With people for people

ALSEA

Annual Report 2002

Company Profile

Alsea is a leader in developing and operating quick service restaurants. In Mexico it operates *Domino's Pizza*, *Starbucks Coffee*, and it is a stockholder of Operadora West, a *Burger King* franchisee. In Brazil it operates *Domino's Pizza.* The operation of its multi-units is supported by its distribution division, DIA. 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 Alsea by employing a synergy and critical mass model to improve our human and material resources.

"With people for people"

Where we want to go

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

Corporate Structure

ALSEA

Operadora DP de México, S.A. de C.V. develops and manages the brand in Mexico through 463 units, of which 310 are owned stores and 153 are subfranchises.
De Libra, Empreendimentos, Comércio e Serviços Ltda. (subsidiary of Dobrasil, S.A. de C.V.) develops and manages the brand in Brazil through 23 owned stores.

Café Sirena, S. de R.L. de C.V. develops and manages the brand in Mexico through four owned stores, signing a joint venture with Starbucks Coffee International, Inc.

Operadora West, S.A. de C.V., an associated company of Alsea, is a franchisee of Burger King Corporation and manages the brand in Mexico through 28 owned stores.

Distribuidor Internacional de Alimentos, S.A. de C.V., dedicated to the specialized distribution of food and the manufacturing of pizza dough, operates five distribution centers with national coverage.

Our Values

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What makes us great

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.

Strategic Plan 2002-2006

Customer satisfaction and operating excellence

Customers always come first for us. We 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

We are leaders in our industry, by operating brands and concepts that have proven successful in order to consolidate our position.

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

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

Shareholders' value

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

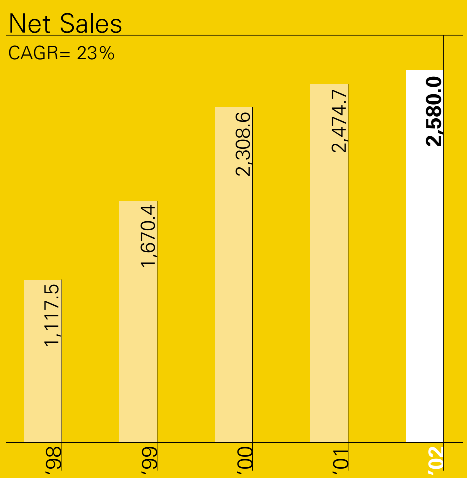
Financial Highlights[1]

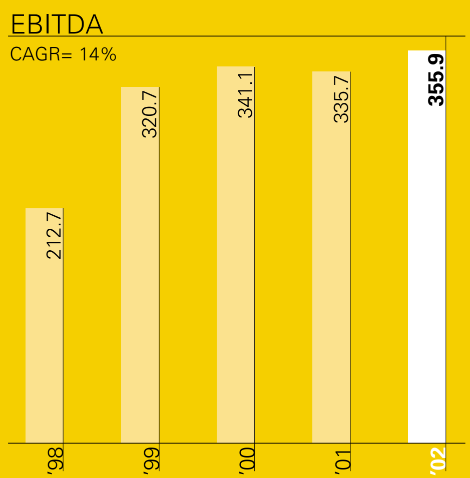
	2002	2001	2000	1999	1998	CAGR 02/98
Net Sales	**$ 2,580,012**	$ 2,474,687	$ 2,308,602	$ 1,670,370	$ 1,117,494	23%
Operating Profit	**235,973**	219,391	248,035	254,567	166,300	9%
EBITDA	**355,890**	335,684	341,136	320,694	212,660	14%
Net Profit	**133,192**	29,750	106,358	155,284	91,552	10%
Shareholder's Equity	**1,061,206**	971,520	941,012	866,471	473,213	22%
Earnings per Share [2]	**1.20**	0.26	0.87	1.34	0.88	8%
Dividends per Share	**0.09**	0.36	-	-	0.20	-19%
Book Value [2]	**8.72**	7.65	7.74	7.14	4.53	18%
Employees	**6,860**	6,562	6,746	5,655	3,835	16%
Total Stores [3]	**518**	437	418	343	265	18%

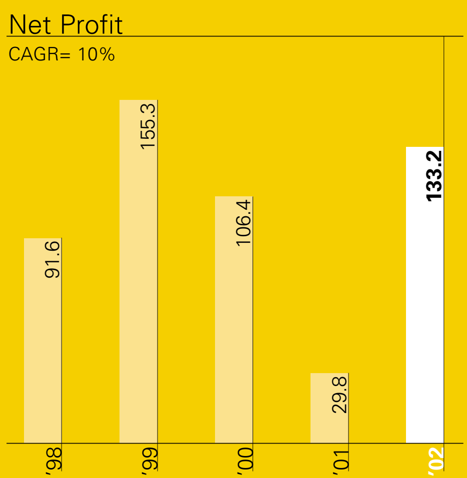
(1) Figures in thousands of pesos, except data per share, employees, and total stores, information expressed in purchasing power as of December 31, 2002.
(2) Calculated on majority figures.
(3) Includes stores from *Domino's Pizza* System in Mexico and Brazil, *Starbucks Coffee* stores in our country, as well as those of *Burger King* owned by Operadora West.

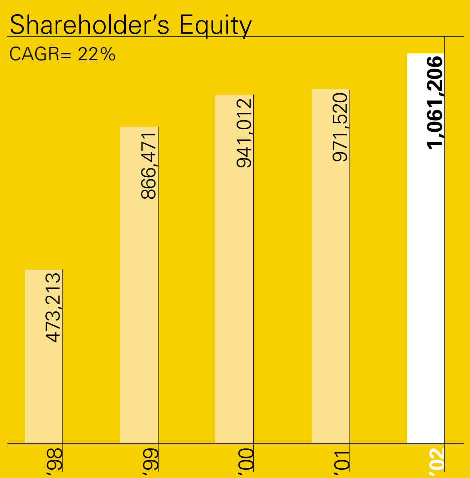
Financial Highlights Graphs

Figures expressed in thousands of pesos as of December, 2002.









Message to our Shareholders

To our Shareholders:

The year 2002 has been especially significant for us at Alsea. We can grade the performance of all of the members of the organization in the implementation of the Strategic Plan as more than successful. During this year we have consolidated our growth strategy. In addition to Domino´s Pizza, Alsea now has two additional brands for development in Mexico: *Starbucks Coffee* and *Burger King*. The incorporation of these two global brands with a clear leadership in their sectors opens unlimited opportunities for Alsea.

The growth expectation that this represents is fundamental to achieving our vision since we can manage, altogether, more than 1,000 stores in Mexico. Our goal is to double sales over the next five years. To achieve this, we are totally focused on reaching our strategic objectives based on achieving aligned, sustained growth.

For the purpose of focusing on our strategic businesses, we unincorporated Alysa in 2002, and in 2003 will do the same with El Pan Caliente and Exim del Caribe.

Domino's Pizza in Mexico maintained its market leadership during 2002. The System reached 463 stores, of which 310 are owned and 153 are subfranchised. We have opened 38 stores in the past 12 months.

In Brazil, *Domino's Pizza* has a presence in the cities of Río de Janeiro, Brasilia, Goiania, Sao Paulo, Belo Horizonte and Porto Alegre; we ended the year 2002 with 23 owned stores.

Starbucks Coffee opened its first store in Mexico in September 2002, and by December, we had four stores in operation. Expectation of the arrival of this brand in our country has caused the results obtained so far to surpass our estimates.

Operadora West is a franchisee of Burger King Corporation with 28 stores in operation. Alsea initially owned 28.5% of the capital stock and has the investment commitment to accelerate growth and reach 59 stores in 2005.

Our consolidated sales amounted to $2,580 million pesos, which meant a compound annual growth of 23% since 1998. Likewise, consolidated net income showed a compound annual increase of 10%, reaching $133 million pesos in 2002.

Alsea continues improving its financial position, since during the year, interest-bearing debt decreased 25.6%. The net cash flow generated was $102 million pesos, with which our cash on hand doubled, to end the year at $201 million pesos. With this solid financial structure, we will be able to carry out the Expansion Program for our brands.

Alsea achieved a return on equity of 14.3%, generated an economic value added of $58.3 million pesos in the year 2002, equivalent to 6.2 times more than the previous year, and paid $10 million pesos in dividends.

One of the important challenges that the year 2003 presents to us is a change to the VAT law, which stipulates that, as of January 1, home delivery food will be taxed. Although application of the amendment will affect our operational margins, we are convinced that the strategies we are implementing, will allow us to counteract that effect and, furthermore, strengthen our leadership in the market.

Our committed and enthusiastic people are still the most valuable asset we have. In order to encourage their development, we have implemented a plan of competitive incentives that fits our philosophy, "With people for people."

All of these elements lead us toward the achievement of our mission of providing incentives for a virtuous circle of value creation among our stockholders, clients, strategic associates, employees, and our society.

Alberto Torrado Martínez
Chairman of the Board of Directors

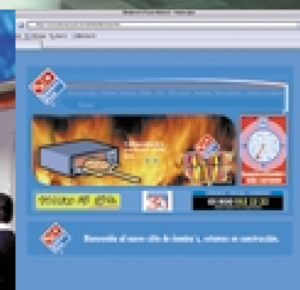
Cosme Torrado Martínez
Chief Executive Officer

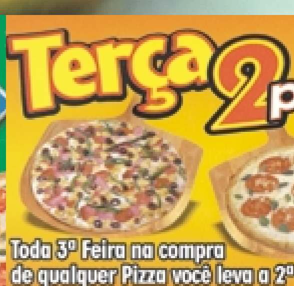
exceptional people making the world's best **pizza**

Domino's Pizza is recognized as the world leader in pizza home delivery. It operates a network of **7,230** stores in **50** countries. In the year 2002, worldwide sales were **$3.9** billion dollars, and it delivered around **400** million pizzas throughout the world.




Alsea has developed the largest master franchise of **Domino's Pizza** in the world and is the largest quick service restaurant chain in Mexico. It operates **463** stores, of which **310** are owned stores and **153** are subfranchises. Domino's Pizza has coverage in **117** cities in Mexico and sold **24.2** million pizzas in 2002.





In **Brazil**, Domino's Pizza has a presence in the cities of Río de Janeiro, Brasilia, Goiania, Sao Paulo, Belo Horizonte and Porto Alegre; we ended the year 2002 with **23** owned stores.

Domino's Pizza has introduced successful concepts such as the guarantee, "30 minutes or it's free" "Tuesday 2 for 1", and "Single Number Dialing", which have positioned us as leaders in pizza home delivery.




The Starbucks Experience

Starbucks Coffee, at the close of fiscal year 2002, had 5,886 locations in 30 countries around the world. It's global sales amounted to $3.2 billion dollars, and it serves some 15 million customers per week.

On February 26, 2002, Café Sirena, S.A. de C.V., a subsidiary of Alsea, signed a joint venture with Starbucks Coffee International, Inc. to develop the brand in Mexico and operate the stores in our country. We ended the year with four stores in operation.

Starbucks Coffee made a difference with regard to coffee consumption around the world. Tasting coffee of excellent quality in a comfortable and pleasant atmosphere, served by an expert team, has converted it into a concept known as "The Starbucks Experience." In this way, Starbucks Coffee strives to surpass the client's expectations.

"THE THIRD PLACE"

Starbucks Coffee works enthusiastically to offer the "Third Place" -- after the home and the office -- since it not only strives to offer the best coffee, but also a comfortable place where one can enjoy memorable moments. It offers the best coffee, served in the best place.

COMMITMENT AND ENTHUSIASM FOR THE CONSUMER

Burger King operates **11,455** restaurants in **58** countries. In 2002 Burger King Corporation's worldwide sales amounted to **$11.3** billion dollars, and it serves **15.7** million customers daily around the world.

More than **700** million Whoppers® are sold each year to customers who can order the world famous hamburger prepared **1,024** different ways.

On July 2, 2002, Alsea bought **28.5%** of the capital stock of Operadora West, which is a franchisee of Burger King Corporation in Mexico. Alsea's commitment is to promote the growth of this brand in our country. Operadora West ended the year 2002 with **28** stores in operation.

Shared Services

With the purpose of achieving the Mission and attaining Alsea's Vision, beginning in 2002, processes began to line up toward a plan of shared services that take advantage of Alsea's synergy and critical mass, contributing to a more efficient operation and in this way ensure brand development.

Area	Shared Services	Benefits for the brands
Distribution and Logistics	Manage the supply chain Alsea's brands.	• Allows it to focus on its operation. • Excellent inventory turnover. • Better costs, given Alsea's critical mass.
Human Resources	Recruitment and Selection. Training. Performance evaluation. Compensation. General Services. Labor Relations.	• Having the best team through continual training. • Offer our employees competitive pay. • Provide an unbeatable working relationship with our partners.
Systems and Processes	Technological implementation of point-of-sale information, processes, communication and solutions for monitoring operating and financial management.	• Transactional systems that will meet our end clients' needs. • Accurate and timely information for decision making. • Ensure the proper working of our processes.
Administration and Finance	Financial planning, administration, internal control, information and financial analysis that will generate value for the stockholder.	• Definition of objectives for generating value. • Ensure management control. • Focus on the operation in an organized way. • Better information for decision making.
Strategic Planning	Development of the process of Strategic Planning, including follow-up and evaluation.	• Organizational alignment to fulfill Alsea's Mission, Vision, Values and strategic objectives of each brand.
Internal Audit	Ensure compliance with internal control.	• Strengthen internal control. • Risk analysis and evaluation. • Areas of opportunity.

Management's Discussion & Analysis

Alsea had consolidated sales of $2.5 billion pesos, which represented an increase of 4.3% over the previous year, that is, an increase of $105.3 million pesos, which is due to the increase in sales by *Domino's Pizza* in Brazil by $41.3 million pesos, recording increases in total sales and same store sales; to an increase of $95.7 million pesos in distribution sales that were due to the addition of a greater number of *Burger King* stores; to *Starbucks Coffee* income of $5.8 million pesos, which were incorporated as of the month of September 2002; and to the increase in sales by $9.1 million pesos in Alysa, which had only incorporated its income as of August in fiscal year 2001. The above was compensated by a $44.7 million pesos decrease in sales by *Domino's Pizza* in Mexico because of the drop in same store sales, and a decrease of $2.1 million pesos in El Pan Caliente.

Gross margin was 53.6%, slightly higher than the 53.3% of the previous year. This increase of $7.7 million pesos is due to the fact that in 2001, costs were higher because of obsolete inventories of non-strategic clients in the distribution division, and an increase in the cost of raw materials not rebounding in the market at that time.

Operating expenses were 44.4% of sales, which were in line with those recorded the year before. In this respect, variable expenses to sales went from 20.2% to 19.2%, a $25.8 million peso saving of generated principally by stopping local advertising, as well as a decrease in DIA distribution expenses, thanks to better route management.

Likewise, fixed expenses increased by $53.3 million pesos with respect to the previous year. The variance derives principally from an increase above inflation in wages and salaries, as mentioned above, including compensation of executives; from an increase in leases and general services by a greater number of stores; from greater expenditures for maintenance of stores in accordance with a new preventive program; from payments for personnel training programs, such as Organizational Culture and Values, as well as the increase in projects such as Alsea Synergy, Parameterization and Implementation of New Systems.

Alsea continues improving its financial position; during the year the interest-bearing debt decreased 25.6%

With the above, operating income to sales ratio was 9.1%, that is, an increase of 20 basis points with respect to 2001. Excluding all those non-recurring expenses for projects implemented during the year, the operating margin would have been 9.9% and the EBITDA margin 14.5% in comparison with the 13.8% reported.

The integral cost of financing represented 0.7% of sales in 2002, that is, a difference of $26.1 million pesos with respect to 2001. This decrease is explained principally by a $21.8 million pesos reduction in interest paid for the drop in interest-bearing debt, including a downward negotiation in the rates of certain bank credits, an increase of $3.1 million pesos of interest gained because of a greater average of cash on hand; an exchange income of $0.6 million pesos; and an income of $1.7 million pesos due to a monetary position.

In 2002, we had $14.5 million pesos in other expenses, which correspond principally to the loss from Alysa's stock sales of $4.7 million pesos, a drop in assets of $11.8 million pesos and an income of $2.4 million pesos from updating balances in favor of VAT, which compares favorably with the $80.4 million pesos reported in 2001 when we closed and relocated several stores and distribution centers; the change of our corporate offices, with the corresponding decrease from improvements in leased locations and installation expenses; to the negative response of our Internet investments for the creation of a B2B portal; to the estimate for uncollectible accounts because of a case of fraud in Tijuana, and the dismissal of non-productive clients in the distribution division; and to the departures related to the reorganization process we were performing in order to improve productivity in the distribution business.

Consolidated net income, which includes a benefit from tax consolidation of $17.2 million pesos during the year, increased $103.4 million pesos to end the period at $133.2 million pesos.

Alsea continues improving its financial position, since interest-bearing debt during the year decreased 25.6%, equivalent to $56.2 million pesos. The interest-bearing debt represents 81% of available cash resources. Likewise, the company complies with all limitations that it has within its financial structure from debt issues.

The net cash flow generated was $102 million pesos, with which our cash on hand doubled, to end the year with $ 201 million pesos.

The company continues with an adequate management of its working capital by reducing its inventories by four days, from 29 to 25; reducing its accounts receivable by three days, from 14 to 11; and its accounts payable by five days, from 50 to 45, compared with the close of the year 2001.

The balance sheet shows a relation between current assets and short-term liabilities of 1.47 times, with the acid test 1.22 times, total liability to shareholders' equity 0.49 times, and interest-bearing liabilities to shareholders' equity 0.15 times.

On April 29, 2002, a dividend payment was declared in the amount of $10 million pesos, equivalent to $0.0829 Ps. per share. At this same Annual Meeting, there was an increase in the variable portion of Alsea's capital stock by the issuance of 481,231 ordinary, single series, class II shares, with no nominal value stated. These were offered for subscription and purchase at a value of $2.00 Ps. per share to company stockholders, exercising the right of preference plus a stock subscription premium at the rate of $4.50 Ps. for each subscribed share, so that the total of $6.50 Ps. per share would be exercised through S.D. Indeval, S.A. de C.V. This increase in capital was carried out to liquidate payment in stock to Domino's Pizza Internacional, for the purchase of 100% of DP6's capital stock and thus obtain the master franchise for operating *Domino's Pizza* in Brazil.

As of December 31, 2002, the total subscribed shares by Alsea is 123,428,458 and the repurchase fund has 3.79%.

On February 26, 2001, an agreement was signed between Starbucks Coffee International, Inc. and SC de México, a subsidiary of Alsea, at 78.05%, to develop the brand in Mexico. Café Sirena, a subsidiary of SC de México, is the company that manages store operations in our country. We anticipate that the development of this concept in Mexico and the opening of all of the stores will be with Alsea's own resources, coming from the cash flow of the operation.

Our national coverage allowed us to reaffirm our leadership in the market. During 2002, the operation of *Domino's Pizza* in the north and east of the country was strengthened, because of which, on June 13, eight stores were purchased from the Veracruz subfranchise.

On July 2, 2002, we announced an infusion of capital into Operadora West, the latter being an associate company of Alsea, which is one of the franchisees of Burger King Corporation in Mexico. The operation was carried out by subscribing representative shares for 28.5% of the capital stock. In addition, Alsea will increase its participation through successive contributions until reaching 34.12% in 2005. The goal is to support the growth of *Burger King* in Mexico.

Likewise, at year's end, the total assets of 33 stores that operate in the cities of Guadalajara, Colima and Puerto Vallarta were acquired. This western zone represents a significant growth potential, besides being the second most important region in the country as far as number of units is concerned. We are convinced that the above will allow us greater consolidation in this market.

The Board of Directors authorized the initiation of the process of unincorporation of non-strategic subsidiaries. On December 20, 2002, Alsea sold its holdings in Alysa to its partner Puratos de México, which amounted to 50% of the capital stock. With regard to El Pan Caliente and Exim del Caribe, both are in the process of unincorporation.

On December 30, 2002, the change to the value added tax law providing for taxing home delivery of prepared food was published in the Daily Bulletin of the Federation. Although the application of this tax reform will affect our operational margins, we are convinced that the strategies we are implementing will allow us to counteract that effect and, furthermore, stregthen our leadership in the market.

José Rivera Río Rocha

Chief Financial Officer

Corporate Governance

The institutionalization of Alsea is a commitment we have met: today, adherence to the Code of Best Corporate Practices is a reality. Although this is a continuous process, we will keep this commitment to our shareholders in the future.

Audit Committee

In accordance with Article 14 of the Securities Market Law and on behalf of the Audit Committee, I hereby inform you of the activities we carried out relative to the fiscal year ending December 31, 2002. As work progressed we have kept in mind the recommendations established in the Code of Best Corporate Practices. The Statutory Examiner of the Company was invited in accordance with the aforementioned law and was present at the meeting we held.

In compliance with the fundamental responsibilities related to the effectiveness of the alignment of internal control and the accurateness and reliability of the financial information that Management prepares to be used by the Board of Directors, shareholders, and third parties, we carried out the following important activities:

1. We assured ourselves of the independence of the function of the Internal Audit, and we approved its work program and budget for fiscal year 2002.
2. We received periodic reports from Internal Audit concerning progress of the approved work program and variations it could have had, as well as the causes for them. We also discussed the observations and suggestions they developed and their timely implementation.
3. We recommended contracting the external auditors of the company and subsidiaries. To carry out this recommendation, we assured ourselves of their independence and we discussed with them their focus and work program, as well as their coordination with the Internal Audit department.
4. We maintained constant communication with the external auditors in order to be aware of their progress, as well as any observations they made, especially for finishing their audit and review of annual financial statements. We became aware of their conclusions in a timely manner, and we recommended approval of the annual financial statements to the Board of Directors.

5. We reviewed the financial information that Management prepares quarterly to be presented to stockholders and the general public, making sure it was prepared using the same accounting criteria used to prepare the annual information.
6. After carefully discussing the accounting policies followed by the Company, we recommended their approval to the Board of Directors. During the year, there was no change in those accounting policies.
7. Through Internal Audit and with the support of third parties, we reviewed the transactions carried out between the company's subsidiaries and related entities, making sure that they were carried out in accordance with established contracts, at market value, and that they were clearly stated in the financial statements.
8. We verified the existence of the controls established by the company, to ensure compliance with the different legal stipulations to which it is subject.
9. We held regular Committee meetings and also met with the external and internal auditors, without the presence of the members of the Board, to comment on the development of their work, limitations they might have had, and to facilitate any private communication they might wish to have with the Committee.
10. The work we carried out was duly documented in the minutes prepared for each meeting, which were reviewed and approved in a timely manner by the Committee members.

José Manuel Canal Hernando

Audit Committee President

Planning and Finance Committee

In accordance with Article 14 of the Securities Market Law and on behalf of the Committee on Planning and Finance, I hereby inform you of the activities we carried out related to the fiscal year ending December 31, 2002. In the development of our work, we have kept in mind the recommendations established in the Code of Good Corporate Practices. The Statutory Examiner of the Company was invited in accordance with the aforementioned law and was present at the meetings we held.

In order to comply with the responsibilities of this Committee, we carried out the following activities:

1. The Committee's commitments with respect to its responsibilities, functions, and structure were updated and confirmed.
2. General outlines were established for the development of Alsea's Strategic Plan 2003-2007.
3. The system of strategic control was followed up, defined and authorized.
4. The Stock Option Plan for Executives was evaluated and ordered.
5. General premises were established for drawing up the budget for fiscal year 2003.
6. The budgets for 2003 for each of the companies that make up Alsea were reviewed with the purpose of validating them before their presentation to the Board of Directors. Those budgets were authorized by the Board of Directors on December 11, 2002.
7. We reviewed the adjustment to the 2003 budget as a result of the additions to Article 2A of the VAT law by the authorities.
8. Financial projections for 2007 were reviewed, which by recommendation by this same Committee, are to be presented and reviewed by the Board quarterly with the pertinent adjustments or modifications.
9. The policies of investment in liquid assets and investments in store openings were defined.
10. Very conservative follow-up was performed on financial decisions and commitments that the group has been acquiring in this same period.
11. A model was authorized for evaluating the criteria in investment projects applicable to all Alsea companies. All the investment alternatives that the president and the Alsea's Board generated in 2002 were evaluated, issuing their opinion in each case.

Salvador Cerón Aguilar
Planning and Finance Committee President

Assessment and Compensation Committee

In accordance with Article 14 of the Securities Market Law and on behalf of the Committee on Evaluation and Compensation, I hereby inform you of the activities we carried our relating to the fiscal year ending December 31, 2002. In the conduct of our work, we have kept in mind the recommendations established in the Code of Best Corporate Practices. The Statutory Examiner was invited in accordance with the aforementioned law and was present at the meetings we held.

1. In several meetings with the Human Resources Department, review was made to continue the policies fixed by this Committee and authorized by the Board of Directors, with reference to the following:
    - Evaluation and compensation of the Chief Executive Officer and high-level officers.
    - Evaluation criteria in accordance with the general outlines established by the Board of Directors.
    - Amount of remuneration to principal executives.
    - Evaluate regularly the performance of the Chief Executive Officer and high-level officers.
    - Policies of remuneration of strategic employees.
2. The compensation program for the year 2003 was discussed, based on tax contingency.
3. A review of the performance and bonus program for the year 2003 was carried out.
4. The stock option plan was presented to the Board of Directors for their approval.

All of the above activities are duly documented in minutes prepared for each meeting, which were reviewed and approved by the Committee members.

Francisco Gama Cruz

Assessment and Compensation Committee President

Board of Directors Committees

Audit Committee

José Manuel Canal Hernando	**President**
Alberto Torrado Martínez	**Member**
Manuel Sañudo Bolaños	**Statutory Examiner**
Mario Sánchez Martínez	**Secretary**

Planning and Finance Committee

Salvador Cerón Aguilar	**President**
Alberto Torrado Martínez	**Member**
Manuel Sañudo Bolaños	**Statutory Examiner**
José Rivera Río Rocha	**Secretary**

Assessment and Compensation Committee

Francisco Gama Cruz	**President**
Alberto Torrado Monge	**Member**
Manuel Sañudo Bolaños	**Statutory Examiner**
Carlos Ricardo García Luna y Martínez	**Secretary**

Code of Conduct

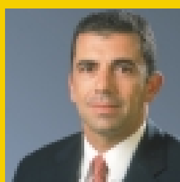
The Board of Directors and Administrative Offices adopted criteria that have been convincing for personal and professional realization inside Alsea and which are expressed in our Code of Conduct in order to make known the duties that govern our acts in accordance with our values. The importance of our code is rooted in the fact that Alsea is a company that develops around people.

"With People for People"

Our code of conduct considers the following aspects:

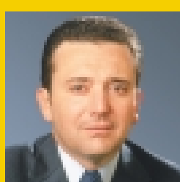
- Compliance with the law in the countries where we operate
- Compliance with Alsea's laws and regulations
- Conduct inside and outside of Alsea
- Conflict of interests
- Use and care of resources
- Information management
- Activities abroad
- Compliance Code

Board of Directors



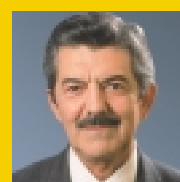
Alberto Torrado Martínez
Chairman

Public Accountant



Cosme Torrado Martínez
Related Director

Law Degree
Chief Executive Officer Alsea

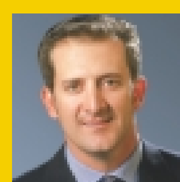


Alberto Torrado Monge
Related Director

Law Degree

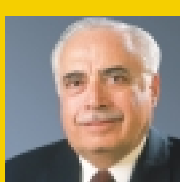
Federico Tejado Bárcena
Related Director

Industrial Engineer
Domino's Pizza Brazil



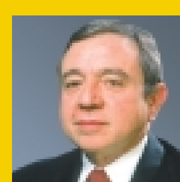
Armando Torrado Martínez
Related Director

Degree in Business Administration
Domino's Pizza Mexico



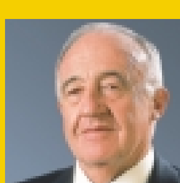
Francisco Gama Cruz
Independent Director

Public Accountant
Administración Bajo Control, CEO



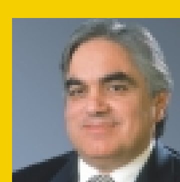
Marcelo Rivero Garza
Independent Director

Degree in Business Administration
Grupo Jumex, CEO



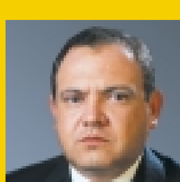
José Manuel Canal Hernando
Independent Director

Public Accountant
Consultant



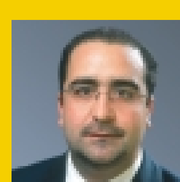
Salvador Cerón Aguilar
Independent Director

Degree in Economics
STF Consulting Group, CEO



Maximino M. Sañudo Bolaños
Statutory Examiner

Public Accountant



Xavier Mangino Dueñas
Secretary

Law Degree

Main Officers

Cosme Torrado Martínez	**Alsea**
Armando Torrado Martínez	**Domino's Pizza Mexico**
Federico Tejado Bárcena	**Domino's Pizza Brazil**
Gerardo Rojas Blasquez	**Starbucks Coffee Mexico**
Fabián Gosselin Castro	**Operadora West (Burger King)**
Héctor Orrico Ornelas	**Distribution and Logistics**
Carlos Ricardo García Luna y Martínez	**People Come First**
Salvador Rocha Cito	**Information and Technology**
José Rivera Río Rocha	**Administration and Finance**
Juan Carlos Jallath Hernández	**Strategic Planning**
Mario Sánchez Martínez	**Internal Audit**

Consolidated Financial Statements

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

December 31, 2002 and 2001

Report of Independent Accountants

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

(Translation from the original issued in Spanish)

PRICEWATERHOUSECOOPERS

Mexico City, February 4, 2003

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, 2002 and 2001, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years 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, 2002 and 2001, 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 accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Manuel Leyva Vega

AUDIT PARTNER

Statutory Auditor's Report

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

(Translation from the original issued in Spanish)

Mexico City, February 4, 2003

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, 2002.

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 that 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, 2002, the consolidated results of its operations and the changes in stockholders' equity and in its financial position for the year then ended, in conformity with accounting principles generally accepted in Mexico.

Maximino Manuel Sañudo Bolaños

STATUTORY AUDITOR

Consolidated Balance Sheet

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

Thousands of Mexican pesos of December 31, 2002 purchasing power

	December 31, 2002	2001
Assets		
CURRENT ASSETS:		
Cash and investments in securities	Ps 201,520	Ps 99,130
Accounts receivable:		
Customers, less reserve for doubtful accounts of Ps4,862 in 2002 and Ps11,111 in 2001	79,661	94,322
Related parties (Note 3)		5,104
Value added tax, income tax recoverable	45,438	93,630
Others	53,320	15,969
	178,419	209,025
Inventories (Note 4)	76,276	88,174
Prepaid advertising	177	480
Other advance payments	4,944	7,367
Total current assets	461,336	404,176
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS - Net (Note 6)	797,528	822,977
OTHER ASSETS:		
Patents and trademarks, less amortization of Ps62,211 in 2002 and Ps53,267 in 2001 (Note 1g.)	148,692	142,130
Installation expenses, less amortization of Ps7,676 in 2002 and Ps9,261 in 2001 (Note 1h.)	37,002	38,230
Expenses for placement of promissory notes - Net (Note 1i.)	756	1,301
Others	17,610	10,439
Intangible assets for retirement compensation (Note 9)	23	56
EXCESS OF COST OVER NET BOOK VALUE OF THE SHARES OF SUBSIDIARIES (Note 7)	74,511	53,679
Investment in associated companies (Note 5)	45,113	
	Ps 1,582,571	Ps 1,472,988

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

		December 31, 2002		2001
Liability and Stockholders' Equity				
SHORT-TERM LIABILITIES:				
Documents payable (Note 8)	Ps	34,570	Ps	36,726
Suppliers		216,070		160,542
Accounts payable and accrued expenses		40,087		27,906
Taxes payable		23,132		19,192
Employees' statutory profit sharing		2,416		2,944
Related parties (Note 3)		1,705		
Current portion of long-term note payable (Note 8)				591
Total short-term liabilities		317,980		247,901
LONG-TERM LIABILITIES:				
Medium-term promissory note payable (Note 8)		100,000		105,550
Documents payable (Note 8)		28,782		79,093
Deferred income tax (Note 11)		51,296		60,096
Income tax payable on reinvestment earnings		15,299		8,364
Advance payments from customers		7,216		
Retirement compensation reserve (Note 9)		793		467
Total long-term liabilities		203,386		253,570
Total liabilities		521,366		501,471
STOCKHOLDERS' EQUITY (Note 10):				
Capital stock		372,184		376,231
Legal reserve		6,835		5,311
Net premium of shares		222,585		220,356
Retained earnings		410,610		279,765
Reserve for acquisition of own shares		40,011		52,038
Effects of converting the foreign entity		(16,814)		(10,788)
Total majority stockholders' equity		1,035,411		922,913
Total minority interest		25,794		48,604
Total stockholders' equity		1,061,205		971,517
COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENT (Notes 6, 8, 12 and 14)				
	Ps	1,582,571	Ps	1,472,988

Mr. José Rivera Río Rocha
GENERAL FINANCE DIRECTOR

Mr. Cosme A. Torrado Martínez
GENERAL DIRECTOR

Mr. Abel Barrera Fermín
CORPORATE CONTROLLER

Consolidated Statement of Income

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

Thousands of Mexican pesos of December 31, 2002 purchasing power

	Year ended December 31, 2002	2001
Net sales	Ps 2,580,012	Ps 2,474,654
Cost of sales	(1,197,839)	(1,156,671)
Gross profit	1,382,173	1,317,983
Operating expenses	(1,146,201)	(1,098,595)
Operating income	235,972	219,388
Comprehensive financing cost:		
Interest paid - Net	(16,426)	(41,397)
Exchange loss - Net	(2,987)	(2,312)
Gain on monetary position	2,406	622
	(17,007)	(43,087)
Other expenses - Net	(14,522)	(80,444)
Income before the following items	204,443	95,857
Provisions for (Note 11):		
Income tax	(72,826)	(64,390)
Employees' statutory profit sharing	(1,780)	(1,718)
	(74,606)	(66,108)
Income before equity in income of associated companies	129,837	29,749
Equity in income of associated companies (Note 5)	3,355	
Consolidated net income for the year	Ps 133,192	Ps 29,749
Income of majority interest	Ps 142,719	Ps 31,014
Loss of minority interest	(9,527)	(1,265)
Consolidated net income for the year	Ps 133,192	Ps 29,749
Net income per ordinary share (Note 1r.)	Ps 1.18	Ps 0.24

The accompanying fourteen 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 Financial Position

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

Thousands of Mexican pesos of December 31, 2002 purchasing power

	Year ended December 31, 2002		2001
Operations:			
Consolidated net income	Ps	133,192	Ps 29,749
Charges (credits) to income not affecting resources:			
Depreciation and amortization		113,619	111,178
Amortization of the excess of book value over the cost of shares of subsidiary companies		5,841	5,113
Equity of associate companies		(3,355)	
Deferred income tax		(8,800)	(4,202)
Retirement compensation reserve		359	232
Net variation in working capital, except cash and notes payable		133,886	79,549
Resources generated by operations		374,742	221,619
Financing:			
Capital stock increase		3,220	
Repurchase of own shares		(17,065)	(4,190)
Promissory note and documents payable		(58,608)	(93,914)
Minority interest - Net		(13,283)	33,780
Dividends paid		(10,350)	(43,343)
Resources used in financing activities		(96,086)	(107,667)
Investment:			
Acquisition of equipment and leasehold improvements - Net		(161,556)	(91,853)
Acquisition of patents and trademarks, installation expenses and other assets - Net		(40,587)	(3,629)
Excess of cost over book value of shares of subsidiary companies		(26,673)	(151)
Incorporation of Associated companies		(41,758)	
Withdrawal (inclusion) of subsidiary companies		100,334	(29,078)
Effects of conversion of financial statements of foreign subsidiaries		(6,026)	(1,581)
Excess of book value over cost of shares of subsidiary companies			3,123
Resources used in investment activities		(176,266)	(123,169)
Increase (decrease) in cash and investments in securities		102,390	(9,217)
Cash and investments in securities at beginning of year		99,130	108,347
Cash and investments in securities at end of year	Ps	201,520	Ps 99,130

The accompanying fourteen 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)

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

Thousands of Mexican pesos of December 31, 2002 purchasing power

	Capital stock	Legal reserve	Net premium of shares	Holding company
Balance as of January 1, 2001	Ps 378,206		Ps 220,356	Ps 34,762
Variation in 2001:				
Net income for the year				(4,686)
Effects of conversion of financial statemets of foreign subsidiaries				
Comprehensive income (Note 1p.)				(4,686)
Legal reserve creation		Ps 5,311		(5,311)
Dividends paid				
Repurchase of own shares	(1,975)			
Effect in capital stock increase in a subsidiary				
Balances as of December 31, 2001	376,231	5,311	220,356	24,765
Variation in 2002:				
Net income for the year				13,134
Effects of conversion of financial statements of foreign subsidiaries				
Comprehensive income (Note 1p.)				13,134
Capital stock increase	991		2,229	
Legal reserve increase		1,524		(1,524)
Dividends paid				(10,350)
Repurchase of own shares	(5,038)			
Effect in capital stock increase in a subsidiary				
Balances as of December 31, 2002	**Ps 372,184**	**Ps 6,835**	**Ps 222,585**	**Ps 26,025**

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

Retained earnings						
Subsidiaries companies	Total	Reserve for acquisition of own shares	Effects of converting the foreign entity	Total mayority interest	Minority interest	Total
Ps 262,600	Ps 297,362	Ps 54,253	(Ps 9,164)	Ps 941,013	Ps 16,089	Ps 957,102
35,700	31,014			31,014	(1,265)	29,749
43	43		(1,624)	(1,581)		(1,581)
35,743	31,057		(1,624)	29,433	(1,265)	28,168
	(5,311)					
(43,343)	(43,343)			(43,343)		(43,343)
		(2,215)		(4,190)		(4,190)
					33,780	33,780
255,000	279,765	52,038	(10,788)	922,913	48,604	971,517
129,585	142,719			142,719	(9,527)	133,192
			(6,026)	(6,026)		(6,026)
129,585	142,719		(6,026)	136,693	(9,527)	127,166
				3,220	27,856	31,076
	(1,524)					
	(10,350)			(10,350)		(10,350)
		(12,027)		(17,065)		(17,065)
					(41,139)	(41,139)
Ps 384,585	Ps 410,610	Ps 40,011	(Ps 16,814)	Ps 1,035,411	Ps 25,794	Ps1,061,205

Mr. José Rivera Río Rocha
GENERAL FINANCE DIRECTOR

Mr. Cosme A. Torrado Martínez
GENERAL DIRECTOR

Mr. Abel Barrera Fermín
CORPORATE CONTROLLER

(Monetary amounts expressed in thousands of Mexican pesos of December 31, 2002 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, the sale of Starbucks Coffee and Burger King products and the distribution of food stuffs in general.

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

Company	Operation	Shareholding percentage 2002	2001
Domino's Pizza Division			
Operadora D.P. de México, S. A. de C. V. (OPERADORA DP)	Parent company under which the Domino's Pizza stores are grouped and owner of Master Franchise	99.99%	99.99%
Holds the shares of the following subsidiaries:			
Sistema Integral de Administración, S. A. de C. V. (SIA)	Renders administrative services, mainly to affiliated companies	99.99%	99.99%
Asesores de Franquicias Profesionales, S. A. de C. V. (ASESORES)	Renders administrative services, mainly to affiliated companies	99.99%	99.99%
Coframet, S. A. de C. V. (COFRAMET)	Holding company mainly engaged in producing and distributing fast food	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 (desincorporated as from December 2, 2002)	-	50%
Grupo Franja, S. A. de C. V. (FRANJA)	Corporative company under which the Domino's Pizza stores are grouped	99.99%	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%
Holds the shares of the following subsidiaries:			
DP6, LTDA (DP6)	A company established in Brazil which the Domino's Pizza stores are grouped	99.99%	99.99%
De Libra, Ltda (DE LIBRA)	A company established in Brazil which the Domino's Pizza stores are grouped	99.99%	99.99%

Company	Operation	Shareholding percentage 2002	2001
Adue, Ltda. (ADUE)	A company established in Brazil which the Domino's Pizza stores are grouped	**60%**	60%
Distribution Division			
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 affiliated companies and related parties	**99.99%**	99.99%
Cool Cargo, S. A. de C. V. (COOL)	Distributes food products	**50%**	50%
Exim del Caribe, S. A. de C. V. (EXIM)	Imports, exports, stores, sells and distributes all types of goods and services	**99.99%**	99.99%
Other business			
Para Servirle a Usted, S. A. de C. V. (SERVIRLE)	Sells homemade bread (acquired on October 2, 2001)	**99.99%**	99.99%
Operadora West, S. A. de C. V. (WEST)	Company under which Burger King stores are grouped (as from July 2, 2002)	**28.50%**	-
Alsea, Lys, Asociados, S. A. de C. V. (ALYSA)	Produces, sells and distributes frozen bread (desincorporated as from December 20, 2002)	-	50%
SC de México, S. A. de C. V. (SC)	Holding Company which holds the shares of companies engaged in sales of Starbucks Coffee products (incorporated on February 21, 2002)	**78.05%**	-
Holds the shares of the following subsidiary:			
Café Sirena, S. de R. L. de C. V. (CAFE)	Company under which Starbucks Coffee stores are grouped (incorporated on February 26, 2002)	**82%**	-

On February 26, 2002 ALSEA entered into an agreement with Starbucks Coffee International, Inc. to promote and develop the Starbucks Coffee brand in Mexico through a subsidiary company.

On July 2, 2002, ALSEA acquired 28.5% of the capital stock of Operadora West, S. A. de C. V., a franchise of Burger King Corporation.

On December 2, 2002, COFRAMET and a third party entered into an agreement for the sale of PIZZAJAL shares; therefore, as from that date, PIZZAJAL is not a direct subsidiary of COFRAMET and consequently not a subsidiary of ALSEA, giving rise to a charge to income of Ps3,949 recorded in other expenses, as well as to the withdrawal of the minority interest in the consolidated statement of changes in stockholder's equity. Additionally, OPERADORA DP acquired from said third party the totality of its fixed assets amounting to Ps63,300.

On December 20, 2002, ALSEA and a third party entered into an agreement for the sale of ALYSA shares; therefore, as from that date, ALYSA is not a direct subsidiary of ALSEA, giving rise to a charge to income of Ps4,872, recorded in other expenses, and to the withdrawal of the minority interest in the consolidated statement of changes in stockholder's equity.

On December 31, 2001, ALSEA and OPERADORA DP entered into an agreement for the sale of DOBRASIL shares, therefore, as from that date, DOBRASIL is not a direct subsidiary of ALSEA now to be controlled by OPERADORA DP, recording a benefit of Ps11,417 (See Note 11).

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, 2002 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. Property, 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 the rights to use the Starbucks Coffee brand name, effective for 20 years, and are restated to Mexican pesos of December 31, 2002 purchasing power, by applying factors derived from the NCPI. These payments are amortized against income at the annual rate of 5%.

h. Installation expenses are expressed at their 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. Domino's Pizza expenses are amortized by the straight-line method at the annual rate of 5% and the Starbucks Coffee amortization expense is recognized over the minimum lease term. At December 31, 2002 and 2001, the Domino's Pizza division has 310 and 283 corporate stores in Mexico, respectively, and with 4 Starbucks Coffee stores in Mexico.

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

j. Income Tax, (IT) Asset Tax (AT) and Employees' Statutory Profit Sharing (ESPS) are 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] (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 includes net income for the year plus the result 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.

q. Conversion to Mexican pesos of the financial information of subsidiaries abroad, the base for recognition of the consolidation or the equity method, was carried out in accordance with the guidelines of Statements B-15 "Transactions in Foreign Currency and Conversion of Financial Statements of Foreign Operations" issued by the Mexican Institute of Public Accountants following the Foreign Entity Method. The exchange rate of $3.33 to the Brazilian real was used in 2002 ($3.96 in 2001) in the conversion of subsidiary assets and liabilities (monetary and non monetary).

Furthermore, in accordance with the provisions of this statement, the financial statement figures previously reported are stated in constant pesos, under this pronouncement, whereas the figures of the prior period are stated in monetary units of one same purchasing power, for which the company used a common restatement factor of 1.0555. This factor was calculated using a weighted average with respect to sales, considering inflation variables and of changes in the exchange rate.

The inflationary effects in Brazil for the year ended December 31, 2002, as per the National Consumer Price Index of that country, was 12.53%.

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, 2002 and 2001, the weighted average of current shares was 120,426,867 and 121,176,981, respectively.

s. New accounting pronouncements:

During 2002, the Mexican Institute of Public Accountants issued following pronouncements.

I. Statement C-8 “Intangible Assets”, which supersedes the current Statement C-8, effective since 1976. The provisions of this statement are effective for years commencing on or after January 1, 2003.

The significant provisions of this revised statement are: (i) it establishes rules and criteria for accounting for research and development costs; (ii) pre-operating cost identified with research activities are charged to expenses during the period; (iii) preoperating cost identified with development activities (or in the development phase of a project) that could be recognized as an intangible asset, must comply with certain criteria for capitalization; any other pre-operating costs will not be subject to capitalization; and (iv) valuation rules are based on a logical sequence of the assets' useful life, considering initial recognition and valuation of the intangible asset, recognition of an expense, additional payments and valuation after the initial recognition.

2. Statement C-9, “Liabilities, Provisions, Contingent Assets and Liabilities and Commitments”, which supersedes the original Statements C-9 and C-12, both effective since 1974, and Circulars 46, 47 and 48. The provisions of this statement are effective for years commencing on or after January 1, 2003.

The significant provisions of this statement, among others, are: (i) establishment of great precision in the concepts relative to provisions, accumulated obligations, contingent assets and liabilities, (ii) detailed rules concerning the recognition of provisions; the use of present values, consideration of future events in estimating the amounts of provisions; accounting treatment of possible reimbursements and changes in the estimated amount of the provisions, and their effect on income, as well as the required disclosure, (iii) establishment of rules for the accounting treatment of early redemption of obligations, and restructuring of debt, and (iv) recognition of provisions to reverse ecological damage caused to the environment.

The management of the company considers that the adoption of these statements will not have a significant effect on the accounting records of the company.

t. 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 - Foreing Currency Position:

a. At December 31, 2002 and 2001, ALSEA and its subsidiaries had the following monetary assets and liabilities, in thousands of US dollars:

	December 31, 2002	December 31, 2001	Dollar exchange rate December 31, 2002	Dollar exchange rate February 4, 2003
Assets	US 1,092	US 2,052	Ps 10.3613	Ps 10.8833
Liabilities	(2,279)	(3,900)		
Net short position	(US 1,187)	(US 1,848)		

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

	Year ended December 31, 2002	Year ended December 31, 2001
Purchase of foodstuffs	US 47,543	US 51,011
Purchase of fixed assets	1,433	1,690
Royalties	6,727	6,840
Opening rights	117	55

c. At December 31, 2002, the company had contracted no hedging coverage against exchange risks.

Note 3 - Balances and Operations with Related Parties:

a. Balances

	December 31, 2002	December 31, 2001
Receivable:		
Fast Food Road, S. A. de C. V.		Ps 5,104
Payable:		
Fast Food Road, S. A. de C. V.	Ps 316	
COOL	1,389	
	Ps 1,705	

b. During the years ended December 31, 2002 and 2001, the main transaction with related parties was the freight expense of Ps84,201 and Ps82,733, respectively. ALSEA awarded two guarantees for the purchase of transportation equipment amounting to Ps14,000 and Ps6,205, respectively. ALSEA obtained said fixed assets from said related parties as guarantee.

Note 4 - Inventories:

	December 31, 2002	December 31, 2001
Food and beverages	Ps 62,586	Ps 74,748
Containers and packaging	4,229	926
Others	12,619	14,573
	79,434	90,247
Reserve for obsolete inventories	(3,158)	(2,073)
	Ps 76,276	Ps 88,174

Note 5 - Equity in Shares of Associated Companies Abroad:

a. Equity in shares of associated companies is analyzed as follows:

	December 31, 2002
Investment at cost	Ps 41,758
Equity in results	3,355
	Ps 45,113

b. Equity in shares of associated companies is as follows:

	December 31, 2002
Associated company	
WEST	Ps 43,789
COOL	1,324
	Ps 45,113

Note 6 - Property, Equipment and Leasehold Improvements:

a. Fixed assets are as follows:

	December 31, 2002	December 31, 2001	Annual depreciation rate %
Building	Ps 80,376 (1)	Ps 88,733 (1)	5
Store equipment	319,855 (1)	292,318 (1)	10
Leasehold improvements	384,741	329,183	5
Transportation equipment	115,073	120,207	25
Computer equipment	85,501	73,923	30
Production equipment	88,890 (1)	126,265 (1)	10
Office furniture and equipment	18,902	19,069	10
	1,093,338	1,049,698	
Accrued depreciation and amortization:	(326,316)	(262,843)	
	767,022	786,855	
Land	30,381 (1)	35,602 (1)	
Advances for the acquisition of fixed assets	125	520	
	Ps 797,528	Ps 822,977	

(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, 2002, the charge to income for this item was Ps60,955 (Ps56,497 in 2001).

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 and associates are as follows:

	December 31, 2002	December 31, 2001
Subsidiaries and Associates		
EXIM	Ps 42,458	Ps 42,478
WEST	23,292	
DP6	19,865	15,392
FRANJA (Note 1)	12,809	12,815
SERVIRLE	640	641
COOL	151	151
PIZZA JAL	-	1,065
	99,215	72,542
Accumulated amortization	(24,704)	(18,863)
	Ps 74,511	Ps 53,679

Note 8 - Notes and Documents Payable:

A. Balances:

	December 31, 2002	2001
Notes payable -		
Medium-term notes at the interbank compensation interest rate plus 2.00 to 4.00 points, maturing in August 2004 (ALSEA) (1)	Ps 100,000	Ps 106,141
Current portion of medium-term notes payable		(591)
Medium-term notes payable	Ps 100,000	Ps 105,550
Documents payable -		
Loan secured with store equipment from Scotiabank Inverlat S. A., at the interbank compensation interest rate, plus 2.5 points, maturing in June 2003 (OPERADORA DP)	Ps 3,333	Ps 10,664
Loan with mortgage guarantee from Scotiabank Inverlat, S. A. at the interbank compensation interest rate, plus 2.5 points, maturing in July 2005 (OPERADORA DP)	10,617	12,827
Two loans from BBVA Bancomer, S. A. at the interbank compensation interest rate plus 2.5 points, maturing in June 2004 (OPERADORA DP))	11,250	20,071
Two loans from Scotiabank Inverlat, S. A. with a mortgage, guarantee (the land owned by DIA), at the interbank compensation interest rate, plus 2.5 points, maturing in February and March 2004 (DIA)	6,068	11,863
Loan from Invex, S. A. secured with production equipment, subject to interbank compensation interest rate, plus 2.75 points, maturing in January 2004 (DIA)	2,917	5,278
Two loans from BBVA Bancomer, S. A. at the interbank compensation interest rate, plus 1.75 points, maturing in June and July 2005 (DIA)	24,167	30,610
Loan from Bancrecer, S. A. at the interbank compensation interest rate, plus 1.75 points, maturing in June 2003 (DIA))	5,000	10,555
Loan from Invex, S. A. at the interbank compensation interest rate, plus 2.75 points, maturing in December 2002 (DIA)		11,610
Note payable to Activo Financiero, S. A. de C. V., at the interbank compensation interest rate, plus 6 points (PIZZA JAL)		2,341
Current portion of long-term documents payable	(34,570)	(36,726)
Long-term documents payable	Ps 28,782	Ps 79,093

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 not sell fixed assets without reinvesting the proceeds in the acquisitions of other fixed assets in the same period or the immediately following period.
- 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.
- Certain stockholders must hold at least 51% of the ALSEA, S. A. de C. V. shares.

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

Note 9 - Compensation upon Retirement:

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, 2002		December 31, 2001	
Projected benefits obligations	Ps	928	Ps	507
Variations in assumptions and experience adjustments		(158)		(96)
		770		411
Intangible assets		23		56
Accumulated benefits obligation		793		467
Plan assets		-		-
Liability recorded in books	Ps.	793	Ps	467
Net cost for the period:				
Labor cost	Ps	295	Ps	192
Finance cost		33		13
Amortizations		32		27
	Ps	360	Ps	232
Discount rate		4.5%		4.5%
Increase salaries rate		1.0%		0.5%

Note 10 - Stockholders' Equity:

Capital stock -

At the April 29, 2002, General Ordinary and Extraordinary Stockholders' Meetings, the stockholders agreed to:

- Pay dividends in the amount of Ps10,350 (Ps10,000 nominal) to be charged to retained earnings.

- Increase the capital stock by Ps991 (Ps962 nominal) by issuing 481,231 ordinary shares, of a single series, Class II, with no par value. The stockholders also agreed to declare a premium on the subscription of shares of Ps2,229 (Ps2,165 nominal).

At the General Ordinary Stockholders' meeting held on July 2, 2001, the stockholders agreed to paid dividends of Ps43,343 (Ps40,000 nominal) that will be charged to 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, 2002, the subscribed fixed and variable capital is represented by 118,751,417 common nominative shares, with no par value, as shown below:

Number of shares	Description		Amount
122,289,370	Fixed portion of the capital stock	Ps	244,579
1,139,088	Variable portion of the capital stock		2,278
(4,677,041)	Acquisition of own shares		(9,354)
118,751,417	Nominal capital stock		237,503
	Restatement increase		134,681
	Capital stock at December 31, 2002	Ps	372,184

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 are not subject to income tax if paid from the Net Tax Profit Account. Any excess over this account is subject to a tax rate of 34% applied to the amount arrived at by multiplying over the dividend by a factor of 1.5152%, which is payable by the company and may be credited against income tax for the following two years or in the year in which the tax is paid.

At December 31, 2001, the restated tax value of Reinvested After Tax Earning Account amounts to Ps122,648.

As of December 31, 2002 the company had acquired 4,677,041 own shares temporally which represents 3.9% of capital stock.

Below is an analysis of acquisition of own shares at December 31, 2002:

Date of acquisition	Shares	Par value	Average price of acquisition date	Market value	
				December 31, 2002	February 4, 2003
During 1999	509,000	1,018	11.59	7.35	7.05
During 2000	432,000	864	9.03	7.35	7.05
During 2001	1,161,600	2,323	4.10	7.35	7.05
January 2002	164,000	328	3.41	7.35	7.05
February 2002	27,100	54	3.64	7.35	7.05
April 2002	30,900	62	4.95	7.35	7.05
May 2002	219,600	439	7.32	7.35	7.05
June 2002	140,000	280	6.96	7.35	7.05
July 2002	50,100	100	6.99	7.35	7.05
August 2002	889,841	1,780	7.00	7.35	7.05
September 2002	680,500	1,361	6.94	7.35	7.05
October 2002	202,800	406	7.07	7.35	7.05
November 2002	135,200	270	7.33	7.35	7.05
December 2002	34,400	69	7.30	7.35	7.05
	4,677,041	9,354			
Restatement effect		388			
		Ps 9,742			

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

At December 31, 2002, the company has a balance of Ps40,011 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, 2002 and 2001, the company and its subsidiaries had a consolidated taxable income of Ps128,849 and Ps107,790 (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 current IT Law, ALSEA determined as individual company a tax income of Ps1,072 in 2002, and a taxable loss of Ps4,906 in 2001. The 2002 taxable income was amortized against tax losses of prior years.

At December 31, 2002, ALSEA and its subsidiaries have individual unamortized tax losses amounting to Ps53,212, which can be restated by applying NCPI factors, and can be applied to future taxable income over the next ten years.

As of December 31, 2002 the company has paid AT of Ps7,090, which is refundable, provided IT in any of the ten years following exceeds AT for those years. The refund can not exceed the difference between IT and AT, and can be restated by apply NCPI factors.

At December 31, 2002 and 2001, the main temporary differences on which deferred IT is recognized are analyzed as follows:

	December 31, 2002	December 31, 2001
Inventories	Ps 74,879	Ps 89,673
Fixed assets	32,349	32,274
Patents and trademarks	96,770	77,670
Prepaid expenses	9,299	6,774
Provisions	(12,842)	(13,457)
Tax loss carryforward	(20,697)	(21,231)
	179,758	171,703
Income tax rate	x35%	x35%
	62,915	60,096
Effect on reduction income tax rate	(4,941)	-
	57,974	60,096
AT refundable	(7,090)	-
	50,884	60,096
Valuation reserve	412	-
Deferred IT payable	Ps 51,296	Ps 60,096

IT charged to results for the period is analyzed as follows:

	December 31, 2002	December 31, 2001
Current IT	Ps 91,630	Ps 70,623
Benefit from tax consolidation	(5,764)	(2,031)
Tax benefit from acquisition of DOBRASIL shares	(11,417)	
	74,449	68,592
Deferred IT	(1,623)	(4,202)
	Ps 72,826	Ps 64,390

ESPS was determined at 10% of the base, calculated as per the special rules established in the ITL.

Note 12 - Commitments and Contingencies:

Commitments

OPERADORA DP (subsidiary company) signed an irrevocable advertising trust agreement to contract television airtime in the year 2002, 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 DP, 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, the company has an account payable to INVEX of Ps7,399, due to the credit line mentioned above.

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.

Note 13 - Business Segments:

The company is organized in four major operating divisions; mainly pizzas sales (Domino's Pizza), distribution services, coffee sales (Starbucks Coffee) and other all headed by the same management.

The financial information per business segment is as shown on the following page.

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

Business Segment Information Year ended December 31, 2002 and 2001

Thousands of Mexican pesos of December 31, 2002 purchasing power

	2002						2001
	Domino's Pizza division	Distribution division	Starbucks Coffee Distribution	Other business	Eliminations	Consolidated	Consolidated
REVENUE-							
Sales to third parties	Ps 1,723,445	Ps 788,729	Ps 5,882	Ps 61,956		Ps 2,580,012	Ps2,474,654
Inter-segment sales	22,376	592,391		31,105	(Ps 645,872)		
	1,745,821	1,381,120	5,882	93,061	(645,872)	2,580,012	2,474,654
COST OF SALES AND OPERATING EXPENSES	(1,575,532)	(1,297,954)	(11,692)	(107,711)	648,849	(2,344,040)	(2,255,266)
OPERATING INCOME	Ps 170,289	Ps 83,166	(Ps 5,810)	(Ps 14,650)	(Ps 2,977)	235,972	219,388
OTHER						(102,780)	(189,639)
CONSOLIDATED NET INCOME						Ps 133,192	Ps 29,749
TOTAL ASSETS	Ps 1,022,439	Ps 429,222	Ps 76,415	Ps 1,312,330	Ps 1,257,835	Ps 1,582,571	Ps 1,472,988
TOTAL LIABILITIES	Ps 234,584	Ps 199,189	Ps 6,759	Ps 276,919	(Ps 196,085)	Ps 521,366	Ps 501,471
DEPRECIATION AND AMORTIZATION	Ps 85,757	Ps 21,681	Ps 776	Ps 5,405	Ps -	Ps 113,619	Ps 111,178

Note 14 - Subsequent Events:

a. On December 31, 2002, article 2-A of the Value Added Tax Law was amended, taxing take-out and delivered food stuffs, as a result of which, the company may be affected.

b. Company management decided to withdraw in 2003 EXIM and SERVIRLE from consolidation, as these companies are not considered to be strategic in the 2003-2007 business plan.

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Mr. Cosme A. Torrado Martínez
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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

COTIZA EN BOLSA MEXICANA DE VALORES

ALSEA

Design: milenio3.com.mx • Photographs: Vía 69 • Printing: Wetmore Printing



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