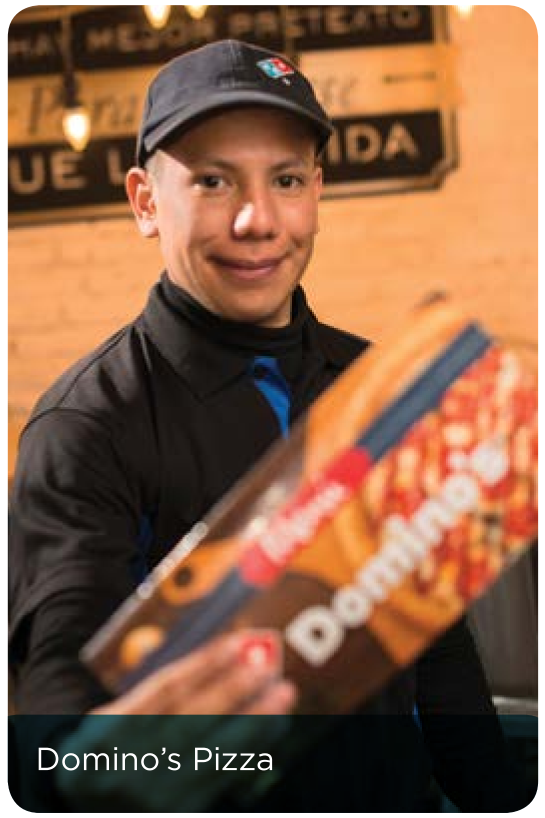
ALSEA MENU

ANNUAL REPORT 2014

Alsea

GRI 2.1 | 2.2 | 2.3 | 2.5 | 2.7 | 3.6

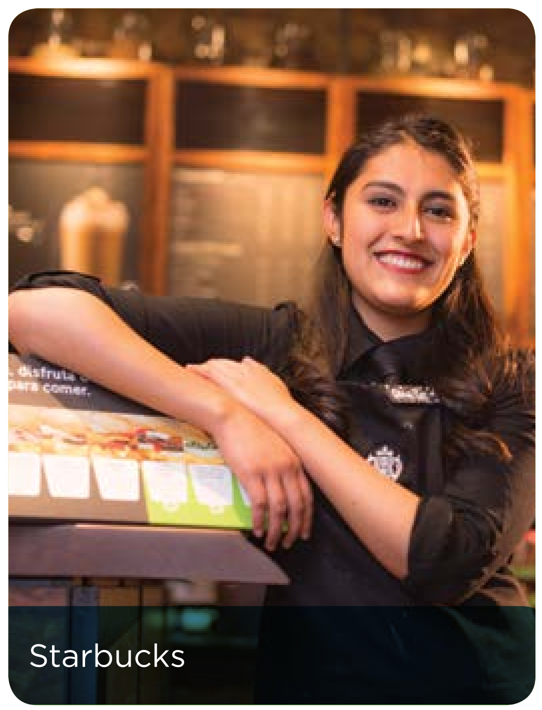
Welcome to ALSEA'S MENU


Domino's Pizza

All of Alsea's ingredients are portrayed in it. 2014 was a record year for the Company regarding growth, due to the integration to the menu of Vips and El Portón brands in Mexico. Likewise, Grupo Zena in Spain, was incorporated.

Alsea's Specials include the expansion in the Colombian market with Starbucks and the entry to the Brazilian one with P.F. Chang's; the first opening of The Cheesecake Factory in Mexico; as well as the constant development of the organic growth strategy.

Furthermore, it contains International Recipes, Sustainable Recipes with Social and Environmental Value and the Menu with Quality and Talent, as well as our dishes to share.


Starbucks

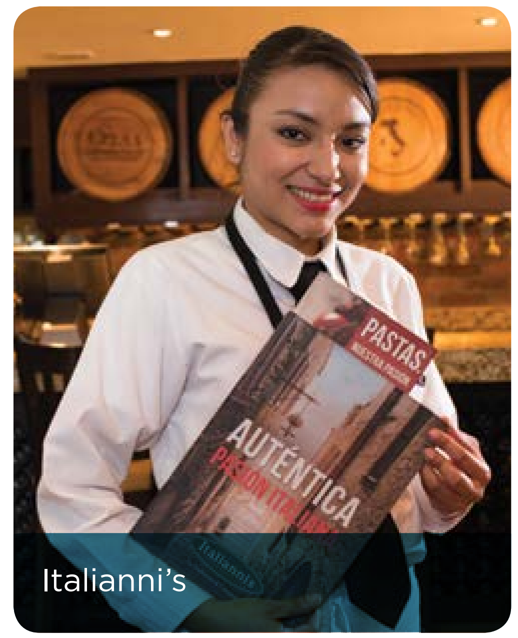

Burger King

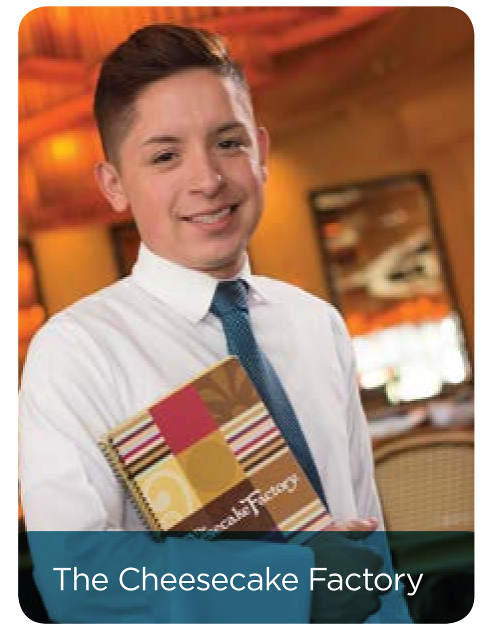
Alsea is the leading restaurant operator in Latin America and Spain of leading brands in the Quick Service, Coffee Shop, Casual Dining and Family Dining segments.

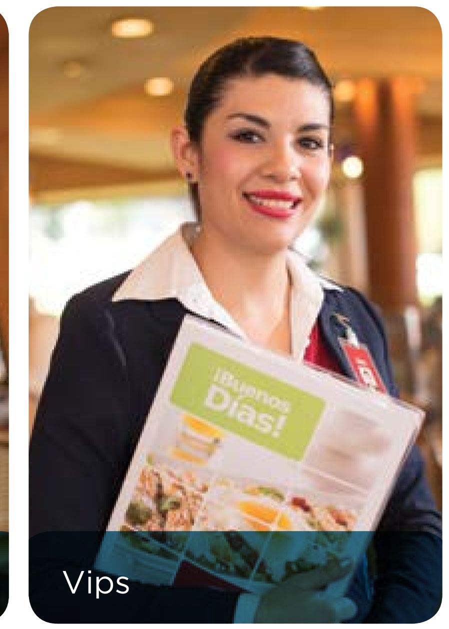

Chili's

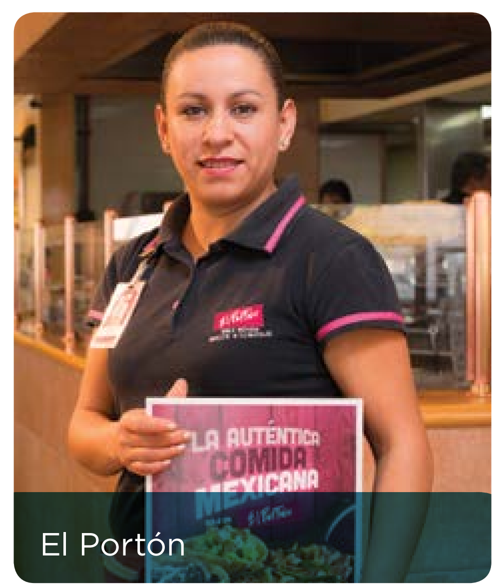

California Pizza Kitchen

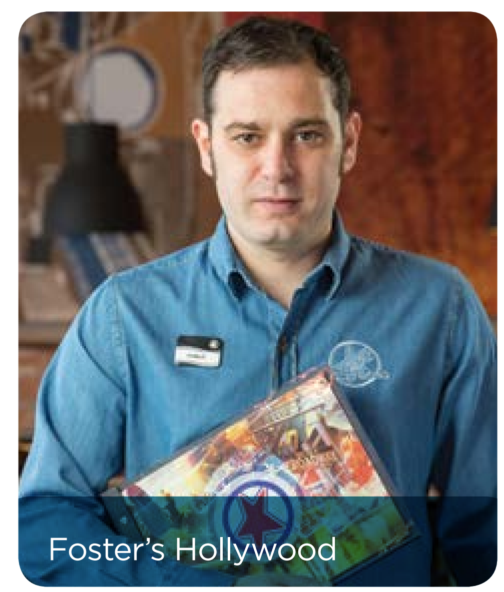

P.F. Chang's


Italianni's


The Cheesecake Factory


Vips


El Portón


Foster's Hollywood


La Vaca Argentina


Cañas y Tapas

Its business model includes all units' backup through a Support and Shared Services Center, providing aid in Management, Development and Supply Chain processes.

GRI 2.7 | 2.8 | 2.9 | 3.6 | 3.8 | 3.11

Alsea's Specialties

Highlights

Close of the acquisition and incorporation process of Vips and El Portón to Alsea's business model:

- 259 Vips units
- 85 El Portón units

- Acquisition of Grupo Zena in Spain:
  - 6 brands, 442 units

Expansion in the casual dining segment in Latin America, through the entry to the Brazilian market with the opening of two P.F. Chang's units

Opening of the first The Cheesecake Factory in Mexico

Expansion in the Colombian market with the opening of the first Starbucks in this country; ending the year with six units

Capital issuance **150.8** million shares at 45.75 pesos per share

GRI 2.7 | 2.8 | 2.9 | EC1

2,784 Units

2,161 Corporate
623 Sub-franchises

15 brands in **6** countries

Growth of **49.5%** in number of units vs prior year

922 Net Openings
136 Organic
786 Acquisitions

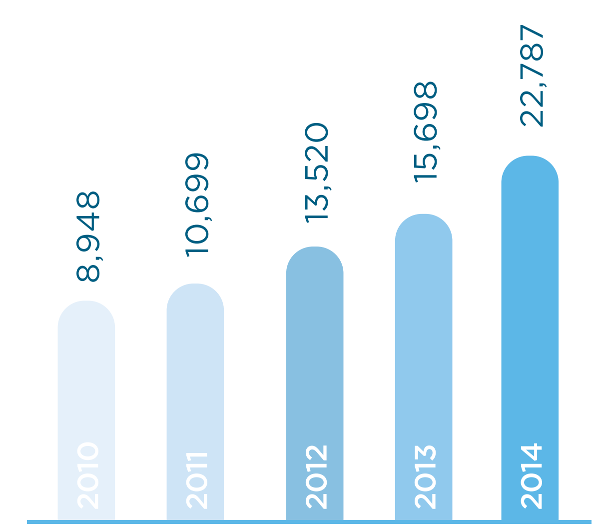
Growth of 4.5% in Same-Store Sales

Mexico	South America	Spain
(0.4%)	20.0%	6.5%

258 million customers served

2014 Results

Net Sales

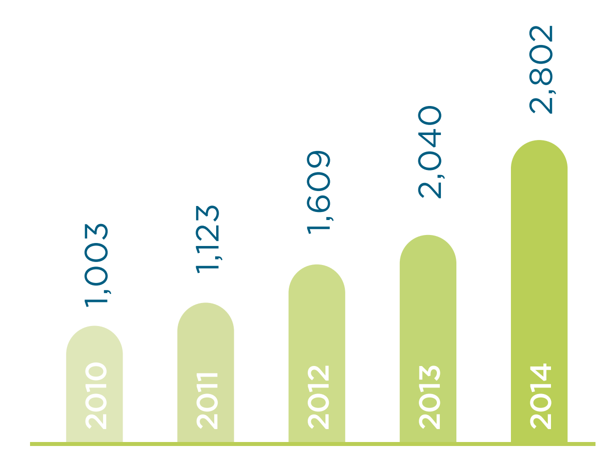


Figures in millions of nominal pesos

Annual Growth **45.2%**

CAGR* **26.3%**

EBITDA



Figures in millions of nominal pesos

Annual Growth **37.4%**

CAGR* **29.3%**

*Compound Annual Growth Rate 2010-2014

Consolidated Net Income **624 million pesos**

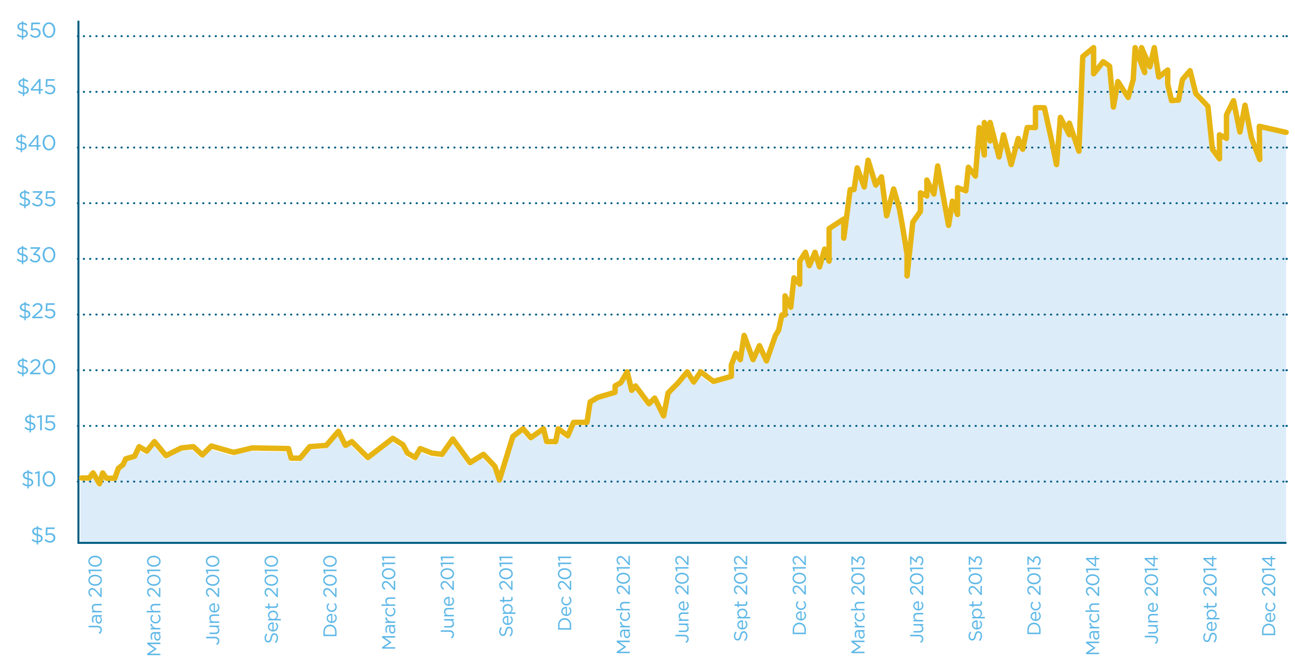
CAPEX (excluding acquisitions) **2.05 billion pesos**

Capital issuance of **6.9 billion pesos**

8.0% ROIC | **7.5%** ROE

GRI 2.8 | 2.10 | LA10

Share price performance



Share price
year ended 2014
$40.77 pesos

Shares outstanding
837.6 million

Average Value Traded
107 million pesos

Debt Structure

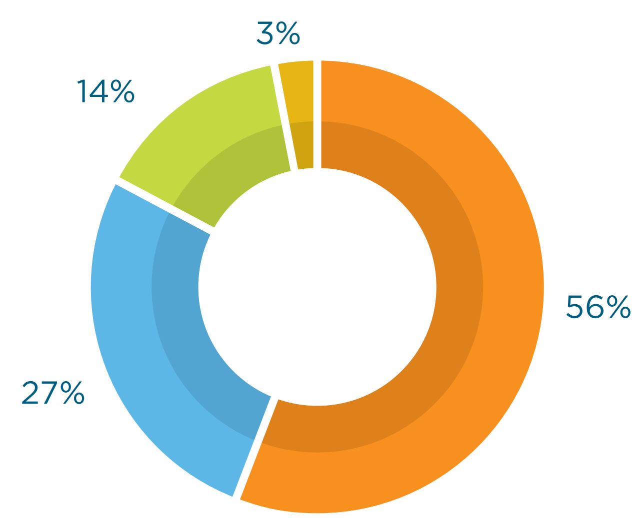
Year	%	Expiration
2015	12%	$1,377
2016	16%	$1,750
2017	17%	$1,949
2018	36%	$4,055
2019	9%	$992
2020	10%	$1,117

Total Debt ..... **11.2 billion pesos**

Social Responsibility Results

$24,106,880
Fundraising by Fundación Alsea, A.C.

Fundraising composition



- "It's on me" Campaign (customers)
- Alsea's profit*
- Employees' contribution
- Founding Partners' contribution

*According to the Board's mandate, Alsea donates 1% of its profits to the Foundation

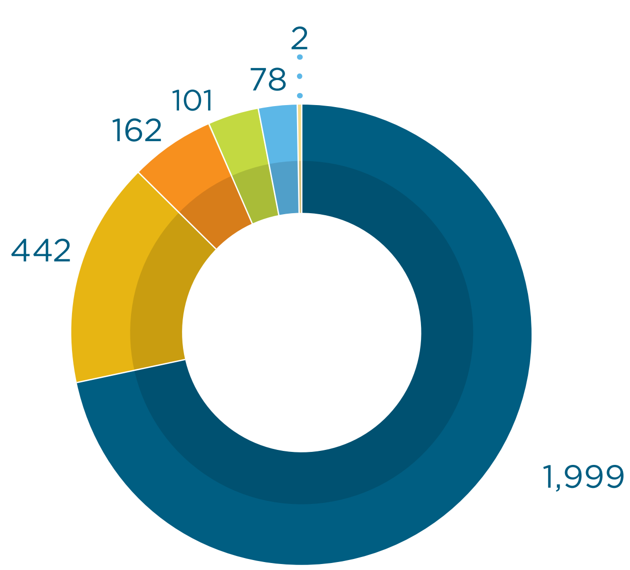
- 3rd consecutive year with the ESR Distinction
- 2nd consecutive year in the Mexican Stock Exchange Sustainability Index
- 2nd consecutive year in the GPTW ranking
- Caloric information diffusion through the menu boards
- Energy savings 13,001 GJ
- Collection of 679,727 L of burned oil
- Two new children's dining rooms
- 815,340 Training hours

GRI 2.5 | 2.8 | 3.6 | 3.9 | 3.11

Alsea's Presence

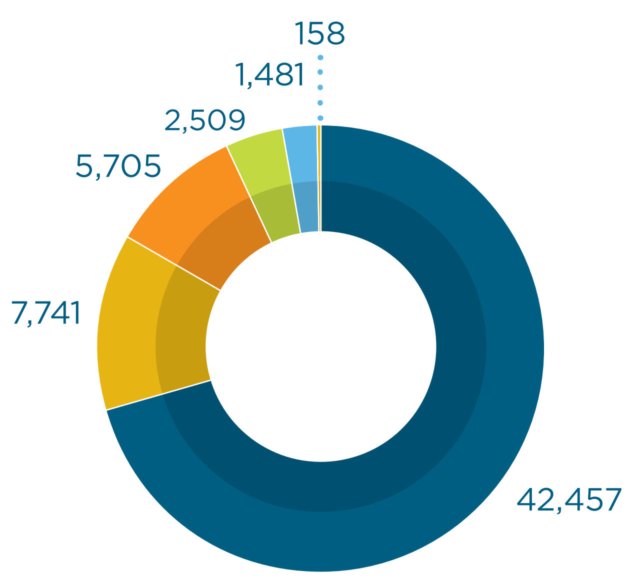
6 countries

Units per country



- Mexico
- Spain
- Argentina
- Chile
- Colombia
- Brazil

Employees per country



Employees
60,051
increase
85.6%

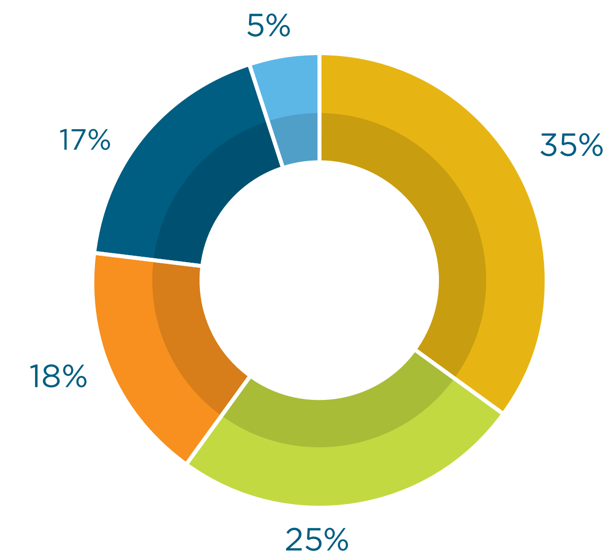
GRI 2.2 | 2.3 | 2.7 | 3.8

Business Units and Segments Menu

	Units	
Quick Service	1,428	
Domino's	799	246 sub-franchises
Burger King	629	221 sub-franchises
Coffee Shops	609	
	609	
Casual Dining	403	
Chili's	47	
California Pizza Kitchen	22	2 sub-franchises
P.F. Chang's	24	
Pei Wei	2	
Italiannis	66	11 sub-franchises
The Cheesecake Factory	1	
Foster's Hollywood	198	120 sub-franchises
	13	
Cañas y Tapas	19	13 sub-franchises
il Tempietto ristorante	11	6 sub-franchises
Family Dining	344	
Vips	259	5 sub-franchises
El Portón	85	

2,784
Units

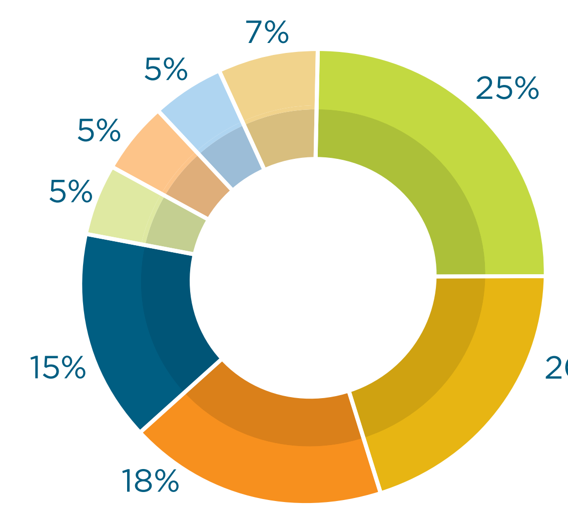
Sales per Segment



- Quick Service
- Coffee Shop
- Family Dining
- Casual Dining
- DIA (Distribution and Production)

*Including Vips, El Portón and all Grupo Zena's brands from the corresponding months of their incorporation to the Company

Sales per brand



- Starbucks
- Burger King
- Vips
- Domino's
- Italianni's
- Chili's
- DIA
- Other

* Vips information includes El Portón
** Other includes: P.F. Chang's, Foster's Hollywood, California Pizza Kitchen, The Cheesecake Factory, Cañas y Tapas, La Vaca Argentina and Il Tempietto

GRI EC1 | EC8 | EC9 | EN5 | EN26 | EN27 | EN30

Results Menu

Financial, Social and Environmental

Social and Environmental Value	2013	2014
Operating children's dining rooms	3	5
Number of direct beneficiaries from the "It's on me" Movement	777	1,268
Number of indirect beneficiaries from the "It's on me" Movement	5,439	8,876
Number of nutritious meals served	113,092	203,350
Hours of the Human and Warmth Formation program	3,806	6,298
Dining rooms' operation and construction expenses	$8,977,404	$12,663,102
Economic donations	$11,730,345	$16,227,182
In kind donations	21,611 kg	96,000 kg
Volunteered hours	20,000	23,841
Collection of burned oil	466,682 L	679,727 L
Energy savings	44,869 GJ	13,001 GJ

GRI 2.8 | EC1

Financial Results

Financial Highlights [1]

	CAGR[5]	Annual Growth	2014	%	2013	%
Income Statement						
Net Sales	26.3%	45.2%	22,787.4	100.0%	15,697.7	100.0%
Gross Profit	28.0%	48.1%	15,515.1	68.1%	10,476.9	66.7%
Operating Income	45.5%	31.2%	1,468.5	6.4%	1,119.6	7.1%
EBITDA[2]	29.3%	37.4%	2,801.8	12.3%	2,039.9	13.0%
Consolidated Net Profit	40.8%	-5.9%	624.1	2.7%	663.3	4.2%
Balance Sheet						
Total Assets		135.9%	29,337.5	100.0%	12,435.6	100.0%
Cash		67.8%	1,112.9	3.8%	663.3	5.3%
Liabilities with Cost		122.8%	11,239.2	38.7%	5,043.6	40.6%
Major Shareholders' Equity		106.0%	8,800.1	30.3%	4,271.4	34.4%
Profitability						
ROIC[3]		-32.2%	8.0%		11.8%	
ROE[4]		-48.6%	7.5%		14.6%	
Stock Information						
Share Price		0.0%	40.77		40.79	
Earnings per Share		-14.5%	0.85		0.99	
Dividend per Share		NA	0		0.5	
Book Value per Share		69.2%	10.51		6.21	
Shares Outstanding (millions)		21.9%	838.6		687.8	
Operation						
Number of Units	23.3%	49.5%	2,784		1,862	
Employees	28.4%	85.6%	60,051		32,362	

[1] Figures in millions of nominal pesos under IFRS standards, except data per share, number of units and employees.
[2] EBITDA is defined as operating income before depreciation and amortization.
[3] ROIC is defined as operating income after taxes over net operating investment (total assets - cash and cash equivalents - no-cost liabilities).
[4] ROE is defined as net profit over major shareholders' equity.
[5] CAGR Compound Annual Growth Rate 2010-2014.

GRI 1.1 | 1.2 | 4.4 | 4.17 | EC8

A la Carte Menu

Message from the Chief Executive Officer

Sales	EBITDA	EBITDA margin	Units	CAPEX*
22.8 billion pesos	2.8 billion pesos	12.3%	2,784	2.05 billion pesos

* Excluding acquisitions

To our shareholders,

We share with pleasure our 2014 accomplishments. This year we exceeded our expectations and those of our stakeholders, with outstanding results and increasing the Company's diversification and strength.

During this year, we concluded important acquisitions, expanding further in Latin America and branching out into the Spanish market, through the procurement of the leading restaurant operator in the country. Likewise, we placed over 150 million shares, worth 6.9 billion pesos. Thus, for the first time more than 50% of the Company's shares are in possession of the investor public.

We are confident in Alsea's strength and our business model, through which we will achieve the successful growth of our most recent acquisitions. In this manner we reiterate the Company's commitment to its local and foreign shareholders, consequently continuing to surpass their expectations.

Highlights of our menu

During 2014, we increased our units to 2,784 in six countries, which implies a net growth of 922 units throughout the year; 750 of them are corporate and 172, franchises.

In Mexico, we closed the acquisition process of the restaurant chains Vips and El Portón; in the future, this will represent around 20% of Alsea's total sales. Furthermore, we opened in Guadalajara the first unit of our brand The Cheesecake Factory in Latin America, a brand with impressive reputation in the Food Industry worldwide.

We settled the acquisition of 71.76% of Grupo Zena, leading restaurant operator in Spain. This transaction is an unequalled growth and consolidation opportunity for our business model in a new geographic zone.

Our inorganic growth amounted to 786 units, 259 are Vips, 85 El Portón and 442 units to Grupo Zena in Spain, with Domino's Pizza, Burg-

We continue with our expansion strategy in the casual dining segment in the South American market. Therefore, this year we inaugurated two P.F. Chang's units in Brazil, one of Latin America's most important economies. With these openings we reacted 24 units in Mexico, Argentina, Chile, Colombia and Brazil.

Moreover, as part of the development and expansion strategy in South America, in midyear we opened the first Starbucks in Colombia. This is a significant step for Alsea and our growth plans, due to the high potential of the coffee market in this country.

The aforementioned reflects the Company's capacity to acquire and integrate new businesses, reaffirming the geography and brand diversification strategy, which combined with organic growth, allowed us to maintain important growth rates throughout our history.

Specialties

We exceeded widely our previous year's growth, with a 45.1% increase in sales, totaling to 22.8 billion pesos. This is due mainly to our brands' great value and the Company's successful business model, which allows to incorporate new brands easily and develop the ones we currently own.

Our gross profit closed at 15.51 billion pesos, with a gross margin of 68.1%. EBITDA grew 37.4% to 2.8 billion pesos at the year's end 2014.

Our Capex, excluding acquisitions, amounted to 2.05 billion pesos.

Extra ingredient

We are aware of the existing challenges in our environment, therefore we know that now more than ever we must be ready to face them with a flexible and open attitude, able to respond to society's demands and always take one step further.

Diego Gaxiola
Administration and Finance

Fabián Gosselin
Chief Executive Officer

Federico Tejado
Alsea Mexico

Pablo de los Heros
Alsea Argentina

José Luis Portela
Alsea Chile

Rodrigo Riveroll
Alsea Colombia

Cory Guajardo
Human Resources

Miguel Ibarrola
Grupo Zena | Alsea Spain

Our achievements during 2014 regarding Corporate Social Responsibility prove our actions' strength, nonetheless we know there is always an opportunity to do more. Consequently, the Social Responsibility Committee and Commissions will continue working systematically on the reinforcement of the already implemented initiatives and the development of new programs, which will allow us to improve our stakeholder engagement.

In 2014, we implemented the Social Responsibility management model in Argentina; our challenge now is conveying it to the rest of the countries where we operate; thus, reaching our medium and long term goals.

We are proud of the recognition and acknowledgement of these actions. For second consecutive year, we are listed in the Mexican Stock Exchange Sustainability Index; and for the third consecutive year we have obtained the Socially Responsible Company (ESR, for its initials in Spanish) distinction. Furthermore, we continue to align our operations to the United Nations Global Compact.

2014 was a celebration year, since Fundación Alsea, A.C., our corporate foundation, commemorated its 10th anniversary working to ensure food security, human development and education in vulnerable communities.

Likewise, the "It's on me" Movement continues progressing towards its purpose to contribute with the eradication of children malnutrition in Mexico. During this year, it opened two new children's dining rooms, which have the capacity to serve daily 1,460 boys and girls in extreme poverty daily, reaffirming our commitment with society and the country.

Future Entrees

In 2015, we will focus our efforts on Alsea's portfolio growth and consolidation in all countries where we operate, which will allow a solid and profitable growth in the future. Moreover, due to our organic expansion plan, we will be able to increase our market share.

We will continue to strengthen our business model and support center to meet future growth, maintaining a successful development plan which will include openings objectives in every market where we have presence, with leading brands and innovative concepts.

Our commitment with our people's development places us once more among the top 15 in the Great Place to Work ranking –based on the five dimension model: credibility, respect, fairness, pride and camaraderie– a highly remarkable distinction which we will strive to maintain every year.

During 2015, aiming to support more children and young adults in extreme poverty conditions, we intend to improve our operating capacity in the existing dining rooms and open two new children's dinning rooms.

This year we will be faced with several challenges, but furthermore, with opportunities to secure our leading position in the countries where we operate. We will continue our brands' organic growth plans, focusing on profitability and operational efficiency, supported by the effort and commitment of all employees in Alsea.

As well, it will be a consolidation year; we will look for higher efficiency and productivity levels, focused on each unit's profitability.

I am completely confident that with the support of all our employees, customers and shareholders, Alsea will achieve the strength and development of all its brands and plans, creating value and obtaining superior results year after year.

Fabián Gosselin
Chief Executive Officer
April, 2015

GRI 4.8

Strategic Menu

Strategic Planning

Purpose

To be the best and largest restaurant operator, assuring an outstanding experience for each customer, with the best brand portfolio and profitability.

Mission

To have a team that is committed to exceeding our clients' expectations. "Touching people, enriching moments"

Culture

At Alsea we are dedicated to serve our clients with passion and integrity, having fun and innovating to assure a great experience for each customer.
Hi demand and strong service vocation team focused on achieving results.

Strategic Areas

Clients

Exceed our clients' expectations with an unequalled experience in product service and image.

People

Encourage the personal and professional development of our employees.

Synergy

Ensure synergy, maximizing critical mass in collaboration with our strategic partners.

Results

Ensure the Company's profitable and sustained growth.

Social Responsibility

Be recognized by our clients and employees as a socially responsible company.

GRI 2.3

Principles

The client comes first

To serve our clients with respect and with passion to ensure a great experience and excellent service.

Personal excellence and commitment

Always act honestly, precisely and fairly, without putting personal interests first.

Respect and loyalty to our partners and to the Company

Create a unified, respectful and unbiased working environment that is closely tied to the operation.

Focus on results

Always make strategic decisions that are for the good of the Company in order to improve results, and share them with our team, and to look for opportunities and ideas that improve the restaurants' results.

Business Model

Clients

Brands

Operations | Marketing | Human Resources

Support areas

Finance
Information Technology
Real Estate and Development
Supply Chain
Human Resources
Social Responsibility
Strategic Planning

Upper Management

Corporate Governance

Board of Directors

Audit Committee
Corporate Practices Committee

GRI 2.8 | 3.5

GRI 4.1 | 4.14 | 4.15 | 4.16

Social Responsibility Management

Social Responsibility at Alsea –strategic area in the Company– is managed through the following pillars' work: Employees' Quality of Life and Business Ethics, Responsible Consumption, Environment and Community Support; all of them aimed to meet stakeholders' needs and exceed their expectations.

As management system and constant improvement, the Social Responsibility Committee and Commissions continue working systematically on the reinforcement of the already implemented initiatives and the development of new programs, which will allow the Company to reach short, medium and long term goals.

Likewise, Alsea looks for more synergy from the inside. Recent acquisitions force the Company to become more efficient, to align all new brands and drive Social Responsibility actions in each region where it operates.

Stakeholder Engagement Mechanisms

- Shareholders' Meeting / Annual
- Investor Relations / Permanent
- Internal communication media portfolio / Permanent
- Community engagement / Permanent
- Electronic media / Permanent
- Organizational environment survey / Annual
- Focus groups / Permanent
- The right way (a transparent complaint procedure) / Permanent

INTERNATIONAL RECIPES

GRI 2.5 | 2.7 | 2.8 | 2.9

Mexico

Growth in a new segment

42,457 employees

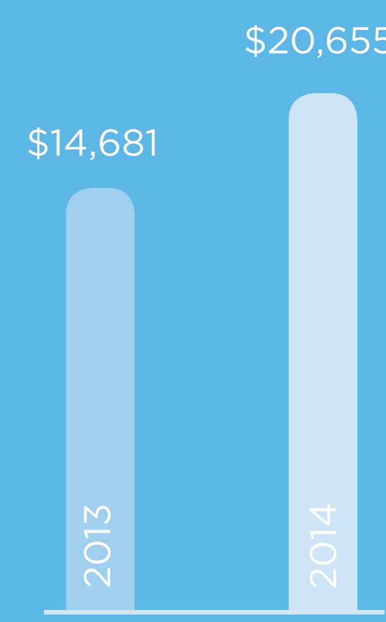
1,999 units vs 1,575 in 2013 | Growth of **27%**

- Acquisition and incorporation of **Vips** and **El Portón** to the business model
- Increase of **404** corporate units of all brands
- **The Cheesecake Factory's** operations startup in Guadalajara, Jalisco
- Mexico represents **70%** of Alsea's total served customers

	Units
Domino's	604
Burger King	438
Starbucks	456
Chili's	47
California Pizza Kitchen	22
P.F. Chang's	19
Pei Wei	2
Italianni's	66
The Cheesecake Factory	1
Vips	259
El Portón	85

GRI 2.8 | EC1

Sales



Variation 41%
$5.97 billion pesos

73% of Alsea's consolidated sales

Adjusted EBITDA*

Variation 40%
$1.11 billion pesos

Adjusted EBITDA Margin*

2013	18.8%
2014	18.7%
Variation	(10) bps

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA"

GRI 2.5 | 2.7 | 2.9

South America

Growth in the region

9,853 employees

343 corporate units vs 287 in 2013 — Growth of **20%**

- Expansion in the casual dining segment in South America, through the entry to the Brazilian market with the opening of two **P.F. Chang's** units
- Growth in the Colombian market with the opening of the first **Starbucks** in this country
- Operation of over **100** units in Chile
- Inauguration of the fresh dough **Distribution and Production Center** in Colombia
- South America represents **26%** of Alsea's total served customers

Argentina

5,705 employees

162 units

	Units
Starbucks	81
Burger King	80
P.F. Chang's	1

GRI 2.8 | EC1

Chile

2,509 employees

101 units

	Units
Starbucks	66
Burger King	34
P.F. Chang's	1

Colombia

1,481 employees

78 units

	Units
Domino's	55
Burger King	16
Starbucks	6
P.F. Chang's	1

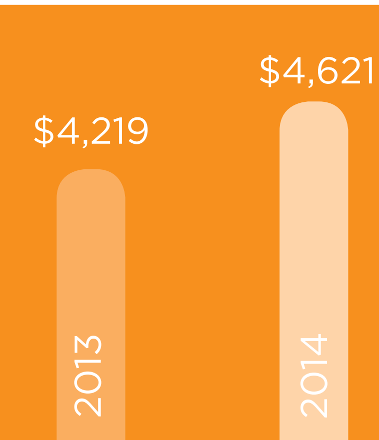
Brazil

158 employees

2 units

	Units
P.F. Chang's	2

Sales

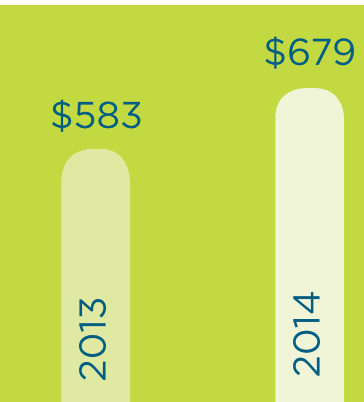


Variation 10%

$402 million pesos

20% of Alsea's consolidated sales

Adjusted EBITDA*



Variation 17%

$96 million pesos

Adjusted EBITDA Margin*

2013	13.8%
2014	14.7%
Variation	90 bps

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA".

GRI 2.5 | 2.7 | 2.9

GRI 2.8 | EC1

Spain

New own brands

Growth in a new market

7,741
employees

442
units

- Through **Grupo Zena's** acquisition in Spain, the Company branches out into the Spanish market with the leading restaurant operator in this country

- Thus, soundly supplementing Alsea's growth and diversification strategy

- Spain represents **4%** of Alsea's total served customers

	Units
Foster's Hollywood	198
Domino's	140
Burger King	61
Cañas y Tapas	19
La Vaca Argentina	13
Il Tempietto ristorante	11

2014	
Same-store sales	6.5%
Number of units	442
Sales	$1,468
Adjusted EBITDA*	$290
Adjusted EBITDA Margin*	19.8%

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA"

7%
of Alsea's consolidated sales

Message form the Chairman of the Board

To the Board of Directors of Alsea, S.A.B. de C.V.

Dear Shareholders:

In 2014 Alsea celebrated 15 years of being a public company, it was in 1999 when the Company and its shareholders decided to trade on the Mexican Stock Exchange with the intention of building a great company in the restaurant industry. The capital for this purpose was obtained, in order to create an institutional Alsea that could be an example for Mexico and also give its shareholders a good return for their investment with security and liquidity.

Today we can confirm that the goals have been fulfilled; in these 15 years Alsea has achieved a compound annual growth in its share price of 20.4% compared to the initial public offering date, closing 2014 at a price of $ 40.77 pesos. Likewise two subsequent share offers outstand, in November 2012 and June 2014, reaching a total of 837.6 million outstanding shares as of December 31, 2014, of which over 50% are held by the investing public. In addition to the Company´s organic and inorganic growth throughout its history, it is noteworthy that we have not set aside the retribution to our shareholders through dividends, representing approximately $1.5 billion pesos in the last ten years.

No doubt 2014 has been the most important year for the Company, being the year with the highest growth, reaching 2,784 units in six countries and over 60,000 employees, achieving sales of $22.7 billion, with an EBITDA of $2.8 billion. Additionally the Company was able to place 150 million shares in the amount of 6.9 billion pesos, with an oversubscription of more than 6.5 times; this places Alsea as a fully institutional Company with the perfect combination for the founding shareholders to be able to continue maintaining a profitable growth, and ensure the best operation of the restaurants in each opportunity to serve a customer.

Continuing with the long-term vision to ensure profitable growth, during 2014 major acquisitions were completed, expanding the brands in Latin America and entering the Spanish market through the purchase of Grupo Zena, the leading restaurant operator in that country. With this, the Company reflects its capacity to purchase and integrate new businesses, reaffirming the brands and geography diversification strategy and allowing Alsea to maintain strong growth rates along its history.

The Board of Directors, its governing bodies and management, continue working all together in order to bring Alsea to achieve the growth and profitability expected by the market, taking care at all times of the inherent risks of a challenging management, even more now that the Company has such a huge geographical coverage, being aware of the task this implies.

With the aim of strengthening its commitment to be a Company fully attached to the Code of Best Business Practices; through its Board of Directors, Alsea ensures the highest standards of corporate governance; generating greater security and confidence to its shareholders. The Company has achieved outstanding results in terms of profitability and efficiency, increasing its diversification and strength.

The Company reaffirms its commitment to society, environment, employees' quality of life and customer satisfaction, showing a responsible and solid business behavior, managing to be part of the Mexican Stock Exchange Sustainability Index for the second successive year, as well as obtaining the Socially Responsible Distinctive for the third year, generating value for the business, their employees and shareholders.

Alberto Torrado Martínez
Chairman of the Board

GRI 4.1 | 4.2 | 4.3 | 4.10

Corporate Governance

Corporate Governance

10 Board Members

5 Independent Members | Chairman: Proprietary Board Member

Corporate Practices Committee | Audit Committee

The Board of Directors is comprised by ten members, ratified or appointed by the General and Extraordinary Shareholders' Meetings held on March 14, 2014. The Board includes five Independent Members and one Proprietary Board Member as Chairman.

Concerned about having an impartial approach to strategic planning, Alsea has appointed Independent Members to the Board, which today represent 50% of the total Board Members, exceeding the percentage of 25% required by the Securities Exchange Act. The Company does not have Alternate Board Members, since it is considered that a Proprietary Member is failing his/her obligations towards the rest of the Board Members by his/her non-attendance. The Company can convene a Shareholders' Meeting at the request of at least 25% of the Board Members.

In compliance with the Securities Exchange Act and seeking to assist the Board of Directors, Alsea has created two committees acting as intermediary management bodies: The Corporate Practices Committee and the Audit Committee, which are comprised exclusively by Independent Board Members.

Corporate Practices Committee

General occupations:

I. To present observations on the performance of relevant directors.

II. To monitor and report operations with related companies, detailing the characteristics of significant operations.

III. To establish and revise bonuses or comprehensive remuneration packages.

IV. To review and present the expenses granted by the Board of Directors.

Audit Committee

General occupations:

I. To monitor and report the state of the Company's internal control system and internal audit system, and the companies that it controls, and where applicable, a description of their deficiencies and deviations, as well as the aspects that require improvement. For this, opinions, reports, press releases and the external auditor's report will be considered, as well as the reports issued by independent experts who have provided their services during the period covered by the report.

II. . To review, report and follow up on the preventive and corrective measures implemented based on the results from the investigations performed regarding non-compliance with guidelines and operating policies, and accounting records; whether for the Company itself or companies that it controls.

III. To report and evaluate the performance of the company that provides external auditing services.

IV. To report the reviews' main results of the Company's financial statements and the companies that it controls.

V. To report the description and effects of modifications to the approved accounting policies.

VI. To report the measures adopted pursuant to the observations made by shareholders, Board Members, relevant directives, employees and in general any third party with respect to accounting, internal controls and matters related to the internal or external audit or even matters arising from complaints made regarding events that are seen irregular in management.

VII. To report and follow up on the agreements reached at the Shareholders' meetings and the Board of Directors.

Furthermore, striving to strengthen Alsea's positive reputation with a high sense of Social Responsibility, the Company has constituted a Social Responsibility Committee with four commissions: Quality of Life and Business Ethics Commission, Responsible Consumption Commission, Environment Commission and Community Support Commission. Such Committee has representation in the Board of Directors.

The compensation framework for Alsea´s Board Members is fixed and calculated based on attendance to Shareholders´ meetings and Committees to which each member belongs, their participation in discussions and the effectiveness of strategic decisions made by them.

For more information please go to the Corporate Governance and Reports Center sections of the Alsea website.

For more information on Alsea's Code of Conduct, please visit: http://www.alsea.net/relacion-con-inversionistas/codigo-de-conducta

Board of Directors

Chairman
Alberto Torrado Martínez

Proprietary Members

Alberto Torrado Martínez
Chairman

Cosme Torrado Martínez
Member

Armando Torrado Martínez
Member

Fabián Gerardo Gosselin Castro
Chief Executive Officer

Federico Tejado Bárcena
Alsea Mexico

Independent Board Members

Marcelo A. Rivero Garza
Chairman, Brain Strategic Insight

Julio Gutiérrez Mercadillo
Chairman, Grupo Metis

Raúl Méndez Segura
Chairman, Grupo Green River

Iván Moguel Kuri
Partner of Chévez Ruiz Zamarripa y Cía., S.C.

León Kraig Eskenazi
Director and Partner of Ignia Partners, LLC

Secretary
Xavier Mangino Dueñas
Partner of Diaz Rivera y Mangino, S.C.

Audit Committee

Iván Moguel Kuri
Chairman

Julio Gutiérrez Mercadillo
Member

Raúl Méndez Segura
Member

Elizabeth Garrido López
Secretary

Corporate Practices Committee

Julio Gutiérrez Mercadillo
Chairman

Marcelo A. Rivero Garza
Member

León Kraig Eskenazi
Member

Elizabeth Garrido López
Secretary

EXTRA INGREDIENT

GRI PR3

Options that fit your lifestyle

Exceeding the customers' expectations

Alsea, convinced that food and beverages match perfectly with the pleasure of a healthy responsible consumption, strives daily to offer the best tasting and prime quality products. The Company is committed to a balanced lifestyle, so it promotes the sharing experience, physical activity, hydration and a moderate consumption.

For this purpose, Alsea carries out activities such as: withdraw salt shakers form tables, eliminate sweeteners from its lemonades and orange juices and use low-fat milk in coffees, besides manufacturing all products with natural and fresh ingredients.

The Company has the responsibility to provide its customers all the nutritional facts they need of the food they ingest, as well as how to combine them and in what proportion and quantities they should be consumed. All together with new options to satisfy all needs and tastes.

2014 Actions

- Nutrition signal advance of all Alsea's brands
- Caloric information diffusion through the menu boards
- Nutrition audits to all the Company's brands, as well as advances per ingredient

The innocuousness and confidence of all the products Alsea offers its customers is of the upmost importance. Therefore, the Company has several evaluation processes to measure their quality and safety.

GRI PR1

It is Alsea's responsibility to guarantee its customers' health and safety, so it carries out constant improvement processes along its products life cycles, including their packaging manufacture, storage, distribution and supply.

Certification to a total of 93% of 275 national foods and direct contact packaging materials' suppliers

Vips Commissariat

Monthly annual production
750 Tonnes:
85% Processed, **15%** Pastries

Monthly shifted volume:
130,000 boxes

70% of the production capacity installed

Quality assurance
- TIF Plant Certification
- SQF Certification Level 1
- Internal Laboratory

GRI 2.8 | LA1

Menu with Quality and Talent

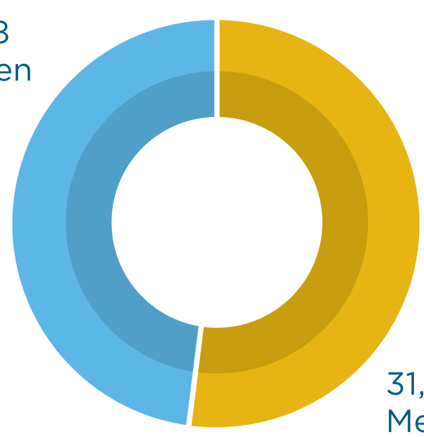
Employees' comprehensive development

Alsea holds the best employees to always offer the highest quality in Alsea Menu's service and products. The Company strives for its employees' satisfaction and pride in their work, promoting their comprehensive development and life balance.

Alsea's total employees:
60,051

Increase of
85.6%
vs 2013

Approximately
6,000
promoted
employees in the year



2014 Achievements regarding quality of life

- Launch of the Recognition Program for the academic excellence of the operative employees' children in Mexico. Distribution of school supplies to 100% of the children with 9.5 or superior GPA
- Implementation of tiered schedule program in offices. 65% of administrative employees were benefited
- Economic and in-kind support to all employees affected by the Odile hurricane

GRI LA3 | LA4 | LA6 | LA10 | LA12 | LA14 | HR3 | HR5 | SO3

Equal Opportunities

Alsea's Code of Conduct regulates the guidelines for an ethic and responsible behavior in the Company, ensuring equal opportunities, no discrimination, diversity, anticorruption and respect. Likewise, Alsea supports gender equity and provides salaries based on employees performance and responsibility level.

Salaries are market competitive in all regions where the Company operates, according to the employees' assignments and knowledge.

Alsea strives constantly to improve the employees' quality of life, so it offers several benefits and compensations; complying with each country's law, and in many cases, surpassing it. Examples are the special licenses for direct family member's decease, as well as the possibility of additional vacations based on certain criteria.

The employees' right and processes for collective agreements are respected and conducted conveniently, transparently and upholding the law; as well as Freedom of Association and Collective Negotiation always observing each country's regulation and within a respectful and orderly frame.

Some of the benefits and compensations offered all employees are the following:

- Life insurance
- Additional days off with pay
- Groceries coupons
- Discounts for all of Alsea's brands
- Invalidity or disability coverage
- Maternity or paternity leave

Health and Safety

100%
of Alsea's employees are represented in the Joint Health and Safety Commission

Training and Development

It is essential for Alsea that all its employees have empowerment initiative and innovation, individual talent and teamwork, all of which allows the Company to achieve its objectives.

Training hours
815,340

Of which
467,368 men
347,972 women

Directors and Subdirectors:
6,948

Managers and middle management:
59,500

Coordinators, analysts and operative personnel in stores:
748,892

All employees received training in anticorruption, through the Code of Conduct

100% of Alsea's employees received a performance review (Mexico Staff)

41% women
59% men

GRI LA10 | LA12 | SO3

MLA Modelo de Liderazgo Alsea

During 2014 the Alsea Leadership Model (MLA, for its initials in Spanish) was re-launched. Its objectives are the following:

- Assure talent for the Company, which is in constant growth.
- Provide development opportunities for employees.
- Strengthen a high performance culture.
- Quality and transparency in conversations on career projection and employees' promotions.
- A deeper and wider talent pool, which in addition is diverse in gender and brands.

The first Alsea Talent Base was created, according to the employees' performance and potential.

Reviewed audience:

455 employees,
distributed as follows:

142 women and **313** men
(31% and 69%, respectively)

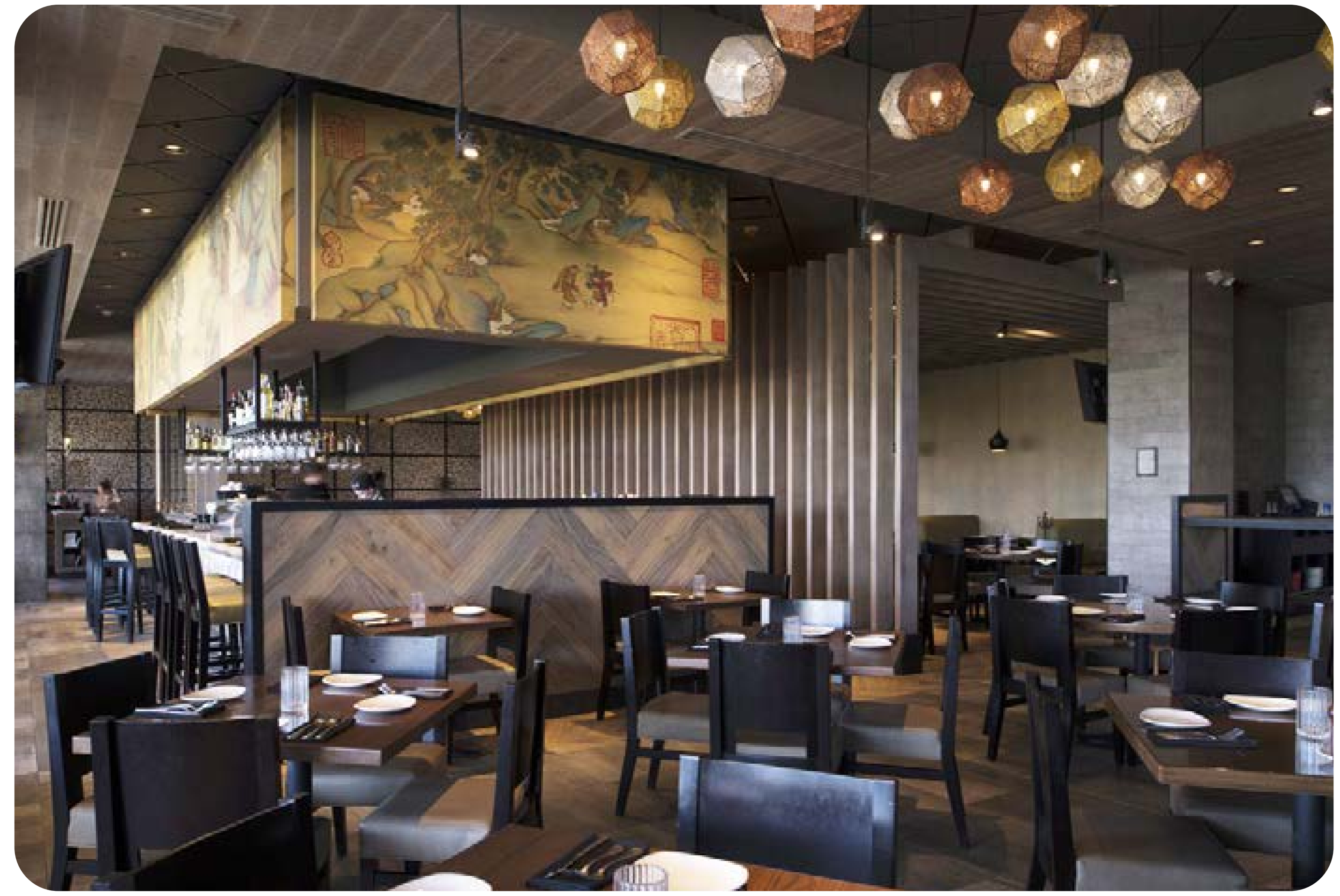
High Potential:

101 employees were identified as high potential, all of whom are ready to assume superior responsibility levels.

During 2015, the MLA will be further implemented for 100% of Mexico, Argentina, Chile and Colombia's staff; even reaching store managers in Mexico.

GRI 3.10 | 3.11 | EN3 | EN4 | EN8

Sustainable Menu



For Alsea, the Environment's care and commitment with the efficient use of natural resources represents an essential value to achieve solid growth. Therefore, it promotes the sustainable operation in its stores, procuring profitability through innovation and leadership in its four action lines: **Energy, Water, Waste and Inputs**.

As an awareness effort and to spread a Sustainability culture among its employees, during 2014 the Company developed a website intended to create consciousness among society on the importance of this subject. http://www.tipsdesustentabilidad.com/

Water

Aligned to the 2018 strategic sustainability plan, Alsea remains with the objective of optimizing water consumption within its facilities. During 2014, the total water consumption was:

598,890 m^3
of potable water from municipal water supply and supplier companies

January-December 2014, all brands included
*51% is estimated information

Energy

The use of best practices and technologies allows a reduction of energy consumption in Alsea's processes. The improvement in energy efficiency permits the equipment's correct operation and promotes the environment's care within and outside the facilities.

544,654 GJ
Indirect energy consumption

* January-December 2014
* The indirect energy consumption calculation includes all business units

979,655 GJ
Direct energy consumption

* January-December 2014
* The direct energy consumption calculation includes LP Gas and Natural Gas for Burger King, California Pizza Kitchen, Domino's Pizza, Italianni's, The Cheesecake Factory, P.F. Chang's, Pei Wei, DIA and Chili´s

GRI EN4 | EN5 | EN6 | EN16 | EN18 | EN30

Renewable and non-renewable indirect sources:		
Source	2014 Consumption	Consumption (GJ)
Electric energy	151,292,872 kWh	544,654 GJ
LP Gas	9,388,373 m^3	913,736 GJ
Natural Gas	1,722,912 m^3	65,919 GJ

*Estimated information: 50% LP Gas, 7% Natural Gas, 6% Electric energy

Alsea has accomplished savings and the efficient use of electric energy through the implementation of saving initiatives, such as:

- Change of lighting to LED type
- Installation of efficient lamps, which reduce 70% of consumption and increase 40% illumination, promoting a more favorable work environment
- Installation of equipment that examines energy consumption in real time, allowing swift problem identifications and avoiding unnecessary energy consumption
- Installation of control and automation projects, achieving energy savings

Savings
13,001 GJ

Alsea is currently evaluating the use of biodiesel in the Supply Chain transportation (DIA); during 2015 a pilot test will be conducted in DIA trucks that will define the use of such biofuel in Alsea's facilities.

Likewise, the Company will commence using Green Energy, once the current process of "regulations' changes" is completed.

$5,237,605 pesos invested in energy saving projects

Emissions

Starting in 2015, a record will be implemented for the calculation of Greenhouse Gasses derived from the refill of cooling gas in air conditioning and refrigeration equipment.

During 2014 the CO_2 emissions generated were:

Direct emissions:
14,367,449 CO_2 tonnes

Indirect emissions:
75,631 CO_2 tonnes

*Source for CO_2 equivalent factor:

http://www.geimexico.org/factor.html
http://www.semarnat.gob.mx/
http://www.inecc.gob.mx/descargas/cclimatico/elab_inventarios.pdf

Inputs and Waste

Alsea has a Sustainable Inputs policy which promotes the acquisition of materials and products with sustainable characteristics, for example: electric equipment of low-energy consumption, local inputs that reduce the GHG emissions involved in their transport, products with post-consumption or post-industrial materials, low VOC content, recyclable inputs that reduce to a minimum the use of packaging materials and furnishings with recycled materials, among others. 2015's goal is to integrate a sustainable procurement indicator that considers purchasing a higher percentage of sustainable products.

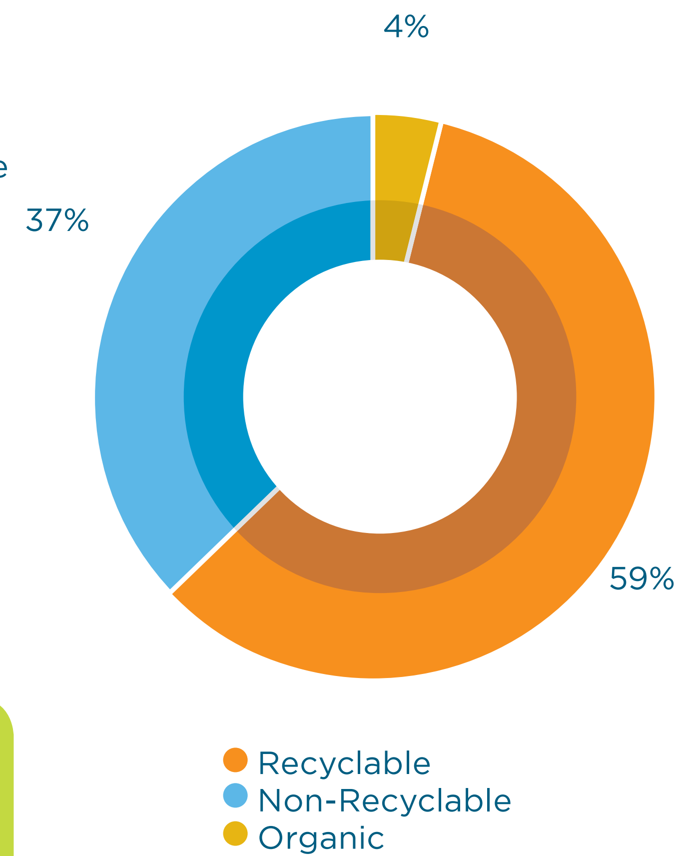
GRI EN2 | EN22 | EN26 | EN27

Contributions to the "Cero waste to sanitary landfill in main cities for 2018" goal:

- Pilot test in Starbucks Jalisco, Mexico branches, implementing a comprehensive and sustainable waste management under the concept "Single Stream" for recyclable residues. These will be shipped to a separation plant for their subsequent recycling, compost for organic waste and correct disposal in sanitary landfill for non-recyclable residues in an early phase.

The results of this first stage show that waste in the screened branches behaves as follows:

Classification



679,727 L of used oil collected for its proper disposal, preventing the pollution of **679 million** liters of water

The information contained in this section only considers Mexico, and does not include information of Vips, El Portón, and Commissariat

GRI EC1 | EC8

Menu for Sharing

Supporting vulnerable communities

Alsea supports the growth, development and wellbeing of the communities where it operates through:

- Volunteering
- In-kind donations
- Economic donations

10 years supporting vulnerable communities in Mexico with over **$60,000,000** pesos invested in social causes and over **450,000** beneficiaries

23,841
volunteered hours

Alsea annually assigns 1% of all business units' profits to the Foundation. Furthermore, it carries out internal and external fundraising campaigns to increase the resources used in initiatives in favor of food security.

Over
96 tonnes
of donated food

$24,106,880 pesos
collected during 2014

Fundación Alsea, A.C.

Through the Foundation's efforts, Alsea reaffirms its commitment to ensure food security in vulnerable communities and promote human development supporting initiatives in favor of education.

Alsea FUNDACIÓN

GRI 4.12 | EC1 | EC8 | EC9

Contributing to eradicate children malnourishment

"It's on me" Movement

VA POR MI CUENTA INVITA A COMER A UN NIÑO Y CAMBIA SU VIDA.

NUESTRO COMEDOR

In 2014, Alsea fulfilled its commitment to inaugurate the first "Our Dining Room" in Mexico City and one more in Municipio de García, in the State of Nuevo León, Mexico.

1,268 children
served daily

$12,663,102 pesos
donated to Comedor Santa María, A.C., for the operation of five children's dining rooms "Our Dining Room"

Education

MANO AMIGA CHALCO

Support to Mano Amiga School, in Chalco, State of Mexico, providing scholarships to ensure the education of young adults in vulnerable conditions.

Alsea Generation:
136 high school students
with scholarships

Community Development

FONDO PARA La Paz

Through the alliance with Fondo para la Paz, I.A.P., Alsea Foundation battles extreme poverty in 12 communities in the State of Oaxaca, Mexico, with initiatives such as:

- Access facility to basic services
- Development of social capital
- Women's empowerment
- Reduction of children malnutrition

GRI EC8 | EC9

Todos Sembramos Café

This is an initiative created with the purpose of supporting coffee producers from Chiapas, Mexico, who lost their crops due to rust, causing the loss of 70% of the expected production volume for 2014.

Starbucks contributed by donating all profits form the Mexico Shade Grown sale for the acquisition of coffee plants that were delivered to the affected producers.

2015 Social Responsibility Initiatives

180,000 coffee plants donated to coffee producers in Chiapas

60 coffee producers benefited with **3,000** plants each

Responsible Consumption

- Products' KPIs to three years
- Follow up of the diffusion plan for Caloric Menus in sale points
- Life in balance posture and plan

Environment

- Energy efficiency
- Water consumption efficiency
- Comprehensive Waste Management Program
- Environmental Management System

Quality of Life and Business Ethics

- Employees' healthy diet program
- Measurement of the initiative One weekend off for operative managers
- Additional benefits in compensations and flexible work schemes

Community Support

- Extension of operational capacity in the existing dining rooms and opening of two new "Our Dining Room"

GRI 3.12

GRI Index

GRI Indicators	Level of reporting	Global Compact Principles	Page
Strategy and Analysis			
1.1	Fully		12-15
1.2	Fully		12-15
Organizational Profile			
2.1	Fully		2
2.2	Fully		2,9
2.3	Fully		2,9,17
2.4	Fully		Dust jacket inside flap
2.5	Fully		2, 8, 22, 24, 26
2.6	Fully		Dust jacket inside flap
2.7	Fully		2, 4, 5, 9, 22, 24, 26
2.8	Fully		4, 5, 7, 8, 11, 23 , 25, 27, 32
2.9	Fully		4, 5, 22, 24, 26
2.10	Fully		7
Report Parameters			
Report Profile			
3.1	Fully		Dust jacket inside flap
3.2	Fully		Dust jacket inside flap
3.3	Fully		Dust jacket inside flap
3.4	Fully		Dust jacket inside flap
Report Scope and Boundary			
3.5	Fully		18
3.6	Fully		4, 8, Dust jacket inside flap
3.7	Fully		8
3.8	Fully		4, 9
3.9	Fully		In prior years results were reported by brand. Today they're reported by region
3.10	Fully		35
3.11	Fully		4, 8, 35
GRI Content Index			
3.12	Fully		45
Assurance			
3.13	Fully		Dust jacket inside flap
Governance, Commitments and Engagement			
Governance			
4.1	Fully	1-10	19, 39
4.2	Fully	1-10	39, 41
4.3	Fully	1-10	39
4.4	Partially	1-10	12-15
4.5	Fully	1-10	40
4.6	Fully	1-10	40
4.7	Fully	1-10	40
4.8	Fully	1-10	16, 40
4.9	Fully	1-10	40
4.10	Fully	1-10	39, 40

GRI Indicators	Level of reporting	Global Compact Principles	Page
Commitments to External Initiatives			
4.11	Fully	7	40
4.12	Fully	1-10	43
4.13	Fully	1-10	Dust jacket inside flap
Stakeholder Engagement			
4.14	Fully		19
4.15	Partially		19
4.16	Partially		19
4.17	Partially	8	12-15
Economic Performance Indicators			
Aspect: Economic Performance			
EC1	Fully		5, 10, 11, 23, 25, 27, 42, 43
EC4	Fully		Alsea does not receive any help from the government
Aspect: Indirect Economic Impacts			
EC8	Fully		10, 12-15, 42, 44
EC9	Fully		10, 42-44
Environmental Performance Indicators			
Aspect: Materials			
EN2	Partially		37
Aspect: Energy			
EN3	Partially	8	35
EN4	Fully	8	35, 36
EN5	Fully	8-9	10, 36
EN6	Fully	8-9	36
Aspect: Water			
EN8	Partially	08-sep	35
Aspect: Emissions, Effluents and Waste			
EN16	Fully	8	36
EN18	Partially	8	36
EN22	Partially	8	37
Aspect: Products and Services			
EN26	Partially	8, 9	10, 37
EN27	Partially	8, 9	10, 37
Aspect: Overall			
EN30	Fully		10, 36
Labor practices and decent work performance indicators			
Aspect: Employment			
LA1	Partially		32
LA3	Fully		33
Aspect: Labor/Management Relations			
LA4	Fully	6	33
LA5	Fully		There is no minimun notice period in collective agreements

GRI Indicators	Level of reporting	Global Compact Principles	Page
Aspect: Occupational health and safety			
LA6	Fully		33
LA9	Fully		There are no security and health issues covered in formal agreements with unions
Aspect: Training and education			
LA10	Fully		7, 33, 34
LA12	Fully		12, 33, 34
Aspect: Equal remuneration for women and men			
LA13	Partially		A woman is part of The Corporate Practices and Audit Committees
LA14	Partially		33
Human Rights Performance Indicators			
Aspect: Investment and procurement practices			
HR1	Fully		Alsea holds no invesment agreements with human rights clauses
HR3	Partially		33
Aspect: Non discrimination			
HR4	Fully		There are no complaints for discrimination incidents.
Aspect: Freedom of association and collective bargaining			
HR5	Fully		33, 40
Aspect: Child labor			
HR6	Fully	1-6	40 Alsea supports child labor erradication
Aspect: Forced and compulsory labor			
HR7	Fully	1-6	40 Alsea rejects forced labor

GRI Indicators	Level of reporting	Global Compact Principles	Page
Aspect: Security practices			
HR8	Fully		Security is outsourcing personnel
Aspect: Indigenous rights			
HR9	Fully		There are no incidents regarding indigenous rights
Aspect: Assessment			
HR10	Fully		Alsea does not analyze operations regarding human rights
Aspect: Remediation			
HR11	Fully		No complains regarding human rights were presented
Society Performance Indicators			
Aspect: Corruption			
SO3	Fully	10	33, 34
SO4	Fully	10	40
Aspect: Public policy			
SO6	Fully		Alsea does not contribute to any political party
Product Responsibility Performance Indicators			
Aspect: Customer health and safety			
PR1	Fully	1	31
Aspect: Product and service labeling			
PR3	Partially		30
PR4	Fully		There are no non-compliances regarding this subject
PR5	Partially		Alsea has complaints modules for clients

United Nations Global Compact

WE SUPPORT

Principles

Human Rights
1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

Labor
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

Environment
7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Millennium Development Goals
The Company contributes to the compliance of the following objectives through all its internally developed actions.

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
7. Ensure environmental sustainability
8. Global partnership and development

Annexes

Commitments to External Initiatives

GRI 4.13

Participation in Chambers and Associations

- *Consejo de la Comunicación*, members of the Board with active participation in campaigns to generate social benefits.
- American Chamber of Commerce, as itinerant member in the Fiscal Committee and the Real Estate Development Committee.
- Participation in the *Asociación Mexicana de Comunicadores* (AMCO).

Labor practices and decent work performance Indicators

Aspect: Employment

GRI LA1

Total workforce by employment type, employment contract, and region.

	Employment type		
	Operative Staff	Administrative Staff	
Mexico	40974	1483	42457
Argentina	5,448	257	5,705
Chile	2,342	167	2,509
Colombia	1,369	112	1,481
Alsea's total employees	50133	2019	52,152

*Spain not included

	Employment Contract
	Unlimited time
Mexico	42457
Argentina	5705
Chile	2509
Colombia	1481
Alsea's total employees	52152

*Spain not included

GRI LA3

All administrative employees enjoy additional benefits to those required by law, which are the following:

- Savings fund
- Grocery coupons
- Savings account (Applicable for all business units)
- Life insurance
- Mayor medical expenses insurance (Applicable for managing team)
- Discounts for all of Alsea's brands

Aspect: Training and Education

GRI LA10

Training hours	
Staff	Training hours
Directors and Deputy Directors	6,948 hours
Managers or Middle Management	59,500 hours
Coordinators, analysts or operative staff in store	748,892 hours

Training hours	
Staff	Training hours
Men	467,368 hours
Women	347,972 hours

GRI LA11

Academic support

Granting criteria:

1. The employee's need to take the elected study program specifying its business application or impact (specify a performance indicator).
2. Be identified as High Potential in the talent Nine Box.
3. Have at least one year in the Company.
4. Have and meet the program's cost, previously considered in the UEN budget and/or soliciting area, managed by Corporate HR.
5. Execute them with the suppliers or institutions validated by Corporate HR.

There is also the possibility to study any language, according to the corresponding policy.

The granting and support definition is carried out considering the following criteria:

1. The employee's need for the chosen language, specifying its business application or impact (specify a performance indicator, for example, telephone calls number, emails, conferences, travels, etc.).

2. Be identified as High Potential or Main Potential in the talent Nine Box. For high potentials applies a 100% support and for main potential a 50% support.

The language program's financing will be determined with an initial diagnosis to consider the current state and plan a program, which will be united to the participant's follow-up file, kept by the Training Coordinator. During the program's length, an audit on the language's application on the position will be carried out in order to verify its application in regards to the indicator stipulated at the beginning of the program.

Once the program is concluded, the employee cannot request support for a second time until the next calibration and confirming its position on the Grid.

The participant will have to sign and comply with the regulations.

Also, Alsea has early retirement planning programs for those employees thinking of retiring, as well as severance payments for dismissal.

GRI LA12

The performance review process is executed in three stages:

a) Goals setting: the employee meets with his immediate supervisor to clarify which goals to establish and determine the achievable targets. Objectives must be specific, measurable, attainable, result oriented and completed within a certain time.
b) Six months review: during this stage, the progress of each objective is reviewed. The employee meets with his immediate supervisor and they outline strategies to ensure the planned goal's achievement.
c) Performance Review: during this stage, supervisor and employee meet to register the goal's closure and determine if the defined targets were achieved or not. A feedback session is held regarding the employee's performance. Strengths and opportunities are highlighted and action plans are created to improve and drive the employee's development.

Environmental performance Indicators - Mexico

Aspect: Materials

EN1, EN2

One of Alsea's goals in the sustainable area is to incorporate materials with features that help the Environment's protection. Therefore, the Company has a Sustainable Inputs policy which promotes the acquisition of materials and products with environmental friendly characteristics, such as: electric equipment of low-energy consumption, local inputs that reduce the GHG emissions involved in their transport, products with post-consumption or post-industrial materials, low VOC content, recyclable inputs that reduce to a minimum the use of packaging materials, furnishings with recycled materials, low mercury content lamps, among others. Furthermore, in 2015 Alsea will integrate a sustainable procurement indicator that considers purchasing a higher percentage of sustainable products.

Besides, during 2015 Alsea will incorporate a recycled materials record that indicates the type and amount of recycled or reused materials; this will contribute to the Cero waste to sanitary landfill for 2018 goal in Mexico's main cities.

Aspect: Energy

EN3, EN4, EN5, EN6

The basic energy sources used within the organization are: Natural Gas, LP Gas and Electric Energy. The Company is working to consolidate the information regarding gasoline and diesel consumption. During 2014, several strategies were implemented to reduce Electric Energy consumption, achieving a 13,001 GJ savings. Such initiatives consisted of change of conventional lighting to LED technology, installation of equipment that examines energy consumption in real time, allowing swift problem identifications and avoiding unnecessary energy consumption, and installation of control and automation projects, achieving energy savings. The amount invested in energy saving programs was $5,237,605 pesos.

Alsea's purpose is to promote sustainable practices and processes within the organization, so it will evaluate the use of biodiesel in the Supply Chain transportation (DIA), besides green energy consumption (Photovoltaic, Wind and Cogeneration energy) within its facilities. During 2015 the evaluation to use renewable energy will be completed, however, it is noteworthy that such process will be mainly influenced by the current process of "regulations' changes".

Indirect and Direct energy consumption

2014

Non-renewable indirect and direct sources		
Source	Consumption	Consumption (GJ)
Electric Energy	151,292,872 kWh	544,654 GJ
LP Gas	9,388,373 m3	913,736 GJ
Natural Gas	1,722,912 m3	65,919 GJ

* Estimated information 50% LP Gas, 7% Natural Gas, 6% Electric energy
* Energy consumption corresponding to Alsea's facilities located in Mexico

**Conversion factor		
Units	Conversion factor	Comments
GJ to KWH	1GJ = 277.778 kWh	
KWH to GJ	1kWh = 0.0036 GJ	
m^3 to Kcal (Gas LP)	$1m^3$ = 23,246 Kcal	Environmental conditions Standard: 15°C, 101.325KPa
m^3 to GJ (Gas Natural)	1GJ = 26.137 m^3	

Direct energy consumption

2014 Gas Report						
Reported year: 2014	Reported unit: Mexico					
	2014 Data			Base Line – Normalized by m^3 of Gas		
	# Units	Natural Gas (m^3)	LP Gas (m^3)	CO_2 ton (Gas/ton)	CO_2 (LP Gas)	CO2 ton / # Units
Fast food	595	810,011	7,068,040	1,523	10,814,101	18,178
Coffee Shops	387	-	13,548	-	20,728	54
Casual Dining	109	912,901	2,306,785	1,716	3,529,380	32,395
Total	1,091	1,722,912	9,388,373	3,239	14,364,210	12,657

Notes:
*The Portfolio increased against 2013: 24 - "Burger King", 7 - "Chilis", 6 – "CPK", 214 "Dominos", 8 – "Italiannis", 7 – "PF Changs", 53 – "Starbucks".
* Regarding LP Gas, 50% of the information corresponds to billing data and the remaining 50% is estimated information; regarding Natural Gas, 93% is real information and 7% is estimated.
* The displayed information corresponds to the January – December 2014 period.
*The previous data does not include plants nor 354 units belonging to Vips, Portón and La Finca

	2013 Data			Base Line – Normalized by # of units	
	#Units	Energy (kWh)	CO_2 (ton)	kWh/# Units	CO_2 ton/# Units
Fast Food	595	58,055,952	29,022	108,201	54
Coffee Shops	387	41,970,165	20,981	108,450	54
Casual Dining	108	30,569,677	15,282	278,593	139
Others	19	13,476,153	6,737	1,483,991	742
Total	1,109	144,071,947	72,022	494,809	247

	2013 Data			Base Line – Normalized by # of units	
	#Units	Energy (kWh)	CO_2 (ton)	kWh/# Units	CO_2 ton/# Units
Fast Food	613	57,072,907	28,531	101,911	51
Coffee Shops	430	44,249,430	22,120	102,906	51
Casual Dining	132	36,213,332	18,103	274,343	137
Others	21	13,757,203	6,877	1,491,476	746
Total	1,196	151,292,872	75,631	492,659	246

Energy Savings

2014 Goals Achievement (by units)		
	kWh/ # Units	ton CO_2/# Units
Fast Food Total	-5.8%	-5.8%
Coffee Shops Total	-5.1%	-5.1%
Casual Dining Total	-3.3%	-3.3%
Others	0.5%	0.5%
Total	-0.4%	-0.4%

Notes:
*The electricity emission factor value [tCO2e/MWh] corresponding to 2013 was modified from 0.45483 to 0.4999.
* The Portfolio increased against 2013: 24 - "Burger King", 7 - "Chilis", 6 – "CPK", 214 "Dominos", 8 – "Italiannis", 7 – "PF Changs", 53 – "Starbucks".
* 94% of all information is provided by the CFE and 6% is estimated.

Regarding clean technologies, Alsea considers that such elements have allowed the transformation towards a low carbon consumption and efficient use of resources economy. As this transformation accelerates, Alsea is aware of the impact of clean technologies within its facilities; therefore, it is developing strategic planes to adapt to this modification and fulfill its environmental goals.

Aspect: Water

EN8

During 2014, potable water consumption coming from municipal entities and/or water supplier companies was of 598,890 m3. Such amount considers the potable water consumption in Burger King, Chili´s, California Pizza Kitchen, Domino´s, Italianni´s, P.F. Chang´s and Pei Wei; located throughout Mexico.

Aspect: Emissions, Effluents and Waste

EN16, EN18, EN22

Starting in 2015, a record will be implemented for the calculation of Greenhouse Gasses derived from the refill of cooling gas in air conditioning and refrigeration equipment to reduce atmospheric pollution. During 2014, the CO2 emissions generated were:

Indirect emissions:
75,631 CO_2 ton

Direct emissions:
14,367,449 CO_2 ton

***Source for CO_2 equivalent factor:**
http://www.geimexico.org/factor.html
http://www.semarnat.gob.mx/
http://www.inecc.gob.mx/descargas/cclimatico/elab_inventarios.pdf

**Conversion Factor		
Units	Conversion Factor	Comments
kWh to TCO_2equivalent (Electric Energy)	1 MWh= 1000KWh 1MWh= 0.4999 TCO_2e	The emission factor value of CO_2 equivalent derived from electric energy consumption was considered from the official source: http://www.geimexico.org/factor.html
m^3 of Natural Gas to TCO_2equivalent	1,880 g CO_2 / m^3 Natural Gas	
m^3 of LP Gas to TCO2equivalent	1 m3 = 1000L 1L= 1,530 g CO_2 0.001 Ton CO_2 = 1000 g CO_2	

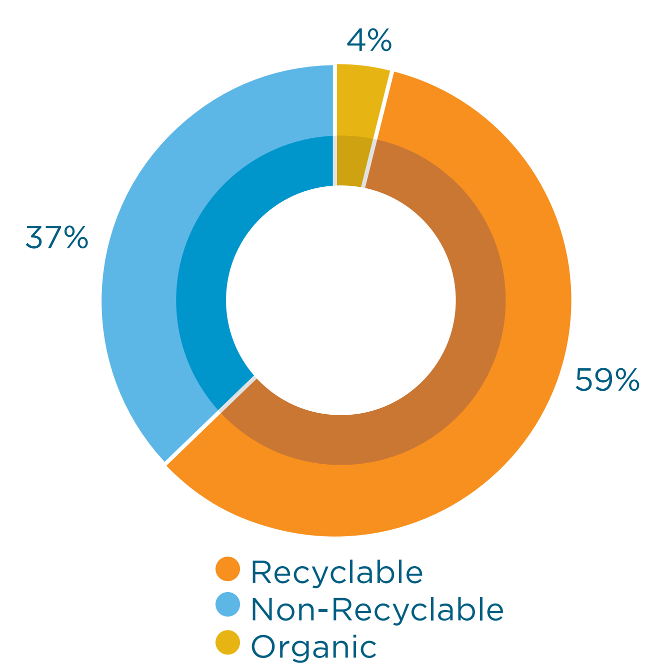
Aspect: Products and Services

EN26

Contributions to the "Cero waste to sanitary landfill in main cities for 2018" goal:

In order to understand the amount and kind of waste generated in Starbucks Coffee Shops in Mexico, a pilot test was carried out in Jalisco state. It included a Waste Audit with the purpose of identifying volumes and types of generated materials, among other aspects, to implement improvements and projects which allow the reduction of waste sent to sanitary landfill.

The results of this first stage show that waste in the screened branches behaves as follows:



Society Performance Indicators

Aspect: Public Policy

SO5

Alsea does not participate in any activity that allows the Company to influence government policies' formulations.

Aspect: Anti-competitive Behavior

SO7

The Company respects all regulations regarding economic competition, monopoly practices and free market participation, so it has never received a sanction for acting against them.

Management Discussion and Analysis

Consolidated results for the full year 2014

The following table shows a condensed Income Statement in millions of pesos (excluding EPS), the margin of net sales that each item represents, as well as the percentage change for the year ended on December 31, 2014, in comparison with the same period of 2013. The information is presented according to the International Financial Reporting Standards (IFRS) and is presented in nominal terms.

	2014	Margin %	2013	Margin %	Change %
Net Sales	$22,787	100.0%	$15,698	100.0%	45.2%
Gross Income	15,515	68.1%	10,477	66.7%	48.1%
EBITDA(1)	2,802	12.3%	2,040	13.0%	37.4%
Operating Income	1,469	6.4%	1,120	7.1%	31.2%
Net Income	$624	2.7%	$663	4.2%	(5.9)%
EPS (2)	0.847	N.A.	0.991	N.A.	(14.5)%

(1) EBITDA is defined as operating income before depreciation and amortization.
(2) EPS is earnings per share for the last 12 months

Sales

Net **sales increased 45.2%** to 22.78 billion pesos in 2014, compared to 15.69 billion pesos during the prior year. This increase reflects the sales growth in the Alsea Mexico, Alsea South America, and Alsea Spain segments, mainly due to the increase in sales from the incorporation of Vips and the brands of Grupo Zena in Spain, the expansion in the number of units, and growth of 4.5% in same-store sales during 2014; this was partially offset by the impact of devaluation of the Argentine peso and the effects of the tax reform in Mexico.

Alsea's brands in South America grew in same-store sales; due to the brands and geography's portfolio diversification, the Company achieved a consolidated growth of 4.5%. Likewise, the recent acquired brands in Spain showed positive results in the year's last quarter, period in which for the first time they merged with the Company's results, with a same-store sale growth of 8.9% compared to the same period the previous year. This is in consequence mainly to the commercial strategies combined with the economic recuperation environment the country is going through.

EBITDA

As a result of the **48.1% growth in gross income** and the 50.7% increase in operating expenses (excluding depreciation and amortization), **EBITDA grew 37.4% to 2.8 billion** pesos at the end of 2014, compared to 2.04 billion pesos in the same period of the previous year. The 762 million pesos increase in EBITDA is mainly attributable to the positive contribution from incorporating the brands in Grupo Zena in Spain into the portfolio, as well as Vips and El Portón brands in Mexico, integrating Starbucks Chile and increasing the number of units. EBITDA margin decreased 70 basis points as a percentage of sales, dropping from 13.0% in 2013, to 12.3% in 2014, mainly due to the decrease in same-store sales in Mexico, especially during the second half of the year, the impact of the business start-ups on results, as well as the transition, integration and extraordinary expenses of Vips, the drop in consumption in Argentina, and the increase in the cost of some of the main inputs, particularly during the second quarter of 2014.

Operating Income

Net Income

Net income for the year decreased 39 million pesos, closing at 624 million pesos, in comparison with 663 million pesos from the prior year, mainly due to an increase of 283 million pesos in the all-in cost of financing, higher net interest expenses and an increase of 80 million pesos in taxes. Those variations offset the increase of 349 million pesos in operating income.

Earnings per Share

Earnings per share ("EPS") for the 12 months ended December 31, 2014, decreased to 0.847 pesos, compared with 0.991 pesos for the 12 months ended December 31, 2013.

Results by Segments

Mexico

Alsea Mexico	Food and Beverages				Distribution and Production				Total			
	2014	2013	Var.	% Var.	2014	2013	Var.	% Var.	2014	2013	Var.	% Var.
Same-store sales	(0.4)%	4.0%	(440) bps	-	-	-	-	-	(0.4)%	4.0%	(440) bps	-
Number of units	1,999	1,575	424	27%	-	-	-	-	1,999	1,575	424	27%
Sales	15,591	10,351	$5,240	51%	5,064	4,330	$734	17%	20,655	14,681	5,974	41%
Adjusted EBITDA*	3,395	2,363	$1,032	44%	478	400	$78	20%	3,873	2,763	$1,110	40%
Adjusted EBITDA* margin	21.8%	22.8%	(100) bps	-	9.4%	9.2%	20 bps	-	18.7%	18.8%	(10) bps	-

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA".

Sales at Alsea Mexico for the full year 2014 **increased 40.7% to 20.65 billion pesos,** compared to 14.68 billion pesos in the same period of 2013, and represented 73% of Alsea's consolidated sales during the year. This favorable variation of 5.97 billion pesos is mainly attributable to the incorporation of the Vips brand into the portfolio, the increase of 404 corporate units among the different brands over the last 12 months and the increase in sales to third parties in the Distribution and Production segment, due to the growth in the number of units served over the last 12 months. A total of 2,028 units were being served at December 31, 2014, in comparison with 1,570 units in the same period of the prior year, representing an increase of 29.2%. This increase was partially offset by the decrease in same-store sales in the Mexico segment during the year.

Adjusted EBITDA increased 40.1% during the 12 months ended December 31, 2014, closing at 3.87 billion pesos, compared with 2.76 billion pesos reported in the same period of the previous year. This increase is attributable to the margin generated by the higher number of units in operation, in addition to the business mix. This was partially offset by the performance of Burger King Mexico, which was impacted by the contraction in consumption, the results related to the start of operations of The Cheesecake Factory and expenses related to the integration of Vips. Furthermore, EBITDA during 2014 was affected by the increase in the cost of some of the main inputs, the divestment of some units from the portfolio and the devaluation of the Mexican peso.

Spain

Alsea Spain	2014	2013
Same-store sales	6.5%	-
Number of units	442	-
Sales	$1,468	-
Adjusted EBITDA*	$290	-
Adjusted EBITDA* margin	19.8%	-

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA".

Sales at Alsea Spain represented 6% of Alsea's consolidated sales during the year, and at the end of 2014 included the operations of Foster's Hollywood, Domino's Pizza, Burger King, La Vaca Argentina, Cañas y Tapas and Il Tempietto. At the end of the period there were a total of 302 corporate units and 140 sub-franchised units.

Adjusted EBITDA for Alsea Spain at the end of full-year 2014, **was 290 million pesos, which represented** a margin of 19.8%.

South America

Alsea South America	2014	2013	Var.	% Var.
Same-store sales	20.0%	21.1%	(110) bps	-
Number of units	343	287	56	20%
Sales	$4,621	$4,219	$402	10%
Adjusted EBITDA*	$679	$583	$96	17%
Adjusted EBITDA* margin	14.7%	13.8%	90 bps	-

*Adjusted EBITDA does not consider management costs, therefore it represents the "store level EBITDA".

Sales at Alsea South America represented 20% of Alsea's consolidated sales, and at the end of 2014 included Burger King operations in Argentina, Chile and Colombia, Domino's Pizza Colombia, Starbucks Argentina, Chile and Colombia and P.F. Chang's in Chile, Argentina, Colombia and Brazil. At December **31, 2014, there were a total of 327 corporate units and 16 sub-franchised units**. Sales in this segment increased 9.5% to 4.62 billion pesos, in comparison with 4.219 billion pesos in 2013. This positive change of 402 million pesos was mainly due to the addition of 44 corporate units and 12 sub-franchised ones, and was partially offset by the decrease in same-store sales and to the impact from the 48.8% devaluation of the Argentine peso compared to the end of 2013.

Adjusted EBITDA at Alsea South America for the year ended 31 December 2014 **increased 16.5%**, closing at 679 million pesos, in comparison with 583 million pesos in the same period in 2013. EBITDA margin at the end of 2014 improved 90 basis points compared to the same period of the previous year. This increase can be attributed in part to the margin generated by the growth in same-store sales and the economies of scale arising from the aforementioned increase in corporate units, as well as a better business mix derived from the acquisition of Starbucks Chile. This was partially offset by the pre-operating expenses regarding Alsea's entry into the Brazilian market with the opening of P.F. Chang's and the start of operations of Starbucks in Colombia, as well as to the impact of devaluation of the Argentine peso.

Non-operating results

During the 12 months ended December 31, 2014, Alsea made capital **investments, excluding acquisitions, of 2.05 billion pesos**, of which 1.69 billion pesos –82.5% of total investments– were earmarked for unit openings, equipment refurbishing and remodeling of existing stores for the different brands that the Company operates. The remaining 360 million pesos were destined for other items, highlighting improvement and logistics projects, as well as software licenses, among other items.

Other Long-Term Liabilities

The other long-term liabilities account shows an increase of 3.02 billion pesos, derived from the recognition from liabilities related to the call and put options that were agreed with Britania Investments, S.A.R.L. ("Alia"), the local partner of Grupo Zena, for its entire stake in the company which is 28.24%. These options have a four year term, meaning they can be executed from October 2018, and the price agreed for both options (call and put) shall be determined by multiplying by 8.7 times EBITDA for the last 12 months minus the net debt at the end of such period.

Bank Debt and Fixed-Rate Bonds

At December 31, 2014, Alsea's total bank debt increased 6.19 billion pesos, closing at 11.23 billion pesos, in comparison with 5.04 billion pesos on the same date of the previous year. The Company's consolidated net debt in comparison with the close of 2013 increased 5.74 billion pesos, closing on December 31, 2014 at 10.12 billion pesos, in comparison with 4.38 billion pesos. At December 31, 2014, 87.7% of the debt was long term, and on that date 81% of the debt was denominated in Mexican pesos, 18.6% was in euros and the remaining 0.5% was in Argentine pesos.

The following table shows the balance and structure of total debt in millions of pesos at December 31, 2014.

Institution	Reference Rate	Spread	Due Date	Balance at Dec. 2014
Bancomer	TIIE 28 D	1.50%	April 6, 2018	604,662
Bancomer	TIIE 28 D	1.50%	July 10, 2018	588,034
Santander	TIIE 28 D	0.90%	May 6, 2018	205,721
Santander	3.98%	N.A	January 12, 2015	82,000
Santander	3.98%	N.A	February 18, 2015	300,000
Banamex	TIIE 28 D	1.50%	July 12, 2018	89,338
Banamex	TIIE 28 D	1.50%	July 11, 2018	705,485
Scotiabank	TIIE 28 D	1.18%	July 8, 2019	1'013,775
Banamex / BBVA / HSBC	TIIE 28 D	1.75%	May 29, 2017	1'276,533
Banamex / BBVA / HSBC / Santander	TIIE 28 D	1.25%	September 26, 2019	1'741,580
CEBUR Alsea'13	TIIE 28 D	0.75%	June 14, 2018	2'491,356
Argentina		22.14%		52,362
Spain		2.89%		2'088,333
Total				11'239,180

Shares Repurchase Program

At year ended, Alsea closed with a balance of 856,201 shares in the repurchase fund. During the 12 months ended December 31, 2014, the Company conducted purchase and sale operations amounting approximately to 34 million pesos.

Financial Ratios

At December 31, 2014, the financial restrictions established in the Company's credit contracts were as follows: the ratio of: i) Total Debt to EBITDA (pro-forma for the last 12 months) was 3.3x; ii) Net Debt to EBITDA (pro-forma for the last 12 months) was 2.9x; and iii) EBITDA (pro-forma for the last 12 months) to interest paid over the last 12 months was 6.2x.

The Return on Invested Capital ("ROIC") decreased from 11.7% to 8.0% during the 12 months ended December 31, 2014. The Return on Equity ("ROE") for the 12 months ended December 31, 2014 was 7.5%, compared with 14.5% in the previous year.

Stock Market Indicators	4T14	4T13	Variation
Book value per Share	$10.51	$6.21	69.2%
EPS (12 months)(1)	$0.847	0.991	(14.5)%
Shares in circulation at the close of the period (millions)	837.6	687.8	21.8%
Price per share at close	$40.77	$40.79	-

(1) EPS is earnings per share for the last 12 months.

Hedge Profile

The Finance Direction, joint with the Treasury Management, shall manage risks seeking to: mitigate present and future risks; not deviate resources from the operation and the expansion plan and hold the certainty of the Company's future flows, along with a strategy regarding the debt's cost. All instruments will only be used for hedging purposes.

During 2014, hedge derivatives in foreign exchange matured for $82.5 million dollars, at an average exchange rate of 12.91 pesos per dollar. This hedging resulted in an exchange rate profit of $20.8 million Mexican pesos. At December 31, 2014 Alsea holds hedges to purchase US dollars in the next 12 months for an approximate amount of $8 million US dollars, at an average exchange rate of 13.80 pesos per dollar. The foregoing is estimated at an average exchange rate of 14.50 pesos per dollar.

Mexico City, February 25, 2015

Audit Committee's Annual Report
to the Board of Directors of Alsea, S.A.B. de C.V.

In compliance with the provisions of Sections 42 and 43 of the Securities Exchange Act and the Rules of the Audit Committee, I hereby inform you about our activities during the year ending on December 31, 2014. During the performance of our work, we have taken into account the recommendations set out in the Code of Best Practices on Corporate Governance and, in accordance with a work program developed from the Committee Rules, we met at least once every quarter to perform the following activities:

I. Risk assessment

We reviewed, jointly with the Administration and External and Internal Auditors, critical risk factors that could affect the Company's operations, and determined that they have been adequately identified and managed.

II. Internal control

We ensured that the Administration, in fulfillment of its responsibilities regarding internal control, had established adequate policies and processes. In addition, we followed up on the comments and observations in this respect made by the External and Internal Auditors in the performance of their work.

III. External audit

We recommended that the Board of Directors hire the external auditors for the Group and subsidiaries for the fiscal year 2014. To this end, we made sure of their independence and compliance with the requirements established by law. We jointly analyze their approach and work program.

We maintained ongoing and direct communication to stay informed on the progress of their work, and take note of their comments on their review and the annual financial statement. We were promptly informed of their conclusions and reports on the annual financial statement and implemented their observations and recommendations resulting from their work.

AWe authorized the fees paid to external auditors for auditing services and other authorized services, making sure that these would not interfere with their independence from the company. Taking into account the Administration's point of view, we evaluated its services for the previous year and stated an evaluation process for the year 2014.

IV. Internal audit

In order to maintain its independence and objectivity, the Internal Audit area reports functionally to the Audit Committee.

In due course, we reviewed and approved its annual program of activities. To that end, Internal Audit participated in the process of identifying risks, determining controls and verifying them.

We received periodic reports regarding the progress of the approved work program, changes that might have occurred and the reasons that caused them.

We followed up on the observations and suggestions made by this area and implemented them appropriately.

V. Financial information, accounting policies and third party reports

We reviewed together with the people responsible, the process of preparation of quarterly and annual financial statements for the Company and recommended the Board of Directors approving and authorizing their dissemination. As part of this process we took into consideration external auditors' opinions and observations and made sure that the criteria, accounting and information policies used by the Administration to prepare the financial information were adequate and sufficient and had been applied consistently with those for the previous year. As a consequence, the information presented by the Administration reasonably reflects Alsea's financial situation, operating results and changes in its financial status for the year that ended on December 31, 2014.

We also reviewed the quarterly reports prepared by the Administration to be presented to the shareholders and the general public, verifying that they were prepared using the same accounting criteria used to prepare the annual information. We verified that there is a comprehensive process that provides reasonable confidence as to its contents. In conclusion, we recommend that the Board authorize its publication.

Our review also included reports and any other financial information required by Mexican Regulatory Bodies.

We reviewed and confirmed that during the year 2014 Alsea continued using and implementing the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) to prepare its Financial Statements.

VI. Compliance with regulations, legal aspects and contingencies

We confirm the existence and reliability of the controls established by the Company, to ensure compliance with any various mandatory legal provisions, making sure that they were properly disclosed in the financial information.

We periodically reviewed the various tax, legal and labor contingencies faced by the company, monitoring the efficiency of the identification and follow-up procedure, as well as their proper disclosure and recording. There were two tax issues in the year to highlight:

a) The Ministry of Finance of Mexico City determined to the society Italcafé S.A. de C.V. taxable income over deposits made to their bank accounts derived from the operation of several restaurants owned by Grupo Amigos de San Angel, S.A. de C.V., nonetheless, such revenues were accumulated by the latter company, giving it all related tax effects. If such determination proceeds, the responsibility of payment of the aforementioned tax credit, although charged to Itlacafe SA de CV, will have to be paid by the former owners of the society.

b) The "Servicio de Administración Tributaria" (SAT) initiated two legal procedures in order to cancel the trades in favor of Distribuidora e Importadora Alsea, S.A. de C.V. and Café Sirena, S. de R.L. de C.V., through which it had authorized the application of 0% VAT rate on sandwiches (during the years 2010, 2011, 2012 and 2013); such procedures are currently under review by the authorities.

VII. Administrative aspects

We held regular meetings with the Administration, to keep informed about the operations of the Company, its relevant and unusual activities and events. We also met with internal and external auditors to discuss their progress of their work and any constrains they might have encountered, and to facilitate any private communications they wished to have with the Committee.

Whenever we deemed it advisable, we requested independent experts to provide support and opinions. Similarly, we had no knowledge of any significant lack of compliance with the operating policies, internal control systems, and accounting records policies.

We held executive meetings with the exclusive participation of Committee Members, during which we reached agreements with and made recommendations to the Administration.

The Chairman of the Audit Committee reported our activities to the Board of Directors on a quarterly basis.

Our work was duly documented in records and prepared for each meeting, which were appropriately reviewed and approved by Committee Members.

Sincerely,

C.P. Iván Moguel Kuri
Chairman of the Audit Committee

Mexico City, February 25, 2015

Corporate Practices Committee's Annual Report to the Board of Directors of Alsea, S.A.B. de C.V.

In compliance with Sections 42 and 43 of the Securities Exchange Act and in the name of the Corporate Practices Committee, I present to you our report on the activities we carried out during the year ended December 31, 2014. In the development of our work, we observed the recommendations contained in the Code of Best Practices on Corporate Governance.

To analyze the relevant results of the Company, the Committee held meetings to ensure the adequate follow-up on the agreements reached during the performance of their duties, inviting any company officers deemed advisable.

To comply with the responsibilities of this committee, we carried out the following activities:

1. During this period we did not receive any request for dispensation according to Section 28, subsection III, paragraph f) of the Securities Exchange Act; hence, it was not necessary to make any recommendation in this regard.

2. This committee presented and approved the Strategic Plan of The Cheesecake Factory, which we recommended to be presented to the Board of Directors for its ratification.

3. This committee presented and reviewed the report about Grupo Zena's acquisition, which we recommended to be presented to the Board of Directors for its ratification.

4. This committee presented and approved the Strategic Plan of Starbucks Colombia, which we recommended to be presented to the Board of Directors for its ratification.

5. This committee presented and approved the Strategic Plan of P.F. Chang's Brazil, which we recommended to be presented to the Board of Directors for its ratification.

6. This committee presented and approved the divestiture proposal of Pei Wei, which we recommended to be presented to the Board of Directors for its ratification.

7. This committee presented and approved the proposal to issue stock certificates, which we recommended to be presented to the Board of Directors for its ratification.

8. We presented quarterly and accrued results of the Stock Exchange Plan for the year 2014.

9. We were presented with the update of the shareholder cost applicable at the end of each quarter of 2014, according to methodology authorized by the Board of Directors.

10. We were presented on a quarterly basis with a summary of the risk management operations through "forwards of the exchange rate" (Peso-Dollar) conducted over the year. These operations were executed as authorized; that is, in compliance with the objective of covering the exchange rate risk of the operation based on the authorized budget.

11. We were presented with the Strategic Plan 2015 - 2019, which we recommended to be presented to the Board of Directors for its approval.

12. We were presented the 2015 Budget, which we recommended to be presented to the Board of Directors for its approval.

13. We were presented with the Compensation Plan for the CEO's Reporting Line, which we recommended to be presented to the Board of Directors for its approval.

14. We were presented with the Succession and Talent Development Plans, which we reviewed.

15. We were presented with the results of the evaluation of relevant executives in 2014.

16. The Corporate Division of Human Resources presented the Compensation Strategy for relevant executives for the year 2015. This Committee recommended the approval of the strategy.

17. We were presented with the organizational structure of Alsea 2015, which we recommended to be presented to the Board of Directors for its approval.

18. In each and every meeting of the Board of Directors, we presented a report of the activities of the Corporate Practices Committee for its consideration and recommended its ratification and/or approval.

Finally, I would like to mention that as part of our activities, including the preparation of this report, we have always listened to and taken into account the viewpoint of relevant executives, without identifying any notable difference of opinion.

Sincerely,

Corporate Practices Committee
Julio Gutiérrez Mercadillo
Chairman

Consolidated Financial Statements

ALSEA, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements for the years ended December 31, 2014 and 2013, and Independent Auditors' Report Dated February 27, 2015

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, 2014 and 2013, 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 consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2014 and 2013, and their financial performance and their 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.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Francisco Torres Uruchurtu

February 27, 2015

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

At December 31, 2014 and 2013
(Figures in thousands of Mexican pesos)

Assets	Notes	2014	2013 (As adjusted)
Current assets			
Cash and cash equivalents	6	$ 1,112,850	$ 663,270
Customers, net	7	673,749	360,104
Value-added tax and other recoverable taxes		218,301	369,350
Other accounts receivable		221,794	268,714
Inventories, net	8	1,055,174	641,880
Advance payments	9	503,219	304,323
Total current assets		3,785,087	2,607,641
Long-term assets			
Guarantee deposits	10	291,139	128,108
Investment in shares of associated companies	15	829,824	788,665
Store equipment, leasehold improvements and property, net	11	9,804,299	4,764,397
Intangible assets, net	12 and 17	13,322,756	3,386,043
Deferred income taxes	21	1,304,454	760,782
Total long-term assets		25,552,472	9,827,995
Total assets		**$ 29,337,559**	**$ 12,435,636**

Liabilities and stockholders' equity	Notes	2014	2013 (As adjusted)
Current liabilities			
Current maturities of long-term debt	18	$ 1,377,157	$ 388,486
Current maturities of financial lease liabilities	13	7,878	–
Suppliers		2,694,015	1,408,565
Accounts payable and accrued liabilities		601,854	197,709
Accrued expenses and employee benefits		1,269,734	730,727
Income taxes		232,780	360,947
Taxes arising from tax consolidation	21	38,983	10,111
Total current liabilities		6,222,401	3,096,545
Long-term liabilities			
Long-term debt, not including current maturities	18	7,370,666	2,166,281
Non-current financial lease liabilities	13	314,342	–
Obligation under put option of non-controlling interest	20	2,673,053	–
Debt instruments	19	2,491,356	2,488,850
Other liabilities		69,035	64,722
Taxes arising from tax consolidation	21	70,093	15,923
Deferred income taxes	21	289,207	19,500
Employee retirement benefits		102,545	72,884
Total long-term liabilities		13,380,297	4,828,160
Total liabilities		19,602,698	7,924,705
Stockholders' equity	24		
Capital stock		478,271	403,339
Premium on share issue		8,613,587	2,037,390
Retained earnings		2,187,327	1,512,464
Reserve for repurchase of shares		531,406	569,271
Reserve for obligation under put option of non-controlling interest	20 and 24	(2,673,053)	–
Other comprehensive income items		(337,410)	(251,037)
Stockholders' equity attributable to the controlling interest		8,800,128	4,271,427
Non-controlling interest	25	934,733	239,504
Total stockholders' equity		9,734,861	4,510,931
Total liabilities and stockholders' equity		**$ 29,337,559**	**$ 12,435,636**

See accompanying notes to the consolidated financial statements.

Mr. Fabián Gosselin Castro
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2014 and 2013
(Figures in thousands of Mexican pesos)

	Note	2014	2013
Continuing operations			
Net sales	27	$ 22,787,368	$ 15,697,714
Cost of sales		7,272,274	5,220,825
Leases		1,805,853	1,257,559
Depreciation and amortization		1,333,320	920,355
Other operating costs and expenses		10,705,673	7,202,075
Other expenses (income), net	29	201,731	(22,651)
Interest income		(33,257)	(39,044)
Exchange (gain) loss, net		(562)	8,125
Interest expenses		527,281	241,389
		975,055	909,081
Equity in results of associated companies	15	32,253	43,582
Income before income taxes		1,007,308	952,663
Income tax expense	21	364,593	284,867
Consolidated net income from continuing operations		642,715	667,796
Discontinued operations			
Loss from discontinued operations - net of income taxes		(18,621)	(4,476)
Consolidated net income		$ 624,094	$ 663,320
Net income (loss) for the year attributable to:			
Controlling interest		$ 666,666	$ 681,014
Non-controlling interest		$ (42,572)	$ (17,694)
Earnings per share:			
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	26	$ 0.85	$ 0.99
Basic and diluted net earnings per share from continuing operations (cents per share)	26	$ 0.87	$ 0.99

See accompanying notes to the consolidated financial statements.

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 other Comprehensive Income

For the years ended December 31, 2014 and 2013
(Figures in thousands of Mexican pesos)

	2014	2013
Consolidated net income	$ 624,094	$ 663,320
Items that may be reclassified subsequently to income:		
Valuation of financial instruments, net of income taxes	(7,242)	–
Exchange difference on translating foreign operations	(79,131)	(164,487)
	(86,373)	(164,487)
Total comprehensive income for the period, net of income taxes	$ 537,721	$ 498,833
Comprehensive income (loss) for the year attributable to:		
Controlling interest	$ 580,293	$ 516,527
Non-controlling interest	$ (42,572)	$ (17,694)

See accompanying notes to the consolidated financial statements.

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 Changes in Stockholders' Equity

For the years ended December 31, 2014 and 2013
(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	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Valuation of financial instruments	Effect of translation of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1. 2013	$ 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 24a)	–	–	(1,011)	(67,927)	–	–	–	–	–	(68,938)	–	(68,938)
Sales of shares (Note 24a)	–	–	1,011	72,997	–	–	–	–	–	74,008	–	74,008
Purchase of non-controlling (Note 25a)	–	(429,262)	–	–	–	–	–	–	–	(429,262)	(28,020)	(457,282)
Dividends declared in cash (Note 25a)	–	–	–	–	–	–	(343,880)	–	–	(343,880)	(30,600)	(374,480)
Adjustment to financial statements (note 2a)	–	–	–	–	–	–	–	–	–	–	7,629	7,629
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 (as adjusted)	403,339	2,037,390	–	569,271	–	100,736	1,411,728	–	(251,037)	4,271,427	239,504	4,510,931
Repurchase of shares (Note 24a)	–	–	(498)	(39,566)	–	–	–	–	–	(40,064)	–	(40,064)
Sales of shares (Note 24a)	–	–	20	1,701	–	–	–	–	–	1,721	–	1,721
Placement of shares, net of issuance expenses (Note 1a)	75,410	6,576,197	–	–	–	–	–	–	–	6,651,607	–	6,651,607
Business acquisitions and obligation under put option of non-controlling (Note 24 and 25a)	–	–	–	–	(2,673,053)	–	–	–	–	(2,673,053)	736,456	(1,936,597)
Other movements	–	–	–	–	–	–	8,197	–	–	8,197	1,345	9,542
Comprehensive income	–	–	–	–	–	–	666,666	(7,242)	(79,131)	580,293	(42,572)	537,721
Balances at December 31, 2014	**$ 478,749**	**$ 8,613,587**	**$ (478)**	**$ 531,406**	**$ (2,673,053)**	**$ 100,736**	**$ 2,086,591**	**$ (7,242)**	**$ (330,168)**	**$ 8,800,128**	**$ 934,733**	**$ 9,734,861**

See accompanying notes to the consolidated financial statements.

Mr. Fabián Gosselin Castro
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013
(Figures in thousands of Mexican pesos)

	Note	2014	2013
Operating activities:			
Consolidated net income		$ 642,715	$ 667,796
Adjustment for:			
Income taxes		364,593	284,867
Equity in results of associated companies		(32,253)	(43,582)
Interest expense		527,281	241,389
Interest income		(33,257)	(39,044)
Disposal of store equipment and property		60,418	24,386
Provisions		512,160	68,993
Discontinued operations		3,219	1,710
Depreciation and amortization		1,333,320	923,121
		3,378,196	2,129,636
Changes in working capital			
Customers		(188,430)	(15,629)
Other accounts receivable		(23,803)	(84,317)
Inventories		(159,470)	(82,506)
Advance payments		(270,678)	(102,645)
Guarantee deposits		–	(18,088)
Suppliers		259,932	264,222
Taxes paid		(384,787)	(456,397)
Other liabilities		(240,515)	(41,453)
Labor obligations		(5,240)	21,674
Discontinued operations		(21,840)	(6,186)
Net cash flows provided by operating activities		2,343,365	1,608,311
Cash flows from investing activities:			
Interest collected		33,257	39,044
Store equipment, leasehold improvements and property		(1,996,173)	(1,127,548)
Intangible assets		(393,984)	(339,428)
Acquisitions of business, net of cash acquired	1 and 16	(9,816,311)	(1,764,508)
Net cash flows used in investing activities		(12,173,211)	(3,192,440)

	Note	2014	2013
Cash flows from financing activities:			
Bank loans	18	12,230,892	2,538,686
Repayments of loans		(8,042,822)	(2,449,815)
Repayments of financial leases		(9,679)	–
Issuance of debt instruments	1 and 19	–	2,488,850
Increase in capital stock from placement of shares, net of premium and issuance expenses	24	6,651,607	–
Interest paid		(527,281)	(241,389)
Dividends paid		–	(343,880)
Acquisition of non-controlling interest		–	(683,441)
Repurchase of shares		(40,064)	(67,927)
Sales of shares		1,721	72,997
Net cash flows provided by financing activities		10,264,374	1,314,081
Net increase (decrease) in cash and cash equivalents		434,528	(270,048)
Exchange effects on value of cash		15,052	724
Cash and cash equivalents:			
At the beginning of the year		663,270	932,594
At end of year		$ 1,112,850	$ 663,270

See accompanying notes to the consolidated financial statements.

Mr. Fabián Gosselin Castro
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

Alsea, S.A.B. de C.V. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013
(Figures in thousands of Mexican pesos)

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, beginning on the date in which the deed was signed, which was April 7, 1997.

For disclosure purposes in the notes to the consolidated financial statements, reference made to pesos, "$" or MXP is for thousands of Mexican pesos, and reference made to dollars is for US dollars.

Operations

Alsea is mainly engaged in operating fast food restaurants "QSR" cafes and casual dining "Casual Dining". The brands operated in Mexico are Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, California Pizza Kitchen, P.F. Chang's and Pei Wei Asian Diner, Italianni's, The Cheese Cake Factory, VIPS and el Portón (as mentioned below). 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, Alsea operates the Domino's Pizza and Burger King brands and starting in 2014 Starbucks. 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, Chile and Brazil (first opening in July 2014). As mentioned below, starting in October 2014, Alsea operates in Spain the brands Foster's Hollywood, Cañas y Tapas, Il Tempietto, La Vaca Argentina, Burger King and Domino's Pizza.

Significant events

a) ***Primary offering to subscribe and pay shares for the amount of $5,999,999.-*** In June 2014, Alsea made a share placement of $5,999,999 on the Mexican and international markets (without considering an overallotment option for the total amount of $6,899,999). In Mexico, the offering amount is up to $2,881,043, while the international offering amount is up to $3,118,956. The global offering was made for 131,147,540 shares (without considering the overallotment option of 150,819,671 shares); a total of 62,973,627 shares were placed in Mexico, together with 68,173,913 shares on the international market. The placement price was $45.75 per share. Issuance expenses of $248,392 were incurred to make the public offering.

b) ***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. VIPS operations include a total of 360 restaurants, of which 262 are of the "Vips" brand, 90 are of the "El Portón" brand, 6 are of the "Ragazzi" brand and two are of the "La Finca" brand. Those operations also include: I) the rights to intellectual property over the four brands, menus, development of the product, operating processes and other items; II) the acquisition of 18 real property assets; III) the buildings which total 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 in 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, Alsea's shareholders approved the acquisition of VIPS and on April 30, 2014 the regulatory authorities approved the transaction, becoming effective as of such date; Alsea consolidates the financial information of VIPS since such date. (see effects in note 16)

c) ***Acquisition of Grupo Zena.-*** In August 2014, Alsea reached an agreement with the Food Service Group, S.A. and Tuera 16, S.A. , S.C.R., incorporated in Luxemburgo and Spain, respectively, to acquire 71.76% of the capital stock of the entity Food Service Project, S.L. ("FSP"), incorporated in Spain and which is denominated, together with its subsidiaries "Grupo Zena", and which is engaged in the operation of restaurants of the brands "Foster's Hollywood", "Cañas y Tapas", "il Tempietto", "La Vaca Argentina", "Burger King" and "Domino's Pizza", for a total of 107,445 Euros (equivalent to $1,934,023) ("Acquisition Price"). Alsea consolidates the financial information of Grupo Zena beginning in October 2014, date in which the transaction was formalized. (see effects in note 16)

Grupo Zena's operations include a total of 427 restaurant, of which 195 are of the "Foster's Hollywood" brand, 127 are of the "Domino's Pizza" brand, 60 are of the "Burger King" brand, 13 are of the "La Vaca Argentina" brand, 21 are of the "Cañas y Tapas" brand and 11 are of the "Il Tempietto" brand. Also, Grupo Zena has given two subfranchises of the Domino's brand, 122 subfranchises of the Foster's Hollywood brand, 13 subfranchises of the Cañas y Tapas brand, and 6 subfranchises of the Il Tempietto brand to another parties. .

d) ***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 resulted in Alsea acquiring 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.

e) ***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, Crate & Barrel, and VSBA (Victoria's Secret Bath Accessories (see Note 15).

f) ***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 issuance under the debt instrument program, which was approved on April 25, 2013 by the Board of Directors for issuances up to $3,500 million.

g) ***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 OFA 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).

h) ***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 agreement contemplates the opening of 30 units over 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.

i) ***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 Cheesecake Factory® brand in over 35 states of the US operating under a franchise license.

2. Bases for presentation

a. ***Reformulation of the consolidated financial statements.-*** During April and August 2014, the period allowed by IFRS 3, Business Combinations, for the valuation of the acquisitions of Burger King Mexicana (BKM), and Starbucks Chile mentioned in note 1, respectively, ended. The final valuation resulted in changes to the preliminary accounting of such acquisitions; the changes are presented in note 16. Following is a summary of the effects of the adjustments to the consolidated statements of financial position:

Concept	Figures previously reported	Valuation adjustment	Balance as of December 31, 2013 (As adjusted)
Long-term assets:			
Store equipment, leasehold improvements and property, net	$ 4,610,942	$ 153,454 (1)	$ 4,764,397
Intangible assets	1,498,224	650,296 (1)	2,148,520
Goodwill (included in intangible assets)	1,765,672	(528,149)	1,237,523
Deferred income taxes	982,407	(221,625) (2)	760,782
	$ 8,857,245	$ 53,976	$ 8,911,222
Current liabilities:			
Account payable	$ 170,862	$ 26,847 (1)	$ 197,709
Long-term liabilities:			
Deferred income taxes	–	19,500 (2)	19,500
Stockholders' equity:			
Non-controlling interest	308,189	7,629 (1)	315,818
	$ 479,051	$ 53,976	$ 533,027

Adjustments explanations:

(1) Related to the net effect of the valuation at fair value of the fixed assets, intangible assets and account payable, and the increase in the non-controlling interest. (see note 12)

(2) Related to the effect in income taxes due to the increase in the fair value of fixed assets and intangible assets in the amount of $241,125, and the liability for deferred taxes which was presented net of the assets deferred tax in prior year for $(19,500).

b. ***Application of new and revised International Financing Reporting Standards ("IFRSs") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

Given that the Entity is not an investment entity (evaluated under the criteria of IFRS 10 to 1 January 2014), the application of the amendments has had no impact on the revelations or the amounts recognized in the Entity's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Given that the Entity has no compensation agreement, the application of the amendments had no impact on the revelations or the balances recognized in the consolidated financial statements.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The application of these amendments had no significant impact on the disclosures in the consolidated financial statements.

Amendments to IAS 19 *Novation of Derivatives and Continuation of Hedge Accounting*

The Entity's management had no significant impact of the amendments to IAS 19; therefore there was no effect on the consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRS, the amendments relevant to transactions of the Entity are summarized below.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The Entity's management does not believe that the application of these amendments will have significant impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRS

The Entity's management has assessed these improvements, concluding that there is no impact on the Entity's consolidated financial statements.

c. *New and revised IFRSs 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]
IFRS 14	*Regulatory Deferral Accounts*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]

[1] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Entity's management anticipates that the application of IFRS 9, 15 and modifications to IFRS 11 in the future may have a material impact on amounts reported in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Entity undertakes a detailed review.

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 Alsea, S.A.B. de C.V. 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 statements of income and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

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 the Entity.

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 Employee Benefit*, 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 acquire are 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the 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 an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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 statements of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 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 are recognized when they are delivered to and/or consumed by customers.

Provision of services

Revenues from services are recognized given 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, Colombia, Brazil and Spain), which comprise 27% of consolidated net income and 23% and 21% of the total consolidated assets at December 31, 2014 and 2013, 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 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.

- 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 employee 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.

PTU is recorded in income in the year in which it accrues and it is shown under operating expenses in the consolidated statements of income.

PTU is determined based on the tax profit in accordance with Section I of article 10 of the Income Tax Law.

j. *Income taxes*

The income tax expense represents the sum of tax currently payable and deferred tax.

– *Current tax*

In Mexico, current income tax (ISR) is recognized in the results of the year in which is incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax ("IETU").

– *Deferred income tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

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.

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. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Brands owned by Alsea included under intangibles assets are the following:

Brand	Country	
Foster's Hollywood	Spain	Own brand
Cañas y Tapas	Spain	Own brand
La Vaca Argentina	Spain	Own brand
Il Tempietto	Spain	Own brand
VIPS	Mexico	Own brand
El Portón	Mexico	Own brand
La Finca	Mexico	Own brand

2. Intangible assets acquired separately

Other intangible assets represent payments made to third parties for the rights to use the brands with which the Entity operates its establishments under the respective franchise or association agreements. Amortization is calculated by the straight line method based on the use period of each brand, including renewals considered to be certain, which are generally for 10 to 20 years. The terms of brand rights are as follows:

Brands	Country	Year of expiration
Domino's Pizza	Mexico	2025
	Colombia	2016
	Spain	2018
Starbucks Coffee	Mexico	2037
	Argentina	2027
	Colombia	2033
	Chile	2027
Burger King	Mexico, Argentina, Chile and Colombia Spain (1)	Depending on opening dates
Chili's Grill & Bar	Mexico	2018
California Pizza Kitchen	Mexico	2022
P.F. Chang's	Mexico	2019
	Argentina, Chile, Brazil, Colombia (2)	2021
Pei Wei	Mexico (3)	2021
The Cheesecake Factory	Mexico and Chile (3)	Depending on opening dates
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 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, 2014 and 2013, the Entity has fully complied with those obligations.

Amortization of intangible assets is included in the depreciation and amortization accounts in the consolidated statements of income.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

m. *Impairment in the value of long-lived assets, equipment, leasehold improvements, properties, and other intangible assets*

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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 subsequent to the date of the consolidated statements of financial position and are incurred in the 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 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 consolidated statements of income.

3. Loans and receivables

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 immaterial.

4. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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.

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.

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.

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., UBS AG. Actinver Casa De Bolsa, Banorte-Ixe, BTG Pactual, Citi, Credit Suisse, Grupo Bursátil Mexicano GBM Casa De Bolsa, HSBC Global Research, Interacciones Casa de Bolsa, Intercam Casa de Bolsa, Invex, Itau BBA, Monex Casa de Bolsa, UBS Investment Research and Vector Casa de Bolsa.

The Corporate Financial Director is empowered to select other participants, provided that they are regulated institutions authorized to carry out this type of operations, and that they can offer the guarantees required by the Entity.

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 consolidated statements of income, except if those derivative instruments have been formally designated as and they meet the requirements to be considered hedge instruments associated to a hedge relation.

Polices for designating calculation and valuation agents

The fair value of DFIs is reviewed monthly. The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, who is asked to issue the respective reports at the month-end closing dates specified by the Entity.

Likewise, as established in the master agreements (ISDA) that cover derivative financial operations, the respective calculations and valuations are presented in the quarterly report. The designated calculation agents are the corresponding counterparties. Nevertheless, the Entity validates all calculations and valuations received by each counterparty.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, the Entity's 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.

a. Critical judgments for applying the accounting policies

There are critical judgments, apart from those involving estimations, that the Entity's management has made in the process of applying the Entity´s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Control over Food Service Project, S.L. (Grupo Zena) and obligation under put option of non-controlling interest

Note 16 indicates that Grupo Zena is a 71.76% owned subsidiary of Alsea. Based on the contractual agreements executed between the Entity and other investors, Alsea is empowered to appoint or remove the majority of the members of the board of directors, executive commission and management positions of Grupo Zena, which manage the relevant activities of Grupo Zena. Consequently, the Entity's management concluded that Alsea has the capacity to manage the relevant activities of Grupo Zena and therefore has control over it.

Similarly, Alsea has the obligation under the put option to acquire the non-controlling interest of the other investors (purchase option). This purchase option can be exercised four years after the acquisition date of Grupo Zena. Alsea's management has calculated the financial liability derived from the contractual requirements in effect at the purchase option date, as well as the current value of the financial liability according to the requirements of IAS 32 *Financial Instruments* which amounts to $2,673,053 at December 31, 2014. Details of this liability can be consulted in Note 20.

Control over Operadora de Franquicias Alsea, S.A. de C.V. (OFA)

Note 16 indicates that OFA is a 80% owned subsidiary of the Entity. Based on the contractual agreements signed by the Entity and other investors, the Entity is empowered to appoint and remove most of the members of the board of directors of OFA, which has the power to control the relevant operations of OFA. Therefore, the Entity's management concluded that the Entity has the capacity to unilaterally control the relevant activities of OFA and therefore it has control over OFA.

Certain significant decisions, including the following are subject to the unanimous consent of the two stockholders: 1) the approval or modification of the budget of the year, and 2) changes to the development schedule, which do not modify the Entity's control over the subsidiary, as established in the master franchise contract.

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 property

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

During 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:

During 2013, the Entity acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile) and formalized the mergers 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.

During October 2014, Alsea acquired 71.76% of the capital stock of Food Service Project, S.L. ("FSP"), incorporated in Spain, and which, together with its subsidiaries, is denominated "Grupo Zena". Under the terms of this transaction, the Entity has a put option over the remaining 28.24% which was recorded in accordance with IAS 32 *Financial Instruments: Presentation* (see note 20).

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, 2014 and 2013 is comprised as follows:

	2014	2013
Cash	$ 589,565	$ 545,708
Investments with original maturities of under three months	523,285	117,562
Total cash and cash equivalents	$ 1,112,850	$ 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. 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, 2014 and 2013, the customer balance is comprised as follows:

	2014	2013
Franchises	$ 359,008	$ 213,231
Credit card	188,456	110,442
Other	233,084	90,505
	780,548	414,178
Allowance for doubtful accounts [1]	(106,799)	(54,074)
	$ 673,749	$ 360,104

[1] The estimates presented in the consolidated statements of changes in financial position refer to the balances of doubtful accounts aged more than 90 days involving franchisees. These estimates plus certain guarantees cover the overdue amount. The recognized impairment represents the difference between the book values of these customer account receivables and the current value of the resources expected from their settlement. The Entity does not hold any collateral for these balances.

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 30 days, starting from the day next dates of the contractual maturity are generated interests at the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points x 2% per year on the defeated balance at moment of settlement.

Following is the aging of past due but unimpaired accounts receivable:

	2014	2013
15-60 days	$ 28,739	$ 37,376
60-90 days	11,443	12,327
More than 90 days	97,270	73,615
Total	$ 137,452	$ 123,318
Average time overdue (days)	65	77

The concentration of credit risk is limited because the balance is composed of franchisees which are supported or controlled by a service contract and / or master franchise; likewise consists of balances with from financial institutions cards, which are recovered within from 15 days.

8. Inventories

At December 31, 2014 and 2013, inventories are as follows:

	2014	2013
Food and beverages	$ 836,993	$ 491,256
Containers and packaging	78,966	57,682
Other	145,850	99,403
Obsolescence allowance	(6,635)	(6,461)
Total	$ 1,055,174	$ 641,880

Inventories recognized under cost of sales for inventory consumption in the period related to continuous operations totaled $7,277,438 and $5,227,739 for the years ended December 31, 2014 and 2013, respectively.

9. Advance payments

Advance payments were made for the acquisition of:

	2014	2013
Insurance and other services	$ 267,635	$ 136,796
Inventories	202,051	134,459
Lease of locales	33,533	33,068
Total	$ 503,219	$ 304,323

10. Guarantee deposits

Guarantee deposits are comprised as follows:

	2014	2013
Non-current guarantee deposits for leased properties	$ 291,139	$ 128,108

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, 2013	$ 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
Valuation Adjustment (note 2a)	–	99,936	38,202	–	–	–	15,316	–	153,454
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	2,555,560	3,796,577	113,331	439,991	780,667	105,625	588,818	8,679,734
Acquisitions	65,708	746,674	659,201	36,228	74,360	72,332	107,857	233,813	1,996,173
Business acquisition	432,266	1,030,175	1,807,732	39,854	51,803	97,969	60,523	325,936	3,846,258
Disposals	–	(239,161)	(134,656)	(18,912)	(13,098)	(8,588)	(3,720)	–	(418,135)
Adjustment for currency conversion	–	(22,828)	(96,367)	(740)	(6,279)	(1,930)	(5,019)	(3,288)	(136,451)
Balance as of December 31, 2014	$ 797,139	$ 4,070,420	$ 6,032,487	$ 169,761	$ 546,777	$ 940,450	$ 265,266	$ 1,145,279	$ 13,967,579
Depreciation									
Balance as of January 1, 2013	$ 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	267,480	16,271	57,799	28,014	4,748	–	622,224
Adjustment for currency conversion	(16)	(21,057)	–	(879)	(10,602)	–	(1,990)	–	(34,544)
Disposals	–	(65,424)	(10,557)	(7,628)	(9,498)	(1,622)	(152)	–	(94,881)
Balance as of December 31, 2013	77,023	1,137,365	1,830,817	71,196	273,200	479,700	46,036	–	3,915,337
Charge for depreciation for the year	7,848	400,780	410,420	29,075	72,539	48,654	9,560	–	978,876
Adjustment for currency conversion	–	(15,678)	(33,653)	(444)	(5,504)	(1,496)	(3,737)	–	(60,512)
Disposals	–	(98,798)	(247,797)	(13,933)	(11,537)	(4,327)	(420)	–	(376,812)
Balance as of December 31, 2014	$ 84,871	$ 1,423,669	$ 1,959,787	$ 85,894	$ 328,698	$ 522,531	$ 51,439	$ –	$ 4,456,889
Net cost									
Balance as of December 31, 2013	$ 222,142	$ 1,418,195	$ 1,965,760	$ 42,135	$ 166,791	$ 300,967	$ 59,589	$ 588,818	$ 4,764,397
Balance as of December 31, 2014	$ 712,268	$ 2,646,751	$ 4,072,700	$ 83,867	$ 218,079	$ 417,919	$ 213,827	$ 1,145,279	$ 9,510,690

b. ***The land and property leasing shown below:***

	Leasehold improvements	Total
Cost		
Balance as of May 1, 2014	$ 569,207	$ 569,207
Acquisitions	–	–
Disposals	(32,923)	(32,923)
Balance as of December 31, 2014	$ 536,284	$ 536,284
Depreciation		
Balance as of May 1, 2014	$ 247,856	$ 247,856
Charge for depreciation for the year	11,031	11,031
Disposals	(16,212)	(16,212)
Balance as of December 31, 2014	$ 242,675	$ 242,675
Net cost		
Balance as of May 1, 2014	$ 321,351	$ 321,351
Balance as of December 31, 2014	$ 293,609	$ 293,609|

12. Intangible assets

a. ***Intangible assets are comprised as follows:***

	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Cost						
Balance as of January 1, 2013	$ 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)
Valuation adjustment reformulation (note 2a)	564,660		87,008	(1,372)	(528,149)	122,147
Disposals	(649)	(2,860)	(110)	(66)	-	(3,685)
Balance as of December 31, 2013	2,134,298	381,133	701,620	452,182	1,254,476	4,923,709
Acquisitions	94,824	243	158,933	77,308	62,676	393,984
Business acquisition	782,103	–	16,241	38,072	9,016,715	9,853,131
Adjustment for currency conversion	8,986	143	2,577	5,258	42,175	59,139
Disposals	(2,598)	(2,875)	(4,241)	(359)	–	(10,073)
Balance as of December 31, 2014	$ 3,017,613	$ 378,644	$ 875,130	$ 572,461	$ 10,376,042	$ 15,219,890
Amortization						
Balance as of January 1, 2013	$ 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)	(42)	–	(1,897)
Balance as of December 31, 2013	599,217	369,846	217,806	333,844	16,953	1,537,666
Amortization	206,596	3,800	65,861	78,187	–	354,444
Adjustment for currency conversion	6,514	114	7	6,078	–	12,713
Disposals	(1,312)	(2,634)	(3,692)	(51)	–	(7,689)
Balance as of December 31, 2014	$ 811,015	$ 371,126	$ 279,982	$ 418,058	$ 16,953	$ 1,897,134
Net cost						
Balance as of December 31, 2013	$ 1,535,081	$ 11,287	$ 483,814	$ 118,338	$ 1,237,523	$ 3,386,043
Balance as of December 31, 2014	$ 2,206,598	$ 7,518	$ 595,148	$ 154,403	$ 10,359,089	$ 13,322,756

13. Operating lease agreements

a. ***Operating leases***

The real estate housing the majority of the stores of Alsea are leased from third parties. In general terms, lease agreements signed for the operations of the Entity's establishments are for a term of between five and ten years, with fixed rates set in pesos. Lease payments are generally revised annually and they increase on the basis of inflation. Alsea considers that it depends on no specific lessor and there are no restrictions for the entity as a result of having signed such agreements. Some of the Entity's subsidiaries have signed operating leases for company vehicles and computer equipment.

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 real estate housing the stores of the different Alsea brands are as follows:

	2014	2013
Rental expense	$ 1,805,853	$ 1,257,559

b. ***Commitments non-cancellable operating leases***

	2014	2013
Less than a year	$ 1,533,805	$ 917,838
Between one and five years	6,888,298	4,061,677

c. ***Financial lease liabilities***

As a result of the acquisition of VIPS mentioned in note 1a, the Entity 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.

Future minimum lease payments and the present value of the minimum lease payments are summarized below:

	Minimum payments of leases 2014	Present value of minimum payments of leases 2014
No later than one year	$ 33,723	$ 7,878
Later than one year and not later than five years	162,569	33,651
Later than five years	533,685	280,691
	729,977	322,220
Less future finance charges	(407,757)	–
Present value of minimum lease payments	$ 322,220	$ 322,220

	2014
Included in the consolidated financial statements as:	
Short-term financial liability	$ 7,878
Long-term financial liability	314,342
	$ 322,220

14. Investment in subsidiaries

a. ***The Entity's shareholding in the capital stock of its main subsidiaries is as follows:***

Name of Subsidiary	Principal activity	2014	2013
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%	100.00%
Operadora de Franquicias Alsea, S.A. de C.V.	Operator of the Burger King brand in Mexico	80.00%	80.00%
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	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%	100.00%
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%
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 and Pei Wei in Mexico	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	99.99%	99.99%
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	99.99%	99.99%
Starbucks Coffee Chile, S.A. (1)	Operator of the Starbucks brand in Chile	100.00%	100.00%
Distribuidora e Importadora Alsea Colombia S.A.S.	Distributor of food and supplies for Alsea brands in Colombia	100.00%	0.00%
Estrella Andina S.A.S.	Operator of the Starbucks brand in Colombia	70.00%	70.00%
Operadora Vips S. de R.L. de C.V.	Operator of Vips brand	100.00%	0.00%
OPQR, S.A de C.V.	Operator Brand Cheesecake Factory in Mexico	100.00%	0.00%
Food Service Project, S.L (Grupo Zena)	Operator of Spain	71.76%	0.00%

(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. Prior to such date, the Entity recognized the equity method (see Note 1a and 16).

15. Investment in associated companies

Investment in the non-controlling interest of Stripes Chile

During August 2014, Alsea reached an agreement to contribute 33% of the capital stock of Stripes Chile, entity incorporated in Chile. Initial contribution by Alsea amounted $4,041, recognized in the consolidated statements of financial position as investment in associated companies. The remaining 64% was contributed by Grupo Axo, associated company. In accordance with the bylaws, Alsea will not have control over such operation.

Acquisition of the non-controlling interest of Grupo Axo

In June 2014, Alsea reached an agreement to acquire 25% of the capital stock of Grupo Axo. The respective carrying entry was made in the consolidated statements 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, 2014 and 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:

	(%)			Interest in associated company	
	2014	2013	Main operations	12/31/2014	12/31/2013
Grupo Axo	25%	25%	Sales of prestigious brands of clothes and accessories in Mexico	$ 826,067	$ 788,665
Stripes Chile SPA (1)	33%	–	Sales of prestigious brands of clothes and accessories in Chile	3,757	–
Total				$ 829,824	$ 788,665

	(%)			Equity in results	
	2014	2013	Main operations	12/31/2014	12/31/2013
Grupo Axo,	25%	25%	Company engaged in sales of prestigious brands of clothes and accessories	$ 32,663	$ 43,582
Stripes Chile SPA (1)	33%	–	Company engaged in sales of prestigious brands of clothes and accessories	(410)	–
Total				$ 32,253	$ 43,582

(1) Stripes Chile SPA is a direct subsidiary of Grupo Axo together with another subsidiary of the Entity.

Stripes Chile SPA

The total interest of the Entity in the assets and liabilities as of December 31, 2014, and over the revenues and expenses for the period since incorporation through December 31, 2014 is 33%. Total assets, liabilities, equity and profit and losses of the associated company are as follows:

	2014
Current assets	$ 15,609
Non-current assets	$ 4,731
Current liabilities	$ 9,068

	01/08/2014 through 31/12/2014
Income	$ 10,764
Net loss for the period	$ (1,230)

Grupo Axo, S.A.P.I. de C.V.

The Entity's interest in assets and liabilities as of December 31, 2014 and 2013, and in the income and expenses for the year ended December 31, 2014 and the period from the date of acquisition to December 31, 2014 is 25%. The associated company's total assets, liabilities and equity and its results are as follows:

	2014	2013
Current assets	$ 1,551,287	$ 1,435,557
Non-current assets	$ 1,276,883	$ 911,862
Current liabilities	$ 752,650	$ 997,003
Non-current liabilities	$ 986,940	$ 416,473
Non-controlling equity	$ 23,858	$ 18,829

	2014	2013
Revenues	$ 2,531,914	$ 1,207,860
Profit for the period	$ 130,654	$ 174,328

The reconciliation of the financial information summarized above regarding the carrying value of the interest in Grupo Axo is as follows:

	2014	2013
Net assets of the associated company	$ 1,064,723	$ 919,114
Entity's interest in Grupo Axo (25%)	$ 266,180	$ 228,778
Plus: goodwill	559,887	559,887
Carrying value of the Entity's interest in Grupo Axo	$ 826,067	$ 788,665

16. Business combination

The following transactions classify as a business combination and have been recognized by utilizing the purchase method as of the acquisition date based on the following steps:

I. Recognize and value the assets, liabilities and non-controlling interest.
II. In a business combination performed by stages, the buyer revalues its equity in the acquired entity prior to the acquisition date at face value to recognize the resulting profit or loss, as the case may be in results.
III. Identify intangible assets and determine goodwill.

Acquisition of Grupo Zena

In August 2014, Food Service Group, S.A. and Tuera 16, S.A., S.C.R., entities resident in Luxembourg and Spain, respectively, were acquired. The acquisition involved 71.76% of the common stock of the company denominated as Food Service Project, S.L. ("FSP"), an entity incorporated according to the laws of Spain and which, in conjunction with its subsidiaries, is known as "Grupo Zena". The acquisition amount was $102,872 Euros, payable in cash (equal to $1,794,245).

The acquisition does not consider any contingent payment. The transaction establishes an obligation under put option involving 28.24% of common stock four years after the acquisition date, which was recorded according to IAS 32 *Financial Instruments: Presentation* (Note 20).

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 2015, the following preliminary figures are subject to change:

Concept	October 2015
Current assets:	
Cash and cash equivalents	$ 89,287
Accounts receivable and other accounts receivable	245,968
Non-current assets:	
Store equipment, leasehold improvements and property, net	1,231,979
Intangible assets	1,784,259
Deferred income taxes	174,859
Current liabilities:	
Suppliers and other accounts payable	(1,279,228)
Non-current liabilities:	
Long-term debt	(1,845,132)
Other long-term liabilities	(232,257)
Fair value of net assets	169,735
Considerations paid in cash	1,794,245
Fair value of non-controlling interest	639,300
	2,433,545
Goodwill	$ 2,263,810

The acquisition of Grupo Zena determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have therefore only been provisionally determined based on the Entity's management best estimate of the likely tax values.

Goodwill arising from the acquisition of Grupo Zena derives from the price paid, which includes amounts in relation to the benefits of operating 427 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. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash flows related to the acquisition of the subsidiary total $1,704,958, corresponding to the consideration paid in cash of $1,794,245, less cash and cash equivalent balances acquired in the amount of $89,287.

As from the acquisition date, Grupo Zena has contributed $1,468,036 to consolidated revenues and $118,487 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 $496,005 and revenues would have been $26,464,123. Acquisition expenses related to this transaction amounted to $12,096, which is shown within other expenses.

Acquisition of VIPS

In April 2014, the process to acquire 100% of the equity of VIPS (the restaurant division of Grupo Wal-Mart, described in Note 1) was concluded. Based on the agreement executed between Alsea and Wal-Mart de México, S.A.B. de C.V., the final acquisition price was $8,200,000. Additional expenses of $516,753 were incurred by the parties, thereby resulting in a total price of $8,716,753.

The acquisition does not consider any contingent payment.

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 2015, the following preliminary figures are subject to change:

Concept		March 2015
Current assets:		
Cash and cash equivalents	$	605,400
Accounts receivable and other accounts receivable		304,964
Non-current assets:		
Store equipment, leasehold improvements and property, net		2,935,630
Intangible assets		365,944
Deferred income taxes		201,845
Current liabilities:		
Suppliers and other accounts payable		(700,918)
Non-current liabilities:		
Other long-term liabilities		(366,651)
Fair value of the net assets		3,346,214
Total value of considerations paid in cash		8,716,753
Goodwill	$	5,370,539

The acquisition of VIPS has only been provisionally determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations had not been finalized and they have therefore only been provisionally determined based on the Entity's management's best estimate of the likely tax values.

Goodwill arising from the acquisition of VIPS derives from the price paid, which includes amounts in relation to the benefits of operating 360 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. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash flows related to the acquisition of the subsidiary total $8,111,353, corresponding to the consideration paid in cash of $8,716,753, less cash and cash and cash equivalent balances acquired in the amount of $605,400.

As from the acquisition date, VIPS has contributed $4,016,325 to consolidated revenues and $111,628 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 $683,119 and revenues would have been $24,723,880. Acquisition expenses related to this transaction amounted to $9,357, which is shown within other expenses.

Acquisition of the controlling interest in Starbucks Coffee Chile

In September 2013, Alsea acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile), which operates the Starbucks restaurants in Chile. Through this transaction, the shareholding and voting rights of Alsea increased from 18% to 100%, thus allowing the Entity to acquire control, while constituting a business combination recorded by means of the purchase method according to IFRS.

In August 2014, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept		Preliminary book entry		Adjustment for valuation		Fair value
Current assets						
Cash and cash equivalents	$	128,656	$	–	$	128,656
Accounts receivable and other accounts receivable		89,427		–		89,427
Non-current assets:						
Store equipment, leasehold improvements and property, net		141,993		21,758		163,751
Intangible assets		6,132		558,180		564,312
Deferred income taxes		–		(173,981)		(173,981)
Current liabilities:						
Suppliers and other accounts payable		(88,683)		–		(88,683)
Non-current liabilities:						
Other long-term liabilities		(13,124)		–		(13,124)
Fair value of net assets		264,401		405,957		670,358
Fair value of non-controlling interest		47,593		62,683		110,276
Consideration paid in cash		928,595		–		928,595
Total consideration paid		976,188		62,683		1,038,871
Goodwill	$	711,787	$	(343,274)	$	368,513

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. 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 agreement 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 acquisition measurement period concluded in April 2014. An analysis of the interim assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept	Preliminary book entry	Adjustment for valuation	Fair value
Current assets:			
Cash and cash equivalents	$ 47,828	$ –	$ 47,828
Accounts receivable and other accounts receivable	58,300	–	58,300
Non-current assets:			
Store equipment, leasehold improvements and property, net	283,531	131,696	415,227
Intangible assets	25,843	92,116	117,959
Deferred income taxes	62,803	(67,144)	(4,341)
Non-current liabilities:			
Other long-term liabilities	(73,547)	(26,847)	(100,394)
Fair value of the net assets	404,758	129,821	534,579
Consideration paid in shares	217,534	7,629	225,163
Consideration paid in cash	333,895	–	333,895
Total consideration paid	551,429	7,629	559,058
Goodwill	$ 146,671	$ (122,192)	$ 24,479

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.

During 2013, as from the acquisition date, Burger King Mexicana 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.

17. Goodwill

Goodwill is comprised as follows:

Item	Amount
Balance as of January 1, 2013	$ 975,795
Burger King Mexicana	24,478
Starbucks Coffee Chile	237,250
Balance as of December 31, 2013 (as adjusted)	1,237,523
Starbucks Coffee Chile	131,263
VIPS	5,370,539
Grupo Zena (see note 16)	2,263,810
Foster's Hollywood	705,582
La Vaca Argentina	230,337
Burger King	261,101
Domino's Pizza	85,024
Obrador	44,686
Cañas y Tapas	29,224
Balance as of December 31, 2014	$ 10,359,089

Assignment of goodwill to cash generating units

In order to carry out impairment tests, goodwill was assigned to the following cash generating units:

	2014	2013
Burger King Mexicana	$ 378,664	$ 117,563
Domino's Pizza	155,304	70,280
Chili's	26,614	26,614
Italianni's	785,816	785,816
VIPS	5,370,539	–
Grupo Zena	2,263,810	–
Starbucks Coffee Chile	368,513	237,250
Foster's Hollywood	705,582	–
La Vaca Argentina	230,337	–
Obrador	44,686	–
Cañas y Tapas	29,224	–
	$ 10,359,089	$ 1,237,523

At December 31, 2014 and 2013, studies performed on impairment testing concluded that goodwill shows no signs of impairment.

18. Long-term debt

Long-term debt at December 31, 2014 and 2013 is comprised of unsecured loans, as shown below:

	Maturities	Average annual interest	2014	2013
Single loans	2014–2018	5.00%	$ 8,747,823	$ 2,554,767
Less current maturities			1,377,157	388,486
Long-term maturities			$ 7,370,666	$ 2,166,281

Annual long-term debt maturities at December 31, 2014 are as follows:

Year	Amount
2016	$ 1,749,926
2017	1,948,670
2018	1,563,213
2019	992,056
2020	1,116,801
	$ 7,370,666

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2014 and 2013, all such obligations have been duly met.

19. Debt instruments

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, 2014 and 2013 amounts $2,491,356 and $2,488,850, respectively.

20. Obligation over put option

As mentioned in Note 1c, the Entity acquired Grupo Zena; Alsea has the obligation over put option to purchase the non-controlling interest of the other investors starting in the fourth year since the date of acquisition. The financial liability of the put option amounts to $2,673,053. The amount represents the present value of the estimated debt that will be paid at the time of exercising the put option under the terms of the contract. The liability will be updated each year until the option date, and the effects will be recognized in the consolidated statements of income, as stated by IAS 32 *Financial instruments: Presentation*.

21. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR - The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a five years period beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax 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 ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

IETU - IETU 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%. Due to the abolishment of the IETU law, the Entity cancelled in 2013 deferred IETU previously recorded.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions. Furthermore, in contrast with ISR, until 2013, IETU was incurred individually by the holding company and its subsidiaries.

At December 31, 2014, the ISR liability derived from the effects of benefits and tax deconsolidation will be paid in the following years.

Year of expiration	Amount
2015	$ 38,983
2016	31,200
2017	21,354
2018	17,539
	$ 109,076

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.- Income tax; 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.

In Spain, the general corporate income tax rate is 30%. Tax reforms were approved for 2015, which include the reduction of this tax rate to 28% and 25% in 2016, with the exception of credit institutions and entities engaged in hydrocarbon exploration, research and exploration. Newly-created companies will pay tax at the 15% rate during the first tax period in which their tax basis is positive and in the following period. Similarly, as part of these tax reforms, tax losses will be applicable without a time limitation; until 2014, the right to apply such losses expired after 18 years.

a. *Income taxes recognized in income*

	2014	2013
Income tax (tax basis)	$ 597,045	$ 422,573
Deferred income tax	(232,452)	(137,706)
	$ 364,593	$ 284,867

The tax expense attributable to income before ISR differs from that arrived at by applying the 30% statutory rate in 2014 and 2013 due to the following items:

	2014	2013
Statutory income tax rate	30%	30%
Non-deductible expenses, effects of inflation and others	7%	3%
Change in unrecognized tax benefits	(1%)	(3%)
Effective consolidated income tax rate	36%	30%

b. *Deferred taxes - balance sheet*

Following is an analysis of deferred tax assets shown in the consolidated statements of financial position:

	2014	2013
Deferred (assets) liabilities:		
Estimation for doubtful accounts and inventory obsolescence	$ (34,028)	$ (10,863)
Liability provisions	(447,253)	(368,176)
Advances from customers	(70,341)	(18,565)
Unamortized tax losses	(75,874)	(166,337)
Recoverable asset tax	(12,269)	(12,269)
Store equipment, leasehold improvements and property	(429,667)	(230,345)
Other assets	7,172	12,224
Advance payments	47,013	53,049
	$ (1,015,247)	$ (741,282)

c. *Deferred income tax balances*

2014	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions/ disposals	Ending balance
Temporary differences					
Estimation for doubtful accounts and inventory obsolescence	$ (10,863)	$ (23,165)	$ –	$ –	$ (34,028)
Liability provisions	(368,176)	(71,487)	(7,590)	–	(447,253)
Advances from customers	(18,565)	(51,776)	–	–	(70,341)
Store equipment, leasehold improvements and property	(230,345)	(95,687)	31,944	(135,579)	(429,667)
Prepaid expenses	53,049	(1,094)	(4,942)	–	47,013
Other assets	12,224	(5,052)	–	–	7,172
	(562,676)	(248,261)	19,412	(135,579)	(927,104)
Taxloss carryforwards and tax credits not used					
Taxloss carryforwards	(166,337)	90,463	–	–	(75,874)
Recoverable IMPAC	(12,269)	–	–	–	(12,269)
	(178,606)	90,463	–	–	(88,143)
	$ (741,282)	$ (157,798)	$ 19,412	$ (135,579)	$ (1,015,247)

2013	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions/ disposals	Ending balance
Temporary differences					
Estimation for doubtful accounts and inventory obsolescence	$ (5,997)	$ (4,866)	$ –	$ –	$ (10,863)
Liability provisions	(220,682)	(149,336)	1,842	–	(368,176)
Advances from customers	(30,072)	11,507	–	–	(18,565)
Store equipment, leasehold improvements and property	(380,473)	(81,172)	1,199	230,101	(230,345)
Prepaid expenses	21,186	39,616	(7,753)	–	53,049
Other assets	807	11,417	–	–	12,224
	(615,231)	(172,834)	(4,712)	230,101	(562,676)
Taxloss carryforwards and tax credits not used					
Taxloss carryforwards	(201,465)	35,128	–	–	(166,337)
Recoverable IMPAC	(12,269)	–	–	–	(12,269)
	(213,734)	35,128	–	–	(178,606)
	$ (828,965)	$ (137,706)	$ (4,712)	$ 230,101	$ (741,282)

The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and tax credit, respectively, have been (in such case partially) recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2014, are:

Year of maturity	Amortizable losses
2020	$ 44,387
2021	56,351
2022	25,728
2023	70,191
2024	56,255
	$ 252,912

22. Employee retirement benefits

The total expense recognized in profit or loss of $5,332,897 and $3,361,176 in 2014 and 2013, respectively, represents contributions payable to these plans by the Entity at rates specified in the rules of the plans.

The net cost for the period related to obligations derived from the pension plan and those related to seniority premiums and termination benefits totals $29,661 and $21,674 in 2014 and 2013. Other disclosures required by the accounting provisions are not considered significant.

Other disclosures required under IFRS are not considered material.

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 2013.

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.

For the years ended December 31, 2014 and 2013, 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, 2014 and 2013, 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.

b. *Financial instrument categories*

	2014	2013
Financial assets		
Cash and cash equivalents	$ 1,112,850	$ 663,270
Loans and accounts receivable at amortized cost	895,543	628,818
Financial liabilities at amortized cost		
Bank loans	1,377,157	388,486
Financial lease liabilities	7,878	–
Long-term bank loans	7,370,666	2,166,281
Long-term financial lease liabilities	314,342	–
Debt securities	2,491,356	2,488,850

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 interest rate risk are as follows:

- USD/MXN exchange-rate forwards contracts
- USD/MXN exchange-rate options
- Interest Rate Swaps and Swaptions
- Cross Currency Swaps

Given the variety of possible derivative financial instruments for hedging the risks identified by the Entity, the Director of Corporate Finance is authorized to select such instruments and determine how they are to be operated.

e. *Currency exchange risk management*

The Entity carries out transactions in foreign currency and therefore it is exposed to exchange rate fluctuations. Exposure to exchange rate fluctuations is managed within the parameters of approved policies, using foreign currency forwards contracts.

Note 33 shows foreign currency positions at December 31, 2014 and 2013. 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, 2014.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying/ reference variable		Notional amount/ face value (thousands of USD)		Fair value (thousands of USD)		Amounts of maturities (thousands of USD)
			31/12/2014 Current	31/12/2014 Previous	31/12/2014 Current	31/12/2013 Previous	31/12/2014 Current	31/12/2013 Previous	
Forwards	Long	Economic	14.74 USD/MXN	13.06 USD/MXN	1,000	2,500	$ (117)	$ (16)	1,000
Options	Long	Economic	14.74 USD/MXN	13.06 USD/MXN	6,500	13,750	$ (19)	$ (9)	6,500

1. Foreign currency sensitivity analysis

At December 31, 2014, the Entity has contracted hedging in order to purchase US dollars for the next 12 months at the average exchange rate of 13.80 for a total of $7.5 million dollars, the valuation is based on an average exchange rate of $14.50 pesos per US dollar over the next 12 months as of December 31, 2014. The initial price of currency derivatives is $1.9 million Mexican pesos payable to the Entity.

Given the values and amounts of exchange rate hedges, management does not foresee a significant risk that could affect its results at the December 31, 2014 close or the obligations contracted under current operations that will expire during the next 12 months. The Entity does not match its net asset position with financial liabilities denominated in US dollars because it is not representative or material. The analysis shows only the effect on hedging for purchases of US dollars contracted and in effect at the December 31, 2014 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, 2014 and 2013, a total of 212 and 309 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 82.5 and 146.1 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, 2014 and 2013, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately $7.5 and $16.3 million USD, at the average exchange rate of $13.80 and $12.6 pesos to the dollar, respectively.

At December 31, 2014 and 2013, the Entity had contracted the following financial instruments:

Type of derivative, security or contract	Position	Objective of the hedging	Underlying/ reference variable 31/12/2014	31/12/2014	Notional amount/ face value (USD) 31/12/2014	31/12/2013	Fair value (USD) 31/12/2014	31/12/2013	Amounts of maturities
Forwards	Long	Economic	14.74 USD/MXN	13.06 USD/MXN	1,000	2,500	$ (117)	$ (16)	1,000
Options	Long	Economic	14.74 USD/MXN	13.06 USD/MXN	6,500	13,750	$ (19)	$ 9	6,500

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, 2014 and 2013.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying/ reference variable 31/12/2014 Current	31/12/2013 Previous	Notional amount/ face value (USD) 31/12/2014 Current	31/12/2013 Previous	Fair value (USD) 31/12/2014 Current	31/12/2013 Previous	Amounts of Expiration (USD)
IRS Plain Vanilla	Long	Coverage	3.31% - TIIE 28 d	N/A	51,842	N/A	$ (307)	N/A	51,842
IRS Plain Vanilla	Long	Economic	3.31% - TIIE 28 d	3.79% TIIE d	21,545	38,270	$ 13	$ 315	21,545
Knock Out IRS	Long	Economic	3.31% - TIIE 28 d	3.79% TIIE d	6,210	11,481	$ 43	$ 56	6,210
Limited IRS	Long	Economic	3.31% - TIIE 28 d	3.79% TIIE d	6,210	11,481	$ 53	$ 64	6,210
Capped IRS	Long	Economic	3.31% - TIIE 28 d	3.79% TIIE d	4,265	7,654	$ 9	$ 47	4,265
IRS Plain Vanilla	Long	Coverage	EURIBOR 1M	N/A	100,521	N/A	$ 741	N/A	100,521

1. Analysis of interest rate sensitivity

The following sensitivity analysis has been determined on the basis of the exposure to interest rates of derivative instruments and of non-derivative instruments at the end of the period being reported. In the case of variable rate liabilities, an analysis is prepared assuming that the amount of the liability held at the end of the period being reported has been the amount of the liability throughout the year.

- The first stress scenario considered by the Entity's management is a 200 bps increase in the 28-day TIIE reference rate while the rest of the variables remain constant. With the mix in the hedging portfolio of plain vanilla interest rate swaps and the swaptions contracted at the December 31, 2014 close, the increase in financial costs is of approximately $127 million. The above effect arises because the barriers protecting the increase in the interest rates are exceeded, which leaves the Entity exposed to market rates.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $52,000, 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 $20 million.

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.

With respect to derivative financial instruments, the Entity signs a standard agreement approved by the International Swaps and Derivatives Association Inc. with each counterparty along with the standard confirmation forms for each operation. Additionally, the Entity signs bilateral guarantee agreements with each counterparty that establish the margin, collateral and credit line policies to be followed. Such agreements, commonly known as "Credit Support Annexes", establish the credit limits offered by credit institutions that would apply in the event of negative scenarios or fluctuations that might affect the fair value of open positions of derivative financial instruments. Such agreements establish the margin calls for instances in which credit facility limits are exceeded.

In addition to the bilateral agreements signed further to the ISDA maser agreement, known as Credit Support Annexes (CSA), the Entity monitors the favorable or negative fair value on a monthly basis. Should the Entity incur a positive result, and that result be considered material in light of the amount, a CDS could be contracted to reduce the risk of breach by counterparties.

The methodologies and practices generally accepted in the market and which are applied by the Entity to quantify the credit risk related to a given financial agent are detailed below.

1.- Credit Default Swap (CDS), the credit risk is quantified based on the quoted market price. The CDS is the additional premium that an investor is willing to pay to cover a credit position, meaning that the risk quantification is equal to this premium. This practice is utilized as long as quoted CDS are available on the market

2.- Issuance Credit Spread, if issuances are available for quotation on different financial markets, the credit risk can be quantified as the difference between the internal rate of return of the bonds and the risk-free rate.

3.- Comparable items, if the risk cannot be quantified by using the above methodologies, the use of comparable items is generally accepted; i.e., the use of entities or bonds of the sector that the company wishes to analyze as a reference.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls and mitigate credit risks with counterparties.

At the December 31, 2014 and 2013 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, 2014 and 2013, 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, 2014, that risk amounts to $2,088,393.

The credit risk generated by the management of the Entity's temporary investments reflects its current investment policy, which has the following objectives: I) enhance resource efficiency, and II) mitigate the credit risk. In order to fulfill these objectives, certain guidelines and maximum amounts were established for counterparties, instruments and periods within the Entity's policies.

All transactions performed in Mexican pesos and foreign currency are supported by an outline brokerage agreement duly executed by both parties with regulated institutions belonging to the Mexican Financial System, which have the guarantees required by the company and recognized credit ratings. The only instruments authorized for temporary investments are those issued by the federal government, corporate and banking institutions under the repurchase modality. As the Entity does not consider its credit risk to be material or significant, it does not perform a measurement for temporary investments

h. *Liquidity risk management*

The ultimate responsibility for managing liquidity lies in the Financial Director, for which purpose the Entity has established policies to control and follow up on working capital, thus making it possible to manage the Entity's short-term and long-term financing requirements. In keeping this type of control, cash flows are prepared periodically to manage risk and maintain proper reserves, credit lines are contracted and investments are planned.

The Entity's main source of liquidity is the cash earned from its operations.

The following table describes the contractual maturities of the Entity's financial liabilities considering agreed payment periods. The table has been designed based on undiscounted, projected cash flows and financial liabilities considering the respective payment dates. The table includes the projected interest rate flows and the capital disbursements made towards the financial debt included in the consolidated statements of financial position. If interest is agreed at variable rates, the undiscounted amount is calculated based on the interest rate curves at the end of the period being reported. Contractual maturities are based on the minimum date on which the Entity must make the respective payments.

As of December 31, 2014	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	4.97%	$ 1,751,434	$ 1,946,208	$ 2,152,688	$ 1,945,586	$ 2,217,377	$ 10,013,293
Debt instruments	4.05%	102,346	102,628	102,628	2,547,367	–	2,854,969
Financial leasing		33,723	33,723	33,723	33,723	595,085	729,977
Derivatives		6,146	–	–	–	–	6,146
Suppliers		2,694,015	–	–	–	–	2,694,015
Other accounts payable and others		1,903,130	–	–	–	–	1,903,130
Total		$ 6,490,794	$ 2,082,559	$ 2,289,039	$ 4,526,676	$ 2,812,462	$ 18,201,530

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
Derivatives		5,964	–	–	–	–	5,964
Other accounts payable and others		928,436	–	–	–	–	928,436
Total		$ 2,978,219	$ 705,407	$ 735,252	$ 872,813	$ 2,992,939	$ 8,284,630

i. *Fair value of financial instruments*

This notes provides information on the manner in which the Entity determines the fair values of the different financial assets and liabilities.

Some of the Entity's financial assets and liabilities are valued at fair value at each reporting period. The following table contains information on the procedure for determining the fair values of financial assets and financial liabilities (specifically the valuation technique(s) and input data used).

Financial assets/liabilities	Fair value (1)(2) Figures in thousands of USD 12/31/2014	12/31/2013	Fair value hierarchy
1) Forwards and currency options agreements	$ (135)	$ (25)	Level 2

Valuation technique(s) and main input data: Plain vanilla forwards are calculated based on discounted cash flows on forward exchange type bases. The main input data are the Spot, the risk-free rates in MXN and USD + a rate that reflects the credit risk of counterparties.

In the case of options, the methods used are Black and Scholes and Montecarlo digital and/or binary algorithms.

Financial assets/liabilities	Fair value (1)(2) Figures in thousands of USD 12/31/2014	12/31/2013	Fair value hierarchy
2) Interest rate swaps	$ 552	$ 482	Level 2

Valuation technique(s) and main input data: Discounted cash flows are estimated based on forwards interest rates (using the observable yield curves at the end of the period being reported) and the contractual rates, discounted at a rate that reflects the credit risk of the counterparties.

During the period there were no transfers between level 1 and 3

(1) The fair value is presented from a bank's perspective, which means that a negative amount represents a favorable result for the Entity.

(2) The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, who is asked to issue the respective reports at the month-end closing dates specified by the Entity.

(3) Techniques and valuations applied are those generally used by financial entities, with official price sources from banks such as Banxico for exchange rates, Proveedor Integral de Precios (PIP) and Valmer for supply and databases of rate prices, volatility, etc.

In order to reduce to a minimum the credit risk associated with counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations.

In the case of derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. ("ISDA") is executed with each counterparty; the standard confirmation forms required for each transaction are also completed.

Likewise, bilateral guarantee agreements are executed with each counterparty to determine policies for the margins, collateral and credit lines to be granted. This type of agreement is usually known as a "Credit Support Annex"; it establishes the credit limits that financial institutions grant to the company and which are applicable in the event of negative scenarios or fluctuations that affect the fair value of the open positions of derivative financial instruments. These agreements establish the margin calls to be implemented if credit line limits are exceeded.

Aside from the bilateral agreements attached to the ISDA outline agreement known as the Credit Support Annex (CSA), the Entity monthly monitors the fair value of payable or receivable amounts. If the result is positive for the Entity and is considered relevant due to its amount, a CDS can be contracted to reduce the risk of counterparty noncompliance.

The Entity has the policy of monitoring the number of operations contracted with each of these institutions so as to avoid margin calls and mitigate the counterparty credit risk.

At December 31, 2014 and 2013, the Entity has not received any margin calls and does not have any securities given as a guarantee with counterparties as interest rate hedges. Furthermore, it did not record any instances of noncompliance with the contracts executed with different financial institutions for operations involving interest rate hedges.

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 consolidated financial statements approximate their fair value.

Financial liabilities	12/31/2014 Carrying value	Fair value	12/31/2013 Carrying value	Fair value
Financial liabilities maintained at amortized cost:				
Bank loans	$ 1,377,157	$ 1,403,930	$ 388,486	$ 395,680
Long-term bank loans	7,370,666	7,370,666	2,166,281	2,166,281
Debt instruments	2,491,356	2,498,969	2,488,850	2,507,550
Total	$ 11,239,179	$ 11,273,565	$ 5,043,617	$ 5,069,511

Financial liabilities 2014	Level 1	Level 2
Financial liabilities maintained at amortized cost:		
Suppliers	$ –	$ 2,694,015
Bank loans	–	1,377,157
Long-term bank loans	–	7,370,666
Debt instruments	–	2,491,356
Total	$ –	$ 13,933,194

Financial liabilities 2013	Level 1	Level 2
Financial liabilities maintained at amortized cost:		
Suppliers	$ –	$ 1,408,565
Bank loans	–	388,486
Long-term bank loans	–	2,166,281
Debt instruments	–	2,488,850
Total	$ –	$ $6,452,182

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, 2013	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
Purchase of non-controlling interest	(956,201)	(478)	–
Placement of shares	150,819,671	75,410	6,576,197
Figures at December 31, 2014	837,622,524	$ 478,271	$ 8,613,587

As discussed in Note 20, the Entity has the put option of acquiring the non-controlling interest of Grupo Zena, this effect resulted in the application of a charge of $2,673,053 to net worth.

In June 2014, Alsea issued 131,147,540 shares with an overallotment of 19,672,131, which was exercised with an asking price of $45.75 (forty-five Mexican pesos and 75/100 centavos) per share. The issuance was recorded net of placement expenses (see Note 1a).

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.

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, 2014.

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 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.

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, 2014, 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 1.0408. 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

a. ***Following is a detail of the non-controlling interest:***

	Amount
Beginning balance at January 1, 2013	$ 308,189
Equity in results for the year ended December 31, 2013	(17,694)
Café Sirena dividends declared in 2013	(30,600)
Acquisition of Burguer King Mexicana, S.A. de C.V. (2)	225,163
Acquisition of the non-controlling interest of Café Sirena, S. de R.L. de C.V.	(201,445)
Acquisition of the non-controlling interest of Starbucks Coffee Argentina, S. de R.L. de C.V.	(44,109)
Ending balance at December 31, 2013	239,504
Equity in results for the year ended December 31, 2014	(42,572)
Other movements in capital	1,345
Contributions of Capital in Estrella Andina, S.A.S. (1)	27,904
Fair value of the non-controlling interest in Grupo Zena (note 16)	708,552
Ending balance at December 31, 2014	$ 934,733

(1) In August 2013, the Entity executed an agreement with Starbucks Coffee International, Inc. (SCI) to develop and operate Starbucks® in Colombia in conjunction with Grupo Nutresa. The strategic partnership of Alsea and Grupo Nutresa to develop the brand in Colombia was implemented through a joint venture in which Alsea holds 70% equity, while Nutresa holds the remaining 30%.

(2) The balance includes the reissuance adjustment of $7,629 (see Notes 2a and 16).

b. ***Acquisition of the non-controlling interest of Starbucks Coffee Argentina***

The Entity acquired from Starbucks Coffee 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 an 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.

c. ***Acquisition of the non-controlling interest of Starbucks Coffee Mexico***

In April 2014, 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.

d. ***Following is the detail of the Non-Controlling interest of the subsidiaries of the Entity:***

Subsidiary	Country	Percentages of the non-controlling 31/12/2014	Percentages of the non-controlling 31/12/2013	Income (loss) attributable to the non-controlling interest 31/12/2014	Income (loss) attributable to the non-controlling interest 31/12/2013	Accumulated non-controlling interest 31/12/2014	Accumulated non-controlling interest 31/12/2013
Food Service Project, S.L (Grupo Zena)	Spain	28.24 %	0.00 %	25,132	–	708,552	–
Operadora de Franquicias Alsea, S.A. de C.V.	Mexico	20.00 %	20.00 %	(59,326)	(18,570)	225,163	225,163
Estrella Andina S.A.S.	Colombia	30.00 %	0.00 %	(6,749)	–	27,904	–

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, 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 table contains data on income and shares used in calculating basic and diluted earnings per share:

	2014	2013
Net profit (in thousands of pesos):		
Attributable to shareholders	$ 666,666	$ 681,014
Shares (in thousands of shares):		
Weighted average of shares outstanding	837,623	687,514
Basic earnings per share	$ 0.85	$ 0.99
Utilidad neta básica y diluida por acción de operaciones continuas	$ 0.87	$ 0.99

27. Revenues

	2014	2013
Revenues from the sale of goods	$ 22,178,483	$ 15,284,589
Services	378,654	249,174
Royalties	230,231	163,951
Total	$ 22,787,368	$ 15,697,714

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.

	2014	2013
Wages and salaries	$ 4,585,809	$ 2,832,469
Social Security costs	731,405	517,627
Retirement benefits	41,332	27,678
Total	$ 5,358,546	$ 3,377,774

29. Other expenses (income)

In 2014 and 2013, this caption is comprised as follows:

	2014	2013
Legal expenses	$ 23,118	$ 18,552
Loss on fixed assets disposals, net	189,306	24,386
PTU on tax base	20,371	3,920
Inflation and interest on tax refund	(10,035)	(24,347)
Other income, net	(21,029)	(45,162)
Total	$ 201,731	$ (22,651)

30. Discontinued operations

a. ***Disposal of operations related to the Pei Wei Asian Dinner brand***

At the end of 2014, the Entity's management decided to discontinue the operations of the Pei Wei Asian Dinner Brand in Mexico: The stores of such brand will end its operation at the beginning of 2015, consequently such operations are presented as discontinued operations in the consolidated financial statements.

b. ***Analysis of the results for the year from discontinued operations***

The comparative results of discontinued operations included in the consolidated statements of income are detailed below.

	2014	2013
Results for the year from discontinued operations		
Income	$ 15,676	$ 20,827
Costs	5,164	6,914
Expenses	29,133	18,389
Loss for the year of the discontinued operations	$ (18,621)	$ (4,476)

Cash flows are presented in the consolidated statements of cash flows.

31. Balances and transactions with related parties

Officer Compensations and Benefits

The total amount of compensation paid by the Entity to its main advisors and officers for the nine-month period ended December 31, 2014 and 2013 was of approximately $98,400 and $87,700, 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.

32. Financial information by segments

The Entity is organized into four large operating divisions comprised of sales of food and beverages in Mexico and South America (LATAM – Argentina, Chile, Colombia and Brazil) 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, Spain and Latin America (LATAM) participates are as follows:

Fast Food: This segment has the following features: i) fixed and restricted menus, ii) food for immediate consumption, iii) strict control over individual portions of each ingredient and finished product, and iv) individual packages, among others. This type of segment can be easily accessed and therefore penetration is feasible at any location.

Coffee Shops: Specialized shops where coffee is the main item on the menu. The distinguishing aspects are top quality services and competitive prices, and the image/ambiance is aimed at attracting all types of customers.

Casual Dining: This segment comprises service restaurants where orders are taken from customers and there are also to-go and home delivery services. The image/ambiance of these restaurants is aimed at attracting all types of customers. This segment covers fast food and gourmet restaurants. The main features of casual dining stores are i) easy access, ii) informal dress code, iii) casual atmosphere, iv) modern ambiance, v) simple decor, vi) top quality services, and vii) reasonable prices. Alcoholic beverages are usually sold at those establishments.

Restaurant – cafeteria - (VIPS): Is a familiar-type segment and its main characteristic is the hospitality, and be close to the client. These restaurants have a wide variety of menus.

Fast Casual Dining: This is a combination of the fast food and casual dining segments.

The 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, Chili's 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, 2014 and 2013 is as follows: (figures in millions of pesos)

Figures in millions of pesos at December 31, 2014

	Food and beverages Mexican segment		Food and beverages LATAM segment		Spain Division		Distribution and production segment		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenues from third parties	$ 15,533	$ 10,326	$ 4,621	$ 4,219	$ 1,468	$ –	$ 1,132	$ 1,130	$ 33	$ 23	$ 22,787	$ 15,698
Between segments	58	25	–	–	–	–	3,932	3,200	(3,990)	(3,225)	–	–
Revenues	15,591	10,351	4,621	4,219	1,468	–	5,064	4,330	(3,957)	(3,202)	22,787	15,698
Costs	5,078	3,371	1,563	1,440	410	–	4,218	3,615	(3,997)	(3,205)	7,272	5,221
Other operating costs and expenses	8,397	5,417	2,790	2,501	854	–	533	461	139	58	12,713	8,437
Depreciation and amortization	1,007	634	174	178	55	–	69	61	28	47	1,333	920
Interest paid	304	156	104	54	30	–	14	10	75	21	527	241
Interest earned	(68)	(123)	(28)	(26)	–	–	(5)	(2)	68	112	(33)	(39)
Other financial expenses	5	2	2	18	–	–	12	–	(19)	(12)	–	8
	868	894	16	54	119	–	223	185	(251)	(223)	975	910
Equity in results of associated companies	–	–	–	–	–	–	–	–	32	43	32	43
Income taxes	186	201	55	71	29	–	17	30	78	(17)	365	285
Results of segments	682	693	(39)	(17)	90	–	206	155	(297)	(163)	642	668
Discontinued operations	–	–	–	–	–	–	–	–	(19)	(4)	(19)	(4)
Non-controlling interest	–	–	–	–	–	–	–	–	(43)	(18)	(43)	(18)
Controlling interest	$ 682	$ 693	$ (39)	$ (17)	$ 90	$ –	$ 206	$ 155	$ (273)	$ (149)	$ 666	$ 682
Assets:	$ 11,231	$ 10,564	$ 2,524	$ 2,389	$ 3,445	$ –	$ 2,188	$ 2,022	$ 6,325	$ (4,607)	$ 25,713	$ 10,368
Investment in performing assets												
(Investment in associated companies)	–	–	–	–	–	–	–	–	830	789	830	789
(Investment in fixed assets and Intangible assets)	1,644	1,031	493	216	198	–	76	32	94	(21)	2,505	1,259
Total assets	$ 12,875	$ 11,595	$ 3,017	$ 2,605	$ 3,643	$ –	$ 2,264	$ 2,054	$ 7,249	$ (3,839)	$ 29,048	$ 12,416
Total liabilities	$ 7,731	$ 6,449	$ 2,535	$ 2,372	$ 3,305	$ –	$ 1,461	$ 1,335	$ 4,281	$ (2,251)	$ 19,313	$ 7,905

33. Foreign currency position

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2014 and 2013, are as follows:

	Thousands of dollars 2014	Thousands of dollars 2013
Assets	$ 1,371,033	$ 621,813
Liabilities	(2,271,208)	(742,732)
Net monetary liability position	$ (900,175)	$ (120,919)

The exchange rate to the US dollar at December 31, 2014 and 2013 was $14.75 and $13.05, respectively. At February 27, 2015, date of issuance of the consolidated financial statements, the exchange rate was $14.96 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2014 and 2013 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin	Currency	Closing exchange rate	Issuance February 27, 2014
2014			
Argentina	Argentinian peso (ARP)	1.7235	1.7108
Chile	Chilean peso (CLP)	0.0240	0.0241
Colombia	Colombian peso (COP)	0.0062	0.0059
Spain	Euro (EUR)	17.6926	16.8876

Country of origin	Currency	Closing exchange rate	Issuance March 29, 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

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
Food Service Project S.L.	Spain	EUR	EUR	MXP

34. Commitments and contingent liabilities

Commitments:

a. The Entity leases locales to house its stores and distribution centers, as well as certain equipment further to the lease agreements entered into for defined periods (see Note 13).

b. The Entity has acquired several commitments with respect to the arrangements established in the agreements for purchase of the brands.

c. 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.

On November 3, 2014, the Entity filed a Motion for Reconsideration with the Tax Inspection Office of the Federal District against the tax liability determined by the Finance Department of the Federal District. On February 13, 2015, the Tax Inspection Office issued a request for additional information, which was provided on February 20 of that year. This Motion for Reconsideration is currently being studied by the Tax Inspection Office of the Federal District. In the event of an unfavorable ruling, the Entity will file a Ruling for Annulment. The attorneys of the vendor and Alsea consider that they have a good chance of success. During the 2 to 3 years that this legal action will take, the tax liability will not be considered as definitive.

35. Financial statement authorization

The enclosed consolidated financial statements were authorized for issuance on February 27, 2015 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.

Mr. Fabián Gosselin Castro	Mr. Diego Gaxiola Cuevas	Mr. Alejandro Villarruel Morales
General Director	Administration and Financial Director	Corporate Controller

Financial Statements

FUNDACIÓN ALSEA, A. C.

for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report Dated April 10, 2015

Independent Auditors' Report to the Board of Directors of Fundación Alsea, A. C.

We have audited the accompanying financial statements of Fundación Alsea, A. C., (the "Foundation") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 Mexican Financial Reporting Standards, and for such internal controls 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 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 Foundation'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 Foundation'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.

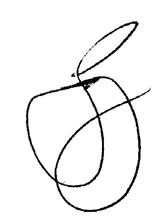
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fundación Alsea, A. C., as of December 31, 2014 and 2013, and their statements of activities and their cash flows for the years then ended in accordance with Mexican Financial Reporting Standards.

Other matter

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

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



C. P. C. Francisco Torres Uruchurtu

April 10, 2015

Fundación Alsea, A. C.

Statements of Financial Position

As of December 31, 2014 and 2013
(In thousands of Mexican pesos)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 31,166	$ 25,519
Accounts receivable	466	264
Income tax recoverable	49	45
Prepaid expenses	75	–
Total current assets	31,756	25,828
Other assets	112	–
Total	$ 31,868	$ 25,828
Liabilities and patrimony		
Current liabilities:		
Trade accounts payable	$ 102	$ –
Taxes and accrued expenses	222	15
Total liabilities	324	15
Patrimony	31,544	25,813
Total	$ 31,868	$ 25,828

See accompanying notes to financial statements.

Fundación Alsea, A. C.

Statements of Activities

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos)

	2014	2013
Revenues:		
Cash donations income	$ 24,107	$ 30,559
Interest income	37	218
	24,144	30,777
Expenses:		
General expenses	18,171	13,066
Value added tax	137	208
Administrative expenses	105	86
	18,413	13,360
Net changes in patrimony	5,731	17,417
Patrimony at beginning of year	25,813	8,396
Patrimony at end of year	$ 31,544	$ 25,813

See accompanying notes to financial statements.

Fundación Alsea, A. C.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos)

	2014	2013
Operating activities:		
Net changes in patrimony	$ 5,731	$ 17,417
(Increase) decrease in:		
Accounts receivable	(202)	(264)
Income tax recoverable	(4)	(8)
Prepaid expenses	(75)	–
Increase (decrease) in:		
Trade accounts payable	102	(717)
Taxes and accrued expenses	207	–
Donations by grant	–	(1,313)
Net cash flows from operating activities	5,759	15,115
Investing activities – Other assets	(112)	–
Net increase in cash and cash equivalents	5,647	15,115
Cash and cash equivalents at beginning of year	25,519	10,404
Cash and cash equivalents at end of year	$ 31,166	$ 25,519

See accompanying notes to financial statements.

Fundación Alsea, A. C.

Notes to Financial Statements

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos)

1. Activities

Fundación Alsea, A. C. (the "Foundation"), whose main object is to contribute to food security of vulnerable communities and to promote human development by supporting initiatives for education.

To accomplish its goals receives donations from individuals and entities, with the authorization of the Mexican Secretariat of Finance and Public Credit (Secretaría de Hacienda y Crédito Público - "SHCP"), so donations are tax deductible to the grant; inclusion on the list to receive donations was published in the Official Gazette on July 18 and October 17, 2014 and was granted by Official Letter No. 325-SAT-IV-E-76214 and 600-04-02 -2013-16480, respectively.

The Foundation does not have any employees, and therefore it is not subject to labor obligations. All personnel services are provided by a related party.

2. Basis of presentation

a. ***Explanation for translation into English -*** The accompanying financial statements has been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards ("MFRS"), which are comprised of accounting standards that are individually referred to as *Normas de Información Financiera*, or "NIFs"). Certain accounting practices applied by the Foundation that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

b. ***Monetary unit of the financial statements -*** The financial statements and notes as of December 31, 2014 and 2013 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

3. Summary of significant accounting policies

The accompanying financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Foundation's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Foundation are as follows:

a. ***Recognition of the effects of inflation –*** Cumulative inflation rates over the three-year periods ended December 31, 2014 and 2013 were 12.26%, in each period. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying financial statements. Inflation rates for the years ended December 31, 2014 and 2013 were 3.97% and 3.57%, respectively.

b. ***Cash and cash equivalents –*** Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments that a) are highly liquid and easily convertible into cash, b) mature within three months from their acquisition date and c) are subject to low risk of material changes in value. Cash is stated at nominal value and cash equivalents are valued at fair value. Cash equivalents are comprised mainly of money market funds.

c. ***Provisions -*** Provisions are recognized for current obligations that arise from a past event, that are probable to result in the use of economic resources, and that can be reasonably estimated.

d. ***Income from cash donations -*** Donations received are recognized at the time the cash actually received them.

4. Cash and cash equivalents

	2014	2013
Cash	$ 14,616	$ 15,019
Cash equivalents – Money market funds	16,550	10,500
	$ 31,166	$ 25,519

5. Patrimony

As of December 31 2014 and 2013, the patrimony of the Foundation is comprised of the net changes in patrimony of derivative activities period.

6. Income taxes

Being a non-profit association in accordance with the provisions of the Law on income tax ("ISR"), the Foundation is not taxpayer income tax, provided it complies with the requirements of the law considered as distributable surplus, omissions income, purchases not made and improperly registered and expenses that may be incurred and are not deductible, as provided in the law.

IETU – IETU (Business flat tax) was eliminated as of 2014; therefore, up to December 31, 2014, the Foundation was not contributing IETU, in accordance with the provisions of the IETU law, provided that the proceeds are intended for purposes relating to its purpose and is not granted to individual any benefits on the distributable surplus.

7. Authorization to issue the financial statements

On April 10, 2015, the issuance of the accompanying financial statements was authorized by C. P. Alejandro Villarruel Morales, Corporate Controller Foundation; consequently, they do not reflect events occurred after that date. These financial statements are subject to the approval of the Foundation's, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

Design and production: Milenio 3 / Genera / Elaborated by Corporate Communication and Social Resposibility

INVESTOR INFORMATION

INVESTOR RELATIONS
Diego Gaxiola Cuevas
Chief Financial Officer
ri@alsea.com.mx
Phone: +52 (55) 5241-7151

HEADQUARTERS
Alsea, S.A.B. de C.V.
Av. Paseo de la Reforma #222
3th Floor, Tower 1 Corporate Building,
Col. Juárez, Del. Cuauhtémoc,
ZIP Code 06600, México D.F.,
Phone: +52 (55) 5241-7100

INDEPENDENT AUDITORS
Deloitte
Galaz, Yamazaki, Ruiz Urquiza, S.C.
Av. Paseo de la Reforma #489, 6 th Floor,
Tower 1 Corporate Building,
Col. Cuauhtémoc, Del. Cuauhtémoc
ZIP Code 06500, México D.F.
Phone: +52 (55) 5080-6000

SOCIAL RESPONSIBILITY
Ivonne Madrid Canudas
responsabilidad-social@alsea.com.mx
Phone: + 52 (55) 5241-7100 ext. 7335

INFORMATION ABOUT ALSEA'S SHARES

Single series shares of Alsea S.A.B. de C.V. have been traded on the Mexican Stock Exchange (Bolsa Mexicana de Valores or BMV) as of June 25, 1999. Ticker Symbol: BMV ALSEA*.

Alsea Annual Report 2013 (BMV: ALSEA*) may include certain expectations regarding the results of Alsea S.A. B. de C.V. and its subsidiaries. All such projections, which depend on the judgment of the Company's Management, are based on currently known information; however, expectations may vary as a result of facts, circumstances and events out of control of Alsea and its subsidiaries.

ABOUT THIS REPORT

Alsea's 2013 Annual Report, "Menú Alsea", is the third Company's integrated report, which reflects Alsea's economic, social and environmental results of the period between January 1st and December 31st, 2014. The results shown are global, unless otherwise specified.

Annually and for the fourth time, the report is prepared in accordance with the Global Reporting Initiative G3.1 Guidelines. It holds a Self Declared B Application Level; it does not include external assurance.

The Company is committed to respect the UN Global Compact's Ten Principles in all of its operations; therefore this report displays the initiatives supporting them, as well as for aligning such operations and strategies to the Millennium Development Goals.

MIXTO
Papel procedente de fuentes responsables
FSC® C041387

WE SUPPORT

EMPRESA SOCIALMENTE RESPONSABLE

ALSEA

Índice IPC Sustentable

Alsea

Touching people
enriching moments

www.alsea.net