

IT'S POSSIBLE



ALSEA

ANNUAL REPORT 2009

**TO BE CLOSER
EVERY MOMENT**

**AND MAKE
SPECIAL**

WE HAVE EVIDENCE



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, California Pizza Kitchen and P.F. Chang's China Bistro. 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 finance, human resources and technology.



20 YEARS OF OPERATION // 1,171 STORES // 20,000 EMPLOYEES // PRESENCE IN 5





OUR MISSION:

Our reason of being

To ensure the success of the Alsea brands, based on human talent by employing a synergy and critical mass model, with social responsibility
"Whith people and for the people"

OUR VISION:

Where do we go

To be the best and largest operator of QSR and Casual Dining establishments with proven success brands in the countries in wich we participate

VALUES:

What makes us great

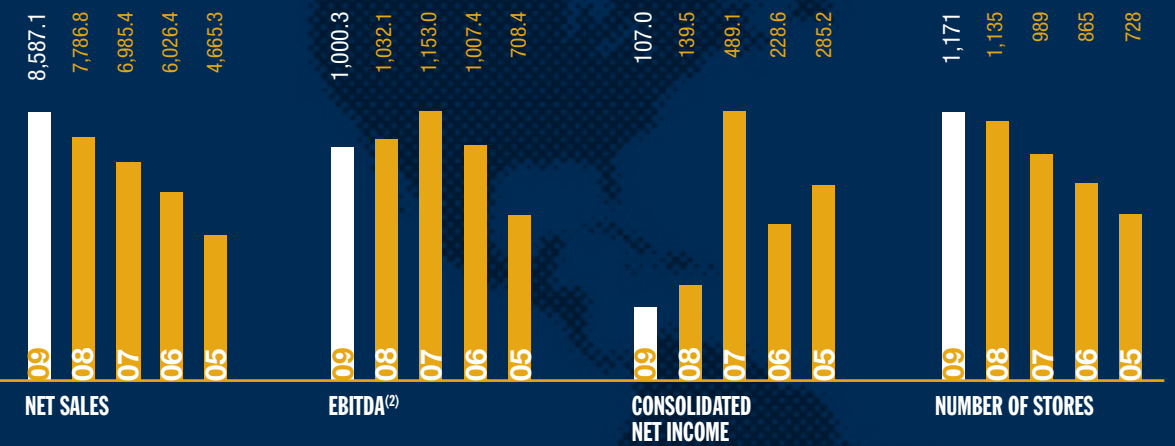
Respect and loyalty toward our people
Excellence in our customer service
Commitment to our results

COUNTRIES // 5 DISTRIBUTION CENTERS // 90 MILLION OF CUSTOMERS SERVED



OUTSTANDING RESULTS

	% TACC ⁽⁶⁾	2009	%	2008	%	2007	%	2006	%	2005	%
Net Sales	16.5	8,587.1	100.0	7,786.8	100.0	6,985.4	100.0	6,026.4	100.0	4,665.3	100.0
Gross Income	17.0	5,420.6	63.1	5,005.5	64.3	4,661.7	66.7	3,959.9	65.7	2,896.2	62.1
Operating Expenses	20.6	5,085.6	59.2	4,546.4	58.4	3,946.0	56.5	3,523.8	58.5	2,406.6	51.6
Operating Income	-9.0	335.1	3.9	459.1	5.9	715.7	10.2	436.1	7.2	489.6	10.5
EBITDA ⁽²⁾	9.0	1,000.3	11.6	1,032.1	13.3	1,153.0	16.5	1,007.4	16.7	708.4	15.2
Consolidated Net Income	-21.7	107.0	1.2	139.5	1.8	489.1	7.0	228.6	3.8	285.2	6.1
Total Assets		5,808.8	100.0	6,510.6	100.0	5,295.7	100.0	4,040.5	100.0	3,365.9	100.0
Cash		463.2	8.0	661.9	10.2	209.3	4.0	244.3	6.0	171.3	5.1
Non-Interest-Bearing Liabilities		1,302.1	22.4	1,790.2	27.5	1,033.5	19.5	610.9	15.1	798.3	23.7
Majority Shareholders' Equity		2,908.6	50.1	2,997.1	46.0	2,997.5	56.6	2,653.9	65.7	1,834.0	54.5
ROIC ⁽³⁾		6.8%		9.6%		14.9%		9.6%		18.7%	
ROE ⁽⁴⁾		3.4%		4.4%		16.7%		9.1%		16.9%	
ROA ⁽⁵⁾		1.8%		2.4%		10.5%		6.2%		9.9%	
Share Price ⁽⁷⁾	9.8	10.09		6.23		15.30		14.72		6.94	
Earnings per Share ⁽⁷⁾	-24.1	0.17		0.21		0.77		0.38		0.51	
Dividend per Share ⁽⁷⁾		0.07		0.23		0.11		0.28		0.19	
Book Value per Share ⁽⁷⁾	10.6	4.84		4.85		4.84		4.26		3.24	
Shares in Circulation (millions) ⁽⁷⁾		601.4		618.0		618.8		623.2		546.4	
Number of Total Stores	12.6	1,171		1,135		989		865		728	
Employees	10.0	19,981		21,024		19,200		16,797		13,629	



(1) NUMBERS IN MILLIONS OF NOMINAL PESOS FOR 2008 AND 2009, FOR THE OTHER PERIODS TO DECEMBER 31, 2007, EXCEPT PER-SHARE DATA, NUMBER OF UNITS AND EMPLOYEES.
 (2) EBITDA IS DEFINED AS OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION.
 (3) ROIC IS DEFINED AS OPERATING INCOME AFTER TAXES OVER NET OPERATING INVESTMENT (TOTAL ASSETS - CASH AND SHORT-TERM INVESTMENTS - NON-INTEREST-BEARING LIABILITIES).
 (4) ROE IS DEFINED AS NET EARNINGS OVER SHAREHOLDERS' EQUITY.
 (5) ROA IS DEFINED AS NET INCOME OVER TOTAL ASSETS.
 (6) TACC IS THE ANNUAL COMPOUND GROWTH RATE FROM 2005 TO 2009.
 (7) FOR PURPOSES OF COMPARISON, THE NUMBER OF SHARES WAS ADJUSTED BASED ON THE 4 TO 1 SPLIT IN 2007.

 1989 Domino's Pizza begins operations in Mexico.	 1990 Acquisition of the master franchise of Domino's Pizza in Mexico is finalized.	 1992 We open the first distribution center in Mexico, initiating our operating model.	 1999 Alsea lists its shares on the Mexican Stock Exchange.	 2002 Alsea signs a Joint Venture with Starbucks Coffee and begins operations with Burger King.	2004 We celebrate the opening of our 500th store.	 2005 We enter into the casual dining market with Chili's.	 2006 We acquire all Burger King stores in Argentina and Chile. We sign a strategic alliance with Starbucks Coffee to develop the brand in Brazil.	 2007 Agreement with Starbucks Coffee to develop the brand in Argentina and Chile.	 2008 Start of operations of the Domino's Pizza and Burger King brands in Colombia. Acquisition of California Pizza Kitchen in Mexico.	 2009 We began developing the P.F. Chang's brand in Mexico.
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2009:

POSITIVE RESULTS IN A YEAR OF CHALLENGES

10.3%

GROWTH IN SALES

A RESULT OF **OPENING 36 STORES** —INCLUDING
THE **FIRST P.F. CHANG'S CHINA BISTRO** IN
MEXICO— DESPITE THE 3.7% DECREASE
IN SAME-STORE SALES

POSSIBLE TO GO FAR



the essential:

THE COMMITMENT OF OUR PEOPLE

**90,000,000
CUSTOMERS SERVED**

BY ALMOST 20,000 EMPLOYEES AT 952
CORPORATE STORES SUPPORTED BY
ALSEA'S SHARED SERVICES CENTER

IT'S POSSIBLE TO



the key:

OUR DYNAMIC
OPERATING MODEL

1,000
MILLION PESOS IN EBITDA

WITH A CORPORATE RESTRUCTURING THAT
GENERATED ANNUALIZED **SAVINGS OF 70**
MILLION PESOS AND POSITIONS US TO ENSURE
THE COMPANY'S GROWTH



the result:

A SOLID FINANCIAL POSITION

487 MILLION PESOS IN FREE CASH FLOW

THIS ENABLED US TO REDUCE TOTAL DEBT
BY **488 MILLION PESOS**, IN ADDITION TO THE
DEBT RESTRUCTURE WHICH IMPROVE
THE MATURITY PROFILE

POSSIBLE TO GO
POSSIBLE TO GO



the objective:

TO GENERATE SHAREHOLDER VALUE

↑ 62%
SHARE PRICE

WE DECLARED A DIVIDEND OF 42 MILLION PESOS AND REPURCHASED 16.4 MILLION SHARES FOR 132.3 MILLION PESOS

IT'S POSSIBLE TO



the opportunity:

**TO REAFFIRM OUR VISION
AND CONSOLIDATE LEADERSHIP**

**405,000,000
PEOPLE**

THIS IS THE POTENTIAL MARKET IN THE COUNTRIES WHERE WE ARE PRESENT, THEREFORE OUR EXPANSION PLAN INCLUDES **EXCEEDING 1,000 CORPORATE STORES** IN 2010

POSSIBLE
FARTHER



the commitment:

CONTINUE ACTING WITH SOCIAL RESPONSIBILITY

1,600,000
PEOPLE HAVE BENEFITED

WE CHANNLED DONATIONS OF MORE THAN **7.3 MILLION PESOS** THROUGH VARIOUS COMMUNITY SUPPORT PROGRAMS, WITH THE PARTICIPATION OF MORE THAN **12,000 VOLUNTEER EMPLOYEES**



POSSIBLE TO GO

SSIBL





california PIZZA KITCHEN



Dear Shareholders:

Ten years of correct decisions have positioned us as the leading operator of quick-service and casual dining in Latin America. In fact, not only did we celebrate 10 years of Alsea in 2009, we also commemorated 20 years since the introduction of Domino's Pizza in Mexico.

Ninety million clients served during 2009 in our 952 corporate stores is the best indicator of our vocation for service, and it is also an indication that it's possible to go farther. It also says that we are a dynamic and flexible company that is focused on getting closer to our clients, enriching their lives with unforgettable moments.

How do we do it?

At Alsea, our proven model of success is built on very well-defined pillars:

Human talent:

We know that the human factor is the main differentiator of our business. This is why we place so much importance on having people who are well trained, motivated, satisfied, passionate about what they do, and who have a vocation to serve each and every one of our clients.

The majority of our employees are young and dynamic people whom we offer the chance to develop through training and recognition programs. In 2009, we provided 467,000 hours of training, at an investment of 15 million pesos. We are interested in retaining the best talent, and we compensate our people for generating value and providing excellent service to our clients.

We also value integration at Alsea, and of the 20,000 employees we have today, 11,500 are men, 8,500 are women, and 207 are people with different abilities, all of whom we offer a place to continue growing and improving their quality of life.





Synergy:

At Alsea, we know a lot about the potential of synergies. We support the operations of different brands of stores with the Shared Services Center, which includes the supply chain of DIA, real estate services and development, as well as administrative services: finance, human resources and technology.

We are experts at creating links to take advantage of and maximize the possibilities of each brand. And even though operating a diversified portfolio is a complex process, DIA has enabled us to create a logistics chain that delivers the product punctually, "complete and on time," to all points of sale.

This year DIA served 1,305 units through its five distribution centers, which increased its net sales by 3.7%. Sales to third parties increased 6.6%, which represented 13.2% of Alsea's consolidated earnings.

Critical mass:

The strategy to rapidly reach critical mass to attain a significant volume of business has worked successfully in Mexico, where we already have 952 corporate stores, 165 sub-franchisee stores of Domino's Pizza and 54 associates stores of Starbucks Coffee Chile and Brazil.

In addition to continuing our growth in Mexico, our objective is to expand critical mass in the four countries in the Southern Cone that are part of our strategic plan. Today we have at least some of our brands established in each of our target countries, which together represent more than 72% of the total economy of Latin America, and a potential market of 405 million people.

In 2009, we opened a total of 36 stores in Mexico, Argentina, Brazil, Colombia and Chile – notably the first P.F. Chang's China Bistro in Mexico, which is the first outside of the United States – all of which resulted in an annual increase of 10.3% in net sales.

In Latin America, the most spectacular sales growth was seen at Burger King Argentina, with nearly 63%, followed by Burger King Chile, with 19%. Without a doubt, opening four Burger King stores in Argentina was a contributing factor.

Due to the foregoing, same-store sales recorded a 3.7% decrease due to the deceleration in consumption caused by the economic climate, and aggravated by the swine flu outbreak in the second and third quarters of the year.

Thus, although gross profit showed a considerable increase of 415 million pesos to 5,421 million pesos, the gross margin dropped 1.2 percentage points due to the increase in the cost of some of the main inputs, due to the peso depreciation against the dollar, since approximately 35% of our cost of sales is exposed to the exchange rate.





Social responsibility:

A clear sign that social responsibility is one of our fundamental business values is that it has become one of the Company's pillars.

Our commitment to the country is evident. Our corporate behavior toward our interest groups – our people, shareholders, providers, clients, and the community – is solid and responsible.

This year, through Fundación Alsea, A.C., whose mission is to contribute to improving the quality of life of the neediest populations through integral community development programs, we benefited a total of more than 1,600,000 people, channeling donations in the amount of 7,300,000 pesos.

In turn, 12,105 of our employees volunteered 5,000 hours of their time to participate in activities to support their communities, such as planting trees, cleaning and remodeling schools, among others.

You can learn more about our activities as a responsible corporate citizen in our Social Responsibility Report.

In conclusion, I can affirm that although 2009 was not an easy year for all the reasons mentioned above, it was, however, another year of correct decisions. And thanks to the Company's dynamism and flexibility, we were able to glimpse opportunities and redefine strategies, such as:

- Starbucks Corporation deferring its option to increase its current ownership of 18% in the joint venture with Alsea to 50%, at least until 2012.
- Undertaking a strategic restructuring of the management team, which generated annualized savings of 70 million pesos.
- Adjusting our schedule of store openings according to market conditions.

With the above, we not only concluded the year with EBITDA of 1 billion pesos, we also generated free cash flow of 487 million pesos, which allowed us to pay down matured bank loans and to decrease the total amount of debt by 488 million pesos.

Supported by timely decisions, and positioned to continue growing in 2010, we will continue focusing on operations and service, buoyed by the experience of brands that are recognized worldwide, creating long-term bonds with our consumers, and redoubling our creativity to continue offering you, our shareholders, the best return on your investment.

Respectfully,



Alberto Torrado Martínez
Chief Executive Officer
Chairman of the Board of Directors

BOARD OF DIRECTORS 2009

CHAIRMAN

Alberto Torrado Martínez
CHAIRMAN OF THE BOARD OF DIRECTORS

SHAREHOLDER BOARD AND STAFF MEMBERS

Alberto Torrado Martínez
CHIEF EXECUTIVE OFFICER

Cosme Torrado Martínez
APPOINTED DIRECTOR, LATIN AMERICA

Armando Torrado Martínez
MANAGING DIRECTOR, CASUAL DINING

Fabián Gerardo Gosselin Castro
MANAGING DIRECTOR, SERVICIOS COMPARTIDOS ALSEA

Federico Tejado Bárcena
MANAGING DIRECTOR, DOMINO'S PIZZA ALSEA

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

Cosme Torrado Martínez
MEMBER

Fabián Gerardo Gosselin Castro
MEMBER

Roberto Rodríguez Elvira
TECHNICAL SECRETARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS FOR THE YEAR 2009

The following table shows a condensed Income Statement in millions of pesos (except EPS). The margin for each item represents net sales, as well as the percentage change for the quarter ended December 31, 2009, in comparison with the same period of 2008:

	2009	MARGIN %	2008	MARGIN %	CHANGE %
Net sales	\$ 8,587.1	100.0%	\$ 7,786.8	100.0%	10.3 %
Gross income	5,420.6	63.1%	5,005.5	64.3%	8.3 %
EBITDA ⁽¹⁾	1,000.3	11.6%	1,032.1	13.3%	(3.1)%
Operating income	335.1	3.9%	459.1	5.9%	(27.0)%
Net income	107.0	1.2%	139.5	1.8%	(23.3)%
EPS ⁽²⁾	0.1695	N.A.	0.2078	N.A.	(18.4)%

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

SALES

Net sales increased 10.3% to 8,587.1 million pesos for full-year 2009, in comparison with 7,786.8 million pesos in the same quarter of the prior year. This increase reflects the sales growth of the brands in Mexico and Latin America, as well as the increase in food distribution sales to third parties.

The growth in brand sales was due to the net increase of 23 corporate stores, including the opening of the first P.F. Chang's China Bistro, which started operations in the month of October. This increase was partially offset by the 3.7% decrease in same-store sales, which were affected by the slowdown in consumption, as well as by the swine flu effect during the second and third quarters of the year.

GROSS INCOME

During 2009, gross income increased 415.1 million pesos, reaching 5,420.6 million pesos, with gross margin of 63.1%, in comparison with 64.3% recorded in the prior year. The decrease in gross margin is mainly attributed to the increase in the cost of some of the main inputs, as a result of the peso's depreciation against the US dollar, which on average was 13.49 pesos per dollar in 2009, compared with 11.13 pesos per dollar in 2008, considering that approximately 35% of the cost of sales has exchange rate exposure. That variation was partially offset by the decreased in the cost of some inputs, such as mozzarella cheese, as well as the plan to optimize the use of raw materials that was put into place during the year.

OPERATING EXPENSES

Operating expenses (excluding depreciation and amortization) increased as a percentage of sales by 0.5%, rising from 51.0% during full-year 2008, to 51.5% during the same period in 2009. The foregoing was mainly due to the loss of marginality due to the decrease in same-store sales, the start of operations of new businesses, such as P.F. Chang's China Bistro, Burger King Colombia and Starbucks Argentina, as well as expenses related to the lawsuit with Italianni's, and the increase above inflation of expenses related to the cost of utilities, such as electricity and gas. The decrease was partially offset by the marginality produced by the additional week of operations according to the accounting calendar in Mexico's operations, resulting in 53 weeks of operations instead of 52 weeks for the prior year, as well as savings that were generated due to the expense-reduction program.

EBITDA

EBITDA decreased 3.1% to 1,000.3 million pesos for full-year 2009, in comparison with 1,032.1 million pesos in the prior year. The EBITDA margin also decreased 1.7%, dropping from 13.3% during full-year 2008, to 11.6% in the same period of 2009. This decrease was due to the consequence of variations in gross income and the increase of the operating expenses that were mentioned above.

OPERATING INCOME

Operating income in 2009 decreased 124 million pesos, due mainly to the decrease of 3.18 million pesos in the EBITDA and the increase of 92.2 million pesos in depreciation and amortization, as a consequence of the amortization of the preoperative expenses and the incremental depreciation as a result of the acquisition of assets related to the expansion plan.

NET INCOME

Net consolidated income decreased 32.5 million pesos, due mainly to the decrease of 124 million pesos in operating income, which was partially offset by the decrease of 62.7 million pesos in the all-in cost of financing, the decrease of 20.1 million pesos in other expenses, and the decrease of 8.1 million pesos in taxes on earnings.

EARNINGS PER SHARE

Earnings per share "EPS"⁽²⁾ for the 12 months ended December 31, 2009 dropped to 0.1695 pesos, in comparison with 0.2078 pesos for the 12 months ended December 31, 2008.

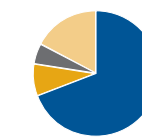
RESULTS BY SEGMENT

Net sales and EBITDA are shown below by business segment in millions of pesos, for full-year 2009 and 2008.

NET SALES BY SEGMENT	2009	% CONT.	2008	% CONT.	ANNUAL
Food and Beverages – Mexico	\$ 6,032.0	70.2%	\$ 5,738.7	73.7%	5.1%
Food and Beverages – Latin America	1,407.7	16.4%	972.0	12.5%	44.8%
Distribution	3,065.5	35.7%	2,955.1	37.9%	3.7%
Intercompany Operations ⁽³⁾	(1,918.0)	(22.3)%	(1,878.9)	(24.1)%	2.1%
Consolidated Net Sales	\$8,587.1	100.0%	\$7,768.8	100.0%	10.3%

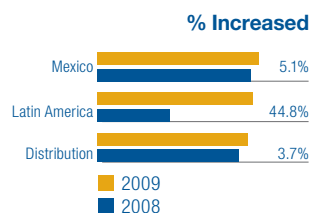
EBITDA BY SEGMENT	2009	% CONT.	MARGIN	2008	% CONT.	MARGEN	% VAR.
Food and Beverages – Mexico	\$ 696.8	69.7%	11.6%	\$ 714.4	69.2%	12.4%	(2.5)%
Food and Beverages – Latin America	67.2	6.7%	4.8%	72.9	7.1%	7.5%	(7.8)%
Distribution	171.5	17.1%	5.6%	203.0	19.7%	6.9%	(15.5)%
Others ⁽³⁾	64.8	6.5%	N.A.	41.8	4.0%	N.A.	N.A.
Consolidated EBITDA	\$ 1,000.3	100.0%	11.6%	\$ 1,032.1	100.0%	13.3%	(3.1)%

(3) For the purpose of information by segment, these operations were included in each respective segment.



The operating income **335.1 million pesos** for 2009

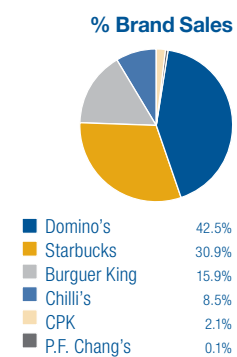
Also closes the year with **107.0 million pesos**



↑ **10.3%**
8,587.1 million pesos

5,420.6 million pesos
8.3% more than in 2008

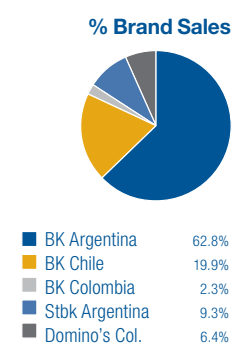
↑ **0.5%**
as a percentage of sales



Food and Beverages – Mexico

Sales for full-year 2009 increased 5.1% to 6,032.0 million pesos, compared with 5,738.7 million pesos in 2008. This increase of 293.3 million pesos is mainly attributable to the net opening of five corporate stores and six sub-franchisee units of Domino's Pizza, which effects were partially offset with the decrease in same-store sales over the last 12 months, mainly as a consequence of decreased consumption due to the economic crisis during the year, and to the swine flu effect that significantly affected Mexico.

EBITDA for Food and Beverages Mexico decreased 2.5% during 2009, to 696.8 million pesos, in comparison with 714.4 million pesos in the prior year. That decrease is mainly explained by the loss of marginality derived from the decrease in same-store sales, and the increase in raw materials costs arising from depreciation of the Mexican peso. This was partially offset by the decrease in costs of some of the main inputs.



Food and Beverages – Latin America

This division, which at the close of 2009 had 116 stores, is 12.2% of the total of corporate stores, comprising the operations of Burger King in Argentina, Chile and Colombia, as well as Domino's Pizza Colombia and Starbucks Coffee Argentina. Sales in this division were 44.8% higher during the year, reaching 1,407.7 million pesos, in comparison with 972.0 million pesos in the previous year. This variation was mainly due to the net opening of 18 units over the last 12 months, as well as to the increase in same-store sales.

EBITDA for Food and Beverages – Latin America decreased 7.8% to 67.2 million pesos at the end of 2009, in comparison with 72.9 million pesos in the prior year. That decrease is mainly attributable to the start-up of operations of Starbucks Coffee Argentina and Burger King Colombia, to the influenza effects that occurred in the middle of the year, which mainly affected operations in Argentina, and to the increase in the cost of raw materials as a consequence of the depreciation of the different local currencies against the US dollar. These effects were partially offset by the marginality obtained from the increase in the number of stores in operation, as well as by the growth in same-store sales.

Distribution

Net sales during full-year 2009 increased 3.7% to 3,065.5 million pesos, compared with 2,955.1 million pesos in 2008. The foregoing is attributable to the number of stores served, supplying a total of 1,305 units at December 31, 2009, compared with 1,272 units in 2008, which was an increase of 2.6%. Sales to third parties increased 6.6% to 1,135.5 million pesos, which represented 13.2% of Alsea's consolidated revenues.

EBITDA was 171.5 million pesos during 2009, compared with 203.0 million pesos in the same period of the prior year, which represented an EBITDA margin of 5.6%, which is 1.3% less than the prior year. This decrease is mainly attributable to higher distribution expenses for the number of stores attended, to the effect on the sales mix because the brands with higher growth are those that have the lowest margins for DIA, and especially to the restatement for recovery of corporate expenses.

NON-OPERATING RESULTS

All-In Cost of Financing

The all-in cost of financing in 2009 decreased to 131.7 million pesos, compared with 194.4 million pesos in the same period of the prior year, which is a net decrease of 32.2%. This is mainly due to a lower exchange rate loss of 78.6 million pesos, a consequence of the peso's appreciation against the US dollar during 2009. The foregoing was partially offset with the increase of 8.8 million pesos in the result for monetary position, which originated in the conversion of Latin American operations to Mexican pesos, as well as to the increase of 7 million pesos in net interest paid.

Net sales
3,065.5
million pesos
supplying 1,305 units

↓ 32.2%
over 2008

Other Expenses and Products - Net

This line was a favorable variation of 20.1 million pesos in full-year 2009, compared with 2008, mainly due to the actualization and interest on the favorable balance recovered from the Value Added Tax of OFA (Operado de Franquicias Alsea) for the months of October 2006 to April 2007, which was received in August; as well as the actualization of the favorable balance of a credit from a service provider recovered during the month of March. This was partially offset by recognition of the deterioration in the value of the assets of Burger King México in the last quarter of the year, according to the guidelines in Bulletin C-15, and payments made to personnel within the organizational restructuring program to decrease operating expenses.

Tax on earnings

Tax on earnings was 45.1 million pesos, a decrease of 8.1 million pesos for the 12 months ended December 31, 2009, compared with the same period of the prior year. This is mainly a consequence of a decrease of 43.7 million pesos in earnings before taxes.

BALANCE SHEET

Store Equipment, Improvements to Leased Locations and Properties, Brand Use Rights, Goodwill and Pre-Operating Assets

The 156.9 million pesos decrease in this line was due to the amortization and depreciation of assets, as well as recognition of the 30 million pesos deterioration in value of the assets of Burger King México. This decrease was partially offset with the expansion program.

During the 12 months ended December 31, 2009, Alsea made capital investments of 554.8 million pesos, of which 505.1 million pesos, equal to 91.0% of total investments, were earmarked for store openings, equipment refurbishing and remodeling existing stores for the different brands that the Company represents. The remaining 49.7 million pesos were invested in other concepts, namely software licenses, process-improvement projects, including in the supply chain, as well as replacing DIA's machinery and equipment.

Inventory

Inventory decreased from 361.5 million pesos at December 31, 2008, to 336.9 million pesos at December 31, 2009. This 24.6 million pesos decrease, which is equal to the eight-day decrease in inventory from 47 to 39 days, is mainly attributable to the decreased inventory in Latin American operations.

Taxes Recoverable – Net

The decrease in the account Taxes Recoverable – Net of taxes payable of 454.7 million pesos at December 31, 2009, is mainly because Operadora de Franquicias Alsea, S.A. de C.V., ("OFA") had VAT returned in its favor for the period from October 2006 to April 2007, amounts returned in its favor of taxes on earnings from the prior year, and the return in March of federal payroll tax of one of the service providers.

Deferred Income Tax

Deferred income tax increased from 293.0 million pesos at December 31, 2008 to 457.8 million pesos at December 31, 2009. This increase of 164.8 million pesos was mainly generated as a consequence of recognition of tax losses, including the operations of California Pizza Kitchen and P.F. Chang's, as well as the effect of greater liability provisions related to a higher level of operations during the year.

20.1
million pesos
of favorable
variation

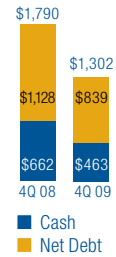
↓ 8.1
million pesos
in taxes on earnings

CAPEX of
554.8
million pesos

↓ 8 days
of inventory

Return
of favorable
balances from VAT
for the period from
October 2006
to April 2007

↓ 4 days
of providers



Discontinued operations

The net decrease in assets minus liabilities is 44.7 million pesos, which was due to conclusion of the process of disincorporation of the Popeye's brand.

Providers

Providers increased from 536.7 million pesos at December 31, 2008, to 559.1 million pesos at December 31, 2009. This increase of 22.4 million pesos was mainly generated by a greater number of stores in operation, which was partially offset with the four-day decrease of providers, dropping from 38 to 34 days.

Bank and Stock Exchange Debt

At December 31, 2009, Alsea's total bank debt decreased by 488.1 million pesos, closing at 1,302.1 million pesos, in comparison with 1,790.2 million pesos on the same date of the previous year. This decrease is attributable to cash flow generation arising from the operating cash flow, recovery of taxes, and the decrease in capital investments.

At December 31, 2009, 54.4% of the debt is long term, compared with 63.1% in the same period of the prior year. At December 31, 2009, 97.5% of the debt was denominated in Mexican pesos, and 2.5% was in Chilean pesos. The Company's consolidated net debt in comparison with 2008 decreased 289.4 million pesos, closing 2009 at 838.9 million pesos, in comparison with 1,128.3 million pesos at the end of the prior year.

The following table presents the structure and balance of total debt in millions of pesos at December 31, 2009, as well as maturities by year and the percentage that they represent on the closing balance for 2009:

DEBT STRUCTURE	BALANCE		MATURITIES BY YEAR						
			2009	2010	%	2011	%	2012	%
CREDIT	SPREAD ⁽¹⁾								
Santander	\$340	0.20%	\$204	\$68	33.3%	\$68	33.3%	\$68	33.3%
Santander	150	0.15%	90	30	33.3%	30	33.3%	30	33.3%
Santander	300	3.50%	197	56	28.4%	113	57.4%	28	14.2%
BBVA	500	3.50%	110	110	100.0%	-	-	-	-
BBVA	450	0.10%	169	113	66.9%	56	33.1%	-	-
Inbursa	200	4.00%	200	200	100.0%	-	-	-	-
Citi (Chile) ⁽²⁾	32	7.27% ⁽²⁾	32	16	53.1%	16	50.0%	-	-
CEBUR (Alsea 09)	300	2.15%	300	-	-	-	-	300	100.0%
Total			\$1,302	\$593	45.6%	\$283	21.7%	\$426	32.7%

Numbers in millions of pesos

(1) Spread over TIIE (Interbank equilibrium interest rate) of 28 days, except Citi (Chile)

(2) Credit in Chilean pesos with an effective rate

Share Repurchase Program

At December 31, 2009, the Company had an approximate balance in the repurchase fund set aside for the 16.4 million share by-back, equal to approximately 132.3 million pesos. During the 12 months of 2009, the Company repurchased an average of 65,600 shares per day for approximately 530,000 pesos, at an average price of 8.06 pesos per share.

Financial Ratios

At December 31, 2009, the Company met all financial restrictions established in its credit contracts. The net debt to EBITDA ratio for the last 12 months was 0.84x, the total liabilities to shareholders' equity ratio was 0.85x, and the 12 month EBITDA to 12-month interest paid ratio was 7.3x. Leverage at the close of 2009 was 21.1%

The Return on Invested Capital ("ROIC") decreased from 9.6% to 6.8% during the 12 months ended December 31, 2009. The Return on Equity ("ROE") for the 12 months ended December 31, 2009 was 3.4%, compared with 4.4% for the same period in the prior year. This was mainly due to the impact on the Company's results as a consequence of the economic crisis in 2009, which significantly affected consumption in the countries where the Company has operations.

Stock Market Indicators

ALSEA* closed 2009 with 601.4 million shares in circulation at a price of 10.09 pesos per share, which is a 62.0% increase over the 6.23 pesos per share at the close of 2008, and with a share float in circulation of 34.3%. The Company's value between EBITDA for the last 12 months was 7.1 times. Average daily trading during 2009 was 1.9 million shares, which is growth of 125% over the prior year.

Market Maker

Casa de Bolsa UBS, which was hired in the last quarter of 2008, was kept as the Market Maker. During 2009, of the 3,360.6 million pesos traded in the market, the Market Maker traded 29.5%, attaining 991.7 million pesos traded, which is equal to average trading per day of 4.2 million pesos.

Hedge Profile

The Chief Financial Officer, in conjunction with the Corporate Finance Director, manages risk as a function of: mitigation of present and future risk; not diverting resources from operations, and the expansion plan; and having certain future cash flows with which a strategy can be formed regarding the cost of debt. The instruments will only be used for hedging purposes.

In 2009, hedge derivatives in US dollars matured for 102.5 million dollars, at an average exchange rate of 13.32 pesos per dollar. As a result of this coverage, there was an exchange rate loss of 12.5 million pesos. For 2010, Alsea has hedges to purchase dollars for approximately 41.6 million US dollars, with an average exchange rate of 12.96 per dollar.

16.4
million shares
repurchased

All covenants
were complied
with during the year

34.3% float
with a price per share
at the close of 2009
of 10.09 pesos

991.7
million pesos
traded

68%
of the Company's
needs in US dollars
were hedged

KEY NUMBERS

BRAND	STORES 2009	STORES 2008	VARIATION	ANUAL % VAR.
Domino's Pizza México	425	425	0	0.0%
Domino's Pizza Colombia	22	21	1	4.8%
Starbucks Coffee México	266	258	8	3.1%
Starbucks Coffee Argentina	14	3	11	366.7%
Burger King México	108	107	1	0.9%
Burger King Argentina	45	41	4	9.8%
Burger King Chile	32	32	0	0.0%
Burger King Colombia	3	1	2	200.0%
Popeye's	0	10	(10)	(100.0)%
Chili's Grill & Bar	29	27	2	7.4%
California Pizza Kitchen	7	4	3	75.0%
P.F. Chang's China Bistro	1	0	1	N.C.
Total Corporate	952	929	23	2.5%
Starbucks Coffee Chile	30	29	1	3.5%
Starbucks Coffee Brasil	24	18	6	33.3%
Total Associated⁽⁷⁾	54	47	7	14.9%
Domino's Sub-Franchisees	165	159	6	3.8%
TOTAL STORES	1,171	1,135	36	3.2%

February 11, 2010

In compliance with the provisions of Articles 42 and 43 of the Securities Market Law and Audit Committee Regulation, I am pleased to inform you of the activities that we carried out during the year ended December 31, 2009. In performing our work, we have considered the recommendations in the Code of Best Corporate Practices, and according to a work program that was prepared based on Committee Regulation, we met at least once per quarter to perform the activities described below:

I. RISK ASSESSMENT

With Management, and Internal and External Auditors, we reviewed the critical risk factors that may affect the Company's operations and its capital, and we determined that they have been appropriately defined and managed.

II. INTERNAL CONTROL

We determined that Management, in compliance with its responsibilities in matters of internal control, has established the appropriate policies and procedures. We also followed up on comments and observations that the Internal and External Auditors made in that regard while performing their work.

III. EXTERNAL AUDIT

We recommended that the Board of Directors hire external auditors for the Group and its subsidiaries for fiscal year 2009. In that regard, we verified their independence and compliance with the requirements established by law. We jointly analyzed their focus and work program.

We maintained constant and direct communication regarding the progress of their work, their observations, and to take note of their comments from their review of the yearly financial statements. We were informed in a timely manner of their conclusions and reports on the yearly financial statements, and we implemented the observations and recommendations that they made during the course of their work.

We authorized the fees paid to the external auditors for auditing and other allowed services, ensuring that their independence from the company was not interfered with in any way.

Considering Management's viewpoints, we evaluated their services for the prior year, and we began the evaluation process for fiscal year 2009.

IV. INTERNAL AUDIT

In order to maintain its independence and objectivity, the Internal Audit Department functionally reports to the Audit Committee. We carried out the following activities:

We reviewed and approved its schedule and annual budget for activities in a timely manner. Internal Audit participated in the process of identifying risks, establishing controls and verifying controls in preparation of the report.

We received periodic reports on progress in the approved work program, possible variations, and the causes of those variations.

We followed up on the observations and suggestions made, and their timely implementation.

V. FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

We reviewed the preparation of the Company's quarterly and yearly financial statements with those responsible for preparation, and we recommended that the Board of Directors approve and authorize their publication. As part of this process, we considered the opinions and observations of the external auditors, and we verified that the criteria, accounting policies and information used by Management to prepare the financial information is adequate and sufficient, and has been applied consistently with the prior year; consequently, the information presented by Management reasonably reflects the financial situation, the operating results, and changes to the Company's financial situation for the year ended December 31, 2009.

February 17, 2010

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

In compliance with Articles 42 and 43 of the new Securities Market Law, and on behalf of the Corporate Governance Committee, I present you with my report on the activities that we performed during the year ended December 31, 2009. In the performance of our work we considered the recommendations in the Code of Best Corporate Practices.

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, Section III, subsection (f) of the new Stock Market Law, thus it was not necessary to make any type of recommendation in this regard.
2. The CEO's Report was revised with the changes vs. budget for each quarter and for fiscal year 2009, with the impacts of each of Alsea's companies. The purpose of this exercise was to validate the changes and to present the principal variations to the Board of Directors. The Committee recommends approval of that report.
3. The quarterly results were presented for the 2009 Stock Trading Plan and the 2010 Stock Trading Plan, and both were approved. The quarterly metrics will be reviewed and adjusted where applicable on a quarterly basis during fiscal year 2010.
4. The updated Shareholder's Cost at the close of each quarter in 2009 was presented to us, using the methodology authorized by the Board of Directors, and the Board approved continued use of the rate of 16.5%.
5. The summary of risk management operations was presented to us on a quarterly basis, through forward exchange rates (peso-dollar) used during the year. Those operations were conducted as authorized, complying with the objective of hedging the exchange rate risks in operations, based on the authorized budget.
6. Analysis of the optimal capital structure considering current market conditions was presented. Using the authorized methodology, it was determined that the optimal structure is leverage of 39.8%.
7. In response to the request to revise the dividend policy, the Committee was presented with a new policy whose calculations are based on Free Cash Flow. This Committee recommends taking this initiative to the Board for its approval.
8. This Committee was presented with the advance regarding the issuance of Stock Certificates for the amount of 400 million pesos. Our recommendation is to proceed with this initiative, which fulfills the strategy of seeking larger financing sources that will benefit the company.
9. The Committee was presented with a proposal to acquire 64% of Starbucks Chile. The Committee recommends continuing with this process, subject to a detailed analysis of the purchase proposal.
10. The Performance Evaluation corresponding to the 2009 period was reviewed for relevant executives. For that period, the effect of influenza on the results of each evaluation is being excluded.
11. We were presented with a proposal to give an extraordinary bonus to those Alsea employers who, despite the environment during the year, showed exceptional performance. This Committee sees this initiative as being a positive one, and recommends that it be approved by the Board.

Lastly, I would like to mention that as part of the activities that we performed, including preparation of this report, we have at all times listened to and considered the viewpoints of senior managers, and no significant differences of opinion were noted.

We also reviewed the quarterly reports prepared by Management to be presented to the shareholders and general public, and we verified that these reports were prepared using the same accounting criteria used in preparation of the annual report. Our review included verification that there is an integral procedure that provides reasonable safety regarding the content of the reports. In conclusion, we recommended that the Board authorize publication.

Our review also included the reports and any other financial information required by the Regulatory Entities in Mexico.

We approved the incorporation into the Company's accounting policies of the new accounting procedures that took effect in 2009, issued by the entity responsible for accounting rules in Mexico.

We received periodic reports of advances in the process that the Company is undertaking to adopt international accounting standards, pursuant to the terms of the circular issued in that regard by the National Securities and Exchange Commission. We will present our recommendations for implementation and approval at the appropriate time.

VI. COMPLIANCE WITH REGULATIONS, LEGAL MATTERS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established by the Company to ensure compliance with the different legal provisions that it must adhere to, ensuring that these controls are adequately disclosed in the financial information.

We periodically reviewed the Company's various tax, legal and labor contingencies, we monitored the efficiency of the procedure established to identify and follow up on those contingencies, and we ensured their adequate disclosure and reporting.

VII. CODE OF CONDUCT

With the support of Internal Audit, we verified the compliance of personnel with the Code of Business Ethics in effect at the Company, we verified that there are adequate procedures for updating the Code and distributing it to personnel, and we verified application of the appropriate sanctions in cases in which violations were found to have occurred.

We reviewed the denunciations received in the System that was established by the Company for that purpose, providing correct and timely follow up.

VIII. ADMINISTRATIVE ISSUES

The Committee held regular meetings with Management so that we would be informed of the Company's progress, activities, and relevant and unusual events. We also met with the external and internal auditors to discuss the development of their work, limitations they might face, and to facilitate any private communication that they might wish to have with the Committee.

Where appropriate, we requested the support and opinion of independent experts. We did not encounter any significant breaches to the operating policies, the internal control system, and accounting reporting policies.

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

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

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

Sincerely,



Chairman of the Audit Committee
José Manuel Canal Hernando



Chairman of Corporate Governance Committee
Salvador Cerón Aguilar

INDEPENDENT AUDITOR'S REPORT

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

Consolidated Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

(Translation from original issued in Spanish)

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To the Board of Directors and Stockholders

Alsea, S. A. B. de C. V. and subsidiaries:

(Thousands of Mexican pesos)

We have examined the accompanying consolidated balance sheets of Alsea, S. A. B. de C. V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with Mexican Financial Reporting Standards (FRS). 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 18(e), in May 2009, the Company was notified of the final sentence annulling the rulings that disallowed the refund of favorable Valued Added Tax (VAT) and requiring that new rulings be issued to comply with the appeal sentence, which allowed (OFA) to apply the 0% tax rate on prepared foods, as established in the VAT Law. In August 2009, a refund was obtained of the favorable balances for the period from October 2006 to April 2007. The resources obtained include the historical favorable balances and the respective accessories, which are recorded in the results of the year.

As mentioned in note 18(f), in December 2009, Alsea was notified of the first instance sentence which establishes that Alsea and the codefendants must comply with the signed purchase-sale agreement and consequently pay the price of Italcafe, S. A. de C. V. shares and the respective legal interest. Additionally, Alsea and the codefendants must pay the liability related to the franchise rights and interest at twice the TIIE rate. Alsea considers that the sentence was not issued according to law and on the same date it filed an appeal against it. The consequences of the litigation results cannot be currently determined by the Company and its legal advisors, and therefore, no provision has been recorded for that purpose in the financial statements at December 31, 2009.

As mentioned in note 8, a subsidiary company has recognized an impairment loss for one of the trademark rights operated by the Company amounting to \$30,000.

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, 2009 and 2008, and the results of its operations, the changes in its stockholders' equity and cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.



KPMG CARDENAS DOSAL, S. C.
Jaime Sánchez-Mejorada Fernández

February 17, 2010

CONSOLIDATED BALANCE SHEETS

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

Years ended December 31, 2009 and 2008

(Thousands of Mexican pesos)

ASSETS	2009	2008
Current assets:		
Cash	\$ 463,214	661,863
Accounts receivable, net: Customers, less allowance for doubtful accounts of \$13,662 in 2009 and \$11,932 in 2008	163,442	138,513
Value added tax and other recoverable taxes	321,341	775,247
Other	32,705	44,360
Inventories, net (note 5)	336,870	361,524
Prepaid expenses	117,786	111,083
Total current assets	1,435,358	2,092,590
Investment in shares of associated companies (note 6)	25,033	28,884
Store equipment, leasehold improvements and property, net (note 7)	2,897,678	3,044,911
Goodwill of subsidiary companies, net (note 8)	189,979	219,979
Intangible assets, less accumulated amortization of \$712,496 in 2009 and \$551,500 in 2008 (note 9)	802,621	782,325
Deferred income tax and employees' statutory profit sharing and for reinvestment of profits (note 16)	457,832	292,989
Discontinued operations (note 2(c))	308	48,962
	\$ 5,808,809	6,510,640

LIABILITIES AND STOCKHOLDERS' EQUITY	2009	2008
Current liabilities:		
Current installments of long-term debt (note 10)	\$ 593,316	660,080
Suppliers	559,149	536,729
Associated companies (note 4)	26,031	67,939
Accounts payable and other accrued liabilities	62,515	162,045
Accruals (note 12)	440,015	473,041
Income tax and employee's statutory profit sharing	62,670	65,860
Income tax arising from tax consolidation	3,891	-
Total current liabilities	1,747,587	1,965,694
Long-term debt, excluding current installments (note 10)	408,787	1,130,098
Debt stock exchange (note 11)	300,000	-
Other liabilities	50,621	43,028
Income tax arising from tax consolidation	147,077	110,907
Labor obligations (note 15)	21,605	26,445
Discontinued operations (note 2(c))	769	4,675
Total liabilities	2,676,446	3,280,847
Stockholders' equity (note 17):		
Majority stockholders' equity:		
Capital stock	525,722	534,017
Additional paid-in capital	1,236,603	1,228,880
Retained earnings	832,576	1,125,821
Reserve for repurchase of shares	335,875	110,322
Currency translation adjustment in foreign subsidiaries and associated companies	(22,187)	(1,969)
Majority stockholders' equity	2,908,589	2,997,071
Minority interest	223,774	232,722
Total stockholders' equity	3,132,363	3,229,793
Commitments and contingent liabilities (note 18)		
	\$ 5,808,809	6,510,640

See accompanying notes to consolidated financial statements.



Lic. Alberto Torrado Martínez
General Director



Lic. José Rivera Río Rocha
Chief Financial Officer



C.P. Alejandro Villarruel Morales
Corporate Comptroller


CONSOLIDATED STATEMENTS OF INCOME

ALSEA, S.A.B. DE C.V. ABD SUBSIDIARIES
Years ended December 31, 2009 and 2008
(Thousands of Mexican pesos)

	2009	2008
Net sales	\$ 8,587,081	7,786,843
Cost of sales	3,166,461	2,781,324
Gross profit	5,420,620	5,005,519
Operating expenses	5,085,550	4,546,432
Operating income	335,070	459,087
Other expenses, net (note 14)	(14,916)	(34,973)
Comprehensive financing result (note 13)	(131,719)	(194,400)
Equity in the results of operations of associated companies (note 6)	(4,493)	(2,027)
Income from continuing operations, before income tax	183,942	227,687
Income tax (note 16)	45,086	53,148
Income before discontinued operations	138,856	174,539
Loss from discontinued operations, net (note 2(c))	(31,896)	(35,008)
Consolidated net income	106,960	139,531
Minority interest	3,212	10,752
Majority net income	\$ 103,748	128,779
Net earning per share (note 2(w))	\$ 0.17	0.21

See accompanying notes to consolidated financial statements.


Lic. Alberto Torrado Martínez
General Director


Lic. José Rivera Río Rocha
Chief Financial Officer


C.P. Alejandro Villarruel Morales
Corporate Comptroller

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALSEA, S.A.B. DE C.V. ABD SUBSIDIARIES
Years ended December 31, 2009 and 2008
(Thousands of Mexican pesos)

	2009	2008
Operating activities:		
Income from continuing operations, before income tax	\$ 183,942	227,687
Items relating to investing activities:		
Depreciation and amortization	665,167	572,980
Effects from associated companies, net	4,493	2,027
Gain or loss on sale of fixed assets	28,740	79,143
Interest income	15,265	8,634
Valuation effects of financial instruments	(5,535)	5,535
Impairment loss	30,000	-
Items relating to financing activities - Interest expense	137,754	124,078
Subtotal	1,059,826	1,020,084
Customers	(24,929)	77,564
Inventories	24,654	(123,803)
Suppliers	22,420	85,848
Taxes payable	280,848	(293,359)
Other assets and liabilities	(166,782)	213,425
Net cash provided by operating activities	1,196,037	979,759
Investing activities:		
Interest received	(15,265)	(8,634)
Store equipment, leasehold improvements and property	(123,447)	(569,812)
Trademark rights and preoperating items	(443,524)	(399,168)
Investment in shares of subsidiaries and associated companies	(642)	(8,037)
Desincorporation of subsidiary	12,852	(15,523)
Acquisition of subsidiary	-	(93,806)
Net cash used in investment activities	(570,026)	(1,094,980)
Cash to be obtained from financing activities	626,011	(115,221)
Financing activities:		
Bank loans received and payment of loans, net	(791,191)	739,929
Debt stock exchange	300,000	-
Interest paid	(134,639)	(120,864)
Dividends paid	(41,834)	-
Minority interest contribution	(18,743)	87,363
Repurchase of shares	(118,035)	(125,748)
Net cash provide by financing activities	(804,442)	580,680
Net increase in cash	(178,431)	465,459
Adjustments to cash flow to reflect foreign exchange fluctuations	(20,218)	(12,923)
Cash:		
At beginning of year	661,863	209,327
At end of year	\$ 463,214	661,863

See accompanying notes to consolidated financial statements.


Lic. Alberto Torrado Martínez
General Director


Lic. José Rivera Río Rocha
Chief Financial Officer


C.P. Alejandro Villarruel Morales
Corporate Comptroller

CONSOLIDATED STATEMENTS OF CHANGES

IN STOCKHOLDERS' EQUITY

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

Years ended December 31, 2009 and 2008
(Thousands of Mexican pesos)

	CAPITAL STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS			RESERVE FOR REPURCHASED SHARES	CUMULATIVE TRANSLATION EFFECT FROM FOREIGN ENTITIE	TOTAL MAJORITY STOCKHOLDERS' EQUITY	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
			LEGAL RESERVE	RETAINED EARNINGS	TOTAL					
Balance as of December 31, 2007	\$ 534,364	1,090,334	56,560	1,168,477	1,225,037	140,739	7,009	2,997,483	134,605	3,132,088
Increase in minority interest (note 2 (b))	-	-	-	-	-	-	-	-	87,365	87,365
Repurchase of shares (note 17)	(5,331)	-	-	-	-	(120,417)	-	(125,748)	-	(125,748)
Appropriation to legal reserve	-	-	23,922	(23,922)	-	-	-	-	-	-
Valuation of financial instruments (note 2 (f))	-	-	-	5,535	5,535	-	-	5,535	-	5,535
Increase in reserve for repurchase of shares (note 17)	-	-	-	(90,000)	(90,000)	90,000	-	-	-	-
Dividends declared in shares (\$0.23 per share) (note 17)	4,984	138,546	-	(143,530)	(143,530)	-	-	-	-	-
Comprehensive income	-	-	-	128,779	128,779	-	(8,978)	119,801	10,752	130,553
Balance as of December 31, 2008	534,017	1,228,880	80,482	1,045,339	1,125,821	110,322	(1,969)	2,997,071	232,722	3,229,793
Decrease in minority interest (note 2 (b))	-	-	-	-	-	-	-	-	(12,160)	(12,160)
Repurchase of shares (note 17)	(8,217)	-	-	-	-	(124,124)	-	(132,341)	-	(132,341)
Appropriation to legal reserve	-	-	6,439	(6,439)	-	-	-	-	-	-
Payment of premium for share subscription (note 17)	-	14,306	-	-	-	-	-	14,306	-	14,306
Valuation of financial instruments (note 2 (f))	-	-	-	(5,535)	(5,535)	-	-	(5,535)	-	(5,535)
Cancellation of repurchase of shares (note 17)	(78)	-	-	-	-	78	-	-	-	-
Extension to the reserve for repurchase of shares	-	-	-	(349,599)	(349,599)	349,599	-	-	-	-
Acquisition of non-controlling interest of subsidiaries in Colombia (notes 1 (e) and (f))	-	(6,583)	-	-	-	-	-	(6,583)	-	(6,583)
Dividends declared in shares (\$0.069 per share) (note 17)	-	-	-	(41,859)	(41,859)	-	-	(41,859)	-	(41,859)
Comprehensive income	-	-	-	103,748	103,748	-	(20,218)	83,530	3,212	86,742
Balance as of December 31, 2009	\$ 525,722	1,236,603	86,921	745,655	832,576	335,875	(22,187)	2,908,589	223,774	3,132,363

See accompanying notes to consolidated financial statements.



Lic. Alberto Torrado Martínez
General Director



Lic. José Rivera Río Rocha
Chief Financial Officer



C.P. Alejandro Villarruel Morales
Corporate Comptroller

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 2009 and 2008
(Thousands of Mexican pesos)

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

On February 17, 2010, the Board of Directors authorized the issuance of the accompanying consolidated financial statements and the 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 consolidated financial statements have been prepared in accordance with the Financial Reporting Standards 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, Chili's Grill & Bar, and since December 2008, it operates California Pizza Kitchen and since October 2009, P.F. Chang's. 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 financial, 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 Starbuck Coffee International. In Colombia, it operates Domino's Pizza and Burger King since June and November 2008, respectively.

Significant transactions-

a) Placement of debt stock exchange-

In December 2009, the Company placed the debt stock exchange amounting to \$300 million of Mexican pesos on the Mexican market. Debt stock exchange issued is for a three-year term, which means that they expire in December 2012. The debt stock exchange is subject to 28-day TIE (Average Interbank Interest Rate) plus 2.15 percentage points. The issuance is part of the debt stock exchange program authorized by the Board of Directors on October 21, 2009, for up to \$700 million of Mexican pesos. The net resources obtained from the above issuance will be used to repay bank liabilities, thus improving the debt maturity profile and reducing the cost thereof.

b) Refund of favorable VAT balances-

In August 2009, Alsea obtained a refund through its subsidiary, Operadora de Franquicias Alsea, S. A. de C. V. (OFA), of favorable VAT balances arising in the period from October 2006 to April 2007. At December 31, 2009, the Company is pending to obtain favorable balances of VAT and the respective accessories, which will be recognized in the results of the year in which they are recovered.

The resources obtained include the historical favorable balances and the respective accessories, which have been recorded in the results of the year (see notes 14 and 18(e)).

c) Agreement with P.F. Chang's China Bistro, Inc.-

In May 2009, Alsea made an arrangement with P.F. Chang's China Bistro, Inc., "PFCB" to develop the concept of P.F. Chang's restaurants in Mexico under an exclusivity agreement that covers the entire Mexican territory. As part of the arrangement, Alsea will open 30 P.F. Chang's units throughout Mexico over the next ten years. The first restaurant started operating in October 2009.

The Company has contracted different commitments in relation to the arrangement established in the agreement for the acquired brand (see note 2(k)).

d) Call option for Starbucks Coffee International-

In January 2009, Starbucks Coffee International, "SCI" confirmed that it will not exercise its purchase option this year, under which it has the right to increase its equity interest in Starbucks Coffee México from 18% to 50%. According to the agreement, the next and last date for "SCI" to exercise the above option is September 2012.

e) Acquisitions-

- Acquisitions in Colombia-

In June 2008, the Company concluded the acquisition of 75% of the capital stock of Dominalco, S. A. (Domino's Pizza Colombia or Dominalco); an additional 19.9% was subsequently acquired in December 2009. With the above acquisitions, Alsea now has 95% of the capital stock of Dominalco. Domino's Pizza Colombia has been operating in that country for 20 years and it presently has 22 stores in four cities, Bogotá, Medellín, Cali and Pereira.

- Acquisition of 65% of California Pizza Kitchen-

In December 2008, through a subsidiary, the Company acquired 65% of the capital stock of Grupo Calpik, S. A. P. I. de C. V. (Grupo Calpik), a company of Grupo BGM. Grupo Calpik currently operates seven California Pizza Kitchen units and it is the exclusive franchiser and developer of the brand in Mexican territory.

A condensed balance sheet of the business acquired at the acquisition date 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

Acquisitions of businesses were recorded using the purchase method. The cost of acquired entities was determined on the paid cash basis. Additionally, the excess of the cost of the acquired entity over the net total of assets acquired and liabilities assumed was reassigned to net assets.

The operation results of acquired companies are included in the consolidated financial statements as from the acquisition date.

f) Development of the Burger King trademark in Colombia-

As part of the expansion strategy in Latin America, an arrangement was made in October 2008 with Burger King Corp. through a subsidiary, in which Alsea holds 84.9% of equity, in order to develop the Burger King brand in Bogotá, Colombia. Subsequently, in December 2009, the Company acquired 9.9% of the capital stock of Operadora Alsea in Colombia, S. A. (Burger King Colombia or Opalcol). The remaining 5.2% is held by the current partners of Alsea in Domino's Pizza Colombia. The agreement contemplates a plan to develop 20 Burger King units in the next 5 years.

g) Contract termination agreement of the master franchise of "Popeye's" trademark-

In September 2008, the Company reached an agreement with AFC Enterprises, Inc. Popeye's Chicken & Biscuits, to finalize the master franchise agreement for operating the "Popeye's" brand in Mexico. The 10 Popeye's stores stopped operating in the second quarter of 2009, and as a result, certain assets and liabilities are in the process of being realized and liquidated, respectively (see note 2(c)).

h) Incorporation of Servicios Múltiples Empresariales ACD, S. A. de C. V. SOFOM. ENR. (hereinafter SOFOM)-

In December 2009, the subsidiary Operadora y Procesadora de Pollo, S. A. de C. V. (OPP) was spined off through the division of a portion of its assets, liabilities and equity to be contributed as a whole to a company called "SOFOM". The spin off was performed based on the subsidiary's audited financial statements of "OPP".

The variable portion of the capital stock of "OPP" was reduced through the cancellation of 95,327,000 common, nominative shares with a par value of \$1.00 each. The proportion of the Company's interest in the capital stock of "SOFOM" will be the same as it is currently in "OPP".

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-

Preparation of the financial statements requires that management make estimations and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent asset and liabilities at the date of the financial statements, as well as the disclosure of recorded income and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangibles and goodwill; valuation allowances for receivables, inventories, and deferred income tax assets; valuation of financial instruments, and assets and liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

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

The 2008 balance sheet includes a reclassification to conform the balance to the classification used in 2009, mainly for the matter discussed in note 16, to present separately the benefit for tax consolidation as established in INIF 18, "Recognition of the effects in the income tax of the amendments to the income tax law for 2010", which came into effect on December 7, 2009.

Following are the significant accounting policies applied in preparing the enclosed financial statements:

a) Recognition of the effects of inflation -

The accompanying consolidated financial statements have been prepared in conformity with Mexican Financial Reporting Standards (FRS) in effect at 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.

The index and percentage of accumulated inflation for the three preceding years ended on December 31, of each year are shown below:

YEAR	INFLATION		
	NCPI	YEARLY	CUMULATIVE
2009	138.541	3.57%	14.48%
2008	133.761	6.53%	15.01%
2007	125.564	3.76%	11.52%

b) Principles of consolidation-

The consolidated financial statements include the financial statements of Alsea, S. A. B. de C. V. and those of the subsidiaries in which it holds or controls more than 50% of their equity. The significant balances and operations between the companies of the group have been eliminated in the preparation of the consolidated financial statements. The consolidation was performed based on the audited financial statements of the subsidiary companies.

The main operating subsidiaries are as follows:

	SHAREHOLDING PERCENTAGE		ACTIVITY
	2009	2008	
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 and Burger King stores
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%	82.00%	Starbucks Coffee stores in Argentina
Fast Food Chile, S. A.	99.99%	99.99%	Burger King stores in Chile
Dominalco, S. A.	95.00%	75.00%	Domino' Pizza stores in Colombia
Operadora Alsea en Colombia, S. A.	95.00%	84.99%	Burger King stores in Colombia
Grupo Calpik, S. A. P. I. de C. V.	65.00%	65.00%	California Pizza Kitchen restaurants
Especialistas en Restaurantes de Comida Estilo Asiática, S. A. de C. V.	99.99%	-	P.F. Chang's 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 Brazil

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

c) Discontinued operations-

In September 2008, it was decided to discontinue the Popeye's trademark in the subsidiary Operadora y Procesadora de Pollo, S. A. de C. V., for which a formal disinvestment plan was designed. At December 31, 2009, the discontinuation process of the trademark was concluded, leaving certain assets and liabilities in the process of being realized (see note 1(g)).

During the development and discontinuation conclusion, fixed assets were sold for a total of \$12,327, leaving certain assets available for sale. The accumulated net result recorded in the results of the year at December 31, 2009 and 2008, were (\$31,896) and (\$35,008), respectively, as a result of the discontinuation.

The effect generated from the aforementioned operation was included in the consolidated statement of income as a discontinued operation.

Following is the condensed financial information on the discontinued operation at December 31, 2009 and 2008:

	2009	2008
BALANCE SHEET		
Current assets	\$ -	7,394
Fixed assets	308	30,221
Other assets	-	11,347
Liabilities	(769)	(4,675)
	\$ (461)	44,287
RESULTS		
Income	\$ 17,056	52,471
Costs	6,760	19,894
Operating expenses	18,202	47,517
Loss after income tax	(31,896)	(35,008)

d) **Currency translation of foreign subsidiaries-**

In order to consolidate the financial statements of the Company's foreign subsidiaries operating independently (located in Argentina, Chile, Brazil and Colombia), which represent 16% and 12% of net consolidated income at December 31, 2009 and 2008, the Companies applied the same accounting policies of their holding Company. Since 2008, the financial statements on consolidated foreign operations are translated into the reporting currency, identifying initially if the functional and the recording currency of the foreign operations are different, and subsequently the translation is made from the functional currency to the reporting currency. For that purpose, the Company uses the historical exchange rate at the end of the year or the exchange rate at the year-end close and the inflation index for the country of origin, depending on whether the information derives from a non-inflationary or an inflationary economic environment.

e) **Cash equivalents-**

Cash equivalents include bank deposits, foreign currencies and other similar marketable securities and since 2009, the Company decided to include deposits in transit shown under accounts receivable; therefore, the Company reclassified those items to the 2008 financial statements. As of the date of the consolidated financial statements, interest earned and valuation gains or losses are included in income for the year as part of the comprehensive financing result.

f) **Derivative financial instruments-**

Alsea uses derivative financial instruments (DFI) denominated forwards and swaps, to mitigate present and future risks of adverse exchange fluctuations and interest rates, with the purpose of not distracting operating resources and for the expansion plan, and have the certainty of future cash flows and keep a strategy for the debt cost. The IFD's used are only for hedging purposes and are used to generate the obligation to exchange cash flows on pre-established future dates at the nominal value or reference value, and are valued at their fair value.

On a monthly basis, the Company will define the price levels at which the Corporate Treasury department must operate the different hedging instruments. Under no circumstances can it operate amounts exceeding the monthly resource requirements, thus ensuring that it is always a hedging and not a speculative operation. Given the variety of possible derivative instruments for hedging risks, management will be empowered to define their operating level, provided that those instruments are for hedging and not for speculation purposes.

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

In some cases, the Company and the financial institutions have signed an additional agreement to the ISDA master agreement, which stipulates the conditions that force it to offer guarantees for margin calls if the market value (mark-to-market) exceeds certain established credit limits.

The Company has the policy of monitoring the volume of operations contracted with each of those institutions, in order to avoid margin calls.

DFIs are contracted on the local market with the following financial entities: Banco Nacional de México, S. A., Banco Santander, S. A., UBS Bank México, Deutsche Bank México, Merrill Lynch Capital Services, Inc. and BBVA Bancomer, S. A. The Company may select other regulated and authorized financial institutions, always if they are regulated and authorized, to carry out this type of operations.

Valuation-

In the case of cash flow hedges, the effective portion of gains or losses on the hedging instrument is recorded under comprehensive income or loss in stockholders' equity and it is reclassified to income for the same period or periods that the forecasted transaction affects. The ineffective portion is recorded immediately in the results of the period under comprehensive financing result.

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

The identified risks are those related to exchange and interest rate fluctuations. The contracted derivative financial instruments are managed under the Company's policies and management does not foresee any risks that could differ from the purpose for which such financial instruments were contracted.

During in 2009, the Company performed 236 operations of financial instruments related to foreign exchange rates amounting 102,484 million dollars. The absolute value of the fair value of derivative financial instruments used per quarter in the year does not represent more than 5% of total consolidated assets, liabilities or equity, or otherwise, more than 3% of total consolidated sales for the last quarter. Therefore, the risk faced by the Company related to fluctuations in the exchange rate will have no negative effects on its operations, nor will it affect its capacity to cover operations of derivative financial products.

At December 31, 2009, the Company has had no margin calls and no breach has been recorded in relation to the contracts signed with the different financial institutions.

Positions in derivative financial operations-

At December 31, 2009, Alsea has contracted hedging to purchase dollars in 2010 amounting approximately to 41.65 million USD, at the average exchange rate of \$12.96 pesos for each US dollar. To cover interest rates, the Company acquired Variable Rate Swaps at Fixed Rates; that strategy has been applied to two Alsea loans, in which the balance of one loan as of today is \$169 million of Mexican pesos, and the Company has only 20% of that balance in a 7.9% fixed rate swap, plus a spread of 10 bps. The loan is amortized on a monthly basis and expires in June 2011. The second loan balance amounts to \$200 million Mexican pesos and 100% of that balance is covered by a 5.395% fixed rate Swap, plus a spread of 400 bps. This is a bullet loan subject to monthly interest and expires in April 2010.

The type of derivative products and the hedged amounts are in line with the internal risk management policy defined by the Corporate Practices Committee, which contemplates an approach for covering foreign currency requirements without the possibility of carrying out speculative operations.

At December 31, 2009, the Company had contracted the following financial instruments:

INSTITUTION	MILLION DOLLARS	AVERAGE EXCHANGE RATE	
		AT SETTLEMENT DATE	MATURING IN
UBS	26,250	\$ 13.0312	2009/2010
Banamex	6,750	12.9804	2009/2010
Santander	750	12.9400	2009/2010
Deutsche Bank	7,900	12.7094	2009/2010

At December 31, 2009, the Company recorded a debit to income of \$4,340 and at December 31, 2008, it recorded a credit in stockholders' equity of \$5,535, corresponding to the fluctuation between the exchange rate and the interest rate from the date on which the derivative financial instrument was contracted to the settlement date.

g) **Embedded derivatives-**

The Company reviews all signed agreements to identify the existence of embedded derivatives. The embedded derivatives are evaluated to determine whether or not they comply with the conditions established in the respective regulations; if that is the case, they are separated from the host agreement and they are valued at fair value. If the embedded derivatives are classified for trade purposes, the appreciation or the depreciation in the fair value is recorded in income for the period. Embedded derivatives designated for hedging recognize the changes in valuation based on the type of hedging: (1) when they are fair value instruments, the fluctuations of the implicit instrument and of the hedged item are valued at fair value and are recorded in income; (2) when they are cash flow instruments, the effective portion of the implicit instrument is temporarily recorded under comprehensive income and it is recycled to income when the hedged item affects them; the ineffective portion is immediately recorded in income.

h) **Inventories and cost of sales-**

Inventories at December 31, 2009 and 2008 are stated at original cost and determined by the last-in-first-out method. Inventory values thus determined do not exceed market value and are not lower than their realization value.

The cost of sales represents the cost of inventories at the time of sale, and it increases with the reductions in the net realization value over the year.

The Company records the necessary allowances to recognize reductions in the value of its inventories for impairment, obsolescence, slow movement and other causes that indicate that the use or realization of the items comprising the inventory will be lower than the recorded value.

i) **Store equipment, leasehold improvements and property-**

Store equipment, leasehold improvements and property are recorded at acquisition cost.

Depreciation of store equipment, leasehold improvements and property is calculated by the straight-line method, based on their useful lives estimated by Company management. The annual depreciation rates for the main groups of assets are shown below:

	RATES
Buildings	5%
Store equipment	5% al 30%
Leasehold improvements	7% al 20%
Transportation equipment	25%
Computer equipment	30%
Production equipment	10% al 20%
Office furniture and equipment	10%

Maintenance and minor repair expenses are recorded in income as they are incurred.

During 2009, the Company reviewed the economic useful lives of certain fixed asset and intangible asset captions; this analysis was based on criteria elements provided by each of the brands operated by the Company, to adjust the useful lives to the current business operating conditions (see note 7).

j) **Goodwill of subsidiaries and associated companies-**

Goodwill represents the future economic benefits arising from other acquired assets that are not identifiable individually or recognized separately. Goodwill is subject to impairment tests at least once a year.

k) **Intangible assets-**

They represent payments made to third parties for the right to use the brands under which the Company operates its establishments in accordance with franchise or association agreements. Amortization is calculated through the straight-line method at the 5% to 15% annual rate. The term of brand rights is shown as follows:

TRADEMARKS	EXPIRATION DATE
Domino's Pizza	(Mexico) 2025
	(Colombia) 2016
Starbucks Coffee	(Mexico) 2022
	(Argentina) 2027
Burger King	(Mexico, Argentina, Chile and Colombia)* According to opening dates
Chili's Grill & Bar	2015
California Pizza Kitchen	2016
P.F. Chang's	2019

(*) Each store operating under this brand has an operating term of 20 years, starting as from the opening date.

The Company has obligations to do and not to do under the aforementioned agreements, including making capital investments and opening establishments. At December 31, 2009, such obligations have been complied.

The association agreement signed by Starbucks Coffee International (SCI) and Alsea in 2008 allowed SCI to increase its equity in the capital stock of Café Sirena by up to 50%, only if certain goals related to opening Starbucks Coffee stores were not met. At December 31, 2008 such option was not exercised. In January 2009, SCI confirmed that it would not exercise the purchase option this year, as established in the association agreement. The following and last date to exercise the option is September 2012.

Preoperating and installation expenses are related to the opening of new points of sale in different locations. Amortization is calculated by the straight-line method over one year, starting as from the date on which the new points of sale start operations.

l) **Impairment in the recovery value of long-lived assets, property, equipment and leasehold improvements, goodwill and other intangible assets-**

The Company periodically evaluates the carrying amount of its long-lived assets (store equipment, leasehold improvements, property, goodwill and other intangible assets), to determine the existence of indicators that those values exceed the recoverable amount.

The recoverable value represents the amount of net potential income expected to be obtained on a reasonable basis as a result of the use or realization of such assets. If it is determined that the carrying amounts are excessive, the Company records the necessary estimations to reduce them to their recovery value. When there is the intention of selling the assets, they are shown in the financial statements at the lower of their carrying 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's estimations, the Company records liability provisions for present obligations for which the transfer of assets or the rendering of services are virtually unavoidable and which result from past events, mainly in relation to supplies and to other personnel payments. These provisions have been recorded based on management's best estimate of the amount needed to cover the present liability; however, actual results could differ from the provisions recognized (see note 12).

n) **Employee benefits-**

Termination benefits for causes other than restructuring and retirement to which employees are entitled are recorded in income for the year based on actuarial calculations prepared under the projected unit-credit method, considering the projected salaries or the projected cost of the benefits.

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

Other compensation to which employees are entitled is recorded in income for the year in the year it is paid.

o) **Tax on earnings (Income Tax (IT), Flat Rate Business Tax (IETU) and Employees' Statutory Profit Sharing (ESPS)-**

IT, IETU and ESPS incurred in the year are determined based on current legal provisions.

Deferred IT and, as from January 1, 2008, deferred ESPS are recorded through the asset and liability method, which compares the book and tax values of assets. Deferred tax and ESPS are recorded (assets and liabilities) for future tax consequences attributable to the temporary differences between the values shown in the financial statements of existing assets and liabilities and their respective tax bases, and in the case of taxes on profits, for unamortized tax losses and other recoverable tax debts. Deferred tax and ESPS assets and liabilities are calculated using the rates set forth in the respective Law, which are applied to taxable income in the years in which the reversal of temporary differences is expected to take place. The effect of changes in the tax rates for deferred tax and ESPS is recorded in income for the year in which the changes are approved.

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

At December 31, 2007, inflation adjustment of these items was calculated by multiplying contributions and retained earnings by NCPI factors, which measure accrued inflation from the dates on which the contributions were made and the results were accrued until the close of 2007, date on which Mexico became a non-inflationary environment according to FRS B-10, "Effects of inflation". Amounts thus obtained represented constant values in shareholder investments.

q) **Additional paid in capital-**

It represents the excess difference between payment of subscribed shares and the nominal value thereof, less the expenses related to the placement of shares

r) **Cumulative effect of deferred income tax-**

Until December 31, 2007, it represented the effect of recognizing accrued deferred taxes at the date on which the respective FRS was adopted. In 2008, that amount was reclassified to retained earnings.

s) **Revenue recognition-**

Income from the sale of food is recorded as food is delivered to customers; service income is recorded as services are rendered. The Company records estimations for losses incurred in recovering accounts receivable, which are included in operating expenses and rebates and discounts, which are deducted from sales.

t) **Comprehensive financing result (CFR)-**

It includes interest, exchange differences, the effect of translation and the effect on financial instruments.

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates they are entered into and/or settled. Foreign currency assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Exchange differences incurred in relation to assets or liabilities contracted in foreign currency are charged to income for the year.

u) **Cummulative translation effect-**

It represents the difference arising from translating foreign operations from the functional currency to the reporting currency.

v) **Contingencies-**

Significant obligations or losses related to contingencies are recorded when it is probable that their effects will materialize and when there are reasonable elements for quantifying them. In the absence of such reasonable elements, they are disclosed on qualitative bases in the notes to the consolidated financial statements. Income, profits or contingent assets are not recorded until there is certainty of their realization.

w) **Profit per share-**

It is the result of dividing income for the year by the weighted average of current shares in the period.

x) **Comprehensive income-**

It represents the result of the Company's total operations for the year and it is comprised of the net profit and the translation effect of foreign entities that was applied directly to stockholders' equity.

y) **Accounting changes-**

The FRS described below, issued by the Mexican Financial Reporting Standards Board (CINIF from Spanish) went into effect for the years starting as from January 1, 2009; those standards cannot be applied in advance.

(a) FRS B-7, "Acquisitions of Businesses" – Replaces Statement 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. The provisions of this FRS are effective for acquisitions made as from January 1, 2009. Application of this FRS had no significant effects in the year.

(b) FRS B-8, "Consolidated and combined financial statements" – This NIF replaces Statement 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 specific purpose entities (EPE from Spanish) when an entity has control.

(ii) The possibility, under certain rules, to submit non-consolidated financial statements.

(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.

The Company's management has exercised the option contained in FRS B-8, "Consolidated or combined financial statements", for not issuing the consolidated financial statements of its holding subsidiaries companies, for decision making purposes, and its (controlling and non-controlling) stockholders have expressed their consent to do so.

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

(i) It establishes the obligation to value EPEs with significant influence through the equity method.

(ii) It 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.

Application of this FRS had no significant effects in the year.

(d) FRS C-8 "Intangible Assets" – It supersedes Statement C-8, "Intangible Assets" and it establishes the following changes:

(i) It redefines the definition of intangible assets, establishing that the separation condition is not the only condition required for an asset to be identifiable.

(ii) It establishes that the initial valuation must consider the acquisition cost, identifying the instances of individual acquisitions, business acquisitions or of an internal generation, and that there must be a possibility of future economic benefits for that entity.

(iii) It specifies that subsequent expenses for research and development projects in progress must be recorded as expenses as they are 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.

(iv) It eliminates the assumption that the useful life of an intangible asset may not exceed a period of twenty years.

Application of this FRS had no significant effects in the year.

(3) FOREIGN CURRENCY POSITION-

Monetary assets and liabilities denominated in US dollars, shown in the reporting currency at December 31, 2009 and 2008, were as follows:

	THOUSANDS OF DOLLARS	
	2009	2008
Assets	21,136	9,205
Liabilities	28,369	44,238
Net liability position	(7,233)	(35,033)

The exchange rate in relation to the dollar at December 31, 2009 and 2008 was \$13.04 and \$13.31, respectively. At February 17, 2010, date of issuance of the audited financial statements, the rate of exchange was \$12.86 to the dollar.

The exchange rates used in the different translation processes in relation to the reporting currency at December 31, 2009 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 pesos	(ARP)	\$ 3.4478	3.3372
Chile	Chilean pesos	(CLP)	0.0256	0.0244
Colombia	Colombian pesos	(COP)	0.0069	0.0066

The following currencies were used for translation purposes:

FOREIGN OPERATION ^(*)	COUNTRY OF ORIGIN	CURRENCY		
		RECORDING	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 keeps investments in subsidiaries resident abroad, whose functional currency is not the Mexican peso; therefore, in incorporating the results and financial position of foreign operations into consolidation, those figures are translated to MXP (reporting currency).

(4) BALANCES AND TRANSACTION WITH ASSOCIATED COMPANIES-

Accounts payable to associated companies at December 31, 2009 and 2008 are as follows:

	2009	2008
PAYABLE:		
Starbucks Coffee International	\$ 14,328	58,390
SBI Nevada, Inc.	11,703	9,549
	\$ 26,031	67,939

The balance payable to SBI Nevada arose mainly from royalty payments, and the balance payable to Starbucks Coffee International arose from the acquisition of inventories and fixed assets.

(5) INVENTORIES-

This balance at December 3, 2009 and 2008 is comprised as follows:

	2009	2008
Food and beverages	\$ 238,991	235,900
Containers and packaging	47,892	42,748
Other	55,324	88,056
Obsolescence allowance	(5,337)	(5,180)
	\$ 336,870	361,524

(6) INVESTMENT IN SHARES OF ASSOCIATED COMPANIES-

At December 31, 2009 and 2008, this item is comprised of the direct interest in the capital stock of the following companies:

	EQUITY IN			
	STOCKHOLDER'S EQUITY		EQUITY IN INCOME	
	2009	2008	2009	2008
Starbucks Brasil Comercio de Cafés, Ltda.	\$ 17,631	18,140	(3,795)	(1,079)
Starbucks Coffee Chile, S. A.	7,402	10,744	(698)	(948)
	\$ 25,033	28,884	(4,493)	(2,027)

(7) STORE EQUIPMENT, LEASEHOLD IMPROVEMENTS AND PROPERTY-

This balance at December 31, 2009 and 2008 is comprised as follows:

	2009	2008
Buildings	\$ 133,452	133,452
Store equipment	1,685,705	1,550,891
Leasehold improvements	2,237,604	2,022,795
Transportation equipment	128,638	129,260
Computer equipment	245,667	225,086
Production equipment	232,004	185,140
Office furniture and equipment	97,628	92,098
	4,760,698	4,338,722
Less accumulated depreciation	(2,193,705)	(1,775,698)
	2,566,993	2,563,024
Land	63,185	61,864
Investments in progress*	267,500	420,023
	\$ 2,897,678	3,044,911

(*) Corresponds mainly to store and restaurant openings whose termination date is 2010.

During 2009, the useful life of certain store equipment and leasehold improvements was reviewed and adjusted to the current business operating conditions. The effect of that change was a credit to income of \$3,698.

(8) GOODWILL OF SUBSIDIARY COMPANIES-

At December 31, 2009 and 2008, the Company's goodwill is comprised as follows:

	2009	2008
Alsea, S. A. B. de C. V.	\$ 124,912	124,912
West Alimentos, S. A. de C. V.	60,061	90,061
Operadora DP de México, S. A. de C. V.	19,619	19,619
Dominalco, S. A.	2,367	2,367
	206,959	236,959
Less accumulated amortization	(16,980)	(16,980)
	\$ 189,979	219,979

As a result of the evaluation in the determination of the recoverable value of long-lived assets, the net book value of fixed assets and goodwill recorded in the Alsea, S. A. B. de C. V. books at no time, except for the Burger King brand, exceed their recoverable value. Therefore, at December 31, 2009, an impairment loss was recorded amounting to \$30,000, thus reducing the goodwill balance related to that brand, with a debit to income for the year (see note 14).

(9) INTANGIBLE ASSETS-

Intangible assets at December 31, 2009 and 2008 are comprised as follows:

	TRADEMARKS	PREOPERATING EXPENSES	FRANCHISE RIGHTS AND USE OF COMMERCIAL FACILITIES	LICENSES AND DEVELOPMENTS	TOTAL
Balances as of December 31, 2008	\$ 603,600	317,480	254,771	157,974	1,333,825
Acquisitions	43,793	38,618	39,636	59,245	181,292
Less accumulated amortization	(253,687)	(220,173)	(121,208)	(117,428)	(712,496)
Balances as of December 31, 2009	\$ 393,706	135,925	173,199	99,791	802,621

In 2009, Alsea increased its investment in brands and franchise rights, mainly due to the opening of Domino's Pizza stores in Mexico and Colombia, to the opening rights of Starbucks Coffee stores in Mexico and Argentina, and Burger King in Colombia, and to the acquisition of California Pizza Kitchen and P.F. Chang's. Pre-operating expenses are directly related to the opening of new points of sale.

Additionally, the Company recorded an increase in franchise rights of \$6,583 for the acquisition of the minority equity of two subsidiaries in Colombia (see notes 1(e) and (f)).

(10) LONG-TERM DEBT-

The long-term debt at December 31, 2009 and 2008 is comprised of loans with no guarantees, as shown below:

	MATURING IN	AVERAGE ANNUAL INTEREST RATE	2009	2008
Unsecured loans	2010-2012	5.00%-9.00%	\$ 1,002,103	1,790,178
Less current installments			593,316	660,080
Long-term debt			\$ 408,787	1,130,098

Annual maturities of the long-term loan are as follows:

YEAR	AMOUNT
2011	\$ 282,662
2012	126,125
	\$ 408,787

Bank loans include certain obligations to do and not to do, and require keeping certain financial ratios. At the date of the financial statements, all of the above obligations have been duly met.

(11) DEBT STOCK EXCHANGE-

Based on the debt stock exchange program established by Alsea for a total of up to \$700,000 Mexican pesos (seven hundred million of Mexican pesos) or its equivalent in investment units (UDIs), in December 2009, a public offering was made on the Mexican market of up to 3,000,000 debt stock exchange with a par value of \$100 pesos (once hundred pesos) each. The total amount of the offering was of \$300 million Mexican pesos.

Debt stock exchange issued is for a three-year term, which means that they expire in December 2012. The certificates are subject to 28-day TIIE (Average Interbank Interest Rate) plus 2.15 percentage points. Net resources obtained from such issuance will be used to prepay bank liabilities.

The rating given is "AA", which means that the issuer or issuance with such classification is considered to have high credit quality and offers a high probability of timely payment of debt obligations. They keep a very low credit risk profile under adverse economic scenarios.

The amount of issuance expenses, such as legal fees, issuance costs, printing fees, placement expenses, etc. amounting to \$3,945 were recorded as a deferred charge and are amortized on the straight-line basis over the period in which the obligation is effective (see note 1 (a)).

(12) ACCRUALS-

Accruals at December 31, 2009 and 2008 are comprised as follows:

	REMUNERATIONS AND OTHER EMPLOYEE PAYMENTS	SUPPLIES AND OTHERS	TOTAL
Balances as of December 31, 2008	\$ 56,479	416,562	473,041
Increases charged to operation	209,163	339,919	549,082
Payments	(231,229)	(350,879)	(582,108)
Balances as of December 31, 2009	\$ 34,413	405,602	440,015

(13) COMPREHENSIVE FINANCING RESULT-

At December 31, 2009 and 2008, this item is comprised as follows:

	2009	2008
Interest expense, net	\$ (122,489)	(115,444)
Exchange loss, net	(5,349)	(83,914)
Favorable (unfavorable) monetary effect ⁽¹⁾	(3,881)	4,958
	\$ (131,719)	(194,400)

(1) In 2009 and 2008, it corresponds to the effect of unfavorable monetary position arising in the subsidiaries established in Argentina, which, based on the provisions of FRS B-10 and the level of inflation accumulated in the preceding three most recent annual periods, are considered to be operating in an inflationary environment.

(14) OTHER EXPENSES, NET-

At December 31, 2009 and 2008, this balance is comprised as follows:

	2009	2008
Restatement and interest on tax refund (see note 18 (e))	\$ 111,487	-
Legal expenses (see note 18 (e))	(41,979)	-
Asset impairment (see note 8)	(30,000)	-
Organizational restructuring ⁽¹⁾	(22,208)	(12,928)
Loss on fixed asset cancellation, net ⁽²⁾	(22,035)	(32,759)
ESPS	(6,040)	6,820
Other (expenses) income - net	(4,141)	3,894
	\$ (14,916)	(34,973)

(1) A formal restructuring plan was developed in 2009, which included liquidations and other inherent expenses.

(2) In 2008, it includes the provision for cancellations of leasehold improvements totaling \$28,743.

(15) LABOR OBLIGATIONS-

At December 31, 2009 and 2008, the liability for seniority premiums and severance payments at the end of employment for causes other than restructuring to which employees are entitled, are recorded in income for each year in which said services are rendered, based on actuarial calculations.

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

	BENEFITS			
	2009		2008	
	TERMINATION	RETIREMENT	TERMINATION	RETIREMENT
Defined benefit obligations	\$ 14,453	14,204	24,848	18,934
Transition obligation and unamortized items	(5,060)	(1,992)	(6,746)	(10,591)
Net current liability	\$ 9,393	12,212	18,102	8,343

The net cost for the period is comprised as follows:

	BENEFITS			
	2009		2008	
	TERMINATION	RETIREMENT	TERMINATION	RETIREMENT
Labor cost	\$ 15,484	3,125	14,745	4,022
Financial cost	1,483	953	1,331	1,151
Amortization of transitory obligation	(13,235)	10	(8,980)	1,849
Net cost for the period	\$ 3,732	4,088	7,096	7,022

Following is a reconciliation of defined benefit obligations (DBO) at December 31, 2009 and 2008:

	BENEFITS			
	2009		2008	
	TERMINATION	RETIREMENT	TERMINATION	RETIREMENT
Initial DBO balance	\$ 24,620	12,004	20,125	14,383
Labor cost of current service	15,484	3,125	14,745	4,052
Financial cost	1,483	953	1,331	1,151
Actuarial gains and losses for the period	(14,741)	(1,706)	(21,087)	(651)
Reduction and advance severance payments	-	-	16,842	-
Benefits paid	(12,393)	(172)	(7,108)	(2)
Final DBO balance	\$ 14,453	14,204	24,848	18,933

The most important assumptions of the above plans used in determining the net cost for the period are shown as follows:

	BENEFITS	
	2009	2008
Discount rate	8%	8%
Salary increase rate	5.9%*	9.4%*
Expected average labor life (years)	5.3	7.4

* Includes future compensation levels

The actuarial calculations were prepared consistently under the same financial reporting procedures and standards; however, the main premises applied to the above studies were reviewed, mainly related to personnel turn over tables, as a result of which the Company recorded a decrease in seniority premium and severance liabilities at the end of employment for causes other than restructuring.

Derived from the review of the actuarial studies, the net decrease in labor obligations amounting \$20,700, was recognized in the results for the year (see note 2(n)).

(16) TAX ON EARNINGS (INCOME TAX (IT), FLAT RATE BUSINESS TAX (IETU)) AND EMPLOYEES' STATUTORY PROFIT SHARING (ESPS)-

Companies are required to pay the higher of IETU and IT. When the IETU is payable, said payment is considered final and not subject to recovery in subsequent years. The IT Law in effect at December 31, 2009 establishes the 28% rate, and based on the tax amendments in effect as from January 1, 2010, the IT rate for fiscal years 2010 to 2012 is 30%, 29% for 2013 and 28% from 2014 onwards. The IETU rate was 16.5% for 2008, 17% for 2009 and 17.5% for 2010 and subsequent years. The Company determines IT on a consolidated basis.

Given that according to Company estimations the tax payable in the following years is the Income Tax, deferred taxes at December 31, 2009 and 2008, was calculated on IT bases.

The income tax expense at December 31, 2009 and 2008 is comprised as follows:

	2009	2008
IT and IETU on tax bases	\$ 196,676	160,180
Deferred IT	(151,590)	(107,032)
	\$ 45,086	53,148

At December 31, 2009 and 2008, tax expenses attributable to pretax income and equity in the result of associated companies differed from the amount resulting from applying the 28% rate in 2009 and 2008, as a result of the items described as follows:

	2009	2008
Expected IT rate	28%	28%
Non-deductible expenses	3%	8%
Inflationary effect, net	(16%)	(9%)
Effect of published changes to laws and rates	(13%)	0%
Change in valuation reserve	19%	(9%)
Others, net	4%	5%
Effective consolidated IT rate	25%	23%

The tax effects of temporary differences giving rise to significant portions of deferred tax assets and liabilities at December 31, 2009 and 2008 are described and shown below:

	INCOME TAX	
	2009	2008
Deferred (assets) liabilities:		
Allowance for doubtful accounts	\$ (3,846)	(3,152)
Liability accruals	(127,306)	(139,954)
Advances from customers	(12,303)	(301)
Unamortized tax losses, net of valuation reserv	(153,642)	(70,268)
Asset tax recoverable	(22,802)	(42,415)
Store equipment, leasehold improvements and property	(165,641)	(70,169)
Other assets	19,786	21,597
Prepaid expenses	8,603	11,175
Deferred assets, net	(457,151)	(293,487)
IT from reinvestment of profits and deferred ESPS	(681)	498
Assets recognized in the balance sheet	\$ (457,832)	(292,989)

The valuation allowance at December 31, 2009 and 2008 amounted to \$178,642 and \$159,196, respectively. The net change in the valuation allowance at December 31, 2009 and 2008 was an increase of \$19,446 and \$1,813, respectively.

At December 31, 2009 and 2008, the Company generated a deferred ESPS asset, which was reserved in full by Company's management in light of the uncertainty of its realization.

The Company has not recorded a deferred tax liability for profits not distributed to its subsidiaries, recorded under the equity method, arising in 2009 and previous years, since it currently does not expect those undistributed profits to be reversed and become taxable in the near future. The above deferred liability will be recognized when the Company considers that it will receive said undistributed profits and that they will become taxable, as in the case of the sale or disposal of its investments in shares.

The reconciliation of IT balances related to the Company's tax consolidation before and after the enactment of the 2010 tax amendments is shown below:

	2009	2008
Unamortized tax losses arising during consolidation for the controlling and controlled companies	\$ 145,723	110,907
Profit derived from the comparison of the individual after-tax earnings account balance versus the consolidated after-tax earnings account balance	5,245	-
	\$ 150,968	110,907

Following is the calendar for payment years established by the Company to cover income tax liabilities related to its tax consolidation as a result of the enactment of the 2010 tax amendments:

YEAR	PAYMENT
2010	\$ 3,891
2011	4,710
2012	8,788
2013	15,094
2014	26,264
2015	30,131
2016	25,729
2017	18,630
2018	12,557
2019	5,174
	\$ 150,968

(17) STOCKHOLDERS' EQUITY-

Following is a description of the main features of the accounts comprising stockholders' equity:

(a) Capital stock structure-

Movements of capital stock and share issue premium are shown as follows:

	THOUSANDS OF MEXICAN PESOS		
	NUMBER OF SHARES	CAPITAL STOCK	ADDITIONAL PAID-IN CAPITAL
Balances as of December 31, 2007	618,656,796	\$ 534,364	1,090,334
Shares repurchased from January 1 to December 31, 2008	(10,662,200)	(5,331)	-
April 2008, decree and payment of dividends in shares	9,967,388	4,984	138,546
Balances as of December 31, 2008	617,961,984	534,017	1,228,880
Shares repurchased from January to December 2009	(16,434,000)	(8,217)	-
Cancellation of repurchased shares	(157,260)	(78)	7,723
Balances as of December 31, 2009	601,370,724	\$ 525,722	1,236,603

In October 2009 and April 2008, Alsea declared dividends in the amount of \$41,859 in cash and \$143,530 in shares, respectively.

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

At December 31, 2009, the fixed and variable portions of subscribed capital stock are comprised of 601,370,724 common, nominative shares, with no par value, as shown below:

NUMBER OF SHARES	DESCRIPTION	AMOUNT
489,157,480	Fixed capital stock	\$ 244,579
128,647,244	Variable capital stock	64,324
(16,434,000)	Repurchased shares (nominal value)	(8,217)
601,370,724	Nominal capital stock	300,686
	Increase for inflationary adjustment (note 2(p))	225,036
	Capital stock as of December 31, 2009	\$ 525,722

The Mexican National Banking and Insurance Commission established a procedure that allows companies to acquire their own shares on the stock market, for which purpose they must set up a "reserve for repurchase of shares" with a debit to retained earnings.

Total repurchased shares must not exceed 5% of total paid up shares, which must be replaced on the market in a term not exceeding one year and which are not considered in the dividend payment. At December 31, 2009 and 2008, the Company repurchased 16,434,000 and 10,662,200 shares, which amounted to (\$118,035) and (\$125,748), respectively.

Available own repurchased shares are reclassified to contributed capital.

(b) Stock option plan for executives-

Alsea established a stock option plan for its executives. The plan started in 2005 and it concluded on December 31, 2009. The plan consisted of offering company executives the right to receive the appreciation in market value of certain shares, which is determined from the difference in the price of the shares at the start of the plan (\$5.70) and the price of the option for the year (market value) payable in cash. The market value at the close of operations on December 31 was \$8.73.

The Stockholders' Meeting approved to assign 5,886,524 shares to the plan in question; those shares were managed through a trust.

At the end of 2006, the executives exercised 20% of the rights acquired at that date (\$1.05 per share) and the remaining 80% was exercised in 2009, for which purpose a share subscription premium was recorded in the amount of \$14,306.

At December 31, 2009, procedures were started to extinguish the trust that managed the shares over the term of the plan.

(c) Restrictions on stockholders' equity-

I) The net profit for the year is subject to the legal provision requiring that 5% of said profit be set aside to constitute a legal reserve, until it equals one fifth of the capital stock. At December 31, 2009, the legal reserve totals \$86,921.

II) Dividends paid from taxed profits are free from IT if paid out of the After-Tax Earnings Account (CUFIN). Any excess over that account is subject to 30% tax on the result of multiplying the dividend paid by the 1.4286 factor. Tax arising from dividend payments not paid out of the CUFIN is payable by the Company and it may be credited against IT payable in the following two years.

(18) COMMITMENTS AND CONTINGENCIES-

Commitments:

- a) The Company leases the locales that house its stores and distribution centers, as well as certain equipment, in accordance with signed leasing agreements with defined expirations. Lease fees from January to December 2009 and 2008 totaled \$688,751 and \$565,606, respectively, and were established at fixed prices that increase annually based on the NCPI.
- b) The Company has contracted different commitments in relation to the arrangement established in the agreements for the acquired trademarks (see note 2(k)).
- c) During the regular course of operations, the Company contracts commitments arising from supply agreements, which in certain cases establish conventional penalties in the event of non-compliance.

Contingent liabilities:

- d) Alsea is involved in different lawsuits and trials derived from the course of its operations; the Company's officers and attorneys consider that the result of said lawsuits will not substantially affect the Company's financial position.
- e) Alsea filed an appeal in 2008 and 2007 through its subsidiary, Operadora de Franquicias Alsea, S. A. de C. V. (OFA) to ensure proper compliance with the Appeal Sentence related to application of the 0% VAT rate on the sale of food. Application of that rate gave rise to favorable VAT balances in OFA. In May 2009, the Company was notified of the final sentence annulling the rulings that disallowed the refund of favorable VAT and requiring that new rulings be issued to comply with the appeal sentence, which allowed OFA to apply the 0% tax rate on prepared foods, as established in the VAT Law. In August 2009, the Company received the refund of favorable tax balances for the period from October 2006 to April 2007; the refunds for the period from May to December 2007, at the date of the financial statements, are still in the process of being recovered.

The resources obtained include the historical favorable balances and the respective accessories, which have been recorded in income for the year (see note 14).

- f) In December 2009, Alsea was notified of the first sentence handed down on November 19, 2009 in relation to the lawsuit filed by Victor Eduardo Cachoua Flores and others against Alsea and others, and the accumulated lawsuit filed by Italcafe, S. A. de C. V. and others against Alsea and others, whereby Alsea and the codefendants were sentenced to comply with the purchase-sale agreement signed with Messrs. Cachoua, and consequently pay the price of the Italcafe, S.A. de C.V. shares and the respective legal interest.

Additionally, Alsea and the codefendants must pay the liability for franchise rights to Northern Stars Corporation Limited at twice the TIIE interest rate. The foregoing means that Alsea must acquire the ownership of the Italianni's restaurants operating in Mexico, whose owner has a franchise agreement in place to exploit said brand. Alsea considers that the sentence was not issued according to law and on the same date it filed an appeal against it.

The consequences of the result of the litigation cannot be currently determined by the Company and its legal advisors, and therefore, no provision has been recorded for that purpose in the financial statements at December 31, 2009.

(19) FINANCIAL INFORMATION PER SEGMENT-

The Company is organized in three large operating divisions comprised of sales of food and beverages in Mexico and South America and distribution services, all of which are headed by the same management.

The information related to segments at December 31, 2009 and 2008 is shown in the following sheet (information in millions of pesos):

	FOOD AND BEVERAGES									
	MEXICO		SOUTH AMERICA		DISTRIBUTION		ELIMINATIONS		CONSOLIDATED	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External income	\$ 6,032	5,738	1,408	972	1,135	1,065	12	11	\$ 8,587	\$ 7,786
Inter-business income	-	-	-	-	1,930	1,890	(1,930)	(1,890)	-	-
	6,032	5,738	1,408	972	3,065	2,955	(1,918)	(1,879)	8,587	7,786
Operating costs and expenses	5,335	5,024	1,340	899	2,894	2,752	(1,982)	(1,921)	7,587	6,754
Depreciation and amortization	494	450	113	69	30	28	28	26	665	573
Operating income	\$ 203	264	(45)	4	141	175	36	16	\$ 335	\$ 459
Other income statement items									(231)	(330)
Majority net income									\$ 104	\$ 129
Assets	\$ 5,769	5,093	832	672	919	961	(2,244)	(1,274)	\$ 5,276	\$ 5,452
Investment in associated companies			25	29					25	29
Investment in fixed assets an intangibles	296	628	201	223	29	69	(18)	(2)	508	918
Total assets	\$ 6,065	5,721	1,058	924	948	1,030	(2,262)	(1,276)	\$ 5,809	\$ 6,399

At December 31, 2009 and 2008, the net consolidated result for discontinuation in the Food and Beverage division is of (\$31,896) and (\$35,008), respectively.

(20) PRO FORMA INFORMATION ON ACQUISITIONS OF BUSINESS-

Following is the condensed consolidated pro forma financial information, as though the purchase of Domino's Pizza Colombia and Calpik had been concluded at the beginning of 2008 (see note 1(f)).

	DECEMBER 31, 2008		
	BASE	PRO FORMA	PRO FORMA FIGURES
	FIGURES	ADJUSTMENTS	(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 profit	128,779	(8,266)	120,513
Net earnings per share	\$ 0.21		0.20



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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 2009 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.

IT'S POSSIBLE TO SAVE THE PLANET

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.

The following are savings resulting from the use of recycled fiber.

We used 4,900 lb of paper -meaning 10% recycled material- thereby allowing us to:

-  14 trees preserved for the future
-  5,162 gallons wastewater flow saved
-  147 lbs solid waste not generated
-  9,870,000 BTUs energy not consumed
-  This report was printed on Earth Aware paper, FSC certified, Elementally Chlorine Free.



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