numbers worth celebrating

ALSEA

2004 Annual Report

ALSEA

Growth:

25% sales | 38% operating income

EBITDA:

$528 million pesos

149% stock yield

ALSEA

626

stores

Alsea is the leading operator of quick-service restaurants. In Mexico, it operates Domino´s Pizza, Starbucks Coffee and Popeyes, and is the largest Burger King franchisee. In Brazil, it runs Domino’s Pizza. Its multi-unit operation is supported by its distribution division, DIA.

10,483

employees

MISSION

Our raison d’être is to:

Develop, manage and control the businesses of Alsea, by employing a synergy and critical mass model to optimize our human and material resources.

“With people for people”

VISION

Where we want to go

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

VALUES

What makes us great:

The values fostered by Alsea among its people are:

Customer Service and Orientation
Personal Excellence and Comprehensive Development
Respect, Integrity and Austerity
Supervising Quality and Productivity
Innovation and Creativity
Responsibility, Commitment and Teamwork

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529

stores

We are part of the largest specialized pizza home-delivery chain that operates in 55 countries and has over 7,750 stores united through a single mission: “To serve the best pizza in the world”.

50

stores

Burger King guarantees its customers the highest quality in fast food, excellent service, friendliness and a pleasant atmosphere. Alsea is its largest franchisee, with 50 stores in Mexico.

STARBUCKS COFFEE

43

stores

Starbucks is for everyone the best coffee at the best place, the third place. It is an oasis where customers can relax, read or get together with friends.

Popeyes CHICKEN & SEAFOOD

4

stores

This is the second largest fast-food chicken sale concept in the world. The New Orleans flavor of Popeyes Chicken & Seafood adds a distinctively spicy touch.

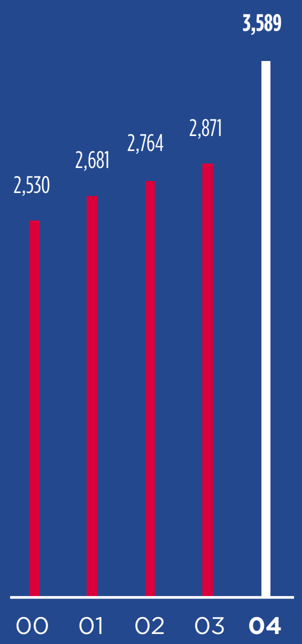
DIA

5

distribution centers

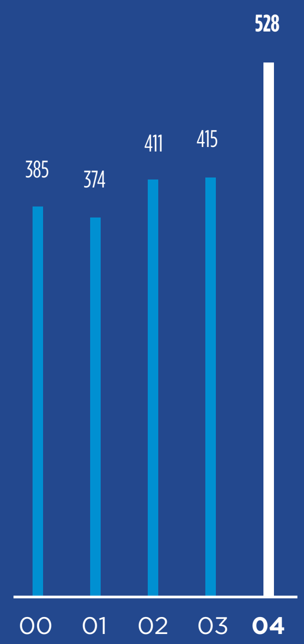
Distribuidor Internacional de Alimentos is the Alsea subsidiary that supplies food to the different brands we manage, and strengthens them so that they can focus on serving the final consumer.

CAGR:
9.1%



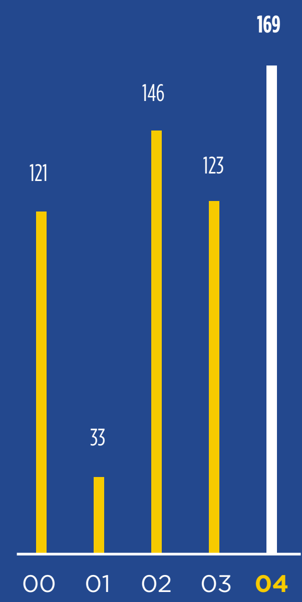
Net Sales

CAGR:
8.2%



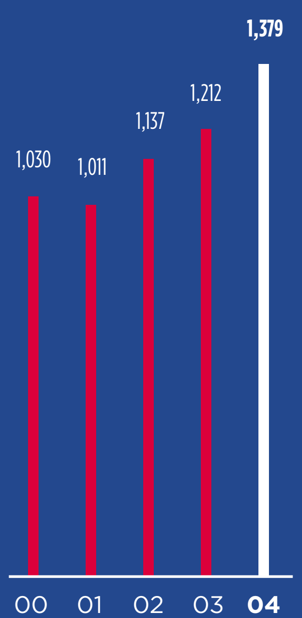
EBITDA

CAGR:
8.7%



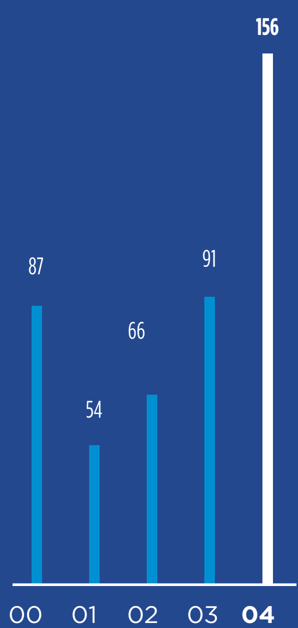
Net Profit

CAGR:
7.6%



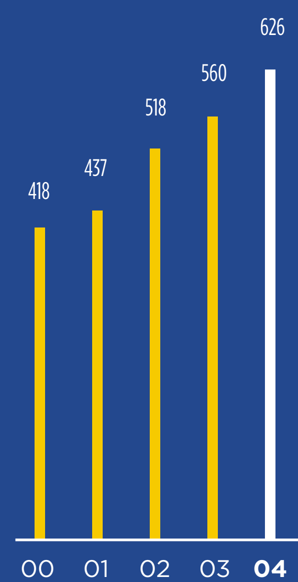
Shareholders' Equity

CAGR:
15.9%



EVA

CAGR:
10.6%



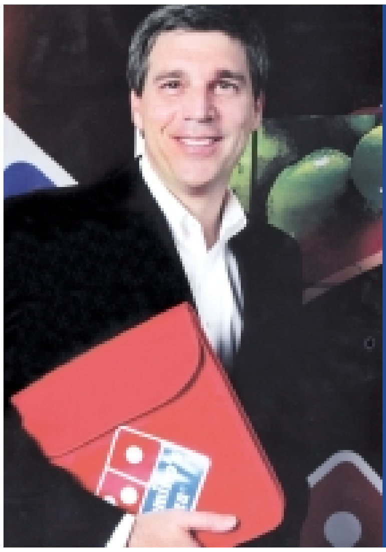
Number of Stores

Figures in thousands of pesos, expressed in purchasing power as of December 31, 2004, except number of stores.

Financial Highlights (1)

	2004	%	2003	%	2002	%	2001	%	2000	%
Nets sales	**3,589,078**	**100**	2,871,491	100	2,764,305	100	2,681,499	100	2,529,661	100
Gross Profit	**2,068,389**	**57.6**	1,615,325	56.3	1,543,235	55.8	1,475,854	55.0	1,419,258	56.1
Operating Expenses	**1,540,514**	**42.9**	1,200,116	41.8	1,132,496	41.0	1,102,351	41.1	1,034,679	40.9
Operating Income	**350,763**	**9.8**	253,749	8.8	283,918	10.3	249,964	9.3	271,811	10.7
EBITDA	**527,875**	**14.7**	415,209	14.5	410,740	14.9	373,502	13.9	384,579	15.2
Consolidated Net Profit	**168,513**	**4.7**	123,164	4.3	146,199	5.3	32,584	1.2	121,076	4.8
Total Assets	**2,134,931**	**100**	1,798,227	100	1,737,150	100	1,613,292	100	1,750,877	100
Cash	**142,451**	**6.7**	205,800	11.4	217,834	12.5	105,777	6.6	118,859	6.8
Liabilities with Cost	**95,526**	**4.5**	150,322	8.4	179,304	10.3	243,101	15.1	345,956	19.8
Majority Shareholders' Equity	**1,379,449**	**64.6**	1,211,948	67.4	1,136,529	65.4	1,010,884	62.7	1,029,789	58.8
EVA (2)	**156,319**		91,130		66,441		54,288		86,628	
ROIC (3)	**26.2%**		22.1%		20.4%		19.4%		23.1%	
ROE (4)	**12.1%**		10.2%		13.1%		3.1%		12.1%	
Price of Share	**23.95**		9.60		7.35		3.50		6.14	
Earnings per Share	**1.22**		1.09		1.23		0.27		1.00	
Dividend Paid per Share	**0.59**		0.38		0.09		0.34		-	
Book Value per Share	**11.10**		10.38		9.57		8.37		8.46	
Shares Outstanding (millions)	**124.2**		116.8		118.8		120.8		121.7	
Number of Stores	**626**		560		518		437		418	
Employees	**10,483**		7,336		6,950		6,893		6,834	

(1) Figures in thousands of pesos, expressed in purchasing power as of December 31, 2004, except per share data, number of stores and employees.
(2) EVA is defined as the operating income – net invested capital times the cost of equity (it considers a shareholder cost of 15%).
(3) ROIC is defined as the operating income divided by the invested capital – net (total assets – cash and temporary investments – liabilities without cost).
(4) Return on Equity is defined a net profit divided by equity.



Domino's Pizza Mexico had another wonderful year of growth and positive performance in 2004, thanks to Alsea's commitment, experience and passion for our brand. We are very pleased and proud of the continued success of Domino's Pizza Mexico. What also made this year special was Domino's Pizza Mexico's opening its 500th store. Mexico is our largest and most successful international market.
I recently toured stores in the country to celebrate the 15th anniversary of Domino's Pizza Mexico, and I was once again impressed with the energy, attitude and quality of Alsea's and Domino's team. They are providing great products, wonderful service and tremendous value to their customers. Domino's Pizza will continue its growth of stores, sales and market share, innovating with new and exciting products while also providing prompt, accurate delivery service throughout Mexico.

David A. Brandon
Chairman and Chief Executive Officer,
Domino's Pizza, Inc.

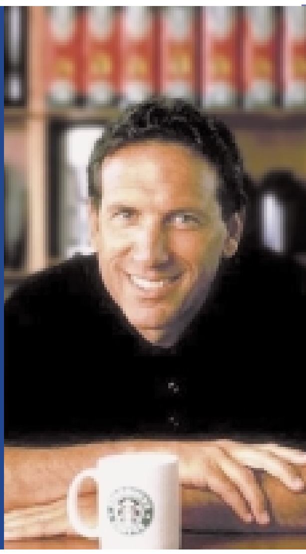
Message to the Shareholders

To our Shareholders:

We wish to share with you the various celebrations that took place in Alsea during 2004. Domino's Pizza commemorated its 15th anniversary, and not only was the natural passage of time a reason to be festive, but also the opening of the 500th store of the Domino's Pizza system in Mexico crowned this event. We recognize the effort and commitment of all the people whose work enabled us to achieve this remarkable goal. Thanks to the experience gained in these last few years, we are convinced of the fact that a long road lies ahead for this great and young Domino's Pizza system.

We likewise celebrated the opening of our 50th Burger King store, 43rd Starbucks Coffee shop and 4th Popeyes Chicken & Seafood unit—a brand we purchased precisely this year to develop the concept in Mexico. Sixty-six opening celebrations in all our brands during 2004 made it possible for Alsea to reach a total of 454 corporate stores and 172 franchises in Mexico and Brazil, thereby posting record sales of 3.6 billion pesos, 25.0% more than last year. We are no doubt experiencing the materialization of our vision that was outlined four years back: "The leader in operating brands with proven success".

We celebrated Alsea's 5th anniversary in the Mexican Stock Exchange with extraordinary results for our shareholders; our share price increased 149.5% during 2004; and Alsea's share float in the market accounted for 20.1% of its total shares. At the same time, the volume of shares traded by Alsea grew 255.0% compared with 2003, thereby reaching an average level of marketability.



I want to send a heartfelt congratulation to our partner Alsea for a wonderful year of growth and exceptional results in the Starbucks business. From opening our first store in 2002 in Mexico City, to the 43 stores we have today, the Starbucks brand is becoming one of the most recognized brands and delivers the highest quality coffee, customer service and coffee-house experience. Without the hard work and dedication of all of you, this would not have been possible. I want to thank you for your passion for coffee and people, and I look forward to many more years of incredible growth.

Howard Schultz
Chairman, Starbucks Corporation

I want to congratulate our franchisee, Operadora West, for its excellent results in 2004. Its effort and dedication to the Burger King" system determinedly contributed to our growth in Latin America. Operadora West offers quality service and products to the Mexican market, making the Burger King system the best food option for consumers. I am certain that, thanks to the passion and commitment of our franchisee, we can look forward to many more years of outstanding results.

Julio Ramirez
Chairman, Burger King Corporation

Profitability results in 2004 also reflect the trust bestowed upon us; we declared dividends of 0.59 pesos per share, equivalent to an annualized yield of 3.5% based on the share price at the time the dividends were declared. The generation of Economic Value Added (EVA) amounted to 156.3 million pesos, 71.6% higher than that of 2003, and the Return on Invested Capital (ROIC) was 26.2% or 410 base points higher than last year's.

In recent years, Alsea has been undergoing a serious and formal process of institutionalization supported by our Board of Directors, which places ethical principles first and encourages experiencing the values of our strategic plan throughout the organization.

We are rapidly approaching our 1,000-store goal and greater shareholder profitability, an equation that will be the basis for our future growth.

We have learned that goals are attained when they are clear, well defined and are periodically evaluated by a well motivated and compensated work team. This is Alsea's greatest challenge in the years to come, and we will busy ourselves to make this success formula materialize and meet our goals.

We wish to thank all of you for your trust. At Alsea, our accomplishments encourage excellence.

Alberto Torrado Martínez
Chief Executive Officer

Cosme A. Torrado Martínez
Chairman of the Board of Directors

growth:

7%
sales

61%
operating income

500
stores in Mexico

37.6 million
pizzas sold during the year

Sales: **$1,995** million


Domino's Packs
$145
$125
$225
$185
$199


SÓLO UTILIZAMOS
INGREDIENTES
DE ALTA CALIDAD.


Domino's
Pizza®

CUSTOMER SATISFACTION

105,952,643 customers served per year.

MARKET LEADERSHIP

500 stores in only 15 years in Mexico, and 29 stores in Brazil.

Service in 124 cities throughout the Mexican Republic.

We revolutionized the market by launching our Pizza Double Decker

PREFERRED EMPLOYER

951 sources of employment were generated in 2004, totaling 7,690 employees in Mexico and Brazil.

STRATEGIC PARTNER

Domino's Pizza, Inc. has 7,750 stores in 55 countries.

We deliver 1,000,000 pizzas a day worldwide.

Joint venture agreement with Spoleto, Ltd. to operate Domino's Pizza Brazil

SHAREHOLDER VALUE

Historical record EBITDA $297 million pesos

EVA $92 million pesos

ROIC 28.6%

Did you know that:

- We used 296 million pepperoni sausages in 2004, equal to 48 times the height of Mexico City's tower, "Torre Mayor".
- We used 7,500 tons of cheese, equal to the weight of 100 Boeing 727 airplanes.

Without a doubt, 2004 was a great year for Domino's Pizza; we celebrated our 15th anniversary as the leader in Mexico, we opened our 500th store, and the business grew in same-store sales, showing unquestionable signs of health both in the brand as well as in the operation. It also is proof of the fact that the habits and customs of the Mexican market increasingly embrace the home-delivery and in particular the pizza concept, which guarantees that Domino's Pizza still has a long road ahead in terms of growth and consolidation.

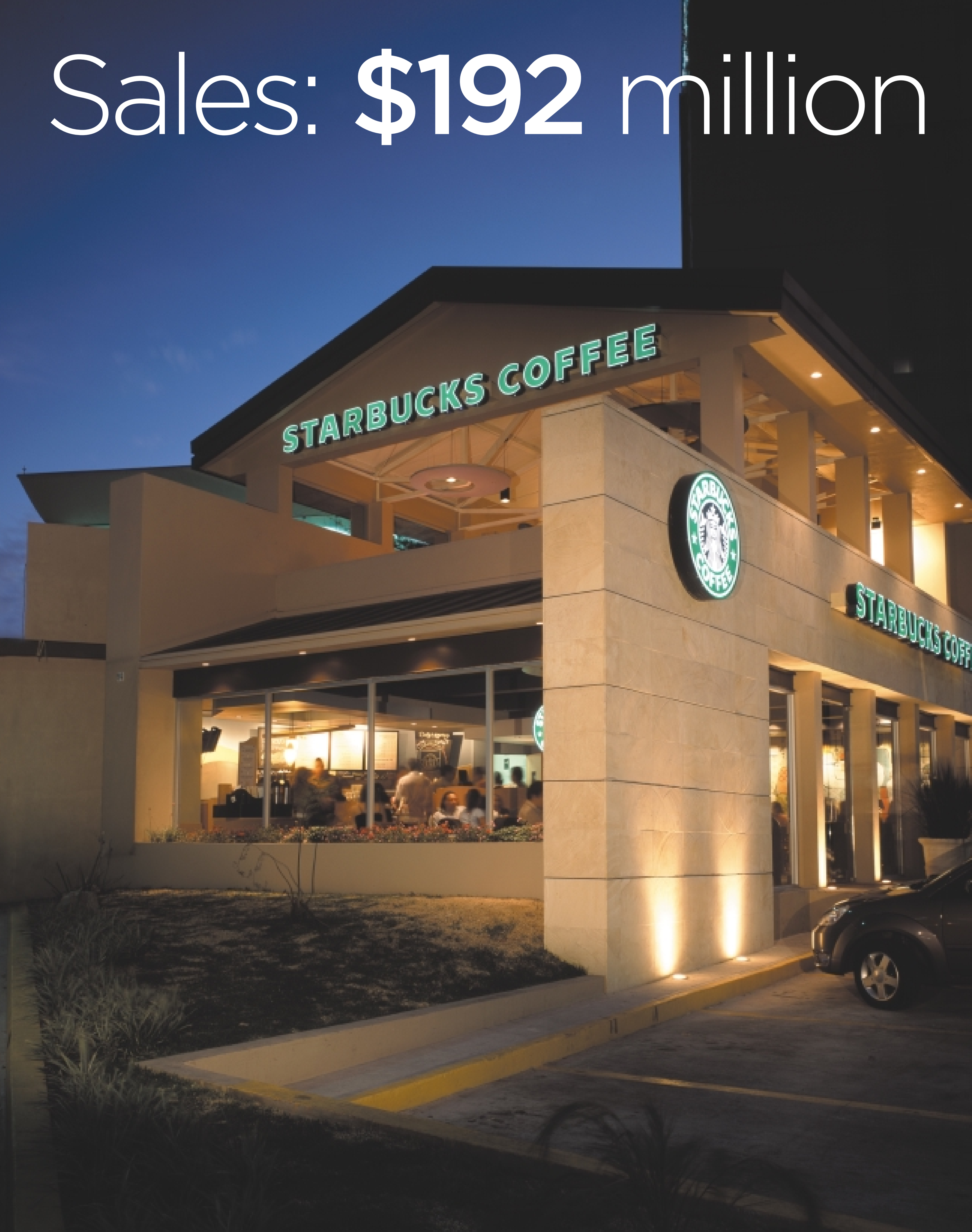
Federico Tejado
Director of Domino's Pizza Mexico

140%
growth in sales

130,000
customers served per week

5.6 million
coffees sold in 2004

Sales: **$192** million



CUSTOMER SATISFACTION

Number of customers served per month: 560,000.
5.6 million coffees sold.

MARKET LEADERSHIP

A total of 43 stores in Mexico. 21 stores were opened in 2004, a growth of 95.4%.
5 stores were opened in 3 locations outside Mexico City.

PREFERRED EMPLOYER

203 sources of direct employment were generated, totaling 440 employees.
40 *Coffee Masters Certified Employees were trained in 2004*.

STRATEGIC PARTNER

Starbucks Corporation has 8,569 stores in 34 countries.
30 million customers served per week worldwide.

SHAREHOLDER VALUE

EBITDA $22 million pesos.
EBITDA margin 11.3%.

Did you know that:

- Mexico is the world's 5th coffee producer and one of the main suppliers of coffee for Starbucks Coffee worldwide.
- The coffees sold by Starbucks Coffee during 2004 could fill an Olympic swimming pool.

At Starbucks, we have a passion for coffee, our quality is superior, and our customer service is excellent. As a result, only two years after having opened our first store in Mexico City, Starbucks is already widely accepted among Mexican consumers, and we obtained positive operating income results—one year earlier , in fact, than what we estimated. I am convinced of the fact that the talent of our people—combined with Alsea's experience—will allow us to continue growing rapidly and successfully, our aim being to total 70 stores at year-end 2005.

Gerardo Rojas
Director of Starbucks Coffee Mexico

13

openings in the year

37%

growth in sales

8.7 million

hamburgers sold

Sales: **$481** million




CUSTOMER SATISFACTION

245,239 customers served per week.
Hamburgers sold: 8.7 million.

MARKET LEADERSHIP

13 openings in 2004, a growth of 35%. Presence in 2 of the country's 3 most important cities.

PREFERRED EMPLOYER

We generated 471 direct jobs, totaling 1,519 employees.

STRATEGIC PARTNER

Burger King Corporation has 11,220 stores in 61 countries.

SHAREHOLDER VALUE

EBITDA $85 million.
41.4% growth in EBITDA.
EVA $36 million pesos.

Did you know that:

- If we were to tie together our total number of French fries, we could go around the Earth's equator 1.5 times.
- We used 18 million packets of ketchup in the year, equal to the weight of the Statue of Liberty.

Without a doubt, the greatest achievement in the year was having added 13 branches, a 35% increase compared with the previous year. As a result, we were awarded the Excellence in Development award granted by Burger King Corporation to the largest-growing franchise in Latin America.

In 2005, we plan to purchase and build 25 additional branches, accounting for 50% growth in our operations. At present, Operadora West is the largest Burger King franchisee in Mexico, and operates business units in more than ten cities. I am totally confident that—thanks to our expansion plans and market penetration—we will continue being one of the fastest-growing franchises now and in the years to come.

Fabian Gosselin
Director of Operadora West

CUSTOMER SATISFACTION

4 stores opened in 2004. More than 3,500 customers served per week. 23,375 combos sold in 2004.

MARKET LEADERSHIP

The first store was opened in a record time of 12 weeks.

PREFERRED EMPLOYER

119 employees hired between June and December.

STRATEGIC PARTNER

1,824 stores in 26 countries.

Popeyes Chicken & Seafood was established in New Orleans in 1972.

SHAREHOLDER VALUE

$7 million pesos in sales in six months.

Did you know that:

- Chicken is the most frequently eaten meat in Mexico, more than 20 kilograms per capita a year.
- Popeyes is the second largest chicken chain in the world.

This year, we began to develop the Popeyes Chicken & Seafood system and brand in Mexico. Six months after signing the agreement with AFC Enterprises, we already have four stores, and are very well accepted by our clients. We expect to continue growing in the years to come, and become one of the most important Popeyes franchisees, as well as our consumers' preferred food choice.

Salvador Rocha
Director of Popeyes Mexico


Popeyes
CHICKEN & SEAFOOD
Popeyes
CHICKEN & SEAFOOD


Popeyes
CHICKEN & BISCUITS

91,019

orders delivered

---

771 stores

serviced

7.3million

kilometers traveled

Sales: **$1,798** million

CUSTOMER SATISFACTION	91,019 orders delivered to 771 stores. 124 cities visited per week. 7,333,577 kilometers traveled
MARKET LEADERSHIP	5 distribution centers with national coverage.
PREFERRED EMPLOYER	474 employees.
STRATEGIC PARTNER	DIA purchases, imports, stores, produces and distributes inputs for the four brands: Domino's Pizza, Burger King, Starbucks Coffee and Popeyes.
VALOR PARA EL ACCIONISTA	EVA $102 million pesos. ROIC 56.1%.

Did you know that:

- 7.3 million kilometers traveled, a distance equal to nine trips to the moon and back.

Our most remarkable accomplishment was the more than 91,000 "complete and on time" deliveries we made to 771 stores in Mexico, at an average of two deliveries a week.

This was possible, thanks to our focus on operating efficiency and control, as well as increasingly committed people. We have in this way reiterated our Mission: "To be a committed work force that anticipates and meets the supply needs of the Alsea companies".

Héctor Orrico
Director of DIA

Alsea Services

ALSEA REAL-ESTATE SERVICES

CUSTOMER SATISFACTION
Develop and implement the opening plan for each of Alsea's brands.

MARKET LEADERSHIP
Follow the plan to open each brand, obtaining the best locations and creating synergy in the negotiations of these properties.

PREFERRED EMPLOYER
Higher degree of specialization in the functions and responsibilities of each of our employees.

STRATEGIC PARTNER
Services agreements with all of Alsea's business units to ensure growth.
Strategic alliances with real estate developers and power of negotiation.

SHAREHOLDER VALUE
Ongoing improvement in the return on investment by store.

SHARED ALSEA SERVICES

CUSTOMER SATISFACTION
Processing recurrent, high-volume transactions in the Accounting, Income, Disbursements and Payroll Departments.

MARKET LEADERSHIP
Implementing Oracle and Alsea Shared Services.

PREFERRED EMPLOYER
Specialization of our employees' functions and responsibilities.
Ongoing improvement of the Performance Evaluation System.

STRATEGIC PARTNER
Service agreements with all of Alsea's business units to ensure growth.
Make sure that our mission is being accomplished by planning, regulating and controlling the adherence to the Strategic Plan of each business unit.

SHAREHOLDER VALUE
Lowering expenses by store and optimizing resources.

Mission:

"To encourage and foster actions to improve citizen well-being and quality of life by means of health, human development, educational, cultural and sports programs as well as aid during times of natural disasters, so as to participate in the building of a more balanced Mexico."

In June 2004, Alsea legally incorporated Fundación Comprométete A.C., which is the most visible expression of the social responsibility and commitment of Alsea, S.A de C.V. and of each of its brands (Domino's Pizza, Starbucks Coffee, Burger King, Popeyes and DIA) to Mexico and to a better future for the country.

Activity Summary

2004 was a year of remarkable achievements during which Fundación Comprométete A.C. received economic resources from sources such as the Founding Partners, Sub-franchisees of Domino's Pizza, the Advertising Fund and the Domino's Pizza stores.

During the year, Fundación Comprométete A.C. established an alliance with Fondo para la Paz I.A.P.—a solid and reliable institution that carries out social programs—and an exclusivity agreement was signed for the Socios por México (Partners for Mexico) program.

During the 2004 Christmas season, Fundación Comprométete A.C. maintained a sound alliance with Starbucks Coffee, DIA, Ministerios de Amor I.A.P., Alsea employees and customers, as a result of which toys were collected for and donated to homeless children and the children of DIA employees.

"We donated over 3,000 toys which were delivered on December 24 and January 6."

Programs

Socios por México is a non-paternalistic program aimed at providing well-being to marginal communities through the following family-participation programs and strategies:

Health: Installing and how to use latrines and/or LOLA ecological stoves.

Nutrition: Poultry farms. Sheep farms

These programs help curb respiratory and gastrointestinal infections that are common among the marginal population, as well as support nutritional and economic well-being through the sale and breeding of animals.

Socios por México is developed in nine communities in the states of Veracruz and Oaxaca, benefiting more than 205 indigenous low-income families, or more accurately around 1,250 Mexicans.

Outlook

2005 will be a year full of challenges and consolidation for Fundación Comprométete A.C., during which time we will reinforce our social-aid commitment in the fields of health, human development and education.


PARIS


Managament's Discussion & Analysis

Net sales in 2004 grew 25%, totaling 2.9 billion pesos. This 717.6-million-peso gain is due to several factors, including:

i) The inclusion of 481.4 million pesos in Burger King's income, which were consolidated in Alsea starting in January 2004. Burger King's income went up 36.7%, mainly due to the opening of thirteen stores.
ii) The increase of 130.8 million pesos in the income of Domino's Pizza Mexico, equal to 7.4%, attributable to a larger number of stores as well as to the positive growth in same-store sales.
iii) An increase of 112.2 million pesos in the income of Starbucks Coffee, equal to 140.4%, due to the opening of 21 stores, as well as to the positive growth in same-store sales;
iv) The increase of 7.0 million pesos in the income of Popeyes, as a result of the opening of four stores; and
v) The year that ended December 31, 2004 having considered 53 weeks compared with 52 weeks the previous year.

These increases were partially offset by the 12.6 million-peso decrease in the income of Distribuidor Internacional de Alimentos (DIA), due to the drop in the number of clients, this being part of the strategy to exclusively serve the company's brands.

Gross profit went up to 2.1 billion pesos, a 28.0% increase, reflecting the increases in gross profit in most of the business units, including Domino's Pizza, Starbucks Coffee, Burger King, Popeyes and Distribuidor Internacional de Alimentos. These increases were partially offset by the decrease in gross profit of Domino's Pizza Brazil.

Gross profit margin went up 130 base points, going from 56.3% to 57.6%.

Excluding depreciation, operating expenses totaled 1.54 billion pesos which, as a proportion of total income, went from 41.8% to 42.9%. This effect was largely due to the consolidation of Operadora West, as well as to the larger number of Starbucks Coffee and Popeyes stores. This was partially offset by savings in Distribuidor Internacional de Alimentos produced by greater efficiency in transportation routes.

The 15.7-million-peso increase in depreciation and amortization was due to a larger number of Starbucks stores, as well as to the Operadora West stores which were not consolidated during the year ended December 31, 2003.

The expense related to the comprehensive cost of financing dropped from 2.7 million pesos to 2.0 million pesos during the year ended December 31, 2004 compared to 4.7 million pesos during the year ended December 31, 2003. This decline mainly reflects the 1.9-million-peso decrease in interests paid – net, and the positive variation of 1.7 million pesos in exchange rate results. These variations were partially offset by a negative variation of 1.0 million pesos in the monetary position result.

Other expenses – net totaled 72.0 million pesos during the year ended December 31, 2004 compared to 32.9 million pesos of the same period last year. This amount mainly reflects:

The 28.1-million-peso estimate for the deterioration of long-term assets at Delibra (Domino's Pizza Brazil);
The 22.9-million-peso expense which resulted from recognizing in the results the goodwill of the companies purchased from the Telepizza Group; and
The 21.0-million-peso write off of assets which

resulted from the closing, remodeling and relocation of stores and the Monterrey distribution center.

The income tax rate and tax on assets rate in effect dropped from 36.4% to 33.5% in the year ended December 31, 2004—excluding the operations of Domino's Pizza Brazil, as well as the expense from recognizing the goodwill of the companies purchased from the Telepizza Group, while considering that starting in fiscal year 2004 the company will recognize an asset from deferred income taxes, in view of the high probability of recovering the tax losses of one of its subsidiaries.

Consolidated net profit went up 36.8%, totaling 168.5 million pesos in the year ended December 31, 2004. Net margin climbed from 4.3% in the year ended December 31, 2003 to 4.7% in the same period of 2004.

In 2004, Alsea invested approximately 382.7 million pesos in property, plant and equipment, of which over 279.6 million pesos correspond to the opening, relocation and remodeling of the different brand stores operated by the company.

As of December 31, 2004, the company's long-term debt amounted to 25.1 million pesos, and its short-term debt 70.5 million pesos, compared with 19.9 million pesos and 130.4 million pesos, respectively, as of December 31, 2003. At the close of 2004, the entire debt was in pesos.

The company presents a solid financial structure, even after having paid off the Medium-term Promissory Note with company funds. The current assets to short-term liabilities ratio was 1.2 times, an acid test of 0.8 times. The company decreased its inventory turnover two times, going from 11 to 9 times. It lowered its client portfolio by three days, going from 13 to 10 days, and accounts payable to suppliers dropped five days, going from 37 to 32 days at the close of the fourth quarter of 2004.

Return on Invested Capital (ROIC) was 26.2% during the year ended December 31, 2004, reflecting an increase of 4.1 percentage points compared to 22.1% obtained in 2003. The generation of Economic Value Added (EVA) grew 71.6%, totaling 156.3 million pesos in the year ended December 31, 2004 compared to 91.1 million pesos obtained in the previous year.

Corporate Governance
Audit Committee

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

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 related to the fiscal year ending December 31, 2004. As work progressed, we 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 meetings held.

1. We recommended the hiring of external auditors. In order to carry out this recommendation, we verified their independence, analyzed their work program and evaluated their performance during the previous year.
2. We maintained constant communication with the external auditors, so as to be informed of the progress in their work and any observations on their part. We were informed of their comments in a timely manner and followed up on them.
3. We reviewed the financial information issued quarterly by Management, making sure that it was prepared using the same accounting criteria as those of the annual information. Based on the foregoing, we recommended to the Board of Directors that this information be approved. During the year, there were no changes in the accounting policies followed by the company.
4. We reviewed the company's financial statements as of December 31, 2004, as well as the accounting policies that were used to prepare them. After having analyzed the comments of the external auditors and the Examiner, we recommended to the Board of Directors that these statements be approved to be submitted to the consideration of the Stockholders' Meeting.
5. We reviewed and approved the annual work plan of the Internal Audit Department and its corresponding budget. We received quarterly reports on its performance, and made sure that the recommendations being presented were properly followed up on and implemented.
6. With the support of the Internal Audit Department, we made sure that transactions with related parties were conducted according to market conditions and properly disclosed to third parties.
7. We analyzed transactions that were either out of the ordinary or that accounted for important acquisitions of assets. In concluding, we recommended to the Board of Directors that these transactions be approved.
8. With the support of external and internal auditors, we revised the general internal control guidelines, following up on the implementation of the resulting recommendations.
9. Proper procedures were established to help the Audit Committee review and approve the financial information issued by the company that is used by third parties.
10. The Systems and Information Technology Division informed us of its operations, established internal control procedures and the development of new systems.
11. We verified the existence of controls established by the company to guarantee the compliance with the different legal provisions it is subject to, and to make sure that significant contingencies are properly disclosed.
12. Through the Internal Audit Department, we verified the proper dissemination of and compliance with the company's Code of Conduct.
13. 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.
14. On a quarterly basis, we presented to the Board of Directors reports on the activities conducted by the Committee.
15. We held executive meetings, without the presence of the representatives of Management and, when applicable, we made our recommendations to Management.

We thank the company's Management for the support it gave us in fulfilling our responsibilities.

Sincerely,

José Manuel Canal / Chairman

Planning & Finance Committee

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

In accordance with Article 14 of the Securities Market Law and on behalf of the Planning & Finance Committee, I hereby inform you of the activities we carried out related to the fiscal year ending December 31, 2004. As work progressed, we 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 meetings held in said period.

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

1. The general guidelines were established to develop Alsea's 2005-2009 Strategic Plan.
2. The Control Panel and Strategic Polygon were presented and reviewed on a quarterly basis, and in all cases we recommended that they be authorized.
3. General premises were established to prepare the 2005 budget. Budgets for 2005 of each of Alsea's companies were reviewed in two extraordinary sessions, and we ultimately recommended to the Board of Directors that they be approved.
4. The CEO's report was revised with the variations compared to the budget of each quarter of 2004, with the effects of each of the Alsea companies, in order to validate them before being presented to the Board of Directors.
5. The investment alternatives produced by Alsea's Chairman of the Board and Chief Executive Officer were evaluated, and in each case their opinion was given. These alternatives included, among others, Popeyes, the acquisition of strategic locations through Servicios Inmobiliarios Alsea, the acquisition of Segurápido with nine Domino's stores in Yucatán, and the merger of Operadora West into Alsea.
6. The General Progress report and the report on Critical Aspects of the ASUL Project (Implementation of Alsea Shared Services, as well as implementation of Oracle for the Finance Department and Supply Chain) were presented quarterly. The project is being carried out as per the authorized budget and within the established time frame.
7. Each quarter, we were presented with an update of the Shareholder's Cost, which was applied at the close of each quarter in 2004, using the methodology authorized by the Board of Directors. We sustained our recommendation to maintain this rate at 15%.
8. The results of the Securitization Plan were presented quarterly. The most important indicators in a comparison of 2003 and 2004 were: Float went from 9% to 20%; average daily volume traded went from 34,708 to 121,794 shares; and the share price grew from 9.60 to 23.95 pesos.

Salvador Cerón Aguilar / Chairman

Evaluation & Compensation Committee

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

In accordance with Article 14 of the Securities Market Law and on behalf of the Evaluation & Compensation Committee, I hereby inform you of the activities we carried out related to the fiscal year ending December 31, 2004. As work progressed, we 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 meetings held.

1. During the first quarter of 2004, Alsea's Evaluation & Compensation Committee was audited, with the support of the external firm, Hay Group, the highlights of which are the following:
• The total compensation package for Senior Management is competitive compared with the HAY market survey.
• The benefits package and bonus plan are within market practices.
• The value of the stock allotment plan is higher than that of the market in terms of execution time and form of granting.

2. During the second quarter of 2004, Mr. Sergio Larraguivel Cuervo was appointed Chairman of Alsea's Evaluation & Compensation Committee. This Committee is made up as follows:

Sergio Larraguivel Cuervo	Chairman
Alberto Torrado Monge	Member
Federico Tejado Bárcena	Member
Mario Carrillo Villalpando	Examiner
Juan Carlos Jallath Hernández	Secretary

3. During the year, the following executive compensation components were established for 2004:
• Compensation package and policies
• Bonus policies
• General performance evaluation guidelines

4. The 2005 Compensation Strategy was designed and will be applied to the Budget for 2005.

5. The following activities were carried out with regard to Management Deferred Compensation (SOP):
• The 2003 Stock Allotment Plan was delivered to the participants.
• The 2004 Stock Allotment Plan was delivered to the participants.
• For fiscal year 2005, the Committee recommended that the Stock Allotment Plan be converted to a Stock Option Plan (SOP), the benefit of which lies in the increase in the registered share value between the plan's underwriting date and the option exercise date.

6. The 2005 Performance Evaluation Model was developed, and will be made up of a quantitative portion (evaluation certificates), a qualitative portion (360° by competences), and a development potential portion (an Alsea tool – Strategic Equipment).

7. The 2004 performance of the Chief Executive Officer and Senior Management was evaluated, and the 2004 bonus was authorized.

8. A Salary Leveling Plan was prepared for Directors and Assistant Directors that will be implemented in 2005 and managed by the CEO.

9. The "Proyecto Gente 2005" ("2005 People Project") was designed and represents the most important forward-looking strategy for Alsea's human capital.

Sincerely,

Sergio Mario Larraguivel Cuervo / Chairman

Marketing Committee

In accordance with Article 14 of the Securities Market Law and on behalf of the Marketing Committee, I hereby inform you of the activities we carried out related to the fiscal year ending December 31, 2004. As work progressed, we kept in mind the recommendations established in the Code of Best Corporate Practices.

Over the course of several meetings, general guidelines were laid down for the Marketing Division, focusing on the following items, authorized by the Board of Directors, namely:

1. The 2005 Marketing Plan was analyzed.

2. Establish a price strategy to protect margins.

3. The promotions and coupons sales system was analyzed.

4. It was determined that the Marketing Committee would be structured to review the following aspects of each of the brands:

• Approval of the strategy to build and position the Alsea brands
• Revision and approval of the price and cost structure
• Backup and orientation for negotiations with the media
• Volume building
• Revision and approval of marketing expenses (budgets)
• Same-store, low-growth zones will be reviewed

5. The performance of each brand will be reviewed on a quarterly basis to make sure that the measures being taken are aligned with the strategy of the brand in particular and of Alsea in general.

6. The Committee will also take on the activity of following up on agreements, so as to guarantee the application of the decisions made by the Committee.

Marcelo Rivero Garza / Chairman

Board of Directors

Chairman
Cosme A. Torrado Martínez

Shareholder Board and Staff Members
Alberto Torrado Martínez
Armando Torrado Martínez
Federico Tejado Bárcena
Cosme A. Torrado Martínez

Shareholder Board Members
Alberto Torrado Monge
J. Patrick Doyle

Independent Board Members
Marcelo Rivero Garza
José Manuel Canal Hernando
Salvador Cerón Aguilar
Sergio Mario Larraguivel Cuervo

Secretaries
Guillermo Díaz de Rivera Alvarez
Xavier Mangino Dueñas

Statutory Examiner
Mario Carrillo Villalpando

Alternate Examiner
Luis Gabriel Ortíz Esqueda

INTERMEDIATE ORGANS

Audit Committee

José Manuel Canal Hernando	*Chairman*
Cosme A. Torrado Martínez	*Member*
Armando Torrado Martínez	*Member*
Mario Sánchez Martínez	*Secretary*

Planning & Finance Committee

Salvador Cerón Aguilar	*Chairman*
Cosme A. Torrado Martínez	*Member*
Sergio Mario Larraguivel Cuervo	*Member*
José Rivera Río Rocha	*Secretary*

Comité de Evaluación y Compensación

Sergio Mario Larraguivel Cuervo	*Chairman*
Alberto Torrado Monge	*Member*
Federico Tejado Bárcena	*Member*
Juan Carlos Jallath Hernández	*Secretary*

Comité de Mercadotecnia

Marcelo Rivero Garza	*Chairman*
Federico Tejado Bárcena	*Member*
Diego Cossío Bartón	*Member*
Francisco Rodríguez Lara	*Secretary*

ALSEA. S.A. de C.V. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2004 and 2003

(Translation from Spanish Language Original)

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Statutory Auditor's Report
(Translation from Spanish Language Original)

The Stockholders
Alsea, S. A. de C. V.:

In my capacity as Statutory Auditor, and in compliance with the provisions of Article 166 of the General Corporations Law and the Company's bylaws, I hereby submit my report on the accuracy, sufficiency and fairness of the information contained in the accompanying financial statements, furnished to the General Stockholders' Meeting by the Board of Directors, for the year ended December 31, 2004.

I have attended the stockholders and board of directors meetings to which I have been summoned, and I have obtained from the directors and management of the Company such information on the operations, documentation and accounting records as I considered necessary in the circumstances. In addition, I have examined the balance sheet of Alsea, S. A. de C. V. as of December 31, 2004, and the related statements of operations, stockholders' equity and changes in financial position for the year then ended, which are the responsibility of the Company's management. My examination was carried out in accordance with auditing standards generally accepted in Mexico.

As stated in note 1, on January 1, 2004, Alsea acquired the majority of shares of Operadora West, S. A. de C. V. (Franchisee of Burger King Corporation), by increasing its equity interest from 31.56% to 63.1% (date of inclusion into consolidation). In December 2004, the stockholders agreed to merge Operadora West, S. A. de C. V. and Alsea, S. A. de C. V., with the latter being the subsisting entity. The merger will be effective on the date the aforementioned companies receive the respective criterion confirmation from the Ministry of Finance and Public Credit (SHCP) since it is a corporate restructuring, and Burger King Corporation's authorization in conformity with the franchise contracts they have entered into.

In my opinion, the accounting and reporting criteria and policies followed by the Company, and considered by management in preparing the financial statements presented at this meeting, are adequate and sufficient under the circumstances and have been applied on a basis consistent with that of the preceding year. Therefore, such information is a fair, reasonable and sufficient representation of the financial position of Alsea, S. A. de C. V., as of December 31, 2004, and of the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in Mexico.

Very truly yours,

Mario Carrillo Villalpando
Statutory Auditor

Mexico City, February 28, 2005.

Independent Auditor's Report

(Translation from Spanish Language Original)

The Board of Directors and Stockholders
Alsea, S. A. de C. V.:

We have audited the accompanying consolidated balance sheets of Alsea, S. A. de C. V. and Subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 are prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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.

As stated in note 1, on January 1, 2004, Alsea acquired the majority of shares of Operadora West, S. A. de C. V. (Franchisee of Burger King Corporation), by increasing its equity interest from 31.56% to 63.1% (date of inclusion into consolidation). In December 2004, the stockholders agreed to merge Operadora West, S. A. de C. V. and Alsea, S. A. de C. V., with the latter being the subsisting entity. The merger will be effective on the date the aforementioned companies receive the respective criterion confirmation from the Ministry of Finance and Public Credit (SHCP) since it is a corporate restructuring, and Burger King Corporation's authorization in conformity with the franchise contracts they have entered into.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alsea, S. A. de C. V. and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

KPMG CARDENAS DOSAL, S. C.

Javier Morales Ríos

February 28, 2005.

Consolidated Balance Sheets

Alsea, S. A. de C. V. and Subsidiaries
December 31, 2004 and 2003
(Thousands of constant Mexican pesos as of December 31, 2004)

Assets		2004	2003
Current assets:			
Cash	$	**142,451**	205,800
Accounts receivable:			
Trade less allowance for doubtful accounts of $3,863 in 2004 and $6,287 in 2003		**112,973**	114,931
Recoverable taxes		**42,890**	51,360
Other		**24,932**	18,347
Associated company (note 4)		**-**	35,864
Inventories, net (note 5)		**176,030**	113,457
Prepaid expenses		**33,700**	17,130
Total current assets		**532,976**	556,889
Investment in shares of associated companies (note 6)		**3,551**	74,444
Property, equipment and leasehold improvements, net (note 7)		**1,266,564**	875,503
Goodwill of subsidiaries and associated companies, less accumulated amortization of $15,222 in 2004 and $33,732 in 2003 (note 8)		**64,091**	56,081
Intangible assets (note 9):			
Trademarks, less accumulated amortization of $100,694 in 2004 and $80,988 in 2003		**196,358**	165,033
Preoperating expenses, less accumulated amortization of $25,215 in 2004 and $16,226 in 2003		**61,643**	39,490
Other assets, net		**9,748**	30,787
	$	**2,134,931**	1,798,227

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	2004	2003
Short-term liabilities:		
Bank loans (note 11)	$ **70,454**	25,199
Short-term maturity of medium-term promissory note (note 11)	**-**	105,190
Suppliers	**217,370**	196,027
Accounts payable and accrued liabilities	**48,070**	24,055
Accruals (note 12)	**54,693**	37,912
Taxes payable and employee statutory profit sharing	**67,129**	8,815
Total short-term liabilities	**457,716**	397,198
Bank loans, excluding short-term maturities (note 11)	**25,072**	19,933
Other liabilities	**8,405**	19,679
Deferred income tax, employees' statutory profit sharing and long-term taxes payable on retained earnings (note 15)	**106,905**	107,141
Total liabilities	**598,098**	543,951
Stockholders' equity (note 16):		
Capital stock	**419,663**	402,886
Additional paid-in capital	**261,250**	243,448
Retained earnings	**608,103**	534,214
Reserve for repurchase of shares	**90,080**	35,582
Cummulative translation effect from foreign entity	**353**	(4,182)
Majority stockholders' equity	**1,379,449**	1,211,948
Minority interest	**157,384**	42,328
Total stockholders' equity	**1,536,833**	1,254,276
Commitments and contingencies (note 17)		
Subsequent event (note 19)		
	$ **2,134,931**	1,798,227

Lic. José Rivera Río Rocha
Corporate Finance Director

C.P. Alberto Torrado Martínez
General Director

C.P. Abel Barrera Fermín
Corporate Comptroller

Consolidated Statements of Income

Alsea, S. A. de C. V. and Subsidiaries
Years ended December 31, 2004 and 2003
(Thousands of constant Mexican pesos as of December 31, 2004)

	2004	2003
Net sales	$ **3,589,078**	2,871,491
Cost of sales	**1,520,689**	1,256,166
Gross profit	**2,068,389**	1,615,325
Operating expenses	**1,717,626**	1,361,576
Operating income	**350,763**	253,749
Comprehensive financial results (note 13)	**(1,999)**	(4,679)
Other expenses, net (note 14)	**(72,001)**	(32,894)
Income from continuing operations, before income taxes and employees' statutory profit sharing	**276,763**	216,176
Income tax and employee statutory profit sharing (note 15):		
Income tax	**117,492**	84,797
Employees' statutory profit sharing	**1,608**	803
Total income tax and employee statutory profit sharing	**119,100**	85,600
Income from continuing operations, before equity interest in associated companies	**157,663**	130,576
Equity interest in associated companies (note 6)	**1,423**	9,898
Income from continuing operations	**159,086**	140,474
Gain (loss) from discontinued operations, net of taxes (note 10)	**9,427**	(17,310)
Income before minority interest	**168,513**	123,164
Minority interest	**18,887**	(4,984)
Net income	$ **149,626**	128,148
Net earnings per share (note 2u.)	$ **1.22**	1.09

See accompanying notes to consolidated financial statements.

Lic. José Rivera Río Rocha
Corporate Finance Director

C.P. Alberto Torrado Martínez
General Director

C.P. Abel Barrera Fermín
Corporate Comptroller

Consolidated Statements of Changes in Financial Position

Alsea, S. A. de C. V. and Subsidiaries
Years ended December 31, 2004 and 2003
(Thousands of constant Mexican pesos as of December 31, 2004)

		2004	2003
Operating activities:			
Net income	$	**168,513**	123,164
Add charges (deduct credits) to income not requiring (providing) funds:			
Depreciation and amortization of trademarks and goodwill		**177,112**	161,460
Write-off of investment and cancellation of goodwill of subsidiaries companies, net		**39,383**	39,056
Equity in the results of associated companies		**(1,423)**	(9,898)
Deferred income tax and employee statutory profit sharing		**(29,727)**	39,224
Funds provided by operations		**353,858**	353,006
Net financing from (investing in) operating accounts:			
Clients, net and prepaid expenses		**4,036**	(10,849)
Inventories		**(54,353)**	(39,871)
Associated company		**35,864**	(31,412)
Suppliers, accounts payable, accrued liabilities and other accounts payable		**30,497**	(40,461)
Taxes payable and employees' statutory profit sharing		**51,370**	(4,597)
Funds provided by (used in) operating activities		**67,414**	(127,190)
Financing activities:			
Increase in capital stock and minority interest, net		**116,436**	19,000
Repurchase of shares		**68,810**	(16,439)
Payment of loans, net		**(84,732)**	(28,980)
Dividends declared		**(75,737)**	(46,585)
Funds provided by (used in) financing activities		**24,777**	(73,004)
Investing activities:			
Acquisition of property, equipment and leasehold improvements		**(271,853)**	(93,915)
Discontinued operations, net		**28,981**	(4,770)
Investment in shares of associated companies, net of dividends collected		**(134,832)**	(15,024)
Translation effect from foreign entity		**4,536**	10,643
Trademarks, preoperating expenses and other assets		**(85,039)**	(56,823)
Goodwill of subsidiaries and associated companies, net		**(51,191)**	(4,957)
Funds used in investing activities		**(509,398)**	(164,846)
Decrease in cash		**(63,349)**	(12,034)
Cash:			
At beginning of year		**205,800**	217,834
At end of year	$	**142,451**	205,800

See accompanying notes to consolidated financial statements.

Lic. José Rivera Río Rocha
Corporate Finance Director

C.P. Alberto Torrado Martínez
General Director

C.P. Abel Barrera Fermín
Corporate Comptroller

Consolidated Statements of Changes in Stockholders' Equity

Alsea, S. A. de C. V. and Subsidiaries
Years ended December 31, 2004 and 2003
(Thousands of constant Mexican pesos as of December 31, 2004)

	Capital stock	Additional paid-in capital	Statutory reserve
Balances as of December 31, 2002	$ 407,043	243,448	7,476
Increase in minority interest	-	-	-
Repurchase of shares (note 16)	(4,157)	-	-
Appropriation to statutory reserve	-	-	7,715
Dividends declared ($0.3784 per share) (note 16)	-	-	-
Comprehensive income	-	-	-
Balances as of December 31, 2003	402,886	243,448	15,191
Increase in minority interest	-	-	-
Increase in equity (note 16)	2,465	20,348	-
Repurchase of shares (note 16)	14,312	-	-
Appropriation to statutory reserve	-	-	6,316
Dividends declared ($0.5926 per share) (note 16)	-	-	-
Decrease in contributed capital	-	(2,546)	-
Comprehensive income	-	-	-
Balances as of December 31, 2004	**$ 419,663**	**261,250**	**21,507**

See accompanying notes to consolidated financial statements.

Lic. José Rivera Río Rocha
Corporate Finance Director

C.P. Alberto Torrado Martínez
General Director

C.P. Abel Barrera Fermín
Corporate Comptroller

Retained earnings						
Retained earnings	Total	Reserve for repurchase of shares	Cummulative translation effect from foreign entity	Total majority stockholders' equity	Minority interest	Total stockholders' equity
449,290	456,766	43,749	(14,825)	1,136,181	28,312	1,164,493
–	–	–	–	–	19,000	19,000
(4,115)	(4,115)	(8,167)	–	(16,439)	–	(16,439)
(7,715)	–	–	–	–	–	–
(46,585)	(46,585)	–	–	(46,585)	–	(46,585)
128,148	128,148	–	10,643	138,791	(4,984)	133,807
519,023	534,214	35,582	(4,182)	1,211,948	42,328	1,254,276
–	–	–	–	–	96,169	96,169
–	–	–	–	22,813	–	22,813
–	–	54,498	–	68,810	–	68,810
(6,316)	–	–	–	–	–	–
(75,737)	(75,737)	–	–	(75,737)	–	(75,737)
–	–	–	–	(2,546)	–	(2,546)
149,626	149,626	–	4,535	154,161	18,887	173,048
586,596	**608,103**	**90,080**	**353**	**1,379,449**	**157,384**	**1,536,833**

Notes to Consolidated Financial Statements

Alsea, S. A. de C. V. and Subsidiaries
December 31, 2004 and 2003
(Thousands of constant Mexican pesos as of December 31, 2004)

NOTE 1. Description of business and significant transactions-

Alsea, S. A. de C. V. and Subsidiaries ("Alsea" or "the Company") is mainly engaged in operating fast-food stores and restaurants. In Mexico, Alsea operates Domino's Pizza, Starbucks Coffee, Burger King and Popeyes Chicken & Seafood. In Brazil, it operates Domino's Pizza. The operation of its multi-units is supported by its distribution division ("DIA").

Significant transactions-

- **In January 2004,** Alsea acquired the majority of shares of Operadora West, S. A. de C. V. (Franchisee of Burger King Corporation), by increasing its equity interest from 31.56% to 63.1%, (date of inclusion into consolidation) and to 65.02% at year-end through subsequent contributions. In December 2004, the stockholders agreed to merge Operadora West, S. A. de C. V. with Alsea, S. A. de C. V., with the latter being the subsisting entity. The merger will be effective on the date the aforementioned companies receive the respective criterion confirmation from the Ministry of Finance and Public Credit (SHCP) since it is a corporate restructuring, and Burger King Corporation's authorization in conformity with the franchise contracts they have entered into (note 19).

- **In March 2004,** Alsea entered into an agreement with AFC Enterprises Inc. for promoting and developing the Popeyes Chicken & Seafood trademark in Mexico. It operated four restaurants in 2004 (note 9).

- **In October 2004,** Alsea acquired 100% of the shares of Segurápido, S. A. de C. V.; this company operated a sub-franchise of Domino's Pizza in Mérida, Yucatán Mexico (note 8).

- **In December 2004,** Alsea entered into a venture agreement in Brazil with Spoleto Ltd. which is the most important Italian fast-food operator in that country. This agreement provides for a 50% partnership in the company that currently operates the Dominos Pizza trademark in Brazil, and establishes that as of that date the company will be run by Spoleto Ltd. On the other hand, Alsea obtains rights as master franchisee to develop the "Spoleto" concept throughout the Mexican territory.

- **In December 2004,** Alsea acquired 100% of the shares of Todopizza, S. A. de C. V. and Grupo C&T de Iberoamerica, S. A. de C. V., subsidiary companies of Telepizza México, S. A. de C. V. The acquisition includes primarily assets such as store equipment, lease of certain commercial premises and ownership of two business premises.

NOTE 2. Summary of significant accounting policies-

(a) Financial statement presentation and disclosure-

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in México (Mexican GAAP), which require the recognition of the effects of inflation on the financial information, and are expressed in thousands of Mexican pesos of constant purchasing power as of December 2004, based on the Mexican National Consumer Price Index (NCPI) Publisher by Banco de México (central bank).

Certain items in the 2003 financial statements have been reclassified to conform to the classifications used in 2004.

(b) Principles of consolidation-

The consolidated financial statements include the financial statements of Alsea, S. A. de C. V. and those subsidiary companies in which it holds a majority interest (over 50%) and/or has control. All significant intercompany balances and transactions have been eliminated in consolidation.

The principal operating Subsidiaries are the following:

Operating	Ownership	Activity
Operadora DP de México, S. A. de C. V.	99.99%	Domino's Pizza stores
Café Sirena, S. de R. L. de C. V.	82.00%	Starbucks Coffee stores
Operadora y Procesadora de Pollo, S. A. de C. V.	99.99%	Popeye's Restaurants
Operadora West, S. A. de C. V.	65.02%	Burger King Restaurants
De Libra, Ltda. (in Brazil) (1)	99.99%	Domino's Pizza stores
Distribuidor Internacional de Alimentos, S. A. de C. V.	99.99%	Food distribution
Cool Cargo, S. A. de C. V., as associated company	50.00%	Transportation services

The investment in shares of Cool Cargo are valued using the equity method, based on the audited financial statements prepared on the same accounting principles as those of the holding company (see note 6).

(1) As mentioned in note 1, equity in this company will be 50% in 2005; therefore, as from that date the relevant investment will be recognized under the equity method.

(c) Currency translation of foreign subsidiaries-

The financial statements of the foreign subsidiaries included in consolidation have been adjusted for inflation in the respective country (Brazil) and, subsequently, translated into Mexican pesos at the exchange rate prevailing at year end (balance sheet and income statement accounts). The exchange rate used by the Company is based on a weighted average of market exchange rates available for the settlement of transactions denominated in foreign currencies.

The "Cummulative translation effect from foreign entity financial statements" in stockholders' equity represents the effect of translation.

(d) Presentation of prior year amounts-

Figures of financial statements of prior years are expressed in pesos of same constant purchasing power, using an adjustment factor derived from NCPI. The indexes used in 2004 and 2003 were 1.0519 and 1.0397, respectively.

(e) Cash-

Includes all checking accounts, foreign currency and other highly liquid instruments. Interest income and expense and foreign exchange gains and losses are included in the results of operations, under comprehensive financial results.

(f) Inventories and cost of sales-

Originally valued using the last-in, first-out method and adjusted for inflation to replacement cost based on factors derived from the NCPI. Inventory values thus determined do not exceed market values. Cost of sales represents the replacement cost of inventories at the time of sale and expressed in constant pesos as of the most recent year end.

(g) Goodwill of subsidiaries and associated companies-

Goodwill represents the excess of cost over fair value of net assets acquired. In determining these amounts, intangible assets acquired with no recoverable value are eliminated, and the remainder is adjusted using NCPI factors. Goodwill is amortized straight line over a 9-year period, beginning in the year following that in which it arose through December 31, 2004, in accordance with the changes in accounting standards. Beginning in 2005, goodwill will no longer be amortized and will be tested for impairment.

(h) Property, equipment and leasehold improvements-

They are initially recorded at acquisition cost and adjusted for inflation by applying NCPI factors. Depreciation on property, equipment and leasehold improvements is calculated on the straight-line method over the estimated useful lives of the assets, at the following annual rates:

Buildings	5%
Store equipment	10%
Leasehold improvements	7.7% to10%
Transportation equipment	25%
Computer equipment	30%
Production equipment	10%
Office furniture and equipment	10%

(i) Intangible assets-
Trademarks represent payments made for the right to use the “Domino’s Pizza” trademark through out 2025, the “Starbucks Coffee” trademark through out 2021, the “Burger King” trademark through out 2024 and “Popeyes Chicken & Seafood” trademark through out 2042. Adjustment is made by applying NCPI factors to the historical cost; amortization is at an annual 5% rate.

Pre-operating and leasehold improvement expenses relate to the opening of new points of sale in various zones, and are reported at adjusted value based on NCPI factors. Amortization over restated value is computed by the straight-line method at an annual 7.7% rate.

(j) Impairment of long-lived assets property, equipment, leasehold improvements, goodwill and other intangible assets-
The Company evaluates periodically the restated values of long-lived assets, property, equipment, leasehold improvements, goodwill and other intangible assets, to determine whether there is an indication of potential impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated net revenues, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported in the balance statements at the lower of the carrying amount or realizable value.

(k) Accruals-
Based on management’s estimates, the Company recognizes accruals for those present obligations in which the transfer of assets or the rendering of services is virtually assured and arises as a consequence of past events, principally for services and other amounts payable to employees.

(l) Seniority premium and other post retirement plans-
Seniority premium benefits to which employees are entitled in accordance with the law are charged to operations for the year based on actuarial computations of the present value of this obligation.

Other compensation to which employees may be entitled, mainly severance, are charged to operations as incurred.

(m) Income (IT) and asset (AT) taxes, and employee statutory profit sharing (ESPS)-
Provisions for IT and ESPS are charged to operations for the year as incurred. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credits (AT) carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred ESPS is recognized only for timing differences arising from the reconciliation of book income to income for profit sharing purposes, on which it may be reasonably estimated that a future liability or benefit will arise and there is no indication that the liabilities or benefits will not materialize.

(n) Restatement of capital stock, other stockholder contributions and retained earnings-
This adjustment is determined by multiplying stockholder contributions and retained earnings by factors derived from the NCPI, which measure accumulated inflation from the dates contributed or generated toward the most recent year end. The resulting amounts represent the constant value of stockholders’ equity.

(o) Additional paid-in capital-
Represents the excess of the payments for subscribed shared over their normal price.

(p) Cumulative deferred income taxes-
Represents the effect of the recognition of cumulative deferred taxes as of the date the accounting standard is adopted, which is reported in retained earnings.

(q) Comprehensive financial results (CFR)-
The CFR includes interest income and expense, foreign exchange gains and losses and monetary position gains and losses.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Foreign currency assets and liabilities are translated at the exchange rate in force at the balance sheet date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported in operations for the year.

Monetary position gains and losses are determined by multiplying the difference between monetary assets and liabilities at the beginning of each month, including deferred taxes, by inflation factors toward year end. The resulting amount represents the monetary gain or loss for the year arising from inflation, which is reported in operations for the year.

(r) Revenue recognition-

The Company recognizes revenue from the sale of goods when the products are delivered to the customer; service revenue is recognized when the services are rendered. The Company provides for returns and discounts. These provisions are deducted from sales.

(s) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings and assets are not recognized until their realization is virtually assured.

(t) Use of estimates-

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(u) Earnings per share-

Earnings per share equal the year's net income divided by the weighted average of outstanding shares during the year.

(v) New accounting pronouncements-

The Company has adopted the new accounting standards issued by the Mexican Institute of Public Accountants (IMCP) related to Bulletin B-5 "Financial Information by Segments", Bulletin C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments", and Bulletin C-15 "Impairment of Long-lived Assets and Disposal" effective for fiscal years beginning on or after January 1, 2004 as well as Bulletin B-7 "Business Combinations" and Bulletin D-3 "Labor Obligations" which adoption is encouraged for 2004. The adoption of these Bulletins had no significant effect on the presentation of the Company's financial information.

NOTE 3. Foreign currency exposure-

Monetary assets and liabilities denominated in U.S. dollars (dollars) as of December 31, 2004 and 2003 were as follows:

	Thousands of dollars	
	2004	**2003**
Assets	**6,872**	4,741
Liabilities	**7,716**	5,615
Net liabilities	**(844)**	(874)

The exchange rate of the peso to the dollar, as of December 31, 2004 and 2003, was $11.15 and $11.22, respectively. At February 28, 2005, the exchange rate was $11.1086.

At December 31, 2004, the Company did not have foreign exchange hedge instruments.

At December 31, 2004 and 2003, the Company had a very immaterial position of non-monetary asset and liabilities from origin abroad or which replacement cost may only be determined in dollars.

Below is a summary of transactions carried out with foreign entities, for the years ended December 31, 2004 and 2003:

	Thousands of dollars	
	2004	**2003**
Food purchases	**57,679**	52,860
Equipment purchases	**816**	1,818
Royalties	**10,828**	7,154

NOTE 4. Balances and transactions with associated companies-

Accounts receivable as of December 31, 2003 relate to Operadora West, S. A de C. V and amounted to $35,864. Accounts payable related to Cool Cargo amounted to $1,853 and $1,918 in 2004 and 2003, respectively, included in accounts payable and accrued liabilities.

During the year ended December 31, 2003, sales of food and supplies amounted to $95,743 and relate to Operadora West, S. A. de C. V. The contracted freight services related to Cool Cargo amounted to $13,614 and $12,167 in 2004 and 2003, respectively.

NOTE 5. Inventories-

Comprise the following:

		2004	2003
Food and beverages	$	**132,241**	78,331
Containers and packaging		**14,530**	13,806
Other		**31,538**	25,521
Less allowance for obsolete items		**(2,279)**	(4,201)
	$	**176,030**	113,457

NOTE 6. Investment in shares of associated companies-

Comprise the direct ownership in the capital stock of the companies listed as follows:

		Equity		Equity interest in the results of operations for the year	
		2004	2003	2004	2003
Cool Cargo, S. A. de C. V.	$	**3,551**	2,128	**1,423**	680
Operadora West, S. A. de C. V.		**-**	72,316	**-**	9,218
	$	**3,551**	74,444	**1,423**	9,898

NOTE 7. Property, equipment and leasehold improvements-

Comprise the following:

		2004	2003
Buildings	$	**231,694**	81,804
Store equipment		**589,693**	355,900
Leasehold improvements		**496,389**	460,186
Transportation equipment		**84,783**	95,088
Computer equipment		**112,255**	92,531
Production equipment		**102,779**	114,371
Office furniture and equipment		**21,329**	25,733
Carried forward	$	**1,638,922**	1,225,613
Brougth forward	$	**1,638,922**	1,225,613
Less accumulated depreciation		**564,030**	404,458
		1,074,892	821,155
Land		**36,576**	33,228
Installations in progress (*)		**155,096**	21,120
	$	**1,266,564**	875,503

(*) It relates primarily to the opening of food businesses and a distribution center, which will be completed in 2005.

Certain of the loans mentioned in note 11 are secured by some of the properties and equipment.

NOTE 8. Goodwill of associated and subsidiary companies-

As of December 31, 2004 and 2003, goodwill of associated and subsidiary companies is comprised as follows:

		2004	2003
Operadora West, S. A. de C. V.	$	**44,887**	25,475
Operadora DP de México, S. A. de C. V.		**17,587**	17,587
Segurapido, S. A. de C. V.		**16,675**	–
Cool Cargo, S. A. de C. V.		**164**	164
Exim del Caribe, S. A de C. V. (Exim) *		**–**	46,587
		79,313	89,813
Less accumulated amortization		**15,222**	33,732
	$	**64,091**	56,081

(*) Goodwill written-off as a result of the sale of subsidiary Exim (note 10).

NOTE 9. Intangible assets-

Intangible assets as of December 31, 2004 and 2003 are analyzed as follows:

		Trademarks	Pre-operating expenses
Balances at December 31, 2003	$	**245,818**	55,716
Acquisitions		**51,234**	31,142
Less accumulated amortization		**(100,694)**	(25,215)
Balances at December 31, 2004	$	**196,358**	61,643

Alsea increased its investment in trademarks mainly due to the incorporation of the Burger King trademark, through the subsidiary Operadora West, S. A. de C. V., for the rights to open "Starbucks Coffee" stores and the acquisition of the "Popeyes Chicken & Seafood" trademark.

Pre-operating expenses increased primarily as a result of the inclusion of Operadora West, S. A. de C. V. in consolidation.

NOTE 10. Discontinued operations-

In January 2003, the Board of Directors decided to spin-off the subsidiary Exim del Caribe, S. A. de C. V. (Exim) since it was viewed as a non-strategic entity. Accordingly, the investment in Exim was adjusted at the estimated realizable value by charging $20,169 to operations in 2003, which is included in gain (loss) from discontinued operations in the statement of income for that year.

In September 2004, Alsea sold the shares recording a gain of $9,427 (note 8).

NOTE 11. Bank loans and medium-term promissory note-

Bank loans comprise of the following:

	Maturity in	Average annual interest rate		2004	2003
Unsecured loans	2004 - 2005	6.95% - 11.95%	**$**	**87,709**	34,053
Secured loan (note 7)	2003 - 2005	8.75% - 11.45%		**7,817**	11,079
				95,526	45,132
Less current installments				**70,454**	25,199
Long-term debt			**$**	**25,072**	19,933

Bank loans establish certain restrictive covenants, the most significant refers to the prohibition from pledging or disposing of fixed assets. As of the date of the financial statements all such covenants have been complied with.

Medium-term promissory note-
In 2004, the Medium-term promissory note was fully paid.

NOTE 12. Accruals-

Accruals comprise of the following:

		Salaries and other to employee benefits	Other	Total
Balances at December 31, 2003	$	22,148	15,764	37,912
Increases charged to operations		45,215	74,951	120,166
Payments		(32,945)	(69,677)	(102,622)
Write-offs credited to operations		(608)	(155)	(763)
Balances at December 31, 2004	$	33,810	20,883	54,693

NOTE 13. Comprehensive financial results-

Comprise the following:

		2004	2003
Interest expense, net	$	**(3,371)**	(5,282)
Foreign exchange gain (loss), net		**1,594**	(144)
Monetary position (loss) gain		**(222)**	747
	$	**(1,999)**	(4,679)

NOTE 14. Other expenses, net-

Comprise the following:

		2004	2003
Allowance for impairment (Brazil operation, note 1)	$	**(28,055)**	–
Goodwill and business divestiture (*)		**(22,914)**	(21,187)
Disposition of fixed assets, net		**(20,089)**	(20,251)
Other, net		**(943)**	8,544
	$	**(72,001)**	(32,894)

(*) In 2004, the goodwill arising from the acquired Telepizza Group companies was charged to income in conformity with Bulletin B-8 "Valuation of Investment". Business divestitures related to DP6, Ltda., and Para Servirle a Usted, S. A. de C. V. are reported in 2003.

NOTE 15. Income (IT) and asset (AT) taxes, employee statutory profit sharing (ESPS) and tax loss carryforwards-

The Company consolidates its results for IT and AT purposes.

For the years ended December 31, 2004 and 2003 the Company had a net consolidated taxable income of $116,841 and $81,681, respectively.

The expense attributable to income before IT and ESPS differed from the amount computed by applying the Mexican rate of 33% in 2004, as a result of the following:

Expected IT rate	33%
Non-deductible expenses	1%
Goodwill write-off and amortization	4%
Effects of inflation, net	2%
Effects of enacted changes in tax laws and rates	(1%)
Investment impairment of subsidiary	5%
Other, net	(2%)
Effective consolidated IT rate	42%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, at December 31, 2004 and 2003, are presented below:

		IT	
		2004	**2003**
Deferred tax (assets) liabilities:			
Allowance for doubtful accounts	**$**	**(1,597)**	(2,074)
Accruals		**(6,956)**	(4,487)
Trade receivable advances		**(2,568)**	(2,449)
Seniority premium		**(474)**	(345)
Net operating tax loss carryforwards		**(43,466)**	(1,687)
Recoverable AT		**(4,198)**	(4,020)
Inventories		**52,903**	36,413
Property, equipment and leasehold improvements		**54,117**	26,859
Other assets		**53,705**	43,215
Prepaid expenses		**4,306**	1,721
Net deferred tax liability		**105,772**	93,146
Income tax payable on retained earnings		**1,133**	13,995
Liability recognized on the balance sheets	**$**	**106,905**	107,141

The deferred income tax balance at beginning of year from Operadora West was $28,880.

IT and ESPS charged to income is analyzed as follow:

		2004		2003	
		IT	**ESPS**	**IT**	**ESPS**
Current IT and ESPS	**$**	**129,348**	**1,380**	45,172	1,204
Deferred IT and ESPS		**(11,856)**	**228**	39,625	(401)
Total	**$**	**117,492**	**1,608**	84,797	803

The Company has tax loss carryforwards of $163,978, which, updated by inflation, may be carried forward to offset taxable income of the ten succeeding years.

In conformity with the tax reforms published on December 1, 2004, the rates were changed to 30% for 2005, 29% for 2006 and 28% for 2007 and thereafter. As a result of these changes, during the years ended December 31, 2004 and 2003 the Company recognized a decrease in net deferred tax liabilities of $10,577 and $543, respectively, which was credited to the results of operations for the year.

Under the Law in force through December 31, 2004, inventory purchases were deductible when made, regardless of the time of sale, which resulted in the deferred tax liability shown above. The new tax law, effective beginning in 2005, provides that inventories will be tax deductible when sold, establishing transition provisions to tax the inventory balance at December 31, 2004, over periods depending on the circumstances of each entity.

Furthermore, the tax consolidation will be determined by increasing from 60% to 100% the investees' and holding company's equity subject to consolidation.

NOTE 16. Stockholders' equity-

The principal characteristics of stockholders' equity are described below:

(a) Structure of capital stock-

In December 2004, the stockholders agreed to increase the capital stock by $3,011, issuing 1,505,621 common single series, class II shares, with no par value. Additionally, a premium on issued stock amounting to $24,843 was declared. As of December 31, 2004, 1,219,067 shares have been paid in.

In April 2004 and 2003, dividends were declared in the amount of $75,737 ($73,095 historical) and $46,585 ($42,815 historical), respectively.

The minimum fixed portion of capital stock is represented by Class I shares while the variable capital stock is represented by Class II shares, which in no event shall exceed ten times the minimum capital stock with no right for withdrawal.

At December 31, 2004 the subscribed fixed and variable capital stock is represented by 124,222,344 common, registered shares with no par value, are as follows:

Number of shares	Description		Amount
122,289,370	Fixed capital stock	$	244,579
2,358,155	Variable capital stock		4,716
(425,181)	Repurchased shares		(850)
124,222,344	Nominal capital stock		248,445
	Inflation adjustments to remeasure accumulated inflation (note 2n.)		171,218
	Capital stock at December 31, 2004	$	419,663

The National Banking and Securities Commission established a procedure enabling companies to repurchase their own shares on the market. A "stock repurchase reserve", chargeable to retained earnings, must be created for that purpose. In 2004, the Company re-issued 6,234,260 shares which amounted to $68,810.

The Company's own available repurchased shares are reclassified to the contributed capital.

(b) Restrictions on stockholders' equity-

I. Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2004, the statutory reserve amounts to $21,507.

II. Dividends paid out of retained earnings will be tax-free to the extent such dividends arise from the CUFIN (tax basis retained earnings account). Distributions in excess of these amounts are subject to a 30% income tax rate on the amount resulting from multiplying the dividend paid by factor 1.4286. The tax incurred on non-CUFIN dividends will be payable by the Company and may be offset against the corporate IT for the two succeeding years.

NOTE 17. Commitments and contingencies-

Commitments:

(a) The Company rents facilities in which its stores and distribution centers are located, as well as certain transportation and store equipment under definite term lease agreements. Rental expense aggregated $142,031 and $101,482 in 2004 and 2003, respectively. Rentals were established at fixed prices and increased annually based on the NCPI.

(b) The Company has some commitments related to the provisions set forth by the contracts for the trademark acquired (note 2i).

(c) The Company has some commitments arising in the normal course of business as a result of raw material supply agreements, some of which provide for contractual penalties for nonperformance.

Contingent liabilities:

Alsea and subsidiaries are involved in a number of lawsuits and claims arising in the ordinary course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position.

NOTE 18. Financial information by segments-

The Company is made up of five major operating divisions, namely: Pizza sales services (Domino's Pizza), Coffee sales services (Starbucks Coffee), Hamburger sales services (Burger King), Distribution Services and other businesses (the latter including Popeyes Chicken & Seafood); all of them under same management. The Company's segments constitute strategic business units that provide different products and are managed separately as different technology and marketing strategies are required by each business.

Segment information is as follows:

	Division Dominos		Division Starbucks		Division Burger King	Division Distribution		Other		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2004	2003	2004	2003	2004	2003	2004	2003
Revenue from:													
Third parties	$ **2,018**	1,913	**192**	80	**481**	**917**	910	**45**	6	**(64)**	(38)	**3,589**	2,871
Inter-business	**3**	102	**-**	–	**-**	**906**	676	**670**	126	**(1,579)**	(904)	**-**	–
	2,021	2,015	**192**	80	**481**	**1,823**	1,586	**715**	132	**(1,643)**	(942)	**3,589**	2,871
Operating costs and expenses	**1,723**	1,752	**170**	84	**403**	**1,656**	1,440	**751**	112	**(1,642)**	(931)	**3,061**	2,457
Depreciation and amortization	**107**	117	**20**	8	**12**	**22**	25	**18**	12	**(2)**	(1)	**177**	161
Operating income	$ **191**	146	**2**	(12)	**66**	**145**	121	**(54)**	8	**1**	(10)	**351**	253
Other income statement items												**(201)**	(125)
Net consolidated income												**150**	128
Assets	**884**	1,212	**130**	66	**297**	**452**	528	**1,670**	1,570	**(1,662)**	(1,788)	**1,771**	1,588
Investment in productive assets:													
Investment in associated companies	$ **-**	–	**-**	–	**-**	**3**	2	**-**	74	**-**	–	**3**	76
Investment in assets	**38**	57	**73**	70	**113**	**6**	7	**131**	–	**-**	–	**361**	134
Total assets	$ **922**	1,269	**203**	136	**410**	**461**	537	**1,801**	1,644	**(1,662)**	(1,788)	**2,135**	1,798
Total liabilities	$ **276**	405	**29**	20	**115**	**169**	192	**328**	434	**(319)**	(507)	**598**	544

The "eliminations" caption is included for purposes of presenting each division's comprehensive results.

Domino's Pizza activities are conducted in Mexico and Brazil. Mexico accounts for approximately 95% of this segment's total revenues.

NOTE 19. Subsequent event-

In February 2005, criterion confirmation was obtained from the Ministry of Finance and Public Credit (SHCP) regarding the merger of Operadora West, S. A. de C. V. (note 1).

Had the merger been effective, the stockholders' equity and profit of the majority stockholder would have increased to the same extent as the minority interest would have decrease.

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Information on Alsea's stock and medium-term promissory note
The shares of Alsea S.A. de C.V., single series, have been traded on the Mexican Stock Exchange (Bolsa Mexicana de Valores or BMV) since June 25, 1999. Likewise, the company's public offer of the medium-term promissory note took place on August 25, 2000.

Reference symbol for the stock
BMV ALSEA*

Reference symbol for the medium-term promissory note
BMV ALSEA P00

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