with people for people

annual report 2001

ALSEA is leader in developing and operating quick service restaurants of recognized brands, operates Domino's Pizza in Mexico and Brazil, and El Pan Caliente in Mexico. The operation of its multi-units is supported by the distribution division, DIA, and the bread division, Alysa. The stock is traded in the Mexican Stock Exchange under the symbol ALSEA*.

Contents

mission and vision

Raison d'être

To develop, manage and control the businesses of the Group by employing a synergy and critical mass model to improve our human and material resources.

Where we want to go

Be of the highest quality and most profitable quick service restaurant operator.

corporate structure

Operadora DP de México, S.A. de C.V. develops and operates the brand in Mexico since 1989 through 425 stores, out of which 283 are property of Alsea and 142 are franchises.

Dobrasil, S.A. de C.V. develops and operates the brand in Brazil since 1997 through 12 company-owned stores.

Para Servirle a Usted, S.A. de C.V. develops and operates the brand El Pan Caliente through 14 company-owned stores since 2000.

Distribuidor Internacional de Alimentos, S.A. de C.V. . is devoted to the foodservice business and the production of pizza dough since 1992. Its five distribution centers give it national coverage.

Alysa, S.A. de C.V. manufactures, distributes and sells wholesale frozen dough since 2001, with two production plants.

our values

service and customer focus

All our activities are focused on identifying and meeting our customers' needs: they are the reason of our efforts.

excellence and integral development

We encourage the development of our people and their families to expand their knowledge, skills and capabilities as we strive for excellence.

respect, integrity and austerity

Our people are required to respect ethical and moral principles, being congruent in thoughts, words and actions. Our motto "work and savings" comes to life with austerity, which is understood as the rational and efficient use of company resources.

vigilant on quality and productivity

Our definition of quality is to do things well with the first try, using our resources fully with the best processes, and state-of-the-art technology in order to exceed our customers' expectations and be nationally and internationally competitive.

innovation and creativity

We encourage creativity, as it is an important part of the foundations needed for development and ongoing improvement. We particularly want to be known as a company with innovating capabilities and superior results.

efficiency, commitment and teamwork

We call for responsible, committed people capable of making things happen, who are at all times promoting collaboration and teamwork.

service

Customer satisfaction and operating excellence

Customers always come first for us. We strive to meet their needs and go beyond their expectations and the competition's through product, service, and appearance, giving them great value for their money. Our quality, efficiency and productivity abide by international performance standards.

Marketing leadership

Our goal is to be the leaders in our area, by operating brands and concepts that have proven successful in order to consolidate our position.

strategic plan 2002-2006

Preferred employer

We promote a comprehensive development of our human resources by offering integral remuneration that encourages retention. We want to be the *preferred employer* of our market.

Strategic partners

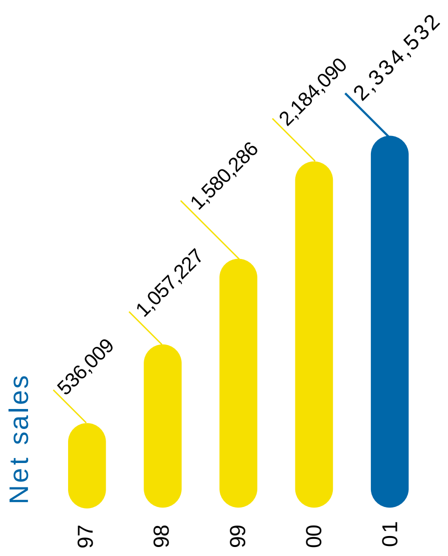
Our goal is to jointly grow with our suppliers and commercial partners. We strive to maximize benefits for our franchisers, franchisees and associates.

Shareholders' value

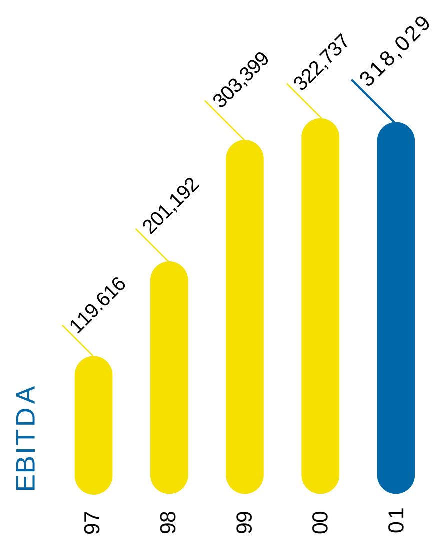
Our objective is to increase our shareholders' equity by striving to reach the highest productivity and profitability levels.

financial highlights graphs

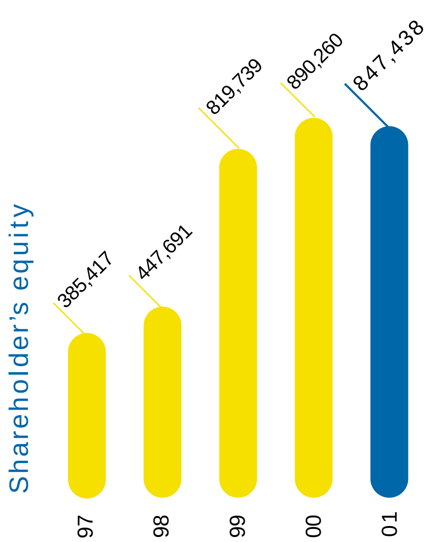
Figures expressed in thousands of pesos as of December, 2001.



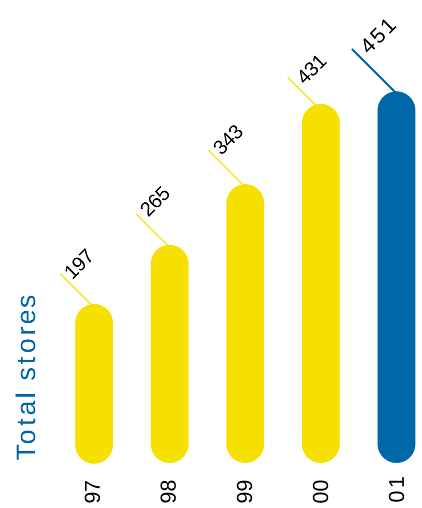
CAGR=45%



CAGR=28%



CAGR=23%



CAGR=23%

financial highlights

Figures expressed in thousands of pesos as of December, 2001.

	2001	2000	1999	1998	1997	CAGR 01 / 97
Same store sales	-1.5%	2.1%	7.3%	25.7%	23.0%	
Net sales	$ 2,344,532	$ 2,184,090	$ 1,580,286	$ 1,057,227	$ 536,009	45%
Gross profit	1,248,681	1,184,745	836,594	540,594	242,484	51%
Operating profit	207,852	234,658	240,838	157,332	92,336	22%
Net profit	29,382 (1)	100,622	146,910	86,614	69,921	-19%
EBITDA	$ 318,029	$ 322,737	$ 303,399	$ 201,192	$ 119,616	28%
Capital expenditures	115,428	281,277	328,160	282,714	356,267	-24%
Cash flow	214,252	498,671	194,136	138,114	81,227	27%
Total assets	$ 1,395,537	$ 1,513,009	$ 1,228,155	$ 901,429	$ 518,671	28%
Total liabilities	475,116	607,527	405,450	453,123	133,191	37%
Total debt with cost	210,289	299,258	194,961	274,536	28,251	65%
Shareholder's equity	874,438	890,260	819,739	447,691	385,417	23%
Earnings per share*	$ 0.24	$ 0.83	$ 1.27	$ 0.83	$ 0.34	-8%
Dividends per share*	0.34	0.00	0.00	0.19	0.00	-
Book value*	7.22	7.32	6.76	4.29	1.85	41%
Outstanding shares*	120,755,627	121,702,227	121,335,370	104,389,370	208,114,000	-
Employees*	6,893	6,834	5,655	3,835	2,013	36%
Total stores*	451	431	343	265	197	23%

*Except for data per share, employee data and total stores.

(1) The decrease of net profit in 2001 is a result of the process of restructuring that includes clearing expense accounts and non recurrent items in order to improve productivity mainly in the distribution division. See details in the MD&A.

message
to our shareholders

To our shareholders,

2001 was an important year for Alsea, as it laid new foundations for the Company's future growth. We continued with our institutionalization efforts, restructured our Board of Directors and its intermediate parts to ensure that the objectives, set for the Executive Office and management approved by the new Board of Directors with regards to our 2002-2006 strategic plan, were fulfilled.

This new plan focuses on five strategic areas:

- Meet customers needs and be excellent operators.
- Be the leaders in our industry and sector.
- Be the preferred employer.
- Be the best commercial partners.
- Create value for our shareholders.

Based on these strategic areas and on the objectives set for each of them, we reevaluated profitability and perspective of each of our business units. We concluded that the Domino's Pizza division in Mexico and Brazil would be our current main business and the development of quick service multiunits would be Alsea's main objective, with the support of its food manufacturing and distribution areas.

We are currently in negotiations to develop in Mexico other leading brands with proven worldwide success. This would enable us to capitalize on our domestic experience and infrastructure.

With these foundations, we aligned our organizational structure, our coordination processes and models with our strategies in order to guarantee our goal fulfillment. Each alignment operates under Alsea's synergy scheme, that brings us together with a model of shared services, which will permanently optimize and make our processes, systems, and structures more efficient.

to be the highest quality and more profitable quick service restaurant operator

We are currently in negotiations to develop in Mexico other leading brands with proven world-wide success. This would enable us to capitalize on our domestic experience and infrastructure.

Our business model ensures the best operating implementation in terms of product, service and image to strengthen our customer care. We seek to implement more efficient models in order to standardize and simplify our store operations, strengthening internal controls and increasing profitability, based on technology that optimizes processes and give us accurate and timely information for decision-making.

Consolidated sales amounted to $2,344 million pesos, representing a compound annual growth of 45% since 1997, ending 2001 with a total of 451 stores.

Sales for the Domino's Pizza System increased by 10.5%; ending the year with 425 units out of which 283 are company-owned stores and 142 are franchises. This was a consolidation year for this subsidiary, made evident by its leadership in the market and the closing of some of our competitors business. We served over 23 million orders and sold 25.9 million pizza units. We have proven success with our customers, who identify us as the leading home delivery pizza brand, with the highest quality and a 30-minute delivery guarantee or free pizza.

During 2001, our Brazil division joined efforts to enter the regional market, positioning the brand and placing Domino's Pizza as the leading pizza delivery company in the city of Rio de Janeiro. We adapted our menus to cater to our Brazilian consumers. Furthermore, we adapted the variables of Domino's Pizza Brazil to our international standards achieving more efficient operations, as we fostered future growth with a solid structure. We ended the year with 12 company-owned stores operating under a home delivery concept with a 30-minute guarantee or free order. Our 30.2% same store sales prove we are on the right track.

We closed 2001 with a total of 14 El Pan Caliente stores located in high-traffic areas. During the year, we worked on our business model to determine its future growth potential.

Throughout the year, we redefined our distribution division customer portfolio focusing exclusively on those multiunit chains that have a minimum of 50 units and manage a complete catalogue of centralized purchases by volume. This change will ensure a productive and profitable division. Even without the 36 customers we no longer serve, the division grew 4.3% in real terms, servicing 772 businesses twice a week in 116 cities throughout the country.

As of November, DIA is the sole Burger King distributor, which reaffirms our position as a leading distributor with exceptional logistics and service capabilities.

In August 2001 we formed a partnership with Puratos de Mexico, a Puratos Group subsidiary, who is one of the leaders in the manufacturing and distribution of frozen dough, improvers, mixes, and fillings for the bakery industry. With this partnership we created a new subsidiary of Alysa, which will manufacture and distribute frozen dough, and will allow us to serve new customers, with a better product, higher volume, efficiency and market presence. This partnership will ensure the replenishment of El Pan Caliente units with a better product, which is of the highest quality for our customers.

We made a series of strategic decisions that had a negative impact on the Company's financial statements, and are shown in the income statement under other expenses. These results amount to $76.2 million pesos due to closing and relocation of stores and distribution centers, technology investments, and items directly linked to the restructuring undergone by our distribution division, such as the cancellation of non-productive customers and the respective estimation of bad debt.

We are confident that the decisions made to align Alsea's long-term strategic plan will direct us towards a profitable continuous growth. We want to thank our customers, employees, franchisees, franchisers, suppliers, and shareholders for your trust; we reiterate our commitment to maintain our position as leaders.

Alberto Torrado Martínez
Chairman of the Board of Directors

Cosme Torrado Martínez
Chief Executive Officer

corporate governance

auditing committee

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

In compliance with the provisions of Article 14 of the Stock Exchange Law, and on behalf of the Auditing Committee, I am pleased to submit a report on the activities for the year ending December 31, 2001. We conducted our audits in compliance with auditing standards contained in the Corporate Code of Best Practices. Furthermore, the Company's Statutory Auditor attended the Board of Directors' meetings to which he was summoned under the terms of the above-mentioned law.

To fulfill the responsibilities of this Committee we carried out the following activities:

1. After a process of analysis and evaluation, we advised the Board of Directors to hire the firm that conducted our 2001 independent audit.
2. During the interviews with the independent auditor, we made sure they met independence requirements and rotated their supervising staff. We also revised the procedures and scope of their auditing procedures, as well as their comments on internal control.
3. We reviewed the Company's financial statements as of December, 2001, the report of independent auditors, and the accounting principles on which they were based. After listening to the statements made by the independent auditors, we advised the Board of Directors to put them under consideration at the Shareholders' Meeting.
4. We had a few meetings with the internal auditors to review and approve the scope of their work and the detailed auditing programs carried out throughout the year. They filled us in on their main observations, management comments, and steps taken to implement said programs.
5. The Committee was promptly informed by the Management of any relevant, unusual or related operations. As a result, we were given some recommendations that are now on their way to implementation.
6. We held meetings with the Company's legal advisors and legal department to assess our legal status. We reviewed different aspects such as corporate documentation, government authorizations, disputes, contingencies, environmental issues, etc. There were no significant observations.

José Manuel Canal Hernando
Auditing Committee President

planning and finance committee

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

In compliance with the provisions of Article 14 of the Stock Exchange Law, and on behalf of the Planning and Finance Committee, I am pleased to submit a report on the activities for the year ending December 31, 2001. We conducted our audits in compliance with auditing standards contained in the Corporate Code of Best Practices. Furthermore, the Company's Statutory Auditor attended the Board of Directors' meetings to which he was summoned under the terms of the above-mentioned law.

To fulfill the responsibilities of this Committee we carried out the following activities:

1. We set general criteria to develop Alsea's 2002-2006 Strategic Plan, to be implemented as January 2, 2002. Simultaneously, we began the authorization process of communication, follow-up (control journal) and evaluation plans.
2. We set the general provisions to create the 2002 business plan.
3. We reviewed the 2002 business plans of each of Alsea's companies to validate them before they were presented to the Board of Directors. The Board authorized said budgets during the first 15 days of December, 2001.
4. We defined financing policies that apply to all of Alsea's companies.
5. We revised the financial forecasts up to 2006, which will be presented quarterly to the Committee, making the necessary adjustments.
6. We asked to present a model to evaluate the criteria followed on investment projects in each of the companies. The moment said model is presented, the Committee will determine the basis on which to create the corresponding policies.
7. We are currently working on a stock exchange trading plan, for which we have reviewed a number of presentations that contain general information on this issue.

Salvador Cerón Aguilar
Planning and Finance Committee President

assessment and compensation committee

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

As suggested in the Management Code of Best Practices, the Assessment and Compensation Committee presented to the Board of Directors the following items for their approval, all of them being approved:

1. Alsea's Organizational Chart with names and positions of the main executives and key staff.
2. A Performance Evaluation Model with evaluation criteria by area and individual.
3. A Compensation Package complemented by a salary pay band and benefits.
4. Criteria, tools, and regular evaluation of our management's individual performance.
5. Administrative strategies and policies for the 2002 High Executive Compensation Plan, 2002.

Francisco Gama Cruz
Assessment and Compensation Committee President

board of directors

Honorary Chairman
Alberto Torrado Monge 1C

Chairman
Alberto Torrado Martínez 1B

Directors
José Manuel Canal Hernando 2 A
Salvador Cerón Aguilar 2 B
Francisco Gama Cruz 2 A C
Marcelo Rivero Garza 2 B
Federico Tejado Bárcena 3
Armando Torrado Martínez 3 C
Cosme Torrado Martínez 3 A

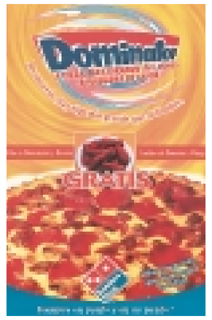
Secretary
Xavier Mangino Dueñas 2

Auditor
Maximino Manuel Sañudo Bolaños 2

	Committees	Committees' Secretaries
1 Proprietary	A Auditing	Mario Sánchez Martínez
2 Independent	B Planning and Finance	José Rivera Río Rocha
3 Related Proprietary	C Assessment and Compensation	Ricardo García Luna

Domino's Pizza

We also renewed our menu by introducing Canelazos instead of Pantasticos.



Buy a Dominator, get Free Wings. We repositioned two of our exclusive products by putting them together in an irresistible promotion.

To develop the Domino's Pizza System and become the best choice for customers at any time.

Domino's Pizza Mexico

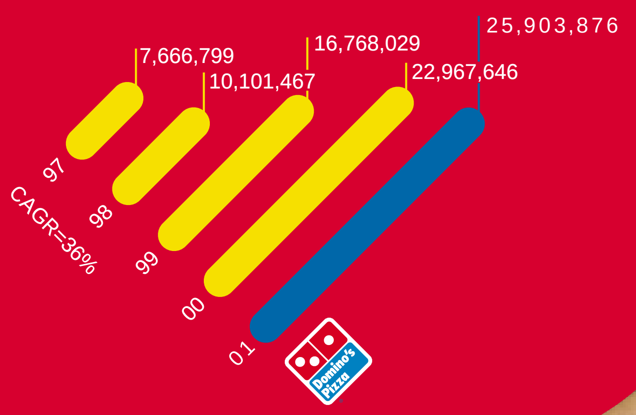
During this period, the Domino's Pizza System opened 27 stores, remodeled 34 units, relocated 20 and closed 8, ending the year with 425 operating stores, which translates into a compound annual growth of 22% in terms of number of stores since 1997. 67% of these stores are company-owned and the remaining 33% belong to our franchisees.

Sales in our company-owned stores with more than a year in operation had a –2.0% growth. Domino's Pizza's 10.5% total sales growth in 2001 was driven by the advertising campaigns launched throughout this period. Advertising strengthened our leadership position in the eyes of our competitors.

Our nationwide coverage helped us deliver 23.7 million orders in 103 cities throughout Mexico's 32 states, confirming our leadership and solid position before our competitors in the quick service industry, causing some of them to close stores and even withdraw from the market.

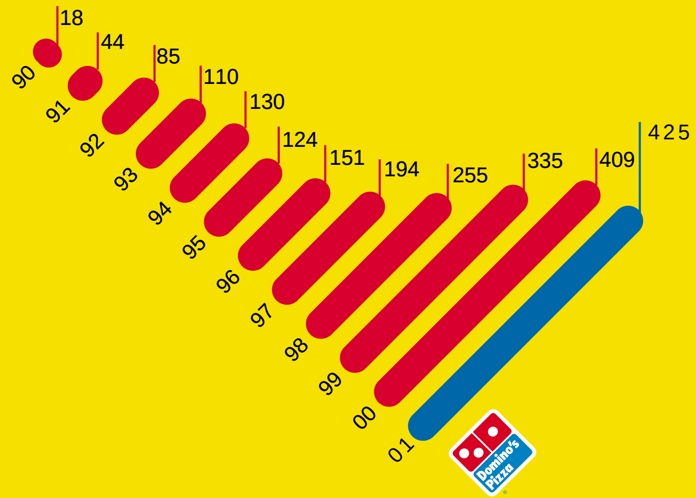
exceptional people making the world's best pizza

Number of sold pizzas



Pizza Maniacs
For almost two months, these offers made our customers place order after order.

Number of Stores in the Domino's Pizza System, Mexico



Domino's Think Large.
Once again, our affordable priced pizza encouraged our customers to think large.

283 Company-owned
(228 delivery and 55 express)
142 Franchises
(101 delivery and 41 express)

Joana Maldonado
Store Manager,
Armando Torrado
Domino's Pizza
Mexico Officer.

Sales contributions from stores offering home delivery represented 90% of our income, which is why the "home delivery" concept is key to our business focus. Furthermore, having twice as many stores as our competitors makes us unquestionable leaders being the only country, outside the United States, in which Domino's Pizza International has 425 outlets.

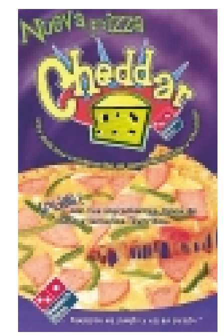
Domino's Pizza has developed its strategy based on three fundamental aspects: brand building, high quality standards and operating performance. This successful business model was created 40 years ago and operates in over 7,200 stores in 63 countries.

In terms of customer service, during 2001, we developed a store evaluation system completely focused on customer satisfaction, which will be assessed as of the first quarter of 2002. Likewise, in July we developed and successfully implemented our Single Number. Our customers dial 01 800 552 22 22 from anywhere in the country and their call goes right to the closest store based on their dialing area.

We changed our measuring system of pizza units sold to a standard pizza measurement based on the average selling area. This year we sold 25.9 million pizza unit, representing a 12.8% growth against last year. If we consider that one pizza unit is for three people, this means 77 million Mexicans ate Domino's Pizza in 2001.

Our customers dial direct from anywhere in the country and their call goes to the nearest store

01800 552 22 22



Cheddar Pizza.
During this promotion, our customers enjoyed a new flavor on our pizzas.

Sergio Tuyub,
International Manager of the Year.

From November 14th to the 17th we held our 12th National Convention in Ixtapa, Zihuatanejo based on a "You make Domino's" concept, with a motivational and teamwork objective. Over 500 people from the Domino's team attended the convention. We also offered time management courses and motivational workshops. Through our incentives plan, called The Big People Club, we awarded over 60 prizes, which included three houses, six brand new autos and four used cars and cash scholarships.

12th National Convention, Ixtapa, Zihuatanejo.

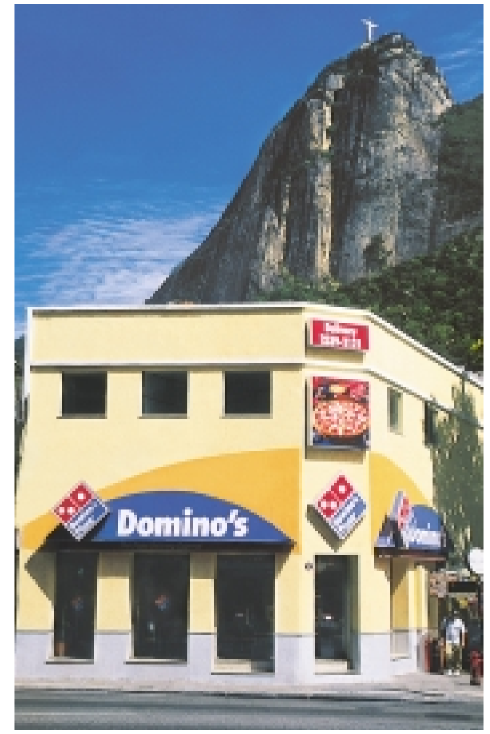
sua pizza em 30 minutos ou seu pedido grátis

Pizza Festa. Promotion for our large and medium pizzas, the second one cost half price.

To develop the Domino's Pizza System in Brazil and become the best choice for customers at any time.

Domino's Pizza Brazil

2001 was a very significant year for Domino's Pizza Brazil. A year after Alsea took over the operations, sales rocketed by 65.7% against last year's. During this period, we closed the only two existing franchised stores and opened 5 more units, ending the year with 12 company-owned stores. Same store sales increased 30.2%, which reflects the great opportunities awaiting Domino's Pizza in Brazil.



Humaita store, Rio de Janeiro, Brazil.

Massa Fina. Catering the pizza to the brazilian market.

12 company-owned stores with delivery service

During the year we worked towards improving the main operating and financial variables of our Domino's Pizza Brazil stores. We increased same store sales, reduced raw material and labor costs, we also increased orders; which resulted in a more profitable and efficient operation.

Today, Domino's Pizza is known in Rio de Janeiro for its product, excellent service, which is reliable and guaranteed, and a remarkable brand image. We made great regional efforts for brand positioning, and our greatest achievement was to position Domino's Pizza as the leader in home delivery in this city. This is very significant, as there are many traditional competitors, and because of the importance this entity represents for the Brazilian market in terms of volume. To reach our goal, we changed our menu to cater to regional preferences, and also established communication with our customers through direct mail and other advertising resources. Again, the relocation of one of the stores and the remodeling of the remaining units was fundamental to make our leadership and brand image more noticible.

In 2001 we delivered 492,563 orders, representing a 75.3% increase against last year, and we sold 530,301 pizza units, which represents a 91% growth compared with the year 2000 results.

In all, Domino's Pizza Brazil ended the year with an experienced team capable of supporting future growth, and with excellent operating, administrative, marketing, development, and training structures. This will allow healthy and profitable growth in the great opportunity that this country represents.

Gonzalo J. Ovalle Safe Delivery Expert, Federico Tejado Domino's Pizza Brazil Officer.

El Pan Caliente

Exceptional people offering quality oven-hot bread close to you.

During this period we had two store openings, remodeled 11 units and closed one, to end the year with 14 operating stores. Outlets were remodeled with a new image and the two new openings were located in urban areas.

Stores that have been in operation for more than a year registered a –22.9% sales growth. In the year 2001, El Pan Caliente increased its total income by 12.5% in real terms. This represented only 0.6% of Alsea's consolidated sales.

This year alone, we provided 1.1 million orders and served 4.1 million pieces of bread, that is a 32.8% increase in units sold.

Throughout the year, we focused on validating our convenience store business model, and found that this type of concept is highly successful in high traffic areas where customer flow is guaranteed; that is to say, shopping centers, bus stations, subway stations in Mexico City, etc. Our current challenge is to prove this business model can successfully work in urban locations, where we feel we can have a substantial growth potential.

Alysa

To be a team committed to meeting the supply needs of our customers by manufacturing the best frozen dough through an efficient and responsible use of resources.

Alysa is a new subsidiary created in August, 2001 after starting a partnership between Puratos de Mexico and Alsea. Alysa manufactures and distributes frozen dough to the bakery industry in Mexico.

Alysa is the frozen dough manufacturer with the production capacity to serve different segments of the Mexican market. Our partnership with Puratos ensures the supply of our El Pan Caliente units, as we learn from their experience and knowledge in the United States and European markets, where frozen bread has had a greater penetration than before.

Puratos is an European company present in 57 countries, and has been operating in Mexico since 1977. Puratos handles frozen dough, bakery ingredients, chocolates and fruit fillings.

In the past few years, bakery frozen dough have become an excellent option for bread-selling stores. We represent an advantage for our customers, as we solve the increasing problem of lack of manual labor. We allow for better cost control, we save money in storage space and manufacturing equipment, and standardize quality and product specification. This way, they are able to offer customers a product that comes straight from the oven, all day long.

As a result of our partnership, Alysa has established its commercial strategy and is focused on servicing El Pan Caliente owned bakery chain and bakeries inside supermarket chains.

Alysa has 261 employees and two production plants located in Zapopan, Jalisco and Tizayuca, Hidalgo. Both have made significant changes and have specialized in the products they manufacture in order to operate their production lines more efficiently. Their monthly production capacity amounts to 15 million pieces of bread, after an investment of $4 million pesos in 2001. We are currently using 70% of their total capacity.

Distribuidor Internacional de Alimentos

To be a team committed to meet the supply needs of our customers, enabling them to focus on their business.

DIA is the leading food distributor. This division supports operation in all of our stores. During the year we redefined DIA's customer portfolio strategy, and focused exclusively on those customers that due to their number of units, geographic distribution and product standardization, require the type of service DIA has to offer. This is Burger King's case, for whom DIA is a sole distributor since this past November. This confirms DIA's position as a leading distributor with great planning and service capabilities.

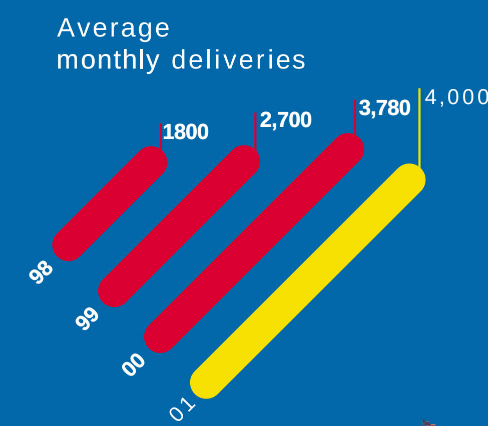
This is why sales in our distribution division increased 4.3% in real terms. DIA's contribution to the company's total income was 29.9%, basically driven by its sales to the Domino's Pizza and Burger King System.

We are sure that the changes made will make this a more profitable and productive division, and will help us serve our customers better. This year we serviced to 772 business locations, twice a week, throughout 116 cities in the country.

In 2001, our distribution network was consolidated nationwide, strengthening our northern operations, fully integrating our Tijuana distribution center, and rendering better service to those customers who used to be served by our Hermosillo center. Moreover, our Cancun distribution center will continue providing service to hotels and restaurant chains in the region.

Likewise, we standardized our administrative and operating processes focusing on daily inventory and storage control systems, product quality, and customer service, altogether showing immediate benefits.

complete and on **time**

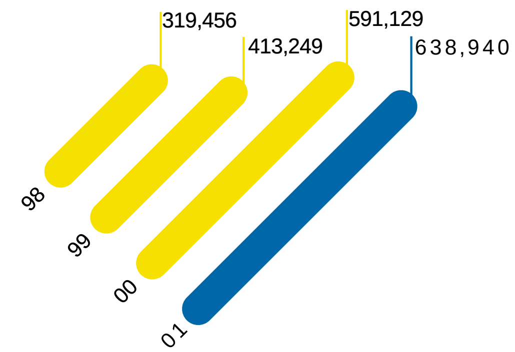


nationwide coverage with five distribution centers and 74 trucks in our fleet

Distribution centers

1 **Tijuana**
2 **Hermosillo**
3 **Monterrey**
4 **Mexico City**
5 **Cancun**

Average monthly boxes sold



Distribution Center, Tlahuac, Mexico City.

During the year, we invested $19.8 million pesos in two mass production lines, one in Mexico City and the other in Monterrey. These investments were aimed at improving quality while increasing our pieces-per-hour ratio production capacity by 73.2%. Based on strategic decisions taken during the third quarter, we started a process to clear accounts which resulted in non recurrent extraordinary items in terms of amortization of leased real estate expenses, and the identification of stock shortages, shrinkage, expired products, inventories of customers we will no longer serve and their respective accounts receivable, all of which amounted to $38.9 millon pesos.

During the fourth quarter, DIA invested 50% of Cool Cargo's capital stock, which is a transportation company that will be devoted to the management of merchandise from one distribution center to the other, from our suppliers' plants to our distribution centers; and from the border of the country we are importing from to our distribution centers. The goal here is to take advantage of all efficiency and profitability opportunities for DIA and keep a tight merchandise control in order to guarantee quality for our customers.

DIA continues to be a key division that adds great competitive advantages for its customers. With such service capacity and quality standards, we will concentrate on promoting profitable and productive operations.

Reyna Blancas Production Assistant, Héctor Orrico Distribution and Logistics Officer, Francisco Venegas Operator.

human resources

During 2001 we strengthened our management and administrative staff, living up to be the preferred employer, and grow in an integral way.

According to our philosophy "With people, for people", Human Resources developed a number of programs focused on employee continuous improvement.

Following our strategic plan, we worked very hard to assess our compensation systems in high and middle organizational levels. The results we obtained showed that our salaries and benefits are within market standards. This will help us keep our personnel and reduce turnover.

We also implemented a Performance Evaluation Program to regulate the professional growth and performance of employees, achieving objective and standardized evaluations, linked to the training needed for each position.

Within Domino's Pizza System, we are pioneers in "distance education" as a source of training. We offered the first interactive course, Seminar for Supervisors, through which we trained 40% of our supervising personnel nationwide.

We also carried out our safe-driving program "Seguridad Deb-vida" with the help of Mexico City's Department of Traffic Safety and Education, and managed to drop by 33% our safe delivery experts accident rate.

In 2001, the Pizza University gave 59 courses to a total of 959 managers, supervisors and trainers. Our 22 trainers permanently give additional training courses to each region and division to meet the standards set by Domino's Pizza International. These programs are aimed at providing better service to our customers.

Margarita Noyola Marketing Assistant, Ricardo García Human Resources Officer.

Number of employees by division

Domino's Pizza Mexico	6,012	87.2%
Domino's Pizza Brazil	197	2.9%
El Pan Caliente	70	1.0%
Alysa	261	3.8%
DIA	353	5.1%
Total	6,893	100%

systems and processes

Alignment of processes

In December 2001 we concluded a jointly study with PricewaterhouseCoopers to restructuct our administrative, financial, and human resource processes of each business division to operate in line with the "Alsea Synergy" scheme, which will be implemented in 2002.

Intranet

We set up an Intranet as an internal communication tool, where we publish detailed financial information at different levels, that is to say, by branch, by region or nationwide.

Store sales automatic registration

Another one of our big achievements is the automatic and daily recording of our stores' income. The record of transactions is immediate. It is directly linked to the administration, finance and accounting system.

Dialing one number across the country 01-800-552-2222

This has been a very successful service concept that identifies the origin of our customers' call by means of an intelligent central system, and routes the call to the caller's nearest store. As of the day it was launched, July 2nd, 2001 this new technology received 2.3 million calls for our company-owned stores.

management's discussion & analysis

Alsea's total sales increased 7.3% in real terms. This growth was basically nurtured by a 10.5% increase in total sales in the Domino's Pizza System Mexico, which contributed 67.3% to the year's total income.

This year we made changes to the income records with regards to our advertising fund, which was formerly assigned to one of Alsea's subsidiaries, and is now in hands of the national advertising trust fund, created for this purpose. This is why our 53.2% gross margin was slightly below our previous 54.2%.

Operating expenses in 2001 represented 44.4% of sales, in contrast with 43.5% in the previous year. To this respect, the variable expenses of registered savings amounted to $4.7 million pesos, as a result of a smaller contribution to the advertising fund which was counter-balanced by higher labor costs at store level. Fixed expenses grew 12.1% compared to last year's, mainly due to incentives given to management and administrative staff, and to an adjustment above inflation to store-level salaries. Additionally, we had non-recurrent expenses in 2001 amounting to $20.4 million pesos, out of which $14.4 million pesos were used by our systems department to evaluate and implement projects, and modify processes; minor expenses derived from our partnership with Puratos de Mexico; and the remaining $6.0 million pesos were used to make a payment to Domino's Pizza International.

The above explains an operating income of 8.9% in terms of sales, which represents a 1.8% drop against the previous year. Excluding all non-recurrent items affecting our operations, the operating income for 2001 would have been 10.0%.

In 2001, the comprehensive cost of financing represented 1.7% of sales, a 7.4% decline, amounting to $3.3 million pesos.

Throughout 2001, we went into a process to clear out our accounts in terms of other expenses, which accounted for $76.2 million pesos. This figure includes the closing and relocation of stores and distribution centers and the relocation of our corporate headquarters. It also encompasses internet investments made to create a B2B portal, an estimation of bad debt, and the cancellation of non-strategic and non-profitable customers in the distribution division, as well as pinpointing items related to our reorganization process meant to increase productivity in that area.

Our net income, which includes a benefit of $1.9 million pesos of tax consolidation similar to last year's, was affected throughout 2001 in the amount of $96.6 million pesos corresponding to non-recurrent items, and by the end of the year amounted to $28.2 million pesos.

The balance sheet has ratios of 1.63 for liquidity, 1.27 for acid test, 0.52 for leverage, and 0.23 for liabilities with cost to shareholders' equity. The company fulfills all the covenants it has within its financial structure because of the debt issued. On the other hand, the company has remarkably managed its working capital, as it decreased its accounts receivable from 21 to 14 days, its inventories from 36 to 27 days, and its accounts payable were also modified for the benefit of its suppliers, from 73 to 50 days.

During 2001, the company reduced its liabilities with cost by $88.9 million pesos, paid its shareholders $41.0 million pesos in dividends in the month of July, and invested $122.2 million pesos in fixed assets, all with cash flow generated by its own operations. Furthermore, the company did not significantly reduce its cash by the end of this period when compared to the year 2000.

Ricardo Ibarra
Regional Manager,
José Rivera Río
Administration and Finance

main officers

Chief Executive Officer	Cosme Alberto Torrado Martínez
Domino's Pizza Mexico	Armando Torrado Martínez
Domino's Pizza Brazil	Federico Tejado Bárcena
El Pan Caliente	Juan Manuel Toledo Luna
Distribution and Logistics	Héctor Orrico Ornelas
Alysa	Francisco Moreno Navarro
Administration and Finance	José Rivera Río Rocha
Human Resources	Ricardo García Luna
Systems, Processes & Information	Salvador Rocha Cito
Strategic Planning	Juan Carlos Jallath Hernández
Internal Control and Synergy	Mario Sánchez Martínez
Purchasing	Víctor Hernández Salas
Legal	Gabriela Hernández Rodríguez

consolidated financial statements

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

December 31, 2001 and 2000

Contents

External
Auditors' Report

(Translation from the original issued in Spanish)

PRICEWATERHOUSECOOPERS

Mexico City, February 15, 2002

To the Stockholders of
Alsea, S.A. de C.V.

1. We have examined the consolidated balance sheets of Alsea, S.A. de C.V. and subsidiaries as of December 31, 2001 and 2000, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the year then ended. Such financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

   We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

2. In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Alsea, S.A. de C.V. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of its operations and the changes in its stockholders' equity and in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Original signed by
Juan Manuel Cárdenas
Audit Partner

Statutory
Auditor's Report

(Translation from the original issued in Spanish)

Mexico City, February 15, 2002

To the General Stockholders Meeting of
Alsea, S.A. de C.V.

In my capacity as statutory auditor, and in compliance with the provisions of article 166 of the Corporations Law and of the company's by-laws, I hereby submit my report on the veracity, sufficiency and reasonability of the financial information presented to you by the Board of Directors concerning the company's operations for the year ended December 31, 2001.

I have attended all shareholders' and Board of Directors' meetings to which I have been summoned, and I have obtained from directors and administrators all information and documentation I considered it necessary to examine. My review was carried out in accordance with generally accepted auditing standards.

In my opinion, the accounting and reporting policies and procedures followed by the company and its subsidiaries and considered by management in preparing the financial information to be submitted to the stockholders are adequate and sufficient, and were applied on a basis consistent with that of the previous year. Therefore, said information accurately, reasonably and sufficiently reflects the financial position of Alsea, S.A. de C.V. and its subsidiaries at December 31, 2001, the consolidated results of its operations and the changes in stockholders' equity and in its financial position for the year ended, in accordance with generally accepted accounting principles.

Original signed by
Maximino Manuel Sañudo Bolaños
Statutory Auditor

Consolidated
Balance Sheet

Thousands of Mexican pesos of December 31, 2001 purchasing power

	December 31, 2001	December 31, 2000
Assets		
CURRENT ASSETS:		
Cash and investments in securities	Ps 93,918	Ps 102,651
Accounts receivable:		
Customers, less reserve for doubtful accounts of Ps10,527 in 2001 and Ps1,829 in 2000	89,362	128,877
Related parties (Note 3)	4,836	4,131
Value added tax, income tax recoverable	88,707	138,154
Others	15,129	21,536
	198,034	292,698
Inventories (Note 4)	83,538	100,369
Prepaid advertising	455	4,959
Other advance payments	6,980	2,499
Total current assets	382,925	503,176
LAND, EQUIPMENT AND LEASEHOLD IMPROVEMENTS - Net (Note 6)	779,703	760,262
OTHER ASSETS:		
Patents and trademarks, less amortization of Ps50,466 in 2001 and Ps42,008 in 2000 (Note 1g)	134,657	137,900
Installation expenses, less amortization of Ps8,774 in 2001 and Ps7,204 in 2000 (Note 1h)	36,220	39,287
Expenses for placement of promissory notes - Net (Note 1i.)	1,233	2,087
Others	9,890	11,661
Intangible assets for retirement compensation (Note 9)	53	119
EXCESS OF COST OVER NET BOOK VALUE OF THE SHARES OF SUBSIDIARIES (Note 7)	50,856	58,517
	Ps 1,395,537	Ps 1,513,009

	December 31, 2001	December 31, 2000
Liability and Stockholders' Equity		
SHORT-TERM LIABILITIES:		
Short-term documents payable (Note 8)		Ps 2,032
Current portion of medium-term promissory note payable (Note 8)	Ps 560	86,982
Current portion of long-term note payable (Note 8)	34,795	31,971
Suppliers	152,100	202,027
Accounts payable and accrued expenses	26,453	26,805
Taxes payable	18,183	16,739
Related parties (Note 3)		58
Dividends payable		29
Employees' statutory profit sharing	2,789	1,405
Total short-term liabilities	234,880	368,048
LONG-TERM LIABILITIES:		
Medium-term promissory note payable (Note 8)	100,000	104,403
Long-term documents payable (Note 8)	74,934	73,871
Deferred income tax (Note 11)	56,936	60,917
Income tax payable	7,924	
Retirement compensation reserve (Note 9)	442	288
Total long-term liabilities	240,236	239,479
Total liabilities	475,116	607,527
STOCKHOLDERS' EQUITY (Note 10):		
Capital stock	355,939	357,808
Legal reserve	5,025	
Net premium of shares	208,471	208,471
Retained earnings	264,676	281,324
Reserve for acquisition of own shares	49,231	51,327
Effects of converting the foreign entity	(8,904)	(8,670)
Total majority stockholders' equity	874,438	890,260
Total minority interest	45,983	15,222
Total stockholders' equity	920,421	905,482
COMMITMENTS AND CONTINGENCIES (Notes 6, 8, 10 and 12)		
	Ps 1,395,537	Ps 1,513,009

The accompanying twelve notes are an integral part of these financial statements.

Mr. José Rivera Río Rocha	Mr. Cosme A. Torrado Martínez	Mr. Abel Barrera Fermín
General Finance Director	General Director	Corporate Controller

Consolidated Statement of Income

(Note 3b.) Thousands of Mexican pesos of December 31, 2001 purchasing power

	Year ended December 31, 2001	2000
Net sales	Ps 2,344,532	Ps 2,184,090
Cost of sales	(1,095,851)	(999,345)
Gross profit	1,248,681	1,184,745
Operating expenses	(1,040,829)	(950,087)
Operating income	207,852	234,658
Comprehensive financing cost:		
Interest paid - Net	(39,220)	(35,969)
Exchange loss - Net	(2,190)	(3,718)
Gain (loss) on monetary position	589	(4,415)
	(40,821)	(44,102)
Other (expenses) income - Net	(76,213)	221
Income before the following items	90,818	190,777
Provisions for (Note 11):		
Income tax	(62,929)	(86,795)
Employees' statutory profit sharing	(1,628)	(1,302)
	(64,557)	(88,097)
Income before special item and equity in income of associate company	26,261	102,680
Equity in income of associate company (Note 5)		(367)
Income before special item	26,261	102,313
Benefit from tax consolidation	1,924	2,446
Consolidated net income for the year	Ps 28,185	Ps 104,759
Income of majority interest	Ps 29,382	Ps 100,622
(Loss) income of minority interest	(1,197)	4,137
Consolidated net income for the year	Ps 28,185	Ps 104,759
Net income per ordinary share (Note 1r.)	Ps 0.24	Ps 0.83

The accompanying twelve notes are an integral part of these financial statements.

Mr. José Rivera Río Rocha
General Finance Director

Mr. Cosme A. Torrado Martínez
General Director

Mr. Abel Barrera Fermín
Corporate Controller

Consolidated Statements of Changes in Financial Position

Thousands of Mexican pesos of December 31, 2001 purchasing power

	Year ended December 31, 2001	2000
Operations:		
Consolidated income before special item	Ps 26,261	Ps 102,313
Items not affecting resources:		
Depreciation and amortization	105,332	82,467
Amortization of the excess of book value over the cost of shares of subsidiaries	4,845	5,612
Equity of associate company		367
Deferred income tax	(3,981)	2,112
Retirement compensation reserve	220	(1,310)
Net variation in working capital, except cash and notes payable	74,076	(9,320)
Resources generated by operations before special item	206,753	182,241
Tax benefit from consolidation	1,924	2,446
Resources (used) generated by operations	208,677	184,687
Financing:		
Capital stock increase - Net		837
Net premium on placement of shares		5,646
Repurchase of own shares	(3,965)	(2,283)
Promissory note and documents payable	(88,970)	104,299
Minority interest - Net	31,958	8,115
Dividends paid	(41,005)	
Resources generated by financing activities	(101,982)	116,614
Investment:		
Acquisition of land, equipment and leasehold improvements - Net	(87,023)	(255,493)
Acquisition of patents and trademarks - Net	(3,239)	(1,141)
Excess of cost over book value of shares of subsidiaries	(143)	(15,883)
Installation expenses and other assets	(199)	(13,743)
Incorporating of associate company		5,976
Incorporating of subsidiary	(27,549)	
Effects of conversion of financial statements of foreign subsidiaries	(234)	
Excess of book value over cost of shares of subsidiary	2,959	
Resources used in investment activities	(115,428)	(280,284)
(Decrease) Increase in cash and investments in securities	(8,733)	21,017
Cash and investments in securities at beginning of year	102,651	81,634
Cash and investments in securities at end of year	Ps 93,918	Ps 102,651

The accompanying twelve notes are an integral part of these financial statements.

Mr. José Rivera Río Rocha
General Finance Director

Mr. Cosme A. Torrado Martínez
General Director

Mr. Abel Barrera Fermín
Corporate Controller

Consolidated Statement
of Changes in Stockholders' Equity

(Note 10) Thousands of Mexican pesos of December 31, 2001 purchasing power

	Capital stock	Legal reserve	Net Premium of shares	Retained earnings: Holding company	Retained earnings: Subsidiaries companies	Retained earnings: Total	Reserve for acquisition of own shares	Effects of converting the foreign entity	Total mayority interest	Minority interest	Total
Balance as of January1, 2000	Ps 356,971		Ps 202,825	Ps 33,882	Ps 199,796	Ps 233,678	Ps 33,918	(Ps 7,647)	Ps 819,745	Ps 2,966	Ps 822,711
Variation in 2000:											
Accrued effect of recognizing deferred income tax				4,942	(38,226)	(33,284)			(33,284)		(33,284)
Net income for the year				(3,574)	104,196	100,622			100,622	4,137	104,759
Effects of conversion of financial statements of foreign subsidiaries								(1,023)	(1,023)	(4)	(1,027)
Comprehensive income (Note 1p.)				1,368	65,970	67,338		(1,023)	66,315	4,133	70,448
Capital stock increase	1,448		5,646						7,094		7,094
Increase in the reserve for repurchase of own shares				(2,363)	(17,329)	(19,692)	19,692				
Repurchase of own shares	(611)						(2,283)		(2,894)		(2,894)
Effect in capital stock increase in a subsidiary										8,123	8,123
Balances as of December 31, 2000	357,808	–	208,471	32,887	248,437	281,324	51,327	(8,670)	890,260	15,222	905,482
Variation in 2001:											
Net income for the year				(4,433)	33,815	29,382			29,382	(1,197)	28,185
Effects of conversion of financial statements of foreign subsidiaries								(234)	(234)		(234)
Comprehensive income (Note 1p.)				(4,433)	33,815	29,382		(234)	29,148	(1,197)	27,951
Legal reserve creation		Ps 5,025		(5,025)		(5,025)					
Dividends paid					(41,005)	(41,005)			(41,005)		(41,005)
Repurchase of own shares	(1,869)						(2,096)		(3,965)		(3,965)
Effect in capital stock increase in a subsidiary										31,958	31,958
Balances as of December 31, 2001	Ps 355,939	Ps 5,025	Ps 208,471	Ps 23,429	Ps 241,247	Ps 264,676	Ps 49,231	(Ps 8,904)	Ps 874,438	Ps 45,983	Ps 920,421

The accompanying twelve notes are an integral part of these financial statements.

Mr. José Rivera Río Rocha
General Finance Director

Mr. Cosme A. Torrado Martínez
General Director

Mr. Abel Barrera Fermín
Corporate Controller

Notes to the
Consolidated Financial Statements

December 31, 2001 and 2000
(Monetary amounts expressed in thousands of pesos of December 31, 2001 purchasing power)

Note 1
Summary of significant accounting policies:

Alsea, S. A. de C. V. (ALSEA) is mainly engaged in investing in shares of companies involved in the production and distribution of pizzas of the Domino's Pizza brand, and in the distribution of food stuffs in general.

The accompanying consolidated financial statements include those of ALSEA and those of the following subsidiaries:

Company	Operations	Shareholding percentage 2001	2000
Domino's Division			
Operadora D.P. de México, S. A. de C. V. (OPERADORA) (1)	Parent company under which the Domino's Pizza stores are grouped (acquired on December 1, 1999)	99.99%	99.99%
Holds the shares of the following subsidiaries:			
Cofrasur, S. A. de C. V. (COFRASUR) (1)	Company administrating the Domino's Pizza stores in Cancún, Quintana Roo	–	99.99%
Sistema Integral de Administración, S. A. de C. V. (SIA)	Renders administrative services, mainly to related parties	99.99%	–
Asesores de Franquicias Profesionales, S. A. de C. V. (ASESORES)	Renders administrative services, mainly to related parties	99.99%	–
Coframet, S. A. de C. V. (COFRAMET)	Holding company mainly engaged in producing and distributing fast food (started operating in 1999)	99.99%	99.99%
Holds the shares of the following subsidiaries:			
Pizza Jal, S. A. de C. V. (PIZZAJAL)	Corporative company under which the Domino's Pizza stores are grouped (was acquired on February 15, 1999)	50%	50%
Grupo Franja, S. A. de C. V. (FRANJA) (2)	Corporative company under which the Domino's Pizza stores are grouped (acquired on August 1, 2000)	99.99%	99.99%
Grupo Dopsa, S. A. de C. V. (DOPSA) (2)	Corporative company under which the Domino's Pizza stores are grouped (acquired on December 1, 1999)	–	99.99%
Dobrasil, S. A. de C. V. (DOBRASIL)	Holding company which holds the shares of companies engaged in the production and distribution of fast food.	99.99%	99.99%

Company	Operations	Shareholding percentages 2001	2000
Holds the shares of the following subsidiaries:			
DP6LTDA, (DP6)	A company established in Brazil which the Domino's Pizza stores are grouped (acquired on April 1, 2000)	99.99%	99.99%
De Libra, Ltda (DE LIBRA)	A company established in Brazil which the Domino's Pizza stores are grouped	99.99%	–
Holds the shares of the following subsidiary:			
Adue, Ltda. (ADUE)	A company established in Brazil which the Domino's Pizza stores are grouped	60%	–
Sistema Integral de Administración, S. A. de C. V. (SIA)	Renders administrative services, mainly to related parties	–	99.99%
Asesores de Franquicias Profesionales, S. A. de C. V. (ASESORES)	Renders administrative services, mainly to related parties	–	99.99%
Distribution Division			
Optimización de Recursos Administrativos, S. A. de C. V. (ORA)	Renders administrative services, mainly to related parties	–	99.99%
Distribuidor Internacional de Alimentos, S. A. de C. V. (DIA)	Distributes and sells food products	99.99%	99.99%
Holds the shares of the following subsidiaries:			
Optimización de Recursos Administrativos, S. A. de C. V. (ORA)	Renders administrative services, mainly to related parties	99.99%	–
Cool Cargo, S. A. de C. V. (COOL)	Distributes food products	50%	–
Fabricación de especialidades en Congelados, S. A. de C. V. (FABRECO) (before Exim del Caribe, S. A. de C. V.)	Imports, exports, stores, sells and distributes all types of goods and services	99.99%	99.99%
Bread Division			
Para Servirle a Usted, S. A. de C. V. (SERVIRLE)	Sells homemade bread (acquired on October 2, 2000)	99.99%	99.99%
Alsea, Lys, Asociados, S. A. de C. V. (ALYSA)	Produces, sells and distributes frozen bread	50%	–

(1) Companies merged on December 31, 2001, surviving Operadora DP
(2) Companies merged on December 31, 2001, surviving Franja

On January 1, 2001 becomes effective the agreement between ALSEA and OPERADORA on January 2, 2001 about the shares sale of SIA and ASESORES, therefore as from January 1, 2001 SIA and ASESORES are not direct subsidiaries of ALSEA to be controlled by OPERADORA.

On December 1, 2001 ALSEA and DIA made a share sale agreement with the shares of ORA, therefore as from this date ORA is not a direct subsidiary of ALSEA to be controlled by DIA.

On December 31, 2001 ALSEA and OPERADORA made a share sale agreement with the shares of DOBRASIL, therefore as from this date DOBRASIL are not direct subsidiary of ALSEA to be controlled by OPERADORA.

At the general extraordinary shareholders' meeting held on December 31, 2001, COFRAMET agreed to the merger of DOPSA into FRANJA (surviving company). Therefore, as from December 31, 2001, FRANJA is the surviving company, taking over all the rights and obligations of DOPSA.

At the general extraordinary shareholders' meeting held on December 31, 2001, ALSEA agreed to the merger of COFRASUR into OPERADORA (surviving company). Therefore, as from December 31, 2001, OPERADORA is the surviving company, taking over all the rights and obligations of COFRASUR.

At the general extraordinary shareholders' meeting held on January 1, 2000, ALSEA agreed to the merger of TORRQUIN and COFRAVAL into OPERADORA (surviving company).

Therefore, as from January 1, 2000, OPERADORA is the surviving company, taking over all the rights and obligations of the merged companies (COFRAVAL and TORRQUIN), and holds the shares of COFRASUR and COFRAMET.

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles, and are expressed in thousands of Mexican pesos of December 31, 2001 purchasing power denoted by the symbol Ps.

Below is a summary of the most significant accounting policies followed in preparing the consolidated financial statements, including the concepts, methods and criteria used in recognizing the effects of inflation on the financial information:

a. All important consolidated intercompany balances and operations have been eliminated in consolidation.

b. Investments in securities are stated at market value.

c. Inventories and cost of sales are originally valued by the last-in first-out method, and are restated to replacement cost applying factors derived from the National Consumer Price Index (NCPI); values so determined do not exceed market value. See Note 4.

d. Expenses incurred in registering and placing shares in stock markets are recorded as prepaid expenses when placements are made, are applied to the premium on the placement of shares net of income tax, which forms part of contributed capital.

e. The excess of cost over the net book value of the shares of subsidiary companies is amortized over a period of nine years. See Note 7.

f. Land, equipment and leasehold improvements are expressed at restated value, determined by applying NCPI factors to the acquisition cost.

The company capitalizes in construction in process the comprehensive financing cost of loans used to finance constructions in process.

Depreciation and amortization are calculated by the straight-line method, based on the estimated useful lives of the assets, on both acquisition and on restatement increases. See Note 6.

g. Patents and trademarks represent payments made for the rights to use the Domino's Pizza brand name, effective up to 2025, and are restated into Mexican pesos of purchasing power by applying NCPI factors. These payments are amortized against income at the annual rate of 5%.

h. Installation expenses are expressed at restated value, determined by applying NCPI factors to acquisition cost, and correspond basically to costs and expenses pertaining to the opening of new sales outlets in different areas. These expenses are amortized by the straight-line method at the annual rate of 5%. At December 31, 2001 and 2000, the Domino's Pizza division has 283 and 277 points of sale in Mexico, respectively.

i. Expenses incurred in placing medium-term notes in the securities markets are amortized over the lifetime of the notes. See Note 8.

j. Income Tax, Asset Tax and Employees' Statutory Profit Sharing is recorded under the full-scope method of assets and liabilities, which recognizes deferred income taxes for all differences between accounting and tax values of assets and liabilities (temporary differences). As from December 31, 2000, the effects of the initial adoption gave rise to a deferred income tax asset derived from the unamortized tax losses amounting to Ps4,942. The subsidiaries company's also determined these effects on an individual basis that gave rise to a deferred liability of Ps38,226 and reduced stockholders' equity. See Note 11.

k. Compensation upon retirement (seniority premiums and pension plans) to which employees are entitled upon termination of employment after 15 years of service and when they reach the age of 65, respectively, are recognized as costs of the years in which their services are rendered, based on actuarial studies under the projected unit cost method. See Note 9.

Other compensations based on seniority to which employees are entitled in the event of dismissal or death, in accordance with the Federal Labor Law, are charged to income in the year in which they become payable.

l. Transactions in foreign currencies are recorded at the rates of exchange in effect on the dates on which transactions are entered into. Assets and liabilities in foreign currency are stated in local currency at the rates of exchange in effect at the balance sheet date. Differences arising from fluctuations in exchange rates between the dates on which transactions are entered into and those on which they are settled, or the balance sheet date, are charged to income. See Note 2.

m. Capital stock, legal reserve, reserve for acquisition of own shares and retained earnings represent the value of said items in terms of purchasing power at the end of the most recent period, and are determined by applying the NCPI to historical figures.

n. The net premium on placement of shares (see point d. above) represents the excess of the payment for subscribed shares over their normal price, and is restated by applying NCPI factors.

o. The result on monetary position represents the effects of inflation, measured in terms of the NCPI, on net monthly monetary assets and liabilities, expressed in constant pesos at year-end.

p. Comprehensive income or loss includes net income or loss for the year plus the gain or loss from holding non monetary assets, the effect of conversion of financial statements of foreign subsidiaries and those items that for specific disposition of certain statements should be shown in the stockholders' equity and are not paid in capital, capital reduction or capital distribution and it is restated by applying NCPI.

As from January 1, 2001 the company adopted the guidelines of Statement B-4 "Comprehensive Income", which requires that those specifics items that are part of capital gain (loss) during the year should be shown in the Statement of Changes in the Stockholders' Equity under the concept of comprehensive income or loss, therefore in order to make 2000 statement comparable, it was restructured.

q. The effect of conversion of the foreign entities corresponds to the difference resulting from the conversion of assets, liabilities and results of the foreign entities at the closing exchange rate on the balance sheet date. This effect is recorded in stockholders' equity and was restated by applying NCPI factors. See Note 5.

r. The income per share is the result of dividing the net income for the year by the weighted average of current shares in the period. At December 31, 2001 and 2000, the weighted average of current shares was 121,176,981 and 121,616,939, respectively.

s. Generally accepted accounting principles require that when preparing the financial statements, management prepare certain accounting estimates that will make it possible to determine, albeit approximately, the future effect of events that are not accurately quantifiable at the date of issuance of the financial statements. Actual transactions could differ from said estimates.

Note 2

Foreign currency position:

a. At December 31, 2001 and 2000, ALSEA and its subsidiaries had the following monetary assets and liabilities, in thousands of US dollars:

	December 31, 2001	December 31, 2000	Dollar exchange rate December 31, 2001	Dollar exchange rate February 15, 2002
Assets	US 2,052	US 243	Ps 9.1692	Ps 9.0838
Liabilities	(3,900)	(9,969)		
Net short position	(US 1,848)	(US 9,726)		

b. Below is a summary of the main operations carried out, in thousands of US dollars:

	Year ended December 31, 2001	Year ended December 31, 2000
Purchase of foodstuffs	US 51,011	US 32,915
Purchase of assets	1,690	4,537
Royalties	6,840	5,978
Opening rights	55	

c. At December 31, 2001, the company had contracted no hedging coverage against exchange risks.

Note 3

Balances and operations with related parties:

a. Balances

	December 31, 2001	December 31, 2000
Receivable:		
Fast Food Road, S. A. de C. V.	Ps 4,836	Ps 3,742
Asesores Publicitarios de Franquicias, S. A. de C. V.		389
	Ps 4,836	Ps 4,131
Payable:		
Servimet		Ps 58

b. During the years ended December 31, 2001 and 2000, the main transaction with related parties was the expense incurred for freight, amounting to Ps78,261 and Ps74,144 respectively.

Note 4

Inventories:

	December 31, 2001	December 31, 2000
Food and beverages	Ps 70,818	Ps 78,209
Containers and packaging	878	10,540
Advances to suppliers		13
Others	13,807	11,607
	85,503	100,369
Reserve for obsolete inventories	(1,965)	–
	Ps 83,538	Ps 100,369

Note 5

Equity in shares of associate company abroad in 2000:

As from the second quarter of 2000, DOBRASIL holds 99.99% of the shares of DP6 Ltd., a company established in Sao Paulo, Brazil, which owns Domino's Pizza stores in that country. Therefore it was shown as an associate company and recognizes its equity as an associated company until March 31, 2000.

Note 6

Land, equipment and leasehold improvements:

a. Fixed assets are as follows:

	December 31, 2001	December 31, 2000	Annual depreciation rate
Building	Ps 84,067 (1)	Ps 71,774 (1)	5%
Store equipment	276,948 (1)	253,612 (1)	10%
Leasehold improvements	311,874	313,916	5%
Transportation equipment	113,886	93,121	25%
Computer equipment	70,036	66,932	30%
Production equipment	119,626 (1)	76,912	10%
Office furniture and equipment	18,066	16,653	10%
	994,503	892,920	
Accrued depreciation and amortization:	(249,022)	(160,521)	
	745,481	732,399	
Land	33,730 (1)	27,863 (1)	
Advances for the acquisition of fixed assets	492	–	
	Ps 779,703	Ps 760,262	

(1) Fixed assets securing bank loans. See Note 8.

b. Operating lease:

The company has signed straight leasing agreements with different lessors for each of its points of sale. Agreements are for renewable periods from one to five years. The lease value increases on the basis of inflation determined by the Banco de Mexico, calculated as per factors pertaining to the prior year's NCPI. At December 31, 2001, the charge to income for this item was Ps53,450 (Ps47,280 in 2000).

Note 7

Excess of cost over the net book value of shares of subsidiaries:

The excess of cost over the net book value of shares of subsidiaries is as follows:

	December 31, 2001	December 31, 2000
FABRECO		
Net acquisition value	Ps 40,245	Ps 40,245
Accumulated amortization	(13,485)	(8,904)
	26,760	31,341
SERVIRLE		
Acquisition value	7,025	7,025
SERVIRLE book value at October 2, 2000 (acquisition date)	(6,418)	(6,418)
	607	607
Accumulated amortization	(607)	–
	–	607
DOPSA		
Net acquisition value	11,272	11,272
Accumulated amortization	(2,343)	(1,140)
	8,929	10,132
FRANJA		
Acquisition value	931	931
FRANJA book value at August 2, 2000 (acquisition date)	(188)	(188)
	743	743
Accumulated amortization	(80)	–
	663	743
	Ps 36,352	Ps 42,823
PIZZAJAL		
Acquisition value	3,150	3,150
Book value of purchased shares	(929)	(929)
	2,221	2,221
Stockholding participation (50%)	(1,110)	(1,110)
	1,111	1,111
Accumulated amortization	(118)	–
	993	1,111
DP6		
Acquisition value	21,393	21,393
DP6 book value at April 1, 2000 (acquisition date)	(6,810)	(6,810)
	14,583	14,583
Accumulated amortization	(1,215)	–
	13,368	14,583
COOL		
Acquisition value	50	
Book value	(93)	
	143	
	Ps 50,856	Ps 58,517

Note 8

Notes and documents payable:

a. Balances:

	December 31, 2001	December 31, 2000
Notes payable -		
Medium-term notes at the interbank compensation interest rate plus 2.08 to 4.00 points, maturing in August 2004 (ALSEA) (1)	Ps 100,560	Ps 105,480
Medium-term notes payable at the interbank compensation interest rate plus 2.25 to 2.9 points, maturing in April and November 2001 (ALSEA) (2)		85,905
Current portion of medium-term notes payable	(560)	(86,982)
Medium-term notes payable	Ps 100,000	Ps 104,403
Documents payable -		
Documents payable to sundry individuals derived from the purchase of FRANJA, maturing in April 2001 (COFRAMET)		Ps 466
Note payable to Activo Financiero, S.A. de C.V., maturing in January 2001 at the annual interest rate of 28% on unpaid balances (PIZZAJAL)		1,044
Note payable to Activo Financiero, S.A. de C.V., maturing in January 2001 at the annual interest rate of 28% on unpaid balances (PIZZAJAL)		522
Short-term documents payable	Ps –	Ps 2,032
Medium-term note payable to INVEX, at the interbank compensation rate plus 3.00 points, maturing in January 2002 (ALSEA)		Ps 20,881
Loan from Inverlat S. A., secured with store equipment, at the interbank interest rate plus 2.5 points, maturing in June 2003 (OPERADORA DP)	Ps 10,103	17,401

	December 31, 2001	2000
Loan with mortgage guarantee from Inverlat, S.A. at the interbank interest rate plus 2.5 points, maturing in July 2005 (OPERADORA DP)	12,153	14,007
Loan from Banco Bilbao Vizcaya, S.A. at the interbank interest rate plus 2.5 points, maturing in June 2004 (OPERADORA DP)	11,364	15,661
Loan from Banco Bilbao Vizcaya, S.A. at the interbank interest rate plus 2.5 points, maturing in June 2004 (OPERADORA DP)	7,651	10,440
Note issued to Saputo Cheese, Ltd. in US dollars, subject to 7.5% interest rate, maturing in March 2001 (DIA)		1,192
Opening of a Banco Inverlat, S. A. current account loan with a mortgage guarantee on the land owned by DIA, at the interbank compensation rate plus 2.5 points, maturing in February 2004 (DIA)	11,239	17,130
Opening of a Banco Invex, S.A. current account loan, at the Interbank compensation rate plus the points specified in each Note payable, which in no case may exceed 10 points, maturing in May 2001 (DIA)		9,130
Loan from INVEX, S.A. secured with production Equipment, subject to interbank compensation rate plus 2.75 points maturing in January 2004 (DIA)	5,000	
Opening of a BBVA Bancomer, S.A. current account loan, at the interbank compensation rate plus 1.75 points maturing in July 2005 (DIA)	29,000	
Loan from Invex, S.A. at the interbank interest rate plus 2.75 points, maturing in December 2004 (DIA)	11,000	
Loan from Bancrecer, S.A. at the interbank interest rate plus 1.75 points, maturing in June 2003 (DIA)	10,000	
Note payable to Activo Financiero, S.A. de C.V., maturing in February 2003 at the interbank interest rate plus 6 points (PIZZAJAL)	2,219	
Current portion of long-term documents payable	(34,795)	(31,971)
Long-term documents payable	Ps 74,934	Ps 73,871

b. Financial limitations and obligations:

(1) The current asset to current liabilities ratio must not be lower than 1.25 times and the short term portion of the medium-term note is not considered a current liability.

- The current asset less inventories to current liability ratio must not be less than 1.00, and the short-term portion of the medium-term note is not considered a current liability.
- The total liability to stockholders' equity ratio must not exceed 0.75 times.
- The operating income plus depreciation and amortization to gross financial expenses payable should not be less than 3.50 times. The last 12 months should be considered.
- The operating income plus depreciation and amortization to short-term cost liability ratio must not be less than 1.25 times. The last 12 months should be considered. Additionally, when the medium-term note payable is classified as short term, it should not be considered in the determination of this ratio.
- No dividends may be paid in cash if this affects compliance with the current limitations. Additionally, in the last year this provision is in effect, at least the current balance after paying dividends should be kept in the cash and temporary investment account.
- The company may reduce its capital stock exclusively for the purpose of the Fund for Acquisition of Own Shares, duly authorized by the Board of Stockholders, provided it complies with all current limitations.
- The company may not sell fixed assets without reinvesting the proceeds in the acquisitions of other fixed assets in the same period or the immediately following period, when the accrued amount of said assets exceeds 10% of the net book value of the total of fixed assets, as shown in the balance sheet for the immediately preceding year end, except with previous consent from the stockholders.
- ALSEA and its present or future subsidiaries may place no liens on their assets, except when 1) contracting new loans for equipment for new stores, 2) contracting new loans for the acquisition and /or construction of new distribution centers for up to Ps80,000 and 3) for the acquisition of new assets under financial leasing.
- The balance of the "Accounts receivable from related parties" account in the balance sheet or any other account holding amounts payable by related parties may not exceed Ps5,000.
- Annual ALSEA investments and/or financial support for projects located outside of Mexico, of its own or held through subsidiaries, may not exceed Ps30,000 without the consent of the stockholders.
- All obligations specified in the Master Franchise Agreement with Domino´s Pizza International, Inc. (DPI). must be complied with.
- Certain stockholders must hold at least 51% of the ALSEA, S.A. de C.V. shares.
- Consolidated financial statements must be submitted on a quarterly and annual basis.

(2) The current asset/current liability ratio should not be less than 1.50 times, and the short-term portion of the medium-term note is not considered to form part of current liabilities.

- The current asset less inventory/current liability ratio should not be less than 1.25 times, and the short-term portion of the medium-term note is not considered to form part of current liabilities.
- The total liability/stockholders' equity ratio should not exceed 0.75 times.
- The operating profit plus depreciation and amortization to accrued gross financial disbursements ratio should be at least 3.50 times.
- The operating profit plus depreciation and amortization to short-term liability should not be less than 1.25 times.
- The capital stock may not be reduced.
- Fixed assets may not be sold unless the proceeds are reinvested in the acquisition of other fixed assets in the same period or the immediately following period.
- No liens may be placed on the assets of ALSEA and its present or future subsidiaries.
- The balance of the "Accounts receivable from related parties" account or any other balance sheet account containing amounts payable by related parties may not exceed Ps5,000.
- Investments and/or annual financing support for projects outside Mexico in which ALSEA may participate through subsidiaries may not exceed Ps10,000 without the consent of the shareholders.
- Certain shareholders must hold at least 51% of the ALSEA shares
- All the provisions established in the Master Franchising agreement with DPI must be complied with.
- No cash dividends may be paid when they affect compliance with the aforementioned limitations.
- Consolidated financial statements must be presented on a quarterly and annual basis.

At the date of issuance of these financial statements, all financial limitations and obligations have been complied with.

Note 9
Compensation upon retirement:

In the year ended December 31, 2001 and 2000, the subsidiaries SIA, ORA and ASESORES applied the provisions of Statement D-3 of accounting principles generally accepted "Labor Obligations". Established compensation upon retirement (pension and seniority premium) is mainly based on the years of service rendered and the employee's age, as well as on his/her salary at the date of retirement.

The obligations and costs corresponding to these benefits are recognized based on actuarial studies carried out by independent experts using the projected unit cost method.

The company has not set up a trust to cover these benefits, and the amounts and any other financial data of the consolidated actuarial calculations are summarized below:

	December 31, 2001	2000
Projected benefits obligations	Ps 480	Ps 315
Variations in assumptions and experience adjustments	(91)	(146)
	389	169
Intangible assets	53	119
Accumulated benefits obligations	442	288
Plan assets	–	–
Liabilities recorded in books	Ps 442	Ps 288
Net cost for the period		
Labor cost	Ps 182	Ps 137
Finance cost	13	8
Amortizations	22	23
	Ps 217	Ps 168
Discount rate	4.5% annual	
Increase salaries rate	1% annual	

Note 10

Stockholders' equity:

Capital stock -

At a number of general ordinary and extraordinary stockholders' meeting held in 2001 and 2000, the stockholders agreed on the following:

a. At the general extraordinary stockholders' meeting held on July 2, 2001, the stockholders agreed to paid dividends of Ps41,005 (Ps40,000 nominal pesos) that will be charged to retained earnings.

b. At the general ordinary stockholders' meeting held on March 29, 2000, the stockholders agreed to increase the capital stock by Ps1,448 (Ps1,316 nominal pesos) by issuing 657,857 ordinary shares, of a single series, Class II, with no par value. The stockholders also agreed to declare a premium on share subscription amounting to Ps5,646 (Ps5,131 nominal).

c. At the general ordinary stockholders' meeting held on October 26, 2000, the stockholders agreed to increase the reserve for acquisition of own shares, affecting said reserve by Ps19,692 (Ps17,310 nominal) applied from retained earnings.

The minimum fixed capital with no withdrawal rights is represented by Class I shares, while the variable portion of capital stock is represented by Class II shares, which at no time should exceed ten times the amount of the minimum capital with no withdrawal rights.

At December 31, 2001, the subscribed fixed and variable capital is represented by 120,755,627 common nominative shares, with no par value, as shown below:

Number of shares	Description	Amount
124,969,370	Subscribed fixed portion of the capital stock	Ps249,939
(20,580,000)	Subscribed but not paid portion of the capital stock	(41,160)
104,389,370	Fixed portion of the capital stock subscribed and paid	208,779
657,857	Variable portion of the capital stock subscribed and paid	1,316
17,900,000	Issuance of shares for placement in the Mexican Stock Exchange	35,800
(2,191,600)	Acquisition of own shares	(4,383)
120,755,627		241,512
	Restatement increase	114,427
	Capital stock	Ps 355,939

In the event of a capital reduction, the excess of stockholders' equity over capital contributions, the latter restated as per the procedures established in the Mexican Income Tax Law (ITL), is accorded the same tax treatment as dividends.

Retained earnings -

Dividends paid from retained earnings which have not previously been taxed are subject to 35% tax payable by the company in 2002 over the dividend multiplied by 1.5385. From 2002 onwards, this tax may be credited against the company's tax liability for the three years immediately following that in which the tax is paid. The After Tax Earning Account (CUFIN) corresponding to the period in which the tax is credited must be decreased by a gross-up amount equivalent to the dividends distributed.

At December 31, 2001, the restated tax value of Reinvested After Tax Earning Account (CUFINRE) amounts to Ps82,194.

Contingency -

As previously mentioned, at the October 26, 2000 ordinary general stockholders' meeting, it was agreed, in accordance with the provisions of Article 14-bis of the Securities Market Law and Circular 11-16 issued by the National Banking and Securities Commission, to increase the reserve for the acquisition of own shares amounting to Ps19,692 (Ps17,310 nominal pesos).

As of December 31, 2001 the company had acquired 2,191,600 own shares temporally which represents 1.8% of capital stock.

Below is an analysis of acquisition of own shares at December 31, 2001:

Date of acquisition	Shares	Par value	Average price of acquisition date	Market value December 31, 2001	Market value February 15, 2002
August 99	529,000	Ps 1,058	11.74	3.50	3.90
September 99	20,000	40	11.00	3.50	3.90
November 99	49,000	98	11.10	3.50	3.90
March 00	231,000	462	9.11	3.50	3.90
May 00	159,000	318	9.09	3.50	3.90
June 00	28,000	56	9.01	3.50	3.90
November 00	14,000	28	6.90	3.50	3.90
February 01	21,000	42	5.10	3.50	3.90
May 01	808,600	1,617	4.13	3.50	3.90
June 01	152,000	304	4.08	3.50	3.90
August 01	88,000	176	4.00	3.50	3.90
October 01	10,000	20	4.00	3.50	3.90
November 01	50,000	100	3.77	3.50	3.90
December 01	32,000	64	3.58	3.50	3.90
	2,191,600	4,383			
Restatement effect		348			
		Ps 4,731			

Available own repurchased shares are reclassified as contributed and earned capital.

At December 31, 2001, the company has a balance of Ps49,231 for the temporary repurchase of its own shares.

Note 11

Income tax (IT), Asset tax (AT) and employees' statutory profit sharing (ESPS):

As from 1999, the company and its subsidiaries determine IT and AT under the consolidation regime.

For the year ended December 31, 2001 and 2000, the company and its subsidiaries had a taxable income of Ps101,978 and Ps245,791 (nominal), respectively. Consolidated IT was determined based on the shareholding in each of its subsidiaries. The book result differs from the tax result given the different book/tax treatment of acquisitions and cost of sales, restated depreciation, patents and trademarks and the difference in the recognition of the effects of inflation, which is determined differently for book and tax purposes.

The accounting benefit from tax consolidation corresponds to the overstatement of IT and AT provisions recorded by each individual subsidiary and IT arising for the entire group.

In accordance with the current IT Law, ALSEA determined as individual company a tax loss of Ps19,149 in 2001, and a taxable income of Ps620 in 2000. The 2000 taxable income was amortized against tax losses of prior years.

At December 31, 2001, ALSEA and its subsidiaries have unamortized tax losses amounting to Ps20,115, which can be restated by applying NCPI factors, and can be applied to future taxable income over the next ten years.

At December 31, 2001 and 2000, the main temporary differences on which deferred IT is recognized are analyzed as follows:

	December 31, 2001	2000
Inventories	Ps 84,958	Ps 100,369
Property, plant and equipment - Net	30,577	34,372
Patents and trademarks	73,586	52,365
Prepaid expenses	6,418	3,171
Provisions	(12,750)	(765)
Tax loss carryforward	(20,115)	(13,475)
	162,674	176,037
Income tax rate	35%	35%
	56,936	61,613
Tax to be offset		(696)
Liability deferred IT	Ps 56,936	Ps 60,917

IT charged to results for the period arose at a single subsidiary. Below is an analysis of the IT provision charged to results:

	2001	2000
Current IT	Ps 66,910	Ps 84,683
Deferred IT	(3,981)	2,112
	Ps 62,929	Ps 86,795

Employee statutory profit sharing was determined at 10% of the base, calculated as per the special rules established in the ITL.

Note 12
Commitments and contingencies:

Commitments

On December 15, OPERADORA (subsidiary company) signed an irrevocable advertising trust agreement to contract television airtime in the year 2001, amounting to Ps40,000, payable at the time the service is rendered. The trust is known as "Trust F/025 Domino's Pizza". "Bankboston, S.A., Institución de Banca Múltiple (Trustee) holds ownership of the capital and with it the administration of the fund and of collections from subfranchises, as per instructions of OPERADORA, which is the trustor and which made the initial contribution and appointed and instructed the trustee concerning its duties. Invex, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero INVEX, as trust beneficiary opened a credit line for the principal amount of up to Ps40,000 for the trustee, in the terms and conditions contained in the aforementioned agreement; and Bankboston S.A., Institución de Banca Múlitple, trust division, as trustee has been handling the funds prior to receiving authorization from the trustor.

As of December 31, 2001 it has an account payable with INVEX for Ps7,000 due to the credit line above mentioned.

Contingencies

ALSEA and subsidiaries are involved in a number of lawsuits arising from the normal course of their business operations. The company's management and legal advisors are of the opinion that these matters will be resolved favorably. However, if they are not, this will not substantially affect the consolidated financial situation or the consolidated result of operations of ALSEA and subsidiaries.

Mr. José Rivera Río Rocha
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Mr. Cosme A. Torrado Martínez
General Director

Mr. Abel Barrera Fermín
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Information on Alsea's stock and medium-term promissory note

Alsea, S.A. de C.V. trades its single series shares in the Mexican Stock Exhange as of June 25, 1999, under the ticker symbol Alsea*. The Company's promissory note, whose public offer in the Mexican Stock Exchange took place on August 25, 2000, is under the ticker symbol Alsea P00.

Reference symbols for the stock

Bloomberg	**ALSEA***
Reuters	**ALSEA.MX**
Infosel	**ALSEA***

Reference symbols for the medium-term promissory note

Bloomberg	**ALSEA**
Reuters	**ALEFL00P=MX**
Infosel	**ALSEA**

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