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 and Starbucks. brands in Chile and Argentina. In Colombia, it has operated the Domino's Pizza and Burger King brands since 2008. In May 2011, Alsea entered into an agreement with PFCCB International, Inc. for the exclusive development and operation of P.F. Chang's China bistro in Argentina, Colombia and Chile, the latter country in which it opened its first P.F. Chang's unit in 2012.

Significant events

a. ***Acquisition of Starbucks operations in Mexico, Chile and Argentina*****.-** As part of its expansion plan, in July 2013 Alsea entered into an agreement to acquire 100% of the operations of the Starbucks coffee chain in Chile and Argentina. Such acquisition comprises the remaining 82% of Starbucks Coffee Chile and the remaining 18% of Starbucks Coffee Argentina. With such acquisition, Alsea will control the 66 Starbucks stores in Argentina and the 44 stores in Chile (see Note 16 and 25). In September 2013, Alsea finalized the acquisition of the remaining shares of Starbucks Coffee Chile, S.A. de C.V., as from which date it has consolidated the financial information.

   Additionally, in April 2013, Alsea acquired from Starbucks Coffee International ("SCI", an affiliate of the Starbucks Coffee Company) the remaining 18% of Café Sirena, S.A. de C.V. (Café Sirena), a subsidiary created by both entities in Mexico. As a result of that acquisition, Alsea will control 100% of operations in Mexico (see Note 25). Additionally, Alsea committed to a new openings plan that contemplates approximately 50 units per year over the next five years. The parties agreed to review continuity of a contractual expansion plan after that period has elapsed.

   In June 2013, SCI signed an agreement to develop the brand in the Colombian market through an association between Alsea (70%) and Nutressa (a Colombian company - 30%), whereby a commitment is made to open 51 stores in the following 5 years.

b. ***Acquisition of 25% of Grupo Axo, S.A.P.I de C.V.-*** In June 2013, the Entity formalized the acquisition of 25% of the shares of Grupo Axo, S.A.P.I. de C.V. (Grupo Axo), a leader in sales of international brands of clothes, cosmetics and household appliances.

Grupo Axo has more than 2,200 points of sale inside a number of department stores in Mexico. It has 116 of its own stores and it carries the following brands: Tommy Hilfiger, Coach, Guess, Rapsodia, Thomas Pink, Brooks Brothers, Marc Jacobs, Etro, Emporio Armani, Brunello Cucinelli, Theory, Kate Spade Express, and Crate & Barrel, VSBA (Victoria´s Secret Bath Accessories (see Note 15)).

c. ***Placement of debt instruments in the amount of $2,5000,000*.-** In June 2013, Alsea concluded the placement of debt instruments worth $2,500,000. Those debt instruments are for a five-year term, maturing in June 2018, and bear interest at the 28-day TIIE rate (Mexican Interbank Offering rate) plus 0.75 percentage points.

This is the first issue under the debt instrument program, which was approved on April 25, 2013 by the Board of Directors for issuances up to $3,500 million.

d. ***Acquisition of the master franchise of Burger King in Mexico*.-** In April 2013, Alsea acquired the master franchise rights to the Burger King restaurants in México, S.A. de C.V. ("BKM"), pursuant to a strategic association agreement signed between Alsea and Burger King Worldwide Inc. ("BKW"). BKM, a subsidiary of BKW in Mexico was merged with Operadora de Franquicias Alsea S.A. de C.V. ("OFA"), a subsidiary of Alsea, a result of which Alsea holds an 80% stake in OFS with the remaining 20% held by BKW. The Entity's management has assessed the terms of the above agreement and strategic partnership concluding that it continues to exercise control over OFA, both before and after the transaction, such that the financial information of BKM has been consolidated in the accompanying consolidated financial statements, as from the closing date of transaction.

Additionally, as part of the master plan for development of the franchise, Alsea committed to a plan for new openings that contemplates opening 175 units the next five years. The parties agreed to review the continuity of a contractual expansion plan after that period has elapsed (see accounting effects in Note 16).

e. ***Acquisition of VIPS*.-** In September 2013, Alsea reached an agreement with Wal-Mart de México, S.A.B. de C.V. (Grupo Wal-Mart) to acquire 100% of VIPS, the Grupo Wal-Mart restaurant division, for a total of $8,200,000, which will be financed with debt.

VIPS operations include a total of 362 restaurants, of which 263 are of the "Vips" brand, 90 are "El Portón" brand, 7 are "Ragazzi" brand and two are "La Finca" brand. Those operations also include: I) the rights to intellectual property over the four brands, the menus, development of the product, the operating processes and other items; II) the acquisition of 18 real property assets; III) the buildings of 214 units; and IV) an administrative office dedicated to the standardization of products, bulk purchases, the centralization of deliveries by suppliers and the production of desserts, sauces and food dressings. The transaction included the acquisition of Operadora VIPS, S. de R.L. de C.V. (OVI) and Arrendadora de Restaurantes, S. de R.L. de C.V. (ARE), as well as the transfer of personnel who provide services to VIPS and that at the date of the transaction worked in different Grupo Wal-Mart service companies; the transfer became effective as of August 2013 and the personnel were transferred to Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. (SER) and Holding de Restaurantes, S. de R.L. de C.V. (HRE), which are newly created companies. On October 28, 2013, the Alsea shareholders approved the acquisition of VIPS and the close of such transaction is subject to receiving the respective regulatory authorizations and to meeting certain closing conditions. At December 31, 2013 no accounting effects have arisen in relation to that transaction.

f. ***Acquisition of the exclusive rights to develop the P.F. Chang´s China Bistro in Brazil -*** In January 2013, the Entity signed a Development and Operation agreement for the exclusive rights to develop the P.F. Chang's China Bistro brand in Brazil. The agreements contemplate the opening of 30 units in the next 10 years. P.F. Chang's is the leading brand in the Casual Asian Food segment in the US with more than 225 operating units. It currently has points of sale in Mexico, Puerto Rico, Canada, Kuwait, Beirut, Chile, Hawaii, the Philippines and the United Arab Emirates. In order to enter the Brazilian market with the P.F. Chang's China Bistro brand, a development and expansion strategy has been designed based on the successful business model used to operate the brand portfolio in South America. That model has made it possible to position Alsea as the leading Casual and Fast-food operator in Latin America. With Brazil operations as the new path for growth, the Entity will work towards generating greater diversification and profitability of its portfolio.

g. ***Signing of the exclusive rights to develop and operate the Cheesecake Factory® restaurants in Mexico -*** Alsea signed an agreement to the exclusive rights to develop and operate the The Cheesecake Factory® restaurants in Mexico and Chile, which also contemplates the option for Argentina, Brazil, Colombia and Peru, thus becoming the strategic partner of the prestigious brand in the entire region.

   The agreement initially contemplates 12 openings between Mexico and Chile in the following eight years with 10-year agreements per restaurant, and the right to extend that period for an additional 10 years.

   The Cheesecake Factory® chain is considered the best seller per unit in its category. The brand focuses on providing customers with top quality products and services. Its operations include 162 restaurants under the The Cheesecake Factory® brand in over 35 states of the US operating under a franchise license.

h. ***Capital issue*.-** In December 2012, Alsea issued stock worth $1,150 million pesos, which included the over-allotment option. The issue was carried out in the Mexican market through the Mexican Stock Exchange (MSE) and in foreign markets through a private offer made in accordance with Regulation "S" of the US Securities Act of 1933. The final placement price according to the book closing was 21.50 pesos per share, which resulted in the placement of approximately 53.49 million shares. As a result of the issue and the exercise of the over-allotment option, Alsea's subscribed and paid in capital was comprised of 687,759,054 (six hundred and eighty seven million, seven hundred and fifty nine thousand, fifty four) Class I, single series, common shares, with no par value. The Entity used the resources derived from this issue to prepay the debt instrument with ticker code ALSEA'11, which matures in 2014, as a result of which the Entity's leverage decreased (Net Debt to EBITDA) from 1.9x to 1.2x based on figures at September 2012 (see Note 24).

i. ***Early full amortization of the "ALSEA 11" debt instrument*.-** In May 2011, Alsea placed debt instruments for a total of $1,000 million in the Mexican market (the "ALSEA 11" debt instrument). The resources obtained from that issue were used mainly to prepay the debt instruments issued in December 2009 and March 2010 for $300 million and $400 million, respectively.

   In December 2012, the Entity prepaid the total amount the ALSEA 11 debt instrument. The payment was for approximately $1,004.7 million, which included accrued interest. Payment was made using part of the resources obtained from a capital issuance carried out by the Entity, which helped to improve the cost of the debt and the maturity profile (see Note 19).

j. ***Acquisition of 35% of Grupo Calpik, S.A.P.I. de C.V. and of 10.64 % of Panadería y Alimentos para Food Service, S.A de C.V.*.-** On June 2012, the Entity formalized the acquisition of the remaining 35% of shares of Grupo Calpik, a company that holds the exclusive rights to develop and operate California Pizza Kitchen restaurants in Mexico. The transaction gave rise to a charge to stockholders' equity of $15,262. Additionally, in October 2012, Alsea acquired the remaining 10.64% of the shares of Panadería y Alimentos para Food Service, a company that distributes food brands mainly to Café Sirena, S de R.L. de C.V., which operates Starbucks in Mexico. The transaction gave rise to a decrease in the Entity's non-controlling interest of $15,172 and $11,748, respectively (see Note 25).

k. ***Agreement to acquire Italianni's restaurants and the exclusive rights to develop and operate that brand of restaurants in Mexico.-*** The Italianni's acquisition concluded in February 2012 at a final price of $1,765 million.

Italianni's is the leading Italian food chain in Mexico with more than 52 units in over 20 states. The brand is known for offering top quality products and services thanks to its experienced operating team and a philosophy based on high service values (see Note 16).

2. Bases for presentation

a. New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Entity has applied a number of new and revised International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), that are mandatorily effective beginning on January 1, 2013.

New and revised Standards on consolidation, joint arrangements, associates and disclosures.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

Those standards had no significant effects at December 31, 2013, except the requirement to make additional disclosures, which are included in the accompanying consolidated financial statements. However, the standards that are applicable to the Entity are as follows:

IFRS 10 Consolidated financial statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the entity.

At December 31, 2013, the transition provisions set forth in IFRS 10 gave rise to no significant changes in the Entity.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Entity has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee benefits - (revised in 2011)

In the current year, the Entity applied IAS 19, *Employee Benefits* **-** (revised in 2011) and the related amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset. Those changes have not given rise to significant effects.

b. New and revised IFRS in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7, Mandatory effective date *of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10 and IFRS 12 and IAS 27, *Investment Entities*[1]
Amendments to IAS 32, – *Offsetting Financial Assets and Financial Liabilities*[1]

[1] Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

The Entity's management estimates that application of those new and revised standards will have no effects on the consolidated financial statement s.

3. Significant accounting policies

a. ***Statement of compliance***

The Entity's consolidated financial statements have been prepared in accordance with the IFRS issued by the IASB.

b. ***Basis of measurement***

The Entity's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are valued at fair value, as explained in further detail within the significant accounting policies..

i. Historical cost

The historical cost is generally based on the fair value of the consideration paid in exchange for goods or 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 IAS 17, 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.

c. ***Basis of consolidation***

The consolidated financial statements include those of the Entity and the subsidiaries over which it holds control. Control is obtained when the Entity:

- Has power over the investment
- 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.

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 statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income (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

All intercompany balances and operations have been eliminated in the consolidation.

Changes in the Entity's ownership interest 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 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. ***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 acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss 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 *Income Taxes* and IAS 19 respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquireeare measured in accordance with IFRS 2 at the acquisition date; and

- 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 acquiree, 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 acquiree and the fair value of the acquirer's previously held interest in the acquiree (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 acquiree'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 acquiree 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 acquiree 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.

e. **Goodwill**

Goodwill arising from on a 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.

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.

f. **Investment in associates and joint businesses**

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. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement 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 39 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 IAS 39. 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.

g. ***Revenue* recognition**

Income generated from ordinary operations is recorded to the extent that future economic benefits are likely to flow into the Entity and income can be measured reliably, irrespective of the moment in which payment is made. Income is measured based on the fair value of the consideration received or receivable, bearing in mind the payment conditions specified in the respective agreement, without including taxes or tariffs.

Sale of goods

Revenues from the sale of food and beverages is recognized when they are delivered to and/or consumed by customers.

Provision of services

Revenues from services are recognized by reference to the stage of completion, which is generally when the services have been rendered and accepted by customers.

Dividends

Dividend income is recognized when the Entity's right to collect dividends has been established.

Royalties

Royalty income is recorded as it is earned, based on a fixed percentage of sub-franchise sales.

h. ***Foreign currency transactions***

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Argentina, Chile and Colombia) and that comprise 27% and 25% of consolidated net income and 21% and 16% of the total consolidated assets at December 31, 2013 and 2012, 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.

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 statement of financial position.

- Income, cost and expense items of the statement 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.

- Stockholders’ equity is converted at historical exchange rates, i.e., at the rates in effect on the date on which capital contributions were made or earnings were incurred.

- All conversion differences are recognized as a separate component under stockholders’ equity and form part of other comprehensive income items.

i. ***Employee benefits***

Direct employee benefits are valued in proportion to the services rendered, considering current salaries, and they are recognized under liabilities as they accrue. This item includes mainly employees statutory profit sharing (PTU) payable, paid absences, such as vacations and vacation premiums, and incentives.

Other compensation to which personnel is entitled is recognized in income in the year in which it accrues.

Statutory employee profit sharing is recorded in income in the year in which it accrues and it is shown under operating expenses in the statement of income.

Statutory employee profit sharing is determined based on the tax profit in accordance with Section I of article 10 of the Mexican Income Tax Law.

j. ***Income taxes***

The income tax expense represents the sum of tax currently payable and deferred tax.

- Current tax

  Current income taxes, calculated as the higher of the regular Mexican income tax ("ISR") and, through December 31, 2013, the Business Flat Tax ("IETU"), are recorded in the results of the year in which they are incurred.

- Deferred income tax

  Until December 31, 2013, in recognizing deferred taxes, the Entity determines whether or not, based on its financial projections, it will incur ISR or IETU and it recognizes deferred taxes on that basis (see Note 20). 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

  Deferred tax assets and liabilities are offset when there is a legal right to offset short-term assets vs. short-term liabilities and when they relate to income taxes payable to the same tax authorities and the Entity has the intention of liquidating its assets and liabilities on net bases.

- 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.

k. ***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 line method, based on the useful lives estimated by the Entity's Management. Annual depreciation rates of the main groups of assets are as follows:

	Rates
Store equipment	5% to 30%
Transportation equipment	25%
Production equipment	10% to 20%
Buildings	5%
Leasehold improvements	7% to 20%
Computer equipment	30%
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.

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to get it ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other financing costs are accounted for as expenses for the period in which they are incurred. Financing costs include interest and other costs incurred in relation to loan agreements signed by the Entity. In the years ended December 31, 2013 and 2012, the Entity has not capitalized financing costs under the value of assets, since did not have any qualifying assets or financing for purchase or construction of assets.

The Entity does not maintain a policy of selling fixed assets at the end of their useful lives. Instead, in order to protect its image and the Alsea brands, those assets are destroyed or in some cases sold as scrap. The use or lease of equipment outside the provisions of the franchise agreements is subject to sanctions. Additionally, given the high costs of maintenance or storage required, those assets are not used as spare parts for other brand stores.

l. ***Intangible assets***

1. <u>Intangible assets acquired in a business combination</u>

   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.

2. <u>Intangible assets acquired separately</u>

   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:

Brands	Country	Year of expiration
Domino's Pizza	Mexico	2025
	Colombia	2016
Starbucks Coffee	Mexico	2037
	Argentina	2027
	Colombia	2033
	Chile	2027
Burger King	Mexico, Argentina, Chile and Colombia	Depending on opening dates
Chili's Grill & Bar	Mexico	2015
California Pizza Kitchen	Mexico	2022
P.F. Chang's	Mexico	2019
	Argentina, Chile and Colombia (2)	2021
Pei Wei	Mexico (3)	2021
Italianni´s	Mexico (1)	2031

(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 additional 10 year extension.

(3) Term of 10 years with the right to an extension.

The Entity has affirmative and negative covenants under the aforementioned agreements, the most important of which are carrying out capital investments and opening establishments. At December 31, 2013 and 2012, the Entity has fully complied with those obligations.

Amortization of intangible assets is included in the depreciation and amortization accounts in the statement of income.

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 y 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.

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 it is estimated that the recoverable amount of an asset (or cash generating unit) is lower than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognized in income. The Entity performs annual impairment tests to identify indications of impairment.

n. ***Inventories and cost of sales***

Inventories are valued at the lower of cost or net realizable value. Costs, including a portion of fixed and variable indirect costs, are assigned to inventories through the most appropriate method for the specific type of inventory. In assigning the unit cost of inventories, the Entity uses the average cost method (AC).

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.

o. ***Leases***

Determination of whether an agreement constitutes or includes a lease is based on the substance of the agreement at the date on which it is signed, if compliance with such agreement depends on the use of one or more specific assets, or if the agreement awards the right to use such assets, even when such right is not explicitly specified in the agreement.

Financial leases whereby substantially all risks and benefits inherent to ownership of the leased good are transferred to the Entity are capitalized at the start of the lease period, at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are distributed between the financial charges and the reduction of the lease obligation so that a constant ratio of interest is incurred on the balance of the lease obligation. Financial charges are recognized as interest expense in the statement of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Entity will obtain ownership at the end of the lease term, the asset is depreciated over the lower of its estimated useful life or the lease term.

Operating lease payments are recognized as operating expenses using the straight line method over the lease term, except when another systematic apportionment base is more appropriate for showing the pattern of lease benefits for the user. Contingent lease payments are recognized as expenses in the periods in which they are incurred.

p. ***Advance payments***

Advance payments include advances for purchase of inventories, property, store equipment, leasehold improvements and services that are received in the twelve months after the date of the statement of financial position and are incurred in course of regular operations.

q. ***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 recorded as a provision is the best estimation of the amount required to settle the present obligation at the end of the period being reported, considering the risks and uncertainties surrounding the obligation. When a provision is valued using the cash flows estimated to settle the present obligation, the carrying value is shown at the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, an account receivable is recorded as an asset provided that it is virtually certain that the payment will be received and the amount of the account receivable can be reliably measured.

Provisions are classified as current or non-current based on the estimated period of time estimated for settling the related obligations.

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 IAS 18 Revenue.

r. ***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.

s. ***Financial assets***

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) and financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on the 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.

1. 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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

   Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. Financial assets at FVTPL

   Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL

A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial asset other that a financial asset held for trading may be designated as of FVTPL upon initial recognition, if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other income and expenses" in the statement of income.

3. <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded on an active market are classified as loans and receivables. Loans and receivables are valued at amortized cost using the effective interest method, less impairment identified.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the effect of discounting is inmmaterial.

4. <u>Impairment of financial assets</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

5. Derecognition of financial assets

The Entity stops recognizing a financial asset only when the contractual rights over the cash flows of the financial asset expire and the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

t. ***Financial liabilities and equity instruments***

1. Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

3. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

4. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

5. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

u. ***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 Corporate Treasury Manager must quantify and report to the Financial Director the monthly requirements of operating resources. The Corporate Financial Director 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 Corporate Treasury Manager, the Corporate Financial Director 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 Nacional de México, S. A., Banco Santander, S. A., Barclays Bank México S. A., Deutsche Bank AG, Goldman, Sachs Paris Inc. Etcie., HSBC México S. A., Merril Lynch Capital Services Inc., Morgan Stanley Capital Services Inc., and UBS AG.

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.

Accounting of hedging: 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 statement 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.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, Management is required to make certain judgments, estimates and assumptions on the amounts of the carrying value of assets and liabilities included in the financial statements. The related estimates and assumptions are based on experience and other factors considered to be relevant. Actual results could differ materially from those 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*

The following are the 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.

<u>Control over Operadora de Franquicias Alsea, S.A. de C.V. (OFA</u>)

Note 16 indicates that OFA is one of the Entity's subsidiaries. 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.

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. 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 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.

3. 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. 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.

4. Intangible assets

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

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 23 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.

5. Non-monetary transactions

In the year, 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 mentioned in Note 24, in April 2012, Alsea declared a dividend payment of $308,902 in shares by capitalizing the corresponding amount of the after-tax earnings account.

The Entity acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile) and formalized the merger of OFA and Burger King Mexicana, S.A de C.V. ("BKM"), whereby the Entity also acquired 28.1% of the shares of OFA held by BKW, with which Alsea's final shareholding in OFA is 80% and in BKW is 20%. The breakdown of those acquisitions and the consideration paid in shares and assumed liabilities are shown in Note 16.

6. 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 statement of financial position and the statement of cash flows at December 31, 2013 and 2012 is comprised as follows:

		2013		2012
Cash	$	545,708	$	329,841
Investments with original maturities of under three months		117,562		602,753
Total cash and cash equivalents	$	663,270	$	932,594

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

7. Accounts receivable from customers

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, 2013 and 2012, the customer balance is comprised as follows:

	2013	2012
Franchises	$ 213,231	$ 164,053
Credit card	110,442	101,310
Other	90,505	100,442
	414,178	365,805
Allowance for doubtful accounts	(54,074)	(26,324)
	$ 360,104	$ 339,481

The average credit term for the sale of food, beverages, containers, packaging, royalties and other items to owners of sub-franchises is from eight to 14 days. No interest charges are made on accounts receivable to customers in the first 14 days after billing is issued. After that date, late-payment interest is calculated at the the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points x 2% per year on the unpaid balance at the date of settlement.

Following is the aging of past due but unimpaired accounts receivable:

	2013	2012
15-60 days	$ 37,376	$ 36,540
60-90 days	12,327	7,118
More than 90 days	73,615	55,844
Total	$ 123,318	$ 99,502
Average time overdue (days)	77	93

The allowance for doubtful account balances relates to amounts owed by franchisees. Amounts recognized primarily for this item amount to $54,074 and $26,324 in 2013 and 2012, respectively.

Credit risk concentration is limited because the customer base is large and dispersed, and the risk of default by customers in relation to services and supply of food is controlled and supported by a service and/or master franchise agreement.

8. Inventories

At December 31, 2013 and 2012, inventories are as follows:

	2013	2012
Food and beverages	$ 491,256	$ 455,960
Containers and packaging	57,682	46,265
Other	99,403	56,251
Obsolescence allowance	(6,461)	(8,082)
Total	$ 641,880	$ 550,394

Inventories recognized under cost of sales for inventory consumption in the period related to continuous operations totaled $5,227,739 and $4,755,290 for the years ended December 31, 2013 and 2012, respectively.

9. Advance payments

Advance payments were made for the acquisition of:

	2013	2012
Insurance and other services	$ 136,796	$ 50,990
Inventories	134,459	102,821
Lease of locales	33,068	30,390
Total	$ 304,323	$ 184,201

10. Non-current guarantee deposits

Guarantee deposits are comprised as follows:

	2013	2012
Non-current guarantee deposits for leased properties	$ 128,108	$ 110,020

11. Store equipment, leasehold improvements and property

a. Store equipment, leasehold improvements and properties are as follows:

	Buildings	Store equipment	Leasehold improvements	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Cost									
Balance as of January 1, 2012	$ 206,437	$ 1,873,480	$ 2,926,312	$ 114,623	$ 303,690	$ 568,650	$ 71,203	$ 411,166	$ 6,475,561
Acquisitions	6,956	328,707	351,879	15,119	74,444	20,726	14,726	108,565	921,122
Business acquisition	-	164,741	162,073	2,178	15,357	-	302	-	344,651
Disposals	(553)	(91,043)	(80,501)	(32,361)	(20,306)	(912)	(1,751)	-	(227,427)
Adjustment for currency conversion	15	(43,907)	(99,489)	(880)	(8,436)	-	(1,667)	(12,897)	(167,261)
Balance as of December 31, 2012	212,855	2,231,978	3,260,274	98,679	364,749	588,464	82,813	506,834	7,346,646
Acquisitions	93,449	263,512	375,472	27,091	94,508	194,299	10,533	68,684	1,127,548
Business acquisition	-	91,529	264,705	180	4,690	-	1,408	31,860	394,372
Disposals	-	(70,620)	(25,561)	(10,519)	(10,750)	(2,096)	(176)	-	(119,722)
Adjustment for currency conversion	(7,139)	(60,775)	(116,515)	(2,100)	(13,206)	-	(4,269)	(18,560)	(222,564)
Balance as of December 31, 2013	$ 299,165	$ 2,455,624	$ 3,758,375	$ 113,331	$ 439,991	$ 780,667	$ 90,309	$ 588,818	$ 8,526,280
Depreciation									
Balance as of January 1, 2012	$ 60,027	$ 792,519	$ 1,390,338	$ 72,909	$ 212,609	$ 434,824	$ 39,915	$ -	$ 3,003,141
Charge for depreciation for the year	10,038	227,427	212,405	15,913	39,546	19,603	9,449	-	534,381
Business acquisition	-	53,142	57,350	1,636	7,631	-	1,018	-	120,777
Adjustment for currency conversion	3	(10,852)	(31,410)	(484)	(5,789)	-	(1,371)	-	(49,903)
Disposals	(325)	(79,006)	(54,789)	(26,542)	(18,496)	(1,119)	(5,581)	-	(185,858)
Balance as of December 31, 2012	69,743	983,230	1,573,894	63,432	235,501	453,308	43,430	-	3,422,538
Charge for depreciation for the year	7,296	240,616	270,246	16,271	57,799	28,014	4,748	-	624,990
Adjustment for currency conversion	(16)	(21,057)	-	(879)	(10,602)	-	(1,989)	-	(34,543)
Disposals	-	(65,424)	(13,323)	(7,628)	(9,498)	(1,622)	(152)	-	(97,647)
Balance as of December 31, 2013	$ 77,023	$ 1,137,365	$ 1,830,817	$ 71,196	$ 273,200	$ 479,700	$ 46,037	$ -	$ 3,915,338
Net cost									
Balance as of December 31, 2012	$ 143,112	$ 1,248,748	$ 1,686,380	$ 35,247	$ 129,248	$ 135,156	$ 39,383	$ 506,834	$ 3,924,108
Balance as of December 31, 2013	$ 222,142	$ 1,318,259	$ 1,927,558	$ 42,135	$ 166,791	$ 300,967	$ 44,272	$ 588,818	$ 4,610,942

12. Intangible assets

a. 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, 2012	$ 717,473	$ 410,514	$ 318,428	$ 285,720	$ 206,932	$ 1,939,067
Acquisitions	67,839	8,330	77,133	67,239	-	220,541
Business acquisition	803,447	-	-	-	785,816	1,589,263
Adjustment for currency conversion	(12,725)	(12,011)	(1,376)	89	-	(26,023)
Disposals	(9,506)	(20,090)	(6,565)	(4,676)	-	(40,837)
Balance as of December 31, 2012	1,566,528	386,743	387,620	348,372	992,748	3,682,011
Acquisitions	9,789	11,489	212,177	105,973	-	339,428
Business acquisition	17,985	-	18,366	113	789,877	826,341
Adjustment for currency conversion	(24,015)	(14,239)	(3,441)	(838)	-	(42,533)
Disposals	(649)	(2,860)	(110)	(66)	-	(3,685)
Balance as of December 31, 2013	$ 1,569,638	$ 381,133	$ 614,612	$ 453,554	$ 1,782,625	$ 4,801,562

Amortization	Brand rights	Commissions for store opening	Franchise and use of locales rights	Licenses and developments	Goodwill	Total
Balance as of January 1, 2012	$ 301,982	$ 339,346	$ 140,204	$ 211,887	$ 16,953	$ 1,010,372
Amortization	136,488	46,321	41,928	52,180	-	276,917
Business acquisition	8,500	-	-	-	-	8,500
Adjustment for currency conversion	(2,414)	(11,436)	(573)	22	-	(14,401)
Disposals	(5,608)	(7,703)	(3,144)	(1,752)	-	(18,207)
Balance as of December 31, 2012	438,948	366,528	178,415	262,337	16,953	1,263,181
Amortization	166,703	17,916	41,756	71,756	-	298,131
Adjustment for currency conversion	(6,182)	(13,946)	(1,414)	(207)	-	(21,749)
Disposals	(252)	(652)	(951)	(41)	-	(1,896)
Balance as of December 31, 2013	$ 599,217	$ 369,846	$ 217,806	$ 333,845	$ 16,953	$ 1,537,667
Net cost						
Balance as of December 31, 2012	$ 1,127,580	$ 20,215	$ 209,205	$ 86,035	$ 975,795	$ 2,418,830
Balance as of December 31, 2013	$ 970,421	$ 11,287	$ 396,806	$ 119,710	$ 1,765,672	$ 3,263,896

13. Operating lease agreements

The locales housing 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. As an exception, lease payments for certain establishments are agreed in US dollars, and in some cases, they may include a variable component, which is determined on the basis of net sales of the respective establishment. 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.

Rental expense derived from operating lease agreements related to the locales housing the stores of the different Alsea brands are as follows:

	2013	2012
Rental expense	$ 1,262,533	$ 1,066,583

14. Investment in subsidiaries

a. The Entity's shareholding in the capital stock of its main subsidiaries is as follows:

Subsidiary and/or associate	Operations	2013	2012
Panadería y Alimentos para Food Service	Distribution of Alsea brand foods	100.00%	100.00%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Chile	100.00%	82.00%
Operadora de Franquicias Alsea, S.A. de C.V.	Operator of the Burger King brand in Mexico	80.00%	99.99%
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	99.99%	99.99%
Gastrosur, S.A. de C.V.	Operator of the Chili’s Grill & Bar brand in Mexico	99.99%	99.99%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	99.99%	99.99%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	99.99%	99.99%
Starbucks Coffee Argentina, S.R.L	Operator of the Starbucks brand in Argentina	100.00%	82.00%
Dominalco, S.A.	Operator of the Domino’s Pizza brand in Colombia	95.00%	95.00%
Servicios Múltiples Empresariales ACD S.A. de C.V. SOFOM E.N.R	Operator of Factoring and Financial Leasing in Mexico	99.99%	99.99%
Asian Bistro Colombia, S.A.S	Operator of the P.F. Chang's brand in Colombia	100.00%	100.00%
Asian Bistro Argentina S.R.L.	Operator of the P.F. Chang's brand in Argentina	100.00%	100.00%
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.00%	95.00%
Asian Food Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%

Subsidiary and/or associate	Operations	2013	2012
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	99.99%	99.99%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's Chang´s y Pei Wei en México	99.99%	99.99%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	99.99%	99.99%
Italcafe, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	89.77%	89.77%
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	93.86%	93.86%
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	94.88%	94.88%
Starbucks Coffee Chile, S.A. (1)	Operator of the Starbucks brand in Chile	100.00%	18.00%

(1) In September 2013, Alsea acquired the entirety of the shares of Starbucks Coffee Chile, S.A. de C.V., as from which date it has consolidated the financial information. Before that date, the Entity recognized the equity method (see Note 1a and 16).

15. Investment in associated companies

Acquisition of the non-controlling interest of Grupo Axo

In June 2013, Alsea reached an agreement to acquire 25% of the capital stock of Grupo Axo. The respective carrying entry was made in the consolidated statement of financial position as investments in shares of associated companies, and that operation gave rise goodwill of $559,887, which is included in the balance of the investment.

Goodwill arising from the acquisition of Grupo Axo resulted from the consideration paid, which included the amounts of the benefits of new businesses, mainly the sale of international brands of clothes and cosmetics, from which growth is expected through a development plan. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

At December 31, 2013 and 2012, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%)			Interest in associated company	
	2013	2012	Main operations	12/31/2013	12/31/2012
Starbucks Coffee Chile, S.A.	-	18%	Operator of the Starbucks brand in Chile	$ -	$ 40,296
Grupo Axo,	25%	-	Sales of prestigious brands of clothes and accessories	788,665	-
Total				$ 788,665	$ 40,296

	(%)			Equity in results	
	2013	2012	Main operations	12/31/2013	12/31/2012
Starbucks Coffee Chile, S.A.	-	18%	Operator of the Starbucks brand in Chile	$ -	$ 12,978
Grupo Axo,	25%	-	Company engaged in sales of prestigious brands of clothes and accessories	43,582	-
Total				$ 43,582	$ 12,978

Starbucks Coffee Chile, S.A.

The Entity's interest in equity as of December 31, 2012, as well as in the income and expenses for the year ended December 31, 2012 was 18%. The associated company's total assets, liabilities and equity and its results are as follows:

	12/31/2012
Current assets	$ 207,660
Non-current assets	$ 136,399
Current liabilities	$ 99,908
Non-current liabilities	$ 20,287
Equity	$ 223,864

	12/31/2012
Income	$ 536,655
Costs	$ 464,555
Net profit for the period	$ 72,100

Grupo Axo, S.A.P.I. de C.V.

The Entity's interest in assets and liabilities as of December 31, 2013, and in the income and expenses for the period from the date of acquisition to December 31, 2013 is 25%. The associated company's total assets, liabilities and equity and its results are as follows:

	12/31/2013
Current assets	$ 1,435,557
Non-current assets	$ 911,862
Current liabilities	$ 997,003
Non-current liabilities	$ 416,473
Equity	$ 915,114
Non-controlling equity	$ 18,829

	01/08/2013 to 31/12/2013
Revenues	$ 1,207,860
Costs	$ 1,033,532
Profit for the period	$ 174,328

The reconciliation of the financial information summarized above regarding the carrying value of the interest in Grupo Axo is as follows:

	2013
Net assets of the associated company	$ 915,114
Entity's interest in Grupo Axo (25%)	$ 228,778
Plus: goodwill	559,887
Carrying value of the Entity's interest in Grupo Axo	$ 788,665

16. Business combination

Acquisition of the controlling interest of Starbucks Coffee Chile

In September 2013, Alsea acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile), which operates the Starbucks stores in Chile, as a result of which Alsea's shareholding in that entity increased from 18% to 100%, thus constituting a business combination that is currently undergoing valuation by the purchase method in accordance with the IFRS.

The following steps are required in acquisition accounting:

- Recognize and measure the respective assets acquired and liabilities assumed.
- In a business combination performed in phases, the purchaser reassesses its previous interest in the acquired entity at date of acquisition using the fair value and recognize the resulting gain or loss, if any, in income.
- Determine the respective franchise right or goodwill, if any.

Following is an analysis of the preliminary assignment of acquisition cost to the fair values of acquired net assets. Given that the accounting for the acquisition is in the measurement period, which is expected to conclude in September 2014, the following preliminary figures are subject to change:

Item	August 2013
Current assets	$ 218,083
Equipment and intangible assets	148,125
Current and long-term liabilities	(101,807)
Fair value of net assets	264,401
Fair value of prior interest	47,593
Price paid in cash	860,014
Total value of consideration paid	907,607
Goodwill	$ 643,206

Goodwill arising from the acquisition of Starbucks Coffee Chile derives from the price paid, which included amounts in relation to the benefits of operating 44 stores for which market growth is expected based on a development plan over the next five years in Chile, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

As from the acquisition date, Starbucks Chile has contributed $231,131 to consolidated revenues and $32,772 to the profit before income taxes for the period. If the acquisition had occurred on January 1, 2013, Alsea's consolidated net profit for the period would have been $694,362 and revenues would have been $16,087,950. The acquisition price did not include any a contingent consideration. Acquisition expenses related to this transaction amounted to $1,028, which is shown under other expenses.

Net cash flows related to the acquisition of the subsidiary total $731,358, corresponding to the consideration paid in cash of $860,014, less cash and cash and cash equivalent balances acquired in the amount of $128,656.

Acquisition of Burger King Mexicana

In April 2013, the acquisition of the BURGER KING® master franchise in Mexico concluded. According to the strategic association egreement signed by Alsea and Burger King Worldwide Inc. (BKW), the BKW subsidiary in Mexico, Burger King Mexicana, S.A. de C.V. (BKM) was merged with OFA, a subsidiary of Alsea, with the latter as the surviving company and operator of 204 BURGER KING® restaurants in Mexico. After the merger concluded, Alsea also acquired 28.1% of the shares of OFA held by BKW, after which Alsea's final shareholding in OFA is 80% and BKW´s final shareholding in OFA is 20%.

Given that the operation was considered the acquisition of is business, the related acquisition accounting was applied as of the acquisition date. The acquisition price did not include any contingent consideration.

The following steps are required in acquisition accounting:

i.- Recognize and measure the respective assets acquired and liabilities assumed
ii.- Determine the respective franchise right or goodwill, if any.

Following is an analysis of the preliminary assignment of acquisition cost to the fair values of acquired net assets. Given that the accounting for the acquisition is in the measurement period, which is expected to conclude in April 2014, the following preliminary figures are subject to change:

Item	March 2013
Current assets	$ 106,128
Equipment and intangible assets	309,374
Deferred taxes	62,803
Current and long-term liabilities	(73,547)
Fair value of net assets	404,758
Consideration paid in shares	217,534
Price paid in cash	333,895
Total value of price paid	551,429
Goodwill	$ 146,671

The consideration paid in OFA shares, which is in the measurement phase, totals $217,534 and comprises 20% of its stockholders' equity.

Goodwill arising from the acquisition of Burger King Mexicana derives from the price paid, which included amounts related to the benefits of operating 204 stores (97 acquired and 107 own stores), for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies resulting from the merger of the Burger King brand in Mexico. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

As from the acquisition date, Burger King Mexicana has contributed $564,376 to revenues and $3,756 to the profit before income taxes for the period. If the acquisition had occurred on January 1, 2013, Alsea's consolidated net profit for the period would have been $647,842 and revenues would have been $15,893,611. Acquisition expenses related to this transaction amounted to $1,101, which is shown under other expenses.

Net cash flows related to the acquisition of the subsidiary total $288,067, corresponding to the consideration paid in cash of $333,895, less cash and cash and cash equivalents balances acquired totaling $47,828.

Acquisition of Italianni's

The acquisition of Italianni's concluded in February 2012. The final price was $1,765 million.

Alsea acquired 8,168,161 shares comprising 100% of the shares of Italcafé, SA. de C.V., which owns: i.- Eight Italianni's units and the exclusive rights to develop, expand and sell subfranchises of the Italianni's brand throughout Mexico, and ii.- 89.7682% of the capital stock of Grupo Amigos de San Ángel, S.A. de C.V. ("GASA"), a company that owns 34 Italianni's units. The purpose of the acquisition is to consolidate the expansion plans of the Casual Dinning segment.

Franchise license agreements, other rights and assets assigned to third parties were paid to the holders of those rights and goods as part of the transaction.

Additionally, the final agreement contemplates the following, among other matters:

a) The exclusive operation of the Italianni's brand restaurants in Mexico for a maximum term of 30 years.

b) Alsea will pay no royalties, opening fees or commissions for the use of the brand or the franchise model.

c) There is no obligation to comply with an openings plan.

d) The assignment of franchise agreements to existing third parties.

e) The power to award new franchises to third parties.

f) The rights to distribute all raw materials to the brand's restaurants.

The measurement period concluded in February 2013. Following is an analysis of fair value to the net assets acquired as of the date of acquisition. No changes arose to the preliminary recognition of the acquisition.

Item	February 2012
Current assets	$ 173,961
Store equipment and properties, net	242,241
Intangible assets, net	740,619
Short-term and long-term debts	(204,063)
Fair value net assets	952,758
Price paid in cash	1,765,000
Non-controlling interest	(26,426)
Total value of price paid	1,738,574
Goodwill	$ 785,816

The non-controlling interest recognized at the acquisition date was valued based in proportion to identifiable net assets.

Goodwill arising from the acquisition of Italianni's derives from the consideration paid, which included amounts related to the benefits of operating the Italian food brand, for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income and the expected operating synergies. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

As from the acquisition date and until December 31, 2012, Italinanni's has contributed $742,466 to revenues and $43,622 to the profit before income taxes for the period. If the acquisition had occurred on January 1, 2013, Alsea´s consolidated net profit for the period would have been $413,001 and revenues would have been $13,652,912.

Acquisition expenses related to this transaction amounted to $3,234, which is shown under other expenses.

Net cash flows related to the acquisition of the subsidiary total $1,758,181, corresponding to the consideration paid in cash of $1,765,000, less the acquired cash and cash and cash equivalents balances acquired for a total of $6,819.

17. Goodwill

Goodwill is comprised as follows:

Item		Amount
Balance as of January 01, 2012	$	189,979
Italianni´s		785,816
Balance as of December 31, 2012		975,795
Burger King Mexicana		146,671
Starbucks Coffee Chile		643,206
Balance as of December 31, 2013	$	1,765,672

Assignment of goodwill to cash generating units

In order to carry out impairment tests, goodwill was assigned to the following cash generating units:

		2013		2012
Burger King Mexicana	$	239,756	$	93,085
Domino´s Pizza		70,280		70,280
Chili´s		26,614		26,614
Italianni´s		785,816		785,816
Starbucks Coffee Chile		643,206		-
	$	1,765,672	$	975,795

At December 31, 2013 and 2012, studies performed on impairment testing concluded that goodwill shows no signs of impairment.

18. Long-term debt

Long-term debt at December 31, 2013 and 2012 is comprised of unsecured loans, as shown below:

	Maturities	Average annual interest rate		2013		2012
Single loans	2014-2018	4.50% 8.00%	$	2,554,767	$	2,474,480
Less current maturities				388,486		396,647
Long-term maturities			$	2,166,281	$	2,077,833

Annual long-term debt maturities at December 31, 2013 are as follows:

Year		Amount
2014	$	388,486
2015		472,598
2016		549,098
2017		702,098
2018		442,487
	$	2,554,767

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2013 and 2012, all such obligations have been duly met.

19. Debt instruments

a. In June 2013, the Entity decided to issue debt instruments for a total of $2,500,000 over 5 years as from the issue date, maturing in June 2018. Those instruments will accrue interest at the 28-day TIIE rate plus 0.75 percentage points. The balance at December 31, 2013 is $2,488,8850.

b. Based on the debt instrument program established by Alsea, in May 2011, the Entity concluded the placement of debt instruments for a total of $1,000 million on the Mexican market (ALSEA11). The intermediaries that participated in placing the offer were HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC, Actinver Casa de Bolsa, S. A. de C. V. and Grupo Financiero Actinver.

   The debt instruments in question are for a term of three years as from their issue date, they mature in May 2014 and are subject to the 28-day TIIE rate plus 1.30 percentage points.

   In December 2012, the Entity decided to prepay the entirety of the debt instrument. Therefore, at December 31, 2012, no amounts are outstanding under ALSEA 11. At December 2012, the balance of expenses related to such issue, such as legal fees, issue costs, and printing and placement expenses, were recognized in the consolidated statement of income for the year subsequent to the prepayment.

20. Income taxes

The Entity is subject to income tax and through December 31, 2013, to flat tax.

Income tax - The rate was 30% in 2013 and 2012 and as a result of the new 2014 income tax law (2012 tax law), the rate will continue at 30% in 2014 and thereafter. The Entity incurred income tax on a consolidated basis up to 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax determined as of that date during the subsequent five years beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 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 income tax law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the income tax 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.

Flat tax – Flat tax was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain provisions of the income tax law, the amount of this tax paid in the 10 years immediately prior to that in which income tax is first paid may be recovered in accordance with applicable tax provisions.

The current income tax is the grater of ISR and IETU up to 2013.

In Chile, in April 2010, the Chilean government announced the 2010-2013 financing plan for the reconstruction of Chile after the February 2010 earthquake. Such financing plan includes a temporary increase in the First Category Interest rate of the historical rate of 17% to 20% in 2011, 18.5% in 2012 and reduces it back to 17% in 2013. The change in the First Category Tax was pronounced in July 2010.

In Colombia, i- Income tax is determined on the basis of taxable income. The tax rate is 32%, ii.- The percentage for determining presumptive income is 3% of the liquid equity of the preceding year.

In Argentina i.- Tax on income The Entity applies the deferred tax method to recognize the accounting effects of taxes on earnings at the 30% rate. ii.- Tax on presumptive minimum earnings (IGMP for its acronym in Spanish), the Entity determines IGMP applying the current 1% rate to assets computable at each year-end closing, iii.- Tax on personal goods of individuals or business entities residing abroad, the tax is determined applying the 0.5% to the proportional value of equity at the year-end closing and it is considered a single and final payment.

a. ***Income taxes recognized in income***

	2013	2012
Income tax (tax basis)	$ 422,573	$ 326,795
Deferred income tax	(137,706)	(107,648)
	$ 284,867	$ 219,147

The tax expense attributable to income before income tax differs from that arrived at by applying the 30% statutory rate in 2013 and 2012 due to the following items:

	2013	2012
Statutory income tax rate	30%	30%
Non-deductible expenses, effects of inflation and others	3%	10%
Change in unrecognized tax benefits	(3%)	(5%)
Effective consolidated income tax rate	30%	35%

b. ***Deferred taxes - balance sheet***

Following is an analysis of deferred tax assets shown in the consolidated statement of financial position:

	2013	2012
Deferred (assets) liabilities:		
Estimation for doubtful accounts and inventory obsolescence	$ (10,863)	$ (5,997)
Liability provisions	(368,176)	(220,682)
Advances from customers	(18,565)	(30,072)
Unamortized tax losses	(166,337)	(201,465)
Recoverable asset tax	(12,269)	(12,269)
Store equipment, leasehold improvements and property	(471,470)	(380,473)
Other assets	12,224	807
Advance payments	53,049	21,186
	$ (982,407)	$ (828,965)

Timing differences	2013	2012
Beginning balance	$ (828,965)	$ (692,420)
Recognized in income	(137,706)	(107,648)
Acquisition	(11,024)	(24,628)
Recognized directly in capital	(4,712)	(4,269)
	$ (982,407)	$ (828,965)

Deferred assets not recognized at December 31, 2013 and 2012 totaled $28,384 and $159,594, respectively. The net change in deferred assets not recognized at December 31, 2013 and 2012 resulted in a decrease of $28,446 and $30,626, respectively, arising mainly from accumulated tax losses.

At December 31, 2013, unamortized tax losses expire as shown below:

Year of maturity	Amortizable losses
2014	$ 266,624
2015	14,315
2016	26,664
2017	39,028
2018	30,346
2019	1,581
2020	28,877
2021	22,692
2022	51,342
2023	72,987

At December 31, 2013 and 2012, income tax payable balances related to the Entity’s consolidated tax regime before and after the enactment of the 2011 tax amendments correspond to unamortized tax losses arising under consolidation at the controlling and the controlled companies amounting to $26,034 and $193,454, respectively.

Following is the yearly schedule of payments contemplated by the Entity to cover income tax liabilities arising under tax consolidation resulting from the 2014 tax amendments:

Year of maturity	Payment
2014	$ 10,111
2015	7,229
2016	5,801
2017	2,893
	$ 26,034

21. Provisions

Provisions at December 31, 2013 and 2012 are comprised as follows:

	Compensation and other personnel payments	Supplies and others	Total
January 1, 2012	$ 103,631	$ 468,099	$ 571,730
Increases charged to income	434,582	728,559	1,163,141
Payments and cancellations	(400,509)	(672,627)	(1,073,136)
December 31, 2012	$ 137,704	$ 524,031	$ 661,735
Increases charged to income	545,424	426,466	971,890
Payments and cancellations	(532,121)	(370,777)	902,898
December 31, 2013	$ 151,007	$ 579,720	$ 730,727

22. Employee retirement benefits

The net cost for the period related to obligations derived from the pension plan and those related to seniority premiums and termination benefits totals $21,674 and $17,102 in 2013 and 2012. Other disclosures required by the accounting provisions are not considered significant.

23. 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 2012.

The Entity's capital structure consists of the net debt (the loans described in Note 18, 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 24).

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.

In the years ended December 31, 2013 and 2012, 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, 2013 and 2012, 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, which was slightly below 1.0 and 2.6, respectively.

b. ***Financial instrument categories***

	2013	2012
Financial assets		
Cash and cash equivalents	$ 663,270	$ 932,594
Loans and accounts receivable at amortized cost	628,818	535,931
Financial liabilities at amortized cost		
Bank loans	388,486	396,647
Long-term bank loans	2,166,281	2,077,533
Debt securities	2,488,850	-
Other accounts payable and others	901,589	871,404

c. ***Objectives of managing financial risks***

Alsea is mainly exposed to the following financial risks: (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 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 intereset 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.

Exposure to market risk is valued by the value at risk (VaR), which is supplemented with a sensitivity analysis.

There have been no changes in the Entity's exposure to market risks or in the way in which those risks are managed and valued.

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 32 shows foreign currency positions at December 31, 2013 and 2012. 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, 2013.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable Current quarter	Previous quarter	Notional amount/ face value (thousands of USD) Current quarter	Previous quarter	Fair value (thousands of USD) Current quarter	Previous Quarter	Amounts of maturities (thousands of USD)
Forwards	Long	Economic	13.06 USD/MXN	13.01 USD/MXN	2,500	1,500	$ (16)	$ (8)	2,500
Options	Long	Economic	13.06 USD/MXN	13.01 USD/MXN	13,750	4,500	$ (9)	$ (76)	13,750

1. Foreign currency sensitivity analysis

At December 31, 2013, the Entity has contracted hedging in order to purchase US dollars for the next 12 months at the average exchange rate of 12.60 for a total of $16.3 million dollars. The fair value of currency derivative financial instruments is $0.3 million pesos.

Considering the USD/MXN exchange rate at 13.06 for the 2013 closing, the Entity's current portfolio and the net long position between forwards and options, Management assumes that a stress scenario affecting its income for the year ended December 31, 2013 would have resulted in appreciation of 1.00 to the US dollar, which would result in the purchase of forwards agreements above the market price and the activation of options with a barrier, thus increasing the notional amount covered and the fair value thereof.

The effect on the derivative financial instrument portfolio at the exchange rate with appreciation of 8% would result in an increase in financing costs of approximately $15.6 million pesos. The net position of assets vs. financial liabilities expressed in US dollars is not being considered because it is not representative or material to the Entity. The analysis shows only the effect on hedging for purchases of US dollars contracted and in effect at the December 31, 2013 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, 2013 and 2012, a total of 309 and 387 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 146.1 and 103.3 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, 2013 and 2012, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately $16.3 and $45 million USD, at the average exchange rate of $12.6 and $12.84 pesos to the dollar, respectively.

At December 31, 2012 and 2011, the Entity had contracted the following financial instruments:

Figures in thousands of US dollars at 2013

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable		Notional amount/ face value (USD)		Fair value (USD)		Amounts of maturities (USD)
			Current Quarter	Priro Quarter	Current Quarter	Prior Quarter	Current Quarter	Prior Quarter	
Forwards	Long	Economic	13.06 USD/MXN	13.01 USD/MXN	2,500	1,500	$ (16)	$ (8)	2,500
Options	Long	Economic	13.06 USD/MXN	13.01 USD/MXN	13,750	4,500	$ (9)	$ (76)	13,750

Figures in thousands of US dollars at 2012

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable		Notional amount/ face value (USD)		Fair value (USD)		Amounts of maturities (USD)
			Current Quarter	Prior Quarter	Current Quarter	Prior Quarter	Current Quarter	Prior Quarter	
Forwards	Long	Economic	13.01 USD/MXN	12.85 USD/MXN	18,250	18,500	$ 19	$ 251	18,250
Options	Long	Economic	13.01 USD/MXN	12.85 USD/MXN	26,500	43,500	$ (63)	$ 332	26,500

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.

- ***Interest rate swap contracts***

According to the interest rate contracts in place, 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 fair value of interest rate swaps 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, 2013.

Figures in thousands of US dollars at 2013

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable Current Quarter	Prior Quarter	Notional amount/ face value (USD) Current Quarter	Prior Quarter	Fair value (USD) Current Quarter	Prior Quarter	Amounts of Expiration (USD)
IRS Plain Vanilla	Long	Economic	3.79% - TIIE 28 d	4.03 - TIIE d	38,270	38,426	$ 315	$ 424	38,270
Knock Out IRS	Long	Economic	3.79% - TIIE 28 d	4.03 - TIIE d	11,481	11,528	$ 56	$ 63	11,481
Limited IRS	Long	Economic	3.79% - TIIE 28 d	4.03 - TIIE d	11,481	11,528	$ 64	$ 74	11,481
Capped IRS	Long	Economic	3.79% - TIIE 28 d	4.03 - TIIE d	7,654	7,685	$ 47	$ 50	7,654

Figures in thousands of US dollars at 2012

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable Current Quarter	Prior Quarter	Notional amount/ face value (USD) Current Quarter	Prior Quarter	Fair value (USD) Current Quarter	Prior Quarter	Amounts of Expiration (USD)
Interest rate swap	Long	Economic	4.84% - TIIE 28 d	4.81 - TIIE d	30,888	31,008	$ 151	$ 167	30,888
Knock Out swap	Long	Economic	4.84% - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$ (48)	$ (173)	11,583
Limited swap	Long	Economic	4.84% - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$ (70)	$ 150	11,583

1. <u>Analysis of interest rate sensitivity</u>

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 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, 2013 close, the increase in financial costs is of approximately $43,000. The above effect arises because the barriers protecting the increase in the interest rates are exceeded, which leaves the Entity exposed to market rates.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $15,000, 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 $1,500. The foregoing is due to the fact that plain vanilla swaps and swaptions hedging would be active, thus improving the level of exchange from a variable to a fixed rate.

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'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.

Investment surpluses are managed based on the Entity's policy in place, which has been designed to mitigate the credit risk of counterparties and streamline its resources. The policies include certain guidelines, such as maximum amounts per counterparty, instruments and terms. All operations carried out in both local and foreign currencies are covered under a stock-exchange intermediation master agreement, which has been signed by both parties with regulated institutions that form part of the Mexican Financial System and that have all the guarantees required by the Entity and have been awarded high credit ratings. The instruments authorized for temporary investments are only those issued by the federal government, corporations and banks, all under repurchase agreements.

With rescpt to derivative financial instruments, the Entity signs a standard agreement approved by the International Swapws 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 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 December 31, 2013 and 2012 closing, the Entity has incurred no margin calls, nor does it hold any type of securities pledged as a guarantee by a counterparty with which it may have carried out interest rate hedging operations.

At December 31, 2013 and 2012, 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, 2013, that risk amounts to $1,292,088.

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 statement 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, 2013,	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	4.79%	$ 520,240	$ 581,546	$ 629,085	$ 748,952	$ 451,006	$ 2,930,829
Debt instruments	4.54%	115,014	123,861	106,167	123,861	2,541,933	3,010,836
Suppliers		1,408,565	-	-	-	-	1,408,565
Other accounts payable and others		901,589	-	-	-	-	901,589
Total		$ 2,945,408	$ 705,407	$ 735,252	$ 872,813	$ 2,992,939	$ 8,251,819

As of December 31, 2012,	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	6.18%	$ 537,967	$ 625,666	$ 753,496	$ 918,868	$ -	$ 2,835,997
Suppliers		1,129,612	-	-	-	-	1,129,612
Other accounts payable and others		871,404	-	-	-	-	871,404
Total		$ 2,538,983	$ 625,666	$ 753,496	$ 918,868	$ -	$ 4,837,013

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.

1. Fair value of the Entity's financial assets and liabilities measured at fair value on recurring bases.

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 USD 12/31/2013	12/31/2012	Fair value hierarchy	Valuation technique(s) and main input data
1) Forwards and currency options agreements	$ (25)	$ (44)	Level 2	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	$ 482	$ 33	Level 2	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.

No transfers were made during the period between levels.

(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.

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.

a. ***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 financial statements approximate their fair value.

	12/31/2013		12/31/2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities				
Financial liabilities maintained at amortized cost:				
Bank loans	$ 388,486	$ 395,680	$ 396,647	$ 396,647
Long-term bank loans	2,166,281	2,166,281	2,077,533	2,077,533
Debt instruments	2,488,850	2,507,550	-	-
Total	$ 5,043,617	$ 5,069,511	$ 2,474,180	$ 2,474,180

Financial liabilities	**Level 1**	**Level 2**
Financial liabilities maintained at amortized cost:		
Bank loans	$ -	$ 395,680
Long-term bank loans	-	2,166,281
Debt instruments	-	2,507,550
Total	$ -	$ 5,069,511

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 address financial instrument requirements will derive from the resources generated by the issuer.

2. External sources of liquidity: No external sources of financing will be used to address requirements pertaining to derivative financial instruments.

24. 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 shares	Capital stock (thousands of pesos)	Premium on issuance of share
Figures at January 1, 2012	606,001,924	$ 362,461	$ 1,092,047
Repurchased shares	11,802,800	5,901	1,090
Dividends declared in shares	16,465,957	8,233	300,669
Purchase of non-controlling interest	-	-	(15,262)
Placement of shares	53,488,373	26,744	1,088,278
Figures at December 31, 2012	687,759,054	403,339	$ 2,466,822
Purchase of non-controlling interest	-	-	(429,262)
Placement of shares	-	-	(170)
Figures at December 31, 2013	687,759,054	$ 403,339	$ 2,037,390

In December 2012, Alsea issued 46,511,628 shares with an overallotment of 6,976,745 shares, which was issued at the offering price of 21.50 (twenty one pesos and fifty cents) per share. The issue was recorded net of placement expenses (see Note 1h.)

In April 2012, Alsea declared dividends in shares of $308,902 by capitalizing the amount corresponding to the after-tax earnings account, in order to cover the subscription value of 16,465,957 shares to be issued and used as payment of the declared dividend in proportion to the 37.52 shares. In order to determine the number of shares to be declared, the price per share was authorized based on the closing price of share of $18.76 (eighteen pesos and 76 cents), of which $0.50 (zero pesos fifty cents) corresponds to the notional amount, and the difference to a premium on share subscription.

In April 2013, Alsea declared a dividend payment of $343,880 with a charge to the after-tax earnings account, which is to be paid against net earnings at the $0.50 (zero pesos fifty cents) per share.

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.

At December 31, 2013 and December 31, 2012, subscribed fixed and variable capital stock is comprised of 687,759,054 common nominative shares with no par value, as shown below:

Description	Number of shares	Amount
Fixed portion of capital stock at December 31, 2013	687,759,054	$ 403,339
Fixed portion of capital stock at December 31, 2012	687,759,054	$ 403,339
Fixed capital stock	489,157,480	$ 304,038
Variable capital stock	128,647,244	64,324
Repurchased shares (par value)	(11,802,800)	(5,901)
Capital stock at January 1, 2012	606,001,924	$ 362,461

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, 2013.

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 contributed capital.

In January 2012, Café Sirena, S. de R.L. de C.V. declared a cash dividend of $150,000, paid in proportion to the value of each of the equity participation units comprising the company's capital stock. The amount corresponding to the non-controlling interest totaled $27,000.

In February 2013, Café Sirena, S. de R.L. de C.V. declared a cash dividend of $170,000, which was paid in proportion to the value of each of the equity participation units comprising capital stock. The amount corresponding to the non-controlling interest was $30,600.

In August 2012, it was agreed to convert variable capital stock to fixed minimum capital stock, by converting 145,113,201 single series, Class II shares currently comprising the variable portion of the capital stock to the same number of single series, Class I shares comprising the minimum fixed portion, after which the shareholders continue to hold the same number of shares.

b. **Stockholders' equity restrictions**

I. Five percent of net earnings for the period must be set aside to create the legal reserve until it reaches 20 percent of the capital stock. At December 31, 2013, the legal reserve amounted to $100,736, which amount does not cover the required 20%.

II. Dividends paid from retained earnings are not subject to ISR if paid from the after-tax earnings account (CUFIN), and 30% must be paid on the excess, i.e., the result arrived at by multiplying the dividend paid by a factor of 1.4286. The tax accrued on the dividend payment not arising from the CUFIN must be paid by the Entity and may be credited against corporate IT in the following two years.

25. Non-controlling interest

Following is a deatil of the non-controlling interest:

		Amount
Beginning balance at January 1, 2012	$	298,803
Equity in results for the year ended December 31, 2012		36,880
Café Sirena dividends declared in 2012		(27,000)
Acquisition of the non-controlling interest of Grupo Calpik		(15,172)
Acquisition of the non-controlling interest of Panadería y Alimentos para Food Service		(11,748)
Non-controlling interest resulting from acquisition of Italianni´s		26,426
Ending balance at December 31, 2012		308,189
Equity in results for the year ended December 31, 2013		(17,694)
Café Sirena dividends declared in 2013		(30,600)
Non-controlling interest resulting from the acquisition of Burger King Mexicana		217,534
Purchase of non-controlling interest of Café Sirena		(201,445)
Purchase of non-controlling interest of Starbucks Coffee Argentina		(44,109)
Ending balance at December 31, 2013	$	231,875

a. **Acquisition of the non-controlling interest of Starbucks Coffee Argentina-**

The Entity acquired from Starbucks Coffe International (an affiliate of Starbucks Coffee Company) the remaining 18% of Starbucks Coffee Argentina, S.R.L. (Starbucks Argentina), a subsidiary of Alsea that operates the Starbucks Coffee stores in Argentina.

For accounting purposes, the transaction did not constitute a change in control over Starbucks Coffee Argentina prior to the purchase of the non-controlling interest. As the Entity had been previously consolidating with the subsidiary, such accounting remained unchanged.

The change of interest in Starbucks Coffee Argentina by Alsea upon acquisition of the non-controlling interest (from 82% to 100%) qualified as a equity transaction.

Accordingly, the difference between the carrying of the non-controlling interest at the time of acquisition and the fair value of the amount paid was recorded directly in stockholders' equity.

The accounting entry gave rise to a $44,109 decrease in the non-controlling interest.

b. ***Acquisition of the non-controlling interest of Starbucks Coffee Mexico***

In April 2013, the Entity acquired from SCI the 18% that it did not hold in Café Sirena, a subsidiary of Alsea that operates in the different Starbucks® stores in Mexico.

For consolidation purposes, the transaction did not constitute a change in control over Café Sirena prior to the purchase of the non-controlling interest. As the Entity had been previously consolidating the subsidiary, such accounting remained unchanged.

The change of interest in Café Sirena by Alsea upon acquisition of the non-controlling interest (from 82% to 100%) qualified as an equity transaction. Accordingly, the difference between the carrying value of the non-controlling interest at the time of acquisition and the fair value of amount paid was recorded directly in stockholders´equity.

The accounting entry gave rise to a decrease in the non-controlling interest of $201,445.

26. 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, 2013 and 2012, 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:

	2013	2012
Net profit (in thousands of pesos):		
Attributable to shareholders	$ 681,014	$ 364,918
Shares (in thousands of shares):		
Weighted average of shares outstanding	687,514	637,329
Basic earnings per share	$ 0.99	$ 0.57

27. Revenues

	2013	2012
Revenues from the sale of goods	$ 15,305,418	$ 13,202,516
Services	249,174	223,685
Royalties	163,951	93,305
Total	$ 15,718,543	$ 13,519,506

28. Employee benefit expenses

Following are the expenses incurred for employee benefits included under other operating costs and expenses in the consolidated statements of income.

	2013	2012
Wages and salaries	$ 2,837,545	$ 2,552,834
Social Security costs	517,627	309,891
Retirement benefits	27,678	21,923
Total	$ 3,382,850	$ 2,884,648

29. Other income

In 2013 and 2012, this caption is comprised as follows:

	2013	2012
Legal expenses	$ 18,552	$ 1,425
Loss on fixed assets disposals, net	24,386	64,200
PTU on tax base	3,920	4,782
Inflation and interest on tax refund	(24,347)	(2,220)
Other (income) expenses, net	(45,310)	(77,991)
Total	$ (22,799)	$ (9,804)

30. 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 nine-month period ended December 31, 2013 and 2012 was of approximately $159,000 and $109,000, respectively. That amount includes payments determined at a General Stockholders' Meeting for performance of their duties during that year, as well as for salaries and wages.

The Entity continuously reviews salaries, bonuses and other compensation plans in order to ensure more competitive employee compensation conditions.

31. Financial information by segments

The Entity is organized into three large operating divisions comprised of sales of food and beverages in Mexico andn South America and distribution services, 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 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.

Fast Casual Dining: This is a combination of the fast food and casual dining segments.

The Distribution and Production segment is defined as follows:

Distribuidora e Importadora Alsea, S.A. de C.V. (DIA) specializes in domestic purchase, importation, transporting, storage and distribution of frozen, refrigerated and dry food products to supply all Domino´s Pizza, Burger King, Starbucks, Chilis Grill & Bar, P.F. Chang´s China Bistro, Pei Wei and Italianni´s establishments in Mexico.

Additionally, DIA is responsible for preparing and distributing pizza dough to the entire Domino's Pizza System in Mexico.

Panadería y Alimentos para Food Service, S.A. de C.V. This plant produces sandwiches and bread that are supplied to Starbucks and the other Alsea brands. The business model contemplates a central plant located in Lerma, in the State of Mexico, where the Pastry and Bakery products and sandwiches are prepared.

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, 2013 and 2012 is as follows: (figures in millions of pesos)

Figures in millions of pesos at December 31, 2013

	Food and beverages - Mexico segment		Food and beverages – LATAM segment		Distribution and production segment		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenues										
From third parties	$ 10,346	$ 8,752	$ 4,219	$ 3,416	$ 1,130	$ 1,331	$ 24	$ 20	$ 15,719	$ 13,519
Between segments	25	-	-	-	3,200	2,701	(3,225)	(2,701)	-	-
Revenues	10,371	8,752	4,219	3,416	4,330	4,032	(3,201)	(2,681)	15,719	13,519
Costs	3,378	2,957	1,440	1,129	3,615	3,366	(3,205)	(2,696)	5,228	4,756
Other operating costs and expenses	5,431	4,421	2,501	2,073	461	459	59	202	8,452	7,155
Depreciation and amortization	637	558	178	168	62	51	47	34	924	811
Interest paid	156	122	54	28	10	9	21	86	241	245
Interest earned	(123)	(76)	(26)	(6)	(2)	-	112	35	(39)	(47)
Other financial expenses	2	13	18	2	-	34	(12)	(57)	8	(8)
	890	757	54	22	184	113	(223)	(285)	905	607
Equity in results of associated companies	-	-	-	13	-	-	43	(1)	43	12
Income taxes	201	182	71	49	30	(8)	(17)	(4)	285	219
Results of segments	689	575	(17)	(27)	154	121	(163)	(282)	663	400
Non-controlling interest	-	-	-	-	-	-	-	-	(18)	37
Controlling interest	$ 689	$ 575	$ (17)	$ (27)	$ 154	$ 121	$ (163)	$ (282)	$ 681	$ 363
Assets:	$ 10,564	$ 12,200	$ 2,388	$ 1,294	$ 2,022	$ 1,674	$ (4,562)	$ (6,396)	$ 10,412	$ 8,772
Investment in performing assets										
(Investment in associated companies)	-	-	-	40	-	-	789	-	789	40
(Investment in fixed assets and Int. Assets)	1,031	628	216	277	31	34	(20)	47	1,258	986
Total assets	$ 11,595	$ 12,828	$ 2,604	$ 1,611	$ 2,053	$ 1,708	$ (3,793)	$ (6,349)	$ 12,459	$ 9,798
Total liabilities	$ 6,449	$ 6,556	$ 2,371	$ 1,137	$ 1,335	$ 1,003	$ (2,277)	$ (3,727)	$ 7,878	$ 4,969

32. Foreign currency position

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2013 and 2012, are as follows:

	Thousands of dollars 2013	Thousands of dollars 2012
Assets	$ 621,813	$ 484,234
Liabilities	(742,732)	(390,432)
Net monetary asset (liability) position	$ (120,919)	$ 93,802

The exchange rate to the US dollar at December 31, 2013 and 2012 was $13.05 and $13.01, respectively. At February 21, 2014, date of issuance of the financial statements, the exchange rate was $12.3438 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2013 and 2012 and at the date of issuance of these financial statements are shown below:

Country of origin	Currency	Closing exchange rate	Issue February 21, 2014
2013			
Argentina	Argentinian peso (ARP)	2.0108	1.7091
Chile	Chilean peso (CLP)	0.0248	0.0240
Colombia	Colombian peso (COP)	0.0067	0.0065

Country of origin	Currency	Closing exchange rate	Issue March 29, 2013
2012			
Argentina	Argentinian peso (ARP)	2.6486	2.4088
Chile	Chilean peso (CLP)	0.0271	0.0261
Colombia	Colombian peso (COP)	0.0074	0.0067

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
Dominalco, S. A.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S. A.	Colombia	COP	COP	MXP
Asian Bistro Colombia, S.A.S	Colombia	COP	COP	MXP

33. 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 13).

b) Operating lease agreements cannot be canceled. Future minimum lease payments are as follows:

	2013	2012
1 year or less	$ 917,838	$ 1,049,809
More than 1 to 5 years	4,061,677	3,577,643

c) The Entity has acquired several commitments with respect to the arrangements established in the agreements for purchase of the brands.

d) In the regular 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.

Contingent liabilities:

In August 2012, Italcafé received an order for an on-site official review by the tax authorities. Such visit concluded in August 2013 with certain observations regarding income that the authorities considered had not been declared and differences in VAT paid. Italcafé is currently in the phase for submitting additional documentation in order to clarify the aforementioned differences. The authorities have a six-month term, that concludes in February 2014, to assess a tax debt of approximately $146 million.

On the basis of the foregoing, Alsea will file an appeal against a possible tax debt. It is important to mention that the former owners of Italcafé will assume the economic effects arising from such tax debt in light of the terms and conditions set forth in the agreements signed by Alsea and the sellers.

Italcafé is entitled to request the intervention of PRODECON (Taxpayer Protection Bureau) to support the Entity with this issue at the Federal District Treasury, which matter is being analyzed and processed by the Entity's external advisors.

34. Financial statement authorization

The enclosed consolidated financial statements were authorized for issuance on February 21, 2014 by Mr. Diego Gaxiola Cuevas, 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.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas
Mr. Fabián Gosselin Castro Chief Executive Officer	Mr. Diego Gaxiola Cuevas Chief Financial Officer

/s/ Alejandro Villarruel Morales

Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

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Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated financial statements for the years ended December 31, 2012 and 2011, and Independent Auditors' Report Dated March 29, 2013

Alsea, S.A.B. de C.V. and Subsidiaries

Independent auditors' report and consolidated financial statements for 2012 and 2011

Contents **Page**

Independent auditors' report to the Board of Directors and Shareholders of Alsea, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Alsea, S.A.B. de C.V. and Subsidiaries (the Entity), which comprise the consolidated statement of financial position at December 31, 2012 and the consolidated statements of comprehensive income and other comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Other matter

The financial statements of Alsea, S.A.B. de C.V. and Subsidiaries as of December 31, 2011 and January 1, 2011 and for the year ended December 31, 2011 were audited by other auditors, who expressed an unmodified opinion on those consolidated financial statements dated March 29, 2013.

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

/s/ Francisco Torres Uruchurtu

C. P. C. Francisco Torres Uruchurtu

March 29, 2013

Independent auditors' report

The Board of Directors and Stockholders
Alsea, S.A.B. de C.V.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit a1so includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(Continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alsea, S.A.B. de C.V. and subsidiaries as at December 31, 2011 and January 1, 2011 (date of transition), and their consolidated financial performance and their consolidated cash flows for the year ended December 31, 2011, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG CARDENAS DOSAL, S.C.

/s/ Jaime Sánchez Mejorada Fernández
C.P.C. Jaime Sánchez Mejorada Fernández

March 29, 2013

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of financial position

At December 31, 2012 and 2011 and January 1, 2011 (date of transition)
(Figures in thousands of Mexican pesos)

Assets	Notes	2012	2011	Date of transition
Current assets				
Cash and cash equivalents	6	$ 932,594	$ 739,379	$ 640,203
Customers, net	7	339,481	219,350	207,224
Value added tax and other recoverable taxes		272,254	243,736	218,037
Other accounts receivable		196,450	166,228	39,482
Inventories, net	8	550,394	403,130	352,325
Advance payments	9	184,201	128,631	95,233
Guarantee deposits	10	-	2,262,800	-
Total current assets		2,475,374	4,163,254	1,552,504
Long-term assets				
Guarantee deposits	10	110,020	86,991	78,168
Investment in shares of associated company	11	40,296	30,394	20,783
Store equipment, leasehold improvements and property, net	12	3,924,108	3,472,420	2,994,123
Intangible assets, net	12	2,418,830	928,695	914,626
Deferred income taxes	23b	828,965	692,420	544,474
Total long-term assets		7,322,219	5,210,920	4,552,174
Total assets		$ 9,797,593	$ 9,374,174	$ 6,104,678

Liabilities and stockholders' equity	Notes	2012	2011	Date of transition
Current liabilities				
Current maturities of long-term debt	15	$ 396,647	$ 185,333	$ 229,524
Suppliers		1,129,612	1,021,424	710,548
Accounts payable and accrued liabilities		209,669	117,633	120,092
Provisions	18	661,735	571,730	364,592
Income taxes		189,749	87,638	37,032
Taxes arising from tax consolidation		6,885	7,089	2,606
Total current assets		2,594,297	1,990,847	1,464,394
Long-term liabilities				
Long-term debt, not including current maturities	15	2,077,833	2,877,667	668,000
Debt instruments	16	-	993,531	694,834
Other liabilities		58,787	24,924	37,962
Taxes arising from tax consolidation		186,569	162,724	127,720
Employee retirement benefits	22	51,210	31,750	22,498
Total long-term liabilities		2,374,399	4,090,596	1,551,014
Total liabilities		4,968,696	6,081,443	3,015,408
Stockholders' equity	24			
Capital stock		$ 403,339	$ 362,461	$ 362,080
Premium on share issue		2,466,822	1,092,047	1,086,415
Retained earnings		1,173,693	1,118,767	1,031,772
Reserve for repurchase of shares		564,201	383,903	363,833
Other comprehensive income items		(87,347)	36,750	-
Stockholders' equity attributable to the controlling interest		4,520,708	2,993,928	2,844,100
Non-controlling interest		308,189	298,803	245,170
Total stockholders' equity		4,828,897	3,292,731	3,089,270
Total liabilities and stockholders' equity		$ 9,797,593	$ 9,374,174	$ 6,104,678

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr.. Alejandro Villarruel Morales
Chief Executive Officer	Chief Financial Officer	Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of income

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

	Notes	2012	2011
Net sales		$ 13,519,506	$ 10,668,771
Cost of sales		4,771,721	3,787,599
Leases		1,066,583	827,370
Depreciation and amortization	19	794,867	661,780
Operating costs and expenses		6,098,830	4,846,801
Other expenses (income) - Net	21	9,804	(92,154)
Interest income		(47,043)	(20,687)
Exchange gain - Net		(8,719)	(12,911)
Interest expense		245,104	151,692
		607,967	334,973
Equity in results of associated company	11	12,978	8,805
Income before income taxes		620,945	343,778
Income taxes	23	219,147	107,017
Consolidated net income		$ 401,798	$ 236,761
Net income for the year attributable to:			
Non-controlling interest		$ 36,880	$ 27,118
Controlling interest		$ 364,918	$ 209,643
Basic net earnings per share (cents per share)	25	$ 0.57	$ 0.34

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of comprehensive income

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

	2012	2011
Consolidated net income	$ 401,798	$ 236,761
Other comprehensive items:		
Valuation of financial instruments	(9,963)	9,166
Conversion of foreign operations	(114,134)	27,584
Total comprehensive income for the period, net of income taxes of $219,147and 107,017 in 2013 and 2012, respectively.	277,701	273,511
Comprehensive income for the year attributable to:		
Controlling interest	$ 240,821	$ 246,393
Non-controlling interest	$ 36,880	$ 27,118

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of changes in stockholders' equity

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

	Contributed capital				Retained earnings		Other comprehensive income items				
	Capital stock	Premium on issuance of shares	Repurchased shares	Reserve for repurchase of shares	Legal reserve	Retained earnings	Valuation of financial instruments	Effect of conversion of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at the beginning of 2011 (transition date)	$ 368,362	$ 1,086,415	$ (6,282)	$ 363,833	$ 86,051	$ 945,721	$ -	$ -	$ 2,844,100	$ 245,170	$ 3,089,270
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	26,515	26,515
Repurchased shares, net (Note 24)	-	-	381	20,070	-	-	-	-	20,451	-	20,451
Premium on share subscription (Note 24)	-	5,632	-	-	-	-	-	-	5,632	-	5,632
Transfer of legal reserve	-	-	-	-	7,560	(7,560)	-	-	-	-	-
Cash dividends (Note 24)	-	-	-	-	-	(122,648)	-	-	(122,648)	-	(122,648)
Comprehensive income	-	-	-	-	-	209,643	9,166	27,584	246,393	27,118	273,511
Balances at December 31, 2011	368,362	1,092,047	(5,901)	383,903	93,611	1,025,156	9,166	27,584	2,993,928	298,803	3,292,731
Repurchased shares, net (Note 24)	-	1,090	5,901	180,298	-	(1,090)	-	-	186,199	-	186,199
Transfer of legal reserve (Note 24)	-	-	-	-	7,125	(7,125)	-	-	-	-	-
Business acquisition and purchase of non-controlling interest (Note 1d and 14)	-	(15,262)	-	-	-	-	-	-	(15,262)	(494)	(15,756)
Share dividends (Note 24)	8,233	300,669	-	-	-	(308,902)	-	-	-	-	-
Cash dividends declared by a subsidiary (Note 24)	-	-	-	-	-	-	-	-	-	(27,000)	(27,000)
Placement of shares (Note 1c)	26,744	1,088,278	-	-	-	-	-	-	1,115,022	-	1,115,022
Comprehensive income	-	-	-	-	-	364,918	(9,963)	(114,134)	240,821	36,880	277,701
Balances at December 31, 2012	$ 403,339	$ 2,466,822	$ -	$ 564,201	$ 100,736	$ 1,072,957	$ (797)	$ (86,550)	$ 4,520,708	$ 308,189	$ 4,828,897

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas	/s/ Alejandro Villarruel Morales
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr.. Alejandro Villarruel Morales
Chief Executive Officer	Chief Financial Officer	Chief Accounting Officer

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated statements of cash flows

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

	Notes	2012	2011
Cash flows from operating activities			
Consolidated net income		$ 401,798	$ 236,761
Adjustment for:			
Income taxes		219,147	107,017
Equity in results of associated company		(12,978)	(8,805)
Financial costs		245,104	151,692
Interest income		(47,043)	(20,687)
Retirement of store equipment and property		64,200	34,099
Provisions		90,005	207,138
Depreciation and amortization	19	811,298	670,000
Cost of purchase of non-controlling interest		(11,748)	-
Effect of valuation of financial instruments		(9,963)	9,166
		1,749,820	1,386,381
Changes in working capital			
Customers		(79,917)	(10,809)
Recoverable taxes		(758)	(25,699)
Other accounts receivable		(23,263)	(126,745)
Inventories		(100,418)	(49,480)
Advance payments		(38,332)	(8,823)
Guarantee deposits		(23,029)	(37,622)
Suppliers		80,640	272,415
Taxes paid		(220,337)	(167,200)
Other liabilities		85,066	17,514
Labor obligations		19,460	9,254
Net cash flows provided by operating activities		1,448,932	1,259,186
Cash flows from investing activities			
Interest collected		47,043	20,687
Store equipment, leasehold improvements and property		(921,123)	(939,845)
Intangible assets		(220,542)	(235,904)
Guarantee deposits	10	-	(2,262,800)
Reimbursement of guarantee deposit	10	2,262,800	-
Net cash flows arising from business acquisitions	1e and 14	(1,765,000)	-
Net cash flows used in investing activities		(596,822)	(3,417,862)

(Continued)

	Notes	2012	2011
Cash flows from financing activities			
Bank loans	15	75,092	2,706,233
Amortization of bank financing		(750,168)	(537,317)
Issue of debt instruments	1b and 16	-	1,000,000
Amortization of debt instrument		(1,000,000)	(700,000)
Increase in capital stock, net of premium and expenses incurred for share issue	24	1,115,022	-
Interest paid		(245,104)	(151,692)
Dividends paid		-	(122,648)
Other items		(27,000)	26,515
Purchase of non-controlling interest		(15,262)	-
Repurchase of shares, net		186,199	26,083
Net cash flows (used in) provided by financing activities		(661,221)	2,247,174
Net increase in cash and cash equivalents		190,889	88,498
Cash and cash equivalents at beginning of year		739,379	640,203
Exchange effects on value of cash		2,326	10,678
Cash and cash equivalents at end of year		$ 932,594	$ 739,379

(Concluded)

See accompanying notes to the consolidated financial statements.

/s/ Fabián Gosselin Castro
Mr. Fabián Gosselin Castro
Chief Executive Officer

/s/ Diego Gaxiola Cuevas
Mr. Diego Gaxiola Cuevas
Chief Financial Officer

/s/ Alejandro Villarruel Morales
Mr.. Alejandro Villarruel Morales
Chief Accounting Officer

Notes to the consolidated financial statements

As of December 31, 2012 and 2011 and January 1, 2011 (transition date) and for the years ended December 31, 2012 and 2011
(Figures in thousands of pesos)

1. Activity, main operations and significant subsequent events -

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 Paseo de la Reforma No. 222, tercer piso, Col. Juárez, Delegación Cuauhtémoc C.P. 06600, México, D.F.

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.

Operations

Alsea is mainly engaged in operating fast food restaurants or "QSR" and cafeteria and casual dining units or "Casual Dining". In Mexico, the Entity operates the brands Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, California Pizza Kitchen, P.F Chang's China Bistro and Pei Wei Asian Diner, and began operating the Italianni's brand in March 2012. 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). In Chile and Argentina, it operates the Burger King brand and beginning in 2007 it began operating Starbucks in association with Starbucks International. In Colombia, it has operated the Domino's Pizza and Burger King brands since 2008. In May 2011, Alsea signed an agreement with PFCCB International, Inc. for the exclusive development and operation of P.F. Chang's China bistro in Argentina, Colombia and Chile, the latter country in which it opened its first P.F. Chang's unit in 2012.

Main operations

a. **Agreement to purchase the Burger King master franchise in Mexico.-** In December 2012, Alsea signed a Strategic Association Agreement with Burger King Worldwide, Inc. ("BKW") to acquire the master franchise of the BURGER KING® brand in Mexico for a 20-year exclusive period. Under the Strategic Association Agreement signed by Alsea and BKW, the BKW subsidiary will merge with Operadora de Franquicias Alsea S.A. de C.V. ("OFA"), a subsidiary of Alsea, with the latter as the surviving company and operator of 203 BURGER KING® restaurants in Mexico. Once the merger goes into effect, BKW will sell the OFA shares to Alsea, after which Alsea will retain 80% of OFA and BKW will retain the remaining 20%. This merger is subject to the approval of the Federal Competition Commission (CFC). The most significant rights and responsibilities acquired by Alsea, through OFA, are: i.- Operating control over the BURGER KING® brand throughout Mexico, ii.- The acquisition of 97 BURGER KING® restaurants for operation of a total of 203 units, iii.- Exclusivity in Mexico for a 20-year period, iv.- Collection of royalties from its sub-franchisees; and v.- A development plan that contemplates new BURGER KING® corporate stores and sub-franchisees for the following 20 years.

b. **Early amortization of the "ALSEA 11" debt instrument.-** In May 2011, Alsea placed debt instruments for a total of $1,000 million in the Mexican market (the "ALSEA 11" debt instrument). The resources obtained from that issuance were used mainly to prepay the debt instruments issued in December 2009 and March 2010 for $300 million and $400 million, respectively.

In December 2012, Alsea prepaid the total amount of the ALSEA 11 debt instrument. The payment was for approximately $1,004.7 million, which included accrued interest. Payment was made using part of the resources obtained from a capital issuance carried out by the Entity, which helped to improve the cost of the debt and the maturity profile. (Note 16)

c. **Capital issue.-** In December 2012, Alsea issued stock worth $1,150 million, including exercise of the overallotment option. The issue was carried out in the Mexican market through the Mexican Stock Exchange (BMV for its initials in Spanish) and through foreign markets pursuant to a private offering in accordance with Regulation "S" of the US Securities Act of 1933, as amended. The final placement price was $21.50 per share, with a placement of approximately 53.49 million shares. As a result of the issue and the exercise of the overallotment option, Alsea's subscribed and paid in capital was comprised of 687,759,054 (six hundred eighty seven million, seven hundred fifty nine thousand, fifty four) Class I, single series, common shares, with no par value. The Entity used the resources derived from this issuance to prepay the ALSEA 11 debt instrument, which had an original maturity date in 2014. As a result of the prepayment, the leverage ratio (Net Debt to EBITDA) of the Entity decreased from 1.9x to 1.2x (based on figures at September 30, 2012. (Note 24)

d. ***Acquisition of 35% of Grupo Calpik, S.A.P.I. de C.V. and 10.64 % of Panadería y Alimentos para Food Service, S.A de C.V..-*** In June 2012, the Entity finalized the acquisition of the remaining 35% shares of Grupo Calpik, a company that holds the exclusive rights to develop and operate California Pizza Kitchen restaurants in Mexico. The transaction gave rise to a charge to stockholders' equity of $15,262. Additionally, in October 2012, the Entity acquired the remaining 10.64% shares of Panadería y Alimentos para Food Service, a company that distributes food brands mainly to Café Sirena, S de R.L. de C.V., which operates Starbucks in Mexico. The transaction gave rise to a decrease in the Entity's non-controlling interest of $15,172 and $11,748, respectively. (Note 24)

e. ***Agreement to acquire Italianni's restaurants and the exclusive rights to develop and operate that brand of restaurants in Mexico.-*** The Italianni's acquisition concluded in February 2012 at a final price of $1,765 million.

   Italianni's is a leading Italian food chain in Mexico with more than 52 units in over 20 states. The brand is known for offering top quality products and services thanks to its experienced operating team and a philosophy based on high service values. (Note 14)

f. ***Acquisition of the master license and exclusive development rights for operating the Pei Wei Asian Dinner (Pei Wei) brand in Mexico.-*** As part of its expansion plan, in October 2011, Alsea signed an exclusive development and master license agreement to operate the Pei Wei brand in the entire Mexican territory. The agreement stipulates the obligation to open three units in the first 18 months and the right to a 10-year exclusivity agreement, with a commitment to open 50 units in total and the right to extend the term. The first restaurant commenced operations in December 2011.

   The concept behind the brand is an Asian food menu operating in Mexico under a business model of sit-down, to go and home delivery service, thus adding value to the brand.

   Pei Wei is the leading Asian food brand in the US under the "Fast Casual" category, which means that by signing the agreement, Alsea becomes the pioneer in Mexico operating under this concept.

g. ***New agreements signed with Starbucks Coffee International (SCI) for Mexico, Argentina and Chile.-*** In October 2011, Alsea established new agreements with SCI in order to further develop the brand abroad. Alsea currently holds an 82% shareholding in over the Starbucks Mexico and Starbucks Argentina subsidiaries and SCI holds the remaining 18%. Shareholding over the subsidiary in Chile is 82% for SCI and 18% for Alsea.

   Under the initial agreements, SCI has the option to increase its shareholding in the Mexico and Argentina subsidiaries by up to 50% and for the Chilean subsidiary Alsea has the option to increase its shareholding by up to 49%.

As a result of the new agreements signed with SCI to develop the brand, Alsea has committed to develop more than 300 new units for the Mexico and Argentina markets in the next five years. If the proposed openings plan is achieved and all the agreed terms are met, SCI will waive its right to increase its shareholding in the Mexico and Argentina subsidiaries.

The agreements also include an extension of Alsea's rights to develop the brand in Mexico for an additional five years, which means that the agreement could extend to February 2027.

h. ***Agreement for development and exclusive operation of the P.F. Chang's China Bistro brand in Argentina, Chile and Colombia -*** In May 2011, Alsea signed the exclusive development agreement and bought a franchise to operate and develop the P.F. Chang's brand restaurants in Argentina, Chile and Colombia. As part of the agreement, Alsea will open 7 restaurants in Argentina and 5 in Chile and Colombia over the next ten years.

i. ***Incorporation of Panadería y Alimentos para Food Service, S. A. de C. V.-*** Panadería y Alimentos para Food Service, S. A. de C. V. was incorporated in November 2010 and started operating in September 2011 to continue the vertical development of the Entity. Alsea invested in the incorporation and development of a new plant that produces sandwiches and bread that is supplied to Starbucks and the other Alsea brands. The business model contemplates the central plant located in Lerma, State of Mexico, where 100% of Pastry and Bakery goods are to be produced and 65% of sandwiches will be assembled. In addition to that plant, there are three regional assembly centers located in the DIA Monterrey, Cancun and Hermosillo facilities for assembly of the regional sandwiches.

Significant subsequent events

Acquisition of the exclusive rights to develop the P.F. Chang's China Bistro brand in Brazil. -

In January 2013, the Entity signed a Development and Operation agreement for the exclusive development of the P.F. Chang's China Bistro brand in Brazil. The agreements contemplate the opening of 30 units in the next 10 years. P.F. Chang's is the leading brand in the Casual Asian Food segment in the US with more than 225 operating units. It currently has points of sale in Mexico, Puerto Rico, Canada, Kuwait, Beirut, Chile, Hawaii, the Philippines and the United Arab Emirates. In order to introduce P.F. Chang's into the Brazilian market, a development and expansion strategy was designed based on the successful business model used to operate the brand portfolio in South America. That model has made it possible to position Alsea as the leading Casual and Fast-food operator in Latin America. With Brazil operations as the new path for growth, the Entity will work towards generating greater diversification and profitability of its portfolio.

Rights to the exclusive development and operation of The Cheesecake Factory® restaurants in Mexico.

Alsea signed an agreement to be the exclusive developer and operator of The Cheesecake Factory® restaurants in Mexico and Chile, which also contemplates the option for Argentina, Brazil, Colombia and Peru, thus becoming the strategic partner of the prestigious brand in the entire region.

The agreement initially contemplates the development of 12 openings between Mexico and Chile in the following eight years with 10-year agreements per restaurant, and a right to extend that period to an additional 10 years.

The Cheesecake Factory® chain is considered the best seller per unit in its category. The brand focuses on providing customers with top quality products and services. Its operations include 162 restaurants under the The Cheesecake Factory® brand in over 35 states of the United States of America operating under a franchise license.

2. Bases for presentation

a. *Adoption of International Financial Reporting Standards.*

As of January 1, 2012, the Entity adopted International Financial Reporting Standards (IFRS) and the amendments and interpretations thereto issued by the International Accounting Standards Board (IASB) in effect as of December 31, 2012. Therefore, it applied IFRS 1, *First-time Adoption of International Financial Reporting Standards.* These consolidated financial statements have been prepared in accordance with the standards and interpretations issued and enacted at the date of their issuance.

- ***Transition to IFRS***

  The consolidated financial statements at December 31, 2011 were the last statements prepared in accordance with Mexican Financial Reporting Standards (MFRS). Those reports differ in certain areas in relation to the IFRS. In preparing the consolidated financial statements at December 31, 2012 and 2011 and for the years ended on those dates, the Entity's Management has changed certain methods of accounting presentation and valuation applied under MFRS to comply with IFRS. The comparative figures at December 31, 2011 and for the year ended on that date were modified to reflect adoption of said standards. The Entity's date of transition, which is defined as the beginning of the earliest period for which the Entity is presenting comparative information, is January 1, 2011 ("date of transition").

  The reconciliations and descriptions of the effects of transition from MFRS to IFRS on the statements of financial position, of income and of other comprehensive income are explained in Note 32.

b. *Bases for presentation*

The Entity's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are valued at fair value, as explained in further detail in the section on accounting policies.

i. Historical cost

   The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

ii. Fair value

   The fair value is defined as the price to be received from the sale of an asset, or to be paid on the transfer of a liability in an orderly transaction between market participants at valuation date.

c. Bases for consolidation of the financial statements

The consolidated financial statements include those of the Entity and the subsidiaries over which it holds control. Control is obtained when the Entity has the power to govern the financial and operating policies of an entity in order to benefit from its operations. The shareholding in its capital stock is as follows:

Subsidiary and/or associate	Operations	Shareholding percentage (%)		
		2012	2011	Date of transition
Panadería y Alimentos para Food Service	Distribution of Alsea brand foods	100.00%	89.36%	89.36%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Mexico	82.00%	82.00%	82.00%
Operadora de Franquicias Alsea, S.A. de C.V.	Operator of the Burger King brand in Mexico	99.99%	99.99%	99.99%
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	99.99%	99.99%	99.99%
Gastrosur, S.A. de C.V.	Operator of the Chili's Grill & Bar brand in Mexico	99.99%	99.99%	99.99%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	99.99%	99.99%	99.99%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	99.99%	99.99%	99.99%
Starbucks Coffee Argentina, S.R.L	Operator of the Starbucks brand in Argentina	82.00%	82.00%	82.00%
Dominalco, S.A.	Operator of the Domino's Pizza brand in Colombia	95.00%	95.00%	95.00%
Servicios Múltiples Empresariales ACD S.A. de C.V. SOFOM E.N.R	Operator of Factoring and Financial Leasing in Mexico	99.99%	99.99%	99.99%
Asian Bistro Colombia, S.A.S	Operator of the P.F. Chang's brand in Colombia	100.00%	100.00%	-
Asian Bistro Argentina S.R.L.	Operator of the P.F. Chang's brand in Argentina	100.00%	100.00%	-
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.00%	95.00%	95.00%
Asian Food Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%	-
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	99.99%	65.00%	65.00%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's and Pei Wei brands in Mexico	99.99%	99.99%	99.99%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	99.99%	99.99%	99.99%
Italcafe, 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	89.77%	-	-
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	93.86%	-	-
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	94.88%	-	-
Associate:				
Starbucks Coffee Chile, S.A. (1)	Operator of the Starbucks brand in Chile	18.00%	18.00%	18.00%

(1) The investment in shares of associate company was valued through the equity method (see Note 11).

The balances and transactions between the consolidated entities have been eliminated.

The results of subsidiaries acquired in the year are included in the consolidated statements of income and comprehensive income as of the date of acquisition.

The non-controlling interests in subsidiaries are identified separately with respect to the investment that the Entity holds in an investee. They may be initially valued either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the investee's identifiable net assets. The choice of the measurement basis is made individually for each transaction. After acquisition, the carrying value of the non-controlling interests represents the amount of such interests as of initial recognition plus the non-controlling interest's portion of equity of the investee. As well, 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.

i. ***Subsidiaries -*** Subsidiaries are all entities (including special purpose entities SPEs) over which the Entity has the power to govern the operating and financial policies, generally as a result of holding more than half of their voting rights. The existence and effects of potential voting rights that can be presently exercised or are convertible, are considered when evaluating whether or not the Entity controls the other entity. The subsidiaries consolidate as from the date on which control thereof is transferred to the Entity, and they stop consolidating as from the date on which said control is lost. In accordance with the former Standards Interpretations Committee (SIC) Interpretation 12, SPEs are deemed to consolidate when the substance of the relationship between the Entity and the SPEs indicate that they are controlled by the Entity.

   The accounting policies of the subsidiaries have been modified to the extent necessary to ensure consistency with the policies adopted by the Entity.

ii. ***Associates -*** Associates are all entities over which the Entity exercises significant influence but not control. Generally speaking, those are entities over which shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at historical cost and subsequently through the equity method. The Entity's investment in associates includes goodwill (net of accrued impairment loss, if any) identified at the time of acquisition.

Changes in the Entity's equity in existing subsidiaries

The changes in investments in the Entity's subsidiaries that do not give rise to loss of control are recorded as stockholders' equity transactions. The carrying value of the Entity's investments and non-controlling interests is adjusted to reflect the changes in investments in subsidiaries. Any differences between the amount for which non-controlling interests are adjusted and the fair value of the consideration paid or received are recorded directly in capital and are attributed to the Entity's owners.

When the Entity losses control over a subsidiary, the related gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any interest retained and (ii) the prior carrying value of assets (including goodwill) liabilities and any non-controlling interest. Amounts previously recorded under other comprehensive income related to the subsidiary are recorded in the same manner as disposals of relevant assets and liabilities (i.e. they are reclassified to income or are directly transferred to retained earnings). The fair value of any investments retained in the former subsidiary at the date of control loss is considered the fair value of initial recognition for subsequent accounting treatment, as established in IAS 39, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost of initial recognition of an investment in an associate or an entity under joint control.

3. Summary of the main accounting policies

The accompanying consolidated financial statements comply with IFRS issued by the IASB. Preparation of these consolidated financial statements requires the Entity's Management to prepare certain estimates and use certain assumptions to value different consolidated financial statement line items and to provide the necessary disclosures. However, actual results could differ from those estimates. After applying its professional judgment, the Entity's Management considers that the estimates and assumptions used were appropriate under the circumstances (see Note 4). The main accounting policies followed by the Entity are described below:

a. *Reclassifications*

Certain captions within the consolidated financial statements for the year ended on December 31, 2011 have been reclassified to conform their presentation to that for 2012.

b. *Financial instruments*

i) *Financial assets*

Initial recognition

The financial assets covered by IAS 39 are classified as financial assets at fair value with changes in income, loans and accounts receivable, investments held to maturity, financial investments available for sale, or as derivative instruments designated as hedging instruments in an effective hedge, as the case may be. The Entity determines the classification of financial assets at the time of their initial recognition.

All financial assets are initially recognized at their fair value plus, in the case of financial assets not accounted for at fair value with changes in income, the transaction costs that are directly attributable.

Financial asset purchases or sales that require delivering the related assets in a period of time specified by a standard or market convention (conventional purchases-sales or regular way trades) are recognized at the date of the purchase-sale, i.e., the date on which the Entity agrees to purchase or sell the asset.

After their initial recognition, financial assets or liabilities are valued at each reporting date according to their classification, either as assets measured at fair value or at amortized cost.

Subsequent measurement

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After their initial recognition, those financial assets are measured at amortized cost using the effective interest method, less any impairment in value.

The amortized cost is calculated considering any discounts or premiums on acquisition, and any commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the consolidated statements of income as financial income. Any losses resulting from impairment in value are recognized in the consolidated statements of income as part of the financial cost.

Cancellation of accounts

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is canceled when:

a) The contractual rights to receive cash flows generated by the asset have expired;

b) The contractual rights over cash flows generated by the asset have been transferred, or an obligation to pay a third party the entirety of such cash flows without a significant delay through a pass through arrangement has been assumed, and

   i. All risks and benefits inherent to ownership of the asset have been substantially transferred; or

   ii. All risks and benefits inherent to ownership of the assets have not been transferred or retained substantially, but control thereof has been transferred.

When the contractual rights to receive cash flows generated by an asset have been transferred, or a transfer agreement has been signed, but not all risks and benefits inherent to ownership of the asset have been substantially transferred or retained, nor has control thereof been transferred, the asset must continue to be recognized to the degree of the continued involvement of the Entity in regard to the asset. In that case, the Entity must also recognize the related liability. The transferred asset and related liability must be measured in a way that reflects the rights and responsibilities retained by the Entity.

Continuous involvement that takes on the form of a guaranty over the transferred asset must be measured at the lower of the original carrying value of the asset and the maximum amount of the consideration that the Entity is required to return.

Impairment in the value of financial assets

At the close of each period being reported, the Entity evaluates whether or not there is objective evidence that the value of a financial asset or a group of financial assets has deteriorated. The value of a financial asset or group of financial assets is considered to have been impaired if, and only if, there is objective evidence of impairment in said value resulting from one or more events occurring after initial recognition of the assets (an "event that causes an impairment loss"), and when the impairment causing event has an effect on estimated future cash flows arising from the financial asset or group thereof and such effect can be reasonably estimated. Evidence of impairment in value could include, among others, indicators such as debtors or a group of debtors experiencing significant financial difficulties, default or late payment of amounts owed on the capital or interest, the probability of entities filing for bankruptcy or adopting another form of financial reorganization, or observable data indicating a measurable decrease in expected future cash flows, as well as adverse changes in the status of late payments, or in economic conditions correlated to default.

In the case of financial assets accounted for at amortized cost, the Entity first evaluates whether or not there is objective evidence of impairment in their value, individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Entity determines that there is no objective evidence of impairment in the value of a financial asset evaluated individually, irrespective of its materiality, it includes said asset in a group of financial assets with similar credit risk features, and it evaluates them collectively to determine the existence of impairment in their value.

Assets that are evaluated individually to determine the existence of impairment in their value, and for which an impairment loss has been or continues to be recognized, are not included in the evaluation of impairment in value collectively.

If there is objective evidence that there has been a loss due to impairment in value, the amount of the loss is measured as the difference between the carrying value of the asset and the present value of estimated future cash flows (not including expected future loan losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the original effective interest rate of the financial assets. If a loan is subject to a variable interest rate, the discount rate used to measure impairment losses is the present effective interest rate.

The carrying value of the asset is reduced through a provision account and the amount of the loss is recognized in income for the period. Interest earned continues to accrue on the reduced carrying value of the asset, using the interest rate for discounting future cash flows from the result of measuring the impairment loss in value. Interest earned is recorded as financial income in income for the year. The loans and the respective provision are canceled when there are no realistic expectations of recovering the amount in the future and all existing guarantees have been exercised or transferred to the Entity. If in a subsequent year the estimated amount of the impairment loss increases or decreases due to an event occurring after the impairment is recognized, the loss for impairment in value recognized previously is increased or reduced adjusting the reserve account. If an item attributed to the loss is recovered subsequently, the recovery is credited in the account in which the reserve was recorded under operating expenses for the period. (Note 17)

ii) ***Financial liabilities***

Initial recognition and measurement

The financial liabilities covered by IAS 39 are classified as financial liabilities at fair value with changes in income, loans and accounts payable, or as derivative instruments designated as hedging instruments in an effective hedge, as the case may be. The Entity determines the classification of financial liabilities at the time of their initial recognition.

All financial liabilities are initially recognized at their fair value plus, in the case of loans and accounts payable accounted for at amortized cost, the transaction costs that are directly attributable.

The Entity's financial liabilities include accounts payable to suppliers, other accounts payable, and short and long-term debt, and they are accounted for as financial liabilities measured at their amortized cost.

Subsequent measurement

After their initial recognition, accounts payable and debt are measured at amortized cost using the effective interest method. The amortized cost is calculated considering any discounts or premiums on acquisition and any commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the consolidated statements of income as financial cost.

Cancellation of accounts

A financial liability is canceled when an obligation specified in the respective agreement has been paid or canceled, or when it has expired.

When an existing financial liability is replaced by another liability from the same lender under substantially different conditions, or if the conditions of an existing liability change substantially, said change is treated as a cancellation of the original liability and a new liability is recognized, and the difference in the respective values is recognized in the consolidated statements of income.

iii) *Financial instrument offsetting*

Financial assets and financial liabilities are offset by reporting the net amount in the consolidated statements of financial position, only if there is a legal right of offset of the amounts recognized and if there is an intention to settle the net amount or to realize said assets and cancel the liabilities simultaneously.

b. *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 flows, which also helps to maintain a cost of debt strategy. DFIs used are only held for economic hedge purposes, through which the Entity agrees to trade cash flows at future fixed dates, at the nominal or reference value, and they are valued at fair value.

The Entity must define monthly the price levels at which the Corporate Treasury must operate the different derivative financial instruments. Under no circumstances should amounts above the monthly resource requirements be operated, thus ensuring that there is always a position at risk to hedge and that the derivative instruments are not held for speculation. Given the variety of derivative instruments available to cover risks, Management is empowered to define the operations for which said instruments are contracted, provided they are held for economic hedging and not for speculative purposes.

Operations with DFI 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.

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 exceeds certain established credit limits.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls as much as possible and diversify the risk for the counterparty.

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 related to the Entity's risk management: BBVA Bancomer S.A., Banco Nacional de México, S. A., Banco Santander, S. A., Barclays Bank México S. A., Deutsche Bank AG, Goldman, Sachs Paris Inc. Etcie., HSBC México S. A., Merril Lynch Capital Services Inc., Morgan Stanley Capital Services Inc., and UBS AG. The Entity may choose other entities, provided that they are regulated and authorized to carry out that type of operations.

Valuation -

DFIs are initially recorded at fair value, which is represented by the transaction cost. After their initial recognition, DFIs are valued at fair value at each reporting date and any changes in value are recognized in the statement of income, except when said derivatives have been formally designated and they meet the requirements to be considered as hedging instruments.

In the case of cash flow hedges, the effective portion of gains or losses of the hedging instrument are recognized under items of other comprehensive income or loss, and they are reclassified to income in the same period or periods in which the projected hedged transaction affects results. The ineffective portions, as well as any derivative financial instruments that do not meet hedging criteria, are immediately recorded in income for the year.

Identified risks are those related to variations in exchange rate and interest rate. Derivative instruments are contracted under Entity policies and no risks are expected to occur that differ from the purpose for which those instruments are contracted.

c. ***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 for trade, changes in their fair value are recognized in income for the period.

Changes in the fair value of embedded derivatives designated for hedging are recorded 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 are valued at fair value and are recorded in income; (2) when they relate to cash flow 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.

d. ***Inventories and cost of sales***

Inventories are valued at cost or at net realizable value, the lower of the two. Costs, including a portion of fixed and variable indirect costs, are assigned to inventories through the most appropriate method for the specific type of inventory. In assigning the unit cost of inventories, the Entity uses the average cost method (AC).

Cost of sales represents the cost of inventories at the time of sale, increased, when applicable, by reductions in the net realization value of inventories during the year.

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. (Note 8)

e. ***Business combinations***

Business acquisitions are accounted using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Entity, less liabilities incurred by the Entity with the former owners of the purchased company and the interests in capital issued by the Entity in exchange for control over the acquired company at acquisition date. Costs related to an acquisition are generally recorded in the consolidated statements of income as they are incurred.

At the date of acquisition, identifiable assets acquired and assumed liabilities are recognized at fair value, with the exception of:

- Deferred tax assets or liabilities and assets and liabilities related to employee benefits recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively.

- Liabilities or equity securities related to share-based payment arrangements based on shares of the acquired company or share-based payment arrangements based on shares of the Entity entered into to replace share-based payment arrangements based on shares of the acquired company are measured in accordance with IFRS 2, *Share Based Payments*, at the date of acquisition; and

- Assets (or a group of assets for disposal) classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, that are measured in accordance with that standard.

Goodwill is measured as the surplus of the amount of the transferred consideration, the amount of any non-controlling interest of the acquired company, and the fair value of previous shareholding of the purchaser in the acquired company (if any) over the net amount of identifiable acquired assets and assumed liabilities at the date of acquisition. If after a revaluation, the net amount of identifiable acquired assets and assumed liabilities at the date of acquisition exceeds the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of previous shareholding of the purchaser in the acquired company (if any), the surplus is recognized immediately in the consolidated statements of income as a bargain purchase gain.

Non-controlling interests that represent current shareholdings and that offer their holders a proportional interest in the net assets of the entity in the event of liquidation can be initially measured either at fair value or at the value of the proportional interest of the non-controlling interest in the amounts recognized for identifiable net assets of the acquired company. The measurement option is based on each transaction. Other types of non-controlling interests are measured at fair value, or, when applicable, based on the provisions of another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at fair value at the date of acquisition and it is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration qualifying as measurement period adjustments are retrospectively adjusted, with a corresponding adjustment to goodwill. Measurement period adjustments are adjustments that arise from the additional information obtained in the measurement period (which cannot exceed one year as from the acquisition date) in relation to facts and circumstances existing at the acquisition date.

The accounting treatment for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depend on the manner in which the contingent consideration is classified. The contingent consideration classified as capital is not remeasured at subsequent reporting dates and its subsequent liquidation is accounted for under capital. A contingent consideration 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, recognizing the respective gain or loss in the consolidated statements of income.

When a business combination is achieved in stages, the Entity's previous shareholding in the acquired company is remeasured at fair value at acquisition date (i.e., the date on which the Entity obtains control), and the resulting gain or loss, if any, is recognized in the consolidated statements of income. Amounts arising from interests in the acquired company prior to the date of acquisition, which have been previously recognized in other comprehensive income, are reclassified to the consolidated statements of income where such treatment would be appropriate if that interest were disposed of.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination takes place, the Entity reports the provisional amounts of the items for which recognition is incomplete. Those provisional amounts are adjusted in the measurement period (see above), or instead additional assets or liabilities are recognized to reflect new information obtained from the facts and circumstances existing at the acquisition date and which, had it been known, would have affected the amounts recognized at that date.

f. ***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 line method, based on the useful lives estimated by the Entity's Management. Annual depreciation rates of the main groups of assets is as follows:

	Rates
Store equipment	5% to 30%
Transportation equipment	25%
Production equipment	10% to 20%
Buildings	5%
Leasehold improvements	7% to 20%
Computer equipment	30%
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 with its respective useful life and depreciation. Likewise, when major maintenance is performed, the cost is recognized as a replacement of a component to the extent that all recognition requirements are met. All other routine repair and maintenance costs are recorded as an expense in income for the period as they are incurred.

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of the respective asset. All other financing costs are accounted for as expenses for the period in which they are incurred. Financing costs include interest and other costs incurred in relation to loan agreements signed by the Entity.

The Entity does not have the policy of selling fixed assets at the end of their useful lives, since in order to protect its image and the Alsea brands, they are destructed and in some cases sold as scrap. Use or lease of equipment outside the provisions of franchise agreements is subject to sanctions. Additionally, given the high costs of maintenance or storage required, those assets are not used as spare parts for other brand stores.

For the years ended December 31, 2012 and 2011, the Entity has not capitalized financing costs under the value of assets, since its did not construct or acquire any qualifying assets during those periods.

g. ***Intangible assets***

Goodwill represents future economic benefits arising from business acquisitions that are not individually identifiable or recognized separately. Goodwill is subject to impairment tests at least once a year.

In order to test impairment, goodwill is assigned to each of the Entity's cash generating units (or groups of cash generating units) expected to benefit from the synergies of the combination.

Other intangible assets represent payments made to third parties for rights to use brands through 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 certain for the next 10 to 20 years. The terms of brand rights are as follows:

Brands	Country	Year of expiration
Domino's Pizza	Mexico	2025
	Colombia	2016
Starbucks Coffee	Mexico (1)	2027
	Argentina	2027
Burger King	Mexico, Argentina, Chile and Colombia	Depending on opening dates
Chili's Grill & Bar	Mexico	2015
California Pizza Kitchen	Mexico	2017
P.F. Chang's China Bistro	Mexico	2019
	Argentina, Chile and Colombia (3)	2021
Pei Wei	Mexico (4)	2021
Italianni's	Mexico (2)	2031

(1) Contemplates a five-year extension to the rights for developing the brand resulting from the agreements signed in 2011.
(2) The term for each store under this brand is 20 years as of the opening date, with the right to a 10 year extension (Note 1e).
(3) The term for each store under this brand is 10 years as of the opening date, with the right to a additional 10 year extension.
(4) Term of 10 years with the right to an extension.

The Entity is subject to certain affirmative and negative covenants under the aforementioned agreements, the most significant of which are carrying out capital investments and opening establishments. At December 31, 2012 and 2011, and at January 1, 2011, those obligations have been met.

Amortization of intangible assets is included in the depreciation and amortization line item in the consolidated statements of income.

h. ***Leases***

Determination of whether an agreement constitutes or includes a lease is based on the substance of the agreement at the date on which it is signed, if compliance of said agreement depends on the use of one or more specific assets, or if the agreement awards the right to use said assets, even when said right is not explicitly specified in the agreement.

Financial leases whereby substantially all risks and benefits inherent to ownership of the leased good are transferred to the Entity are capitalized at the start of the lease period, either based on the fair value of the leased property, or on the present value of the minimum lease payments, the lower of the two. Lease payments are distributed between the financial charges and the reduction of the lease obligation so that a constant ratio of interest on the balance of the lease. Financial charges are recognized as financial costs in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Entity will obtain ownership at the end of the lease term, the asset is depreciated over its estimated useful life or over the lease term, the lower of the two.

Operating lease payments are recognized as operating expenses using the straight line method over the lease term, except when another systematic apportionment base is more appropriate for showing the pattern of lease benefits for the user. Contingent lease payments are recognized as expenses in the periods in which they are incurred. (Note 13)

i. ***Advance payments***

Advance payments include advances for purchase of inventories, property, store equipment, leasehold improvements and services that are received in the twelve months after the date of the statement of financial position and are incurred in course of regular operations.

j. ***Impairment in the recovery value of long-lived assets, equipment, leasehold improvements, properties, goodwill and other intangible assets***

At the end of each reporting period, the Entity periodically evaluates the carrying values of its long-lived assets, store equipment, leasehold improvements, properties, goodwill and other intangible assets to determine whether or not those values exceed their recoverable value.

The recoverable value represents the value of potential net income that is reasonably expected to be generated as a result of using or selling said assets. If it is determined that the carrying values exceed the recoverable value, the Entity records the impairment to reduce them to their recoverable value. When assets qualify as held for sale, they are shown in the consolidated financial statements at their carrying value or fair value less selling expenses, the lower of the two. Assets and liabilities of a group classified as held for sale are shown separately in the consolidated statements of financial position.

k. ***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 recorded as a provision is the best estimation of the amount required to settle the present obligation at the end of the period being reported, considering the risks and uncertainties surrounding the obligation. When a provision is valued using the cash flows estimated to settle the present obligation, the carrying value is shown at the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, an account receivable is recorded as an asset provided that it is virtually certain that the payment will be received and the amount of the account receivable can be reliably measured.

Provisions are classified as current or non-current based on the estimated period of time estimated for settling the related obligations.

l. ***Employee benefits***

Direct employee benefits are valued in proportion to the services rendered, considering current salaries, and they are recognized under liabilities as they accrue. This item includes mainly employee statutory profit sharing (ESPS) payable, paid absences, such as vacations and vacation premium, and incentives.

Seniority premiums to which employees are entitled are recognized in income for each year based on actuarial calculations prepared under the projected unit credit method, considering projected balances or the projected cost of benefits.

The actuarial gain or losses are recognized directly in income for the year as they are incurred.

Other compensation to which personnel is entitled is recognized in income for the year in which it accrues.

ESPS is recorded in income for the year in which it accrues and it is shown under other income and expenses in the consolidated statements of income.

ESPS is determined based on the tax profit in accordance with Section I of article 10 of the Income Tax Law.

m. ***Income taxes***

The expense for income taxes represents the sum of current and deferred income taxes.

- Current income taxes

  In Mexico, income tax (IT) and flat tax (IETU) are recorded in income in the years in which they are incurred.

  In Chile, in April 2010, the Chilean government announced the 2010-2013 financing plan for the reconstruction of Chile after the February 2010 earthquake. Said financing plan includes a temporary increase in the First Category Interest rate of the historical rate of 17% to 20% in 2011, 18.5% in 2012 and reduces it back to 17% in 2013. The change in the First Category Tax was pronounced in July 2010.

  In Colombia, income tax is determined on the basis of tax income. The percentage for determining presumptive income is 3% of the liquid equity of the preceding year.

  In Argentina, i.- Income taxes, the Entity applies the deferred tax method to recognize the accounting effect of taxes on profits . ii.- Taxes on minimum presumptive income (TMPI), the Entity determines TMPI applying the current 1% rate to computable assets at each year end closing. iii.- Tax on personal goods belonging to individuals or business entities resident abroad, is determined applying the 0.5% factor to the proportional equity value at the year end closing and is considered a lump sum payment.

- Deferred income taxes

  In recognizing deferred taxes, the Entity determines whether or not, based on its financial projections, it will incur IT or flat tax and it recognizes deferred tax on the tax payable in the future. Deferred income taxes are recorded based on temporary differences between the carrying value of assets and liabilities included in the consolidated financial statements and the respective tax bases used to determine the tax result, applying the respective rates to said differences and including any benefits from unamortized tax losses and tax credits. 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 the entity will accrue future tax profits against which to apply those deductible temporary differences. Those assets and liabilities are not recognized if the temporary differences arise from goodwill or from initial recognition (other than that of the business combination) of assets and liabilities which such initial recognition does not affect accounting or tax income.

  A deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint businesses, except when the Entity is capable of controlling reversal of the temporary differences and it is probable that the timing difference will not be reversed in a foreseeable future. Deferred tax assets arising from temporary differences associated with said investments and interests are recognized only to the extent that it is probable that sufficient future tax profits will be generated against which to offset those temporary differences and they are expected be reversed in the near 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 assets and liabilities are valued using the tax rates expected to be applied in the period in which the liability is settled or the asset is sold, based on the rates (and tax laws) enacted or substantially enacted at the end of the period being reported. Valuation of deferred tax assets and liabilities reflects the tax consequences that would derive from the manner in which the Entity expects to recover or settle the carrying value of its assets and liabilities at the end of the period being reported.

Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset assets and liabilities and when they relate to the same tax-paying jurisdiction and the Entity has the intention of liquidating its assets and liabilities on net bases.

- Current and deferred taxes

Current and deferred taxes are recorded in income as income or expenses, except when they relate to items that are recorded in a caption other than income, either under other comprehensive income or directly under stockholders' equity, in which case the tax is also recognized in a caption other than income; or when they arise from initial recognition of a business combination. In the case of a business combination, the tax effect is included in the recognition of the business combination.

n. ***Revenue recognition***

Income generated from ordinary operations is recorded to the extent that future economic benefits are likely to flow into the Entity and income can be measured reliably, irrespective of the moment in which payment is made. Income is measured based on the fair value of the consideration received or receivable, bearing in mind the payment conditions specified in the respective agreement, without including taxes or tariffs.

Sale of goods

Income from the sale of goods and beverages is recognized when they are delivered to and/or consumed by customers.

Provision of services

Income is recorded based on the percentage of completion. Percentage of completion is determined when the services have been rendered and accepted by customers.

Interest earned

For all financial instruments measured at amortized cost, interest earned is recorded using the effective interest method, which is the interest rate used to discount future cash collections over the expected life of the financial instrument, or a lesser period, as the case may be, to the net carrying amount of the financial asset. Interest earned is included in the interest income line in the consolidated statements of income.

Dividends

Dividend income is recognized when the Entity's right to collect dividends has been established.

Royalties

Royalty income is recorded as it is earned, based on a fixed percentage of sub-franchise sales.

o. ***Foreign currency transactions***

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Argentina, Chile and Colombia) and that comprise 25% and 23% of consolidated net income and 16% and 17% of the total consolidated assets at December 31, 2012 and 2011, 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 are different, and subsequently converting the functional currency 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 statement 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.

- Stockholders' equity is converted at historical exchange rates, i.e., at the rates in effect on the date on which capital contributions were made or earnings were incurred.

- All conversion differences are recognized as a separate component under stockholders' equity and form part of other comprehensive income items.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, Management is required to make certain judgments, estimates and assumptions on the amounts of the carrying value of assets and liabilities included in the consolidated financial statements. The related estimates and assumptions are based on experience and other factors considered to be relevant. Actual results could differ materially from those 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.

Following is an analysis of the basic assumptions regarding the future and other key sources of uncertainty contemplated in the year-end estimations for the period being reported, which involve a significant risk of resulting in significant adjustments in the carrying value of assets and liabilities in subsequent periods.

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.

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 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

The Entity recognizes 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 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. 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.

Intangible assets

The period and amortization method of an intangible asset with a defined life is reviewed at a minimum, at each reporting date. Changes to the expected useful life or the expected pattern of consumption of future economic benefits are made 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 under the expense caption in accordance with the function of the intangible asset.

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.

5. Non-monetary transactions

In the year, the Entity carried out the following financing activities which did not generate or utilize cash, for which reason, they are not shown in the consolidated statements of cash flows:

As mentioned in Note 24, in April 2012, Alsea declared share dividends of $308,902 through the capitalization of that amount in the after-tax earnings account.

6. 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, 2012 and 2011, and at January 1, 2011 is comprised as follows:

	2012	2011	Date of transition
Cash	$ 329,841	$ 316,938	$ 284,306
Investments payable on demand with original maturities of under three months	602,753	422,441	355,897
Total cash and cash equivalents	$ 932,594	$ 739,379	$ 640,203

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

7. Customers

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, 2012 and 2011, and at January 1, 2011, the customer balance is comprised as follows:

	2012	2011	2010
Franchises	164,053	116,460	106,939
Credit card	101,310	48,800	20,229
Other	100,442	63,359	83,861
Total portfolio	365,805	228,619	211,029

The average credit term for the sale of food, beverages, containers, packaging, royalties and other items to owners of sub-franchises is from eight to 14 days. No interest charges are made on accounts receivable to customers in the first 14 days after billing is issued. After that date, the Entity charges interest at a rate using the Mexican Interbank Equilibrium rate (TIIE) +5 points x 2% a year on unpaid balances. The Entity has generally not recognized an estimation for doubtful accounts because customers are governed by master franchise agreements whereby they are required to follow the conditions stipulated in those agreements in relation to services and supply of production materials.

Following is the aging of past due but unimpaired accounts receivable :

	2012	2011	Date of transition
60-90 days	$ 7,118	$ 18,484	$ 43,301
More than 90-120 days	55,844	49,410	42,765
Total	$ 62,962	$ 67,894	$ 86,066
Average time overdue (days)	93	51	67

The estimates shown in the consolidated statements of financial position refer to possible differences between income and accounts receivable in the regular course of operations of the different brands. Estimates recorded for this item total $26,324 in 2012, and $9,269 and $3,805 at December 31 and January 1, 2011, respectively.

Credit risk concentration is limited because the customer base is large and dispersed, and the risk of default by customers in relation to services and supply of food is controlled and supported by a service and/or master franchise agreement.

8. Inventories

At December 31, 2012 and 2011, and at January 1, 2011, inventories are as follows:

	2012	2011	Date of transition
Food and beverages	$ 455,960	$ 336,517	$ 230,983
Containers and packaging	46,265	39,280	98,854
Other	56,251	36,203	30,808
Obsolescence allowance	(8,082)	(8,870)	(8,320)
Total	$ 550,394	$ 403,130	$ 352,325

9. Advance payments

Advance payments were made for the acquisition of:

	2012	2011	Date of transition
Insurance and other services	$ 50,990	$ 54,044	$ 38,008
Inventories	102,821	49,826	31,702
Lease of locales	30,390	24,761	25,523
Total	$ 184,201	$ 128,631	$ 95,233

10. Current and non-current guarantee deposits

Guarantee deposits are comprised as follows:

	2012	2011	Date of transition
Guarantee deposit acquisition of Italcafé	$ -	$ 2,262,800	$ -
Non-current guarantee deposits for leased properties	110,020	86,991	78,168

11. Investment in shares of associated company

At December 31, 2012 and 2011, and at January 1, 2011, the investment in shares of associated company is comprised of the Entity's direct equity in the capital stock, as described below:

	Shareholding %	Main operations	Interest in stockholders' equity		
			2012	2011	Date of transition
Starbucks Coffee Chile, S.A.	18%	Operator of the Starbucks brand in Chile	$ 40,296	$ 30,394	$ 20,783

			Equity in results for the year	
			2012	2011
Starbucks Coffee Chile, S.A.	18%	Operator of the Starbucks brand in Chile	$ 12,978	$ 8,805

The Entity's interest in assets and liabilities at December 31, 2012 and 2011, and at January 1, 2011, as well as in income and expenses related to the years ended on December 31, 2012 and 2011 is 18%. Total assets, liabilities and stockholders' equity of the associated company are as shown below:

	2012	2011	Date of transition
Current assets	$ 207,660	$ 139,152	$ 86,442
Non-current assets	136,399	94,203	78,852
Current liabilities	99,908	48,014	34,887
Non-current liabilities	20,287	16,487	14,945
Stockholders' equity	223,864	168,854	115,462

	2012	2011
Income	$ 536,655	$ 371,641
Costs	464,555	322,722
Net profit for the year from continued operations	72,100	48,919

12. Store equipment, leasehold improvements, property and intangible assets-

Store equipment, leasehold improvements, property and intangible assets are as follows:

	Buildings	Store equipment	Leasehold improvements	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction-in-progress	Total
Cost									
Balance at January 1, 2011	$ 195,270	$ 1,877,882	$ 2,500,621	$ 124,599	$ 271,668	$ 212,559	$ 99,132	$ 271,164	$ 5,552,895
Acquisitions	11,167	284,870	467,808	21,362	43,492	361,707	8,289	140,002	1,338,697
Disposals	-	(289,272)	(42,117)	(31,338)	(11,470)	(5,616)	(36,218)	-	(416,031)
Balance at December 31, 2011	206,437	1,873,480	2,926,312	114,623	303,690	568,650	71,203	411,166	6,475,561
Acquisitions	6,956	328,707	351,879	15,119	74,444	20,726	14,726	108,565	921,123
Business acquisition	-	164,741	162,073	2,178	15,357	-	302	-	344,651
Disposals	(553)	(91,043)	(80,501)	(32,361)	(20,306)	(912)	(1,751)	-	(227,428)
Adjustment for conversion	15	(43,907)	(99,489)	(880)	(8,436)	-	(1,667)	(12,897)	(167,261)
Balance at December 31, 2012	$ 212,855	$ 2,231,978	$ 3,260,274	$ 98,679	$ 364,749	$ 588,464	$ 82,813	$ 506,834	$ 7,346,646
Amortization									
Balance at January 1, 2011	$ 54,639	$ 886,662	$ 1,140,413	$ 85,759	$ 179,742	$ 140,048	$ 71,509	$ -	$ 2,558,772
Charge for depreciation for the year	5,404	178,443	257,216	14,073	42,522	299,978	4,592	-	802,228
Disposals	(16)	(272,586)	(7,291)	(26,923)	(9,655)	(5,202)	(36,186)	-	(357,859)
Balance at December 31, 2011	60,027	792,519	1,390,338	72,909	212,609	434,824	39,915	-	3,003,141
Charge for depreciation for the year	10,038	227,427	212,405	15,913	39,546	19,603	9,449	-	534,381
Business acquisition	-	53,142	57,350	1,636	7,631	-	1,018	-	120,777
Adjustment for conversion	3	(10,852)	(31,410)	(484)	(5,789)	-	(1,371)	-	(49,903)
Disposals	(325)	(79,006)	(54,789)	(26,542)	(18,496)	(1,119)	(5,581)	-	(185,858)
Balance at December 31, 2012	$ 69,743	$ 983,230	$ 1,573,894	$ 63,432	$ 235,501	$ 453,308	$ 43,430	$ -	$ 3,422,539
Net cost									
Date of transition	$ 140,631	$ 991,221	$ 1,360,207	$ 38,840	$ 91,926	$ 72,511	$ 27,623	$271,164	$ 2,994,123
Balance at December 31, 2011	$ 146,410	$ 1,080,961	$ 1,535,974	$ 41,714	$ 91,081	$ 133,826	$ 31,288	$ 411,166	$ 3,472,420
Balance at December 31, 2012	$ 143,112	$ 1,248,748	$ 1,686,379	$ 35,247	$ 129,248	$ 135,156	$ 39,383	$ 506,834	$ 3,924,108

Cost	Brands	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Balance at January 1, 2011	$ 671,614	$ 328,164	$ 272,000	$ 239,174	$ 206,932	$ 1,717,884
Acquisitions	45,859	84,753	49,542	62,169	-	242,323
Disposals	-	(2,403)	(3,114)	(15,623)	-	(21,140)
Balance at December 31, 2011	$ 717,473	$ 410,514	$ 318,428	$ 285,720	$ 206,932	$ 1,939,067
Acquisitions	67,839	8,330	77,133	67,239	-	220,541
Business acquisition	803,447	-	-	-	785,816	1,589,263
Adjustment for conversion	(12,725)	(12,011)	(1,376)	89	-	(26,023)
Disposals	(9,506)	(20,090)	(6,565)	(4,676)	-	(40,837)
Balance at December 31, 2012	$ 1,566,528	$ 386,743	$ 387,620	$ 348,372	$ 992,748	$ 3,682,011

Cost	Brands	Other opening expenses	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Amortization						
Balance at January 1, 2011	$ 255,586	$ 247,438	$ 117,669	$ 165,612	$ 16,953	$ 803,258
Amortization (acquisitions)	46,587	93,606	23,226	48,026	-	211,445
Disposals	(191)	(1,698)	(691)	(1,751)	-	(4,331)
Balance at December 31, 2011	$ 301,982	$ 339,346	$ 140,204	$ 211,887	$ 16,953	$ 1,010,372
Amortization (acquisitions)	136,488	46,321	41,928	52,180	-	276,917
Business acquisition	8,500	-	-	-	-	8,500
Adjustment for conversion	(2,414)	(11,436)	(573)	22	-	(14,401)
Disposals	(5,608)	(7,703)	(3,144)	(1,752)	-	(18,207)
Balance at December 31, 2012	$ 438,948	$ 366,528	$ 178,415	$ 262,337	$ 16,953	$ 1,263,181
Net cost						
Date of transition	$ 416,028	$ 80,726	$ 154,331	$ 73,562	$ 189,979	$ 914,626
Balance at December 31, 2011	$ 415,491	$ 71,168	$ 178,224	$ 73,833	$ 189,979	$ 928,695
Balance at December 31, 2012	$ 1,127,580	$ 20,215	$ 209,205	$ 86,035	$ 975,795	$ 2,814,830

13. Leases

The locales housing the stores of Alsea are leased from third parties. In general terms, lease agreements entered into to operate the Entity's establishments are for a term of five to ten years, with fixed payments set in pesos. Lease payments are generally revised annually and they increase on the basis of inflation. As an exception, lease payments for certain establishments are agreed in US dollars, and in some cases, they may include a variable component, which is determined on the basis of net sales of the respective establishment. Alsea considers that it depends on no specific lessor and there are no restrictions for the entity as a result of having signed said 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.

Amounts of lease payments derived from operating lease agreements related to the locales housing the stores of the different Alsea brands are as follows:

Year	Amount
2011	$ 827,370
2012	1,066,583

14. Business combinations

The acquisition of Italianni's concluded in February 2012. The final price was $1,765 million.

Alsea acquired, 8,168,161 shares comprising 100% of the capital stock of Italcafé, S.A. de C.V., which owns: i.- Eight Italianni's units, as well as the exclusive rights to develop, expand and sub-franchise the Italianni's brand throughout Mexico, and ii.- 89.7682% of the capital stock of Grupo Amigos de San Ángel S.A. de C.V. ("GASA"), a company that owns 34 Italianni's units. The purpose of the acquisition is to consolidate the plans for expansion of the Casual Dinning segment.

Franchise license agreements, other rights and assets assigned to third parties were paid to the holders of those rights and goods as part of the transaction.

Additionally, the final agreement contemplates the following, among other matters:

a) The exclusive operation of the Italianni's brand restaurants in Mexico for a maximum term of 30 years.

b) Alsea will pay no royalties, opening fees or commissions for the use of the brand or the franchise model.

c) There is no obligation to comply with an openings plan.

d) The assignment of franchise agreements to existing third parties.

e) The power to award new franchises to third parties.

f) The rights to distribute all raw materials to the brand's restaurants.

The measurement period concluded in February 2013. Following is an analysis of fair value to the net assets acquired as of the date of acquisition.

Item	February 2012
Current assets:	$ 173,961
Store equipment and properties, net	242,241
Intangible assets, net	740,619
Short-term and long-term debt	(204,063)
Fair value of acquired net assets	952,758
Amount paid	1,765,000
Non-controlling interest	(26,426)
Goodwill	$ 785,816

As from the acquisition date, Italinanni's has contributed $742,466 in revenues and $43,622 in pretax profit for the period to the Entity's earnings. If the combination had occurred at the start of 2012, consolidated net income for the period would have been $413,001 and revenues would have been $13,652,912.

Transaction costs of $3,234 were recognized in income for the period and are part of cash flows arising from operations recorded in the consolidated statements of cash flows.

15. Long-term debt

The long-term debt at December 31, 2012 and 2011, and at January 1, 2011 is comprised of two unsecured loans, as shown below:

	Maturities	Average annual interest rate	2012	2011	Date of transition
Simple loans	2013-2016	4.50% - 6.50%	$ 2,474,480	$ 3,063,000	$ 897,524
Less current maturities			396,647	185,333	229,524
Long-term maturities			$ 2,077,833	$ 2,877,667	$ 668,000

Annual long-term debt maturities at December 31, 2012 are as follows:

Year	Amount
2013	$ 396,647
2014	513,242
2015	676,757
2016	887,834

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2012 and 2011, and at January 1, 2011, all such obligations have been met.

16. Debt instruments

Based on the debt instrument program established by Alsea, in May 2011, the Entity concluded the placement of debt instruments for a total of $1,000 million in the Mexican market (ALSEA11). The intermediaries that participated in placing the offer were HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC, Actinver Casa de Bolsa, S. A. de C. V. and Grupo Financiero Actinver.

The debt instruments in question are for a term of three years as from their issue date, they mature in May 2014 and are subject to the 28-day TIIE rate plus 1.30 percentage points.

In December 2012, the Entity decided to prepay the entirety of the debt instrument. Therefore, at December 31, 2012, no amounts are outstanding under ALSEA 11. At December 2012, the balance of expenses related to said issue, such as legal fees, issue costs, and printing and placement expenses, were recognized in the consolidated statement of income for the year subsequent to the prepayment.

17. Derivative financial instruments

During the years ended December 31, 2012 and 2011, a total of 387 and 288 derivative financial instrument operations (forwards and options) were entered into, respectively, to hedge notional amounts of 103.4 and 86.2 million US dollars, respectively. The fair value of the derivative financial instrument transactions carried out per quarter over the year does not comprise more than 5% of assets, liabilities or total consolidated capital, or 3% of total consolidated sales for the last quarter. Accordingly, risks associated with exchange rates are not expected to have a significant adverse effect on the operations of the Entity nor are such risks expected to affect the Entity's ability to cover its derivative financial instrument transactions.

At December 31, 2012 and 2011, and at January 1, 2011, Alsea has contracted DFIs for the purchase of dollars in 2013 of approximately 45, 6.3 and 51.5 million US dollars, respectively, at the average exchange rate of $12.84, $12.46 and $12.14 pesos per US dollar, respectively.

At December 31, 2012, the Entity's financial instruments include a variable/fixed interest rate swap for a total of $400 million pesos, which amount covers payment of 28-day coupons related to a debt arrangement maturing in May 2014. The Entity signed two interest rate options known as "Knock Out Swap" and "Limited Swap", each for a notional amount of $150 million pesos, both related to a bank loan maturing in December 2016.

At January 1, 2011, the Entity has acquired a variable rate/ fixed rate swap to hedge its interest rate, hedging purposes. That strategy has been applied to a loan contracted by Alsea (balance as of January 1, 2011 was $56.3 million pesos) of which only 20% is under a 7.98% fixed interest rate swap, plus a 10 bps spread. The loan is payable monthly and matures in June 2011.

The type of derivative products and the hedged amounts are in line with the internal policy for risk management defined by the Entity's Corporate Practices Committee, which contemplates an approach to hedge foreign currency risk from an economic perspective, prohibiting entering into hedge transactions for speculative purposes.

Despite the fact that the Entity does not carry out DFI transactions for speculative purposes, its DFIs have not been formally designated as accounting hedging instruments, and therefore the effects are recognized in results for the period within interest expense and interest income accounts.

At December 31, 2012 and 2011, and at January 1, 2011, the Entity had contracted the following financial instruments:

	2012		
Institution	**Thousands of dollars (notional)**	**Average payment exchange rate**	**Maturity**
Banamex	13,750	12.88	2013
Barclays	8,500	13.05	2013
Deutsche Bank	10,250	12.73	2013
HSBC	6,250	12.61	2013
Santander	5,500	12.89	2013
UBS	500	13.29	2013

	2011		
Institution	**Thousands of dollars**	**Average payment exchange rate**	**Maturity**
Deutsche Bank	3,250	12.33	2012
Banamex	3,000	12.59	2012

Institution	Date of transition Thousands of dollars	Average payment exchange rate	Maturity
Banamex	6,350	12.13	2011
Barclays	1,000	12.78	2011
Deutsche Bank	27,150	12.24	2011
Morgan Stanley	2,750	11.79	2011
Santander	6,750	11.92	2011
UBS	7,500	11.98	2011

The following interest rate financial instruments had been contracted at December 31, 2012 and 2011:

Institution	2012 Instrument	Notional thousands of MXP	Maturity
Santander	Plain Vanilla Swap	200,000	2014
Banamex	Plain Vanilla Swap	100,000	2014
HSBC	Plain Vanilla Swap	100,000	2014
Banamex	Knock Out Swap	150,000	2016
Banamex	Limited Swap	150,000	2016

Institution	2011 Instrument	Notional thousad of MXP	Maturity
Santander	Plain Vanilla Swap	200,000	2014
Banamex	Plain Vanilla Swap	100,000	2014
HSBC	Plain Vanilla Swap	100,000	2014

At January 1, 2011, the Entity had not contracted financial instruments for interest rate hedging.

Following is a detailed list of the fair value of derivative financial instruments held in the Entity's portfolio, which are treated as trading instruments for accounting purposes:

	Fair values* 2012	2011	Date of transition
Interest rate swap	$ 442	$ 447	$ 130
Forwards and options	$ (569)	$ (8,811)	$ 1,380
Total	$ (127)	$ (8,365)	$ 1,510

* Fair value is presented from the viewpoint of banks, for which a negative amount in the table above represents a favorable amount for Alsea.

At December 31, 2011, the Entity had contracted DFIs to purchase US dollars in 2012 for a total $6.2 million dollars at a $12.46 exchange rate. At that same date, the fair value receivable by the Entity is $8.3 million pesos.

In order to quantitatively hedge credit risk of certain of its counterparties, the Entity has entered into the following Credit Default Swap (CDS), showing the international counterparty and the notional amount to be hedged.

Counterparty	CDS	Notional (thousands of USD)
Deutsche Bank AG London	199	3,250

With respect to local counterparties that do not have a CDS, risk is measured in relation to the credit spread of the counterparty during the same period plus the 28-day TIIE reference rate.

Counterparty	Spread	(thousands of USD)
Banamex SA	0.0%	3,000

In the preceding case, only the TIIE rate is considered to be the cost of credit risk associated with Banco Nacional de México.

Exposure to other counterparties is not material. The amount disclosed comprises 85% of exposure.

The Entity monitors its exposure to the credit risk of its counterparties through a CDS, which permits the Entity to utilize hedging instruments when a counterparty is at risk of liability exposure by the Entity.

At December 31, 2012 and 2011, and at January 1, 2011, the Entity had no margin calls and it has not breached the agreements signed with the different financial entities.

Strategy for contracting DFIs: Every month, the Corporate Finance Director's office must define the price levels at which the Corporate Treasury may enter into different derivative instruments. Under no circumstances should derivative financial instruments be entered into above the monthly approved amounts, thus ensuring that there is always a position to be hedged and that DFIs are not held for speculation purposes.

Processes and authorization levels: The Corporate Treasury Manager must quantify and report to the Financial Director the monthly approved amounts of resources for hedging purposes. The Corporate Financial Director may operate at his discretion up to 50% of the resource requirements, and the Administration and Finance Director's office may hedge up to 75% of the related exposure. Under no circumstances may transactions be entered into above the amounts authorized by the Entity's General Management, in order to ensure that the transactions are always for hedging and not for speculation purposes. The foregoing is applicable to interest rate hedges with respect to the amount of debt contracted at variable rates and to exchange rate hedges with respect to currency risks. 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 authorize the operation.

Internal control processes: With the assistance of the Corporate Treasury Manager, the Corporate Finance Director must issue a report the following working day, specifying the Entity's resource requirements for the period and the percentage hedged by the Administration and Finance Manager. Every month, the Corporate Treasury Manager will provide the Accounting department with the necessary documentation to properly record said 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 determined and carried out by the Internal Risk Management and Investment Committee, of which the Alsea General Director and the main Entity's directors form part.

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 with regard to the Entity's risk management: Banco Nacional de México S.A., Banco Santander S.A., Barclays Bank México S.A., Deutsche Bank México S.A., Goldman Sachs Paris Inc. Et Cie., HSBC México S.A., Morgan Stanley Capital Services INC., and UBS Bank México.

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.

Main terms and conditions of the agreements

All operations with DFIs are carried out under a master agreement through an ISDA form (International Swap Dealers Association), which must be standardized and duly formalized by the legal representatives of the Entity and the financial institutions.

Polices for designating calculation and valuation agents

The fair value of DFIs is revised 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.

Margins, collateral and credit line policies

In certain cases, the Entity and the financial institutions have signed an agreement accompanying the ISDA master agreement, which stipulates conditions that require each party to offer guarantees for margin calls in the event that the mark-to-market exceeds certain established credit limits.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls.

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 trade cash flows at future fixed dates on the face value or reference value and are valued at fair value.

b) Method for measuring the effectiveness of hedges:

In the case of cash flow hedges, the effective portion of gains or losses generated by the hedging instruments are recognized under other comprehensive income or loss in stockholders’ equity, and they are reclassified to income in the same period or periods in which the projected transaction affects results. The ineffective portion is immediately recorded in income for the year.

The valuation of the effective and ineffective portion generated from the aforementioned instruments is recorded monthly in the Entity's consolidated financial statements.

A valuation analysis was performed to determine the effectiveness of the instruments in question. The analysis indicated that the instrument met the objective of mitigating the risk and therefore the hedge is effective.

c) Liquidity in derivative financial operations:

1. Internal sources of liquidity: Every month, the Corporate Finance Director's office must define the price levels at which the Corporate Treasury may carry out DFI transactions. Under no circumstances should transactions above the approved amounts be carried out, thus ensuring that operations are always for hedging and not for speculation purposes. The resources used to enter into financial instrument transactions will derive from the resources generated by the issuer.

2. External sources of liquidity: No external sources of financing will be used to enter into to derivative financial instruments.

18. Provisions

Provisions at December 31, 2012 and 2011, and at January 1, 2011 are as follows:

	Compensation and other personnel payments	Supplies and others	Total
Date of transition	$ 76,580	$ 288,012	$ 364,592
Increases charged to income	398,165	577,051	975,216
Payments and cancellations	(371,114)	(396,964)	(768,078)
December 31, 2011	103,631	468,099	571,730
Increases charged to income	434,582	728,559	1,163,141
Payments and cancellations	(400,509)	(672,627)	(1,073,136)
December 31, 2012	$ 137,704	$ 524,031	$ 661,735

19. Depreciation and amortization

	2012	2011
Included in cost of sales:		
Depreciation	$ 12,019	$ 6,946
Amortization	4,412	1,274
Subtotal	16,431	8,220
Included in operating expenses:		
Depreciation	522,362	446,134
Amortization	272,505	215,646
Subtotal	794,867	661,780
Total	$ 811,298	$ 670,000

20. Expenses for employee benefits

Following are the expenses for employee benefits included under operating costs and expenses in the consolidated statements of income.

	2012	2011
Wages and salaries	$ 2,552,834	$ 2,032,522
Social security expenses	309,891	277,740
Retirement benefits	21,923	4,050
Total	$ 2,884,648	$ 2,314,312

21. Other (expenses) income

In 2012 and 2011, this caption is comprised as follows:

	2012	2011
Legal expenses	$ (1,425)	$ (41,123)
Net loss on fixed asset disposals	(5,346)	(33,855)
ESPS	(4,782)	(5,038)
Inflation and interest on tax refund	2,220	929
Other income (expenses), net	19,137	(13,067)
Total	$ 9,804	$ (92,154)

22. Employee retirement benefits

At December 31, 2012 and 2011, and at January 1, 2011, seniority premiums and retirement benefits are recognized in income for each year in which the services are rendered based on actuarial calculations.

The Entity has not established a trust to cover those benefits. Following is a summary of the actuarial calculations.

	Benefits					
	2012		2011		Date of transition	
	Seniority premium	Retirement	Seniority premium	Retirement	Seniority premium	Retirement
Obligation for defined benefits	$ 11,754	$ 48,335	$ 8,224	$ 34,331	$ 6,209	$ 28,391
Unrecognized items	-	(8,879)	-	(10,805)	-	(12,102)
Current net liability	$ 11,754	$ 39,456	$ 8,224	$ 23,526	$ 6,209	$ 16,289

The net cost for the period included in operating expenses is comprised as shown below:

	Benefits			
	2012		2011	
	Seniority premium	Retirement	Seniority premium	Retirement
Labor cost	$ 1,804	$ 5,716	$ 1,264	$ 4,634
Financial cost	689	2,660	457	2,115
Amortization of unrecognized items	1,166	5,067	2,178	2,523
Net cost for the period:	$ 3,659	$ 13,443	$ 3,899	$ 9,272

Following is the reconciliation of the main components of obligation for defined benefits (ODB) at December 31, 2012 and 2011, and at January 1, 2011:

	Benefits			
	2012		2011	
	Seniority premium	Retirement	Seniority premium	Retirement
Initial balance of ODB	$ 8,224	$ 34,331	$ 6,209	$ 28,391
Labor cost	2,215	5,792	1,299	4,651
Financial cost	724	2,687	472	2,123
Actuarial gains and losses for the period	1,489	5,534	383	(834)
Employee benefit payments	(898)	(9)	(139)	-
Ending balance of ODB	$ 11,754	$ 48,335	$ 8,224	$ 34,331

The most significant assumptions used in determining the net cost for the period of the plans are as follows: The interest rates and assumptions used to calculate the present value of obligations and the expected asset yields are in line with the economic environment in which the Entity operates. Reference for establishing the parameters used to determine interest rates are taken from long-term, low risk financial instruments that are representative of the market, using a long-term interest curve and considering the bond rate issued by the federal government.

	2012	2011	Date of transition
Discount rate	7%	7%	8%
Salary increase rate	5.8%	5.7%	5.9%
Average expected labor life (years)	5.3	5.3	5.3

23. Income taxes

The Entity is subject to income tax and flat tax.

Income taxes (IT) **-** The rate is 30% for 2013, 2012 and 2011, and will be 29% for 2014 and 28% subsequent years. The entity consolidates with its subsidiaries for IT purposes.

The amendments to the Income Tax Law applicable as from 2010 were published on December 7, 2009, and establish that: IT payment pertaining to the tax consolidation benefits arising from 1999 to 2004 must be made in installments from 2010 to 2014 and b) IT payment pertaining to the tax consolidation benefits arising in 2005 and subsequent years must be paid from the sixth to the 10th year following that in which the benefit arises. Tax payment on tax consolidation benefits arising from 1982 (year in which tax consolidation became permissible) to 1998 may be required in certain cases specified in the tax provisions.

Flat tax (IETU) **-** Income, deductions and certain tax credits are determined on the basis of cash flows for each period. The rate is 17.5% beginning in 2010. The Asset Tax Law was annulled when the Flat Tax Law came into effect, which allows, under certain circumstances, recovery of the Asset Tax paid in the 10 years immediately preceding that in which IT is first paid, in the terms of the tax provisions. Furthermore, unlike IT, IETU is incurred individually by the controlling company and its subsidiaries.

The tax on profits is the higher of IT and IETU.

On the basis of financial projections, the Entity has determined that it will essentially be paying IT; therefore, the Entity recognizes deferred IT.

a. *Income taxes*

	2012	2011
IT (tax basis)	$ 326,795	$ 275,064
Deferred IT	(107,648)	(168,047)
	$ 219,147	$ 107,017

The tax expense attributable to income before IT differs from that arrived at by applying the 30% statutory rate in 2012 and 2011, as a result of the following items:

	2012	2011
Statutory IT rate	30%	30%
Nondeductible expenses, effects of inflation and others	10%	4%
Changes in unrecognized tax benefits	(5%)	(3%)
Effective consolidated IT rate	35%	31%

b. *Deferred taxes – balance sheet*

Following is an analysis of deferred tax (assets) liabilities shown in the consolidated statements of financial position:

	2012	2011	Transition date
Deferred (assets) liabilities:			
Estimation for doubtful accounts and inventory obsolescence	$ (5,997)	$ (5,351)	$ (2,164)
Liability provisions	(220,682)	(151,786)	(93,795)
Advances from customers	(30,072)	(29,756)	(10,945)
Unamortized tax losses	(201,465)	(170,115)	(172,426)
Recoverable asset tax	(12,269)	(22,802)	(22,802)
Store equipment, leasehold improvements and property	(380,473)	(327,214)	(255,020)
Other assets	807	(41)	(1,277)
Advance payments	21,186	14,645	13,955
	$ (828,965)	$ (692,420)	$ (544,474)

Temporary differences	2012	2011
Beginning balance	$ (692,420)	$ (544,474)
Recognized in income	(107,648)	(168,047)
Business combination	(24,628)	-
Recognized directly in capital	(4,269)	20,101
	$ (828,965)	$ (692,420)

Deferred assets not recognized at December 31, 2012 and 2011 and at January 1, 2011 totaled $159,594, $190,220 and $200,245, respectively. The net change in deferred assets not recognized at December 31, 2012 and 2011 and at January 1, 2011 was a decrease of $30,626 and $10,025 and an increase of $21,603, respectively, arising mainly from accrued tax losses.

At December 31, 2012, unamortized tax losses expire as shown below:

Year of maturity	Amortizable losses
2014	$ 29,187
2016	62,843
2017	44,825
2018	169,980
2019	102,740
2020	68,368
2021	41,962
2022	43,615

The Entity has not recognized a liability for deferred taxes on the undistributed earnings of its subsidiaries arising in 2012 and preceding years, as it currently does not expect those undistributed profits to be reversed or become taxable in the near future. That deferred liability will be recognized when the Entity expects to receive those undistributed profits and they become taxable, such as in the case of sales or the disposal of investments in shares.

At December 31, 2012 and 2011 and at January 1, 2011, IT payable balances related to the Entity's consolidated tax regime after the 2009 tax amendments came into effect correspond to unamortized tax losses arising under consolidation at the controlling and the controlled companies amounting to $193,454, $169,813 and $130,326 respectively.

Following is the yearly schedule of payments contemplated by the Entity to cover income tax liabilities arising under tax consolidation resulting from the 2009 tax amendments:

Year of maturity	Payment
2013	$ 6,885
2014	11,407
2015	22,976
2016	27,912
2017	32,926
2018	33,501
2019	27,132
2020	16,194
2021	9,965
2022	4,556
	$ 193,454

24. Stockholders' equity

Following is a description of the principal features of the stockholders' equity accounts:

a. Capital stock structure

Following are the movements in the capital stock and the premium on the issuance of shares:

		Thousands of pesos	
	Number of shares	Capital stock	Premium on the issuance of shares
Figures at January 1, 2011	605,240,724	$ 362,080	$ 1,086,415
Repurchased shares	761,200	381	-
Premium on share subscription	-	-	5,632
Figures at December 31, 2011	606,001,924	362,461	1,092,047
Repurchased shares	11,802,800	5,901	-
Dividends declared in shares	16,465,957	8,233	300,669
Repurchased shares, net	-	-	1,090
Purchase of non-controlling interest	-	-	(15,262)
Placement of shares	53,488,373	26,744	1,088,278
Figures at December 31, 2012	687,759,054	$ 403,339	$ 2,466,822

In December 2012, Alsea issued 46,511,628 shares with an overallotment of 6,976,745 shares, which was issued at an offering price of 21.50 (twenty one pesos and fifty cents) per share. The issue was recorded net of placement expenses. (Note 1d)

In April 2012, Alsea declared dividends of $308,902 by capitalizing that amount from the after-tax earnings account in order to cover the subscription value of 16,465,957 shares issued and used as payment of the declared dividend at a rate of $37.52 pesos per share. In order to determine the number of shares to be declared, the price per share was authorized based on the closing price of the share of $18.76 (eighteen pesos and 76 cents), of which $0.50 (zero pesos fifty cents) corresponds to the theoretical value, and the remainder to a premium on share subscription. In April 2011, cash dividends were declared in the amount of $122,648.

The fixed minimum capital with no withdrawal rights is represented by Class I shares, while the variable portion is represented by Class II shares, and must in no case exceed 10 times the value of the minimum capital with no withdrawal rights.

At December 31, 2012 and 2011, and at January 1, 2011, the fixed and variable subscribed capital stock is represented by 687,759,054, 606,001,924 and 605,240,724 common nominative shares, respectively, with no par value, as shown below:

Description	Number of shares	Amount
Fixed portion of capital stock at December 31, 2012	687,759,054	$ 403,339
Fixed capital stock	489,157,480	$ 304,038
Variable capital stock	128,647,244	64,324
Repurchased shares (par value)	(11,802,800)	(5,901)
Capital stock at December 31, 2011	606,001,924	$ 362,461
Fixed capital stock	489,157,480	$ 304,038
Variable capital stock	128,647,244	64,324
Repurchased shares (par value)	(12,564,000)	(6,282)
Capital stock at January 1, 2011	605,240,724	$ 362,080

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. Alsea has applied that mechanism in its consolidated financial statements.

Total repurchased shares must not exceed 5% of total issued shares; they must be re-placed in no more than one year, and 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 theoretical value (paid-in capital stock divided by the number of outstanding shares) in the case of shares with no par value. Repurchased shares available are presented as a reduction to contributed capital.

In January 2012, Café Sirena, S. de R.L. de C.V. declared a cash dividend of $150,000, calculated on the value of each of the equity units into which the company's capital stock is divided. The amount corresponding to the non-controlling interest was $27,000.

In August 2012, it was agreed to convert the variable capital stock to fixed minimum capital stock, with the resulting reduction in the variable portion of the capital stock and an increase in the minimum fixed portion, which was effected by converting 145,113,201 Class II shares currently representing the variable portion of the capital stock for the same number of shares, while Class I shares remained unchanged, representing the minimum fixed portion, after which, the shareholders continue to hold the same number of shares.

(a) Executives stock option plan

Alsea has established a stock option plan for its executives. The plan was set up in 2005 and concluded on December 31, 2009. It consisted of providing the executives the right to receive the surplus (difference) on certain shares determined between the price of the shares at the outset of the plan and the exercise price of the option (market value) payable in cash.

The assignment of 5,886,524 shares for this plan was approved at a stockholders' meeting and those shares were administered by a trust.

At the close of the 2006 period, the executives exercised 20% of the rights acquired as of that date, and the remaining 80% was exercised in the 2009 period, for which a payment of a $14,306 premium on share subscription was recognized.

At December 31, 2011, the institution administering the trust authorized its termination.

(b) Stockholders' equity restrictions

I. Five percent of net earnings for the period must be set aside for the legal reserve until it reaches 20 percent of the capital stock. At December 31, 2012, the legal reserve amounted to $100,735, which has not yet reached the required 20%.

II. Dividends paid from retained earnings are not subject to IT if paid from the after-tax earnings account (CUFIN), and 30% must be paid on the excess, i.e., the result arrived at by multiplying the dividend paid by a factor of 1.4286. The tax on the dividend payment not arising from the CUFIN must be paid by the Entity and may be credited against corporate IT in the following years.

25. 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 the controlling interest holders of ordinary capital (after adjusting for interest on the convertible preferential shares, if any) by average weighted ordinary shares outstanding during the period plus average weighted ordinary shares issued when converting all potential ordinary diluted shares to ordinary shares. For the years ended December 31, 2012 and 2011, the Entity has no potentially dilutive shares, for which reason diluted earnings per share is equal to basic earnings per share.

The following table shows information on income and shares used in calculating basic and diluted earnings per share.

	2012	**2011**
Net profit (in thousands of pesos) attributable to the stockholders	$ 364,918	$ 209,643
Shares (in thousands of shares):		
Average weighted outstanding shares	637,329	609,342
Basic profit per share	$ 0.57	$ 0.34

26. Related party balances and transactions

Other compensation and benefits

Total compensation paid by the Entity to directors and the principal officers for the year ended December 31, 2012 and 2011 was approximately $109 and $108 million, respectively. That includes compensation determined at a stockholders' meeting for discharging their duties in that period, as well as salaries and wages.

The Entity constantly reviews salaries, bonuses and other compensation plans so as to offer its personnel competitive remuneration conditions.

Compensation plans for retaining executive talent

Deferred compensation programs were implemented in 2003 in order to bring the interests of the Entity's executives in line with those of the stockholders and make it more likely that they will remain with the Entity. Bonus plans were implemented in 2003 and 2004, which have now been settled. Subsequently, a stock option plan was established in 2005, which concluded on December 31, 2009. It consisted of providing the executives the right to receive the surplus (difference) on certain shares determined between the price of the shares at the outset of the plan and the exercise price of the option (market value) payable in cash (Note 24 a).

27. Commitments and contingent liabilities

Commitments:

a) The Entity rents certain equipment and the facilities housing its stores and distribution centers under leasing agreements for specific periods (see Note 13).

The estimation for future minimum operating lease payments for the facilities housing the different Alsea trademarks is shown below:

Year	Amount
2013	$ 1,049,809
2014	983,604
2015	921,575
2016	863,458
2017	809,006

b. The Entity has a number of commitments pertaining to the agreements established in the contracts for trademarks acquired.

c. During the normal course of operations, the Entity enters into purchase commitments for production material supply contracts which in certain cases establish conventional penalties in the event of noncompliance.

Contingent liabilities:

At the date of the consolidated financial statements, Alsea is not involved in any judicial, administrative or arbitration procedures that could negatively affect the Entity or its subsidiaries.

28. Financial information per segment

The Entity is divided into three large operating divisions, i.e., food and beverages in Mexico, food and beverages in LATAM and distribution services, all run by the same management.

The Food and Beverage segments in which we participate in Mexico and Latin America (LATAM) are defined as follows:

Fast food: The features of this segment are as follows: i) fixed and restricted menu, ii) food for immediate consumption, iii) strict control of individual portions for each ingredient and finished product, iv) individual wrapping, among others. This type of segment has easy access and can therefore penetrate any location.

Coffee shops: Specialized outlets principally selling coffee. The principal difference is the quality service together with a competitive price; the image/environment is focused on attracting all types of customers.

Casual dining: This is a segment of service restaurants at which an order is taken, aside from take-out service and home delivery service, offering quality service together with a competitive price; the image/environment is focused on attracting all types of customers. This segment includes fast food establishments and gourmet restaurants. The principal features of casual dining restaurants are i) easy access, ii) informal dress code, iii) casual environment, iv) modernity, v) simple décor, vi) high-quality service and vii) accessible prices. Alcoholic beverages are generally sold at those establishments.

Fast casual dining: This is a combination of the fast food and casual dining segments:

The distribution and production segment is defined as follows:

Distribuidora e Importadora Alsea, S.A. de C.V (DIA). Specializes in the purchase, importation, transportation, storage and distribution throughout Mexico of frozen, refrigerated and tray food products to supply all Domino’s Pizza, Burger King, Starbucks, Chilis Grill & Bar and P.F. Chang’s China Bistro, Pei Wei and Italianni´s establishments in Mexico.

Additionally, DIA handles the preparation and distribution of pizza dough for the entire Domino's Pizza system in Mexico.

Panadería y Alimentos para Food Service, S.A. de C.V. produces sandwiches and bread to supply Starbucks and other Alsea trademarks. The business model contemplates the central plant located in Lerma, where pastries, bread and sandwiches are prepared.

The definition of the operating segments is based on the financial information provided to the general management, and is reported on the same basis used internally by each operating segment. Performance at the different operating segments is evaluated on the same basis.

The information pertaining to segments for the year ended on December 31, 2012 and 2011 is as follows: (Figures in millions of pesos)

Figures in millions of pesos at December 31, 2012

	Food and Beverage Division		LATAM Division		Distribution and Production Division		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales to third parties	$ 8,752	$ 7,084	$ 3,416	$ 2,402	$ 1,332	$ 1,166	$ 19	$ 18	$ 13,519	$ 10,669
Intersegment	-	-	-	-	2,701	2,230	(2,701)	(2,230)	-	-
sales	8,752	7,084	3,416	2,402	4,033	3,396	(2,682)	(2,212)	13,519	10,669
Cost of sales	2,957	2,372	1,129	809	3,383	2,824	(2,697)	(2,217)	4,772	3,788
Operating costs and expenses	4,488	3,872	2,074	1,394	588	541	7	(40)	7,157	5,766
Depreciation and amortization	558	478	168	130	35	22	33	31	794	661
Interest paid	122	72	28	17	9	12	85	51	244	152
Interest earned	(76)	(49)	(6)	(3)	-	(1)	36	33	(46)	(20)
Other financial expenses	13	(19)	2	-	34	26	(58)	(20)	(9)	(13)
	59	4	24	14	43	37	63	64	189	119
Equity in associates	-	-	13	9	-	-	-	-	13	9
Income taxes	182	79	49	31	(8)	(9)	(4)	6	219	107
Segment income	508	279	(15)	33	(8)	(19)	(84)	(56)	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	37	27
Net income attributable to controlling interest									$ 364	$ 210
Assets:	$ 8,496	$ 7,332	$ 1,274	$ 1,148	$ 1,533	$ 1,347	$ (2,538)	$ (1,679)	$ 8,765	$ 8,148
Investment in productive assets										
Investment in associates	-	-	40	30	-	-	-	-	40	30
Investment in fixed and intangible assets	608	568	277	428	34	203	47	(3)	966	1,196
Total assets	$ 9,104	$ 7,900	$ 1,591	$ 1,606	$ 1,567	$ 1,550	$ (2,491)	$ (1,682)	$ 9,771	$ 9,374
Total liabilities	$ 5,070	$ 3,481	$ 1,137	$ 1,138	$ 960	$ 891	$ (2,198)	$ 571	$ 4,969	$ 6,081

29. Foreign currency position

Following are monetary assets and liabilities denominated in US dollars (dollars) shown in the reporting currency at December 31, 2012 and 2011 and January 1, 2011:

	Thousands of pesos		
	2012	**2011**	**Transition date**
Assets	484,233	582,388	266,257
Liabilities	(390,432)	(514,458)	(320,540)
Asset (liability) position, net	93,802	67,930	(54,283)

The dollar exchange rate at December 31, 2012 and 2011 and January 1, 2011 was $13.01, $13.98 and $12.38, respectively. At March 29, 2013, date of issuance of the consolidated financial statements, the rate of exchange was $12.3438 per US dollar.

Following are the exchange rates used in the different conversion processes in relation to the reporting currency at December 31, 2012 and 2011 and January 1, 2011, and at the date of issuance of the consolidated financial statements:

Country of origin	Currency	Closing Exchange-rate	Issuance March 29, 2013
2012			
Argentina	Argentinian Peso (ARP)	2.6486	2.4088
Chile	Chilean Peso (CLP)	0.0271	0.0261
Colombia	Colombian Peso (COP)	0.0074	0.0067

Country of origin	Currency	Closing Exchange-rate	Issuance March 29, 2013
2011			
Argentina	Argentinian Peso (ARP)	3.2485	2.4088
Chile	Chilean Peso (CLP)	0.0269	0.0261
Colombia	Colombian Peso (COP)	0.0072	0.0067

Country of origin	Currency	Closing Exchange-rate	Issuance Transition date
January 1, 2011			
Argentina	Argentinian Peso (ARP)	3.1142	2.4088
Chile	Chilean Peso (CLP)	0.0264	0.0261
Colombia	Colombian Peso (COP)	0.0064	0.0067

The following currencies were used for conversion purposes:

Foreign operations	Country of origin	Currency of		
		Recording	Functional	Reporting
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	
Asian Food Ltda,	Chile	CLP	CLP	MXP
Dominalco, S. A.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S. A.	Colombia	COP	COP	MXP
Asian Bistro Colombia, S.A.S	Colombia	COP	COP	MXP

30. Fair value of financial assets and liabilities

- Fair value of financial instruments recorded at amortized cost

  The Entity's principal financial instruments are valued at amortized cost, as they generally consist of accounts receivable and liabilities at amortized cost. With the exception of debt and debt instruments, the Entity's management considers that the carrying value of said financial assets and liabilities approximates their fair value, given their nature and the fact that they are short-term.

  The fair value of the debt at December 31, 2012 is estimated to be approximately $2,753 million pesos.

  The fair value of the debt and debt instruments at December 31, 2011 is estimated to be approximately $3,591 and $1,147 million pesos, respectively.

- Valuation techniques and assumptions applied in determining fair value

  The fair value of financial assets and liabilities is determined as follows:

  - The fair value of financial assets and liabilities with standard terms and conditions and negotiated in liquid asset markets is determined on the basis of prices quoted in the market.

  - The fair value of other assets and liabilities is determined as per models for the determination of generally accepted prices, which are based on the analysis of discounted cash flow.

  Fair value hierarchy:

  The Entity classifies valuations at fair value recognized in the consolidated statements of financial position on three levels of hierarchy, in accordance with the data used for the valuation. When a valuation uses data from different levels, the overall valuation is classified on the lowest level for classification of any relevant figure.

  - Level I fair value valuations are those derived from prices quoted (unadjusted) in active markets for identical assets or liabilities.

  - Level 2 fair value valuations are those derived from indicators other than quoted prices included in Level 1, which are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 fair value valuations are those derived from valuation techniques that include indicators for assets and liabilities not based on observable market information (non-observable indicators).

The following analysis shows assets and liabilities measured at fair value per a valuation methodology considered to qualify as Level 2:

December 31, 2012	Level 2
Forwards and Options	$ (569)
Swaps	442
Total	$ (127)

December 31, 2011	Level 2
Forwards and Options	$ (8,811)
Swaps	447
Total	$ (8,364)

January 1, 2011	Level 2
Forwards and Options	$ 1,380
Swaps	130
Total	$ 1,510

31. Financial risk policies and management-

Significant accounting policies

The details of significant accounting policies and methods adopted (including recognition criteria, bases for valuation and bases for recognition of income and disbursements) for each type of financial asset, financial liability and capital instrument are disclosed in Note 3.

Categories of financial instruments

The principal categories of financial instruments are:

	2012	2011	Transition date
Financial assets			
Cash and cash equivalents	$ 932,594	$ 739,379	$ 640,203
Accounts and other receivables:			
Customers – less estimation for doubtful accounts	339,481	219,350	207,224
Value added tax and other recoverable taxes	272,254	243,736	218,037
Other accounts receivable	196,450	166,228	39,482
Short-term guarantee deposits	-	2,262,800	-
Long-term guarantee deposits	110,020	86,991	78,168

Financial liabilities			
At amortized cost:			
Long-term debt	2,474,480	3,063,000	897,524
Debt instruments	-	993,531	694,834
Accounts payable to suppliers	1,129,612	1,021,424	710,548
Other accounts payable	175,637	67,068	25,042
For negotiation			
Derivative financial instruments	-	8,365	(3,391)

The objectives of financial risk management

Alsea is principally exposed to the following financial risks: (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 financial instruments are negotiated only with entities with recognized solvency, and limits have been established for each entity. It is the policy of the Entity not to conduct operations with derivative financial instruments for speculative purposes.

Market risk

The Entity is exposed to market risks arising from variations 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 and disasters, among others.

Exchange fluctuations and the devaluation or depreciation of local currency in the countries in which Alsea participates could limit the Entity's capacity to convert local currency to dollars or other foreign currency, thus affecting its operations, operating results and financial position.

The Entity currently has a risk management policy aimed at mitigating present and future risks involving those variables, which arise mainly from the purchase of inventories, payments in foreign currency and the bank 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 risks are as follows:

- USD/MXN exchange-rate forwards contracts
- USD/MXN exchange-rate options
- Interest Rate Swaps
- 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 said instruments and determine how they are to be operated.

Exchange risk management

Hedging exchange rate risk related to US dollars and the respective requirements are determined on the basis of cash flows budgeted by the Entity, and are in line with the current risk management policy approved by the Business Practices Committee, General Management and the Director of Administration and Finance. The policy is monitored by the Director of Internal Audit.

The exchange risk denominated in foreign currency (USD) is monitored internally on a weekly basis based on unexpired positions or coverage at the market exchange rate. In all cases, the party calculating the valuation of derivative financial instruments is counterparty named in the related contract. The internal review is intended to detect significant variations in exchange rates that could give rise to a risk or result in some type of noncompliance by the Entity. In the event that a significant and representative risk position is encountered, it is reported to the Director of Corporate Finances by the Corporate Treasury Manager.

The following table contains quantitative details of the exchange risk exposure based on USD/MXN foreign currency forwards and options contracts entered into by the Entity and in effect at December 31, 2012.

Type of derivative, security or contract	Position	Purpose of the coverage	Value of the underlying asset/reference variable		Notional amount/Nominal amount (USD)		Fair value (USD)		Maturities (USD)
			Current quarter	Previous Quarter	Current quarter	Previous Quarter	Current quarter	Previous Quarter	
Forwards	Long	Economic	13.1 USD/MXN	12.85 USD/MXN	18,250	18,500	$19	$251	18,250
Options	Long	Economic	13.1 USD/MXN	12.85 USD/MXN	26,500	43,500	$(63)	$332	26,500

Note 29 shows foreign currency positions at December 31, 2012 and 2011 and January 1, 2011. It also shows the exchange rates in effect on those dates and transactions for the year ended on December 31, 2011.

With respect to a sensitivity analysis, because the fair value of the derivative financial instrument (DFI) position at December 31, 2012 and 2011 is not material, any change in the risk factors pertaining to the interest rate or the peso/dollar exchange rate would not significantly impact their fair value. Accordingly, Entity management concluded that the Entity's payment capacity and liquidity levels to comply with its contractual obligations will not be significantly impacted. As well, as previously mentioned, DFIs used by the Entity are intended to mitigate USD interest rate and exchange rate risks.

A devaluation/revaluation of 1 peso per U.S. dollar, which represents management's evaluation of a possible reasonable change in the parity of those currencies, would result in an increase/decrease in income and stockholders' equity of approximately $55 and $25 million pesos for the years ended December 31, 2012 and 2011, considering that not all foreign currency financial instruments are hedged by derivative financial instruments.

The sensitivity analysis is determined on the basis of the US dollar financial instrument position at December 31, 2012 and 2011 and may not be representative of the exchange risk during the period due to variations in the net position in that currency.

Interest rate risk management

The Entity faces certain exposure to the volatility of interest rates as a result of contracting bank and public debt at fixed and variable interest rates. The respective risks are monitored and evaluated monthly on the basis of:

- Cash flow requirements
- A budget review
- 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.

At the date of the consolidated financial statements, the Entity has an interest rate swap at variable and fixed interest rates amounting to a total of $400 million pesos, maturing in May 2014. In addition to the plain vanilla IT, two interest rate options have been contracted, known as a knockout swap and a limited swap, each for a notional amount of $150 million pesos, both applied to a bank loan expiring in 2016.

According to the swap contract, the Entity agrees to exchange the difference between the fixed and floating interest rates calculated on the agreed notional amounts of debt, which makes it possible to reduce, mitigate and control interest rate risk on the fair value of debt issued at a fixed interest rate and exposures to the risk of cash flow on debt issued at a variable interest rate.

The following table contains quantitative details of the interest rate risk exposure based on forwards and options contracts entered into by the Entity and in effect at December 31, 2012.

Type of derivative, security or contract	Position	Purpose of the coverage	Value of the underlying asset/reference variable		Notional amount/Nominal amount (USD)		Fair value (USD)		Maturities (USD)
			Current quarter	Previous quarter	Current quarter	Previous quarter	Current quarter	Previous quarter	
Interest Rate Swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	30,888	31,008	$151	$167	30,888
Knock Out swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$(48)	$(173)	11,583
Limited Swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$(70)	$150	11,583

The Corporate Treasury Manager is responsible for monitoring and reporting to the Director of Administration and Finance any significant event or contingency that could affect the coverage, liquidity, maturities, among others, of the DFIs. The Director of Administration and Finance reports any such situation to the Alsea General Director if the identified risks could materialize.

Note 15 and 16 contain details of loans from financial institutions and the issuance of debt instruments, respectively, at December 31, 2012 and 2011 and January 1, 2011.

Credit risk management

In order to minimize the credit risk associated with the counterparty, Entity contracts its financial instruments with institutions both in Mexico and abroad with entities authorized to engage in those types of operations.

With respect to derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. is signed, as well as standard confirmation forms for each operation.

Bilateral guarantee contracts are also signed with the counterparty, which specify policies on margins, collateral and the credit lines to be granted. Those contracts, usually known as Credit Support Annexes, establish the credit limits granted to the Entity by financial institutions, which apply in the event of negative scenarios or fluctuations that affect the fair value of the open positions in derivative financial instruments. Those contracts establish margin calls in the event that credit line limits are exceeded.

In addition to the Credit Support Annexes (CSA) attached to the master contract, the Entity monitors the positive or negative fair value on a monthly basis. If a significant positive result arises, a credit default swap (CDS) can be contracted to lower the risk of noncompliance by any of the counterparties.

It is the policy of the Entity to monitor the volume of operations contracted with each of those institutions in order to avoid margin calls and mitigate the credit risk with counterparties.

The Entity's maximum credit risk arises from the carrying value of financial assets, which amounts to $1,845,897 at December 31, 2012.

Liquidity risk

The Entity's principal source of liquidity is cash generated by operations.

The Director of Finance holds final responsibility for liquidity management, for which purpose, policies have been established for control of and follow-up on working capital, which makes it possible to manage short, medium and long-term financing requirements. Periodic cash flow projections are prepared in order to manage the risk and ensure adequate reserves, credit lines are contracted and investments are planned.

Notes 15, 16 and 17 provide the details of the financing contracted by the Entity and the respective maturities. The following table shows contractual maturities of the Entity's financial liabilities. The table is based on undiscounted flows based on the first date on which payment can be demanded of the Entity, and includes payments of principal and interest.

December 31, 2012	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 496,553	$1,395,753	$ 860,763	$ 2,753,069
Accounts payable to suppliers	1,129,612	-	-	1,129,612
Other accounts payable	175,637	-	-	175,637
Total	$ 1,801,802	$ 1,395,753	$ 860,763	$ 4,058,318

December 31, 2011	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 510,113	$ 1,346,175	$ 1,735,168	$ 3,591,456
Debt instruments	61,592	1,085,400		1,146,992
Accounts payable to suppliers	1,021,424	-	-	1,021,424
Other accounts payable	67,068	-	-	67,068
Total	$ 1,660,197	$ 2,431,575	$ 1,735,168	$ 5,826,940

January 1, 2011	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 284,993	$ 336,243	$ 442,993	$ 1,064,229
Debt instruments	50,535	757,199	-	807,734
Accounts payable to suppliers	710,548	-	-	710,548
Other accounts payable	25,042	-	-	25,042
Total	$ 1,071,118	$ 1,093,442	$ 442,993	$ 2,607,553

Management of capital

The main purpose of managing capital is to ensure that the Entity maintains strong credit ratings and healthy capital ratios in support of its business and to ensure maximum value for the stockholders.

The Entity manages is capital structure and makes any necessary adjustments required by changes in economic conditions. With a view to maintaining and adjusting its capital structure, the Entity may modify dividend payments, reimburse capital or issue new shares.

In the years ended December 31, 2012 and 2011, 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 ratio of less than 3 = Net debt/EBITDA LTM

At December 31, 2012 and 2011, and at January 1, 2011, the financial restrictions established in the Entity's loan agreements are as follows: the Net debt to EBITDA ratio for the last twelve months was slightly under 1.0 times, 2.6 times and 0.96 times.

32. Explanation of the transition to IFRS

In January 2009, the National Banking and Securities Commission (CNBV) amended the respective regulations to require certain entities disclosing financial information to the public through the Mexican Stock Exchange (BMV) (including the Entity) to prepare and disclose their financial information on the basis of the IFRS issued by the International Accounting Standards Board (IASB).

On that basis, on January 1, 2012, the Entity adopted the accounting framework established in IFRS for preparing its consolidated financial statements in order to comply with the provisions of the CNBV. Following is a description of the principal changes in accounting policies resulting from the initial adoption of the IFRS.

The Entity's consolidated financial statements at December 31, 2012 and for the year ended on that date will be the first annual consolidated financial statements that comply with IFRS. The period ended on December 31, 2011 is the comparative period, and the transition date was January 1, 2011. The Entity applied the required exceptions and certain optional exemptions for retrospective application of the IFRS.
The following reconciliations show quantification of the effects of transition and the impact on stockholders' equity at the transition date (January 1, 2011) and at December 31, 2011 and on the comprehensive net profit for the year ended December 31, 2011:

I) ***Equity***

a) Reconciliation of stockholders' equity at January 1, 2011 (date of transition to the IFRS)

Equity	Note	Figures under MFRS at January 1, 2011	Adjustments and reclassifications	Figures per IFRS
Capital stock		$ 527,657	$ (165,577)	$ 362,080
Premium on share subscription	i	1,241,208	(154,793)	1,086,415
Legal reserve	i	92,108	(6,057)	86,051
Retained earnings	ii, iii	636,262	309,459	945,721
Effects of conversion	v	(23,340)	23,340	-
Reserve for repurchase of shares	i	391,433	(27,600)	363,833
Total capital attributable to the owners of the controlling company		2,865,328	(21,228)	2,844,100
Non-controlling interest		245,641	(471)	245,170
Total stockholders' equity		$ 3,110,969	$ (21,699)	$ 3,089,270

Reconciliation of stockholders' equity at December 31, 2011

Equity	Figures under MFRS at December 31, 2011	Adjustments and reclassifications (Note 32(III))	Figures per IFRS
Capital stock	$ 528,038	$ (165,577)	$ 362,461
Premium on share subscription	1,246,840	(154,793)	1,092,047
Legal reserve	99,667	(6,056)	93,611
Financial instrument valuation	9,166	-	9,166
Retained earnings	712,460	312,696	1,025,156
Effects of conversion	4,244	23,340	27,584
Reserve for repurchase of shares	411,503	(27,600)	383,903
Total capital attributable to the owners of the controlling company	3,011,918	(17,990)	2,993,928
Non-controlling interest	299,274	(471)	298,803
Total stockholders' equity	$ 3,311,192	$ (18,461)	$ 3,292,731

II) *Comprehensive income*

Reconciliation of net income for the year ended December 31, 2011

Net consolidated income per MFRS	$ 233,523
Financial instrument valuation	9,166
Conversion of foreign operations	27,584
Comprehensive consolidated income per MFRS	270,273
Cancellation of the liability at the end of the period	3,238
Comprehensive income under IFRS at December 31, 2011	$ 273,511

III The different items included in the aforementioned reconciliations are explained below:

i) Capital stock

Under MFRS, capital stock accounts, the premium on share subscription, the legal reserve, the reserve for the repurchase of shares and retained earnings were restated up to December 31, 2007 on the basis of National Consumer Price Index (NCPI) factors.

Under the IFRS, the effects of inflation are recognized only in hyperinflationary economies, that is to say, when the inflation rate accrued over a three-year period approximate or exceeds 100%. The most recent three-year period in which Mexico showed those figures was from 1996 to 1998. Therefore, the effects of inflation recognized after that date under capital stock, the capital reserve, the reserve for the repurchase of own shares and retained earnings were eliminated; the net effect was $533,768.

ii) Deferred taxes

The adjustment corresponds to the recalculation of deferred taxes, principally the adjustments resulting from adoption of IFRS, which affected the carrying value of assets and liabilities.

The overall net effect on deferred taxes was $9,299 and $6,436 at the transition date and at December 31, 2011, respectively.

iii) Employee benefits

The differences in labor obligations between MFRS and the IFRS arise principally as concerns the valuation for adjustments in actuarial assumptions. Under IFRS, the benefits from termination of employment are recognized only if the company can demonstrate its commitment to terminate employment by means of a detailed dismissal plan as per NIC 19 Employee Benefits. Therefore, the termination liability recognized on the basis of MFRS was eliminated for IFRS purposes at the transition date. The amount eliminated was $9,686.

iv) *Reclassification of debt instrument issuance expenses*

The cost of issuing debt instruments was reclassified to the respective long-term debt.

Adjustments at the transition date and at December 31, 2011 totaled $9,685 and $14,311, respectively.

v) Effects of conversion

Under IFRS, an entity adopting IFRS for the first time is not required to comply with the requirements concerning accrued conversion differences existing at the transition date. However, when applying that exemption, the Entity must not consider the accumulated conversion differences recognized under MFRS and may not consider those differences when determining the gain or loss on the subsequent disposal of any business abroad. At the transition date, the accumulated result of converting foreign currency was ($24,757), which was canceled against retained earnings.

The Entity considers that it has no material adjustments in the consolidated statements of cash flows, which is why no such reconciliation is presented.

Exceptions and exemptions in adopting IFRS

IFRS 1 now in force, provides certain exceptions and exemptions from the general requirement to apply IFRS retrospectively to the transition date. IFRS 1 establishes four obligatory exceptions and fourteen optional exemptions for not applying IFRS retrospectively in the consolidated statements of financial position at the transition date.

Alsea is applying the obligatory exceptions pertaining to 1) determination of estimations at the transition date, 2) prospective application, as from that date, of the regulatory requirements of International Accounting Standards (IAS) 27, *Consolidated and Individual Financial Statements*, applicable to the non-controlling interest, 3) an entity need not provide a list of coverages of a type that does not comply with the coverage conditions specified in IAS 39 and 4) prospective application of the disposal in the accounting records of financial assets and liabilities.

Optional exemptions applicable to Alsea are:

Fair value or revaluation-

Under IFRS 1, on the transition date, the Entity may opt to measure property, plant and equipment at fair value, and use that fair value as the attributed cost at that date.

An entity adopting IFRS for the first time may opt to use the revaluation method as per its previous accounting principles for store equipment, leasehold improvements, real property and intangibles, either at the transition date or some previous date, as the attributed cost at the revaluation date, if it was substantially comparable at that date.

- At fair value, or

- At cost or at depreciated cost as per IFRS, adjusted to reflect, for example, changes in the general or specific price index.

Alsea has decided that its attributed cost at the date of transition is to be the revalued depreciated cost of its store equipment, leasehold improvements and real property, determined as per MFRS at December 31, 2010 (which includes the effects of inflation up to December 31, 2007 and current pesos for movements as from that date).

Business combinations-

An entity adopting IFRS for the first time may opt not to apply IFRS 3, *Business Combinations*, retroactively to business combinations carried out in the past (prior to the transition date to IFRS).

Alsea has decided that their consolidated financial statements will show business combinations up to the transition date as they were recognized under MFRS, i.e., by the purchase method, including acquisitions in stages.

All acquisitions made as from the transition date, which is January 1, 2011, are recognized in accordance with IFRS 3, which among other things, makes it necessary to:

- Specify that the item acquired qualifies as a business
- Specify the acquiring party
- Determine the acquisition date
- Recognize identifiable assets acquired, liabilities assumed and the non-controlled interest in the wired entity.
- Value the price
- Recognize goodwill acquired or a profit on the purchase, after certain considerations.

Accumulated conversion effects of foreign entities -

IAS 21, *Effects of Variations in Foreign Currency Exchange Rates*, requires the Entity to:

- Recognize certain differences of the effects of conversion in comprehensive income and include them in a separate stockholders' equity component and

- Reclassify the accumulated conversion difference arising from the disposal of a business abroad (including, if applicable, the results of the respective coverage) from stockholders' equity to income as part of the profit or loss arising from the disposal.

However, an entity adopting IFRS for the first time need not comply with this requirement as concerns accumulated conversion differences existing at the transition date. If an entity adopting IFRS for the first time makes use of this exemption:

- Accumulated conversion differences for all businesses located abroad are considered to be nil on the transition date and

- The profit or loss on the subsequent disposal of any business abroad must exclude any conversion differences arising prior to the transition to IFRS and must include conversion differences arising subsequent to that date.

Alsea applied that exemption in their consolidated financial statements at the transition date, and therefore reclassified the accumulated effect of conversion of foreign entities as per MFRS to retained earnings. As from January 1, 2011, Alsea determined the effects of conversion in accordance with IAS 21.

33. New accounting standards

The entity has not applied the following new and revised IFRS, which have been analyzed but not yet implemented:

IFRS 9, Financial Instruments[3]
IFRS 10, *Consolidated Financial Statements* [1]
IFRS 11, *Joint Agreements* [1]
IFRS 12, Information to be disclosed concerning equity in other entities [1]
IFRS 13, *Measurement of Fair Value* [1]
Modifications to IFRS 7, *Disclosures– Compensation for financial assets and liabilities* [1]
Modifications to IFRS 9 and IFRS 7, *Effective date for IFRS 9 and Transition Disclosures*[3]
Modifications to IFRS 10, IFRS 11 and IFRS 12, *Consolidated financial statements, Joint Agreements and Disclosures Concerning Equity in Other Entities: Transition guidelines*
IAS 19 (revised in 2011), *Employee benefits* [1]
IAS 27 (revised in 2011), *Individual Financial Statements* [1]
IAS 28 (revised in 2011), *Investments in Associates and Joint Agreements* [1]
Modifications to IAS 32, *Disclosures - Compensation for Financial Assets and Liabilities* [2]
Modifications to IFRS, *Annual improvements to IFRS 2009-2011 cycle, except for modifications to IAS 1*[1]

[1] Effective for annual periods beginning as from January 1, 2013.
[2] Effective for annual periods beginning as from January 1, 2014.
3 Effective for annual periods beginning as from January 1, 2015.

34. Authorization of the consolidated financial statements

The accompanying consolidated financial statements were authorized for issuance on March 29, 2013 by Diego Gaxiola Cuevas, Chief Executive Offcer, and therefore do not reflect events occurred subsequent to that date; they are subject to approval by the stockholders and audit committee, who may modify them as provided in the Corporations Law.

/s/ Fabián Gosselin Castro	/s/ Diego Gaxiola Cuevas
Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas
Chief Executive Officer	Chief Financial Officer

/s/ Alejandro Villarruel Morales

Mr.. Alejandro Villarruel Morales

Chief Accounting Officer

* * * * * *

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim
Condensed Financial Statements

March 31, 2014

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim Condensed Financial Statements

For the three months period ended as of March 31, 2014

Contents:

Unaudited Interim Condensed Financial Statements:

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Financial Position

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	March 31, 2014 (unaudited)		December 31, 2013 (audited)	
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	Ps.	314,278	Ps.	432,498
Accounts receivable, net (Note 4)		13,866		39,351
Recoverable value added tax		43,916		43,788
Recoverable income tax		6,760		4,868
Related parties (Note 7)		10,866		38,110
Inventories (Note 5)		204,633		197,755
Prepaid expenses and other assets		16,795		17,518
Total current assets		611,114		773,888
Property and equipment, net (Note 6)		1,893,778		1,954,356
Intangible assets, net		39		53
Guarantee deposits and others		21,742		22,059
Total assets	Ps.	2,526,673	Ps.	2,750,356
Liabilities and equity:				
Current liabilities:				
Suppliers	Ps.	129,962	Ps.	182,351
Related parties (Note 7)		109,532		272,121
Other accounts payable (Note 8)		181,721		187,934
Other taxes payable		22,308		42,359
Total current liabilities		443,523		684,765
Long term liabilities:				
Other long term liabilities (Note 9)		317,946		326,134
Deferred taxes (Note 10)		108,228		105,321
Total liabilities		869,697		1,116,220
Equity (Note 11):				
Partnership capital		5,820,300		5,820,300
Legal reserve		42,837		39,354
Accumulated deficit		(4,206,161)		(4,225,518)
Total equity		1,656,976		1,634,136
Total liabilities and equity	Ps.	2,526,673	Ps.	2,750,356

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Comprehensive Income

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Net sales	Ps. 1,451,659	Ps. 1,481,978
Other income	7,937	9,771
Total revenues	1,459,596	1,491,749
Cost of sales	(389,990)	(417,097)
Gross profit	1,069,606	1,074,652
General expenses	(1,033,011)	(1,056,386)
Other expenses, net	(1,005)	(276)
Operating income	35,590	17,990
Financial income	4,605	92,996
Financial expenses	(7,459)	(102,712)
Income before taxes on profits	32,736	8,274
Taxes on profits (Note 10)	(9,896)	(2,896)
Net income	Ps. 22,840	Ps. 5,378

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Changes in Equity

For the three months ended March 31, 2014 and 2013

(Notes 1, 2 and 11)

(Amounts in thousands of Mexican pesos)

For the three months ended March 31, 2014:

	Partnership Capital	Legal reserve	(Accumulated deficit) Retained earnings	Total Equity
Balance at December 31, 2013 (audited)	Ps. 5,820,300	Ps. 39,354	Ps. (4,225,518)	Ps. 1,634,136
Increase in legal reserve	-	3,483	(3,483)	-
Comprehensive income	-	-	22,840	22,840
Balance at March 31, 2014 (unaudited)	Ps. 5,820,300	Ps. 42,837	Ps. (4,206,161)	Ps. 1,656,976

For the three months ended March 31, 2013:

	Partnership Capital	Legal reserve	(Accumulated deficit) Retained earnings	Total Equity
Balance at December 31, 2012 (audited)	Ps. 821,281	Ps. 80,078	Ps. 468,117	Ps. 1,369,476
Dividends paid	-	-	(305,000)	(305,000)
Comprehensive income	-	-	5,378	5,378
Balance at March 31, 2013 (unaudited)	Ps. 821,281	Ps. 80,078	Ps. 168,495	Ps. 1,069,854

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

OPERADORA VIPS, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Cash Flows

(Notes 1, 2 and 3)

(Amounts in thousands of Mexican pesos)

	For the three months ended March 31,	
	2014	2013
Operating activities		
Income before taxes on profits	Ps. 32,736	Ps. 8,274
Adjustments to reconcile net income to net cash flows:		
Depreciation and amortization (Note 6)	62,785	70,678
Loss from sale and retirement of property and equipment	166	222
Interest earned	(4,497)	(92,790)
Interest expense on finance leases	6,565	8,088
Interest expense on related parties loans (Note 7)	422	94,624
	98,177	89,096
Changes in working capital:		
Accounts receivable	25,485	6,634
Recoverable value added tax	(128)	(11,100)
Recoverable income taxes	(6,312)	(16,885)
Inventories	(6,878)	23,444
Guarantee deposits and others	317	-
Related parties	(17,006)	(107,893)
Prepaid expenses and other assets	5,589	11,331
Suppliers	(52,389)	55,010
Other accounts payable	(6,210)	4,508
Taxes on profits paid	(448)	(7,373)
Other taxes payable	(27,040)	(6,166)
Net cash flows from operating activities	13,157	40,606
Investing activities		
Acquisition of property and equipment	(6,242)	(32,175)
Proceeds from sale of property and equipment	289	1,195
Loans granted to related parties (Nota 7)	(140,000)	-
Loans collected	28,870	-
Interest collected	4,497	92,790
Net cash flows (used)generated in investing activities	(112,586)	61,810
Financing activities		
Repayment of related party loans	(222)	-
Interest paid	(6,987)	(102,712)
Payment of lease liabilities	(11,582)	(9,748)
Dividends paid (Note 11)	-	(305,000)
Net cash flows used in financing activities	(18,791)	(417,460)
Net decrease in cash and cash equivalents	(118,220)	(315,044)
Cash and cash equivalents at beginning of period	432,498	692,282
Cash and cash equivalents at end of period	Ps. 314,278	Ps. 377,238

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

1. Description of the Company and Relevant Events

a) Description of the Company

Operadora Vips, S. de R.L. de C.V. (the Company) is a Mexican Partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company.

The Company is primarily engaged in operating 262 Vips restaurants serving international cuisine, 90 El Porton restaurants serving Mexican food, 6 Ragazzi restaurants specializing in Italian food, 5 staff cafeterias and 2 La Finca Restaurant.

The Company has no employees of its own and receives accounting, legal, financial and operating services from affiliated companies.

b) Relevant Events

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V. ("Walmex"), the Company's majority partner, reached a final agreement with Alsea, S.A.B. de C.V. ("Alsea"), for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction was subject to the approval of Mexico's Federal Economic Antitrust Commission ("COFECE" per its acronym in Spanish). On May 5, 2014, COFECE approved the transaction. As a result of this approval, effective May 9, 2014, Alsea became the Company's majority partner.

2. Summary of Significant Accounting Policies

A summary of the significant policies used in the preparation of the unaudited interim condensed financial statements is described below.

a) Basis of preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2014, have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting.*

The accounting policies used in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2013.

The accompanying financial statements have been prepared on a going-concern basis and on a historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

New accounting pronouncements

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGU's) for which an impairment loss has been recognized or reverse during the period. These amendments have no impact on the Company.

3. Cash and Cash Equivalents

An analysis of cash and cash equivalents at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014	December 31, 2013
Cash and cash equivalents	Ps. 61,904	Ps. 88,116
Highly marketable investments	252,374	344,382
	Ps. 314,278	Ps. 432,498

4. Accounts Receivable, net

An analysis of accounts receivable at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014	December 31, 2013
Trade receivables	Ps. 11,614	Ps. 38,167
Other accounts receivable	2,595	1,920
Reserve for bad debts	(343)	(736)
	Ps. 13,866	Ps. 39,351

Trade receivables aging is an average of 14 days for both periods.

5. Inventories

An analysis of inventories at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014	December 31, 2013
Merchandise for sale	Ps. 204,591	Ps. 197,405
Merchandise in transit	42	350
	Ps. 204,633	Ps. 197,755

6. Property and Equipment, net

An analysis of property and equipment at March 31, 2014 and December 31, 2013, is as follows:

	Owned property				
	December 31, 2013	Additions	Disposals	Transfers	March 31, 2014
Buildings	Ps. 15,494	Ps. 10,052	Ps. -	Ps. (14,682)	Ps. 10,864
Facilities and leasehold improvements	1,899,877	2,386	(6,627)	(8,004)	1,887,632
Furniture and equipment	1,994,058	5,950	(6,781)	22,686	2,015,913
Total	3,909,429	18,388	(13,408)	-	3,914,409
Accumulated depreciation	(2,299,459)	(57,491)	12,953	-	(2,343,997)
Work in process	26,767	(12,146)	-	-	14,621
Total property and equipment, net	Ps. 1,636,737	Ps. (51,249)	Ps. (455)	Ps. -	Ps. 1,585,033

	Leased property				
	December 31, 2013	Additions	Disposals	Transfers	March 31, 2014
Property	Ps. 511,343	Ps. -	Ps. (6,361)	Ps. -	Ps. 504,982
Furniture and equipment	21,985	-	-	-	21,985
Total	533,328	-	(6,361)	-	526,967
Accumulated depreciation	(215,709)	(5,280)	2,767	-	(218,222)
Total lease property	Ps. 317,619	Ps. (5,280)	(3,594)	Ps. -	Ps. 308,745
Total	Ps. 1,954,356	Ps. (56,529)	Ps. (4,049)	Ps. -	Ps. 1,893,778

Depreciation expense for the three months ended March 31, 2014 and 2013, was Ps. 62,771 and Ps. 70,348, respectively, which are recognized in the general expenses line in the statements of comprehensive income.

7. Related Parties

a) Related party balances

At March 31, 2014 and December 31, 2013, the Company's statement of financial position includes the following balances with related parties considered to be affiliates, except for Wal-Mart de México, S.A.B. de C.V., which is the Company's majority partner:

	March 31, 2014	December 31, 2013
Accounts receivable:		
Nueva Wal-Mart de México, S. de R.L. de C.V.	Ps. 6,664	Ps. 9,535
Operadora Wal-Mart, S. de R.L. de C.V.	1,821	2,318
Operadora Suburbia, S. de R.L. de C.V.	1,306	1,408
Tiendas Wal-Mart, S. de R.L. de C.V.	1,003	2,025
Banco Wal-Mart de México Adelante, S.A. Institución de Banca Múltiple	72	-
Restaurantes Vips, S. de R.L. de C.V.	-	14,153
Wal-Mart de México, S.A.B. de C.V.	-	8,143
Inmobiliaria Alagoas, S. de R.L. de C.V.	-	528
	Ps. 10,866	Ps. 38,110

Accounts payable:	March 31, 2014	December 31, 2013
Holding de Restaurantes, S. de R.L. de C.V.	Ps. 57,365	Ps. 155,580
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.	27,216	66,286
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.	14,335	36,099
Arrendadora de Centros Comerciales, S. de R.L. de C.V.	3,529	3,640
Wal-Mart de México, S.A.B. de C.V.	3,218	-
Arrendadora de Restaurantes, S. de R.L. de C.V.	2,010	2,356
Restaurantes Vips, S. de R.L. de C.V.	1,089	-
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.	377	7,817
Inmobiliaria Carpir, S. de R.L. de C.V.	204	-
Bocasa Bienes Raíces, S. de R.L. de C.V.	147	74
Inmobiliaria Antofagasta, S. de R.L. de C.V.	27	41
Desarrollo Inmobiliario Plaza Oriente, S. de R.L. de C.V.	15	-
Inmobiliaria Carpir, S. de R.L. de C.V.	-	228
	Ps. 109,532	Ps. 272,121
Balance payable, net	Ps. (98,666)	Ps. (234,011)

At March 31, 2014 and December 31, 2013, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

During the three months ended March 31, 2014 and 2013, the Company has not recorded any reserve for bad debts relating to amounts owed by related parties.

b) Related party transactions

For the three months ended March 31, 2014 and 2013, the Company had the following transactions with related parties:

	For the three months ended March 31,	
	2014	2013
Revenues		
Sale of inventories	Ps. 12,048	Ps. 18,522
Interest income on loans granted	1,885	85,414
Other sundry income	1,889	2,670
Total income	Ps. 15,822	Ps. 106,606

	For the three months ended March 31, 2014		2013	
Expenses				
Administrative services and commission services	Ps.	450,842	Ps.	490,878
Rental expenses		158,713		145,198
Interest expense on loans received		422		94,624
Royalty expenses		24,218		24,279
Other sundry expenses		5,973		4,868
Purchase of inventories		830		755
Purchase of property and equipment		-		75
Total expenses	Ps.	640,998	Ps.	760,677
Loans granted:				
Servicios de Restaurantes, S. de R.L. de C.V.	Ps.	60,000	Ps.	-
Holding de Restaurantes, S. de R.L. de C.V.		80,000		-
	Ps.	140,000	Ps.	-

8. Other Accounts Payable

An analysis of other accounts payable at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014		December 31, 2013	
Other accrued liabilities	Ps.	80,418	Ps.	85,881
Creditors		49,818		53,980
Electricity and telephone		37,453		33,991
Finance leases (Note 9)		13,571		13,818
Administrative provision		461		264
	Ps.	181,721	Ps.	187,934

At March 31, 2014, the Company has commitments totaling Ps. 3,059 (Ps. 6,542 at December 31, 2013) for the acquisition of inventories, property and equipment, as well as for maintenance services.

9. Other Long-Term Liabilities

At March 31, 2014 and December 31, 2013, the other long term liabilities line includes the Company's obligations beyond one year under its finance leases and operating leases. The present value of the future minimum lease payments had not have significant changes with respect to the payments disclosed in Note 11 of the Company´s audited financial statements for the year ended December 31, 2013.

10. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax. The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment. Starting on January 1, 2014, the Company determines and pays its income tax on an individual basis. Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company, as allowed under the Mexican Income Tax Law.

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

An analysis of taxes on profits charged to the statements of comprehensive income for the three months ended March 31, 2014 and 2013, is as follows:

	For the three months ended March 31,			
	2014		2013	
Current year tax	Ps.	6,989	Ps.	2,482
Deferred tax		2,907		414
	Ps.	9,896	Ps.	2,896

The tax rate recognized by the Company for financial reporting purposes is 30% at March 31, 2014 and 35% March 31, 2013. Significant differences between the estimated effective tax rate and the statutory tax rate for such interim periods are consistent with the recurrent differences disclosed in Note 12 to the Company's audited financial statements for the year ended December 31, 2013.

11. Equity

a) On February 17, 2014, the partners approved an increase in the Company's legal reserve of Ps. 3,483, through an appropriation from retained earnings.

b) On March 20, 2013, the partners declared and paid a dividend of Ps. 305,000 from the Company's Net taxed profits account (CUFIN).

c) At March 31, 2014 and December 31, 2013, an analysis of the Company's partnership capital is as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series “I” Partnership interests	1
Common, freely subscribed Series “II” Partnership interests	1

Currently, the Company’s fixed partnership capital is Ps. 50. The Company’s maximum authorized partnership capital is unlimited.

12. Issuance of the Financial Statements

The accompanying financial statements and its notes for the three months ended March 31, 2014, were authorized for issuance on May 30, 2014 by the Company’s management. Relevant subsequent events have been considered through May 30, 2014.

OPERADORA VIPS, S. DE R.L. DE C.V.

Financial Statements

Years Ended December 31, 2013 and 2012
with Report of Independent Auditors

OPERADORA VIPS, S. DE R.L. DE C.V.

Financial Statements

Years Ended December 31, 2013 and 2012

Contents:

Construyendo un mejor entorno de negocios

Av. Ejército Nacional 843-B
Antara Polanco
11520 Mexico, D.F.

Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

REPORT OF INDEPENDENT AUDITORS

To the Partners of
Operadora Vips, S. de R.L. de C.V.

We have audited the accompanying financial statements of Operadora Vips, S. de R.L. de C.V., which comprise the statements of financial position at December 31, 2013 and 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operadora Vips, S. de R.L. de C.V. at December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, in conformity with the International Financial Reporting Standards as issued by the international Accounting Standards Board.

Mancera, S.C.
A Member Practice of
EY Global

Enrique García

Mexico City
February 17, 2014

OPERADORA VIPS, S. DE R.L. DE C.V.

Statements of Financial Position

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	December 31,			
	2013		2012	
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	Ps.	432,498	Ps.	692,282
Accounts receivable, net (Note 5)		39,351		30,857
Recoverable value added tax		43,788		83,336
Recoverable income tax		4,868		12,723
Related parties (Note 9)		38,110		5,046,387
Inventories (Note 6)		197,755		202,346
Prepaid expenses and other assets		17,518		25,667
Total current assets		773,888		6,093,598
Property and equipment, net (Note 7)		1,954,356		2,145,783
Intangible assets, net (Note 8)		53		337
Guarantee deposits and others		22,059		21,037
Total assets	Ps.	2,750,356	Ps.	8,260,755
Liabilities and equity:				
Current liabilities:				
Suppliers	Ps.	182,351	Ps.	162,404
Related parties (Note 9)		272,121		6,069,611
Other accounts payable (Note 10)		187,934		226,861
Other taxes payable		42,359		34,718
Total current liabilities		684,765		6,493,594
Long term liabilities:				
Other long term liabilities (Note 11)		326,134		311,253
Deferred taxes (Note 12)		105,321		86,431
Total liabilities		1,116,220		6,891,278
Equity (Note 13):				
Partnership capital		5,820,300		821,281
Legal reserve		39,354		80,078
(Accumulated deficit) retained earnings		(4,225,518)		468,118
Total equity		1,634,136		1,369,477
Total liabilities and equity	Ps.	2,750,356	Ps.	8,260,755

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

OPERADORA VIPS, S. DE R.L. DE C.V.

Statements of Comprehensive Income

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	For the years ended December 31,	
	2013	2012
Net sales	Ps. 6,168,928	Ps. 6,073,146
Other income (Note 14)	35,996	39,026
Total revenues	6,204,924	6,112,172
Cost of sales	(1,791,757)	(1,695,416)
Gross profit	4,413,167	4,416,756
General expenses	(4,245,067)	(4,132,054)
Other expenses, net	(2,223)	(4,207)
Operating income	165,877	280,495
Financial income (Note 15)	125,574	263,261
Financial expenses (Note 15)	(183,695)	(308,308)
Income before taxes on profits	107,756	235,448
Taxes on profits (Note 12)	(38,097)	(72,964)
Net income	Ps. 69,659	Ps. 162,484

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

OPERADORA VIPS, S. DE R.L. DE C.V.

Statements of Changes in Equity

For the Years Ended December 31, 2013 and 2012

(Notes 1, 3 and 13)

(Amounts in thousands of Mexican pesos)

	Partnership capital	Legal reserve	(Accumulated deficit) Retained earnings	Total equity
Balance at December 31, 2011	Ps. 821,281	Ps. 75,460	Ps. 310,252	Ps. 1,206,993
Increase in legal reserve	-	4,618	(4,618)	-
Comprehensive income	-	-	162,484	162,484
Balance at December 31, 2012	821,281	80,078	468,118	1,369,477
Capital increase	5,500,000	-	-	5,500,000
Effects of assets spin-off	(500,981)	(48,848)	(4,450,171)	(5,000,000)
Dividends paid	-	-	(305,000)	(305,000)
Increase in legal reserve	-	8,124	(8,124)	-
Comprehensive income	-	-	69,659	69,659
Balance at December 31, 2013	Ps. 5,820,300	Ps. 39,354	Ps. (4,225,518)	Ps. 1,634,136

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

OPERADORA VIPS, S. DE R.L. DE C.V.

Statements of Cash Flows

(Notes 1, 3 and 4)

(Amounts in thousands of Mexican pesos)

	For the years ended December 31, 2013	2012
Operating activities		
Income before taxes on profits	Ps. 107,756	Ps. 235,448
Adjustments to reconcile net income to net cash flows:		
Depreciation and amortization (Notes 7 and 8)	255,664	237,105
Loss from sale and retirement of property and equipment	226	6,869
Interest earned (Note 15)	(124,507)	(259,794)
Interest expense on finance leases (Note 15)	32,072	29,685
Interest expense on related parties loans (Note 15)	151,034	278,623
	422,245	527,936
Changes in working capital:		
Accounts receivable	(8,494)	1,583
Recoverable value added tax	39,548	(11,040)
Recoverable income taxes	14,887	195,177
Inventories	4,591	(29,281)
Guarantee deposits and others	(1,024)	(2,725)
Related parties	185,329	357,018
Prepaid expenses and other assets	8,149	3,208
Suppliers	19,947	(26,552)
Other accounts payable	(38,927)	(15,425)
Taxes on profits paid	(26,239)	(48,345)
Other taxes payable	7,641	34,222
Net cash flows from operating activities	627,653	985,776
Investing activities		
Acquisition of property and equipment	(163,591)	(269,758)
Proceeds from sale of property and equipment	124,369	15,766
Loans granted to related parties	(169,764)	(5,000,000)
Interest collected	124,507	259,794
Net cash flows used in investing activities	(84,479)	(4,994,198)
Financing activities		
Repayment of related party loans	(855,000)	(1,710,000)
Loans from related parties	550,222	6,355,000
Interest paid	(151,034)	(278,623)
Payment of lease liabilities	(42,146)	(40,767)
Dividends paid (Note 13)	(305,000)	-
Net cash flows (used in) from financing activities	(802,958)	4,325,610
Net (decrease) increase in cash and cash equivalents	(259,784)	317,188
Cash and cash equivalents at beginning of year	692,282	375,094
Cash and cash equivalents at end of year	Ps. 432,498	Ps. 692,282

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

1. Description of the Company and Relevant Events

a) Description of the Company

Operadora Vips, S. de R.L. de C.V. (the Company) is a Mexican Partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company.

The Company is primarily engaged in operating 262 (266 in 2012) (unaudited) Vips restaurants serving international cuisine, 90 (in both years) (unaudited) El Porton restaurants serving Mexican food, 6 (7 in 2012) (unaudited) Ragazzi restaurants specializing in Italian food, 5 (in both years) (unaudited) staff cafeterias and 2 (in both years) (unaudited) La Finca Restaurant.

The Company has no employees of its own and receives accounting, legal, financial and operating services from affiliated companies.

b) Relevant Events

On a Partnership meeting held on April 30, 2013, it was authorized the Company´s spin-off subsisting as the original entity, and creating a new one named Holding de Restaurantes y Servicios, S. de R.L. de C.V. The spin-off became effective on May 1, 2013 (See Note 9b and Note 13.3).

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V., the Company's majority partner, reached a final agreement with Alsea, S.A.B. de C.V., for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction is subject to the approval of Mexico's Federal Economic Antitrust Commission.

2. New Accounting Pronouncements

In 2012, the International Accounting Standards Board issued the following International Financial Reporting Standard that was applied by the Company in 2013.

IFRS 13, *Fair Value Measurement* – This standard defines the concept of fair value and requires the disclosure of fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. The adoption of this standard had no material effect on the fair value measurements of the Company's financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company.

3. Summary of Significant Accounting Policies

A summary of the significant policies used in the preparation of the financial statements is described below. These polices have been applied consistently with those applied in the year ended December 31, 2012.

a) Basis of preparation

The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Presentation of the statements of comprehensive income

The statements of comprehensive income were prepared based on its function, which allows for the disclosure of cost of sales separately from other costs and expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The statements of comprehensive income also include a separate operating income line to provide a better understanding of the Company's business performance.

Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from those estimates

The accompanying financial statements have been prepared on a going-concern basis and on a historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

b) Risk factors

The Company is exposed to the effects of a number of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

i. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.

ii. Changes in interest rates and exchange rates. Historically, the Company has generated cash surpluses in Mexico on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium- and long-term, since it would help improve the purchasing power of its customers. On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's income.

iii. Competition. The restaurant sector has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

iv. Inflation. Over the last few years, the inflation rate in Mexico has remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

v. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, could affect the Company's operating results, such as an impact on sales and changes in applicable rates.

vi. Credit risk is the risk that a counterparty will not meet its obligations under a customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

vii. Liquidity risk. The Company monitors its risk to a shortage of funds using a liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans with related parties.

c) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with maturities of less than 90 days. These investments are stated at historical cost plus accrued interest, not in excess of their market value.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company determines the classification of its financial assets and liabilities at initial recognition as described below:

I) Financial assets.- Financial assets are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments or (iv) available-for-sale financial assets, as appropriate. The Company's financial assets primarily consist on trade and other accounts receivable (Note 5) which are recognized initially at fair value.

II) Financial liabilities.- Financial liabilities are classified as (i) financial liabilities at fair value through profit, (ii) loans and borrowings, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company does not operate with derivative financial instruments. The Company's financial liabilities primarily consist in interest-bearing loans and borrowings (Notes 9 and 11) which are recognized initially at fair value.

Subsequent measurement for financial assets and liabilities of the Company is determined based on their classification.

Loans and receivables, and loans and borrowings after initial recognition are subsequently measured at its amortized cost using the Effective Interest Rate ("EIR") method (less impairment for financial assets). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

As of December 31, 2013 and 2012, the Company does not have financial liabilities at fair value through profit or loss.

e) Accounts receivable and reserve for bad debts

Trade receivables are represented by accounts receivable from financial institutions and issuers of food coupons. These accounts receivable are recorded at the time that customers in restaurants made the payment through credit cards or food coupons. Balances are always free of credit risk provided that the Company is in possession of coupons or vouchers that support the right to collect.

The Company recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal procedures.

f) Inventories

The Company uses the first-in, first-out (FIFO) method for restaurant inventories and the average cost method for inventories in its distribution centers. Inventories, including, slow-moving and defective items or items in poor condition, are stated at lower of its costs or its net realizable value.

g) Prepaid expenses

Prepaid expenses principally consist of prepaid assurance and prepaid rent and are recognized as current assets in the statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

h) Property and equipment

Property and equipment are recorded at acquisition cost and presented net of accumulated depreciation.

Depreciation of property and equipment is computed on a straight-line method at the following annual rates:

Buildings, facilities and leasehold improvements:

Luminaires	33.3%
Flooring, drywall, hydraulic installations, air conditioning installations	10.0%
Roofing, electrical, voice and data installations and external works	5.0%
Executive project	3.3%
Foundations, structures, walls, licenses and permits	2.5%

Furniture and equipment:

Candles, servers and printers	33.3%
Cash registers, modems and voltage regulator	25.0%
Compressors and extractors	20.0%
Electric panels and switches	16.7%
Heaters	14.3%
Electrical equipment	12.5%
Stoves	11.0%
Furniture	10.0%
Specific adaptations	9.0%
Kitchen equipment	7.7%
Ovens, refrigerators and furniture	6.7%
Electrical plants	5.9%
Electrical facilities, telephone lines, kitchens	5.0%

Facilities and leasehold improvements are amortized over the shorter of the remaining lease term (including renewals) or the asset´s useful life.

i) Leases

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either finance or operating leases.

A lease is considered a finance lease if it transfers substantially all the risks and rewards incident to ownership of the underlying property to the lessee, considering the renewals established in each lease agreement. Rent is recognized in the statements of comprehensive income over the lease term as incurred.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the statement of comprehensive income on a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

j) Impairment in the value of property and equipment

Based on the guidelines of IAS 36, Impairment of Assets, the Company recognizes impairment in the value of property and equipment by applying the expected present value technique to determine value in use, considering each of the Company's restaurants as cash generating units.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the statement of comprehensive income as part of other expenses, net.

k) Intangible assets

Intangible assets are valued at their cost of acquisition and are classified based on their useful lives, which may be definite or indefinite, in conformity with IAS 36, *Impairment of Assets*. Definite-lived assets are amortized at 33.33% using the straight-line method.

l) Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from a past event; that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the statement of comprehensive income net of any corresponding reimbursements.

m) Taxes on profits

Current income tax

Current income tax liabilities for the current period are measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred taxes

Deferred taxes on profits are calculated using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the statement of financial position or the enacted rate that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short-term liability or current asset, net of prepayments made during the year.

n) Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's partnerships capital.

o) Revenue recognition

In conformity with the requirements established in IAS 18, *Revenue Recognition*, revenue from the food sales is recognized in the Company’s statement of comprehensive income when it is served to the dinners or delivery of the customers.

Revenue from merchandise sales is recognized in the Company’s statement of comprehensive income at the time ownership over the goods is transferred to the customer.

Interest income is recognized in the statement of comprehensive income in the Financial expenses, net line, as it accrues.

Rental income is accounted for on a straight-line basis over the terms of the lease agreements entered into with third parties and it is presented in the Other income, net line in the statement of comprehensive income.

Revenue from parking lots and the sale of waste are recognized in the other income, net line in the Company's statement of comprehensive income at the time the service is provided and when ownership of the goods is transferred to the customer.

The Company recognizes the net amount of cell phone minutes revenues in the net sales line in its statement of comprehensive income at the time the service is provided.

Franchises income is recognized in the Company's statement of comprehensive income as it accrues over the terms of the agreements entered into with third parties.

The Company has a loyalty card program that gives the customer a discount on food consumption. The cards are required to be redeemed in the month in which they are issued, therefore, it is not necessary to recognize a liability. Discounts are recorded as deduction of sales at the time they are used by customers.

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

p) Foreign currency transactions

The Company's foreign currency denominated assets and liabilities are translated to Mexican pesos at the prevailing exchange rate at the date of the statement of financial position. Exchange differences are recognized in operating results under the Financial expenses, net line, in conformity with IAS 21, *Effects of Changes in Foreign Exchange Rates.*

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at December 31, 2013 and 2012, is as follows:

	December 31, 2013		December 31, 2012	
Cash and cash equivalents	Ps.	88,116	Ps.	89,185
Highly marketable investments		344,382		603,097
	Ps.	432,498	Ps.	692,282

5. Accounts Receivable, net

An analysis of accounts receivable at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Trade receivables	38,167	40,200
Other accounts receivable	1,920	1,541
Reserve for bad debts	(736)	(10,884)
	Ps. 39,351	Ps. 30,857

Trade receivables aging is an average of 14 days for both years.

During the year ended December 31, 2013, the Company applied the reserve for bad debts by $ 9,850, related to franchises receivables.

6. Inventories

An analysis of inventories at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Merchandise for sale	Ps. 197,405	Ps. 202,279
Merchandise in transit	350	67
	Ps. 197,755	Ps. 202,346

The total expense for inventories recognized in cost of sales for the years ended December 31, 2013 and 2012 was Ps. 1,791,757 and Ps. 1,695,416, respectively.

7. Property and Equipment, net

An analysis of property and equipment at December 31, 2013 and 2012, is as follows:

	Property and equipment owned by the Company								
	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Buildings	Ps. 28,705	Ps. 43,169	Ps. (66)	Ps. (1,979)	Ps. 69,829	Ps. 24,540	Ps. (35,671)	Ps. (43,204)	Ps. 15,494
Facilities and leasehold improvements	1,831,131	50,123	(28,150)	1,856	1,854,960	52,063	(50,077)	42,931	1,899,877
Furniture and equipment	1,893,192	172,711	(30,600)	(3,912)	2,031,391	114,782	(151,955)	(160)	1,994,058
Total	3,753,028	266,003	(58,816)	(4,035)	3,956,180	191,385	(237,703)	(433)	3,909,429
Accumulated depreciation	(1,997,824)	(220,386)	42,287	(859)	(2,176,782)	(236,477	113,803	-	(2,299,459)
Work in process	43,286	(1,804)	-	13,421	54,903	(28,569)	-	433	26,767
Total property and equipment, net	Ps. 1,798,490	Ps. 43,813	Ps. (16,529)	Ps. 8,527 (1)	Ps. 1,834,301	Ps. (73,664)	Ps. (123,900)	Ps. -	Ps. 1,636,737

	Leased property and equipment								
	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Property	Ps. 482,835	Ps. 17,289	Ps. -	Ps. -	Ps. 500,124	Ps. 18,951	Ps. (7,732)	Ps. -	Ps. 511,343
Furniture and equipment	828	12,684	-	-	13,512	8,473	-	-	21,985
Total	483,663	29,973	-	-	513,636	27,424	(7,732)	-	533,328
Accumulated depreciation	(185,765)	(16,389)	-	-	(202,154)	(18,819)	5,264	-	(215,709)
Total leased property and equipment, net	297,898	13,584	-	-	311,482	Ps. 8,605	(2,468)	-	317,619
Total	Ps. 2,096,388	Ps. 57,397	Ps. (16,529)	Ps. 8,527	Ps. 2,145,783	Ps. (65,059)	Ps. (126,371)	Ps. -	Ps. 1,954,356

(1) Corresponds to the transfer of software to intangible assets, net.

Depreciation expense for the years ended December 31, 2013 and 2012, was Ps. 255,296 and Ps. 236,775, respectively, which are recognized in the general expenses line in the statement of comprehensive income.

Work in process mostly consists of the Company's investments mainly related to the construction of new restaurants.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

8. Intangible Assets, net

An analysis of intangible assets at December 31, 2013 and 2012, is as follows:

	December 31,	
	2013	2012
Software	Ps. 53	Ps. 337

Amortization expense for the years ended December 31, 2013 and 2012, was Ps. 368 and Ps. 330, respectively. These amounts were recognized in the in general expenses line in the statements of comprehensive income.

9. Related Parties

a) Related party balances

At December 31, 2013 and 2012, the Company's statement of financial position includes the following balances with related parties considered to be affiliates, except for Wal-Mart de México, S.A.B. de C.V., which is the Company's majority partner:

	December 31, 2013	December 31, 2012
Accounts receivable:		
Restaurantes Vips, S. de R.L. de C.V.	Ps. 14,153	Ps. -
Nueva Wal-Mart de México, S. de R.L. de C.V.	9,535	10,292
Wal-Mart de México, S.A.B. de C.V.	8,143	-
Operadora Wal-Mart, S. de R.L. de C.V.	2,318	2,684
Tiendas Wal-Mart, S. de R.L. de C.V.	2,025	5,002,456
Operadora Suburbia, S. de R.L. de C.V.	1,408	1,363
Inmobiliaria Alagoas, S. de R.L. de C.V.	528	-
Arrendadora Roalsa, S. de R.L. de C.V.	-	14,874
Bocasa Bienes Raíces, S. de R.L. de C.V.	-	1,962
Bienes Raíces el Olmo, S. de R.L. de C.V.	-	5,409
SAWSA Adelante, S. de R.L. de C.V.	-	1
El Ganso Abarrotero, S. de R.L. de C.V.	-	1,919
Inmobiliaria de Tiendas de Ropa, S. de R.L. de C.V.	-	591
Suburbia, S. de R.L. de C.V.	-	4,724
Banco Wal-Mart de México Adelante, S.A. Institución de Banca Múltiple	-	78
Fundación Wal-Mart de México, A.C.	-	34
	Ps. 38,110	Ps. 5,046,387

	December 31, 2013	December 31, 2012
Accounts payable:		
Holding de Restaurantes, S. de R.L. de C.V.	Ps. 155,580	Ps. -
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.	66,286	-
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.	36,099	159,560
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.	7,817	5,047
Arrendadora de Centros Comerciales, S. de R.L. de C.V.	3,640	437
Arrendadora de Restaurantes, S. de R.L. de C.V.	2,356	3,429
Inmobiliaria Carpir, S. de R.L. de C.V.	228	275
Bocasa Bienes Raíces, S. de R.L. de C.V.	74	-
Inmobiliaria Antofagasta, S. de R.L. de C.V.	41	55
Restaurantes Vips, S. de R.L. de C.V.	-	398,795
Wal-Mart de México, S.A.B. de C.V.	-	5,500,000
Inmobiliaria Alagoas, S. de R.L. de C.V.	-	1,529
Desarrollo Inmobiliario Plaza Oriente, S. de R.L. de C.V.	-	9
Comercializadora México Americana, S. de R.L. de C.V.	-	475
	Ps. 272,121	Ps. 6,069,611
Balance payable, net	Ps. (234,011)	Ps. (1,023,224)

At December 31, 2013 and 2012, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

During the years ended December 31, 2013 and 2012, the Company has not recorded any reserve for bad debts relating to amounts owed by related parties.

b) Related party transactions

For the years ended December 31, 2013 and 2012, the Company had the following transactions with related parties:

Revenues	Years ended December 31, 2013		Years ended December 31, 2012	
Sale of inventories	Ps.	162,039	Ps.	76,908
Sales of property and equipment		120,457		-
Interest income on loans granted (iv)		110,573		242,272
Other sundry income		7,681		31,947
Total income	Ps.	400,750	Ps.	351,127

Expenses	Years ended December 31, 2013		Years ended December 31, 2012	
Administrative services and commission services (ii)	Ps.	1,951,860	Ps.	1,881,078
Rental expenses (iii)		603,635		566,713
Interest expense on loans received(iv)		151,034		278,623
Royalty expenses (i)		91,019		91,088
Other sundry expenses		34,713		21,479
Purchase of inventories		13,793		19,831
Purchase of property and equipment :		1,223		18,371
Total expenses	Ps.	2,847,277	Ps.	2,877,183
Loans obtained	Ps.	550,222	Ps.	6,355,000
Loans granted	Ps.	169,764	Ps.	5,000,000

(i) The Company's royalty payment agreement is for an indefinite term and requires the Company to pay 1.5% of its net sales to Wal-Mart de México, S.A.B. de C.V. within 30 days after the closing of each quarter.

(ii) The Company has a service agreement with Holding de Restaurantes, S. de R.L. de C.V., Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. and Servicios Administrativos Wal-Mart, S. de R.L. de C.V. The services agreements are for indefinite terms and mainly cover administrative, personnel, financial, accounting, legal and tax services. The amount of the consideration paid for these services is equal to the cost of the operation related to the services that are received during each month or period, plus/minus certain specific items, plus a 3.5% markup in 2013 and 2012, and are recognized in the general expense line in the statement of comprehensive income.

(iii) The Company has several lease agreements. Property lease agreements are mostly for terms of up to 20 years and are renewable for the same number of years at the end of the initial term. Rent is fixed and is paid on a monthly basis, and it is increased annually based on Mexico's annual rate of inflation which are recognized in general expense line in the statement comprehensive income.

(iv) The Company has several loans. Intercompany loans are granted and received for maximum terms of one year. Each loan is backed by a promissory note, which states the amount of monthly interest. Interest is computed at a rate equal to the Mexican weighted interbank interest rate (TIIE) plus two percentage points on the amount of the loan.

During 2013, the loan payable (for future capital increases) to Wal-Mart de México, S.A.B. de C.V. for Ps. 5,500,000 was capitalized as part of the Company's variable partnerships capital.

During 2013, the loan receivable (for future capital increases) from Tiendas Wal-Mart, S. de R.L. de C.V. (TWM) of Ps. 5,000,000 was capitalized and became part of TWM's variable partnerships capital.

10. Other Accounts Payable

An analysis of other accounts payable at December 31, 2013 and 2012, is as follows:

	December 31,			
	2013		2012	
Creditors	Ps.	53,980	Ps.	51,860
Other accrued liabilities		85,881		138,435
Electricity and telephone		33,991		25,974
Finance leases (Note 11)		13,818		10,337
Administrative provision		264		255
	Ps.	187,934	Ps.	226,861

At December 31, 2013, the Company has commitments totaling Ps. 6,542 (Ps. 37,534 at December 31, 2012) for the acquisition of inventories, property and equipment, as well as for maintenance services.

11. Other Long-Term Liabilities

At December 31, 2013 and 2012, the other long-term liabilities line includes the Company's obligations beyond one year under its finance leases and operating leases, as described below:

a) Leases:

In order to determine if the suppliers transfer the right to use an asset, the Company analyses the provision of services agreement that do not have the legal form of a lease but that involve the use of an asset. The Company does not have a provision of services agreement that must be classified as a lease, in conformity with IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The Company has entered into property lease agreements that qualify as finance leases. These agreements are recorded at the lower of either the present value of future minimum lease payments or at the market value of the property, and they are amortized over the term of the lease agreements, which includes the lessee's rights to renewal.

The Company has also entered into finance leases for the rental of residual water treatment plants used to meet environmental protection standards. The terms of these agreements range from 2 to 15 years.

The present value of the minimum lease payments, are as follows:

	Finance leases minimum payments at			
Year		Present value		Nominal value minimum payments
2014	Ps.	38,122	Ps.	40,981
2015		34,424		39,782
2016		27,766		34,494
2017		24,458		32,663
2018		22,752		32,663
2019 and thereafter		217,381		611,171
Total minimum lease payments	Ps.	364,903	Ps.	791,754

At December 31, 2013, the liability derived from the use of the straight-line method under operating leases was Ps. 206 classified as current liabilities and Ps. 1,728 classified as long term liabilities.

Total rent under operating leases charged to the statement of comprehensive income during the years ended December 31, 2013 and 2012, was Ps. 772,812 and Ps. 837,805, respectively. Operating leases are recognized in the general expenses line in the statement of comprehensive income.

12. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax and Flat Rate Business Tax (FRBT).

The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

Current-year FRBT is computed by applying the 17.5% in 2013 and 2012. Taxable income is determined on a cash flow basis net of authorized credits.

Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company, as allowed under the Mexican Income Tax Law. Starting on January 1, 2014, the Company shall determine and pay its income tax on an individual basis.

An analysis of taxes on profits charged to the statement of comprehensive income for the years ended December 31, 2013 and 2012 is as follows:

	Years ended December 31, 2013	Years ended December 31, 2012
Current year tax	Ps. 19,207	Ps. 27,069
Deferred tax	18,890	45,895
Total	Ps. 38,097	Ps. 72,964

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Deferred tax liabilities:		
Property and equipment	Ps. 117,501	Ps. 112,308
Inventories	7,181	17,836
Prepaid expenses	9,456	12,239
Deferred tax assets:		
Other accrual liabilities	(24,655)	(52,282)
Other items	(4,162)	(3,670)
Deferred tax liability, net	Ps. 105,321	Ps. 86,431

A reconciliation of the statutory corporate tax rate to the effective tax rate recognized by the Company for financial reporting purposes is as follows:

	2013	2012
Income before taxes on profits	Ps. 107,756	Ps. 235,448
Variance:		
Annual inflation adjustment	24,406	16,337
Effect of fluctuation	884	333
Non-deductible expenses	19,620	13,572
Restatement of property and equipment	(25,676)	(19,372)
Income before income tax, plus other items	126,990	246,318
Statutory income tax rate	30%	30%
Income tax	38,097	73,895
Effect of tax rate mix (30% and 28%)	-	(931)
Total income tax	Ps. 38,097	Ps. 72,964
Effective income tax rate	35%	31%

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

13. Equity

a) The resolutions and associated amounts approved by the partners in ordinary partners' meetings are as follows:

1. On March 20, 2013, the partners declared and paid a dividend of Ps. 305,000 from the Company's Net taxed profits account (CUFIN).

2. On April 15, 2013, the partners approved an increase in the Company's legal reserve of Ps .8,124 through an appropriation from retained earnings.

3. On April 30, 2013, the partners approved an assets spin-off which represents a reduction of the Company's partnership capital of Ps. 5,000,000 with the effects shown in the statements of changes in equity.

4. On May 27, 2013, the partners approved a Ps. 5,500,000 increase in the Company's variable partnership capital through the capitalization of the loan payable to Wal-Mart de México, S.A.B.

5. On April 12, 2012, the partners approved an increase in the Company's legal reserve of Ps. 4,618 through an appropriation from retained earnings.

b) At December 31, 2013 and 2012, an analysis of the Company's partnership capital is as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series “I” Partnership interests	1
Common, freely subscribed Series “II” Partnership interests	1

Currently, the Company’s fixed partnership capital is Ps. 50. The Company’s maximum authorized partnership capital is unlimited.

c) Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to income tax, in conformity with Articles 11 and 89 of the Mexican Income Tax Law.

d) As of December 31, 2013, the Company’s legal reserve has not reached the 20% of its partnership capital.

e) At December 31, 2013 and 2012, the Company had the following tax balances:

		2013		2012
Restated contributed capital account (CUCA)	Ps.	5,641,350	Ps.	1,643,317
Net taxed profits account (CUFIN)	Ps.	32,009	Ps.	613,505

14. Other Income

For the years ended December 31, 2013 and 2012, an analysis of other income related to the Company’s primary business activities is as follows:

	Years ended December 31,			
		2013		2012
Parking	Ps.	17,888	Ps.	19,979
Franchise income		9,584		10,345
Food sales to services company’s personnel		4,999		4,804
Rental of space		1,770		2,752
Sale of waste		1,755		1,146
Total	Ps.	35,996	Ps.	39,026

15. Financial Income (Expenses)

An analysis of financial income (expenses) for the years ended December 31, 2013 and 2012, is as follows:

	Years ended December 31, 2013	Years ended December 31, 2012
Financial income		
Financial income	Ps. 14,808	Ps. 18,398
Interest income on loans granted (Note 9)	110,573	242,272
Exchange gain	193	2,591
	125,574	263,261
Financial expenses		
Interest expense on related parties loans (Note 9)	(151,034)	(278,623)
Interest on finance leases	(32,072)	(29,685)
Exchange loss	(589)	-
	(183,695)	(308,308)
Total	Ps. (58,121)	Ps. (45,047)

Financial income primarily consists of interest earned on investments.

16. Approval of the Financial Statements

The accompanying financial statements and its notes for the years ended December 31, 2013 and 2012, were approved on February 17, 2014 by the partners. Relevant subsequent events have been considered through February 17, 2014.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim
Condensed Financial Statements

March 31, 2014

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Financial Statements

For the three months period ended as of March 31, 2014

Contents:

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Financial Position

(Notes 1 and 2)

Amounts in thousands of Mexican pesos

		March 31, 2014 (unaudited)		December 31, 2013 (audited)
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	Ps.	81,597	Ps.	114,131
Related parties (Note 5)		152,011		121,356
Other accounts receivable		255		35
Recoverable taxes		15,310		-
Prepaid expenses		88		24
Total current assets		249,261		235,546
Deferred taxes (Note 8)		22,595		24,428
Property, net (Note 4)		395,055		400,968
Total assets	Ps.	666,911	Ps.	660,942
Liabilities and equity				
Current liabilities:				
Accounts payable (Note 6)	Ps.	4,645	Ps.	4,967
Other taxes payable		2,121		863
Income tax payable		6,711		21,356
Related parties (Note 5)		10,365		10,789
Total current liabilities		23,842		37,975
Long term liabilities:				
Other long liabilities (Note 7)		17,949		18,245
Total liabilities		41,791		56,220
Equity (Note 9):				
Partnership capital		421,457		421,457
Legal reserve		9,163		-
Retained earnings		194,500		183,265
Total equity		625,120		604,722
Total liabilities and equity	Ps.	666,911	Ps.	660,942

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Comprehensive Income

(Notes 1 and 2)

Amounts in thousands of Mexican pesos

	For the three months ended March 31,			
	2014		2013	
Rental income	Ps.	46,323	Ps.	59,935
Other income		-		2
Total revenues		46,323		59,937
General expenses	(	20,550)	(	32,485)
Operating Income		25,773		27,452
Other non operating income, net		735		1,307
		26,508		28,759
Financial income		2,865		6,603
Financial expenses	(	233)	(	321)
Income before taxes on profits		29,140		35,041
Taxes on profits (Note 8)	(	8,742)	(	8,824)
Net income	Ps.	20,398	Ps.	26,217

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Changes in Equity

(Notes 1, 2 and 9)

Amounts in thousands of Mexican pesos

For the three months ended March 31, 2014

	Partnership capital	Legal reserve	Retained earnings	Total Equity
Balance at December 31, 2013 (audited)	Ps. 421,457	Ps. -	Ps. 183,265	Ps. 604,722
Increase in legal reserve	-	9,163	(9,163)	-
Comprehensive income	-	-	20,398	20,398
Balance at March 31, 2014 (unaudited)	Ps. 421,457	Ps. 9,163	Ps. 194,500	Ps. 625,120

For the three months ended March 31, 2013

	Partnership capital	Legal reserve	Retained earnings	Total Equity
Balance at December 31, 2012 (audited)	Ps. 614,518	Ps. 39,457	Ps. 326,482	Ps. 980,457
Comprehensive income	-	-	26,217	26,217
Balance at March 31, 2013 (unaudited)	Ps. 614,518	Ps. 39,457	Ps. 352,699	Ps.1,006,674

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Cash Flows

(Notes 1, 2 and 3)

Amounts in thousands of Mexican pesos

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Operating activities		
Income before taxes on profits	Ps. 29,140	Ps. 35,041
Adjustments to reconcile net income to net cash flows:		
Depreciation (Note 4)	6,359	7,430
Interest earned	(2,865)	(6,603)
Interest expense on finance leases	233	321
Cash flow by operating activities	32,867	36,189
Changes in working capital:		
Other accounts receivable	(220)	(1,955)
Recoverable taxes	(15,310)	(1,057)
Prepaid expenses	(65)	-
Accounts payable	16,223	3,965
Related parties	(79)	10,953
Taxes on profits paid	(36,864)	(9,137)
Net cash flows from operating activities	(3,448)	38,958
Investing activities		
Loans granted to related parties (Note 5)	(150,000)	(408,000)
Loans collected from related parties	119,000	147,000
Acquisition of property and equipment (Note 4)	(446)	(432)
Proceeds from the sale of property and equipment	-	(2)
Interest collected	2,865	6,603
Net cash flows from investing activities	(28,581)	(254,831)
Financing activities		
Payment of lease liabilities	(505)	(503)
Net cash flows used financing activities	(505)	(503)
Net decrease in cash and cash equivalents	(32,534)	(216,376)
Cash and cash equivalents at beginning of period	114,131	253,308
Cash and cash equivalents at end of period	Ps. 81,597	Ps. 36,932

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Notes to Unaudited Interim Condensed Financial Statements

March 31, 2014

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. Description of the Company and Relevant Events

a) Description of the Company

Arrendadora de Restaurantes, S. de R.L. de C.V. (the Company) is a Mexican Partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of México.

The Company is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company and it is primarily engaged in the acquisition, construction and leasing of real estate.

The Company has no employees of its own and receives accounting, legal and financial services from an affiliated company.

b) Relevant Events

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V. ("Walmex"), the Company's majority partner, reached a final agreement with Alsea, S.A.B. de C.V. ("Alsea"), for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction was subject to the approval of Mexico's Federal Economic Antitrust Commission ("COFECE" per its acronym in Spanish). On May 5, 2014, COFECE approved the transaction. As a result of this approval, effective May 9, 2014, Alsea became the Company's majority partner.

2. Summary of Significant Accounting Policies

A summary of the significant policies used in the preparation of the unaudited interim condensed financial statements is described below.

a) Basis of preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2014, have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The accounting policies used in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2013.

The accompanying financial statements have been prepared on a going-concern basis and on a historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

New accounting pronouncements

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGU's) for which an impairment loss has been recognized or reverse during the period. These amendments have no impact on the Company.

3. Cash and Cash Equivalents

An analysis of cash and cash equivalents at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014		December 31, 2013	
Cash and cash in banks	Ps.	36	Ps.	34
Highly marketable investments		81,561		114,097
	Ps.	81,597	Ps.	114,131

4. Property, net

An analysis of this line at March 31, 2014 and December 31, 2013 is as follows:

Owned property

	December 31, 2013	Additions	Transfers	March 31, 2014
Land	Ps. 108,888	Ps. -	Ps. -	Ps. 108,888
Buildings	101,075	-	34,491	135,566
Facilities and leasehold improvement	674,350	-	(34,491)	639,859
Work in process	7,512	446	-	7,958
Total	891,825	446	-	892,271
Accumulated depreciation	(505,604)	(6,069)	-	(511,673)
Total own properties	Ps. 386,221	Ps.(5,623)	Ps. -	Ps. 380,598

Leased property

	December 31, 2013	Additions	Transfers	March 31, 2014
Property	Ps. 42,239	Ps. -	Ps. -	Ps. 42,239
Accumulated depreciation	(27,492)	(290)	-	(27,782)
Total property Lease	14,747	(290)	-	14,457
Total	Ps. 400,968	Ps.(5,913)	Ps. -	Ps. 395,055

Depreciation expense for the three months ended March 31, 2014 and 2013, was Ps. 6,359 and Ps. 7,430, respectively, which are recognized in the general expenses line in the statements of comprehensive income.

5. Related Parties

a) Related party balances

At March 31, 2014 and at December 31, 2013, the Company's statement of financial position includes the following balances with related parties considered to be affiliates:

	March 31, 2014	December 31 2013
Accounts receivable:		
Holding de Restaurantes, S. de R.L. de C.V.	Ps. 115,000	Ps. 85,000
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.	35,000	34,000
Operadora Vips, S. de R.L. de C.V.	2,009	2,356
Operadora Wal-Mart, S. de R.L. de C.V.	2	-
	Ps. 152,011	Ps. 121,356

		March 31, 2014		December 31 2013
Accounts payable:				
Nueva Wal-Mart de México, S. de R.L. de C.V.	Ps.	10,021	Ps.	10,355
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.		344		434
	Ps.	10,365	Ps.	10,789
Balance receivable, net	Ps.	140,646	Ps.	110,567

At March 31, 2014 and at December 31, 2013, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

During three months ended March 31, 2014 and 2013, the Company has not recorded any reserve for bad debts relating to amounts owed by related parties.

b) Related party transactions

For the three months ended March 31, 2014 and 2013, the Company had the following transactions with related parties:

	For the three months ended March 31,			
		2014		2013
Revenues:				
Rents income	Ps.	46,323	Ps.	59,935
Interest income on loans granted		1,894		5,796
Total revenues	Ps.	48,217	Ps.	65,731
Expenses:				
Rents	Ps.	1,240	Ps.	1,357
Administrative and commission services		797		827
Total expenses	Ps.	2,037	Ps.	2,184
Loans granted				
Holding de Restaurantes, S. de R.L. de C.V.	Ps.	115,000	Ps.	-
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.		35,000		-
Arrendadora de Centros Comerciales, S. de R.L. de C.V.		-		408,000
	Ps.	150,000	Ps.	408,000

6. Other Accounts Payable

An analysis of other accounts payable at March 31, 2014 and December 31, 2013 is as follows:

	March 31, 2014		December 31, 2013	
Rents	Ps.	3,043	Ps.	3,647
Finance leases (Note 7)		811		827
Other accrued liabilities		433		178
Value added tax payable		216		-
Sundry suppliers		142		315
	Ps.	4,645	Ps.	4,967

7. Other Long-Term Liabilities

At March 31, 2014 and December 31, 2013, the other long term liabilities line includes the Company's obligations beyond one year under its finance leases and operating leases. The present value of the future minimum lease payments had not have significant changes with respect to the payments disclosed in Note 9 of the Company's audited financial statements for the year ended December 31, 2013.

8. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax. The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment. Starting on January 1, 2014, the Company determines and pays its income tax on an individual basis. Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company, as allowed under the Mexican Income Tax Law.

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

An analysis of taxes on profits charged to the statements of comprehensive income for the three months ended March 31, 2014 and 2013:

	For the three months ended March 31,			
	2014		2013	
Current year tax	Ps.	6,909	Ps.	14,274
Deferred tax		1,833		(5,450)
Total	Ps.	8,742	Ps.	8,824

The tax rate recognized by the Company for financial reporting purposes is 30% at March 31, 2014 and 35% March 31, 2013. Significant differences between the estimated effective tax rate and the statutory tax rate for such interim periods are consistent with the recurrent differences disclosed in Note 10 to the Company's audited financial statements for the year ended December 31, 2013.

9. Equity

a) On February 17, 2014, the partners approved an increase in the Company's legal reserve of Ps. 9,163, through an appropriation from retained earnings.

b) At March 31, 2014 and December 31, 2013, the Company's partnership capital is represented as follows:

Partnership interest series type	Number of partnership interests
Common, freely subscribed Series "I" partnership interests	1
Common, freely subscribed Series "II" partnership interests	1

Currently, the Company's fixed partnership capital is Ps. 50. The Company's maximum authorized partnership capital is unlimited.

10. Issuance of the Financial Statements

The accompanying financial statements and its notes for the three months ended March 31, 2014, were authorized for issuance on May 30, 2014 by the Company's management. Relevant subsequent events have been considered through May 30, 2014.

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Financial Statements

Years Ended December 31, 2013 and 2012
with Report of Independent Auditors

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Financial Statements

Years Ended December 31, 2013 and 2012

Contents:

Construyendo un mejor
entorno de negocios

Av. Ejército Nacional 843-B
Antara Polanco
11520 Mexico, D.F.

Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

REPORT OF INDEPENDENT AUDITORS

To the Partners of
Arrendadora de Restaurantes, S. de R.L. de C.V.

We have audited the accompanying financial statements of Arrendadora de Restaurantes, S. de R.L. de C.V., which comprise the statements of financial position at December 31, 2013 and 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arrendadora de Restaurantes, S. de R.L. de C.V. at December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Mancera, S.C.
A Member Practice of
EY Global

Enrique García

Mexico City
February 17, 2014

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Statements of Financial Position

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps. 114,131	Ps. 253,308
Related parties (Note 7)	121,356	150,429
Other accounts receivable (Note 5)	35	1
Prepaid expenses	24	34
Total current assets	235,546	403,772
Deferred taxes (Note 10)	24,428	-
Property, net (Note 6)	400,968	615,743
Total assets	Ps. 660,942	Ps. 1,019,515
Liabilities and equity		
Current liabilities:		
Accounts payable (Note 8)	Ps. 4,967	Ps. 5,167
Other taxes payable	863	2,518
Income tax payable	21,356	1,820
Related parties (Note 7)	10,789	576
Total current liabilities	37,975	10,081
Long term liabilities:		
Other long liabilities (Note 9)	18,245	15,307
Deferred taxes (Note 10)	-	13,670
Total liabilities	56,220	39,058
Equity (Note 11):		
Partnership capital	421,457	614,518
Legal reserve	-	39,457
Retained earnings	183,265	326,482
Total equity	604,722	980,457
Total liabilities and equity	Ps. 660,942	Ps. 1,019,515

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

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Statements of Comprehensive Income

(Notes 1 and 3)

Amounts in thousands of Mexican pesos

	For the years ended December 31, 2013	For the years ended December 31, 2012
Rental income	Ps. 214,435	Ps. 242,840
Other income	4	12
Total revenues	214,439	242,852
General expenses	(107,055)	(108,974)
Operating Income	107,384	133,878
Other non-operating income, net (Note, 12)	117,457	32,390
Financial income (Note 13)	21,322	15,261
Financial expenses (Note 13)	(1,214)	(1,344)
Income before taxes on profits	244,949	180,185
Taxes on profits (Note 10)	(61,684)	(52,132)
Net income	Ps. 183,265	Ps. 128,053

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

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(Notes 1, 3 and 11)

Amounts in thousands of Mexican pesos

	Partnership capital	Legal reserve	Retained earnings	Total Equity
Balance at December 31, 2011	Ps. 614,518	Ps. 34,369	Ps. 203,517	Ps. 852,404
Increase in legal reserve	-	5,088	(5,088)	-
Comprehensive income	-	-	128,053	128,053
Balance at December 31, 2012	614,518	39,457	326,482	980,457
Increase in legal reserve	-	6,402	(6,402)	-
Dividends paid	-	-	(159,000)	(159,000)
Capitalization	206,939	(45,859)	(161,080)	-
Capital decrease	(400,000)	-	-	(400,000)
Comprehensive income	-	-	183,265	183,265
Balance at December 31, 2013	Ps. 421,457	Ps. -	Ps. 183,265	Ps. 604,722

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

ARRENDADORA DE RESTAURANTES, S. DE R.L. DE C.V.

Statements of Cash Flows

(Notes 1, 3 and 4)

Amounts in thousands of Mexican pesos

	For the years ended December 31, 2013	2012
Operating activities		
Income before taxes on profits	Ps. 244,949	Ps. 180,185
Adjustments to reconcile net income to net cash flows:		
Depreciation	28,189	30,449
Gain from sale of property and equipment (Note 12)	(113,348)	(28,638)
Interest earned (Note 13)	(21,322)	(15,261)
Interest expense on finance leases (Note 13)	1,214	1,344
Cash flow by operating activities	139,682	168,079
Changes in working capital:		
Other accounts receivable	(34)	11,013
Prepaid expenses	10	(3)
Accounts payable	3,533	(3,577)
Related parties	11,286	2,407)
Other taxes payable	(1,655)	(3,678)
Taxes on profits paid	(80,246)	(45,977)
Net cash flows from operating activities	72,576	128,264
Investing activities		
Loans granted to related parties	(1,214,328)	(205,000)
Loans collected from related parties	1,242,328	153,000
Acquisition of property and equipment	(7,697)	(2,729)
Proceeds from the sale of property and equipment	307,631	104,542
Interest collected	21,322	15,261
Net cash flows from investing activities	349,256	65,074
Financing activities		
Capital decrease	(400,000)	-
Dividends paid	(159,000)	-
Payment of lease liabilities	(2,009)	(2,020)
Net cash flows used financing activities	(561,009)	(2,020)
Net (decrease) increase in cash and cash equivalents	(139,177)	191,318
Cash and cash equivalents at beginning of year	253,308	61,990
Cash and cash equivalents at end of year	Ps. 114,131	Ps. 253,308

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

1. Description of the Company and Relevant Events

a) Description of the Company

Arrendadora de Restaurantes, S. de R.L. de C.V. (the Company) is a Mexican Partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of México.

The Company is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company and it is primarily engaged in the acquisition, construction and leasing of real estate.

The Company has no employees of its own and receives accounting, legal and financial services from an affiliated company.

b) Relevant Events

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V., the Company’s majority partner, reached an agreement with Alsea, S.A.B. de C.V. for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction is subject to the approval of Mexico's Federal Economic Antitrust Commission.

2. New Accounting Pronouncements

In 2012, the International Accounting Standards Board (IASB) issued the following International Financial Reporting Standard (IFRS) that was applied by the Company in 2013.

IFRS 13, *Fair Value Measurement* – This standard defines the concept of fair value and requires the disclosure of fair value measurements. . IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. The adoption of this standard had no material effect on the fair value measurement Company´s financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company

3. Summary of Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the financial statements is described below. These polices have been applied consistently with those applied in the year ended December 31, 2012.

a) Basis of preparation

The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Presentation of the statements of comprehensive income

The statements of comprehensive income were prepared based on its nature, in conformity with IAS 1, Presentation of Financial Statements. The statements of comprehensive income also include a separate operating income line to provide a better understanding of the Company's business performance.

Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from those estimates.

The accompanying financial statements have been prepared on a going-concern basis and on an historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

b) Risk factors

The Company is exposed to the effects of a number of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

i. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance.

ii. Changes in interest rates and exchange rates. Historically, the Company has generated cash surpluses in Mexico on which it earns financial income. A reduction in interest rates could cause a decrease in the Company's financial income, which would affect its earnings growth. However, the Company believes that a reduction in interest rates would actually have a positive effect on its business in the medium- and long-term, since it would help improve the purchasing power of its related parties. On the other hand, exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power, which could ultimately hinder the Company's income.

iii. Competition. The restaurant sector in Mexico has become very competitive in recent years, which has led to the need for all the players in the market to constantly look for ways to set themselves apart from the competition. This puts the Company's market share at risk. Other factors affecting the Company's market share could be the business expansion of its competitors and the possible entrance of new competitors into the market.

iv. Inflation. Over the last few years, the inflation rate in Mexico has remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

v. Changes in government regulations. The Company is exposed to changes in different laws and regulations, which, after becoming effective, they could affect the Company's operating results, such as an impact on rental income and changes in applicable rates.

vi. Credit risk is the risk that a counterparty will not meet its obligations under a customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

vii. Liquidity risk. The Company monitors its risk to a shortage of funds using a liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans with related parties.

c) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. These investments are stated at historical cost plus accrued interest, not in excess of their market value.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company determines the classification of its financial assets and liabilities at initial recognition as described below:

I) Financial assets.- Financial assets are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments or (iv) available-for-sale financial assets, as appropriate. The Company's financial assets primarily consist on other accounts receivable (Note 5) which are recognized initially at fair value.

II) Financial liabilities.- Financial liabilities are classified as (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company does not operate with derivative financial instruments. The Company's financial liabilities primarily consist in interest-bearing loans and borrowings (Note 7) which are recognized initially at fair value.

Subsequent measurement for financial assets and liabilities of the Company is determined based on their classification.

Loans and receivables, and loans and borrowings after initial recognition are subsequently measured at its amortized cost using the Effective Interest Rate ("EIR") method (less impairment for financial assets). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

As of December 31, 2013 and 2012, the Company does not have financial liabilities at fair value through profit or loss.

e) Prepaid expenses

Prepaid expenses principally consist of prepaid assurance and prepaid rent and are recognized as current assets in the statement of financial position as of the date the prepayments are made. At the time the goods are received, prepaid expenses are charged to the income statement or capitalized in the corresponding asset line when there is certainty that the acquired goods will generate future economic benefits.

f) Property

Property are recorded at acquisition cost and presented net of accumulated depreciation.

Depreciation of property is computed on a straight-line method at the following annual rates:

Buildings:

Luminaires	33.3%
Flooring, drywall, hydraulic installations, air conditioning installations	10.0%
Roofing, electrical, voice and data installations and external works	5.0%
Executive project	3.3%
Foundations, structures, walls, licenses and permits	2.5%

Facilities and leasehold improvements are amortized over the shorter of the remaining lease term (including renewals) or the asset's useful life.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

g) Lease

In conformity with IAS 17, *Leases*, the Company classifies its property lease agreements as either finance or operating leases.

A lease is considered a finance lease if it transfers substantially all the risks and rewards incident to ownership of the underlying property to the lessee, considering the renewals established in each lease agreement. Rent is recognized in the statement of comprehensive income over the lease term as incurred.

Lease agreements that do not qualify as finance leases are treated as operating leases. Fixed lease payments are recognized in the statement of comprehensive income a straight-line method over the lease term. The commencement date of lease is considered the occupancy date of the leased property, including the lessee's rights to renewal. Variable lease payments are based on a percentage of the Company's sales, and are recognized as an expense in the period in which they are incurred.

h) Impairment in the value of property and equipment

Based on the guidelines of IAS 36, Impairment of Assets, the Company recognizes impairment in the value of property by applying the expected present value technique to determine value in use, considering each of the Company's assets as the minimum cash generating units.

The present value technique requires detailed budget calculations, which are prepared separately for each cash-generating unit. These budgets generally cover five years and for those projected beyond five years, an expected growth percentage is applied.

Impairment losses are recognized in the statement of comprehensive income as part of other income, net.

i) Liabilities and provisions

In conformity with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from a past event; that can be reasonably estimated and that will most likely give rise to a future cash disbursement for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the statement of comprehensive income net of any corresponding reimbursements.

j) Taxes on profits

Current income tax

Current income tax liabilities for the current period are measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred Taxes

Deferred taxes on profits are calculated using the asset and liability method, in conformity with IAS 12, Income Taxes. Under this method, deferred taxes are recognized on all temporary differences between the financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the statement of financial position or the enacted rate that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short term liability or current assets, net of prepayments made during the year.

k) Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company appropriates at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's partnerships capital.

l) Revenue recognition

In conformity with the requirements established in IAS 17 *Leases*, rental income for operating leases is recognized on a straight-line basis over the terms of the lease agreements and it is presented in the Rental income line in the statement of comprehensive income.

The sale of property and equipment are recognized in the statement of comprehensive income in other income at the time ownership is transferred to the customer.

Interest income is recognized in the statement of comprehensive income in the financial income as it accrues.

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Cash and cash in banks	Ps. 34	Ps. 46
Highly marketable investments	114,097	253,262
	Ps. 114,131	Ps. 253,308

5. Accounts Receivable, net

An analysis of other accounts receivable at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Other accounts receivable	Ps. 35	Ps. 1

6. Property, net

An analysis of this line at December 31, 2013 and 2012, is as follows:

	Owned property								
	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Land	Ps. 331,074	Ps. -	Ps. (65,800)	Ps. -	Ps. 265,274	Ps. 22	Ps. (156,240)	Ps. (169)	Ps. 108,887
Buildings	263,815	446	(10,231)	-	254,030	35	(142,436)	(10,553)	101,076
Facilities and leasehold improvement	677,591	3,108	(7,070)	-	673,629	169	(10,148)	10,700	674,350
Total	Ps. 1,272,480	Ps. 3,554	Ps. (83,101)	Ps. -	Ps. 1,192,933	Ps. 226	Ps. (308,824)	Ps. (22)	Ps. 884,313
Accumulated depreciation	Ps. (571,038)	Ps. (29,286)	Ps. 7,648	Ps. 9	Ps. (592,667)	Ps. (27,027)	Ps. 114,089	Ps. -	Ps. (505,605)
Work in process	855	(825)	(453)	(9)	(432)	7,470	453	22	7,513
Total own properties	Ps. 702,297	Ps. (26,557)	Ps. (75,906)	Ps. -	Ps. 599,834	Ps. (19,331)	Ps. (194,282)	Ps. -	Ps. 386,221

	Leased property								
	December 31, 2011	Additions	Retirements	Transfers	December 31, 2012	Additions	Retirements	Transfers	December 31, 2013
Property	Ps. 42,239	Ps. -	Ps. -	Ps. -	Ps. 42,239	Ps. -	Ps. -	Ps. -	Ps. 42,239
Accumulated depreciation	(25,167)	(1,163)	-	-	(26,330)	(1,162)	-	-	(27,492)
Total property									
Lease	17,072	(1,163)	-	-	15,909	(1,162)	-	-	14,747
Total	Ps. 719,369	Ps. (27,720)	Ps. (75,906)	Ps. -	Ps. 615,743	Ps. (20,493)	Ps. (194,282)	Ps. -	Ps. 400,968

Depreciation expense for the years ended December 31, 2013 and 2012, was Ps. 28,189 and Ps. 30,449, respectively, which are recognized in the general expenses line in the statements of comprehensive income.

Work in process mostly consists of the Company's investments mainly related to the construction of new restaurants.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

7. Related Parties

a) Related party balances

At December 31, 2013 and 2012, the Company's statement of financial position includes the following balances with related parties considered to be affiliates:

	December 31,			
	2013		2012	
Receivables accounts:				
Holding de Restaurantes, S. de R.L. de C.V.	Ps.	85,000	Ps.	-
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.		34,000		-
Operadora Vips, S. de R.L. de C.V.		2,356		3,429
Operadora Wal-Mart, S. de R.L. de C.V.		-		147,000
	Ps.	121,356	Ps.	150,429
Accounting payables:				
Nueva Wal-Mart de México, S. de R.L. de C.V.	Ps.	10,355	Ps.	-
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.		434		576
	Ps.	10,789	Ps.	576
Balance receivable, net	Ps.	110,567	Ps.	149,853

At December 31, 2013 and 2012, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties.

At December 31, 2013 and 2012, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

During the years ended December 31, 2013 and 2012, the Company has not recorded any reserve for bad debts relating to amounts owed by related parties.

b) Related party transactions

The Company had the following transactions with related parties during the years ended December 31, 2013 and 2012:

	Years ended December 31,			
	2013		2012	
Revenues:				
Sale of fixed assets(i)	Ps.	307,631	Ps.	4,542
Rents income (ii)		214,435		242,704
Interest income on loans granted (iii)		16,812		12,455
Other		4		-
Total revenues	Ps.	538,882	Ps.	259,701
Expenses:				
Rent	Ps.	5,430	Ps.	5,095
Administrative and commission services (iv)		3,554		2,751
Total expenses	Ps.	8,984	Ps.	7,846
Loans granted (iii)	Ps.	1,214,328	Ps.	205,000
Purchase of property	Ps.	35	Ps.	2,307

i) During the year ended December 31, 2013, the Company sold several fixed assets to certain related parties by Ps. 307,631

ii) The Company has a lease agreement with Operadora Vips, S. de R.L. de C.V. Property lease agreement is mostly for terms of up to 20 years and are renewable for the same number of years at the end of the initial term. Rent is fixed and is paid on a monthly basis, and it is increased annually based on Mexico’s annual rate of inflation, which are recognized in general expense line in the statement comprehensive income.

(iii) The Company has several loans. Intercompany loans are granted for maximum terms of one year. Each loan is backed by a promissory note, which states the amount of monthly interest. Interest is computed at a rate equal to the Mexican weighted interbank interest rate (TIIE) plus two percentage points on the amount of the loan.

(iv) The Company has a service agreement with Servicios Administrativos Wal-Mart, S. de R.L. de C.V. The services agreement is for indefinite terms and mainly covers administrative, financial, accounting, legal and tax services. The amount of the consideration paid for these services is equal to the cost of the operation related to the services that are received during each month or period, plus/minus certain specific items, plus a 3.5% markup in 2013 and 2012, and are recognized in the general expense line in the statement of comprehensive income

8. Other Accounts Payable

An analysis of other accounts payable at December 31, 2013 and 2012 is as follows:

	December 31,			
	2013		2012	
Rents	Ps.	3,647	Ps.	4,104
Financial leases (Note 9)		827		807
Sundry suppliers		315		8
Other accrued liabilities		178		248
	Ps.	4,967	Ps.	5,167

9. Other Long-Term Liabilities

At December 31, 2013 and 2012, the other long term liabilities line includes the Company's obligations beyond one year under its finance leases and operating leases, as described below:

Leases:

In order to determine if the suppliers transfer the right to use an asset, the Company analyses the provision of services agreement that do not have the legal form of a lease but that involve the use of an asset. The Company does not have a provision of services agreement that must be classified as a lease, in conformity with IFRIC 4, Determining Whether an Arrangement Contains a Lease.

The Company has entered into operating leases with third parties. Rental expense under these leases is recognized on a straight-line basis over the term of the lease agreements considering as the commencement date of the lease the occupancy date of the leased property and including the lessee's rights to renewal.

The Company has entered into property lease agreements that qualify as finance leases. These agreements are recorded at the lower of either the present value of future minimum lease payments or at the market value of the property, and they are amortized over the term of the lease agreements, which includes the lessee's rights to renewal.

The Company has entered into property lease agreements with third parties for compulsory terms ranging from 2 to 15 years.

Future minimum lease payments under finance leases and the present value of the minimum lease payments are as follows

Year	Operating leases (compulsory term)	Finance leases minimum payments at: Present value	Finance leases minimum payments at: Nominal value minimum payments
2014	Ps. 5,944	Ps. 1,788	Ps. 1,922
2015	5,854	1,620	1,872
2016	5,262	1,244	1,546
2017	3,941	913	1,219
2018	871	849	1,219
2019 and thereafter	1,085	7,796	19,687
		Ps. 14,211	Ps. 27,465

At December 31, 2013, the liability derived from the use of the straight-line method under operating leases was Ps.504 classified as current liabilities and Ps.3,753 classified as long term liabilities.

Total rent under operating leases charged to the statement of comprehensive income during the years ended December 31, 2013 and 2012, was Ps.63,971 and Ps.69,976, respectively. Operating leases are recognized in general expense line in the statement of comprehensive income.

10. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax and Flat Rate Business Tax (FRBT).

The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

Current-year FRBT is computed by applying the 17.5% in 2013 and 2012. Taxable income is determined on a cash flow basis net of authorized credits.

Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company as allowed under the Mexican Income Tax Law. Starting on January 1, 2014, the Company shall determine and pay its income tax on an individual basis.

An analysis of taxes on profits charged to the statement of comprehensive income for the years ended December 31, 2013 and 2012 is as follows:

	Years ended December 31, 2013	Years ended December 31, 2012
Current income taxes	Ps. 99,782	Ps. 44,041
Deferred tax	(38,098)	8,091
Total	Ps. 61,684	Ps. 52,132

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2013 and 2012, is as follows:

	December 31, 2013	December 31, 2012
Property and equipment	Ps. (19,931)	Ps. 15,578
Related parties	(2,404)	1,069
Provisions	(2,093)	(1,947)
Effect of tax rate mix	-	(1,030)
Total	Ps. (24,428)	Ps. 13,670

A reconciliation of the statutory corporate tax rate to the effective rate recognized by the Company for financial reporting purposes is as follows:

	December 31, 2013	December 31, 2012
Income before taxes on profits	Ps. 244,949	Ps. 180,185
Inflation of property and equipment	(30,934)	(20,000)
Annual tax inflation adjustment	(13,363)	(9,183)
Other items	4,347	273
Non-deductible expenses	613	69
Income before income tax, plus other items	205,612	151,344
Statutory income tax rate	30%	30%
Income tax	61,684	45,403
Less: Amount of current year income tax less than FRBT	-	(37,028)
Plus: Amount of current year FRBT higher than current year income tax	-	44,041
Current year taxes	61,684	52,416
Effect of tax rate mix (30% and 28%)	-	(284)
Total current year taxes	Ps. 61,684	Ps. 52,132
Effective income tax rate	25%	29%

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (FRBT), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

11. Equity

a) The resolutions and associated amounts approved by the partners in ordinary partners' meetings are as follows:

i. At an ordinary partners' meeting held on April 18, 2013, it was agreed to increase the Company's legal reserve by Ps.6,402.

ii. At an ordinary partners' meeting held on July 12, 2013, the partners declared and paid a dividend in the amount of Ps.159,000.

iii. At an ordinary partners' meeting held on August 26 2013, it was agreed to approve the capitalization of the legal reserve (Ps. 45,859), retained earnings (Ps. 161,080) and restated partnership capital (Ps. 194,620) for Ps. 401,559.

iv. At an ordinary partners' meeting held on August 30, 2013 it was agreed to approve a capital decrease of Ps. 400,000.

v. At an ordinary partners' meeting held on April 17, 2012, it was agreed to increase the Company's legal reserve by Ps.5,088.

b) At December 31, 2013 and 2012, the Company's partnership capital is represented as follows:

Partnership interest series type	Number of partnership interests
Common, freely subscribed Series "I" partnership interests	1
Common, freely subscribed Series "II" partnership interests	1

The Company's fixed partnership capital is Ps.50. The Company's maximum authorized partnership capital is unlimited.

c) Distributed earnings and capital reductions that exceed the net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to income tax, in conformity with Articles 11 and 89 of the Mexican Income Tax Law.

d) At December 31, 2013 and 2012, the Company had the following tax balances:

	December 31,	
	2013	2012
Restated contributed capital account (CUCA)	Ps. 1,556,772	Ps. 1,900,155
Net taxed profits account (CUFIN)	Ps. 242,241	Ps. 159,641

12. Other Income, net

For the years ended December 31, 2013 and 2012, an analysis of other income related to the Company's primary business activities is as follows:

	Years ended December 31,	
	2013	2012
Other income		
Gain on sale of properties	Ps. 113,348	Ps. 28,638
Other	4,116	3,783
	117,464	32,421
Other expenses		
Other	(7)	(31)
	(7)	(31)
Total	Ps. 117,457	Ps. 32,390

13. Financial Income/(Expense)

An analysis of financial income (expenses) for the years ended December 31, 2013 and 2012, is as follows:

	Years ended December 31,	
	2013	2012
Financial income:		
Financial income	Ps. 4,510	Ps. 2,806
Interest income on loans granted (Note 7)	16,812	12,455
	21,322	15,261
Financial expenses:		
Interest on capital leases	(1,214)	(1,344)
Total	Ps. 20,108	Ps. 13,917

Financial income primarily consists of interest earned and investments.

14. Approval of the Financial Statements

The accompanying financial statements and its notes for the year ended December 31, 2013 and 2012 were approved on February 17, 2014 by the partners. Relevant subsequent events have been considered through February 17, 201 4.

SERVICIOS EJECUTIVOS DE RESTAURANTES,
S. DE R.L. DE C.V.

Unaudited Interim
Condensed Financial Statements

March 31, 2014

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Financial Statements

For the three months period ended as of March 31, 2014

Contents:

Unaudited Interim Condensed Financial Statements:

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statements of Financial Position

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	At March 31, 2014 (unaudited)	At December 31,2013 (audited)
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps. 58,202	Ps. 16,456
Accounts receivable, net (Note 5)	1,628	1,794
Prepaid expenses	512	-
Related parties (Note 7)	27,234	66,553
Total current assets	87,576	84,803
Transportation equipment and furniture, net (Note 6)	31,275	34,360
Intangible assets, net	1	1
Deferred taxes (Note 8)	2,812	5,425
Total assets	Ps. 121,664	Ps. 124,589
Liabilities and equity (deficit)		
Current liabilities:		
Related parties (Note 6)	Ps. 35,798	Ps. 34,832
Other accounts payable (Note 7)	43,450	56,676
Income tax payable (Note 8)	2,612	1,974
Value added tax payable	15,376	12,322
Other payroll taxes payable	16,089	18,722
Total current liabilities	113,325	124,526
Long term liabilities:		
Employee benefits (Note 9)	12,479	11,797
Total liabilities	125,804	136,323
Equity (deficit) (Note 12):		
Partnership capital	100	100
Accumulated deficit	(1,361)	(8,955)
Other comprehensive loss items	(2,879)	(2,879)
Total equity (deficit)	(4,140)	(11,734)
Total liabilities and equity (deficit)	Ps. 121,664	Ps. 124,589

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Comprehensive Income

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	For the three months ended March 31, 2014
Services revenues (Note 6)	Ps. 142,858
Personnel cost	(131,863)
	10,995
Other income, net	603
Operating income	11,598
Financial income	507
Financial expenses	(1,256)
Income before taxes on profits	10,849
Taxes on profits (Note 9)	(3,255)
Net income	Ps. 7,594

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Changes in Equity (deficit)

For the three months ended March 31, 2014

(Notes 1, 2 and 11)

(Amounts in thousands of Mexican pesos)

	Partnership capital	Accumulated deficit	Other comprehensive loss items	Total equity (deficit)
Balance at December 31, 2013 (audited)	Ps. 100	Ps. (8,955)	Ps. (2,879)	Ps. (11,734)
Comprehensive income	-	7,594	-	7,594
Balance at March 31, 2014 (unaudited)	Ps. 100	Ps. (1,361)	Ps. (2,879)	Ps. (4,140)

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Cash Flows

(Notes 1, 2 and 3)

(Amounts in thousands of Mexican pesos)

		For the three months ended March 31, 2014
Operating activities		
Income before taxes on profits	Ps.	10,849
Adjustments to reconcile net income to net cash flows:		
Depreciation (Note 6)		3,951
Loss on sale of furniture and equipment		855
Interest expense		1,255
Interest earned	(	507)
Cost recognized for employee benefits (Note 10)		682
		17,085
Changes in working capital:		
Accounts receivable		166
Prepaid expenses	(	512)
Related parties	(	715)
Other accounts payable	(	13,230)
Value added tax payable		3,054
Other payroll taxes payable	(	2,633)
Net cash flows from operating activities		3,215
Investing activities		
Interest collected		507
Acquisition of furniture and equipment (Note 6)	(	1,721)
Net cash flow used ininvesting activities	(	1,214)
Financing activities		
Repayment of related party loans	(	54,000)
Loans from related parties (Note 7)		95,000
Interest paid	(	1,255)
Net cash flow from financing activities		39,745
Net increase in cash and cash equivalents		41,746
Cash and cash equivalents at beginning of period		16,456
Cash and cash equivalents at end of period	Ps.	58,202

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Notes to Unaudited Interim Condensed Financial Statements

March 31, 2014

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. Description of the Company and Relevant Events

a) Description of the Company

Servicios de Ejecutivos de Restaurantes, S. de R.L. de C.V. (the Company) is a Mexican partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company. The Company was incorporated on 26 April, 2013.

The Company is primarily engaged in providing advisory, consulting and representation services, as well as in executing work and providing business administration services to its affiliates.

b) Relevant Events

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V. ("Walmex"), the Company's majority partner, reached a final agreement with Alsea, S.A.B. de C.V. ("Alsea"), for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction was subject to the approval of Mexico's Federal Economic Antitrust Commission ("COFECE" per its acronym in Spanish). On May 5, 2014, COFECE approved the transaction. As a result of this approval, effective May 9, 2014, Alsea became the Company's majority partner.

2. New Accounting Pronouncements

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGU's) for which an impairment loss has been recognized or reverse during the period. These amendments have no impact on the Company.

3. Summary of Significant Accounting Policies

A summary of the significant policies used in the preparation of the unaudited interim condensed financial statements is described below.

a) Basis of preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2014, have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting.*

Because the Company was incorporated on April 26, 2013, no comparable statement of comprehensive income or statement of cash flows has been presented for the quarter ended March 31, 2013.

The accounting policies used in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013.

These unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2013.

The accompanying financial statements have been prepared on a going-concern basis and on a historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014	December 31, 2013
Cash and cash equivalents	Ps. 2,152	Ps. 216
Highly marketable investments	56,050	16,240
	Ps. 58,202	Ps. 16,456

3.

5. Accounts Receivable, net

An analysis of accounts receivable at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014	December 31, 2013
Sundry debtors	Ps. 1,645	Ps. 1,796
Reserve for bad debts	(17)	(2)
	Ps. 1,628	Ps. 1,794

6. Transportation equipment and furniture

An analysis of furniture and equipment at March 31, 2014 and December 31, 2013, is as follows:

	Owned property			
	December 31, 2013	Additions	Retirements	March 31. 2014
Transportation equipment and furniture	Ps. 41,763	Ps. 1,721	Ps. (1,330)	Ps. 42,154
Total	41,763	1,721	(1,330)	42,154
Accumulated depreciation	(7,403)	(3,951)	475	(10,879)
Total furniture and equipment	Ps. 34,360	Ps. (2,230)	Ps. (855)	Ps. 31,275

Depreciation expense for the three months ended March 31, 2014, was Ps. 3,951 which is recognized in the personnel cost line in the statement of comprehensive income.

7. Related Parties

a) Related party balances

At March 31, 2014 and December 31, 2013, the Company's statement of financial position includes the following balances with related parties considered to be affiliates.

	March 31, 2014	December 31, 2013
Accounts Receivables:		
Operadora Vips, S. de R.L. de C.V.	Ps. 27,216	Ps. 66,287
SAW Servicios de Envió y Transportación, S. de R.L. de C.V.	16	-
Banco Wal-Mart de México Adelante, S. A., I.B.M.	2	3
Nueva Wal-Mart de México, S. de R.L. de C.V.	-	263
	Ps. 27,234	66,553

	March 31, 2014		December 31, 2013	
Accounts Payables:				
Arrendadora de Restaurantes, S. de R.L. de C.V.	Ps.	35,000	Ps.	34,000
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.		778		812
Nueva Wal-Mart de México, S. de R.L. de C.V.		20		-
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.		-		20
	Ps.	35,798	Ps.	34,832
Balance receivable, net	Ps.	(8,564)	Ps.	31,721

At March 31, 2014 and December 31, 2013, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

For the three months ended March 31, 2014, the Company has not recorded any reserve of bad debt relating to amounts owed by related parties.

b) Related party transactions

The Company had the following transactions with related parties during the period at March 31, 2014:

	For the three months ended March 31, 2014	
Revenues:		
Services revenues (i)	Ps.	142,858
Bank interest		5
Total revenues	Ps.	142,863
Expenses:		
Interest on loans received (ii)	Ps.	1,255
Administrative service expenses		279
Commissions		18
Services commissions		2
Total expenses	Ps.	1,554
Loans obtained:		
Operadora Vips, S. de R.L. de C.V.	Ps.	60,000
Arrendadora de Restaurantes, S. de R.L. de C.V		35,000
	Ps.	95,000

8. Other Accounts Payable

An analysis of other accounts payable at March 31, 2014 and December 31, 2013, is as follows:

		March 31, 2014		December 31, 2013
Accrued payroll expenses	Ps.	12,347	Ps.	26,801
Vacation premium payable		16,872		16,572
Housing fund and others		9,413		9,679
Sundry suppliers		2,700		1,874
Salaries payable		2,118		1,750
	Ps.	43,450	Ps.	56,676

9. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax. The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment. Starting on January 1, 2014, the Company determines and pays its income tax on an individual basis. Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company, as allowed under the Mexican Income Tax Law.

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

An analysis of taxes on profits charged to the statements of comprehensive income for the three months ended March 31, 2014, is as follows:

	For the three months ended March 31, 2014	
Deferred tax	Ps.	2,613
Current income tax		642
Total	Ps.	3,255

The effective tax rate recognized by the Company for financial reporting purposes is 30%. Significant differences between the estimated effective tax rate and the statutory tax rate for such interim periods are consistent with the recurrent differences disclosed in Note 10 to the Company's audited financial statements for the year ended December 31, 2013.

The Company believes that its deferred tax assets are recoverable since it generated taxable profits in 2013, the Company also believes that will continue generating tax profits in 2014. The Company has no history of tax losses.

10. Employee Benefits

The Company has a trust to cover seniority premiums obligations. The employees make no contributions to this fund.

The Company also recognizes a liability for retirement benefits. These obligations are estimated using the projected unit credit method.

At March 31, 2014 and December 31, 2013, an analysis of the Company's net projected liability for seniority premiums and retirement benefits is as follows:

	Seniority premiums				Retirement benefits			
	March 31, 2014		December 31, 2013		March31, 2014		December 31, 2013	
Defined benefit obligation	Ps.	22,267	Ps.	24,353	Ps.	4,957	Ps.	4,819
Plan assets	(	14,745)	(	17,375)		-		-
Net projected liability	Ps.	7,522	Ps.	6,978	Ps.	4,957	Ps.	4,819

The cost of obligations for seniority premium and retirement benefits in the three months period ended March 31, 2014 is $682.

At March 31, 2014, the Company had a fund for seniority premiums of Ps. 14,745 (fair value). The valuation technique used to determine and disclose the fair value of this financial instrument considers a Level 1 hierarchy (quoted prices (unadjusted) in active markets for identical assets or liabilities). These plan assets have been invested through the trust as follows: 94% in money market instruments and 6% in mutual funds.

11. Equity (deficit)

At March 31, 2014 and December 31, 2013 and December 31, 2013, the Company's partnership capital is represented as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series “I” partnership interests	1
Common, freely subscribed Series “II” partnership interests	1

Currently, the Company’s fixed partnership capital is Ps. 50. The Company’s maximum authorized partnership capital is unlimited.

As of March 31, 2014 and December 31, 2013, the Company’s accumulated losses exceed its partnership capital, which, according to the Mexican Corporations Act, could be cause of anticipated dissolution at an interested third party request. Continuance of the Company as a going concern will depend on the partners continuing financial support and the financial success of its future operation. The accompanying financial statements do not include adjustments related to valuation and classification of assets and liabilities that eventually could be necessary to reflect a going concern problem.

12. Issuance of the Financial Statements

The accompanying financial statements and its notes for the three months ended March 31, 2014, were authorized for issuance on May 30, 2014 by the Company’s management. Relevant subsequent events have been considered through May 30, 2014.

SERVICIOS EJECUTIVOS DE RESTAURANTES,
S. DE R.L. DE C.V.

Financial Statements

As of December 31, 2013
with Report of Independent Auditors

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Financial Statements

As of December 31, 2013

Contents:

Construyendo un mejor entorno de negocios

Av. Ejército Nacional 843-B
Antara Polanco
11520 Mexico, D.F.

Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

REPORT OF INDEPENDENT AUDITORS

To the Partners of
Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V.

We have audited the accompanying financial statements of Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V., which comprise the statement of financial position at December 31, 2013, and the related statements of comprehensive income, changes in equity and cash flows for the period from April 26 to December 31, 2013, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. at December 31, 2013, and its financial performance and cash flows for the period from April 26 to December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Mancera, S.C.
A Member Practice of
EY Global

Enrique García

Mexico City
February 17, 2014

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Financial Position

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

		December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps.	16,456
Accounts receivable, net (Note 5)		1,794
Related parties (Note 8)		66,553
Total current assets		84,803
Transportation equipment and furniture, net (Note 6)		34,360
Intangible assets, net (Note 7)		1
Deferred taxes (Note 10)		5,425
Total assets	Ps.	124,589
Liabilities and equity		
Current liabilities:		
Related parties (Note 8)	Ps.	34,832
Other accounts payable (Note 9)		56,676
Income tax payable (Note 10)		1,974
Value added tax payable		12,322
Other payroll taxes payable		18,722
Total current liabilities		124,526
Long term liabilities:		
Employee benefits (Note 11)		11,797
Total liabilities		136,323
Equity (Note 12):		
Partnership capital		100
Net loss for the period		(8,955)
Other comprehensive loss items		(2,879)
Total equity		(11,734)
Total liabilities and equity	Ps.	124,589

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

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Comprehensive Income

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	For the period from April 26 through December 31, 2013
Services revenues (Note 8)	Ps. 308,872
Personnel cost	(319,844)
	(10,972)
Other income, net	478
Operating loss	(10,494)
Financial income (Note 13)	670
Financial expenses (Note 13)	(2,582)
Loss before taxes on profits	(12,406)
Taxes on profits (Note 10)	3,451
Net loss	Ps. (8,955)
Other comprehensive loss items:	
Items that will not be reclassified subsequently to profit or loss:	
Remeasurement actuarial loss from employee benefits	Ps. (2,879)
Other comprehensive loss for the period	Ps. (11,834)

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

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Changes in Equity

For the Period from April 26 through December 31, 2013

(Notes 1, 3 and 12)

(Amounts in thousands of Mexican pesos)

	Partnership capital	Net loss	Other comprehensive loss items	Total equity
Initial capital contribution at April 26, 2013	Ps. 50	Ps. -	Ps. -	Ps. 50
Capital increase	50	-	-	50
Comprehensive loss	-	(8,955)	(2,879)	(11,834)
Balance at December 31, 2013	Ps. 100	Ps. (8,955)	Ps. (2,879)	Ps. (11,734)

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

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Cash Flows

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	For the period from April 26 through December 31,
Operating activities	
Loss before taxes on profits	Ps.(12,406)
Adjustments to reconcile net loss to net cash flows:	
Cost recognized for employee benefits	11,176
Depreciation and amortization	7,686
Gain on sale of furniture and equipment	(506)
Interest expense (Note 13)	2,582
Interest earned (Note 13)	(670)
	7,862
Changes in working capital:	
Accounts receivable	(1,794)
Related parties	(85,721)
Other accounts payable	56,676
Value added tax payable	12,322
Other payroll taxes payable	18,722
Employer contributions (Note 11)	(2,258)
Net cash flows from operating activities	5,809
Investing activities	
Interest collected	670
Acquisition of transportation equipment and furniture	(43,293)
Proceeds from sale of property and equipment	1,752
Net cash flow used in investing activities	(40,871)
Financing activities	
Initial capital contribution	50
Partnership capital increase	50
Repayment of related party loans	(178,500)
Loans from related parties	232,500
Interest paid	(2,582)
Net cash flow from financing activities	51,518
Net increase in cash and cash equivalents	16,456
Cash and cash equivalents at end of period	Ps. 16,456

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

SERVICIOS EJECUTIVOS DE RESTAURANTES, S. DE R.L. DE C.V.

Notes to Financial Statements

At December 31, 2013

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. Description of the Company and Relevant Events

a) Description of the Company

Servicios de Ejecutivos de Restaurantes, S. de R.L. de C.V. (the Company) is a Mexican partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company. The Company was incorporated on 26 April, 2013.

The Company is primarily engaged in providing advisory, consulting and representation services, as well as in executing work and providing business administration services to its affiliates.

b) Relevant Events

On June 16, 2013, the Company entered into an employer substitution agreement with Servicios Admnistrativos Wal-Mart, S. de R.L. de C.V. ,(related party), under which the Company agrees to become the substitute employer for the personnel currently working in the different operating units of the Restaurantes Vips segment.

As a result of the employer substitution agreement signed by the Company and its related parties described in the preceding paragraph, parties agreed that from the date of signature thereof, the Company will be responsible for the labor relationships its related parties had with its employees and also will assume the accumulated assets liabilities associated with such labor relationships (see Note 11).

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V., the Company's majority partner, reached an agreement with Alsea, S.A.B. de C.V. for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction is subject to the approval of Mexico's Federal Economic Antitrust Commission, and the fulfillment of other conditions required for these types of acquisitions.

2. New Accounting Pronouncements

In 2012, the International Accounting Standards Board (IASB) issued the following International Financial Reporting Standard that was applied by the Company in 2013.

IFRS 13, *Fair Value Measurement* – This standard defines the concept of fair value and requires the disclosure of fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. The adoption of this standard had no material effect on the fair value measurements of the Company's financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company.

3. Summary of Significant Accounting Policies

A summary of the accounting policies used in the preparation of the financial statements is described below.

a) Basis of preparation

The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Presentation of the statements of comprehensive income

The statement of comprehensive income was prepared based on its nature, in conformity with IAS 1, *Presentation of Financial Statements*. The statement of comprehensive income also includes a separate operating loss line to provide a better understanding of the Company's business performance.

Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from those estimates.

The accompanying financial statements have been prepared on a going-concern basis and on an historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

b) Risk factors

The Company is exposed to the effects of a number of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

i. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance

ii. Inflation. Over the last few years, the inflation rate in Mexico has remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

iii. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, could affect the Company's operating results, such as an impact on services revenues, expenses for payroll indirect taxes and changes in applicable rates.

iv. Liquidity risk. The Company monitors its risk to a shortage of funds using a liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans with related parties.

c) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. These investments are stated at historical cost plus accrued interest, not in excess of their market value.

d) Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company determines the classification of its financial assets and liabilities at initial recognition as described below:

I) Financial assets.- Financial assets are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, (iv) available-for-sale financial assets, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial assets primarily consist on sundry debtors (Note 5) which are recognized initially at fair value.

II) Financial liabilities.- Financial liabilities are classified as (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company does not operate with derivative financial instruments. The Company's financial liabilities primarily consist in interest-bearing loans and borrowings (Notes 8) which are recognized initially at fair value.

Subsequent measurement for financial these assets and liabilities is determined based on their classification.

Loans and receivables, and loans and borrowings after initial recognition are subsequently measured at its amortized cost using the Effective Interest Rate ("EIR") method (less impairment for financial assets). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

As of December 31, 2013, the Company does not have financial liabilities at fair value through profit or loss.

e) Reserve for bad debts

The Company recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal procedures.

f) Furniture and equipment

Furniture and equipment are recorded at acquisition cost and presented net of accumulated depreciation.

Depreciation of furniture and equipment is computed on a straight-line basis at the following annual rates:

Furniture and equipment	10.0%
Transportation equipment	25.0%
Server and printers	33.3%

g) Intangible assets

Intangible assets are valued at the lower of either acquisition cost or their fair value at the acquisition date and are classified based on their useful lives, which may be definite or indefinite, in conformity with IAS 36, *Impairment of Assets*. Definite-lived assets are amortized at 33.33% using the straight-line method.

h) Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from a past event; that can be reasonable estimated and that will most likely give rise to a future cash disbursements for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the statement of comprehensive income net of any corresponding reimbursements.

i) Taxes on profits

Current income tax

Current income tax liabilities for the current period are measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred taxes

Deferred taxes on profits are calculated using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the statement of financial position or the enacted rate that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short term liability or current asset, net of prepayments made during the year.

j) Employee benefits

Seniority premiums accruing to employees under the Mexican Labor Law are recognized as a cost of the years in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*.

Retirement benefits to full time employees are recognized as a cost of the years, in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*. Dismissals considered in the valuation are only the ones occurred by reason of attainment of normal retirement age.

Actuarial gains and losses are recognized in full in the period which they occur other comprehensive income (loss), in conformity with IAS 19. Such actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

The Company presents interest cost on service obligation within the employee benefits expenses line in the statements of comprehensive income.

The latest actuarial computation was prepared as of December 31, 2013.

All other payments accruing to employees or their beneficiaries in the event of involuntary retirement or death, in terms of the Mexican Labor Law, are expensed as incurred.

The Company recognizes a provision for the costs of paid absences, such as vacation time, based on the accrual method.

Employee profit sharing is computed at the rate of 10% of the individual Company's taxable income, except for other effects of inflation. The cost of employee profit sharing earned for the current-year is presented in Employee benefits expenses line in the statements of comprehensive income.

j) Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's partnerships capital.

k) Revenue recognition

In conformity with the requirements established in IAS 18, Revenue Recognition, service revenues are recognized in the Company's statement of comprehensive income at the time services are rendered.

Interest income is recognized in the statement of comprehensive income in the Financial expense, net line, as it accrues.

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at December 31, 2013, is as follows:

	December 31, 2013
Cash and cash equivalents	Ps. 216
Highly marketable investments	16,240
	Ps. 16,456

5. Accounts Receivable, net

An analysis of accounts receivable at December 31, 2013, is as follows:

	December 31, 2013
Sundry debtors	Ps. 1,796
Reserve for bad debts	(2)
	Ps. 1,794

6. Transportation equipment and furniture

An analysis of Transportation equipment and furniture at December 31, 2013, is as follows:

	Property and equipment owned by the Company			
	April 26, 2013	Additions	Retirements	December 31, 2013
Transportation equipment and furniture	Ps. -	Ps. 43,292	Ps. (1,529)	Ps. 41,763
Total	-	43,292	(1,529)	41,763
Accumulated depreciation	-	(7,686)	283	(7,403)
Total furniture and equipment	Ps. -	Ps. 35,606	Ps. (1,246)	Ps. 34,360

Depreciation expense for the period from April 26 through December 31, 2013 was Ps.7, 686, which is recognized in the personnel cost line in the statement of comprehensive income.

7. Intangible Assets

An analysis of intangible assets at December 31, 2013, is as follows:

	December 31, 2013
Software	Ps. 1

Amortization expense for the period from April 26 to December 31, 2013 was recognized in the personnel cost line in the statements of comprehensive income.

8. Related Parties

a) Related party balances

At December 31, 2013, the Company's statement of financial position includes the following balances with related parties considered to be affiliates.

		December 31, 2013
Accounts Receivables:		
Operadora Vips, S. de R.L. de C.V.	Ps.	66,287
Nueva Wal-Mart de México, S. de R.L. de C.V.		263
Banco Wal-Mart de México Adelante, S. A., I.B.M.		3
	Ps.	66,553
Accounts Payables:		
Arrendadora de Restaurantes, S. de R.L. de C.V.	Ps.	34,000
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.		812
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.		20
	Ps.	34,832
Balance receivable, net	Ps.	31,721

At December 31, 2013 and 2012, balances receivable and payable due to/from related parties consist of current accounts, payable in cash and without guaranties. Loans with related parties generate interest as explained below.

For the period ended December 31, 2013, the Company has not recorded any Reserve of bad debt relating to amounts owed by related parties.

b) Related party transactions

The Company had the following transactions with related parties during the period from April 26 through December 31, 2013:

		For the period from April 26 through December 31, 2013
Revenues:		
Services revenues (i)	Ps.	308,872
Sale of fixed assets		534
Bank interest		11
Total revenues	Ps.	309,417

		For the period from April 26 through December 31, 2013
Expenses:		
Interest on loans received (ii)	Ps.	2,582
Administrative service expenses		1,038
Commissions		32
Services commissions		3
Total expenses	Ps.	3,655
Loans obtained	Ps.	305,762

(i) The Company has an agreement with Operadora Vips, S. de R.L. de C.V. This agreement is for an indefinite term and cover personnel services. The amount of the revenue is equal to the cost of the operation related to the services that are provided during each month or period plus/minus certain specific items, plus a 3.5% markup.

(ii) The loans are for terms of one year or less and each loan is supported by a promissory note that establishes the monthly payments of principal and interest. Interest is computed on outstanding balances at a rate equal to the Mexican weighted interbank interest rate (TIIE) plus two percentage points on the amount of the loan.

The Company acquired furniture and equipment from its related party SAW, S. de R.L. de C.V. of Ps. 38,933.

c) Remuneration of principal officers

An analysis of remuneration to the Company's principal officers for the period from April 26 to December 31, 2013 is as follows:

		For the period from April 26 through December 31, 2013
Short-term benefits	Ps.	1,900

These benefits were recognized as general expenses in the period ended December 31, 2013.

9. Other Accounts Payable

An analysis of other accounts payable at December 31, 2013 is as follows:

		December 31, 2013
Accrued payroll expenses	Ps.	26,801
Vacation premium payable		16,572
Housing found and others		9,679
Sundry suppliers		1,874
Salaries payable		1,750
	Ps.	56,676

10. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax and Flat Rate Business Tax (FRBT).

The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

Current-year FRBT is computed by applying the 17.5%. Taxable income is determined on a cash flow basis net of authorized credits.

Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company as allowed under the Mexican Income Tax Law. Starting on January 1, 2014, the Company shall determine and pay its income tax on an individual basis.

An analysis of taxes on profits charged to the statement of comprehensive income for the period from April 26, 2013 through December 31, 2013 is as follows:

		For the period from April 26 through December 31, 2013
Current income tax	Ps.	1,974
Deferred tax		(5,425)
Total	Ps.	(3,451)

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2013, is as follows:

	December 31, 2013
Related parties	Ps. (5,488)
Salaries and bonuses payable	7,255
Accrued payroll expenses and salaries	2,675
Property and equipment	981
Other	2
Deferred tax asset, net	Ps. 5,425

Deferred tax assets are considered to be recoverable since the Company has generated taxable profits in 2013 and also estimates to continue generating them in 2014. The Company has no history of tax losses.

A reconciliation of the statutory corporate tax rate to the effective tax rate recognized by the Company for financial reporting purposes is as follows:

	For the period from April 26 through December 31, 2013
Loss before taxes on profits	Ps. (12,406)
Non-deductible expenses	604
Taxable income	315
Other items	(16)
Loss before income tax, plus other items	(11,503)
Statutory income tax rate	30%
Taxes on profits	Ps. (3,451)
Effective income tax rate	28%

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals and several changes are set in terms of establishing limits on some deductions for income tax purposes, highlighting partial limitation on deduction of some payments of salary-related exempt benefits to workers.

11. Employee Benefits

The Company has a trust to cover seniority premiums obligations. The employees make no contributions to this fund.

The Company also recognizes a liability for retirement benefits. These obligations are estimated using the projected unit credit method.

At December 31, 2013, an analysis of the Company's net projected liability for seniority premiums and retirement benefits is as follows:

	Seniority premiums	Retirement benefits
Defined benefit obligation	Ps. 24,353	Ps. 4,819
Plan assets	(17,375)	-
Net projected liability	Ps. 6,978	Ps. 4,819

Changes in the defined benefit obligation are as follows:

	Seniority premiums	Retirement benefits
Defined benefit obligation at June 16, 2013	Ps. 23,705	Ps. 4,674
Net period cost charged to profit or loss:		
Current service cost	1,745	207
Interest cost on benefit obligation	1,600	316
Remeasurement actuarial losses in other comprehensive loss:		
Actuarial (gain)/loss due to liability assumption changes	(1,124)	(248)
Actuarial (gain)/loss due to liability experience	(781)	(130)
Benefits paid from plan assets	(792)	-
Defined benefit obligation at December 31, 2013	Ps. 24,353	Ps. 4,819

Changes in plan assets are as follows:

	Seniority premiums
Established fund at June 16, 2013	Ps. 15,644
Interest income on plan assets	1,086
Return on plan assets greater/(less) than discount rate	(822)
Employer contributions	2,258
Benefits paid	(791)
Fair value of fund at end of year	Ps. 17,375

At December 31, 2013, the Company had a fund for seniority premiums of Ps. 17,375 (fair value). The valuation technique used to determine and disclose the fair value of this financial instrument considers a Level 1 hierarchy (quoted prices (unadjusted) in active markets for identical assets or liabilities) in accordance with IFRS 13, *Fair Value Measurement*. These plan assets have been invested through the trust as follows: 94% in money market instruments and 6% in mutual funds.

Changes in other comprehensive income (OCI):

	Seniority premiums		Retirement benefits	
Balance at June 16, 2013	Ps.	3,216	Ps.	1,124
Actuarial (gain)/loss due to liability assumption changes		(1,124)		(248)
Actuarial (gain)/loss due to liability experience		(781)		(130)
Return on plan assets (greater)/less that discount rate		822		-
Remeasurement effects recognized in OCI	Ps.	2,133	Ps.	746

The significant assumptions used in the actuarial valuation are described as a follows:

	December 31, 2013
Financial:	
Discount rate	7.50%
Return on plan assets	4.75%
Salary increase rate	5.25%
Minimum wage increase rate	4.00%
Inflation rate	4.00%
Biometrics:	
Mortality	IMSS 97 (1)
Disability	21.07%
Retirement age	65 years

(1) Social Security Mexican Experience for males and females

A sensitivity analysis on the defined benefit obligation at December 31, 2013, is shown below:

	Seniority premiums		Retirement benefits	
Defined benefit obligation at December 31, 2013	Ps.	24,353	Ps.	4,819
Defined benefit obligation at discount rate + 1%	Ps.	22,346	Ps.	4,377
Defined benefit obligation at discount rate - 1%	Ps.	26,693	Ps.	5,338
Effect on defined benefit obligation:				
Discount rate + 1%	Ps.	(2,007)	Ps.	(442)
Discount rate - 1%	Ps.	2,340	Ps.	519

The expected rate was taken from a yield curve of Mexican Federal Government Treasury Bond (known as CETES).

12. Equity

a) The resolutions and associated amounts approved by the partners in ordinary partners' meetings are as follows:

1. On June 12, 2013, the partners agreed to increase the Company's variable partnership capital by Ps.50.

b) At December 31, 2013, the Company's partnership capital is represented as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series "I" partnership interests	1
Common, freely subscribed Series "II" partnership interests	1

At December 2013, the Company's fixed partnership capital is Ps.50. The Company's maximum authorized partnership capital is unlimited.

c) Distributed earning and capital reductions that exceed the Net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to the payment of income tax, in conformity with Articles 11 and 89 of the Mexican Income Tax Law.

d) As of December 31, 2013, accumulated losses exceed its partnership capital, which, according to the Mexican Corporations Act, could be cause of anticipated dissolution at an interested third party request. Continuance of the Company as a going concern will depend on the shareholders continuing financial support and the financial success of its future operation. The accompanying financial statements do not include adjustments related to valuation and classification of assets and liabilities that eventually could be necessary to reflect a going concern problem (see Note 1b) second paragraph).

e) At December 31, 2013, the Company had the following tax balances:

	December 31, 2013
Restated contributed capital account (CUCA)	Ps. 103
Net taxed profits account (CUFIN)	4,001

13. Financial Income (Expenses)

An analysis of financial income (expenses) for the period from April 26 through December 31, 2013 is as follows:

	For the period from April 26 through December 31, 2013
Financial income:	
Interest income	Ps. 670
Financial expenses:	
Interest on loans received	(2,582)
Total	Ps. (1,912)

Financial income primarily consists of interest earned on investments.

14. Approval of the Financial Statements

The accompanying financial statement and its notes for the year ended December 31, 2013 and 2012 were approved on February 17, 2014 by the partners. Relevant subsequent events have been considered through February 17, 2014.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim
Condensed Financial Statements

March 31, 2014

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Financial Statements

For the three months period ended as of March 31, 2014

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HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Financial Position

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	March 31, 2014 (unaudited)	December 31, 2013 (audited)
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	Ps. 132,976	Ps. 19,142
Accounts receivable (Note 5)	2,820	2,333
Recoverable taxes	28,639	22,749
Related parties (Note 6)	57,369	156,508
Total current assets	221,804	200,732
Non-current assets:		
Deferred taxes (Note 8)	12,937	5,671
Total assets	Ps. 234,741	Ps. 206,403
Liabilities and equity (deficit)		
Current liabilities:		
Related parties (Note 6)	Ps. 115,484	Ps. 85,205
Other accounts payable (Note 7)	60,387	53,090
Value added tax payable	28,899	31,528
Other taxes payable	20,184	30,267
Income tax payable	2,060	-
Total current liabilities	227,014	200,090
Long term liabilities:		
Employee benefits (Note 9)	16,181	13,976
Total liabilities	243,195	214,066
Equity (deficit) (Note 10):		
Partnership capital	100	100
Accumulated deficit	(5,041)	(4,250)
Other comprehensive loss items	(3,513)	(3,513)
Total equity (deficit)	(8,454)	(7,663)
Total liabilities and equity (deficit)	Ps. 234,741	Ps. 206,403

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Comprehensive Income

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	For the three months ended March 31, 2014
Services revenues (Note 5)	Ps. 272,504
Personnel cost	(268,610)
Operating income	3,894
Other expenses	(3,587)
	307
Financial income	1,075
Financial expense	(2,512)
Loss before taxes on profits	(1,130)
Taxes on profits (Note 7)	339
Net loss for the period	Ps. (791)

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Changes in Equity (deficit)

For the three months ended March 31, 2014 and 2013

(Notes 1, 2 and 9)

(Amounts in thousands of Mexican pesos)

	Partnership capital	Accumulated deficit	Other comprehensive loss items	Total equity (deficit)
Balance at December 31, 2013 (audited)	Ps. 100	Ps. (4,250)	Ps. (3,513)	Ps. (7,663)
Comprehensive loss	-	(791)	-	(791)
Balance at March 31, 2014 (unaudited)	Ps. 100	Ps. (5,041)	Ps.(3,513)	Ps.(8,454)

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Unaudited Interim Condensed Statement of Cash Flows

(Notes 1 and 2)

(Amounts in thousands of Mexican pesos)

	For the three months ended March 31, 2014
Operating activities	
Loss before taxes on profits	Ps. (1,130)
Adjustments to reconcile loss before taxes on profits to net cash flows:	
Interest expense	2,512
Defined benefits cost (Note 8)	2,205
	3,587
Changes in working capital:	
Accounts receivable	(487)
Recoverable taxes	(10,757)
Related parties	19,418
Other accounts payable	7,297
Value added tax payable	(2,629)
Other taxes payable	(10,083)
Net cash flows from operating activities	6,346
Financing activities	
Repayment to related party loans	(85,000)
Loans from related parties (Note 6)	195,000
Interest paid	(2,512)
Net cash flows from financing activities	107,488
Net increase in cash and cash equivalents	113,834
Cash and cash equivalents at beginning of period	19,142
Cash and cash equivalents at end of period	Ps. 132,976

The accompanying notes are an integral part of these unaudited interim financial statements.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Notes to Unaudited Interim Condensed Financial Statements

At March 31, 2014

(Amounts in thousands of Mexican pesos, except where otherwise indicated)

1. Description of the Company and Relevant Events

a) Description of the Company

Holding de Restaurantes, S. de R.L. de C.V. (the Company) is a Mexican partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City. The Company was incorporated under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company. The Company was created on April 26, 2013.

The Company is primarily engaged in providing advisory, consulting and representation services, as well as in executing work and providing business administration services to its affiliates.

b) Relevant events

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V. ("Walmex"), the Company's majority partner, reached a final agreement with Alsea, S.A.B. de C.V. ("Alsea"), for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction was subject to the approval of Mexico's Federal Economic Antitrust Commission ("COFECE" per its acronym in Spanish). On May 5, 2014, COFECE approved the transaction. As a result of this approval, effective May 9, 2014, Alsea became the Company's majority partner.

2. New Accounting Pronouncements

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGU's) for which an impairment loss has been recognized or reverse during the period. These amendments have no impact on the Company.

3. Summary of Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the financial statements is described below.

a) Basis of preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2014, have been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting.*

Because the Company was incorporated on April 26, 2013, no comparable statement of comprehensive income or statement of cash flows has been presented for the quarter ended March 31, 2013.

The accounting policies used in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2013.

The accompanying financial statements have been prepared on a going-concern basis and on a historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014		December 31, 2013	
Cash and cash equivalents	Ps.	197	Ps.	1,581
Highly marketable investments		132,779		17,561
	Ps.	132,976	Ps.	19,142

5. Accounts Receivable, net

An analysis of accounts receivable at March 31, 2014 is as follows:

	March 31, 2014		December 31, 2013	
Sundry debtors	Ps	2,855	Ps.	2,379
Reserve for bad debts	(	35)	(	46)
	Ps.	2,820	Ps.	2,333

6. Related Parties

a) Related party balances

At March 31, 2014 and December 31, 2013, the statement of financial position includes the following balances with related parties:

	March 31, 2014		December 31, 2013	
Accounts Receivable:				
Operadora Vips, S. de R.L. de C.V.	Ps.	57,365	Ps.	155,580
Banco Wal-Mart, S.A., Institución de Banca Múltiple		4		10
Nueva Wal-M art, S. de R.L. de C.V.		-		905
Suburbia, S. de R.L. de C.V.		-		10
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.		-		3
	Ps.	57,369	Ps.	156,508
Accounts Payable:				
Arrendadora de Restaurantes, S. de R.L. de C.V.	Ps.	115,000	Ps.	85,000
SAW Servicios de Envío y Transportación, S. de R.L. de C.V.		223		-
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.		153		205
Nueva Wal-Mart de México, S. de R.L. de C.V.		108		-
	Ps.	115,484	Ps.	85,205
Balance payable, net	Ps. (	58,115)	Ps.	71,303

At March 31, 2014 and December 31, 2013, balances receivable and payable due to related parties consist of unsecured current accounts, are payable in cash and without guaranties.

For the three months ended March 31, 2014, the Company has not recorded any reserve of bad debt relating to amounts owed by related parties.

b) Related party transactions

The Company had the following transactions with related parties during the period at March 31, 2014:

	For the three months ended March 31, 2014	
Revenues:		
Services revenues	Ps.	272,504
Interest		14
Total revenues	Ps.	272,518
Expenses:		
Interest on loans	Ps.	2,512
Other expenses		1,132
Commissions		446
Total expenses	Ps.	4,090
Loans obtained:		
Operadora Vips, S. de R.L. de C.V.	Ps.	80,000
Arrendadora de Restaurantes, S. de R.L. de C.V		115,000
	Ps.	195,000

7. Other Accounts Payable

An analysis of other accounts payable at March 31, 2014 and December 31, 2013, is as follows:

	March 31, 2014		December 31, 2013	
Accrued payroll expenses	Ps.	38,628	Ps.	28,382
Vacations payable		13,288		12,468
Housing fund and others		1,699		9,364
Administrative provision (*)		5,017		1,591
Employee profit sharing		1,755		1,285
	Ps.	60,387	Ps.	53,090

(*) The administrative provision corresponds to labor lawsuits with former employees.

8. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax. The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment. Starting on January 1, 2014, the Company determines and pays its income tax on an individual basis. Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company, as allowed under the Mexican Income Tax Law.

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals. These reforms did not result in an important impact for the Company.

An analysis of taxes on profits charged to the statements of comprehensive income for the three months ended March 31, 2014, is as follows:

	For the three months ended March 31, 2014
Current income tax	Ps. 6,927
Deferred tax	(7,266)
Total	Ps. (339)

The effective tax rate recognized by the Company for financial reporting purposes is 30%. Significant differences between the estimated effective tax rate and the statutory tax rate for such interim periods are consistent with the recurrent differences disclosed in Note 8 to the Company's audited financial statements for the year ended December 31, 2013.

The Company believes that its deferred tax assets are recoverable since it generated taxable profits in 2013, the Company also believes that will continue generating tax profits in 2014. The Company has no history of tax losses.

9. Employee Benefits

The Company has a trust to cover seniority premiums obligations. The employees make no contributions to this fund.

The Company also recognizes a liability for retirement benefits. These obligations are estimated using the projected unit credit method.

At March 31, 2014 and December 31, 2013, an analysis of the Company's net projected liability for seniority premiums and retirement benefits is as follows:

	Seniority premiums				Retirement benefits			
	March 31, 2014		December 31, 2013		March31, 2014		December 31, 2013	
Defined benefit obligation	Ps.	63,703	Ps.	65,211	Ps.	3,631	Ps.	3,506
Plan assets	(	51,153)	(	54,741)		-		-
Net projected liability	Ps.	12,550	Ps.	10,470	Ps.	3,631	Ps.	3,506

At March 31, 2014, the Company had a fund for seniority premiums of Ps. 51,153 (fair value). The valuation technique used to determine and disclose the fair value of this financial instrument considers a Level 1 hierarchy (quoted prices (unadjusted) in active markets for identical assets or liabilities). These plan assets have been invested through the trust as follows: 94% in money market instruments and 6% in mutual funds.

The cost of obligations for seniority premium and retirement benefits in the three months period ended March 31, 2014 is $2,205.

10. Equity (deficit)

At March 31, 2014 and December 31, 2013, the Company's partnership capital is represented as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series "I" partnership interests	1
Common, freely subscribed Series "II" partnership interests	1

Currently, the Company's fixed partnership capital is Ps. 50. The Company's maximum authorized partnership capital is unlimited.

As of March 31, 2014 and December 31, 2013, the Company's accumulated losses exceed its partnership capital, which, according to the Mexican Corporations Act, could be cause of anticipated dissolution at an interested third party request. Continuance of the Company as a going concern will depend on the partners continuing financial support and the financial success of its future operation. The accompanying financial statements do not include adjustments related to valuation and classification of assets and liabilities that eventually could be necessary to reflect a going concern problem.

11. Issuance of the Financial Statements

The accompanying financial statements and its notes for the three months ended March 31, 2014, were authorized for issuance on May 30, 2014 by the Company’s management. Relevant subsequent events have been considered through May 30, 2014.

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Financial Statements

As of December 31, 2013
with Report of Independent Auditors

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Financial Statements

As of December 31, 2013

Contents:

Av. Ejército Nacional 843-B
Antara Polanco
11520 Mexico, D.F.
Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

REPORT OF INDEPENDENT AUDITORS

To the Partners of
Holding de Restaurantes, S. de R.L. de C.V.

We have audited the accompanying financial statements of Holding de Restaurantes, S. de R.L. de C.V., which comprise the statement of financial position at December 31, 2013, and the related statements of comprehensive income, changes in equity and cash flows for the period from April 26 to December 31, 2013, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holding de Restaurantes, S. de R.L. de C.V. at December 31, 2013, and its financial performance and cash flows for the period from April 26 to December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Mancera, S.C.
A Member Practice of
EY Global

Enrique García

Mexico City
February 17, 2014

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Financial Position

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	At December 31, 2013
Assets	
Current assets:	
Cash and cash equivalents (Note 4)	Ps. 19,142
Accounts receivable (Note 5)	2,333
Recoverable taxes	22,749
Related parties (Note 6)	156,508
Total current assets	200,732
Non-current assets:	
Deferred taxes (Note 8)	5,671
Total assets	Ps. 206,403
Liabilities and net equity	
Current liabilities:	
Related parties (Note 6)	Ps. 85,205
Other accounts payable (Note 7)	53,090
Other payroll taxes payable	30,267
Value added tax payable	31,528
Total current liabilities	200,090
Long term liabilities:	
Employee benefits (Note 9)	13,976
Total liabilities	214,066
Equity (Note 10):	
Partnership capital	100
Net loss for the period	(4,250)
Other comprehensive loss items	(3,513)
Total equity	(7,663)
Total liabilities and equity	Ps. 206,403

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

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Comprehensive Income

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	For the period from April 26 through December 31, 2013
Services revenues (Note 6)	Ps. 629,638
Personnel cost	(631,436)
Operating loss	(1,798)
Other expenses	(2,056)
	(3,854)
Financial income (Note 11)	937
Financial expense (Note 11)	(3,245)
Loss before taxes on profits	(6,162)
Taxes on profits (Note 8)	1,912
Net loss for the period	(4,250)
Other comprehensive loss items:	
Items that will not be reclassified subsequently to profit or loss:	
Remeasurement actuarial loss from employee benefits	(3,513)
Other comprehensive loss for the period	Ps. (7,763)

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

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Changes in Equity

For the Period from April 26 through December 31, 2013

(Notes 1, 3 and 10)

(Amounts in thousands of Mexican pesos)

	Partnership capital	Net loss	Other comprehensive loss items	Total equity
Initial capital contribution on April 26, 2013	Ps. 50	Ps. -	Ps. -	Ps. 50
Partnership capital increase	50	-	-	50
Comprehensive loss	-	(4,250)	(3,513)	(7,763)
Balance at December 31, 2013	Ps. 100	Ps.(4,250)	Ps.(3,513)	Ps.(7,663)

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

HOLDING DE RESTAURANTES, S. DE R.L. DE C.V.

Statement of Cash Flows

(Notes 1 and 3)

(Amounts in thousands of Mexican pesos)

	For the period from April 26 through December 31, 2013
Operating activities	
Loss before taxes on profits	Ps. (6,162)
Adjustments to reconcile loss before taxes on profits to net cash flows:	
Cost recognized for employee benefits	19,364
Interest expense (Note 11)	3,245
	16,447
Changes in working capital:	
Accounts receivable	(2,333)
Recoverable taxes	(26,508)
Related parties	(156,303)
Other accounts payable	53,090
Value added tax payable	30,267
Other taxes payable	31,528
Employer contributions (Note 9)	(8,901)
Net cash flows used in operating activities	(62,713)
Financing activities	
Initial capital contribution	50
Partnership capital increase	50
Repayment of related party loans	(253,000)
Loans from related parties	338,000
Interest paid	(3,245)
Net cash flows from financing activities	81,855
Net increase in cash and cash equivalents	19,142
Cash and cash equivalents at end of period	Ps. 19,142

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

1. Description of the Company and Relevant Events

a) Description of the Company

Holding de Restaurantes, S. de R.L. de C.V.(the Company) is a Mexican partnership and its offices are located at Nextengo 78, Colonia Santa Cruz Acayucan, C.P. 02770, in Mexico City under the laws of Mexico and it is a subsidiary of Wal-Mart de México, S.A.B. de C.V., which holds 99.99% equity interest in the Company. The Company was incorporated on April 26, 2013.

The Company is primarily engaged in providing advisory, consulting and representation services, as well as in executing work and providing business administration services to its affiliates.

b) Relevant events

On June 16, 2013, the Company entered into an employer substitution agreement with SAW Servicios de Envío y Transportación, S. de R.L. de C.V. (related party), under which the Company agrees to become the substitute employer for the personnel currently working in the different operating units of the Restaurantes Vips segment.

On June 16, 2013, the Company entered into an employer substitution agreement with Restaurantes Vips, S. de R.L. de C.V. (related party), under which the Company agrees to become the substitute employer for the personnel currently working in the different operating units of Restaurantes Vips.

As a result of the employer substitution agreements signed by the Company and its related parties described in the preceding two paragraphs, parties agreed that from the date of signature thereof, the Company will be responsible for the labor relationships its related parties had with its employees and also will assume the accumulated assets liabilities associated with such labor relationships (see Note 9).

On September 10, 2013, Wal-Mart de México, S.A.B. de C.V., the Company's majority partner, reached an agreement with Alsea, S.A.B. de C.V. for the latter to acquire the 100% of the partnerships interest of the Company. The closing of the transaction is subject to the approval of Mexico's Federal Economic Antitrust Commission, and the fulfillment of other conditions required for these types of acquisitions.

2. New Accounting Pronouncements

In 2012, the International Accounting Standards Board issued the following International Financial Reporting Standards that was applied by the Company in 2013.

IFRS 13, *Fair Value Measurement* – This standard defines the concept of fair value and requires the disclosure of fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. The adoption of this standard had no material effect on the fair value measurements of the Company's financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company.

3. Summary of Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the financial statements is described below.

a) Basis of preparation

The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Presentation of the statements of comprehensive income

The statement of comprehensive income was prepared bases on nature basis, which allows for the disclosure of general expenses separately from other expenses, in conformity with IAS 1, *Presentation of Financial Statements*. The statement of comprehensive income also includes a separate operating loss line to provide a better understanding of the Company's business performance.

Basis of measurement and presentation

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from those estimates.

The accompanying financial statements have been prepared on a going-concern basis and on an historical-cost convention. The Mexican peso is the Company's functional and reporting currency.

b) Risk factors

The Company is exposed to the effects of a number of future events that could affect the purchasing power and/or buying habits of its population. These events may be economic, political or social in nature and some of the most important are described below:

i. Employment and salary. Positive or negative changes in employment and/or real salary levels could affect Mexico's per capita income and, consequently, the Company's business performance

ii. Inflation. Over the last few years, the inflation rate in Mexico has remained at low levels. A significant increase in inflation rates could have a direct effect on the purchasing power of the Company's customers and the demand for its products and services.

iii. Changes in government regulations. The Company is exposed to the changes in different laws and regulations, which, after becoming effective, could affect the Company's operating results, such as an impact on services revenues, expenses for payroll indirect taxes and changes in applicable rates.

iv. Liquidity risk. The Company monitors its risk to a shortage of funds using a liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans with related parties.

c) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with original maturities of less than 90 days. These investments are stated at historical cost plus accrued interest, not in excess of their market value.

d) Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company determines the classification of its financial assets and liabilities at initial recognition as described below:

I) Financial assets.- Financial assets are classified as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, (iv) available-for-sale financial assets, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial assets primarily consist on sundry debtors (Note 5) which are recognized initially at fair value.

II) Financial liabilities.- Financial liabilities are classified as (i) financial liabilities at fair value through profit or loss, (ii) loans and borrowings, or as (iii) derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company does not operate with derivative financial instruments. The Company's financial liabilities primarily consist in interest-bearing loans and borrowings (Notes 6) which are recognized initially at fair value.

Subsequent measurement for financial assets and liabilities is determined based on their classification.

Loans and receivables, and loans and borrowings after initial recognition are subsequently measured at its amortized cost using the Effective Interest Rate ("EIR") method (less impairment for financial assets). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

As of December 31, 2013, the Company does not have financial liabilities at fair value through profit or loss.

e) Reserve for bad debts

The Company recognizes the reserve for bad debts at the time the legal collection process begins in conformity with its internal policy.

f) Liabilities and provisions

In conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, accrued liabilities are recognized whenever the Company has current obligations (legal or assumed) resulting from a past event; that can be reasonable estimated and that will most likely give rise to a future cash disbursements for their settlement. Reimbursements are recognized net of the related obligation when it is certain that the reimbursement will be obtained. Provision expenses are presented in the statement of comprehensive income net of any corresponding reimbursements.

g) Taxes on profits

Current income tax

Current income tax liabilities for the current period are measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred taxes

Deferred taxes on profits are calculated using the asset and liability method, in conformity with IAS 12, *Income Taxes*. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities, applying the enacted income tax rate, effective as of the date of the statement of financial position or the enacted rate that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets.

Current year taxes on profits are presented as a short-term liability or current asset, net of prepayments made during the year.

h) Employee benefits

Seniority premiums accruing to employees under the Mexican Labor Law are recognized as a cost of the years, in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*.

Benefits at retirement to full time employees are recognized as a cost of the years, in which services are rendered, based on actuarial computations made by an independent expert, using the projected unit credit method, in conformity with IAS 19, *Employee Benefits*. Dismissals considered in the valuation are only the ones occurred by reason of attainment of normal retirement age.

Actuarial gains and losses are recognized in full in the period which they occur in other comprehensive income (loss), in conformity with IAS 19. Such actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

The Company presents interest cost on service obligation within the employee benefits expenses line in the statements of comprehensive income.

The latest actuarial computation was prepared as of December 31, 2013.

All other payments accruing to employees or their beneficiaries in the event of involuntary retirement or death, in terms of the Mexican Labor Law, are expensed as incurred.

The Company recognizes a reserve for the costs of paid absences, such as vacation time, based on the accrual method.

Employee profit sharing is computed at the rate of 10% of the individual Company's taxable income, except for other effects of inflation. The cost of employee profit sharing earned for the current-year is presented in Employee benefits expenses line in the statements of comprehensive income.

i) Equity

Legal reserve:

In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's partnership capital.

j) Revenue recognition

In conformity with the requirements established in IAS 18, Revenue Recognition, service revenues are recognized in the Company's statement of comprehensive income at the time services are rendered.

Interest income is recognized in the statement of comprehensive income in the Financial income line, as it accrues.

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The fees and service revenues are recognized at the time services are rendered in conformity with IAS 18.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents at December 31, 2013, is as follows:

	December 31, 2013	
Cash and cash in banks	Ps.	1,581
Highly marketable investments		17,561
	Ps.	19,142

5. Accounts Receivable, net

An analysis of accounts receivable at December 31, 2013, is as follows:

	December 31, 2013
Sundry debtors	Ps. 2,379
Reserve for bad debts	(46)
	Ps. 2,333

6. Related Parties

a) Related party balances

At December 31, 2013, the statement of financial position includes the following balances with related parties:

	December 31, 2013
Accounts Receivables:	
Operadora Vips, S. de R.L. de C.V.	Ps. 155,580
Nueva Wal-Mart de México, S. de R.L. de C.V.	905
Suburbia, S. de R.L. de C.V.	10
Banco Wal-Mart de México Adelante, S.A., I.B.M.	10
SAW Servicios de Envió y Transportación, S. de R.L. de C.V.	3
	Ps. 156,508
Accounts Payables:	
Arrendadora de Restaurantes, S. de R.L. de C.V.	Ps. 85,000
Servicios Administrativos Wal-Mart, S. de R.L. de C.V.	205
	85,205
Balance receivable, net	Ps. 71,303

At December 31, 2013, balances receivable and payable due to related parties consist of unsecured current accounts, are payable in cash and without guaranties.

For the period ended December 31, 2013, the Company has not recorded any reserve of bad debt relating to amounts owed by related parties.

b) Related party transactions

The Company had the following transactions with related parties during the period from April 26 through December 31, 2013:

		For the period from April 26 through December 31, 2013
Revenues:		
Services Revenues (i)	Ps.	629,638
Interest		42
Total revenues	Ps.	629,680
Expenses:		
Interest on loans (ii)	Ps.	3,245
Other expenses		2,347
Commissions		1,332
Total expenses	Ps.	6,924
Loans obtained	Ps.	338,000

(i) The Company has an agreement with Operadora Vips, S. de R.L. de C.V. This agreement is for an indefinite term and cover personnel services. The amount of the revenue is equal to the cost of the operation related to the services that are provided during each month or period plus/minus certain specific items, plus a 3.5% markup.

(ii) The loans with Arrendadora de Restaurantes, S. de R.L. de C.V. are for terms of one year or less and each loan is supported by a promissory note that establishes the monthly payments of principal and interest. Interest is computed on outstanding balances at a rate equal to the Mexican weighted interbank interest rate (TIIE) plus two percentage points.

7. Other Accounts Payable

An analysis of other accounts payable at December 31, 2013, is as follows:

		December 31, 2013
Accrued payables expenses	Ps.	28,382
Vacations payable		12,468
Housing found and others		9,364
Administrative provision *		1,591
Employee profit sharing		1,285
	Ps.	53,090

*The administrative provision corresponds to labor lawsuits with former employees.

8. Taxes on Profits

In accordance with Mexican tax law, the Company is subject to income tax and Flat Rate Business Tax (FRBT).

The income tax is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated property and equipment. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

Current-year FRBT is computed by applying the 17.5% in 2013. Taxable income is determined on a cash flow basis net of authorized credits.

Through December 31, 2013, the Company had the authorization of the Ministry of Finance and Public Credit to consolidate its tax results with those of Wal-Mart de México, S.A.B. de C.V., its controlling company, which holds a 99.99% equity interest in the Company as allowed under the Mexican Income Tax Law. Starting on January 1, 2014, the Company shall determine and pay its income tax on an individual basis.

An analysis of taxes on profits charged to the statements of comprehensive income for the period from April 26, 2013 through December 31, 2013 is as follows:

	For the period from April 26 through December 31, 2013
Current income tax	Ps. 3,759
Deferred tax	(5,671)
Total	Ps.(1,912)

An analysis of the effects of the temporary differences giving rise to deferred tax assets and liabilities at December 31, 2013, is as follows:

	December 31, 2013
Related parties	Ps. (6,778)
Short term employee payables	8,833
Employee benefits	3,139
Other	477
Deferred tax asset, net	Ps. 5,671

Deferred tax assets are considered to be recoverable since the Company has generated taxable profits in 2013 and also estimates to continue generating them in 2014. The Company has no history of tax losses.

A reconciliation of the statutory corporate tax rate to the effective tax rate recognized by the Company for financial reporting purposes is as follows:

	For the period from April 26 through December 31, 2013
Loss before taxes on profits	Ps.(6,162)
Non-deductible expenses	146
Annual inflation adjustment	(318)
Other items	(40)
Loss before income tax, plus other items	(6,374)
Statutory income tax rate	30%
Taxes on profits	Ps.(1,912)
Effective income tax rate	31%

On December 11, 2013, the 2014 tax reform was approved. The tax reform considers mainly the following changes: Corporate income tax rate of 30%, elimination of flat rate business tax (IETU), elimination of tax consolidation regime, 10% withholding tax on dividends from profits generated since 2014, when paid to residents abroad or Mexican resident individuals and several changes are set in terms of establishing limits on some deductions for income tax purposes, highlighting partial limitation on deduction of some payments of salary-related exempt benefits to workers.

9. Employee Benefits

The Company has a trust to cover seniority premiums obligations. The employees make no contributions to this fund.

The Company also recognizes a liability for retirement benefits. These obligations are estimated using the projected unit credit method.

At December 31, 2013, an analysis of the Company's net projected liability for seniority premiums and retirement benefits is as follows:

	Seniority premiums	Retirement benefits
Defined benefit obligation	Ps. 65,211	Ps. 3,506
Plan assets	(54,741)	-
Net projected liability	Ps. 10,470	Ps. 3,506

Changes in the defined benefit obligation are as follows:

	Seniority premiums	Retirement benefits
Defined benefit obligation at June 16, 2013	Ps. 62,132	Ps. 3,420
Net period cost charged to profit or loss:		
Current service cost	7,908	254
Interest cost on benefit obligation	4,207	235
Remeasurement actuarial losses in other comprehensive loss:		
Actuarial (gain)/loss due to liability assumption changes	(3,248)	(231)
Actuarial (gain)/loss due to liability experience	(3,970)	(172)
Benefits paid	(1,818)	-
Defined benefit obligation at December 31, 2013	Ps. 65,211	Ps. 3,506

Changes in plan assets are as follows:

	Seniority premiums
Established fund at June 16,2013	Ps. 46,873
Interest income on plan assets	3,213
Return on plan assets greater /(less) than discount rate	(2,428)
Employer contributions	8,901
Benefits paid	(1,818)
Fair value of fund at end of year	Ps. 54,741

At December 31, 2013, the Company had a fund for seniority premiums of Ps. 54,741 (fair value). The valuation technique used to determine and disclose the fair value of this financial instrument considers a Level 1 hierarchy (quoted prices (unadjusted) in active markets for identical assets or liabilities) in accordance with IFRS 13, Fair Value Measurement. These plan assets have been invested through the trust as follows: 94% in money market instruments and 6% in mutual funds.

Changes in other comprehensive income (OCI):

	Seniority premiums	Retirement benefits
Balance at June 16, 2013	Ps. 8,212	Ps. 494
Actuarial (gain)/loss due to liability assumption changes	(3,248)	(231)
Actuarial (gain)/loss due to liability experience	(3,970)	(172)
Return on plan assets (greater)/less that discount rate	2,428	-
Remeasurement effects recognized in OCI	Ps. 3,422	Ps. 91

The significant assumptions used in the actuarial valuation are described as a follows:

	December 31, 2013
Financial:	
Discount rate	7.50%
Return on plan assets	4.75%
Salary increase rate	5.25%
Minimum wage increase rate	4.00%
Inflation rate	4.00%
Biometrics:	
Mortality	IMSS 97 (1)
Disability	21.07%
Retirement age	65 years

(1) Social Security Mexican Experience for males and females

A sensitivity analysis on the defined benefit obligation at December 31, 2013, is shown below:

	Seniority premiums	Retirement benefits
Defined benefit obligation at December 31, 2013	Ps. 65,211	Ps. 3,506
Defined benefit obligation at discount rate + 1%	Ps. 59,450	Ps. 3,103
Defined benefit obligation at discount rate - 1%	Ps. 71,986	Ps. 3,992
Effect on defined benefit obligation:		
Discount rate + 1%	Ps. (5,761)	Ps. (403)
Discount rate - 1%	Ps. 6,775	Ps. 486

The expected rate was taken from a yield curve of Mexican Federal Government Treasury Bond (known as CETES).

10. Equity

a) The resolutions and associated amounts approved by the partners in ordinary partners' meetings are as follows:

1. On June 12, 2013, the partners agreed to increase the Company's variable partnership capital by Ps. 50.

b) At December 31, 2013, the Company's partnership capital is represented as follows:

Partnership interest series type	No. of partnership interests
Common, freely subscribed Series "I" partnership interests	1
Common, freely subscribed Series "II" partnership interests	1

At December 2013, the Company's fixed partnership capital is Ps. 50. The Company's maximum authorized partnership capital is unlimited.

c) Distributed earnings and capital reductions that exceed the Net taxed profits account (CUFIN per its acronym in Spanish) and restated contributed capital account (CUCA per its acronym in Spanish) balances are subject to the payment of income tax, in conformity with Articles 11 and 89 of the Mexican Income Tax Law.

d) As of December 31, 2013, accumulated losses exceed its partnership capital, which, according to the Mexican Corporations Act, could be cause of anticipated dissolution at an interested third party request. Continuance of the Company as a going concern will depend on the shareholders continuing financial support and the financial success of its future operation. The accompanying financial statements do not include adjustments related to valuation and classification of assets and liabilities that eventually could be necessary to reflect a going concern problem (see Note 1b) third paragraph).

At December 31, 2013, the Company had the following tax balances:

	December 31, 2013
Restated contributed capital account (CUCA)	Ps. 103
Net taxed profits account (CUFIN)	8,625

11. Financial Expenses, net

An analysis of financial expenses, net for the period from April 26, 2013 through December 31, 2013 is as follows:

	For the period from April 26 through December 31, 2013
Financial income:	
Interest income	Ps. 937
Financial expense:	
Interest on loans received	(3,245)
Total	Ps.(2,308)

12. Approval of the Financial Statements

The accompanying financial statement and its notes for the year ended December 31, 2013 were approved on February 17, 2014 by the partners. Relevant subsequent events have been considered through February 17, 2014.

Alsea