

NOW IS THE TIME

2008 Annual Report





- We achieved presence in the **5 Latin American countries** we had determined in our expansion strategy
- Latin American markets represent a great growth opportunity: **117,700,000 potential customers**
- Increase of **123 corporate stores**
- **11.5% growth in sales**

1,135 stores



MEXICO

- **584** Domino's Pizza
- **258** Starbucks Coffee
- **107** Burger King
- **10** Popeyes
- **27** Chili's Grill & Bar
- **4** California Pizza Kitchen

ARGENTINA

- **41** Burger King
- **3** Starbucks Coffee

CHILE

- **32** Burger King
- **29** Starbucks Coffee

COLOMBIA

- **21** Domino's Pizza
- **1** Burger King

BRAZIL

- **18** Starbucks Coffee

BECAUSE OF OUR WIDE VARIETY OF OPTIONS AND BECAUSE WE BELONG TO A SECTOR THAT HAS GREAT GROWTH OPPORTUNITIES, OWING TO ITS CHARACTERISTICS, **NOW IS THE TIME TO INVEST IN ALSEA.**

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TIME IS A VERY IMPORTANT VALUE FOR ALSEA, BOTH IN THE OPERATION OF EACH OF OUR BRANDS AS WELL AS IN THE DAILY TASK OF SHARED SERVICES. IN THE COURSE OF TIME AND THANKS TO THE EXPERIENCE WE HAVE GAINED, WE HAVE CREATED A BUSINESS MODEL THAT PRODUCES RETURNS SECOND BY SECOND.

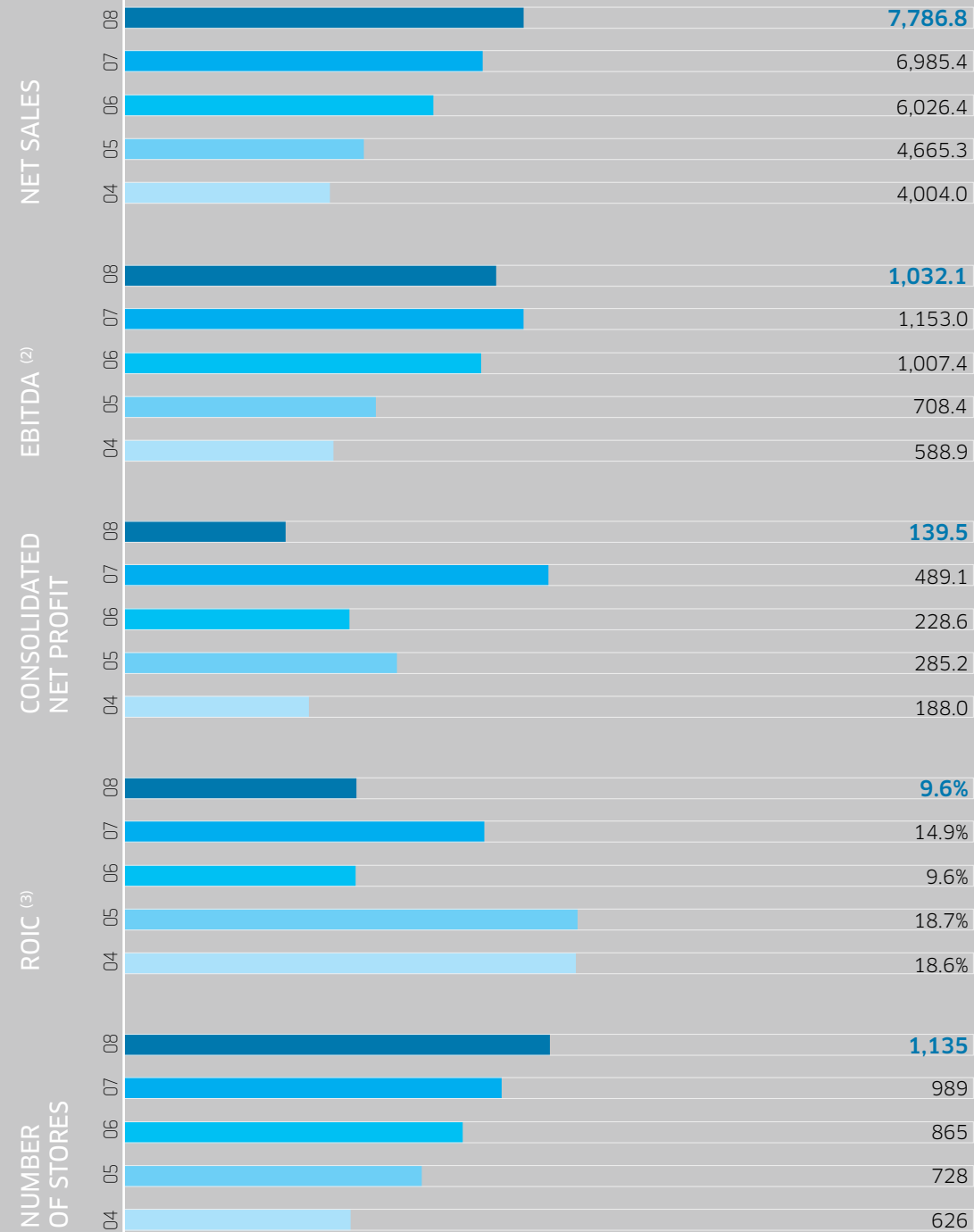


ALSEA IS THE LEADING QUICK SERVICE RESTAURANT (QSR) AND CASUAL DINING OPERATOR IN LATIN AMERICA, OPERATING BRANDS OF PROVEN SUCCESS SUCH AS DOMINO'S PIZZA, STARBUCKS COFFEE, BURGER KING, CHILI'S GRILL & BAR AND CALIFORNIA PIZZA KITCHEN. ITS MULTI-UNIT OPERATION IS BACKED BY ITS SHARED SERVICES CENTER, INCLUDING THE SUPPLY CHAIN THROUGH DIA, REAL ESTATE AND DEVELOPMENT SERVICES, AS WELL AS ADMINISTRATIVE SERVICES SUCH AS FINANCES, HUMAN RESOURCES AND TECHNOLOGY.

- 01: **PEOPLE: OUR MOST IMPORTANT VALUE**
OUR OPERATION IS FOUNDED ON HUMAN TALENT
- 02: **SURPASSING CUSTOMER EXPECTATIONS WITH OPERATING EXCELLENCE**
SERVING ONE PERSON AT A TIME, WHILE CREATING A FULL CUSTOMER EXPERIENCE
- 03: **BEING THE MARKET LEADER**
OPERATING THE LARGEST NUMBER OF RESTAURANTS
- 04: **BEING THE BEST STRATEGIC PARTNER**
CREATING LONG-TERM SUSTAINABLE BUSINESS RELATIONSHIPS
- 05: **GROWTH, WHILE KEEPING THE COMPANY AND OUR SHAREHOLDERS' EQUITY SAFE**
ATTAINING PROFITABILITY THROUGH OUR VALUE DRIVERS
- 06: **SOCIAL RESPONSIBILITY**
POSITIVELY IMPACTING OUR ENVIRONMENT



FINANCIAL HIGHLIGHTS ⁽¹⁾



	CAGR ⁽⁶⁾	2008	%	2007	%	2006	%	2005	%	2004	%
Net Sales	18.1	7,786.8	100.0	6,985.4	100.0	6,026.4	100.0	4,665.3	100.0	4,004.0	100.0
Gross Profit	21.4	5,005.5	64.3	4,661.7	66.7	3,959.9	65.7	2,896.2	62.1	2,307.5	57.6
Operating Expenses	24.1	4,546.4	58.4	3,946.0	56.5	3,523.8	58.5	2,406.6	51.6	1,916.2	47.9
Operating Income	4.1	459.1	5.9	715.7	10.2	436.1	7.2	489.6	10.5	391.3	9.8
EBITDA ⁽²⁾	15.1	1,032.1	13.3	1,153.0	16.5	1,007.4	16.7	708.4	15.2	588.9	14.7
Consolidated Net Profit	-7.2	139.5	1.8	489.1	7.0	228.6	3.8	285.2	6.1	188.0	4.7
Total Assets		6,399.7	100.0	5,295.7	100.0	4,040.5	100.0	3,365.9	100.0	2,381.7	100.0
Cash		538.5	8.4	209.3	4.0	244.3	6.0	171.3	5.1	158.9	6.7
Liabilities with Cost		1,790.2	28.0	1,033.5	19.5	610.9	15.1	798.3	23.7	106.6	4.5
Major Shareholder's Equity		2,997.1	46.8	2,997.5	56.6	2,653.9	65.7	1,834.0	54.5	1,538.9	64.6
ROIC ⁽³⁾		9.6%		14.9%		9.6%		18.7%		18.6%	
ROE ⁽⁴⁾		4.4%		16.7%		9.1%		16.9%		13.0%	
ROA ⁽⁵⁾		2.4%		10.5%		6.2%		9.9%		8.6%	
Stock Price ⁽⁷⁾		1.0	6.23	15.30		14.72		6.94		5.99	
Earnings per Share ⁽⁷⁾		-10.7	0.21	0.77		0.38		0.51		0.33	
Dividend paid per Share ⁽⁷⁾			0.23	0.11		0.28		0.19		0.16	
Book Value per Share ⁽⁷⁾		12.9	4.85	4.84		4.26		3.24		2.98	
Shares Outstanding (millions) ⁽⁷⁾		618.0		618.8		623.2		546.4		496.8	
Number of Stores		16.0	1,135	989		865		728		626	
Employees		19.0	21,024	19,200		16,797		13,629		10,483	

(1) Figures in millions of pesos, expressed in nominal pesos for 2008, and purchasing power as of December 31, 2007 for the other periods; except per share data, number of stores and employees.

(2) EBITDA: Operating income before depreciation and amortization.

(3) ROIC is defined as the operating income after taxes divided by the invested capital - net (total assets - cash and cash equivalents - liabilities without cost).

(4) ROE is defined as net profit divided by major shareholder's equity.

(5) ROA is defined as net profit divided by total assets.

(6) Compound annual growth rate from 2004 to 2008.

(7) For comparative purposes, the number of shares was adjusted based on the split of 4 to 1 carried out in 2007.

MESSAGES FROM OUR DIRECTORS:



Now is the time to show our brand's full strength: its almost 20-year-long leadership, its having significantly penetrated more than 130 cities—with almost 600 stores—and its outstanding customer acceptance. It is the most recalled fast food market and the only one in Mexico that actually delivers on time. Domino's Pizza is essentially a modern and innovative brand; we constantly prove this by creating ideas and value for our clients.

[01] Leonel Díaz
Managing Director, Domino's Pizza Mexico

Now is the time to take advantage of Alsea's impressive growth, bolstered by the opening of 67 new Starbucks Coffee stores. Including these units, we now have a total of 258 stores nationwide, located in 40 cities in 26 states, which allows for greater diversification in our service offer. This likewise strengthens our human talent's profile and motivation. In fact, this year Starbucks Coffee was awarded the Best Company to Work For recognition in Mexico, which reflects the professionalism and warmth of our people in each cup of coffee we serve.

[02] Gerardo Rojas
Managing Director, Starbucks Coffee México

Now is the time to build up the successes of the innovative strategies we implemented in Burger King, both in its value proposals as well as in the launching of new top quality products throughout the year. Establishing product platforms for each segment will contribute to sales growth and enable us to increasingly satisfy consumer needs.

[03] Javier Abarca
Managing Director, Burger King México

Now is the time to affirm that Alsea strongly participates in the casual dining segment. The growth of Chili's—now operating 27 units—has enabled us to strongly consolidate our position in this brand and the

recent addition of California Pizza Kitchen represents an excellent growth opportunity looking forward, with which we can increasingly offer customers a variety of alternatives that will surely guarantee our leadership in the sector.

[04] Federico Tejado
Managing Director, Casual Dining

California Pizza Kitchen joined Alsea in December and, as a result, now is the time to consolidate this alliance so that we can continue growing and strengthening the business, by improving the quality, efficiency and service we offer our clientele each day. To this end, it is essential that we have the support and trust of our shareholders, as well as the commitment and professionalism of our employees.

[05] Saúl Kahan
Managing Director, California Pizza Kitchen

Now is the time to gain strength and forge ahead with our growth objectives so as to improve both our operating capacity—serving 1,272 units of the different brands of our portfolio in 142 cities—as well as the service we provide to the entire supply chain, while generating economies of scale that will enable us to optimize the costs of our consumables and continue growing in Alsea.

[06] Héctor Orrico
Managing Director, DIA

As a result of our having acquired Domino's Pizza, we started up operations in the Colombian market. Thus now is the time to focus on making the operation of the existing Domino's Pizza stores more efficient and on developing Burger King in Colombia. I am confident that the human talent and commitment of the team members of this project will allow us to achieve the results we have set for ourselves.

[07] Ricardo Ibarra
Managing Director, Domino's Pizza & Burger King Colombia

Now is the time to continue growing in Argentina. During our first months of operation, we opened three Starbucks Coffee stores. This is the result of the trust shown by our strategic partners, which once again reinforces Alsea's good image and the proven success of its business strategy.

[08] Diego Paolini
Managing Director, Starbucks Coffee Argentina

Now is the time to recognize that not only has Alsea's business model made it possible for us to continue growing at the expected profit rate, but to make inroads as well into new territories, such as our having opened Burger King in Colombia, which strengthens our presence in Argentina, Chile and Mexico.

[09] Pablo de los Heros
Managing Director, Burger King Argentina

At year-end 2008 we had as many as 32 Burger King stores in Chile. As a result, now is the time to begin to see the benefits of the synergy and critical mass model. We will continue to work hard to increase our market share and operating margins.

[10] Juan Petito
Managing Director, Burger King Chile

Now is the time to consolidate Alsea's leadership position in the different categories in which we participate, taking advantage of our solid financial position at year-end 2008. Having the necessary liquidity to address commitments going forward and the ability to carry out our vocation to grow will allow us to capitalize on future opportunities without risking the company's healthy operation.

[11] José Rivera Río
Chief Financial Officer

Now is the time to emphasize the quality of Alsea's personnel, who have gained strength in spite of the difficult changes surrounding us. We particularly wish to acknowledge the performance of our leaders, who daily develop the talent of our people. We would also like to underline the commitment and dedication of our more than 20,000 employees, whose professional performance has contributed to the growth of our brands, generated value and strengthened the business throughout 2008.

[12] Rafael Cancino
Corporate Director, Human Resources

Now is the time for Alsea to continue looking ahead, always from the perspective of a successful future in its operations, in handling leading brands in the market, in the quality of the service it offers to its consumers and in the professionalism of its people. This vision enables us to define the right path to succeed in each of the segments and markets in which we operate.

[13] Sergio Mirensky
Corporate Director, Strategic Planning

Now is the time to prove that Alsea is a solid company in terms of policies and procedures, effective internal control and best practices in its activities and operations. All these assets serve as a foundation to support the sustained growth of our brand portfolio, minimize risks and strictly adhere to our Code of Ethics.

[14] Mario Sánchez
Corporate Director, Internal Audit

Now is the time to reinforce and standardize key business processes, increasing their effectiveness and efficiency through technological support, and thereby making the company's transformation and competitiveness easier. With this we will create new competitive advantages that will contribute towards Alsea's leadership and growth and add profit to each of its brands.

[15] Alejandro Wiencke Olivares
Corporate Director, Processes & Technology

DAY BY DAY

WE FORM THE BEST TEAM

- **21,024** EMPLOYEES
- **41%** ARE **WOMEN**
- **64%** ARE **YOUNG PEOPLE** UNDER THE AGE OF 25



Starbucks Coffee was acknowledged as the best place to work for in Mexico

05:00

DIA loads the trucks, which during 2008 traveled 2,300,000 kilometers, delivering ingredients and food products to the more than 1,270 stores it serves



05:30

The fresh fruit and vegetables that will be used in the dishes served at California Pizza Kitchen are selected and picked up at the Central Supply Market

06:00

Tomato planting is begun at the community greenhouse of Santa María Temaxcaltepec, Oaxaca, financed by Fundación Alsea A.C. through Fondo para la Paz I.A.P.



06:30

Starbucks Coffee Aeropuerto serves the first Macchiato of the day



People are Alsea's most important value. We focus on having motivated and committed employees, who are satisfied with their achievements within the company. To this end, this year we gave more than **367,810,000 hours of training, investing 15,568,163 pesos.**

We are aware of the fact that motivation and performance satisfaction are decisive talent drivers. And since our business involves being constantly in touch with people, one of our priorities is to encourage talent, particularly because our ability to surpass customer expectations depends on this.

Most of our employees are young, dynamic, highly energized and productive, who have a passion for their work. We have the proper structure and strategies to recruit, train and retain the best talent and are continuously designing human resources programs that acknowledge and reward our people for generating value and service excellence for our clientele.

However, at Alsea we also value integration and diversity. As a result, 41% of our employees are female and 182 of our employees have special needs, who find a place within our company to raise their quality of life and that of their families.

We want the common denominator of our operations to be people with a vocation of service and assistance excellence, and we aspire for all our brands to be recognized as the best place to work in each of the countries where we participate.

07:00

The Domino's Pizza stores receive from DIA part of the seven tons of cheese that they used throughout 2008

07:30

The day's first peak hour begins at Starbucks Coffee; 42,100,000 cups of coffee were sold in 2008



08:00

The Teamwork Training Course commences, one of more than 2,950 courses we give our employees at the Training Center



09:00

At this time on Thursdays we begin to receive supplier invoices at the Tláhuac SCA (Alsea's Shared Services Center)

- WE SUPPLY **1,272 UNITS** ON **369 ROUTES**
- **3,529 DELIVERIES** PER WEEK IN 142 CITIES
- **2.3 MILLION** KILOMETERS TRAVELED

EVERY SECOND COUNTS

IN OUR OPERATION



18 million kilograms of dough were delivered to 584 Domino's Pizza establishments



09:30

Safe Delivery Specialists at Domino's Pizza make the first of approximately 40,000 daily deliveries



10:00

The Starbucks Coffee Mexico stores prepare their café du jour, using part of the almost 6,000 kg of coffee they consume each week

10:30

Burger King Reforma 222 makes its checklist to start up operations and contribute to the sale of 16,310 hamburgers that Alsea's Burger King stores sell per day



11:00

Alsea reports to the Mexican Stock Exchange that during 2008 it opened 146 total stores of its different brands



All the activities performed at DIA (Distribuidora e Importadora Alsea S.A. de C.V.) are linked to defined time schedules, as they are part of a logistics chain that is focused on delivering the “full product on time” at our 1,272 stores, on pre-established days and at specific hours. DIA’s sales to third parties increased 11.5% to 1.06 billion pesos in 2008.

To this end, the construction and kickoff of the Hermosillo Distribution Center, in addition to the other four that are already operating in the country, will allow for even prompter delivery and an enhanced service for our stores.

Even though the cost of supplies drastically went up during the year owing to different reasons—such as certain products depending on the exchange rate and the pressure in general on the price of commodities—thanks to our excellent relationship with suppliers and the successful negotiations we had with them, we obtained benefits for all our brands and part of this effect was offset by the cost of meals.

Operating the brands of our portfolio is a complex process, which DIA takes charge of through administrative **processes as well as processes that develop increasingly efficient products and quality.**

11:30

As many as 640 Starbucks Coffee volunteers participate in the reforestation of the national park, Bosque de los Remedios, where part of the 45,000 trees that we planted in 2008 were rooted



12:00

The last truck leaves the DIA Hermosillo Distribution Center, which has eight trucks that travel 252 delivery routes daily

12:30

California Pizza Kitchen Santa Fe gets ready to serve the first of over 214 salads that will be sold that day



13:00

Our 27 Chili’s restaurants open their doors to the public

WE DEVELOP OUR BRANDS EVERY MINUTE

- **91 MILLION CLIENTS** SERVED THROUGHOUT THE YEAR
- **40 MILLION PIZZAS** SOLD AT DOMINO'S PIZZA
- **42 MILLIONS OF COFFEES** SOLD AT STARBUCKS COFFEE MEXICO



29,053,205
clients served at
Burger King



13:30

Domino's Pizza donated 80 pizzas for a get-together offered to the beneficiaries of the foundation Pro Zona Mazahua A.C.

14:00

DIA delivers 4 tons, part of the 32 tons of food that it donated in kind in 2008



14:30

Chili's Universidad is at 100% of its capacity, assisting part of the almost 2,300,000 clients it received during 2008



15:00

Domino's Pizza Mexico distributes more than 100,000 pizzas daily, and this is the time of day with the greatest demand for delivery



The increase in the number of customers served, which **this year totaled 91 million—16.6% more compared to last year**—is the result of our intense efforts to improve each of the brands that make up our portfolio.

At year-end, Domino's Pizza Mexico had 584 units, 425 of which are corporate stores, and was operating in 136 cities throughout the country.

Burger King Mexico is all ready able to appreciate the results of its promotional strategies, the launching of new items, as well as the implementation of customer service programs. We opened our first Burger King Colombia store in the city of Bogota.

Sixty-three Starbucks Coffee Mexico stores were opened throughout the year, with which we now have a total of 258 units. We made inroads into 17 new markets: Los Cabos, Villahermosa, Tepic and others, with which we are now present in 40 cities and 26 states.

The growth of our Latin American operations was one of our 2008 success stories, which we will consolidate in the years to come. We now have a total of 98 units in four countries that we had defined in our strategic plan: Argentina, Chile, Colombia and Brazil.

On the other hand, Chili's continued to have an upward trend in sales and at year-end had 27 stores. The results of Chili's during the entire year of 2008 as well as those of California Pizza Kitchen in December confirm the great opportunity that exists for us in Mexico in the casual dining category.

In general, and in spite of the difficult economic environment, we will continue growing and developing the brands, with which we will consolidate our leadership position.

15:30

The four managers that run each California Pizza Kitchen restaurant in order to serve 670 diners a day are making sure that their customers are being waited on well

16:00

Starbucks Coffee Nuevo León prepares Green Tea Frapuccino, one of the more than 87,000 coffee/tea combinations the brand offers worldwide



16:30

Chili's and Fundación Alsea A.C. deliver a donation to the more than 2,000 children of the free meal foundation, Comedor Santa María A.C., who are part of the 79,823 people that have been benefited by their social responsibility programs

17:00

Burger King Chile serves a Combo Whopper, part of the 5,000,000 hamburgers it sold during 2008



- **11.5% SALES GROWTH** IN 2008
- **123 NEW CORPORATE STORES**
- **ACQUISITION OF 25** DOMINO'S PIZZA COLOMBIA AND CALIFORNIA PIZZA KITCHEN UNITS

ANOTHER YEAR OF GROWTH



43,717 people were served during the first month of operation of Starbucks Coffee Alto Palermo in Buenos Aires, Argentina

17:30

The higher abundance of the more than 51 million clients that Starbucks Coffee México attended during 2008, starts now



18:00

SCA (Alsea's Shared Services Center) releases the brands' financial information

18:30

The new Domino's Pizza commercial is aired on national television. The brand invested 5.7% of its income in advertising during 2008

19:30

California Pizza Kitchen Masaryk gets ready for the next CPKids Tour, in which Mexico City elementary school students participate





In 2008, Alsea reported net sales of 7.8 billion pesos, 11.5% higher than last year's. This increment is mainly attributable to the addition of 123 corporate stores in the last twelve months, including the acquisitions of Domino's Pizza Colombia and—to a lesser extent—California Pizza Kitchen in Mexico, as well as the startup of the Starbucks Coffee Argentina and Burger King Colombia operations.

Alsea had a record year in terms of store openings, both in Mexico as well as in Latin America. In Mexico, we achieved our expansion goal: by year-end we had 1,104 QSR stores.

We started up operations in Starbucks Coffee in Argentina and Burger King in Colombia, and acquired Domino's Pizza Colombia. At year-end, this segment had a total of 98 units, with operations in Argentina, Chile, Colombia and Brazil—the four countries we had defined in our strategic plan.

During the year, we invested almost 1.1 billion pesos—mostly in unit growth, in the remodeling of our existing stores and in renewing assets.

Our sound financial position at year-end, with a record cash level of more than **530 million pesos**, gives us the solidity and certainty to face our debt maturity dates and continue to make progress with our growth plans.

20:00

The Alto Palermo Starbucks Coffee store in Argentina posted a new sales record: 83 transactions in half an hour

20:30

Burger King Minerva serves its combo number 100 of the day at its Auto King



21:00

A group of friends get together on the terrace of CPK Masaryk with a BBQ Chicken Pizza. They form part of the 93,000 customers who have dined at that branch since April of 2008

22:00

Starbucks Coffee reports that more than 8,600,000 customers log on to the Internet at its stores





COMMITTED AT ALL TIMES



Aalsea's Social Responsibility is everyone's responsibility. We devote time and effort to it every day, every hour and every second to help future generations inherit a better country.

- **45,228** TREES WERE PLANTED
- **61,867** TOYS WERE DELIVERED
- **8,033** INDIVIDUAL PIZZAS WERE DONATED

The mission of Fundación Aalsea A.C. is to: **Contribute towards improving the quality of life of people in need through comprehensive community development programs.**

- **81,823** TOTAL BENEFICIARIES
- **74** INSTITUTIONS WERE SUPPORTED NATIONWIDE
- **\$8,227,919** PESOS IN DONATIONS WERE CHanneled TO DIFFERENT PROGRAMS
- **9,988** VOLUNTEERS PARTICIPATED IN COMMUNITY OUTREACH ACTIVITIES

We will continue to work for Mexico and starting in 2009 we will focus our efforts on nutrition projects.

23:00

The Friends & Family event of the Starbucks Coffee Guanajuato Store is held, one of the 17 new cities in Mexico that the brand entered into during 2008

23:30

Domino's Pizza finishes its delivery day after approximately 4,000 pizzas are delivered every 30 minutes in the country



24:00

Starbucks Coffee Pílares—the store that produces the most sales for the brand on a daily basis—serves the last coffees of the day



00:30

Burger King checks its meat purchase inventories, which in 2008 amounted to 1,900,000 kg

TO OUR SHAREHOLDERS:



Now is the time to take a pause and analyze our results in these circumstances of great challenges. In a year marked by an international financial crisis, a notorious increase in basic supplies, the effects of a devaluation and the beginning of a retraction in consumption and in the economic liquidity of the countries in which we operate, Alsea had a record year in terms of openings and consolidating its operations—both in Mexico as well as in Latin America—with an increase of 123 corporate stores. In Mexico alone, we consolidated our expansion strategy totaling 1,104 establishments.

This was not an easy task, as it required the support of all our people; innovating processes and products; and making quick adjustments in all the items of our cost and expense structure. We also implemented a model to better plan our human resources at the senior management level and, as a result, we consolidated our leadership and decision-making processes to strengthen the company's strategic areas. Foremost in our minds, however, was to never forget the needs and tastes of all the people who visited our establishments and consumed our products throughout the year.

Our Latin American operations continued to present positive results in terms of sales and development plans. Thanks to the trust of our strategic partners, we started up Starbucks Coffee operations in Argentina and Burger King in Colombia, as well as having acquired Domino's Pizza Colombia. At year-end, our Latin American division had a total of 98 units, with operations in Argentina, Chile, Colombia and Brazil—the four countries that we defined in our strategic plan.

As a result of the programs we implemented throughout the year to adjust the company to the world's economic situation, at year-end our financial situation was solid, with a record cash position of over 530 million pesos and a leverage level of 34%, which provides us with the solidity and certainty we need to forge ahead with our plans of a healthy operation and growth.

In view of the foregoing, we are able to confirm that Now is Alsea's time, because the company is well positioned to achieve its expansion, leadership and customer services goals. We will face the challenges of 2009 with optimism and trust and put all our creativity, perseverance and diligence to work to continue making progress and obtain the best return for you, our shareholders.

Sincerely,

Alberto Torrado
Chairman of the Board of Directors

Arturo Barahona
Chief Executive Officer

01:00

1 of the 186 tons of residue delivered by Alsea to be recycled is transported

02:00

The dough production line of the DIA Mexico City Distribution Center is producing the pre-cooked dough for the D4 pizza



03:00

The La Florida Starbucks Argentina store wraps up the day

04:30

Carlos wakes up to go to his training sessions as a Domino's Pizza Specialist in Safe Delivery. This brand gave more than 162,000 hours of training to its delivery boys during 2008



LETTER FROM INDEPENDENT BOARD MEMBERS

At Alsea we believe that it is an excellent idea for our Independent Board Members to write a message in the company's Annual Report, as our Managing Directors do as well. They also have a lot to say about what Alsea is experiencing at present, and we wish to share their opinion with you.

It is important to identify Alsea's current status: well-positioned brands in the process of being institutionalized, as a result of changes in management; a distribution and administrative services infrastructure that guarantees growth; operating knowledge of practically any segment of the restaurant business; and knowledge of today's food market and future trends. Additionally, the company has a managerial team with proven experience and, above all, with a permanent entrepreneurial approach. We can affirm that we have the ability to consolidate the company as the most important restaurant business in Latin America, and our aspirations also include participating in the North American market. Lastly, the time is ripe for us to strengthen our leadership in the markets in which we operate.

Sergio Mario Larraguivel

Today's economic and financial environment presents challenges for companies that are putting their ability to respond, their business vision and their responsibility for employees, business partners, investors and society to the test.

At Alsea—both as a group as well as on an individual basis—we have made a commitment to sustain the leadership of our company, with social responsibility and with a corporate governance that instills trust among all the agents with whom we do business and who have believed in the potential of the company, its senior management and, above all, its people.

Salvador Cerón

Times like these motivate us to think about the future: how we can better serve our customers, by better identifying their expectations; and how to broaden our geographic coverage and get more people to know our service and brand offer.

Manuel Canal

As independent members of the Board, we assume our responsibilities vis-à-vis investors by making sure that decisions are made with absolute impartiality and only after having analyzed in depth the related problems and opportunities. It is in this way that we support the company's management so that it can follow through with the strategic plans that give the company life and projection going forward, particularly in times like these in which Alsea's development and operating capacity will enable it to move faster than other domestic and international players in the business arena.

Marcelo Rivero

BOARD OF DIRECTORS

CHAIRMAN

Alberto Torrado Martínez
CHAIRMAN OF THE BOARD OF DIRECTORS

SHAREHOLDER BOARD AND STAFF MEMBERS

Alberto Torrado Martínez
CHAIRMAN OF THE BOARD OF DIRECTORS
Cosme Alberto Torrado Martínez
APPOINTED DIRECTOR, LATIN AMERICA
Armando Torrado Martínez
SHAREHOLDER
Fabián Gerardo Gosselin Castro
SHAREHOLDER
Federico Tejado Bárcena
MANAGING DIRECTOR, CASUAL DINING
Arturo Barahona Oyervides
CHIEF EXECUTIVE OFFICER

INDEPENDENT BOARD MEMBERS

José Manuel Canal Hernando
INDEPENDENT CONSULTANT
Marcelo Rivero Garza
CHIEF EXECUTIVE OFFICER, GRUPO JUMEX
Salvador Cerón Aguilar
PRESIDENT, STF CONSULTING GROUP
Sergio Mario Larraguivel Cuervo
CHIEF EXECUTIVE OFFICER, ANESLA S.A. DE C.V.

SECRETARIES

Guillermo Díaz de Rivera Álvarez
PARTNER, DÍAZ DE RIVERA Y MANGINO, S.C.
Xavier Mangino Dueñas
PARTNER, DÍAZ DE RIVERA Y MANGINO, S.C.

AUDIT COMMITTEE

José Manuel Canal Hernando
CHAIRMAN
Marcelo Rivero Garza
MEMBER
Sergio Mario Larraguivel Cuervo
MEMBER
Mario Sánchez Martínez
TECHNICAL SECRETARY

CORPORATE GOVERNANCE COMMITTEE

Salvador Cerón Aguilar
CHAIRMAN
Sergio Mario Larraguivel Cuervo
MEMBER
Sergio Enrique Mirensky Montefiore
TECHNICAL SECRETARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF THE FULL YEAR 2008

The following table provides a condensed income statement of Alsea during 2008, in millions of Mexican pesos (with the exception of Earnings per Share or "EPS"), the percentage of net sales that each line represents, and the change in percentage for the full year 2008 when compared with the same period of 2007:

	2008	Margin %	2007	Margin %	Change %
Net Sales	\$7,786.8	100.0%	\$6,985.4	100.0%	11.5%
Gross Profit	5,005.5	64.3%	4,661.7	66.7%	7.4%
Ebitda ⁽¹⁾	1,032.1	13.3%	1,153.0	16.5%	(10.5)%
Operating Income	459.1	5.9%	715.7	10.2%	(35.9)%
Consolidated Net Income	138.5	1.8%	489.1	7.0%	(71.5)%
EPS ⁽²⁾	0.2078	N.A.	0.7690	N.A.	(73.0)%

(1) EBITDA: Operating income before depreciation and amortization.

(2) EPS refers to the earnings per share of the last twelve months

Net Sales

Net sales increased 11.5% to 7,786.8 million pesos during 2008, compared to 6,985.4 million pesos in the previous year. This increase was attributable to revenue growth in our brands in Mexico and Latin America, as well as to the increase in food distribution sales made to third parties.

The sales growth in our brands was mostly due to the unit expansion, which represented an increase of 123 corporate stores, including the acquisition of 21 Domino's Pizza in Colombia and the 4 California Pizza Kitchen. This was partially offset by the decline in same-store sales, mainly due to the VAT change effect, and to a lower extent the consumption contraction at the end of the year.

Gross Profit

During the last twelve months of 2008, gross income increased 343.8 million pesos, totaling 5,005.5 million pesos, with a gross margin of 64.3% compared to 66.7% in the year-ago period. The decrease in gross margin was mostly attributable to the change in the aforementioned VAT rate and to the hike in the cost of the company's main raw materials due to higher commodity prices and the devaluation of the peso in the fourth quarter of 2008. These effects were partially offset by the strategy of promotions and raising prices among our different brands.

Operating Expenses

Operating expenses (excluding depreciation and amortization) increased 0.8 percentage points as a percentage of sales, from 50.2% during the twelve months of 2007, to 51.0% in the same period of 2008. This was mainly attributable to the operating leverage as a consequence of having lower same store sales, the above-inflation rise in expenses related to the cost of electric power and gas, the payment of office and store leases after the company sold certain assets in late 2007, the changes in the organizational structure to support future growth and the change in revenue mix. Such effects were partially offset by operating efficiencies and the operating leverage generated by the growth in units.

EBITDA

As a result of the aforementioned variations, Ebitda dropped 10.5% to 1,032.1 million pesos in 2008, compared to 1,153.0 million pesos in the previous year. The Ebitda margin declined 3.2 percentage points, from 16.5% in 2007 to 13.3% during the full year of 2008.

Operating Income

The operating income of the third quarter decreased 256.6 million pesos, mostly due to a lower Ebitda and to the increase in depreciation and amortization as a result of our having acquired the assets related to the expansion plan.

Net Income

Consolidated net income declined 349.6 million pesos, mostly due to the 256.6-million-peso decrease in operating income, the 157.3-million-peso increase in the comprehensive cost of financing, the 39.5-million-peso increase in other expenses, and the 12.1-million-peso negative effect in discontinued operations. These effects were partially compensated with the 115.3-million-peso decrease in income taxes.

RESULTS BY SEGMENT

The following table sets forth the net sales and Ebitda by business segment, in millions of Mexican pesos, for the full year 2008 and 2007; the contribution and margin that each line represents; as well as the change in percentage for the year ended December 31, 2008, when compared to the same period of 2007:

Net Sales by Segment	2008	% Cont.	2007	% Cont.	% Change
Food & Beverages Mexico	\$5,738.7	73.7%	\$5,388.7	77.1%	6.5%
Food & Beverages Latin America	972.0	12.5%	641.8	9.2%	51.4%
Distribution	2,955.1	37.9%	2,620.2	37.5%	12.8%
Intercompany Operations ⁽³⁾	(1,878.9)	(24.1)%	(1,665.3)	(23.8)%	12.8%
Consolidated Sales	\$7,786.8	100.0%	\$6,985.4	100.0%	11.5%

EBITDA by Segment	2008	% Cont.	Margin	2007	% Cont.	Margin	% Change
Food & Beverages Mexico	\$714.4	69.2%	12.4%	\$837.1	72.6%	15.5%	(14.7)%
Food & Beverages Latin America	72.9	7.1%	7.5%	73.5	6.4%	11.5%	(0.8)%
Distribution	203.0	19.7%	6.9%	214.6	18.6%	8.2%	(5.4)%
Other Businesses ⁽³⁾	41.8	4.1%	N.A.	27.8	2.4%	N.A.	N.A.
Consolidated EBITDA	\$1,032.1	100.0%	13.3%	\$1,153.0	100.0%	16.5%	(10.5)%

(3) For segment reporting purposes, intersegment operations are included in each of the segment operations.

Food and Beverages Mexico

During the full year of 2008, sales increased 6.5% to 5,738.7 million pesos, compared to 5,388.7 million pesos in the same period of 2007. This increase of 349.9 million pesos is attributable to the unit expansion during the last twelve months, which was partially offset by the decrease in same-store sales.

Ebitda dropped 14.7% during 2008, to 714.4 million pesos, compared to 837.1 million pesos in the year-ago period. This decline is mostly due to the decrease in same store sales, the price hike in our main raw materials due to the increase in commodities prices during the first half of the year and the depreciation of the peso during the fourth quarter, as well as to a lower extent the above-inflation rise in expenses related to the cost of electric power and gas. This was partially offset by operating efficiencies and the strategy of promotions and price increases among the different brands.

Food and Beverages Latin America

The Food & Beverages Latin America Division, presented an increase of 51.4% during the full year 2008, reaching 972.0 million pesos compared to 641.8 million pesos of the previous year. This was mostly due to the growth in same-store sales as well as to the opening and acquisition of 37 units during the last twelve months, including the operations of Starbucks Coffee Argentina and Burger King Colombia.

Ebitda of the Food & Beverages Latin America Division decreased 0.8%, totaling 72.9 million pesos. This decrease was mostly attributable to the start-up operations of Starbucks Coffee Argentina and Burger King Colombia, as well as to the price hike in our main raw materials as consequence of the depreciation of the various local currencies in relation to the U.S. dollar. These effects were partially offset with the increase in same store sales.

Distribution

During the year 2008, distribution sales rose by 12.8% to 2,955.1 million pesos, compared to 2,620.2 million pesos in the same period of 2007. This is attributable to a higher number of stores served, totaling 1,272 units as of December 31, 2008, compared to 1,156 units in the same period of last year, which represented a 10.0% increase. Third-party revenues increased 11.5% to 1,064.8 million pesos and represented 13.7% of consolidated revenues. Ebitda reached 203.0 million pesos compared to 214.6 million pesos in the year-ago period, which accounted for a margin of 6.9%, and presented a 1.3 percentage points margin decrease as compared to same period of last year. The decreased margin is mostly attributable to the change in the revenue mix, in view of the fact that the fastest-growing brands are the ones with the lowest margin for DIA, as well as to the increase in costs due to the depreciation of the Mexican peso, and to a lower extent higher distribution expenses due to the increase in the price of Diesel and the redefinition for recovering corporate expenses.

NON-OPERATING RESULTS

Comprehensive Cost of Financing

The comprehensive cost of financing in 2008 went up to 194.4 million pesos, compared to 37.1 million pesos during the previous year. This is attributable to the 89.0-million-peso increase in the foreign exchange loss, as a result of the depreciation of the local currencies vis-à-vis the US dollar, as well as to the 68.2-million-peso increase in interest paid - net, owing to more leverage and higher interest rates.

Other Expenses - Net

This item increased 39.5 million pesos in 2008 compared to the previous year, mainly due to the write-off of assets due to the closing of stores of the different brands, and severance payments as part of the restructuring program to reduce operating expenses. These effects were partially offset with the profit obtained from selling the remaining real state assets.

Taxes on Earnings

The tax on earnings of 53.1 million pesos decreased 115.3 million pesos in twelve months ended December 31 of 2008, mostly as a result of the 452.8-million-peso decrease in earnings before taxes and the effect of deferred taxes.

BALANCE SHEET

Store Equipment, Leasehold Improvements and Property, Trademarks, Goodwill and Pre-operatives.

The 469.6-million-peso variation in this line was attributable to the expansion program and to the acquisitions made during 2008.

During the twelve months ended December 31, 2008, Alsea invested a total of 1,097.5 million pesos, of which 986.7 million pesos were invested in store openings, renovation of equipment and the remodeling of the existing

stores of all our brands, including the acquisition of Domino's Pizza Colombia and California Pizza Kitchen, as well as the startup of Starbucks Coffee Argentina and Burger King Colombia. The remaining 110.8 million pesos were invested in other items, particularly in the Hermosillo distribution center.

Recoverable Taxes - Net

The 144.4-million-peso increase in recoverable taxes - net of taxes payable, as of December 31, 2008, was mostly attributable to the Value Added Tax balances in favor of Distribuidora e Importadora Alsea, S.A. de C.V. ("DIA" - Distribution segment), as well as the positive balance of profit taxes derived from the 2008 fiscal period.

Deferred Income Taxes

The Deferred Income Tax went up from 197.9 million pesos as of December 31, 2007 to 293.0 million pesos as of year end 2008. This increase of 95.1 million pesos was mostly due to the recognition of tax losses, to the effect of larger provisions for liabilities and to the tax on assets pending recovery.

Accounts Payable

The 210.8-million-peso increase during the last 12 months in accounts payable is mainly attributable to unpaid balances related to the acquisition of California Pizza Kitchen outperformed in December of 2008, as well as to larger provisions related with the growth of operations.

Discontinued Operations

The net decrease of assets minus liabilities is 24.4 million pesos, which is attributable to the reclassification of the Popeyes brand in 2008 and 2007 as a discontinued operation, as well as to the recognition of the brand's valuation.

Debt

As of December 31, 2008, Alsea's total debt increased 756.7 million pesos to 1,790.2 million pesos, compared to 1,033.4 million pesos on the same date last year. This increase is mainly attributable to the development plan of the company's brands, acquisitions made in the last twelve months, as well as to working capital needs and by-back fund operations.

As of December 31, 2008, 63.1% of the debt was long term, compared to 67.6% in the year-earlier period. On the same date, 83.7% of the debt was denominated in Mexican pesos, 11.2% in US dollars, 4.8% in Chilean pesos, 0.2% in Argentine pesos and 0.1% in Colombian pesos. The company's consolidated net debt—compared to 2007—increased 427.6 million pesos, totaling 1,251.7 million pesos as of December 31, 2008 compared to 824.1 million pesos as of December 31, 2007.

Share By-back Program

As of December 31, 2008, the company had a balance in the fund set aside for the 15.3-million share by-back, equal to approximately 193.9 million pesos in nominal terms. During the three months ended December 31, 2008, the company bought back 725 thousand shares, equal to 4.6 million pesos.

Financial Ratios

As of December 31, 2008, the company had complied with all the financial restrictions established in the long-term credit agreements. The Net Debt to Ebitda ratio of the last 12 months was 1.21 times, the total Liabilities to Stockholders' Equity ratio was 0.98 times, and the Ebitda to Interest Paid ratio of the last 12 months was 8.32 times.

The Return on Invested Capital ("ROIC")(4) decreased from 15.8% to 9.6% during the last twelve months ended December 31, 2008. The Return on Equity ("ROE")(5) of the last 12 months ended December 31, 2008 was 4.4% compared to 16.7% year over year.

INTERNAL AUDIT COMMITTEE REPORT

February 16, 2009

In compliance with the provisions of Articles 42 and 43 of Mexico's Securities Market Law and the Audit Committee Regulation, I hereby inform you of the activities we carried out during the year ended December 31, 2008. While performing our work, we have kept in mind the recommendations established in the Code of Best Corporate Practices. We got together at least once every quarter and followed a work schedule to perform the activities described below.

I. INTERNAL CONTROL

We made sure that Management, while complying with its internal control responsibilities, had established general guidelines and the processes needed to apply and comply with such guidelines. Additionally, we followed up on the related comments and observations made by the External and Internal Auditors in the performance of their work.

II. EXTERNAL AUDIT

We recommended to the Board of Directors the engagement of the Group's and its subsidiaries' external auditors. In this regard, we verified their independence and the compliance with the personnel turnover requirements established by Law. Jointly, we analyzed with them their focus and work schedule, as well as their coordination with the Internal Audit Department.

We constantly and directly stayed in touch to be informed of the progress they were making in their work, of any observations they might have and to take note of their comments on their revision of the quarterly and annual financial statements. We were promptly informed of their conclusions and reports on the annual financial statements.

We authorized the fees paid to the external auditors for their auditing services and other services that are allowed, making sure that they did not interfere with their independence with respect to the company.

While taking into account Management's viewpoints, we evaluated its services corresponding to last year.

III. INTERNAL AUDIT

With the purpose of maintaining its independence and objectivity, the Internal Audit Department functionally reports to the Audit Committee. Accordingly:

1. We revised and approved in a timely manner its schedule and annual activity budget.
2. We received periodical reports on the progress of the approved work schedule, any changes they might have had, as well as the causes that brought on such changes.
3. We followed up on the observations and suggestions that they developed, as well as their timely implementation.
4. The proposal of hiring an External Consultant was approved to support Internal Audit functions.

IV. FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS DELIVERED TO THIRD PARTIES

We revised the quarterly and annual financial statements of the company with the persons in charge of preparing them, and recommended to the Board of Directors their approval and authorization to be published. As part of this process, we took into account the opinion and observations of the external auditors.

Upon issuing our opinion on the financial statements, we made sure that the criteria, and accounting and information policies used by Management to prepare the financial information were adequate and sufficient, and that they were applied consistent with the previous fiscal year. As a result, the information presented by Management reasonably reflects the financial situation, operating results and changes in the company's financial situation for the year ended December 31, 2008.

Our review also included the quarterly reports that are prepared by Management and presented to the stockholders and public in general, as well as any other financial information required by existing regulations. We made sure that such information was prepared based on the same accounting criteria that are used to prepare the annual information. To conclude, we recommended to the Board that the publication of this information be authorized.

RELEVANT FIGURES

BRAND	Stores 2008	Stores 2007	Change	% Annual Change
Domino's Pizza Mexico	425	411	14	3.4%
Domino's Pizza Colombia	21	0	21	N.A.
Starbucks Coffee Mexico	258	195	63	32.3%
Starbucks Coffee Argentina	3	0	3	N.A.
Burger King Mexico	107	107	0	0.0%
Burger King Argentina	41	32	9	28.1%
Burger King Chile	32	29	3	10.3%
Burger King Colombia	1	0	1	N.A.
Popeyes	10	9	1	11.1%
Chili's Grill & Bar	27	23	4	17.4%
California Pizza Kitchen	4	0	4	N.A.
Total Corporate	929	806	123	15.3%
Starbucks Coffee Chile	29	21	8	38.1%
Starbucks Coffee Brazil	18	8	10	125.0%
Total Associates (7)	47	29	18	62.1%
Sub-Franchisees Domino's Pizza Mexico	159	154	5	3.2%
TOTAL STORES	1,135	989	146	14.8%

Financial Ratios	2008	2007	Change
EBITDA(1)/Interests paid	8.32 x	19.29 x	N.A.
Net debt/EBITDA(1)	1.21 x	0.72 x	N.A.
Total liabilities/Stockholders' equity	0.98 x	0.69 x	N.A.
ROIC(4)	9.6%	15.8%	620 bps
ROE(5)	4.4%	16.7%	1230 bps

Stock Ratios	2008	2007	Change
Book value per share	\$4.85	\$4.84	0.1%
EPS (ttm)(2)	\$0.2078	\$0.7690	(73.0)%
EV(6)/EBITDA(1) (ttm)	5.2 x	9.1 x	N.A.
Shares outstanding as of	618.0	618.8	(0.1)%
Float	35.8%	37.1%	130 bps
Stock Price as of quarter end	\$6.23	\$15.30	(59.3)%

(4) ROIC is defined as operating income after taxes (ttm) divided by operating investment, net (total assets - cash and temporary investments - non-interest bearing liabilities).

(5) ROE is defined as net income (ttm) divided by stockholders' equity.

(6) EV is defined as market value plus net debt plus minority interest, and considers the price per share at the closing of each quarter.

(7) Associated stores are defined as any operation that is recognized by means of the equity method.

CORPORATE GOVERNANCE COMMITTEE REPORT

We verified the proper accounting recording of the purchase of Domino's Colombia and the sale of Popeyes that will take place during the first quarter of 2009.

V. COMPLIANCE WITH REGULATIONS, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established by the company to ensure compliance with the different legal provisions it is subject to, and made sure that these provisions were properly disclosed in the financial information.

We periodically revised the company's tax, legal and labor contingencies and supervised the effectiveness of the procedure that was established to identify and follow up on such contingencies, as well as their proper disclosure and recording.

VI. CODE OF CONDUCT

With the support of the Internal Audit Department, we made sure that the personnel was complying with the Code of Conduct in effect in the Group, and that the corresponding sanctions were being applied in cases in which breaches were found.

VII. ADMINISTRATIVE ISSUES

We conducted the Committee's regular meetings with Management to be informed of the company's performance as well as of the relevant and unusual activities and events.

We also met with the external and internal auditors, without the presence of Management members, to comment on the development of their work and any limitations they might have had, as well as to facilitate any private communication they might want to have with the Committee.

When deemed advisable, we requested the support and opinion of independent experts. Likewise, no significant possible non-compliances with operating policies, the internal control system and the accounting recording policies came to our knowledge.

We held executive meetings with the exclusive participation of the Committee members, and during such meetings agreements and recommendations for Management were established.

The Chairman of the Audit Committee reported to the Board of Directors on a quarterly basis the activities that were carried out.

The work we performed was duly documented in minutes that were prepared after each meeting, and which were revised and approved in a timely manner by the members of the Committee.

Sincerely,



Chairman of the Audit Committee
José Manuel Canal Hernando

February 16, 2009

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

In compliance with Articles 42 and 43 of Mexico's new Securities Market Law, and on behalf of the Corporate Governance Committee, I am pleased to present you with my report on the activities we carried out during the year ended December 31, 2008. While performing our work, we have kept in mind the recommendations contained in the Code of Best Corporate Practices.

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

1. During this period, we did not receive any requests for exemption in accordance with the provisions of Article 28, fraction III, section f) of the new Securities Market Law. It was therefore not necessary for us to make any recommendation in this regard.
2. Likewise, during this period, we did not receive any requests for exemption in accordance with the provisions of Article 28, fraction III, section f) of the new Securities Market Law. It is therefore not necessary for us to make any recommendation in this regard.
3. Twice a year we revised the 2008 Performance Evaluation of relevant executives, as well as Management's proposal to pay their variable compensation.
4. In the Board of Directors' Meeting it was agreed to send the 2005 SOP proposal to the Stockholders' Meeting to set a new maturity date for December 2009.
5. We analyzed a proposal to grant the "2008 Deferred Bonus Plan" (PILA), depending on the personal evaluation of all the participants. We recommended that this proposal be authorized.
6. We presented an annual 4% salary raise for store personnel and no raise for the staff personnel of our Business Units and Corporate Areas.
7. We were presented with a HR Planning proposal for implementation in all our Business Units and Corporate Areas. The proposal was approved.
8. On a quarterly basis, we were presented with the Control Board that allowed us to follow up on the strategic objectives. Additionally, we performed a first review of the 2009-2013 Strategic Plan, which also includes brand guidelines. The complete analysis was presented at the Board of Directors' Meeting of December 11, 2008, and it was requested that we made sure that the financial forecasts complied with the stockholders' orders.
9. On a quarterly basis, we followed up on the progress made in the "Alsea Model" Processes Project, which is already at the implementation stage.
10. We established the general premises to prepare the 2009 budget. The 2009 budgets of each of Alsea's divisions were revised in order to validate them and so that we could make a recommendation to the Board of Directors. The budget and all its components were approved by the Board of Directors in its meeting held December 11, 2008.
11. We revised the CEO's report with the changes vs. budget for each quarter of 2008 and the entire fiscal year 2008, with the effects of each of Alsea's companies, in order to validate them and be aware of the main variations before presenting them to the Board of Directors. In all cases we recommended the authorization of such reports and of the financial results.

12. All the acquisition initiatives that were presented to us by Management were evaluated; during this period the acquisition of Domino's Pizza Colombia and California Pizza Kitchen was authorized, since it was considered that they were in alignment with Alsea's growth strategy. The association with PF Changs was also approved, and Management was requested to present the 2009 budget for approval purposes once the contract has been signed.
13. We recommended the authorization of the dividend payment as per the established policy, i.e. 30%.
14. The Stock Trading Plan results were presented quarterly and during the fourth-quarter meeting the 2009-2011 Stock Trading Plan was approved with its respective quarterly metrics for 2009 and annual metrics for the periods of 2010 and 2011. The quarterly metrics shall be revised and adjusted, if necessary, on a quarterly basis during fiscal year 2009.
15. We were presented with the restatement of the Shareholder's Cost applied at the end of each quarter of 2008, using the methodology authorized by the Board of Directors, and we suggested that a rate of 17.5% be used at the end of the period.
16. On a quarterly basis we were presented with a summary of the risk management operations through "Forward Exchange Rates" (peso/dollar) carried out during the year. These operations have been conducted as authorized, i.e. in alignment with the objective of covering the foreign exchange risk of the operation in accordance with the authorized budget.

Lastly, I would like to mention that as part of the activities we have carried out, including the preparation of this report, we have at all times listened to and taken into account the viewpoint of all the relevant senior managers, and no significant differences of opinion have existed.



Corporate Governance Committee
Salvador Cerón Aguilar
Chairman

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

We have examined the accompanying consolidated balance sheets of Alsea, S. A. B. de C. V. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income and of changes in stockholders' equity for the years then ended and the consolidated statements of cash flows and changes in financial position for the years ended December 31, 2008 and 2007, respectively. 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 that they are prepared in accordance with Mexican Financial Reporting Standards. 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 reporting standards 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 mentioned in note 17(f) to the consolidated financial statements, in 2007, a subsidiary company of Alsea filed an appeal to comply with the injunction sentence ("Amparo") related to Valued Added Tax, with no final resolution yet issued. Additionally, there are certain contingencies that are disclosed in the subparagraphs (e) and (g) of the same note.

During 2008, accounting changes were made as disclosed in note 2(y) to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alsea, S. A. B de C. V. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and the changes in their stockholders' equity for the years then ended and their cash flows and changes in their financial position for the years ended December 31, 2008 and 2007, respectively, in conformity with Mexican Financial Reporting Standards.

KPMG CARDENAS DOSAL, S. C.



Jaime Sanchez Mejorada Fernández

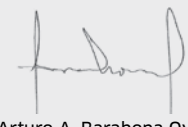
February 17, 2009.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2008 and 2007
(Thousands of Mexican pesos- note 2(y))

	2008	2007
Net sales	\$ 7,786,843	6,985,403
Cost of sales	2,781,324	2,323,697
Gross profit	5,005,519	4,661,706
Operating expenses	4,546,432	3,946,010
Operating income	459,087	715,696
Other (expenses) income, net (note 13)	(34,973)	4,500
Comprehensive financing result (note 12)	(194,400)	(37,065)
Equity in the results of operations of associated companies (note 6)	(2,027)	(2,653)
Income from continuing operations, before income tax	227,687	680,478
Income tax (note 15)	53,148	168,409
Income before discontinued operations	174,539	512,069
Loss from discontinued operations, net (note 2(c))	(35,008)	(22,928)
Consolidated net income	139,531	489,141
Minority interest	10,752	10,706
Majority net income	\$ 128,779	478,435
Net earning per share (note 2 (w))	\$ 0.21	0.77

See accompanying notes to consolidated financial statements.


Mr. José Rivera Río Rocha
Chief Financial Officer

Mr. Arturo A. Barahona Oyervides
Chief Executive Officer

Mr. Abel Barrera Fermín
Corporate Comptroller

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

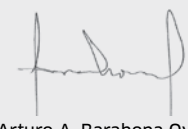
Years ended December 31, 2008 and 2007
(Thousands of Mexican pesos- note 2(y))

	Capital Stock	Additional paid-in capital	Retained earnings		Reserve for repurchased shares	translation effect from foreign entities	majority stockholder's equity	Minority Interest	Total stockholders' equity	
			Legal reserve	Retained earnings Total						
Balance as of December 31, 2006	\$ 536,623	1,090,334	45,572	860,490	906,062	118,738	2,118	2,653,875	68,694	2,722,569
Increase in minority interest	-	-	-	-	-	-	-	-	55,205	55,205
Repurchase of shares (note 16)	(2,259)	-	-	-	-	(67,999)	-	(70,258)	-	(70,258)
Appropriation to legal reserve	-	-	10,988	(10,988)	-	-	-	-	-	-
Increase in reserve for repurchased shares (note 16)	-	-	-	(90,000)	(90,000)	90,000	-	-	-	-
Dividends declared (\$0.30 per share) (note 16)	-	-	-	(67,840)	(67,840)	-	-	(67,840)	-	(67,840)
Comprehensive income	-	-	-	478,435	478,435	-	3,271	481,706	10,706	492,412
Balance as of December 31, 2007	534,364	1,090,334	56,560	1,170,097	1,226,657	140,739	5,389	2,997,483	134,605	3,132,088
Increase in minority interest	-	-	-	-	-	-	-	-	87,365	87,365
Repurchase of shares (note 16)	(5,331)	-	-	-	-	(120,417)	-	(125,748)	-	(125,748)
Appropriation to legal reserve	-	-	23,922	(23,922)	-	-	-	-	-	-
Increase in reserve for repurchased shares (note 16)	-	-	-	(90,000)	(90,000)	90,000	-	-	-	-
Dividends declared in shares (\$0.23 per share) (note 16)	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	128,779	128,779	-	(3,443)	125,336	10,752	136,088
Balance as of December 31, 2008	\$ 534,017	1,228,880	80,482	1,041,424	1,121,906	110,322	1,946	2,997,071	232,722	3,229,793

See accompanying notes to consolidated financial statements.



Mr. José Rivera Río Rocha
Chief Financial Officer



Mr. Arturo A. Barahona Oyervides
Chief Executive Officer



Mr. Abel Barrera Fermín
Corporate Comptroller

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2008
(Thousands of Mexican pesos- note 2(y))

	2008
Operating activities:	
Income from continuing operations, before income tax	\$ 227,687
Items relating to investing activities:	
Depreciation and amortization	572,980
Effects from associated companies, net	2,027
Gain or loss on sale of fixed assets	79,143
Interest income	8,634
Valuation effects of financial instruments	5,535
Items relating to financing activities:	
Interest expense	124,078
Subtotal	1,020,084
Customers	(45,819)
Inventories	(123,803)
Suppliers	85,848
Income taxes payable	(293,359)
Other assets and liabilities	213,425
Net cash provided by operating activities	856,376
Investing activities:	
Interest received	(8,634)
Store equipment, leasehold improvements and property	(569,812)
Trademark rights and preoperating items	(399,168)
Investment in shares of subsidiaries and associated companies	(8,037)
Disincorporation of subsidiary	(15,523)
Acquisition of subsidiary	(93,806)
Net cash used in investment activities	(1,094,980)
Cash to be obtained from financing activities	(238,604)
Financing activities:	
Bank loans received and payment of loans, net	739,929
Interest paid	(120,864)
Minority interest contribution	87,363
Repurchase of shares	(125,748)
Net cash provided by financing activities	580,680
Net increase in cash	342,076
Adjustments to cash flow to reflect foreign exchange fluctuations	(12,923)
Cash:	
At beginning of year	209,327
At end of year	\$ 538,480

See accompanying notes to consolidated financial statements.

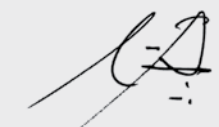

Mr. José Rivera Río Rocha
Chief Financial Officer

Mr. Arturo A. Barahona Oyervides
Chief Executive Officer

Mr. Abel Barrera Fermín
Corporate ComptrollerCONSOLIDATED STATEMENTS OF CHANGE
IN FINANCIAL POSITIONYears ended December 31, 2007
(Thousands of Mexican pesos- note 2(y))

	2007
Operating activities:	
Consolidated net income	\$ 489,141
Add charges (deduct credits) to operations not requiring (providing) funds:	
Depreciation and amortization	437,253
Labor obligations	6,953
Equity interest in associated companies	2,653
Deferred income tax and employees' statutory profit sharing	(119,018)
Funds provided by operations	816,982
(Net investing in) net financing from operating accounts:	
Customers, net and prepaid expenses	(116,397)
Inventories	(8,943)
Associated companies	26,194
Suppliers, accounts payable, accrued liabilities and other liabilities	222,646
Taxes payable and employees' statutory profit sharing	(335,552)
Funds used in operating activities	(212,052)
Financing activities:	
Increase in capital stock and minority interest, net	55,205
Repurchase of shares	(70,258)
Loans, net	536,174
Dividends declared	(67,840)
Funds provided by financing activities	453,281
Investing activities:	
Acquisition of store equipment, leasehold improvements and property	(720,477)
Acquisition and disincorporation of subsidiary and associated companies, net	8,476
Cumulative translation effect from foreign entities	3,271
Intangible and other assets	(383,114)
Funds used in investing activities	(1,091,844)
Decrease in cash	(33,633)
Cash:	
At beginning of year	242,960
At end of year	\$ 209,327

See accompanying notes to consolidated financial statements.


Mr. José Rivera Río Rocha
Chief Financial Officer

Mr. Arturo A. Barahona Oyervides
Chief Executive Officer

Mr. Abel Barrera Fermín
Corporate Comptroller

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(Thousands of Mexican pesos- note 2(y))

(Translation from original issued in Spanish)

These financial statements have been translated from the original Spanish language for the convenience of foreign English-speaking readers only.

On February 17, 2009, the Board of Directors authorized the issuance of the accompanying consolidated financial statements and notes thereto. In accordance with the General Corporations Law and the Company's bylaws, the Stockholders are empowered to modify the financial statements after their issuance. The accompanying financial statements will be submitted for approval at the next Stockholders' Meeting. The financial statements have been prepared in accordance with Mexican Financial Reporting Standard (FRS) in force at the balance sheet date (note 2 (y)).

(1) Description of business and significant transactions-**Description of business-**

Alsea, S. A. B. de C. V. and Subsidiaries (Alsea or the Company), are mainly engaged in operating fast-food stores, "QSR", and casual restaurants, "Casual Dining". In Mexico, Alsea operates Domino's Pizza, Starbucks Coffee, Burger King, Popeyes (on discontinued operation) and Chili's Grill & Bar, and since December 2008, it operates California Pizza Kitchen. The operation of its multi-units is supported by its Shared Service Center, which includes a supply chain through its distribution division (DIA), real estate and development services, as well as administrative services such as finance, human resources and technology. Since 2006, the Company operates Starbucks Coffee in Brazil in association with Café Sereia do Brasil Participações, S. A. and Starbucks Coffee International. In Chile and Argentina, Alsea operates Burger King and since 2007, Starbucks Coffee in those countries in association with Starbucks Coffee International. In Colombia, it operates Domino's Pizza and Burguer King since June and November 2008, respectively.

Significant transactions-**a) Acquisitions****- Acquisition of 65% of California Pizza Kitchen-**

In December 2008, through a subsidiary, the Company acquired 65% of Grupo Calpik, S.A.P.I, de C.V. (Grupo Calpik), a company which forms part of Grupo BGM. Grupo Calpik currently has four units of California Pizza Kitchen and is the exclusive developer and franchiser of the brand for the Mexican territory.

- Acquisition of Domino's Pizza Colombia-

In June 2008, the acquisition was arranged with 75% of the capital stock of Dominalco, S.A. (Domino's Pizza Colombia or Dominalco). Domino's Pizza Colombia has a presence in that country for 20 years and today has 21 stores operating in four cities, Bogota, Medellin, Cali and Pereira.

A condensed balance sheet of the businesses acquired is shown as follows:

Condensed balance sheet	
Current assets	\$ 84,835
Store equipment, leasehold improvements and property	93,359
Franchise rights	50,129
	\$ 228,323
Current liabilities	\$ 111,908
Stockholders' equity	116,415
	\$ 228,323

The business acquisitions were recognized under the purchase method. The cost of entities acquired was determined based on the cash paid. Furthermore, the excess of the cost of the units acquired over net assets acquired and liabilities assumed was reassigned to the fair value of the net assets. There is a contingent price for the acquisition of Dominalco, which is subject to certain rules that require, mainly, obtain direct benefits from future Dominalco profits in a one-year period as of the date of acquisition.

The operating income of the acquired companies is included in the consolidated financial statements as of the date of acquisition.

b) Development of the Burger King trademark in Colombia-

In October 2008, continuing with the expansion strategy in Latin America through a subsidiary in which Alsea will participate with 84.9%, an agreement has been reached with Burger King Corp. to develop the Burger King brand in Bogota, Colombia. The current partners of Alsea in Domino's Pizza Colombia will participate with the remaining 15.1%. The agreement contemplates a plan to develop 20 stores over the next 5 years.

c) Agreement for the termination of the contract of the master franchise of "Popeye's" trademark-

In September, 2008, the Company entered into an agreement with AFC Enterprises, Inc. Popeyes Chicken & Biscuits, to terminate the master franchise contract for operation of the "Popeyes" trademark in Mexico. The agreement establishes the conditions to disincorporate the 10 stores in operation in a period of no more than six months. AFC Enterprises, Inc. will continue to operate the "Popeyes" trademark in Mexico and will assist the Company in the transfer of the 10 stores to a new franchiser, in order to continue with the growth of the trademark in Mexico (note 2 (c)).

d) Starbucks joint venture (2007), Chile and Argentina

In October 2007, Alsea entered into a joint venture agreement to operate and develop the Starbucks Coffee trademark in Argentina and participate in the operation of Starbucks Coffee in Chile. In Chile, the Company entered into a joint venture agreement with Starbucks Coffee International, acquiring 18% of the shares of Starbucks Coffee Chile, S.A. (Starbucks Chile), with 21 stores in operation at the time of this agreement. While in Argentina, Alsea acquired 82% of the shares of Starbucks Coffee Argentina, S.R.L. (Starbucks Argentina).

e) Merger

In August 2007, Distribuidor Internacional de Alimentos, S.A. de C.V. was merged into Distribuidora e Importadora Alsea, S.A. de C.V., with the latter as the surviving company.

f) Share split

In February 2007, having carried out all the necessary procedures and updated its share registration at the National Securities Registry, Alsea's four-to-one share split became effective without modifying the capital stock.

(2) Summary of significant accounting policies-

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the carrying amount of property, plant and equipment, intangible assets and goodwill; valuation allowances for accounts receivable, inventories, deferred income tax assets; valuation of financial instruments; and assets and obligations related to employee benefits. Actual results could differ from those estimates and assumptions.

For disclosure purposes, "pesos", "\$" or MXP means Mexican pesos, and "dollars" or "US\$" means U.S. dollars.

The financial statements for the year ended on December 31, 2007 were reclassified in order to conform them to the presentation of 2008, mainly for the discontinued operations specified in note 2(c).

Following are the significant accounting policies applied in the preparation of the accompanying financial statements:

(a) Recognition of the effects of inflation-

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS) in effect as of the balance sheet date and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the National Consumer Price Index (NCPI) published by Banco de México. Cumulative inflation percentage and index of the three preceding years at December 31, 2008 and 2007 are presented in the next page.

December 31	NCPI	Inflation	
		Yearly	Cumulative
2008	133.761	6.53%	15.01%
2007	125.564	3.67%	11.56%
2006	121.115	4.14%	7.61%
2005	116.301	3.33%	3.33%

(b) Principles of consolidation-

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

The principal operating subsidiaries are as follows:

	Shareholding percentage		Activity
	2008	2007	
Operating companies:			
Café Sirena, S. de R. L. de C. V.	82.00%	82.00%	Starbucks Coffee stores
Operadora de Franquicias Alsea, S. A. de C. V.	99.99%	99.99%	Domino's Pizza stores Burger King and Popeye's
Gastrosur, S. A. de C. V.	99.99%	99.99%	Chili's Grill & Bar restaurants
Fast Food Sudamericana, S. A.	99.99%	99.99%	Burger King stores in Argentina
Café Sirena S.R.L	82.00%	-	Starbucks Coffee stores in Argentina
Fast Food Chile, S. A.	99.99%	99.99%	Burger King stores in Chile
Dominalco, S.A.	75.00%	-	Domino' Pizza stores in Colombia
Operadora Alsea en Colombia, S. A.	84.99%	-	Burger King stores in Colombia
Grupo Calpik, S.A.P.I de C.V.	65.00%	-	California Pizza Kitchen restaurants
Distribuidora e Importadora Alsea, S. A. de C. V.	99.99%	99.99%	Food distribution
Associated companies:			
Starbucks Coffee Chile, S.A.	18.00%	18.00%	Starbucks Coffee stores in Chile.
Starbucks Brasil Comércio de Cafés, Ltda.	11.06%	11.06%	Starbucks Coffee Stores in Brasil.

The investment in shares of associated companies is valued by the equity method (see note 6).

(c) Discontinued operations-

In September 2008 Operadora y Procesadora de Pollo, S. A. de C. V. was discontinued for which purposes a formal divestment plan was designed. At December 31, 2008, the consolidated net result for discontinued operations amounts to \$(35,008).

Condensed financial information on the discontinued operation is shown below:

	2008	2007
Balance sheet		
Current assets	\$ 7,394	1,569
Fixed assets	30,221	38,037
Other assets	11,347	30,835
Liabilities	(4,675)	(1,800)
	\$ 44,287	68,641
Results		
Income	\$ 53,597	61,866
Costs	19,984	21,431
Operating expenses	47,603	55,587
Loss before income tax	\$ (18,548)	(39,938)

As consequence of the low profitability of the Popeyes' trademark, at December 31, 2007 Alsea recognized an impairment loss of long-lived assets used in Popeyes' operations. This impairment loss generated an expense of \$23,302, recognized in other expenses and an increase of \$6,525 to the deferred income tax provision. In 2008, as a consequence of the agreement for the termination of master trademark contract to determine the new recoverable value of long-lived assets, it was opted to calculate that value through the sales price, and therefore no impairment was determined (note 1(c)).

In November 2007, Alsea sold its 50% ownership of Cool Cargo, S.A. de C.V, a company engaged in providing transportation services to Distribuidora e Importadora Alsea, S.A. de C. V. This operation generated a gain of \$5,447.

In April 2007, the remaining 50% ownership of DeLibra, Ltda. associated company, was sold, which as from December 2006, was recognized as a discontinued operation. This operation generated a gain of \$5,460.

The effects of the above operations were included as discontinued operations in the Statement of Income.

(d) Currency translation of foreign subsidiaries-

To consolidate the financial statements of foreign subsidiaries that operate on an independently of the Company (located in Argentina, Chile, Brazil and Colombia, which represent 12% and 5% of consolidated net income in 2008 and 2007, respectively) were consolidated applying the Company's same accounting policies.

As from 2008, the financial statements of consolidated foreign operations are translated into the reporting currency by initially determining if the functional currency and the currency for recording the foreign operations are different and then translating the functional currency to the reporting currency, using the historical exchange rate or the exchange rate in force at the year end and the inflation index for the country of origin, depending on whether the information derives from an inflationary or non-inflationary economy.

Through 2007, the financial statements of consolidated foreign subsidiaries were adjusted for inflation in their currency of origin based on the inflation of each country and expressed in the currency of purchasing power at the end of the year, and were subsequently translated to Mexican pesos at the exchange rate in force at the end of the year for balance sheet and statement of income. The effects of currency translation are shown in stockholders' equity.

(e) Cash equivalents-

Cash equivalents includes deposits in checking accounts, foreign currencies and investments and other highly liquid instruments. At the date of the consolidated financial statements, interest income and expenses, and foreign exchange gains and losses are included in operating income, under the comprehensive financing result.

(f) Derivative financial instruments-

Alsea uses derivative financial instruments (DFI) denominated forwards and swaps in order to reduce the future and present risks and adverse fluctuations in exchange and interest rates, not diverting resources from the operations and the expansion plan and to have the certainty under the future cash flows of the Company, which also helps to keep a strategy for debt costs. DFI are used only for hedging purposes through which it undertakes to exchange cash flows at predetermined future dates, on the nominal value of reference and are valued at the fair value.

DFI operations are carried out under a master agreement in a format standardized by ISDA (International Swap Dealers Association) form, which is duly formalized by legal representatives of the Company and of the financial institutions.

In some cases, the Company has entered into agreements with financial institutions in line with the requirements of the ISDA, which agreements specify the conditions that require offering guarantees for margining calls if the market value (mark-to-market) exceeds certain established credit limits. The Company has the policy to monitor the volume of operations contracted with each institution in order to avoid the margining calls.

DFIs are contracted on the local market with the following financial entities: Banco Nacional de Mexico, S.A., Banco Santander, S.A., Merrill Lynch Capital Services, INC, UBS Bank Mexico y BBVA Bancomer, S.A.

Valuation

In the case of cash flow hedging, the effective portion of gains or losses on hedging instruments is recognized under comprehensive income or loss in stockholders' equity and is reclassified into income in the same period or periods in which the predicted transaction affects them. The ineffective portion is recorded immediately in the results of the period under comprehensive financing result.

The valuation of the effective portion generated from the aforementioned instruments is recorded every month in the Company's financial statements.

Positions in derivative financial operations

At December 31, 2008, the Company has hedges to purchase US dollars for an amount of US\$ 2,635 thousand, with an average exchange rate of MXP\$ 10.56 for each US dollar. The type and the amount of derivative products covered are aligned with management's internal policy specified by the Company's Practice Societary Committee, which provides an approach to meet the needs for covering foreign currency without carrying out speculative operations.

At December 31, 2008, the Company had contracted the following financial instruments:

Institution	Thousands of US dollars	Average exchange rate at settlement date	Maturing in
Merrill Lynch	1,500	\$ 10.3400	2009
UBS	2,135	10.7078	2009

During the years 2008 and 2007, the Company recorded an expense (income) in the results of \$18,067 and \$1,871, respectively, corresponding to fluctuations in exchange and interest rates from the date on which transactions were entered into to the settlement date.

(g) Embedded derivatives-

The Company reviews the contracts it enters into to identify the existence of embedded derivatives. Identified embedded derivatives are subject to assessment for determining compliance with the required conditions. If conditions are met, they are segregated from the host contract and valued at its fair value. Where the embedded derivative is classified as being for trading purposes, the gain or loss from changes in fair value is recognized in the year's income. Embedded derivatives designated for hedging purposes recognize changes in fair value according to the type of hedge as follows: (1) for fair value hedges, fluctuations of both embedded derivative and the hedged item are reflected at fair value and recognized in the year's income; (2) for cash flows hedges, the effective portion of the embedded derivative is temporarily recognized in comprehensive income and reclassified into income when the hedged item affects them; the ineffective portion is immediately recognized in income.

(h) Inventories and cost of sales-

At December 31, 2008 inventories are stated at the historical cost determined by the last-in-first-out method. Inventory values so determined do not exceed market values and are not below realizable value. Inventories at December 31, 2007 are shown at their original cost updated through such date based on NCPI factors, or at replacement cost of inventories at sales' date.

Cost of sales represents the replacement cost of inventories at the time of their sale, increased, as applicable, for reductions in the replacement cost or net realization value of inventories during the year and, through 2007 expressed in constant pesos of purchasing power at December 31, 2007.

The Company records the necessary allowances for inventory impairment arising from inventory damage, obsolescence, slow-movement or other causes, indicating that realization of goods will be below their cost.

(i) Store equipment, leasehold improvements and property-

Store equipment, leasehold improvements and property are initially recorded at their acquisition cost, and through December 31, 2007 adjusted for inflation by using factors derived from NCPI. Depreciation of store equipment, leasehold improvements and property is determined by management using the straight-line method over the estimated useful lives of the assets, at the annual rates shown below:

	Rates
Buildings	5%
Store equipment	6% to 33%
Leasehold improvements	10% to 20%
Transportation equipment	25%
Computer equipment	30%
Production equipment	10% to 20%
Office furniture and equipment	10%

The maintenance expenses and small repairs are expensed as incurred.

(j) Goodwill of subsidiary and associated companies-

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of net assets acquired. In determining these amounts, intangible assets acquired with no recoverable value are eliminated. Goodwill must be tested for impairment at least annually.

(k) Intangible assets-

Represent payments made to third parties for the right to use brands under which the Company operates its stores, pursuant to franchisee or association agreements. Amortization is calculated by the straight-line method at annual rates ranging from 5% to 15%. The rights to use of these brands expire as follows:

Brands	Expiration date
Domino's Pizza (Mexico)	2025
(Colombia)	2016
Starbucks Coffee (Mexico)	2021
(Argentina)	2012
Burger King (Mexico) (*)	2024
(Argentina)	2012
(Chile)	2028
Popeye's (discontinued)	2042
Chili's Grill & Bar	2015
California Pizza Kitchen	2017

(*) Each of the above trademark stores is valid for a 20-year term, as from the date on which each point of sale begins operations.

Under said agreements, the Company has certain obligations to do and not to do, including investments in capital and opening of new points of sale.

The association agreement signed by Starbucks Coffee International (SCI) and Alsea in 2008, allows SCI to increase its equity in the capital stock in Café Sirena, until it reaches 50%, only in the event a number of Starbucks Coffee stores are not opened. That option was not exercised at December 31, 2008, but may be exercised as from 2009, irrespective of whether or not those goals are met.

Pre-operating and installation expenses are related to the opening of new points of sale in various zones. Amortization is computed by the straight-line method over one year, from the date on which each point of sale begins operations.

(l) Impairment of long-lived assets, store equipment, leasehold improvements, property, goodwill and other intangible assets-

The Company periodically evaluates the values of long-lived assets, (store equipment, leasehold improvements, property, goodwill and other intangible assets), to determine whether there is indication of potential impairment. The recovery value represents the amount of potential net income expected to be generated as a result of assets used or disposed of. If the restated values are deemed excessive the Company records the necessary estimations to reduce them to the recovery value. Assets to be disposed are reported in the balance sheets at the lower of the carrying amount or realization value. Assets and liabilities of a group classified as available for sale are shown separately in the balance sheet.

(m) Accruals-

Based on management estimates, the Company recognizes liability provisions for present obligations in which the transfer of assets or rendering of services is virtually inevitable and arises as a consequence of past events, mainly for supplies and other personnel payments. These provisions have been recorded based on management's best estimate of the amount needed to settle the present obligation; however, actual results may differ from the provisions recognized (see note 11).

(n) Employee benefits-

Termination benefits for reasons other than restructuring and retirement to which employees are entitled are recorded in the results of the year, based on actuarial computations using the projected unit credit method, considering projected salaries or the projected cost of those benefits (see note 14).

The actuarial gain or loss is directly recorded in the results for the period as accrued.

Other compensation to which employees may be entitled are expensed in the year in which it becomes payable.

(o) Income Taxes (Income Tax (IT), Asset Tax (AT), Flat Rate Business Tax (IETU)), and Employee's Statutory Profit Sharing (ESPS)-

IT, IETU and ESPS payable for the year are determined in conformity with the tax provisions in effect.

The provisions for IT or IETU, and as from January 1, 2008 deferred ESPS, are charged to income for the year as incurred. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of income taxes, for operating loss and asset tax (AT) carryforwards, and tax credits.

Deferred tax and ESPS 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 and ESPS assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In order to determine if deferred IT or deferred IETU should be recorded, entities must identify the bases used to be reverse in the future all differences arising from deferred taxes, and must evaluate the likelihood of payment or recovery of each tax.

In the case of ESPS, through December 31, 2007, deferred ESPS was recognized only for timing differences arising from the reconciliation of book income to income for profit sharing purposes, for which it was reasonably estimated that a future liability or benefit would arise and there was no indication that the liabilities or benefits would not materialize.

(p) Inflation adjustment of capital stock, other stockholder contributions and retained earnings-

Through December 31, 2007, the inflation adjustment of capital stock, other stockholder contributions and retained earnings, was determined by multiplying stockholder contributions and retained earnings by factors derived from the NCPI, which measure accumulated inflation from the dates such contributions were made or such retained earnings arose through year end 2007, date on which change was effected to a non-inflationary economy in accordance with FRS B-10 "Effects of Inflation". The amounts thus obtained represented the constant value of stockholders' equity.

(q) Additional paid in capital-

Represents the excess difference between payment of subscribed shares and the nominal value of those shares, less expenses related to the placement of shares.

(r) Cumulative effect of deferred income tax-

Until December 31, 2007, this item represented the effect of recognition of cumulative deferred taxes as of the date on which the respective FRS was adopted, and was shown under retained earnings from inception.

(s) Revenue recognition-

The Company recognizes revenue from the sale of food when the products are delivered to the customers; service revenue is recognized as the services are rendered. The Company recognizes estimations for losses from recovery of accounts receivable included in operating expenses and returns and discounts, which are deducted from sales.

(t) Comprehensive financing result (CFR)-

The CFR includes interest, foreign exchange gains and losses, the effect of derivative financial instruments, and until December 31, 2007 monetary gains and losses.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date on which such transactions are entered into or settled. Foreign currency assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Exchange differences arising from assets and liabilities denominated in foreign currencies are charged to income for the year.

Monetary position in 2007 was determined by multiplying the difference between monetary assets and liabilities at the beginning of each month, including deferred taxes, by inflation at year end. The resulting amount represents the monetary gain or loss for the year arising from inflation, applied to for the results of the year.

(u) Use of estimates-

Preparation of the financial statements requires management to make estimates and assumptions affecting the amounts reported for assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses for the year. Actual results may differ from those estimates and assumptions.

(v) Contingencies-

Significant contingency-related liabilities or losses are recorded when a liability has likely been incurred and there are reasonable elements for its quantification. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenue, earnings and assets are not recognized until their realization is assured.

(w) Earnings per share-

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

(x) Comprehensive income-

Represents the result of the Company's overall activities in the year and it is comprised of net income and the cumulative translation effect of foreign entities applied directly to stockholders' equity.

(y) Accounting changes-

The Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF) has issued the following FRS effective for years beginning after December 31, 2007. Early application is not permitted.

FRS B-10 "Effects of inflation"-

FRS B-10 supersedes Statement B-10 "Recognition of the effects of inflation on the financial information" and its five amendment documents, as well as the related circulars and Interpretation of Financial Reporting Standards (IFRS) 2. The principal considerations established by this FRS are described on the next page.

- (I) Recognition of the effects of inflation - An entity operates in a) an inflationary economic environment when cumulative inflation over the immediately preceding 3-year period is equal to or greater than 26%; and b) non-inflationary economic environment, when inflation over the aforementioned period is less than 26%.

For case a), comprehensive recognition of the effects of inflation is required, (as with superseded Statement B-10). For case b), the effects of inflation are not recognized; however, at the effective date of this FRS and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity. Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed as non-inflationary should be recognized retrospectively.

- (II) Price index - the use of the National Consumer Price Index (NCPI) or the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period.

- (III) Valuation of inventories and of foreign machinery and equipment - The option to use replacement costs for inventories and specific indexation for foreign machinery and equipment is no longer allowed.

- (IV) Equity adjustment for non-monetary assets (RETANM from Spanish) - As from the date of enactment of this FRS, the unrealized portion of the equity adjustment for non monetary assets, which is maintained in stockholders' equity, should be identified to be reclassified to income (loss) for the year when the originating item is realized. The realized portion, or the total when it is not practical to identify the unrealized portion, should be reclassified to retained earnings.

- (V) Monetary Position Gains or Losses (included in Deficit/Excess in Equity Restatement - REPOMO from Spanish) is reclassified to retained earnings on the effective date of this FRS.

The consolidated financial statements at 2007 are expressed in constant pesos of December 31, 2007, on which date the comprehensive method for recognition of the effects of inflation was applied for the last time.

FRS D-3 "Employee benefits"-

FRS D-3 supersedes Statement D-3, "Labor Obligations", the sections applicable to Employee Statutory Profit Sharing (ESPS) of Statement D-4 and IFRS 4. The principal considerations established by this FRS are:

- (I) Elimination of recognition of an additional liability and the related intangible asset or any comprehensive item as a separate element of stockholders' equity.

- (II) Employee benefits are classified in four principal categories; direct short-term and long term, termination and post-employment benefits. FRS D-3 establishes a maximum five-year period for recognizing unamortized items while actuarial gains or losses may be recognized as earned or incurred. Unlike termination benefits, post-employment benefits actuarial gains or losses may be immediately recognized in results of operations or amortized over the expected service life of the employees.

- (III) The use of nominal rates and the incorporation of the term salary increases due to promotions.

- (IV) ESPS, including deferred ESPS, is presented in the statement of income as ordinary operations, preferably under "other income and expenses". Furthermore, FRS D-3 establishes that the asset and liability method should be used for determining deferred ESPS; any effects arising from the change in method are recognized in retained earnings, without restatement of prior years' financial statements.

As a result of adopting this FRS in 2008, intangible assets of \$4,411 shown in the balance sheet at December 31, 2007 were eliminated against additional liabilities recorded. Additionally, amortization of unamortized items as from 2008 was changed to a profit of approximately \$7,131.

FRS D-4 "Income Tax"-

FRS D-4 supersedes Statement D-4, "Accounting for income and asset taxes and employees' statutory profit sharing" and Circulars 53 and 54. The principal considerations established by this FRS are:

- (I) The balance of the cumulative IT effects resulting from the initial adoption of Statement D-4 in 2000 is reclassified to retained earnings at January 1, 2008, unless identified with any other comprehensive item pending reclassification. The effect totaling \$78,868 was originally included into retained earnings.
- (II) The accounting treatment of ESPS (current and deferred) is transferred to FRS D-3.

FRS B-2 "Statement of cash flows"-

FRS B-2 supersedes Statement B-12, "Statement of changes in financial position" and paragraph 33 of Statement B-16. The principal considerations established by this FRS are as follows:

- (I) Instead of the statement of changes in financial position, the financial statements shall include the statements of cash flows for all the periods presented comparatively with those of the current year, except for financial statements of periods prior to 2008.
- (II) Cash inflows and cash outflows are reported in nominal currency units, thus not including the effects of inflation.
- (III) Two alternative preparation methods (direct and indirect) are established, without stating preference for either method. Furthermore, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and lastly by cash flows from financing activities.
- (IV) Captions of principal items are to be reported gross, with certain exceptions; this FRS requires disclosure of the composition of items considered cash equivalents.

Accordingly, the Company presents the statement of changes in financial position for 2007 as issued and the statement of cash flows for 2008 under the indirect method.

FRS B-15 "Translation of foreign currencies"-

FRS B-15 supersedes Statement B-15, "Foreign currency transactions and translation of financial statements of foreign operations". The principal considerations established by this FRS are:

- (I) Replaces integrated foreign operation and foreign entity concepts for those of recording, functional and reporting currencies, requiring that translation be made based on the economic environment in which the entity operates, regardless of its dependency on the holding company.
- (II) Includes translation procedures for instances where the recording and reporting currencies differ from the functional currency and provides for the option not to conduct such translation in companies not subject to consolidation or valuation based on the equity method.
- (III) Requires recognizing the accounting changes produced by the initial application of this standard based on the prospective method; that is, in a non-inflationary economic environment, without modifying the translation already recognized in the consolidated financial statements of prior periods, at the time of issue.

(z) New accounting pronouncements-

The CINIF has established the FRS specified below, in effect for years starting on January 1, 2009, without the option for early application.

a) FRS B-7, "Acquisitions of Businesses" - Replaces Bulletin B-7 and establishes the general valuation and disclosure rules for initial recording at the acquisition date of net assets acquired as a result of a business acquisition, reiterating that acquisitions of businesses must be recorded through the purchase method.

Management considers that the initial effects of this new FRS will not give rise to significant effects.

b) FRS B-8, "Consolidated and combined financial statements" - This FRS replaces Bulletin B-8, "Consolidated and Combined Financial statements and valuation of permanent investment in shares", and establishes the general rules for preparing and presenting consolidated and combined financial statements, as well as for the disclosures included in those financial statements, including:

- (I) The obligation to consolidate companies with specific purposes (EPE from Spanish) when an entity has control.
- (II) The option, under certain rules, to file non-consolidated financial statements when the controlling company is a subsidiary with no minority interest or when the minority shareholders do not object to the fact that consolidated financial statements are not being issued.
- (III) Considers the existence of the right to potential votes that can be exercised or transferred to the entity as holder and that can change its participation in decision making at the time of evaluating the existence of control.
- (IV) Additionally, the regulations related to valuation of permanent investments are transferred to another statement.

Management considers that the initial effects of this new FRS will not give rise to significant effects.

c) FRS C-7, "Investment in associated companies and other permanent investments" - This FRS establishes the rules for recognition of investments in associated companies, and of other permanent investments over which there is no control, joint control or significant influence. The main changes with respect to the former standard are:

- (I) It establishes the obligation to value Especial Purposes Entities (EPE) with significant influence through the equity method.
- (II) Considers the existence of the right to potential votes that can be exercised or transferred to the entity as holder and that can change its participation in decision making at the time of evaluating the existence of significant influence.
- (III) It establishes a specific procedure and a limit to recognize the losses of its associated company.

Management considers that the initial effects of this new FRS will not give rise to significant effects.

d) FRS C-8, "Intangible Assets" - Replaces Bulletin C-8 and establishes the general rules for initial and subsequent recognition of intangible assets acquired individually through the acquisition of a business or that are generated internally in the regular course of the company's operations. The main changes in this standard are:

- (I) It includes the definition of intangible assets, establishing that the separation condition is not the only condition required for an asset to be identifiable.
- (II) It specifies that subsequent expenses for research and development projects in progress should be recorded as expenses as accrued, if they form part of the research phase, or as intangible assets, if they meet the criteria in place to be recognized as such.
- (III) It describes in further detail the treatment for the exchange of an asset, in conformity with the provisions of international regulations and of other FRS's.
- (IV) It eliminates the assumption that the useful life of an intangible asset may not exceed a period of twenty years.

Management considers that the initial effects of this new FRS will not give rise to significant effects.

(3) Foreign currency position-

Monetary assets and liabilities denominated in dollars from the United States of America (dollars) as of December 31, 2008 and 2007 were as follows:

Thousands of dollars	2008	2007
Assets	9,205	4,594
Liabilities	44,238	17,331
Net liability position	(35,033)	(12,737)

The foreign exchange rate in relation with the dollar as of December 31, 2008 and 2007 was \$13.31 and \$10.86, respectively. At February 17, 2009, date of issuance of these financial statements, the exchange rate was \$14.52.

The exchange rates used in the different foreign currency translation processes with respect to the reporting currency at December 31, 2008 and at the date of issuance of the financial statements, are as follows:

Country of origin	Currency	Exchange rate	
		At the year end	Issuance
Argentina	Argentinian Peso (ARP)	3.86	4.09
Chile	Chilean Peso (CLP)	0.02	0.02
Colombia	Colombian Peso (COP)	0.006	0.006

The following currencies were used for translation purposes:

Foreign operation (*)	Country of Origin	Recording	Currency	
			Functional	Reporting
Fast Food Sudamericana, S. A	Argentina	ARP	ARP	MXP
Café Sirena, S. R. L.	Argentina	ARP	ARP	MXP
Fast Food Chile, S. A.	Chile	CLP	CLP	MXP
Dominalco, S. A.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S. A.	Colombia	COP	COP	MXP

The Company's functional currency is the Mexican peso. The Company has investments in subsidiaries resident abroad, whose functional currency is not the Mexican peso; therefore, in order to incorporate the results and financial position of foreign operations into consolidation, those figures are translated into MXP.

(4) Balances and transactions with associated companies-

Accounts payable to associated companies as of December 31, 2008 and 2007 are as follows:

	2008	2007
Accounts payable:		
Starbucks Coffee International (*)	\$ 67,939	\$ 42,790

(*) This balance is mainly due to the acquisition of inventories and fixed assets and payments for the right to open "Starbucks Coffee" stores in Mexico.

As mentioned in note 2 (c), in 2007, Cool Cargo, S.A. de C.V. is no longer included as an associated company; in that same year, the services contracted with that company amounted to \$15,542.

(5) Inventories-

This item includes the following:

	2008	2007
Food and beverages	\$ 235,900	218,068
Containers and packaging	42,748	10,069
Other	88,056	10,029
Obsolescence allowance	(5,180)	(2,914)
	\$ 361,524	235,252

(6) Investment in shares of associated companies-

At December 31, 2008 and 2007, this caption is represented by of direct equity participation in the capital stock of the companies listed below:

		Equity in stockholders' equity		Equity in income for 2008
		2008	2007	
Starbucks Brasil Comércio de Cafés, Ltda.	\$	18,140	11,182	(1,079)
Starbucks Coffee Chile, S. A.		10,744	11,692	(948)
	\$	28,884	22,874	(2,027)

(7) Store equipment, leasehold improvements and property-

This item includes the following:

	2008	2007
Buildings	\$ 133,452	157,059
Store equipment	1,550,891	1,370,577
Leasehold improvements	2,022,795	1,665,546
Transportation equipment	129,260	120,165
Computer equipment	225,086	170,021
Production equipment	185,140	163,243
Office furniture and equipment	92,098	57,395
	4,338,722	3,704,006
Less accumulated depreciation	(1,775,698)	(1,509,295)
	2,563,024	2,194,711
Land	61,864	99,442
Construction in progress (*)	420,023	454,199
	\$ 3,044,911	2,748,352

(*) Relates primarily to the opening of stores and restaurants to be completed in 2009.

Alsea kicked off a program to sell non-strategic assets, the purpose of which is to increase the Company's profitability by investing the resulting resources obtained in the expansion plan of its portfolio's different trademarks both in Mexico and in Latin America.

As part of this program in 2007, Alsea concluded the sale of its former main offices, as well as the final sale and long-term lease agreements of the new corporate offices. These transactions gave rise to a gain of \$5,613 which were recorded in other expenses.

(8) Goodwill of subsidiaries companies -

As of December 31, 2008 and 2007, goodwill is comprised as follows:

	2008	2007
Alsea, S. A. B. de C. V.	\$ 124,912	124,912
West Alimentos, S. A. de C. V.	90,061	90,061
Operadora DP de México, S. A. de C. V.	19,619	19,619
Dominalco, S.A.	2,367	-
	236,959	234,592
Less accumulated amortization	(16,980)	(16,980)
	\$ 219,979	217,612

(9) Intangible assets-

Intangible assets as of December 31, 2008 and 2007 include the following:

		Trademarks	Pre-operating expenses	Franchise rights and rights to the use of commercial facilities	Licenses and developments	Total
Acquisitions		70,843	127,811	66,505	45,090	310,249
Less accumulated amortization		(216,240)	(167,219)	(92,067)	(75,974)	(551,500)
Balances as of December 31, 2008	\$	387,360	150,261	162,704	82,000	782,325

During 2008, Alsea increased its investment in franchise rights mainly due to the acquisition of the Domino's Pizza

stores in Mexico and Colombia, for the rights to open "Starbucks Coffee" stores in Mexico and Argentina and Burger King in Colombia, as well as for the acquisition of California Pizza Kitchen. Pre-operating expenses are directly related to the opening of new points of sale.

(10) Long-term debt-

Unsecured long-term loans in Mexican pesos are as follows:

	Maturing in	Average annual interest rate	2008	2007
Unsecured loans	2008-2012	8.81%-12.71%	\$ 1,790,178	1,033,450
Less current installments			660,080	334,550
Long-term debt			\$ 1,130,098	698,900

Annual maturities of long-term debt are as follows:

Year	Amount
2010	\$ 667,348
2011	168,750
2012	294,000
	\$ 1,130,098

Bank loans establish certain obligations to do and not to do, and to keep certain financial ratios. As of the date of the financial statements, all such obligations had been complied with.

(11) Accruals-

Accruals are comprised as follows:

	Salaries and other employee payments	Supplies and others	Total
Balances as of December 31, 2007	\$ 82,571	294,235	376,806
Increases charged to operations	63,412	387,402	450,814
Payments	(89,504)	(265,075)	(354,579)
Balances as of December 31, 2008	\$ 56,479	416,562	473,041

(12) Comprehensive financing result-

This item is comprised as follows:

	2008	2007
Interest expenses, net	\$ (115,444)	(47,225)
Foreign exchange (loss) gain, net	(83,914)	5,097
Favorable monetary effect (1)	4,958	5,063
	\$ (194,400)	(37,065)

(1) In 2008, it corresponds to the favorable effect on monetary position arising from the subsidiaries established in Argentina, which, in conformity with FRS B-10 and the inflation level accumulated in the preceding three years, are considered to be operating in an inflationary economic environment.

(13) Other expenses, net-

This item is comprised as follows:

	2008	2007
(Loss) gain on fixed asset disposals, net	\$ (32,759)*	8,210
ESPS	6,820	(3,899)
Other expenses, net	3,894	189
Organizational restructuring accrual	(12,928)	-
	\$ (34,973)	4,500

* Includes an accrual for early leasehold improvements amortization amounting to \$28,743.

(14) Labor obligations-

Liabilities pertaining to seniority premiums and severance upon termination of employment for reasons other than restructuring, to which employees are entitled in accordance with the law, are charged to income for the year in which such services are rendered, based on actuarial computations.

The Company has not set up a trust to cover those benefits. The actuarial calculations are summarized below:

	Benefits 2008			
	Termination	Retirement	Total	
Defined benefit obligations (projected in 2007)	\$ 24,848	18,933	43,781	24,334
Transition obligation and unamortized items	6,745	10,591	17,336	4,897
Current net liability	\$ 18,103	8,342	26,445	19,437

The net cost for the period is comprised as follows:

	Benefits 2008			
	Termination	Retirement	Total	
Labor cost	\$ 14,745	4,022	18,767	9,871
Financial cost	1,331	1,151	2,482	685
Amortization of transitory obligation	(8,980)	1,849	(7,131)	835
Net cost for the period	\$ 7,096	7,022	14,118	11,391

Following is a reconciliation of defined benefit obligations (DBO) at the beginning of 2008 and at the end of that year:

	Benefits 2008	
	Termination	Retirement
Initial DBO balance	\$ 20,125	14,383
Labor cost of current services	14,745	4,052
Financial cost	1,331	1,151
Actuarial gains and losses for the period	(21,087)	(651)
Advance reductions and severance payments	16,771	-
Benefits paid	(7,108)	(2)
Other	71	-
Final DBO balance	\$ 24,848	18,933

At December 31, 2008, vested obligations total \$351.

The main assumptions used in the determination of the net cost for the period of said plans were as follows:

	Benefits	
	2008	2007
Discount rate	8.0%	9.0%
Salary increase rate	9.4%*	0.5%
Average expected labor life (years)	7.4	7.3

* Includes future compensation levels.

(15) Income Tax (IT), Asset Tax (AT), Flat Rate Business Tax (IETU) and Employees' Statutory Profit Sharing (ESPS)-

On October 1, 2007, new laws were published a number of tax loss were revised, and a presidential decree was issued on November 5, 2007, all of which came into effect as from January 1, 2008, the most important change are: (i) the derogation of the AT Law and (ii) the introduction of a new tax (Flat Rate Business Tax or IETU) which is based on cash flows and limits certain deductions, as well tax credits are granted mainly with respect to inventories, salaries, taxed for IT and social security contributions, tax losses arising from accelerate deduction, recoverable AT and deductions related to investments in fixed assets, expenses and deferred charges and expenses.

On the basis of the foregoing, as from 2008, companies must pay the higher of IETU and IT. When IETU is payable, said payment is considered final and not subject to recovery in subsequent years. The IETU rate is 16.5% for 2008, 17% for 2009 and 17.5% for 2010 and subsequent years.

Under tax legislation in effect at December 31, 2007, companies were required to pay the higher of IT and AT. Both taxes recognize the effects of inflation. The Company determines IT on a consolidated basis.

Given that in accordance with Company estimates that the tax payable in the following years is the IT, deferred tax at December 31, 2008 and 2007 was calculated on the basis of IT.

The expense for income tax is comprised as follows:

	2008	2007
IT on tax bases	\$ 160,180	287,649
Deferred IT	(107,032)	(119,240)
	\$ 53,148	168,409

The tax expense attributable to income before IT differed from the amount that would have been computed by applying the Mexican rate of 28% in 2008 and 2007, as a result of the following items:

	2008	2007
Expected IT rate	28%	28%
Non-deductible expenses	8%	2%
Effects of inflation, net	(9%)	1%
Effects of enacted changes in tax laws and rates	0%	1%
Valuation allowance changes	(9%)	(8%)
Other, net	5%	1%
Effective consolidated IT rate	23%	25%

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2008 and 2007 are shown below:

	IT	
	2008	2007
Deferred tax (assets) liabilities:		
Allowance for doubtful accounts	\$ (3,152)	(1,248)
Liability accruals	(139,954)	(118,736)
Advance payments from customers	(301)	(1)
Net operating tax loss carryforward, net of valuation allowance	(70,268)	(52,632)
Recoverable AT	(42,415)	(42,388)
Store equipment, leasehold improvements and property	(70,169)	(65,284)
Other assets	21,597	78,257
Prepaid expenses	11,175	3,646
Net deferred tax (asset) liability	(293,487)	(198,386)
Income tax payable on reinvested earnings	498	466
Asset recognized in the balance sheet	\$ (292,989)	(197,920)

The valuation allowance at December 31, 2008 and 2007 was of \$159,196 and \$161,009, respectively. The net change in the valuation reserve at December 31, 2008 and 2007 was a reduction of \$1,813 and an increase of \$49,837, respectively.

At December 31, 2008 and 2007, the Company generated a deferred ESPS asset, which was fully reserved by management due to of the uncertainty of its realization.

The Company has not recorded a deferred tax liability related to the undistributed profits of its subsidiaries, recorded by the equity method, arising in 2008 and previous years, since it currently does not expect said undistributed profits to revert and become taxable in the near future. Said deferred liability will be recognized at the date on which the Company expects to receive said undistributed profits and when they are taxable, as in the case of the sale or disposal of its investment in shares.

(16) Stockholders' equity-

The main features of stockholders' equity are described below:

(a) Capital stock structure-

In November 2006, the stockholders agreed to carry out a share restructuring, dividing the minimum fixed (Class I) and variable (Class II) portions of the capital stock. The Company executed a four-to-one split, without modifying the capital stock. This split went into effect in February 2007, when registration of Alsea shares was updated at the National Securities Registry.

Capital stock and additional paid-in capital are shown below (see notes 1(a) and 1 (b)):

	Number of shares	Thousands of pesos	
		Capital stock	Additional paid - in capital
Balances as of December 31, 2006	623,105,196	\$ 536,623	1,090,334
Shares repurchased in 2007	(4,448,400)	(2,259)	-
Balance as of December 31, 2007	618,656,796	534,364	1,090,334
Shares repurchased in 2008	(10,662,200)	(5,331)	-
April 2008, decree and payment of dividends in shares	9,967,388	4,984	138,546
Balances of December 31, 2008	617,961,984	\$ 534,017	1,228,880

In April 2008 and 2007, dividends were declared in the amount of \$143,530 and \$67,840, respectively.

The minimum fixed portion of capital stock is comprised of Class I shares, and the variable capital stock is comprised of Class II shares, which shall, at no time, exceed ten times the minimum capital stock with no withdrawal rights.

As of December 31, 2008, the subscribed fixed and variable capital stock are comprised of 617,961,984 common, nominative shares with no par value, are shown below:

Number of shares	Description	Amount
489,157,480	Fixed capital stock	\$ 244,578
144,140,828	Variable capital stock	72,070
(15,336,324)	Repurchased shares (nominal value)	(7,668)
617,961,984	Nominal capital stock	308,980
	Increase for inflation adjustments (note 2(p))	225,037
	Capital stock as of December 31, 2008	\$ 534,017

The National Banking and Insurance Commission established a procedure enabling companies to repurchase their own shares, for which a "stock repurchase reserve" should be set up, and chargeable to retained earnings. The total of repurchased shares should not exceed 5% of the total released shares, and these shares must be replaced in a maximum period of one year and will not be included in the dividend payment. In 2008 and 2007, the Company repurchased 10,662,200 and 4,448,400 shares amounting to (\$125,748) and (\$70,258), respectively.

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

(b) Stock option plan for executives-

Alsea established a stock option plan for its executives. The plan started in 2005 and expires on December 31, 2009, and consists of offering Company's officers the right to receive the appreciation rights on certain shares (the difference between the price of shares at the beginning of the plan (\$5.70) and the fair value of the option (\$8.48) payable in shares. At a General Stockholders' Meeting, the Board agreed to assign 5,886,524 shares to this plan, to be managed through a trust.

At the 2006 year end, the officers exercised 20% of the rights acquired at that date (\$1.05 per share) and the remaining 80% can only be exercised at the end of the plan.

For the year ended December 31, 2007, Alsea modified the stock option plan for its executives, replacing it with a deferred compensation paid in cash.

At December 31, 2008, total provision for the 2005 share purchase plan totaling \$7,719 is recorded under the "provisions" caption.

(c) Restrictions on stockholders' equity-

- I) Five percent of net income for the year must be appropriated to the legal reserve, until it reaches one-fifth of the Company's capital stock. As of December 31, 2008, the legal reserve amounts to \$80,482.
- II) Dividends paid out of retained earnings are tax-free to the extent those dividends arise from the CUFIN (after tax earnings account). Distributions in excess of these amounts are subject to 28% income tax rate on the amount resulting from multiplying the dividend paid by the factor of 1.3889. The tax arising from dividends not paid from CUFIN is payable by the Company and may be offset against the IT for the year in which it is paid or the two subsequent years.

(17) Commitments and contingencies-

Commitments:

- (a) The Company leases the facilities that house its stores and distribution centers, as well as certain equipment under limited-term lease agreements. In December 2007, was concluded the definitive agreements of sale and long-term lease, of their corporate offices. Rental expenses amounted to \$601,941 and \$459,175 in 2008 and 2007, respectively. Rental expenses for 2009 are estimated to amount \$748,105. The aforementioned expenses were established at fixed prices and increase annually based on the NCPI.
- (b) The Company has commitments under the agreements supporting the trademarks acquired (note 2(k)).
- (c) The Company has commitments arising in the normal course of business as a result of agreements signed for the supply of raw materials, some of which establish contractual penalties for noncompliance.

- (d) As a result of a service agreement, until December 31, 2007, the Company was required to pay compensation based on net food sales. That compensation ranges from 2.5% to 5.25% (note 17(f)).

Contingent liabilities:

- (e) Alsea is involved in a number of lawsuits and claims arising from the ordinary course of business. The final outcome of these matters is not expected to have a significant adverse effect on the Company's financial position.
- (f) Through its subsidiary Operadora de Franquicias Alsea, S. A. de C. V. (OFA), Alsea filed in 2007 and 2008 an appeal compliance with the injunction sentence relative to application of the 0% value added tax (VAT) rate to the sale of food products. Application of this rate generated a favorable VAT balances for OFA, for which a refund is expected (note 17(d)).
- (g) In September 2008, Alsea was notified of a law suit related to the acquisition of Italiannis, which did not take place because the seller failed to comply with the respective conditions and obligations. The suit basically seeks compulsory compliance with the terms of the agreement. Alsea considers this stance to be invalid, and has filed a countersuit and started the necessary legal procedures to defend itself. The consequences of the litigation cannot be determined presently by the Company and its legal advisors, and therefore no reserve has been recorded in the financial statements at December 31, 2008.

(18) Financial information per segment-

Alsea organizes its business segments into three operating divisions, namely the sale of food and beverages in Mexico and South America, and distribution services. These divisions share the same management.

Segment information is as follows (amounts in millions of pesos):

	Food and Beverages								Consolidated	
	Mexico		South America		Distribution		Eliminations			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External income	\$5,738	5,389	972	642	1,065	955	11	-	\$7,786	\$6,986
Inter-business income	-	-	-	-	1,890	1,665	(1,890)	(1,665)	-	-
	5,738	5,389	972	642	2,955	2,620	(1,879)	(1,665)	7,786	6,986
Operating costs and expenses	5,024	4,552	899	569	2,752	2,406	(1,921)	(1,693)	6,754	5,834
Depreciation and amortization	450	359	69	40	28	29	26	8	573	436
Operating income	\$264	478	4	33	175	185	16	20	\$459	\$716
Other income statement items									(330)	(238)
Majority net income									\$129	\$478
Assets	\$5,093	4,423	672	269	961	589	(1,274)	(1,076)	\$5,452	\$4,205
Investment in associated companies	-	-	29	23	-	-	-	-	29	23
Investment in fixed assets and intangibles	628	869	223	140	69	61	(2)	(3)	918	1,067
Total assets	\$5,721	5,292	924	432	1,030	650	(1,276)	(1,079)	\$6,399	\$5,295

The result for discontinuation of Food and Beverages is (\$34,134) and the net consolidated result for discontinuation is (\$35,008).

(19) Pro forma information on business acquisitions-

Condensed pro forma consolidated financial information is shown below as if the acquisitions of Domino's Pizza Colombia and Calpik had been completed in 2008 and 2007 (see note 1(a)).

	December 31, 2008		
	Base figures	Pro forma adjustments (unaudited amounts)	Pro forma figures (unaudited amounts)
Income	\$ 7,786,843	96,977	7,883,820
Income from continuous operations	174,539	(8,977)	165,562
Consolidated net income	139,531	(8,977)	130,554
Minority interest	10,752	(711)	10,041
Majority net income	128,779	(8,266)	120,513
Net earnings per share	\$ 0.21		0.20

	December 31, 2007		
	Base figures	Pro forma adjustments (unaudited amounts)	Pro forma figures (unaudited amounts)
Income	\$ 6,985,403	90,748	7,076,151
Income from continuous operations	512,069	(16,266)	495,803
Consolidated net income	489,141	(16,345)	472,796
Minority interest	10,706	(1,347)	9,359
Majority net income	478,435	(14,998)	463,437
Net earnings per share	\$ 0.77		0.75

(20) Subsequent events-

In January 2009, Starbucks Coffee International "SCI" confirmed that it would not take the purchase option this year, for which it has the right to increase its participation in Starbucks Coffee México from 18% to 50%. Under the agreement, the effective date for SCI to exercise that option is September 2012.


Mr. José Rivera Río Rocha
Chief Financial Officer


Mr. Arturo A. Barahona Oyervides
Chief Executive Officer


Mr. Abel Barrera Fermín
Corporate Comptroller

INVESTOR INFORMATION

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INFORMATION ON ALSEA'S STOCK
The single series shares of Alsea S.A.B. de C.V. have been traded on the Mexican Stock Exchange (Bolsa Mexicana de Valores or BMV) since June 25, 1999.
Ticker Symbol: BMV Alsea*

Alsea's 2008 Annual Report may include certain expectations regarding the results of Alsea, S.A.B. de C.V. and its subsidiaries. All such projections, which depend on the judgment of the Company's Management, are based on currently known information; however, expectations may vary as a result of facts, circumstances and events beyond the control of Alsea and its subsidiaries.






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All efforts are important, and although the press run of this report is relatively small, we reiterate our commitment to the environment by using environmentally-safe materials.

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