Alsea

Annual Report 2010

Touching people,
enriching moments

Our Manifestum

Life is a collection of good moments that we add to every day. They start when the sun rises, when they tell us good morning. It is the light, it is coffee, a song, it is a smile when a promise is kept, when we celebrate with friends.

It is a place to dream, to make life something special. It is where innovation an passion are a motor for change and impulse for our society where there is always room for others.

(Domino's Pizza + Starbucks + Burger King + Chili's Grill & Bar + California Pizza Kitchen + P.F. Chang's China Bistro).

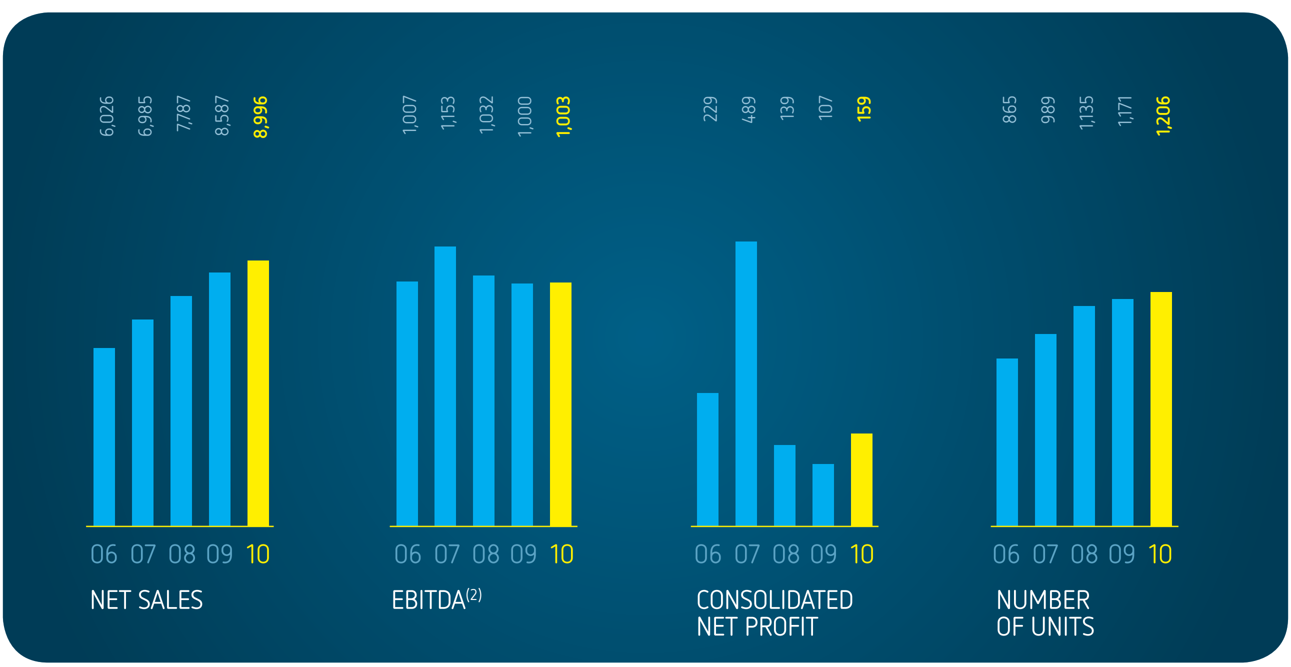
This is where we celebrate life, where we add tastes and emotions, colors and textures, where every contact becomes a smile, every moment becomes better for you.

Touching people, enriching moments

Financial Highlights[1]

(1) Figures in million pesos, expressed in nominal pesos for 2008, 2009 and 2010, and purchasing power as of December 31, 2007 for the other periods; except per share data, number of units and employees.
(2) EBITDA: Operating income before depreciation and amortization.
(3) ROIC is defined as the operating income after taxes divided by the invested capital - net (total assets - cash and cash equivalents - liabilities without cost).
(4) ROE is defined as net profit divided by major shareholder's equity.
(5) ROA is defined as net profit divided by total assets.
(6) CAGR is defined as compound annual growth rate from 2006 to 2010.
(7) For comparative purposes, the number of shares was adjusted based on the split of 4 to 1 carried out in 2007.

	%CAGR[6]	10	%	09	%	08	%	07	%	06	%
Net Sales	10.5	8,996.0	100.0	8,587.1	100.0	7,786.8	100.0	6,985.4	100.0	6,026.4	100.0
Gross Profit	10.3	5,857.2	65.1	5,420.6	63.1	5,005.5	64.3	4,661.7	66.7	3,959.9	65.7
Operating Expenses	11.9	5,529.1	61.5	5,085.6	59.2	4,546.4	58.4	3,946.0	56.5	3,523.8	58.5
Operating Income	(6.9)	328.1	3.6	335.1	3.9	459.1	5.9	715.7	10.2	436.1	7.2
EBITDA [2]	(0.1)	1,003.1	11.2	1,000.3	11.6	1,032.1	13.3	1,153.0	16.5	1,007.4	16.7
Consolidated Net Profit	(8.7)	159.0	1.8	107.0	1.2	139.5	1.8	489.1	7.0	228.6	3.8
Total Assets		6,110.5	100.0	5,808.8	100.0	6,399.7	100.0	5,295.7	100.0	4,040.5	100.0
Cash		640.2	10.5	463.2	8.0	661.9	10.3	209.3	4.0	244.3	6.0
Liabilities with Cost		1,597.5	26.1	1,302.1	22.4	1,790.2	28.0	1,033.5	19.5	610.9	15.1
Major Shareholder's Equity		2,865.3	46.9	2,908.6	50.1	2,997.1	46.8	2,997.5	56.6	2,653.9	65.7
ROIC[3]		5.7%		6.8%		9.6%		14.9%		9.6%	
ROE[4]		5.1%		3.4%		4.4%		16.7%		9.1%	
ROA[5]		2.6%		1.8%		2.4%		10.5%		6.2%	
Stock Price[7]	(3.2)	12.93		10.09		6.23		15.30		14.72	
Earnings per Share[7]	(10.1)	0.25		0.17		0.21		0.77		0.38	
Dividend paid per Share[7]		0.40		0.07		0.23		0.11		0.28	
Book Value per Share[7]	2.7	4.73		4.84		4.85		4.84		4.26	
Shares Outstanding (million)[7]		605.2		601.4		618.0		618.8		623.2	
Number of Units	8.7	1,206		1,171		1,135		989		865	
Employees	7.1	22,127		19,981		21,024		19,200		16,797	



Alsea

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, 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.

Strategic planning

MISSION

COMMITTED TEAM ALWAYS EXCEEDING OUR CUSTOMERS' EXPECTATIONS

"Touching people, enriching moments"

PRINCIPLES

The customer is our priority
Serve our customers with respect, passion and innovation.

Respect and loyalty to our people and the company
Create a working environment of harmony and respect, without preferences.

Personal excellence and commitment
Always act honestly and fairly without putting our self-interest ahead.

Results orientation
Always take decisions oriented to the wellbeing of the company and our customers.

STRATEGIC AREAS

SA1. Customers
Exceed customer expectations with an unforgettable experience.

SA2. Our people
Personal and professional development of our team.

SA3. Strategic Partners
Synergy and Critical Mass.

SA4. Results
Ensure the profitable and sustainable growth of the company.

SA5. Community
To be recognized by our consumers as a socially responsible company.

605 Units

MEX	584
COL	21

31 Units

MEX	31

361 Units

MEX	300
ARG	30
CHILE	31

9 Units

MEX	9

196 Units

MEX	109
ARG	51
CHILE	30
COL	6

4 Units

MEX	4

impulse + dreams = **1,206** Units in Mexico and South America

For 20 years we been part of our consumers lifes, offering the best service and providing memorable experiences through our brands.

Dear Shareholders:

The year 2010 was a time for celebration and recognition for Alsea. We celebrated the 20th anniversary of Domino's Pizza in Mexico, and the first 10 years of Alsea as a public traded company. That celebration and recognition would not have been possible without the participation of each one of our employees, clients, strategic partners and shareholders who have placed their trust in us, and who have contributed to the Company's growth.

During these 20 years of operation, we have managed to turn Domino's Pizza into the largest restaurant chain in Mexico, with 584 stores and more than 7,300 employees. Alsea has diversified its operations over the last 10 years, becoming the largest multi-brand operator in the region, with six brands operating in the Fast Food, Cafeteria and Casual Dining segments, with a total of 1,206 stores in the different formats, a presence in four countries, and human capital of more than 22,000 people, who in 2010 alone enabled us to serve more than 180 million consumers.

In addition to celebrating this anniversary, we are celebrating the launch of our new corporate identity with a change in our strategic planning and our new slogan: "Touching people, enriching moments." In this annual report you will see how this new identity defines a culture of innovative organization that always strives to exceed our clients' expectations. I am certain that this new identity will help generate greater empathy on the part of Alsea and its brands with our consumers.

During the year, Alsea made important changes to its organizational structure, resulting in new opportunities for our people to grow, as well as ensuring professional and competitive management in the Company's operations, which allows us to reach our projected growth rates. Also in 2010, we created 1,526 new jobs, and as always, we continued to promote a better quality of life for our employees.

434.6%
total return for the shareholder [1] [2]

22,127
employees

48.6%
growth
Net Income

180,000,000
custumers served

1,206
units in Mexico
and South America

4
countries
6
brands

(1) Includes dividend payments
(2) From June 1999 to Dicember 2010

Leadership + Proactivity = Results

Despite a difficult basis of comparison due to the additional week of operations in 2009, and a challenging environment for consumption, in 2010 revenues rose 4.8%, to 8,996.0 million pesos in net sales. This growth was a consequence of the net opening of 59 corporate units, and the 3.8% increase in same-store sales.

Our operations in South America in 2010 confirmed the success of diversifying our portfolio and participating in Latin American markets, a region where we experienced sales growth of 28.6%. This segment represented a share of 20.1% in the Company's consolidated sales at the end of the year. For the second consecutive year, Burger King in Argentina had the best results in our South America portfolio, with significant growth in the profitability of the business, driven mainly by a significant increase in same-store sales. Also in Argentina, Starbucks increased the number of units to more than double, rising from 14 to 30 units at the close of 2010.

Another segment that continues making significant gains and presenting attractive growth opportunities is the Casual Dining segment, which we began in 2005 with the acquisition of nine units from one of the two franchisees of Chili's Grill & Bar in Mexico. At the close of 2010, in addition to the Chili's brand, Alsea is operating the globally successful concepts of California Pizza Kitchen and P.F. Chang's China Bistro. The latter experienced significant expansion in the number of units opened during the year as a result of its excellent acceptance in the Mexican market. We have no doubt that the potential in the Casual Dining segment will continue to be an important factor for Alsea's growth and expansion.

During the year, net income was 159.0 million pesos, which is a growth of 48.6% over the prior year. We also locked in an important refinancing of our corporate debt thanks to the issuance of local unsecured bond in the Mexican Market, and the restructuring of bank credits. All of this caused a reduction in the average cost of debt and improved the maturity profile.

As a result, we ended the year with a solid financial position that allowed us to renegotiate Alsea's financial covenants so that in June 2011, the net debt to EBITDA ratio will remain less than 2.0x, interest coverage at more than 5.0x, and the obligation of total liabilities to shareholders' equity will disappear. This solid financial structure will allow us to take on our commitments and projects for 2011.

In 2010, we paid our shareholders a dividend of $0.4020 pesos per share. I am also pleased to inform you that the total return generated by Alsea's shares since the time it was first listed on the Mexican Stock Exchange is 434.6%.

+ + + + + + = Alsea

Touching people,
enriching moments

NEW CORPORATE IDENTITY

As part of the mentioned change to our corporate identity, I would like to tell you about the five strategic areas that support Alsea's planning and growth, whose mission is to have a committed team that focuses on providing our consumers with a unique experience each time they visit. "Touching people, enriching moments."

SA1. Customers: To exceed the expectations of our clients through an unequalled experience.
SA2. Our people: To promote the personal and professional development of our team.
SA3. Strategic Partners: To support the creation of synergies and critical mass between Alsea's business units, and also with our providers and associates.
SA4. Results: To ensure the Company's profitable and sustained growth through a culture that is committed to high performance.
SA5. Community: To be recognized by our consumers as a socially responsible company.

Commitment + Sustainability = Social Responsibility

We would like to make special mention of the results we achieved in social responsibility. In 2010, we performed more than 10,500 hours of volunteer work in different social projects. We also continued reinforcing one of the main pillars of growth for our employees with 3,092,916 hours of training, thus also strengthening one of our strategic areas by betting on the personal and professional development of everyone who works at Alsea.

I would like to thank all of our employees, clients, strategic partners and shareholders for continuing with us on our journey in 2010. I am extremely pleased to be able to share our achievements during the year with you, as they show that we are a company that looks toward the future. The year 2011 presents significant growth opportunities that will allow us to reaffirm our leadership position, supported by our characteristic creativity and vision. With this, we will give you, our shareholders, the return that you expect on your investment.

Respectfully,

Fabián Gosselin
Chief Executive Officer

At Domino's Pizza Mexico the strategy "Reinventing our Pizza" generated an increase of nearly 30% in the number of orders placed.

Starbucks celebrated the opening of its 300th unit in Mexico, selling more than 50 million cups of coffee in 2010.

In 2010 California Pizza Kitchen was distinguished by the improvement of its menu; the Kung Pao Spaguetti became one of the top dishes.

P.F. Chang's China Bistro celebrated its first birthday, closing 2010 with 4 units up and running, and becoming the leader of the Asian Casual Dinning brands.

+ + + + + =

The best times, with the best company

At Burger King, during 2010 we sold more than 4.3 million Whoopers in their more than 1,024 ways of making it.

Chili's Grill & Bar at the close of 2010, increased more than 10% the number of clients attended.

With 6 brands of proven success and presence in 4 countries within Latin America, Alsea has positioned itself as the largest multi-brand portfolio operator. We specialize in creating moments of quality and care for our consumers.

180 MILLION CLIENTS SERVED IN 2010


Domino's Pizza
REINVENTAMOS
NUESTRA PIZZA
DIA
COMPLETO Y A TIEMPO
STARBUCKS
Toño
At the close of the year
we had:
22,127 employees;
9,536 women;
12,591 men;
166 with different
capacities.
average age
of 25 years
AMIGO BK

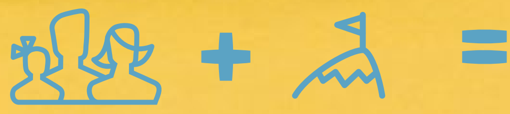
In 2010, we created more than 1,526 jobs

The professional and personal development of each employee is the basis of our most important asset - the human factor.

3,092,916

TRAINING HOURS DURING THE YEAR

At Alsea, we employ the human factor to make sure that all of our clients receive quality attention and service.



Committed employees


DIA has redefined its processes and tools to position itself as the leading food distribution company in Mexico, and it has been investing in technology and infrastructure to anticipate the future needs of its clients.
4 Distribution Centers
3,569 Weekly deliveries

The Shared Services Center ensures the appropriate management of our brands, creating the synergy and critical mass necessary to operate in the countries where we are presence.

IN THE DISTRIBUTION SEGMENT (DIA), SALES TO THIRD PARTIES REPRESENTED

12%

OF ALSEA CONSOLIDATED SALES


Investors
Organizational Structure
Corporate Governance
Reports Center
Annual Reports
Quarterly Reports
Presentations
Conference Calls
Information on Debt-Denominated Securities
ALSEA 09
ALSEA 10
Press Releases
Acquisitions
Openings
Others
Analyst Coverage
Alsea Calendar
Conferences and Events
Information and Reports
Outstanding Results
4.8%
Growth in The Company's Cosolidated Sales.
4 countries
Chile
61 units
Colombia
27 units
Argentina
81 units
Mexico
1,037 units
Openings
59
corporate units in 2010
Alsea
Consolidated Net Income for the year
$ 159.0 million pesos
48.6%
growth
Growth and profitability

The Company's profitable and sustained growth, as well as a return on shareholders' investment, is our main focus.

434.6%

TOTAL RETURN TO THE SHAREHOLDER (1)
(1999-2010)

(1) Includes dividend payment

More than
20,000 trees planted

15,000 children fed thanks to our different programs

60,000 toys donated

7 years helping two generations of "Mano Amiga Chalco" with integral education

Our commitment is to Mexico, acting as a responsible corporate citizen toward our shareholders, employees, consumers and providers, for the develop and growth of the communities in which we operate.

Alsea FUNDACIÓN

ALSEA AND ITS EMPLOYEES PROVIDED MORE THAN

10,500

HOURS OF VOLUNTEER WORK TO DIFFERENT SOCIAL ACTIVITIES.

+ + =

improving our community

Board of Directors 2010

CHAIRMAN

Alberto Torrado Martínez
CHAIRMAN OF THE BOARD OF DIRECTORS

SHAREHOLDER BOARD AND STAFF MEMBERS

Alberto Torrado Martínez
CHAIRMAN OF THE BOARD OF DIRECTORS

Cosme Torrado Martínez
APPOINTED DIRECTOR, LATIN AMERICA

Armando Torrado Martínez
MANAGING DIRECTOR, CASUAL DINING

Fabián Gerardo Gosselin Castro
CHIEF EXCECUTIVE OFFICER

Federico Tejado Bárcena
MANAGING DIRECTOR, STARBUCKS MEXICO

INDEPENDENT BOARD MEMBERS

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

Pablo Wolf Grossmann
TECHNICAL SECRETARY

CORPORATE GOVERNANCE COMMITTEE

Salvador Cerón Aguilar
CHAIRMAN

Sergio Mario Larraguivel Cuervo
MEMBER

Salvador Alva Gómez
MEMBER

Roberto Rodríguez Elvira
TECHNICAL SECRETARY

Management's Discussion and Analysis

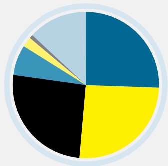
CONSOLIDATED RESULTS FOR THE YEAR 2010

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 year ended December 31, 2010, in comparison with the same period of 2009:

	2010	MARGIN %	2009	MARGIN %	CHANGE %
Net Sales	$ 8,996.0	100.0%	$ 8,587.1	100.0%	4.8%
Gross Income	5,857.2	65.1%	5,420.6	63.1%	8.1%
EBITDA(1)	1,003.1	11.2%	1,000.3	11.6%	0.3%
Operating Income	328.1	3.6%	335.1	3.9%	(2.1)%
Net Income	159.0	1.8%	107.0	1.2%	48.6%
EPS(2)	0.2485	N.A.	0.1695	N.A.	46.6%

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

% NET SALES BY BRAND



DOMINO'S PIZZA	26%
STARBUCKS	26%
BURGER KING	26%
CHILI'S GRILL & BAR	7%
CALIFORNIA PIZZA KITCHEN	2%
PF CHANG'S CHINA BISTRO	1%
DIA	12%

% NET SALES BY SEGMENT

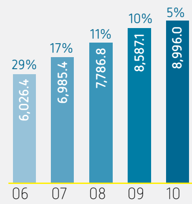
QSR	78%
CASUAL DINING	10%
DIA	12%

SALES

Net sales increased 4.8% to 8,996.0 million pesos for full-year 2010, in comparison with 8,587.1 million pesos during the prior year. This increase reflects the growth in sales of Food and Beverages Mexico, and Food and Beverages South America, mainly due to the expansion in the number of units and growth of 3.8% in same-store sales. Those positive effects were partially offset due to the negative effect of one additional week of operations in 2009, and to a lesser extent to the decrease in the distributor's revenues from third parties.

Growth in the brands' sales was due to the net increase of 59 corporate units in 2010, as well as to the 3.8% growth in same-store sales, the majority of which is attributable to the continuing growth in same-store sales of the Starbucks brand, operations in Argentina, and the Casual Dining brands, which was offset by the decrease in same-store sales of some of the brands in Mexico and Colombia.

NET SALES



GROSS INCOME

In the 12 months ended December 31, 2010, gross income increased 436.6 million pesos to 5,857.2 million pesos, with gross margin of 65.1%, in comparison with the 63.1% recorded in 2009. The 200 base point increase in gross margin is attributed to the decrease in the cost of materials, due mainly to the appreciation of the Mexican peso against the United States dollar, for which the average exchange rate for 2010 was 12.63 pesos per dollar, in comparison with the 13.49 pesos per dollar in 2009, and to the operating efficiencies achieved during the year, and to the effect on the mix of Alsea's business portfolio in which the business units with the greatest sales growth are those that currently have a lower cost as a percentage of sales.

436.6 million pesos more than in 2009

200 bps increase in gross margin

OPERATING EXPENSES

Operating expenses (excluding depreciation and amortization) increased 2.5% as a percentage of sales, rising from 51.5% during full-year 2009 to 54.0% in 2010. The foregoing was mainly due to the effect of the comparative basis of 2009 as a result of the margin created by the additional week of operations (53rd week), and to the increase in labor expenses. To a lesser extent, operating expenses increased due to the increase in advertising expenses for the value strategy of Domino's Pizza México, to higher local taxes in operations in Argentina due to growth in revenues there, and to the increased costs of electricity, diesel and gas. Those effects were partially offset with the margin resulting from the increase in the number of units, growth in same-store sales, and the operating efficiencies created during the year.

EBITDA of **1,003.1 million pesos**

EBITDA

EBITDA grew 0.3% to 1,003.1 million pesos in 2010, in comparison with 1,000.3 million pesos in the prior year. This increase was due to the positive variation of 8.1% in gross income and to the 8.7% increase in operating expenses. EBITDA margin fell 0.4%, dropping from 11.6% in full-year 2009, to 11.2% in full-year 2010.

OPERATING INCOME

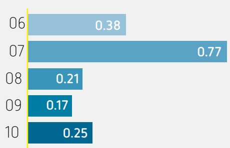
Operating income for full-year 2010 decreased 7.0 million pesos, closing at 328.1 million pesos, in comparison with the 335.1 million pesos in the same period in 2009. This was due mainly to the increase of 9.9 million pesos in depreciation and amortization, which was a consequence of asset depreciation at new units, and amortization of pre-operating expenses related to unit openings.

159.0 million pesos
of Net Income
↑ 48.6%
over 2009

NET INCOME

Consolidated net income in the year increased 52.0 million pesos over 2009, due mainly to the increase of 60.4 million pesos in other products, to the decrease of 31.9 million pesos in discontinued operations, to the decrease of 41.0 million pesos in the all-in result of financing, and to the 8.3 million pesos increase in the stake in results of associated companies. Those variations were partially offset due to the 82.7 million pesos increase in income taxes, and to the decrease of 7.0 million pesos in operating income.

EARNINGS PER SHARE



EARNINGS PER SHARE

Earnings per share "EPA"[2] for the 12 months ended December 31, 2010 increased to 0.2485 pesos, in comparison with 0.1695 pesos for the 12 months ended December 31, 2009.

RESULTS BY SEGMENT

Net sales and EBITDA are shown below by business segment in million pesos, for full-year 2010 and 2009.

NET SALES BY SEGMENT		2010	% CONT.		2009	% CONT.	% VAR.
Food and Beverages – Mexico	$	6,111.2	67.9%	$	6,032.0	70.2%	1.3%
Food and Beverages – South America		1,810.6	20.1%		1,407.7	16.4%	28.6%
Distribution		2,973.9	33.1%		3,065.5	35.7%	(3.0)%
Intercompany Operations[3]		(1,899.7)	(21.1)%		(1,918.0)	(22.3)%	(1.0)%
Consolidated Net Sales	$	8,996.0	100.0%	$	8,587.1	100.0%	4.8%

EBITDA BY SEGMENT		2010	% CONT.	MARGIN		2009	% CONT.	MARGIN	% VAR.
Food and Beverages – Mexico	$	701.4	69.9%	11.5%	$	696.8	69.7%	11.6%	0.7%
Food and Beverages – South America		130.9	13.1%	7.2%		67.2	6.7%	4.8%	94.7%
Distribution		146.3	14.6%	4.9%		171.5	17.1%	5.6%	(14.7)%
Others[3]		24.5	2.4%	N.A.		64.8	6.4%	N.A.	(62.2)%
Consolidated EBITDA	$	1,003.1	100.0%	11.2%	$	1,000.3	100.0%	11.6%	0.3%

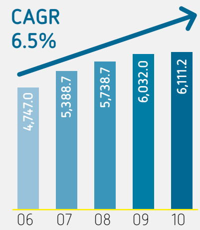
(3) For the purpose of information by segment, these operations were included in each respective segment.

Food and Beverages – Mexico

Sales for full-year 2010 increased 1.3% to 6,111.2 million pesos, in comparison with 6,032.0 million pesos in 2009. This favorable variation of 79.1 million pesos is mainly attributable to the net opening of 37 corporate units of the different brands over the last 12 months, and to the growth in same-store sales of some of the brands in Mexico. The foregoing was partially offset by one less week of revenues in 2010, against the comparative basis of 53 weeks in 2009.

EBITDA increased 0.7% during full-year 2010, reaching 701.4 million pesos, in comparison with the 696.8 million pesos reported in the same period of the prior year. That increase is mainly attributable to the improved gross margin due to appreciation of the peso against the dollar. This effect was partially offset by the decrease in same-store sales of some brands in Mexico.

NET SALES
FOOD AND BEVERAGES
MEXICO

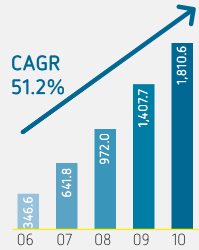


Food and Beverages – South America

The Food and Beverages – South America division, represented 20.1% of Alsea's consolidated sales, and at the end of 2010 was comprised of Burger King operations in Argentina, Chile and Colombia, as well as Domino's Pizza Colombia and Starbucks Argentina, with a total of 138 units. Sales in this segment increased by 28.6% to 1,810.6 million pesos, in comparison with 1,407.7 million pesos from the prior year. This positive variation of 402.9 million pesos was mainly due to the increase in same-store sales in the South America division, and to the net opening of 22 units over the last 12 months.

EBITDA for Food and Beverages – South America increased 94.7% at the close of 2010, reaching 130.9 million pesos, in comparison with 67.2 million pesos in 2009. EBITDA margin grew 2.4%, closing at 7.2%. Those increases can be attributed mainly to the margin obtained from the growth in same-store sales, the increase in the number of units in operation, the decrease in the cost of sales arising from appreciation of the different currencies against the United States dollar in the countries where the company has operations, and to the decrease from the effect of new businesses as a consequence of consolidation of the brands in different countries.

NET SALES
FOOD AND BEVERAGES
SOUTH AMERICA



Distribution

Net sales during full-year 2010 decreased 3.0% to 2,973.9 million pesos, in comparison with 3,065.5 million pesos in full-year 2009. The foregoing is attributable to one less week in sales in comparison with the prior year, and to a lesser extent to the decrease in sales from Domino's Pizza and Burger King in Mexico, which was partially offset by growth in the number of units served in the last 12 months, and to the growth in same-store sales of the other brands it serves, supplying a total of 1,344 stores at December 31, 2010, compared with 1,305 stores in the prior year, which is an increase of 3.0%. Sales to third parties decreased 6.2% to 1,065.0 million pesos, mainly due to the decrease in sales to Burger King franchise and Domino's Pizza sub-franchise holders in Mexico.

4 Distribution Centers
3,569 weekly deliveries

EBITDA decreased 25.2 million pesos during full-year 2010 to 146.3 million pesos, in comparison with 171.5 million pesos in 2009, which represented a decrease of 14.7%. The 4.9% EBITDA margin had a negative change of 0.7 percentage points in comparison with the same period of the prior year. This variation was mainly due to the loss of margin as a consequence of one less operating week in 2010 in comparison with the 53 weeks in 2009, to an effect in the business mix and to discounts granted to the Domino's Pizza chain in Mexico, as a consequence of the support given to the brand's value strategy, which is focused on creating a higher number of orders.

NON-OPERATING RESULTS

All-In Cost of Financing

The all-in cost of financing in 2010 decreased to 90.7 million pesos, compared with 131.7 million pesos in the same period of the prior year. That improvement of 41.0 million pesos can be attributed to the decrease of 30.1 million pesos in net interest paid arising from the lower cost of debt, which is a consequence of the refinancing that was done with the issuance of unsecured local bonds (Cebur's) in December 2009 and March 2010, and to the decrease of 10.9 million pesos in exchange rate losses.

↓ 31%
over 2009

Other Expenses and Products - Net

This line showed a positive variation of 60.4 million pesos in comparison with the same period of the prior year, because in 2010 the interest and actualizations arising from recovery of VAT balances receivable for the months of May to December 2007 were recognized in March, and to the profit from the sale of the minority stake in Starbucks in Brazil. These variations were partially offset by recognition of the credit recovery to the salary of one of our service providers, the provision of expenses related to the lawsuit with Italianni's, and to the write-off of assets due to the close of units during 2010.

60.4 million pesos
of favorable variation

Taxes on earnings

Taxes on earnings of 127.7 million pesos increased 82.7 million pesos in comparison with the same period of the prior year. That variation can be attributed mainly because of the 55.9% increase in the income before taxes, as well as the variation on the effective rate arising from the loss before taxes in some subsidiaries in which the deferred tax was not recognized during the period and also to the effect generated by operations in South America do to the fact that in Argentina the tax rate it´s higher than in Mexico.

BALANCE SHEET

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

761.9 million pesos
of CAPEX for 2010

The increase of 59.2 million pesos in this line was due to the acquisition of assets and opening of new units as a part of the expansion program over the last 12 months. These effects were partially offset by the amortization and depreciation of assets in accordance with accounting policies, and to a lesser extent to the write-off of assets due to unit closures.

During the 12 months ended December 31, 2010, Alsea made capital investments of 761.9 million pesos, of which 695.6 million pesos, equal to 91.3% of total investments, were earmarked for unit openings, equipment refurbishing and remodeling existing units for the different brands that the Company operates. The remaining 66.3 million pesos was earmarked for other items, notably replacement of DIA's machinery and equipment, process improvement projects, and software licenses.

Clients

The increase of 43.8 million pesos in the "Clients" account is mainly attributable to the gap in recovery in DIA's portfolio with some clients. This created a variation in the number of days in the portfolio, going from 7 days in 2009, to 8 days by the close of 2010.

RETURN
of favorable balance from VAT for the period May to December 2007

Taxes Recoverable – Net

The decrease in the taxes receivable line - net of taxes payable, of 66.3 million pesos at December 31, 2010, is mainly attributable to the recovery of VAT receivable by OFA, and to a lesser extent to the increase in income tax payable. This was partially offset by the increase in VAT balances receivable from the different brands in the portfolio.

Deferred Income Tax

Deferred income tax increased from 457.8 million pesos at December 31, 2009, to 535.1 million pesos at December 31, 2010. This increase of 77.3 million pesos occurred mainly as a consequence of recognition of tax losses, and to the effect of the differences in financial depreciation rates and tax rates.

↑7 days
of providers

Providers

Providers increased from 559.1 million pesos at December 31, 2009, to 679.8 million pesos at December 31, 2010. This variation of 120.7 million pesos was created principally by a larger number of units in operation, and as a consequence of a better negotiating process, which translates into an increase of 7 provider days, having risen from 34 to 41 days over the last 12 months.

Decrease of
85.6 million pesos

Other accounts payable

Other accounts payable decreased from 502.5 million pesos at December 31, 2009, to 416.9 million pesos at December 31, 2010. This variation of 85.6 million pesos is mainly attributable to paying expenses related to recovery of balances receivable for application of the 0% VAT rate on the sale of OFA foods, which in turn was offset by the provision for expenses related to the lawsuit against Italianni's.

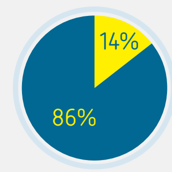
Bank Debt and Unsecured Local Bonds

At December 31, 2010, Alsea's total bank debt increased by 295.4 million pesos, closing at 1,597.5 million pesos, in comparison with 1,302.1 million pesos on the same date of the previous year. The Company's net consolidated debt compared with 2009 increased 118.4 million pesos, closing at 957.3 million pesos on December 31, 2010, compared with the 838.9 million at the close of 2009. This increase is mainly attributable to the Company's capital investment needs.

At December 31, 2010, 85.6% of the debt was long term, and on that same date 97.2% of the debt was denominated in Mexican pesos, 1.0% in Chilean pesos, and 1.8% in Colombian pesos.

The following table shows the amount of total debt in millions of pesos at December 31, 2010, as well as the maturity dates by year and the percentage of each one:

DEBT STRUCTURE



LONG TERM DEBT 1,368
SHORT TERM DEBT 229

*Numbers in million pesos
Considers a TIIE of 4.9%

DEBT STRUCTURE				MATURITIES BY YEAR				
BANK	CREDIT	SPREAD	BALANCE 4Q-10	2011	2012	2013	2014	2015
Santander	$ 340	0.20%	$ 136	$ 68	$ 68	-	-	-
HSBC	$ 300	1.50%	$ 300	$ 30	$ 30	$ 30	$ 105	$ 105
BBVA	$ 450	0.10%	$ 56	$ 56	-	-	-	-
Santander	$ 150	0.15%	$ 60	$ 30	$ 30	-	-	-
Santander	$ 300	1.50%	$ 300	-	-	$ 100	$ 100	$ 100
Chile-Citi(1)	$ 32	7.99%(3)	$ 16	$ 16	-	-	-	-
Colombia-Santander(2)	$ 29	5.31%(3)	$ 29	$ 29				
Cebur Alsea 09	$ 300	2.15%	$ 300	-	$ 300	-	-	-
Cebur Alsea 10	$ 400	1.75%	$ 400	-	-	$ 400	-	-
Maturities				$ 229 **14%**	$ 428 **27%**	530 **33%**	205 **13%**	205 **13%**
Total Debt			$ 1,597	$1,368	$ 940	$ 410	$ 205	$ -

(1) Credit in Chilean pesos.
(2) Credit in Colombian pesos.
(3) Considers the credit rate for each country plus the spread applicable.

Share Repurchase Program

At December 31, 2010, the Company had an approximate balance in the repurchase fund of 12.6 million pesos for approximately 143.2 million shares, at an average price of 11.37 pesos per share. During the 12 months ended December 31, 2010, the Company repurchased 3.9 million net shares, for approximately 62.1 million pesos. Similarly, the average daily repurchase transaction was 6.7% of the shares traded on the market.

3.9 million shares
repurchased

Financial Ratios

At December 31, 2010, the financial restrictions established in the Company's credit contracts were as follows: the net debt to EBITDA ratio for the last 12 months was 0.95x, the total liabilities to shareholders' equity ratio was 0.96x, and the 12-month EBITDA to 12-month interest paid ratio was 9.3x.

All Covenants
were complied
during the year

The Net Return on Invested Capital ("ROIC")[4] decreased from 6.7% to 5.7% over the 12 months ended December 31, 2010, due mainly to the comparative effect of the 53rd week in 2009. The Return on Equity ("ROE")[5] for the 12 months ended December 31, 2010 was 5.1% in comparison with 3.4% for the same period in the prior year, mainly as a consequence of the increase in net income, and a slight drop in shareholders' equity due to the declaration and payment of a dividend in the amount of 246.0 million pesos.

Stock Market Indicators

↑28.1% in the share Price closed at **$12.93**

ALSEA* closed 2010 with 605.2 million shares in circulation at a price of 12.93 pesos per share, which is a 28.1% increase over the 10.09 pesos per share at the close of 2009 and with a share float in circulation of 37.5%. The Company´s value between EBITDA for the last twelve months was 9.0 times. The average daily trading during 2010 was of 1.4 million shares.

Market Maker

Average trading per day of **170,000** shares.

Casa de Bolsa UBS, which was hired in the last quarter of 2008, was kept as the Market Maker for the full year in 2010. During 2010, of the 346.5 million shares traded in the market, the market maker figure traded 12.4%, attaining 42.9 million shares traded, which is equal to average trading per day of 170,000 shares.

Hedge Profile

74% of the Company´s needs in US dollars were hedged

The Chief Financial Officer, in conjunction with the Corporate Finance Director, manages risk as a function of: mitigation of present and future risk, no 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.

During 2010, hedge derivatives in US dollars matured for 83.8 million dollars, at an average rate of 12.63 pesos per dollar. As a result of this coverage, there was an exchange rate loss of 1.1 million pesos. For 2011 Alsea has hedges to purchase dollars for approximately 51.5 million US dollars, with an average exchange rate of 12.14 pesos per dollar.

Key Numbers

BRAND	UNITS 2010	UNITS 2009	VARIATION	% VAR. ANNUAL
Domino´s Pizza Mexico	420	425	(5)	(1.2)%
Domino´s Pizza Colombia	21	22	(1)	(4.5)%
Starbucks Mexico	300	266	34	12.8%
Starbucks Argentina	30	14	16	114.6%
Burger King Mexico	109	108	1	0.9%
Burger King Argentina	51	45	6	13.3%
Burger King Chile	30	32	(2)	(6.3)%
Burger King Colombia	6	3	3	100.0%
Chili's Grill & Bar	31	29	2	6.9%
California Pizza Kitchen	9	7	2	28.6%
P.F. Chang´s China Bistro	4	1	3	300.0%.
Total Corporate	1,011	952	59	6.2%
Starbucks Chile	31	30	1	3.3%
Starbucks Brazil	0	24	(24)	(100)%
Total Associated(6) (7)	31	54	(23)	(42.6)%
Domino's Pizza Sub-Franchisees	164	165	(1)	(0.6)%
TOTAL UNITS	1,206	1,171	35	3.0%

(4) ROIC is defined as operating income after taxes (last 12 months) over net operating investment (total assets – cash and short-term investments – no-cost liabilities).
(5) ROE is defined as net earnings (last 12 months) over shareholders' equity.
(6) Associated units are defined as all operations that are recognized using the equity method.
(7) The decrease of 23 units from the total of associated units is due to the sale of the minority stake in Starbucks Brazil operations.

Audit Committee's Annual Report

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

February 16, 2011

In compliance with Articles 42 and 43 of the Stock Market Law and Regulation of the Audit Committee, this report is on our activities during the year ended December 31, 2010. In performing our work, we have considered the recommendations established in the Code of Best Corporate Practices, and according to a work program developed based on the Committee's Regulation, we met at least once every quarter to undertake 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 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 auditors from outside of the Group and its subsidiaries for fiscal year 2010. To that end, 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 we took 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 2010.

IV. INTERNAL AUDIT

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

We reviewed and approved its annual schedule of activities in a timely manner. Internal Audit participated in the process of identifying risks, and establishing 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 process of preparing the Company's quarterly and yearly financial statements with those responsible for their 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, 2010.

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 security 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 2010, 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 concluded that the advances to date will allow compliance with the mentioned rules.

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, and we monitored the efficiency of the procedure established to identify and follow up on those contingencies, as well as their adequate disclosure and reporting.

VII. 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 are not aware of 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

Corporate Gobernance Committee Report
To the Board of Directors of ALSEA, S.A.B. DE C.V.:

February 16, 2011

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, 2010. While carrying out 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. Management reported to this Committee that it continues with the process of selecting the most appropriate hedge instrument for the countries in which Alsea is present. The mandate of the Committee's members will be shared in the Committee's next session.

3. The CEO's Report was revised with the variations vs. budget for each quarter and for fiscal year 2010, 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. This entity expresses its concern regarding the results at Domino's Pizza Mexico and Burger King Mexico, and suggests that the measures necessary to revert the situation at both business units be taken. The Committee recommends approval of that report.

4. The quarterly results were presented for the 2010 Stock Trading Plan and the 2011 Stock Trading Plan, and both were approved. The quarterly metrics will be reviewed and adjusted where applicable on a quarterly basis during fiscal year 2011.

5. The updated Shareholder's Cost at the close of each quarter in 2010 was presented to us, using the methodology authorized by the Board of Directors, and the Board approved continued use of the rate of 16.0%.

6. 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.

7. 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 47.9.%.

8. The results of evaluation of relevant directives in 2010 were presented. The Committee requests an executive summary that contains the methodology of that evaluation, as well as the amounts to distribute for that purpose.

9. The Human Capital Model 2011-2013 was presented. This Committee recommends emphasizing the focus on the client and on the results of management in all areas of the model.

10. The Compensation and Recognition Strategy 2011-2013 was presented by the Human Resources Corporate Board. This Committee recommends approval of that strategy, with the following comments: In relation to the Performance Bonus for Store Managers, the recommendation is to clarify the difference between bonus-based compensation, and variable compensation. In matters of Performance Evaluation, the recommendation is to emphasize the consequences in the event of a breach. In relation to the Performance Bonus, the recommendation is to review the parameters under which the bonus of each employee is defined, always seeking to reward people with the best performance. Finally, in the matter of the Directors' Retention Bonus, the recommendation is to review the candidates who are eligible for that bonus, as well as to find a way to reward high-performance / high-potential employees.

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.

Chairman of Corporate Governance Committee
Salvador Cerón Aguilar

Alsea

Touching people,
enriching moments

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

Consolidated Financial Statements
December 31, 2010 and 2009

CONTENTS

Independent Auditors' Report

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

(Thousands of Mexican pesos)

We have audited the accompanying consolidated balance sheets of Alsea, S. A. B. de C. V. and Subsidiaries as of December 31, 2010 and 2009 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 in the financial statements. An audit also includes assessing the financial 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 explained in note 18(e), as a result of a court resolutions issued in December 2009 and November 2010, Alsea was sentenced to comply with the terms of the share purchase agreement explained in such note. The management and the Company's legal counsels believe, that there are sufficient elements to obtain a favorable resolution to the Company's interests and therefore, no provision has been recognized in the financial statements at December 31, 2010 and 2009.

As mentioned in note 1 (b), in May 2009, the Company was notified of the favorable final judgment that allows Operadora de Franquicias Alsea, S. A. de C. V. (subsidiary company) to tax the sale of prepared foods at the rate of 0%, established by the Value Added Tax (VAT) law. During 2010 and 2009, refunds related to favorable balances from 2006 and 2007 were obtained, whose accessories were recorded as other income (see note 14).

As mentioned in note 8, in 2009 one of the subsidiaries recognized in other expense for the year an impairment loss of one of the brands operated by the Company by $ 30,000 (see note 14).

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, 2010 and 2009, 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 25, 2011.

Consolidated Balance Sheets

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

December 31, 2010 and 2009

(Thousands of Mexican pesos)

Assets		2010	2009
Current assets:			
Cash	$	640,203	463,214
Accounts receivable, net:			
Customers, less allowance for doubtful accounts of $3,805 in 2010 and $13,662 in 2009		207,224	163,442
Value added tax and other recoverable taxes		218,037	321,341
Other		39,482	32,705
Inventories, net (note 5)		352,438	336,870
Prepaid expenses		147,679	117,786
Total current assets		1,605,063	1,435,358
Investment in shares of associated companies (note 6)		20,783	25,033
Store equipment, leasehold improvements and property, net (note 7)		2,942,044	2,897,678
Goodwill of subsidiary companies, net (note 8)		189,979	189,979
Intangible assets, less accumulated amortization of $862,139 in 2010 and $712,496 in 2009 (note 9)		817,410	802,621
Deferred income tax and employee's statutory profit sharing, and for reinvestment of profits (note 16)		535,087	457,832
Discontinued operations (note 2(c))		88	308
	$	6,110,454	5,808,809

Liabilities and Stockholders' Equity	2010	2009
Current liabilities:		
Current installments of long-term debt (note 10)	$ 229,524	593,316
Suppliers	679,773	559,149
Associated companies (note 4)	58,523	26,031
Accounts payable and other accrued liabilities	52,334	62,515
Accruals (note 12)	364,592	440,015
Income tax and employee's statutory profit sharing	46,267	62,670
Income tax arising from tax consolidation (note 16)	2,606	3,891
Total current liabilities	1,433,619	1,747,587
Long-term debt, excluding current installments (note 10)	668,000	408,787
Debt stock exchange (note 11)	700,000	300,000
Other liabilities	37,498	50,621
Income tax arising from tax consolidation (note 16)	127,720	147,077
Labor obligations (note 15)	32,184	21,605
Discontinued operations (note 2(c))	464	769
Total liabilities	2,999,485	2,676,446
Stockholders' equity (note 17):		
Controlling interest:		
Capital stock	527,657	525,722
Additional paid-in capital	1,241,208	1,236,603
Retained earnings	728,371	832,576
Repurchased shares reserve	391,432	335,875
Currency translation adjustment in foreign subsidiaries and associated companies	(23,340)	(22,187)
Total Controlling interest	2,865,328	2,908,589
Non-controlling interest	245,641	223,774
Total stockholders' equity	3,110,969	3,132,363
Commitments and contingent liabilities (note 18)		
	$ 6,110,454	5,808,809

See accompanying notes to consolidated financial statements.

Lic. Fabián Gosselin Castro
General Director

Lic. Diego Gaxiola Cuevas
Chief Financial Officer

C.P. Alejandro Villarruel Morales
Corporate Controller

Consolidated Statements of Income

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

Years ended December 31, 2010 and 2009

(Thousands of Mexican pesos)

		2010	2009
Net sales	$	8,995,993	8,587,081
Cost of sales		3,138,808	3,166,461
Gross profit		5,857,185	5,420,620
Operating expenses		5,529,103	5,085,550
Operating income		328,082	335,070
Other income (expenses), net (note 14)		45,481	(14,916)
Comprehensive financing result (note 13)		(90,680)	(131,719)
Equity in the results of operations of associated companies (note 6)		3,833	(4,493)
Income from continuing operations, before income tax and non-controlling interest		286,716	183,942
Income taxes (note 16)		127,749	45,086
Income before discontinued operations		158,967	138,856
Loss from discontinued operations, net (note 2(c))		-	(31,896)
Consolidated net income		158,967	106,960
Non-controlling interest		7,764	3,212
Net controlling interest income	$	151,203	103,748
Net earning per share (note 2(x))	$	0.25	0.17

See accompanying notes to consolidated financial statements.

Lic. Fabián Gosselin Castro
General Director

Lic. Diego Gaxiola Cuevas
Chief Financial Officer

C.P. Alejandro Villarruel Morales
Corporate Controller

Consolidated Statements of Cash Flows

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

Years ended December 31, 2010 and 2009

(Thousands of Mexican pesos)

		2010	2009
Operating activities:			
Income from continuing operations before income tax and non-controlling interest	$	286,716	183,942
Items relating to investing activities:			
Depreciation and amortization		675,033	665,167
Effects from associated companies, net		(3,833)	4,493
Gain or loss on sale of fixed assets		32,008	28,740
Interest income		15,468	15,265
Valuation effects of financial instruments		-	(5,535)
Impairment loss		-	30,000
Items relating to financing activities - Interest expense		107,693	137,754
Subtotal		1,113,085	1,059,826
Customers		(43,782)	(24,929)
Inventories		(15,568)	24,654
Suppliers		120,625	22,420
Taxes payable		(138,744)	280,848
Other assets and liabilities		(98,029)	(166,782)
Net cash provided by operating activities		937,587	1,196,037
Investing activities:			
Interest received		(15,468)	(15,265)
Store equipment, leasehold improvements and property		(513,405)	(123,447)
Trademark rigths and preoperating items		(232,973)	(443,524)
Investment in shares of subsidiaries and associated companies		(12,122)	(642)
Desincorporation of subsidiary		(3,447)	12,852
Net cash used in investment activities		(777,415)	(570,026)
Cash surplus to be applied in financing activities		160,172	626,011
Financing activities:			
Bank loans received and payment of loans, net		(107,887)	(791,191)
Debt stock exchange		400,000	300,000
Interest paid		(104,385)	(134,639)
Dividends paid		(245,958)	(41,834)
Non-controlling interest contribution (reduction)		14,103	(18,743)
Disposition (repurchase) of shares		62,097	(118,035)
Net cash provided by financing activities		17,970	(804,442)
Net increase (decrease) in cash		178,142	(178,431)
Effects of changes in cash value		(1,153)	(20,218)
Cash:			
At beginning of year		463,214	661,863
At end of year	$	640,203	463,214

See accompanying notes to consolidated financial statements.

Lic. Fabián Gosselin Castro
General Director

Lic. Diego Gaxiola Cuevas
Chief Financial Officer

C.P. Alejandro Villarruel Morales
Corporate Controller

Consolidated Statements of Changes in Stockholders' Equity

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

Years ended December 31, 2010 and 2009

(Thousands of Mexican pesos)

		Capital stock	Additional paid-in capital
Balances as of December 31, 2008	$	534,017	1,228,880
Non-controlling interest decrease (note 2(b))		-	-
Repurchased shares (note 17)		(8,217)	-
Appropriation to legal reserve		-	-
Payment of premium for share subscription (note 17)		-	14,306
Valuation of financial instruments (nota 2(f))		-	-
Repurchased shares cancellation (note 17)		(78)	-
Increase in the repurchased shares reserve		-	-
Acquisition of non-controlling interest of subsidiaries in Colombia (note 1(g) and (h))		-	(6,583)
Dividends declared in shares ($0.069 per share) (note 17)		-	-
Comprehensive income		-	-
Balances as of December 31, 2009		525,722	1,236,603
Non-controlling interest increase (note 2(b)		-	-
Repurchased shares (note 17)		1,935	-
Appropriation to legal reserve		-	-
Payment of premium for share subscription (note 17)		-	4,605
Repurchased shares cancellation (note 17)		-	-
Dividends declared in shares ($0.402 per share) (note 17)		-	-
Comprehensive income		-	-
Balances as of December 31, 2010	$	527,657	1,241,208

See accompanying notes to consolidated financial statements.

Retained earnings							
Legal reserve	Retained earnings	Total	Repurchased shares reserve	Cumulative translation effect from foreign entities	Total controlling interest	Non-controlling interest	Total stockholders' equity
80,482	1,045,339	1,125,821	110,322	(1,969)	2,997,071	232,722	3,229,793
-	-	-	-	-	-	(12,160)	(12,160)
-	-	-	(124,124)	-	(132,341)	-	(132,341)
6,439	(6,439)	-	-	-	-	-	-
-	-	-	-	-	14,306	-	14,306
-	(5,535)	(5,535)	-	-	(5,535)	-	(5,535)
-	-	-	78	-	-	-	-
-	(349,599)	(349,599)	349,599	-	-	-	-
-	-	-	-	-	(6,583)	-	(6,583)
-	(41,859)	(41,859)	-	-	(41,859)	-	(41,859)
-	103,748	103,748	-	(20,218)	83,530	3,212	86,742
86,921	745,655	832,576	335,875	(22,187)	2,908,589	223,774	3,132,363
-	-	-	-	-	-	14,103	14,103
-	-	-	55,557	-	57,492	-	57,492
5,187	(5,187)	-	-	-	-	-	-
-	-	-	-	-	4,605	-	4,605
-	(9,450)	(9,450)	-	-	(9,450)	-	(9,450)
-	(245,958)	(245,958)	-	-	(245,958)	-	(245,958)
-	151,203	151,203	-	(1,153)	150,050	7,764	157,814
92,108	636,263	728,371	391,432	(23,340)	2,865,328	245,641	3,110,969

Lic. Fabián Gosselin Castro
General Director

Lic. Diego Gaxiola Cuevas
Chief Financial Officer

C.P. Alejandro Villarruel Morales
Corporate Controller

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

On February 25, 2011, 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 Mexican Financial Reporting Standards (FRS) in force at the balance sheet date (note 2(z)).

(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 and restaurants, "QSR" and casual restaurants, "Casual Dining". In Mexico, Alsea operates Domino's Pizza, Starbucks Coffee, Burger King, Chili's Grill & Bar, 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. In Chile and Argentina, Alsea operates the Burger King trademark, and since 2007, it operates Starbucks Coffee in those countries in association with Starbucks Coffee International. In Colombia, the Company operates the Domino's Pizza and Burger King trademarks since June and November 2008, respectively.

Significant operations-

a) Sale of non-controlling interest in Starbucks Brazil-

In April 2006, Alsea, S. A. B. de C. V., through its subsidiary Operadora Internacional Alsea, S. A. de C. V. (OIA), and in conjunction with a group of partners, signed a joint venture agreement with Starbucks Corporation (SBC) for the creation of a company denominated Starbucks Brasil Comércio de Cafes LTDA, to operate Starbucks Coffee in Brazil, with OIA holding 11.06% of the new company's shares.

In August 2010, and as part of a growth strategy in that country, Alsea sold its own non-controlling interest in Starbucks Brazil to Starbucks Corporation (SBC), recognizing in the other income caption, the gain arising from the difference between the compensation received and the book value of the shares.

b) Satisfactory conclusion regarding refund of favorable VAT balances-

In August 2009, through its subsidiary Operadora de Franquicias Alsea, S. A. de C. V., (OFA), Alsea obtained a refund of the favorable VAT balances corresponding to the period from October 2006 to April 2007.

In March 2010, Alsea received a notification of the ruling issued by the second collegiate court for civil and administrative matters, which concludes the impugnation procedure initiated by the Revenue Administration Service (SAT) against the resolution issued by the tenth district judge in Tampico, Tamaulipas, and in May 2010, through its subsidiary Operadora de Franquicias Alsea, S. A. de C. V. (OFA), Alsea obtained a refund of the favorable VAT balances corresponding to the period from May to December 2007.

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

c) Placement of debt stock exchange-

In December 2009 and March 2010, Alsea successfully placed debt stock exchange for an amount of $300 and $400 million pesos, respectively, in the Mexican stock market. HSBC Casa de Bolsa, S. A. de C. V. and Grupo Financiero HSBC acted as underwriters in the placement.

The term of the unsecured notes is for three years as from issuance thereof, maturing in December 2012 and March 2013, respectively. The notes bear interest at a 28 day TIIE (Average Interbank Interest Rate) coupon rate, plus 2.15 and 1.75 percentage points, respectively.

These issues are part of the debt stock exchange program authorized by Alsea's Board of Directors for up to $700 million pesos. With the March 2010 issue, the total amount authorized for said program has been completed.

The net resources obtained from said issues were mainly used to prepay bank liabilities, so as to improve the debt maturities profile, while at the same time decrease the cost thereof.

d) Liquidation of subsidiary Dobrasil, S. A. de C. V. and Operadora y Procesadora de Pollo, S. A. C. V.-

At the Stockholders' Meeting held on December 31, 2010 and by unanimous consent of shareholders, the subsidiary companies Dobrasil, S. A. de C. V. and Operadora y Procesadora de Pollo, S. A. de C. V. started its liquidation process in accordance with Article 229 Section III of the General Corporations Law.

e) 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 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 the country 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(m)).

f) 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 Mexico from 18% to 50%. Under the respective agreement, SCI's the next and last date to exercise said call option is September 2012.

g) 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 21 stores in four cities, Bogota, Medellin, Cali and Pereira.

This business acquisition was recognized by the purchase method. The cost of the acquired entity was determined based on the cash paid. In addition, the excess of the cost of the acquired entity over the net assets acquired and assumed liabilities was reassigned to net assets.

The operating income of the acquired company is included in the consolidated financial statements since the acquisition date.

h) Development of the Burger King trademark in Colombia-

In October 2008, continuing with the expansion strategy in Latin America, through a subsidiary in which Alsea holds 84.9% of equity, an agreement was reached with Burger King Corp. to develop the Burger King brand in the Bogota territory in Colombia. Subsequently, in December 2009, the Company acquired a 9.9% of equity in Operadora Alsea in Colombia, S. A. (Burger King Colombia or Opalcol). The remaining 5.2% of equity is held by the actual partners of Alsea in Domino's Pizza Colombia. The agreement considers a plan to develop 20 Burger King units over the next five years.

i) 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 ten Popeye's stores stopped operating in the second quarter of 2009, and as a result, certain assets and liabilities are in process of being realized and liquidated, respectively (see note 2 (c)).

j) 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-

The preparation of the financial statements requires management to make a number of estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets 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 dollars.

Significant accounting policies applied in preparing the financial statements follow:

(a) Recognition of the effects of inflation-

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS) in effect as of the balance sheet date, and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the National Consumer Price Index (NCPI) published by Banco de Mexico (Central Bank).

Cumulative inflation percentages of the last three years as of December 31 of each year, including the reporting year, are shown on the following page.

		Inflation	
Period	NCPI	Yearly	Cumulative
2010	144.639	4.40%	15.19%
2009	138.541	3.57%	14.48%
2008	133.761	6.52%	15.01%

(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 a 50% of their equity. The significan balances and operations between group companies have been eliminated in preparing 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		Main activity
	2010	2009	
Operating:			
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%	Burger King stores
Operadora y Procesadora de Productos de Panificación, S.A de C.V.	99.99%	99.99%	Domino´s Pizza stores
Gastrosur, S. A. de C. V.	99.99%	99.99%	Chili's Grill & Bar restaurants
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%	99.99%	P.F. Chang's restaurants
Distribuidora e Importadora Alsea, S. A. de C. V.	99.99%	99.99%	Food distribution
Fast Food Sudamericana, S. A.	99.99%	99.99%	Burger King stores in Argentina
Starbucks Coffee Argentina, 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%	95.00%	Domino' Pizza stores in Colombia
Operadora Alsea en Colombia, S. A.	95.00%	95.00%	Burger King stores in Colombia
Associated companies:			
Starbucks Coffee Chile, S. A.	18.00%	18.00%	Starbucks Coffee stores in Chile.
Starbucks Brasil Comércio de Cafés, Ltda.*	-	11.06%	Starbucks Coffee stores in Brazil.

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

* In August 2010, Alsea sold its non-controlling interest in Starbucks Brazil (see note 1(a)).

(c) Discontinued operations-

As of December 31, 2009, the process for discontinuing the "Popeye's" brand was concluded, remaining certain assets and liabilities in the process of realization (see note 1 (i)).

During development and up to completion of the discontinuing process, fixed assets sales made amounting to $12,327, leaving some assets available for sale. Retained earnings applied to income as of December 31, 2009 as a discontinuation result amounting to ($31,896).

The effect of the aforementioned operation was included in the consolidated statements of income as a discontinued operation.

Following is the condensed financial information on the discontinued operation as of December 31, 2010 and 2009:

		2010	2009
Balance Sheet			
Current assets	$	-	-
Fixed assets		88	308
Other assets		-	-
Liabilities		(464)	(769)
	$	(376)	(461)
Results			
Income	$	-	17,056
Costs		-	6,760
Operating expenses		-	18,202
Loss after tax on profits		-	(31,896)

(d) Translation of foreign currency of foreign subsidiaries-

To consolidate the financial statements of the Company's foreign subsidiaries that operate independently (located in Argentina, Chile, Colombia and Brazil) and which represent 20% and 16% of net consolidated income as of December 31, 2010 and 2009, the Companies applied the same accounting policies of their holding company. 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 operation are different, and subsequently the translation is made from the functional currency to the reporting currency, using the historical exchange rate or the exchange rate at the end of the year or the exchange rate at the year-end close and the inflationary index of the country of origin, depending on whether the financial information derives from a non-inflationary or an inflationary economic environment.

(e) Cash and cash equivalents-

Cash and cash equivalents include bank deposits, foreign currencies and other similar marketable items, as well as deposits in transit. At the date of the consolidated financial statements, interest earned and valuation gains or losses are included in the results of 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, arising from adverse fluctuations in exchange and interest rates, with the purpose of not distracting resources from the operation or from the expansion plan and to secure future cash flows for the Company, which will also allow the maintenance of a strategy with respect to the cost of the debt. The DFI's are only used for hedging purposes, through which the Company is required to exchange cash flows on pre-established future dates, on the nominal or reference value, and are valued at fair value.

Every month, 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 those instruments are for hedging and not for speculation purposes.

DFI's 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, Barclays Bank México S.A. and Morgan Stanley & Co. International. The Company may select other regulated and authorized financial institutions, always if they are 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 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 said financial instruments were contracted.

In 2010 and 2009, the Company performed 229 and 236 operations of financial derivative instruments related to foreign exchange rates amounting 83.8 and 102.4 million dollars, respectively. The absolute value of the fair value of derivative financial instruments used per quarter in the year, does not represent more than 5% of the total consolidated assets, liabilities or equity, or otherwise, more than 3% of the total consolidated sales for the last quarter. Therefore, the risk taken by the Company related to fluctuations in the exchange rate will not have negative effects on its operations, nor will affect its capacity to cover operations of derivative financial products.

As of December 31, 2010 and 2009, the Company has not had any margin call and there was not breach of the agreements entered into with the different financial institutions.

Positions in derivative financial operations-

At December 31, 2010 and 2009 to Alsea has contracted hedging to purchase dollars in 2011 and 2010, amounting approximately to 51.5 and 41.65 million dollars, at the average exchange rate of $12.14 and $12.96 pesos for each US dollar, respectively.

As of December 31, 2010, to hedge against interest rate fluctuations, the Company acquired a variable to fixed interest rate Swap. This strategy is applied to a loan with a balance as of today of $56.3 million pesos, and only the 20% in a fixed rate swap of 7.98%, plus a 10 bps spread. The loan is payable on a monthly basis and matures in June 2011.

As of December 31, 2009, to hedge against interest rate fluctuations, the Company acquired variable to fixed interest rate Swaps. This strategy is applied in two loans, in which one of the loans have a balance as of today of $169 million pesos, and only 20% is in a 7.98% fixed rate swap of 7.98%, plus a 10 bps spread. The loan is payable on a monthly basis and matures in June 2011; the second loan shows a balance as of today of $200 million pesos and is 100% hedged with a 5.395% fixed rate swap, plus a spread of 400 bps; the loan is bullet (no payment obligation of redemptions and the same is fully settled at the due date) subject to monthly interest, maturing 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.

As of December 31, 2010 and 2009, the Company had contracted the following financial instruments:

Institution	Thousands of dollars		Average exchange rate at settlement date	Maturing in
2010				
UBS	7,250	$	11.9781	2011
Deutsche Bank	27,150		12.2434	2011
Banamex	6,600		12.1586	2011
Morgan Stanley	2,750		11.7891	2011
Barclays	1,000		12.7750	2011
Santander	6,750		11.9170	2011
2009				
UBS	26,250	$	13.0312	2010
Banamex	6,750		12.9804	2010
Santander	750		12.9400	2010
Deutsche Bank	7,900		12.7094	2010

As of December 31, 2010 and 2009, the Company recorded an expense to income amounting to $3,391 and $4,340, respectively, and corresponds 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, 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) Accounts receivable-

Accounts receivable as of December 31, 2010 and 2009 are reported at fair value, net of the allowance for doubtful accounts.

(i) Inventory and cost of sales-

Inventories up to September 30, 2010 and December 31, 2009 were shown at their original cost determined by the last-in-first-out (LIFO) method. As of October 1, 2010, the Company decided to change this accounting policy and as from that date, inventories are shown at their original cost, determined by the average cost method.

As required by "FRS B-1 Accounting Changes and Error Corrections", the Company's management decided not to apply retrospectively said change, as it considered no material and impractical to determine prior years' accumulated effects due to the high level of inventory turnover, and therefore, determined the effects of the change in the accounting policy not to be significant for the consolidated financial statements.

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 arising from impairment, obsolescence, slow movement and other causes that indicate that the use or realization of the items comprising the inventory will be lower that the recorded value.

(j) Permanent investments-

Permanent investments in associated companies, in which the Company holds an interest between 11% and 18% of equity are valued by the equity method, based on the audited financial statements of the issuers at December 31, 2010 and 2009.

(k) Store equipment, leasehold improvements and property-

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

Depreciation of store equipment, leasehold improvements and property is calculated by the straight-line method, based on the useful lives estimated by the Company's management. Annual depreciation rates of the main groups of assets are shown on the following page.

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

Minor repairs and maintenance costs are expensed as incurred.

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

(l) Goodwill of subsidiary 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 annually.

(m) 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		2017
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. As of December 31, 2010, such obligations have been met.

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. As of December 31, 2008 such option was not exercised. In January 2009, SCI confirmed that it would not exercise the purchase option that year, as established in the association agreement. The following and last date to exercise the option is September 2012.

Installation expenses and minor equipment 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.

(n) Impairment in the recovery value of long-lived assets, property, equipment and leasehold improvements, goodwill and other intangibles-

The Company periodically evaluates the restated values of its long-lived assets (store equipment, leasehold improvements, property, goodwill and other intangible assets), to determine the existence of indication that those values exceed the recovery value.

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 said assets. If it is determined that the restated values 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 restated or realization value. Assets and liabilities of a group classified as available for sale are shown separately in the balance sheet.

(o) 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).

(p) 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.

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

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

Deferred income tax and ESPS are accounted by the assets and liabilities method, which compares the book and tax values. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases; and in the case of IT and IETU, for operating loss carry forwards and other recoverable tax credits. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized in the consolidated income statement in the that included the enactment date.

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

As of December 31, 2007, this item 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.

(s) 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.

(t) Cumulative translation adjustment-

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

(u) 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.

(v) 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.

(w) 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.

(x) Profit per share-

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

(y) Comprehensive income-

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

(z) Accounting changes-

The FRS issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera or CINIF) became effective for fiscal years beginning on or after January 1, 2010, with the respective prospective or retrospective application being specified in each case.

(a) FRS C-1 "Cash and Cash Equivalents" - FRS C-1 supersedes Bulletin C-1 "Cash" and is effective beginning January 1, 2010. The purpose of this NIF is to establish the standards for valuation, presentation and disclosures of the items comprising the cash and cash equivalents caption. Application of this FRS had no significant effects in the year.

(b) Improvements to FRS 2010 - In December 2009, CINIF issued the document referred to as "2010 FRS Revisions" setting forth the changes mentioned on the following page.

FRS B-1 "Accounting changes and correction of errors"- Disclosures are added to financial statements in case of an accounting change or an error correction, which are already contemplated in the accompanying financial statements. The Company made the disclosure regarding the accounting change in FRS C-4 "Inventories".

FRS B-2 "Statement of cash flows" – Unrealized accrued foreign exchange fluctuations and the effects of fair value recognition are excluded from the cash balance on the statement of cash flows. Additionally, the concept "Adjustment to cash flow from foreign exchange fluctuations and inflation levels" is changed to "Effects from cash value changes" which includes effects from translation, inflation, foreign exchange fluctuations and fair value of cash balances. Application of this FRS had no significant effects in the year.

FRS C-7 "Investments in associates and other permanent investments" – Capital contributions by the holding company to the associate that increases its equity percentage are to be recognized based on the net fair value of identifiable assets and liabilities. For that purpose, the valuation must be in proportion to the increase. The changes resulting from the application of this Revision are recognized prospectively beginning January 1, 2010.

FRS B-8 "Consolidated or combined financial statements" – Replaces Bulletin B-8 "Consolidated or combined financial statements and valuation of permanent share investments" and establishes the general guidelines for the preparation and presentation of consolidated and combined financial statements, as well as disclosure thereof. Application of this FRS had no significant effects during this year.

The Management has exercised the option contained in FRS B-8 "Consolidated or combined financial statements" for not presenting consolidated financial statements of its subsidiaries, that in turn are controlling companies, as they do not require to issue consolidated financial statements for decision-making, and its stockholders have expressed their consent to do so.

(aa) New accounting pronouncements - The CINIF has issued the following FRS and Improvements:

FRS B-5 "Segment financial information" - FRS B-5 is effective beginning January 1, 2011, with retrospective application. The principal changes as compared to superseded Bulletin B-5 – "Segment financial information" include the following:

- The information to be disclosed by operating segment is the information regularly used by top management and does not require segmentation into primary and secondary information or into segments identified based on products or services (economic segments), geographical areas, and homogeneous customer groups. Additionally, disclosure by the entity as a whole of information on its products or services, geographical areas and principal customers and suppliers is required.
- It does not require that the entity's business areas be subject to different risks to qualify as operating segments.
- Business areas in pre-operating stage may be classified as operating segments.
- It requires disclosing separately by segment, interest revenue and expense, as well as all other components of comprehensive financial results (CFS). In specific cases, disclosure of net interest income is permissible.
- Disclosure of the liability amounts included in the usual operating segment information normally used by top management for making the entity's operating decisions is required.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

FRS B-9 "Interim financial reporting - FRS B-9 is effective beginning January 1, 2011 with retrospective application. The principal changes as compared to superseded Bulletin B-9 – "Interim financial reporting" include the following:

- It requires that the interim financial information, in addition to the balance sheet and income statement, include a comparative and condensed statement of stockholders' equity and statement of cash flows, and, for not-for-profit entities, the presentation of the statement of activities is expressly required.

- It establishes that the financial information reported at the end of an interim period should be presented comparatively with the equivalent interim period of the immediate preceding year and, in the case of the balance sheet, compared also to such financial statement at the immediate preceding year-end date.

- New terminology is included and defined.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

FRS C-4 "Inventories"- FRS C-4 is effective beginning January 1, 2011 with retrospective application, supersedes Bulletin C-4 and establishes new valuation, presentation and disclosure rules for initial and subsequent recognition of inventories on the balance sheet. The principal changes are as follows:

- It eliminates: a) direct costing as a valuation system and, b) the inventory cost assignment formula (formerly method) referred to as Last In – First Out (LIFO).

- Inventory cost can only be modified solely to "Lower of cost or market value, except that the net realizable value is not to exceed market value"..

- For inventories acquired on an installment payment basis, the difference between the purchase price under normal credit conditions and the amount paid must be recognized as financial cost during the financing period.

- Under certain circumstances, estimates of impairment losses on inventories recognized in a prior period may be deducted or charged off against results of operations for the period in which such modifications occur.

- Items whose benefits and risks have already been transferred to the entity must be recognized as inventories; therefore, prepayments are not part of inventory.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

FRS C-5 "Prepayments" – FRS C-5 is effective beginning January 1, 2011, with retrospective application, supersedes Bulletin C.5, and includes primarily the following changes:

- Advances for purchase of inventories (current assets) or property, plant and equipment and intangible assets (non-current assets), among others, must be reported under prepayments provided the benefits and risks inherent in the assets to be acquired or the services to be received have not yet been transferred to the entity. Furthermore, prepaid expenses must be reported based on the nature of the item to be acquired, either under current assets or non-current assets.

- When an impairment loss on the value of prepayments occurs, the unrecoverable amount must be reported in the income statement. Additionally, if the necessary conditions exist, the impairment effect may be reversed and recorded on the income statement for the related future period.

- Among other things, the following must be disclosed in notes to financial statements: breakdown of pepayments, accounting policies for recognition and impairment losses, as well as relevant reversal of impairments.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

FRS C-6"Property, plant and equipment"- FRS C-6 is effective beginning January 1, 2011, except for changes arising from segregation into the components of property, plant and equipment items having a clearly different useful life, which will be effective for fiscal years beginning on or after January 1, 2012. The accounting changes resulting from the initial application of this FRS must be prospectively recognized. The principal changes with respect to the superseded Bulletin include the following:

- Property, plant and equipment to develop or maintain biological and extraction industry assets are within the scope of this FRS.

- The treatment for asset exchanges based on the economic substance is included.

- The bases for determination of the residual value of a component are added.

- The requirement to assign an appraised value to property, plant and equipment acquired at no cost or at an inadequate cost is eliminated.

- Depreciation for components representative of a property, plant and equipment item is mandatory, independently of the depreciation of the rest of the item as if it were a single component.

- Depreciation of idle components must continue, unless depreciation is determined based on the activity.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

FRS C-18 "Property, plant and equipment retirement obligations" – FRS C-18 is effective beginning January 1, 2011, and primarily provides for the following:

- Requirements that must be considered for valuation of a (Fixed Asset) component retirement obligation.

- Requirement to recognize retirement obligations as a provision that increases the acquisition cost of a component.

- How changes in the valuation of retirement obligations (provisions) resulting from revisions to the cash flows, the periodicity for settlement and the suitable discount rate to be used must be recognized for accounting purposes.

- Use of a suitable discount rate on estimated future cash flows, incorporating the cost of money and the entity's credit risk

- Use of the expected present value technique to determine the best estimate for retirement obligations.

- Disclosures that are to be made in case an entity has component retirement obligation.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

Improvements to FRS 2011
In December 2010, the CINIF issued the document referred to as "2011 FRS Revisions", which contains precise modifications to some FRS. The modifications that bring about accounting changes are as follows:

- Statement C-3 "Accounts receivable"- Recognition of interest income on accounts receivable when accrued is established, provided the relevant amount is reliably valued and likely to be recovered. Furthermore, it is provided that interest income on accounts receivable unlikely to be recovered must not be recognized. These revisions are effective beginning January 1, 2011 y are retrospectively applicable.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

- FRS C-10"Derivative financial instruments and hedging activities" – The revisions to this new FRS are effective beginning January 1, 2011, with retrospective application. The principal revisions include the following:

    - Certain effects of hedge effectiveness may be excluded.

    - An intra-group transaction may be recognized as hedging only when the functional currencies of the related parties are different from each other.

    - Reporting of the effect of the hedged interest rate risk is required, when a portfolio portion is the hedged position.

- Account margins must be reported separately.

- In a hedge relationship, a proportion of the total amount of the hedging instrument may be designated as the hedging instrument. The impossibility of designating a hedge relationship for a portion of the term of the hedging instrument is specified.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

- Bulletin D-5"Leases"- The discount rate to be used on capital leases is established, disclosures related to such leases are added, and the timing for recognition of the gain or loss on a sale and leaseback transaction is modified. Application is on a prospective basis, except for the changes in disclosures, which must be retrospectively recognized and are effective beginning January 1, 2011.

Management estimates that the effects of adoption of this new FRS will not generate significant effects.

(3) Foreign currency position-

Monetary assets and liabilities denominated in US dollars (dollars) shown in the reporting currency at December 31, 2010 an 2009 were as follows

		Thousands of pesos	
		2010	2009
Assets	$	266,257	275,688
Liabilities		(320,540)	(370,032)
Net liability position	$	(54,283)	(94,344)

The exchange rate of the peso to the dollar as of December 31, 2010 and 2009 was $12.38 and $13.04, respectively. As of February 25, 2011, date of issuance of the audited financial statements, the rate of exchange was $12.17 to the US dollar.

The exchange rates used in the different translation processes in relation to the reporting currency at December 31, 2010 and 2009 and the date of issuance of the financial statements are as follows:

				Exchange rate	
Country of origin	Currency			At year end	Issuance
2010					
Argentina	Argentinian peso	(ARP)	$	3.1142	3.0085
Chile	Chilean peso	(CLP)		0.0264	0.0254
Colombia	Colombian peso	(COP)		0.0064	0.0064
2009					
Argentina	Argentinian peso	(ARP)	$	3.4478	3.3372
Chile	Chilean peso	(CLP)		0.0256	0.0244
Colombia	Colombian peso	(COP)		0.0069	0.0066

The following currencies were used for translation purposes:

		Currency		
Foreign operation (*)	Country of origin	Recording	Functional	Reporting
Fast Food Sudamericana, S. A.	Argentina	ARP	ARP	MXP
Starbucks Coffee Argentina 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 order to incorporate the results and the financial position of foreign operations in the consolidation, those figures are translated to MXP (reporting currency).

(4) Balances and transactions with associated parties-

Accounts payable to associated companies as of December 31, 2010 and 2009 are as follows:

		2010	2009
Starbucks Coffee International	$	29,128	14,328
SBI Nevada, Inc.		29,395	11,703
	$	58,523	26,031

The balance payable to SBI Nevada, Inc. arose mainly from royalties and the balance with Starbucks Coffee International is due to the acquisition of inventory and fixed assets.

(5) Inventories-

At December 31, 2010 and 2009, this item is comprised as follows:

		2010	2009
Food and beverages	$	191,342	238,991
Containers and packaging		98,854	47,892
Promotional stock		30,921	25,528
Other		39,641	29,796
Obsolescence allowance		(8,320)	(5,337)
	$	352,438	336,870

(6) Investment in shares of associated companies-

As of December 31, 2010 and 2009, this item is comprised of the direct interest in the capital stock of the following companies:

		Equity in Stockholder´s equity		Equity in results	
		2010	2009	2010	2009
Starbucks Brasil Comercio de Cafés, Ltda.*	$	-	17,631	(1,259)	(3,795)
Starbucks Coffee Chile, S. A.		20,783	7,402	5,092	(698)
	$	20,783	25,033	3,833	(4,493)

* In August 2010, Alsea sold its non-controlling interest in Starbucks Brazil (see note 1(a)).

(7) Store equipment, leasehold improvements and property-

At December 31, 2010 and 2009, it is comprised as follows:

		2010	2009
Buildings	$	132,810	133,452
Store equipment		1,877,882	1,685,705
Leasehold improvements		2,448,542	2,237,604
Transportation equipment		124,599	128,638
Computer equipment		271,668	245,667
Production equipment		212,559	232,004
Office furniture and equipment		99,132	97,628
	$	5,167,192	4,760,698
Less accumulated depreciation		(2,558,772)	(2,193,705)
		2,608,420	2,566,993
Land		62,460	63,185
Investments in process*		271,164	267,500
	$	2,942,044	2,897,678

(*) Corresponds mainly to store and restaurant openings, whose termination date is 2011 and 2010, respectively.

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-

As of December 31, 2010 and 2009, the Company's goodwill is comprised as follows:

		2010	2009
Alsea, S. A. B. de C. V.	$	124,912	124,912
Operadora y Procesadora de Productos de Panificación, S. A. de C. V.		60,061	60,061
Operadora DP de México, S. A. de C. V.		19,619	19,619
Dominalco, S. A.		2,367	2,367
		206,959	206,959
Less accumulated amortization		(16,980)	(16,980)
	$	189,979	189,979

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 Alsea, S. A. B. de C. V., in any of the cases, except for the Burger King brand, exceed their recoverable value. Therefore, as of 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 as of December 31, 2010 and 2009 are comprised as follows:

		Trademarks	Installation expenses	Other opening expenses	Franchise rights and use of commercial facilities	Licenses and developments	Total
Balances as of December 31, 2009	$	474,748	57,854	33,260	139,974	96,785	802,621
Acquisitions		25,996	-	77,144	38,889	22,403	164,432
Less acumulated amortization		(44,032)	(949)	(34,504)	(24,532)	(45,626)	(149,643)
Balances as of December 31, 2010	$	456,712	56,905	75,900	154,331	73,562	817,410

During 2010, Alsea increased its investment in brands and franchise rights, mainly to the opening rights of Starbucks Coffee stores in Mexico and Argentina and Burger King stores in Mexico, Argentina and Colombia, as well as the openings in Mexico of Chilli's, California Pizza Kitchen and P. F. Chang's restaurants.

As of December 31, 2009, an increase in franchise rights was recognized in the amount of $6,583 due to the acquisition of the minority interest in two subsidiaries in Colombia (see notes 1(g) and (h)).

(10) Long-term debt-

The long-term debt as of December 31, 2010 and 2009 is comprised of loans with no guarantees, as shown below:

	Maturing in	Average annual interest rate		2010	2009
Unsecured loans	2011-2015	5.00%-7.50%	$	897,524	1,002,103
Less current installments				229,524	593,316
Long-term debt			$	668,000	408,787

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

Year		Amount
2012	$	128,000
2013		130,000
2014		205,000
2015		205,000
	$	668,000

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

(11) Debt stock exchange-

Based on the debt stock exchange program established by Alsea, for up to $700,000 Mexican pesos (Seven hundred million of Mexican pesos) or its equivalent in investment units ("udis"), in December 2009, the first public offering took place in the Mexican market of up to 3,000,000 debt stock exchange, and in March 2010, the program was accredited, with a second public offering of up to 4,000,000 debt stock exchange with a par value of $100 pesos (one hundred pesos) each one, respectively. The total offering was of $ 300,000 and $400,000, respectively.

Debt stock exchange issued is for a three-year term as from date issuance thereof, maturing in December 2012 and March 2013, respectively. The certificates are subject to 28-day TIIE (Average Interbank Interest Rate) coupon rate, plus 2.15 and 1.75 percentage, respectively. Net resources obtained from such issuances were used to prepay bank liabilities, so as to improve the debt maturities profile, while at the same time decrease the cost thereof.

The rating given is "AA", which means that the issuer or issuance with such classification is considered to have high credit quality and offers 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. that total $3,499 in 2010 and $3,968 in 2009 were recorded as a deferred charge and will be amortized on the straight line basis over the period in which the obligation is effective (see note 1(c)).

(12) Accruals-

Accruals as of December 31, 2010 and 2009, are comprised as follows:

		Remunerations and other employee payments	Supplies and others	Total
Balances as of December 31, 2009	$	34,413	405,602	440,015
Increases charged to operation		189,773	401,034	590,807
Payments		(147,606)	(518,624)	(666,230)
Balances as of December 31, 2010	$	76,580	288,012	364,592

(13) Comprehensive financing result-

As of December 31, 2010 and 2009, this item is comprised as follows:

		2010	2009
Interest expense - net	$	(92,225)	(122,489)
Income (loss) exchange - net		5,543	(5,349)
Unfavorable monetary effect (1)		(3,998)	(3,881)
	$	(90,680)	(131,719)

(1) Corresponds to the effect of unfavorable monetary position arising by the subsidiaries established in Argentina, which, in accordance with FRS B-10 and the level of inflation accumulated in the preceding three years, are considered to be operating in an inflationary environment.

(14) Other income (expenses), net-

As of December 31, 2010 and 2009, this balance is comprised as follows:

		2010	2009
Restatement and interest on tax refund (see note 1(b))	$	105,595	111,487
Legal expenses (see notes 1(b) and 18(e))		(47,382)	(41,979)
Income from sale of shareholding in Starbucks Brazil (see note 1(a))		17,076	-
Loss on fixed assets cancellation, net		(25,474)	(22,035)
ESPS		(6,423)	(6,040)
Other income (expenses), - net		2,089	(4,141)
Asset impairment (see note 8)		-	(30,000)
Organizational restructuring (1)		-	(22,208)
	$	45,481	(14,916)

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

(15) Labor obligations-

As of December 31 2010 and 2009, liability for seniority premium 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			
		2010		2009	
		Termination	Retirement	Termination	Retirement
Defined benefit obligations	$	18,703	29,707	14,453	14,204
Transition obligation and unamortized items		(3,373)	(12,853)	(5,060)	(1,992)
Net current liability	$	15,330	16,854	9,393	12,212

The net cost for the period is as follows:

		Benefits			
		2010		2009	
		Termination	Retirement	Termination	Retirement
Labor cost	$	8,146	3,211	15,484	3,125
Financial cost		900	1,065	1,483	953
Amortization of transitory obligation		1,939	375	(13,235)	10
Net cost for the period	$	10,985	4,651	3,732	4,088

Following is a reconciliation of defined benefit obligation (DBO) as of December 31, 2010 and 2009:

		Benefits		
	2010		2009	
	Termination	Retirement	Termination	Retirement
Initial DBO balance	$ 14,453	14,204	24,620	12,004
Labor cost of current service	8,146	3,211	15,484	3,125
Financial cost	900	1,065	1,483	953
Past service as from 2008	358	373	-	-
Actuarial gain or loss for the period	(132)	10,864	(14,741)	(1,706)
Benefits paid	(5,022)	(10)	(12,393)	(172)
Final DBO balance	$ 18,703	29,707	14,453	14,204

The most important assumptions of the above plans used in determining the net cost for the period are shown in the following page.

	Benefits	
	2010	2009
Discount rate	8%	8%
Salary increase rate	5.9%*	5.9%*
Expected average labor life (years)	5.3	5.3

* Includes future compensation levels

The actuarial calculations were prepared consistently under the same financial reporting procedures and standards; however, in 2009, the main premises applied to the studies were reviewed, mainly related to personnel turn over tables. As a result, the Company recognized 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, in 2009, the net decrease in labor obligations amounting $20,700, was recognized in the results for the year (see note 2(p)).

(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, payment is considered final and not subject to recovery in subsequent years. The IT Law in effect as of December 31, 2009 establishes the 28% rate, and based on the tax amendments in effect as from January 1, 2010, the IT tax rate for fiscal years from 2010 to 2012 is 30%, 29% for 2013 and 28% for 2014 onwards. The IETU tax rate for 2009 is 17%, 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 as of December 31, 2010 and 2009 were calculated on IT basis.

The income tax expense as of December 31, 2010 and 2009 is comprised as follows:

	2010	2009
IT and IETU on tax bases	$ 205,004	196,676
Deferred IT	(77,255)	(151,590)
	$ 127,749	45,086

At December 31, 2010 and 2009, the tax expense attributable to pretax income and equity in the results of associated companies differed from the amount resulting from applying the 30% rate in 2010 and 2009, as a result of the items described on the following page.

	2010	2009
Expected IT rate	30%	28%
Non-deductible expenses	18%	3%
Inflationary effect, net	(9%)	(16%)
Effect of published changes to laws and rates	-	(13%)
Change to valuation allowance	8%	19%
Other, net	(2%)	4%
Effective consolidated IT rate	45%	25%

The tax effects of temporary differences giving rise to significant portions of deferred tax assets and liabilities as of December 31, 2010 and 2009 are described and shown below:

		Income tax	
		2010	2009
Deferred (assets) liabilities:			
Allowance for doubtful accounts	$	(2,164)	(3,846)
Liability accruals		(96,701)	(127,306)
Advances from customers		(10,945)	(12,303)
Unamortized tax losses, net of valuation allowance		(172,426)	(153,642)
Asset tax recoverable		(22,802)	(22,802)
Store equipment, leasehold improvements and property		(242,815)	(165,641)
Other assets		(1,189)	19,786
Prepaid expenses		13,955	8,603
Deferred assets, net		(535,087)	(457,151)
IT from re-investment of profits and deferred ESPS		-	(681)
Assets recognized in balance sheets	$	(535,087)	(457,832)

The valuation allowance as of December 31, 2010 and 2009 amounted $200,245 and $178,642, respectively. The net change in the valuation allowance as of December 31, 2010 and 2009 was a increase of $ 21,603 and $19,446, respectively.

As of December 31, 2010 and 2009, 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 from profits not distributed to its subsidiaries, recorded under the equity method, arising in 2010 and prior 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 they will become taxable, as in the case of the sale or disposal of its investments in shares.

As mentioned in note 1 (d) and as a result of the liquidation process of subsidiaries Dobrasil, S. A. C. V. and Operadora y Procesadora de Pollo, S. A. C. V. the consolidated deferred IT was reduced to $20,642.

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

		2010	2009
Tax loss carryforwards pending to reduce during the tax consolidation arising from holding and subsidiary companies.	$	130,326	145,723
Tax profit derived from the comparison of the individual net tax profit account and the consolidated net tax profit account.		-	5,245
	$	130,326	150,968

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

Year		Payment
2011	$	2,606
2012		7,089
2013		11,562
2014		22,715
2015		27,960
2016		24,040
2017		17,013
2018		12,353
2019		4,988
	$	130,326

(17) Stockholders' equity-

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

(a) Capital stock structure-

Movements of Company's capital stock and additional paid-in capital premium are shown in the following page.

			Thousands of pesos	
	Number of shares		Capital stock	Additional paid-in capital
Balances as of December 31, 2008	617,961,984	$	534,017	1,228,880
Shares repurchased from January 1 to December 31, 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
Shares sold from January 1to December 31, 2010	3,870,000		1,935	-
Cancellation of repurchased shares	-		-	4,605
Balances as of December 31, 2010	605,240,724	$	527,657	1,241,208

In April 2010 and October 2009, Alsea declared dividends in the amount of $245,958 and $41,859 in cash, 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.

As of December 31, 2010, the fixed and variable portions of subscribed capital stock are comprised of 605,240,724 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
(12,564,000)	Repurchased shares (nominal value)		(6,282)
605,240,724	Nominal capital stock		302,621
	Restatement increment (note 2(r))		225,036
	Capital stock as of December 31, 2010	$	527,657

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. As of December 31, 2010 and 2009, the Company repurchased 3,870,000 and 16,434,000 shares, which amounted to $ 62,097 and ($ 118,035), respectively.

The premium on shares issuing represents the difference in the excess between the payment of the subscribed shares and their par value, or value (amount of the capital stock paid by the number of shares issued) in the case of shares without nominal value added of its update, as of December 31, 2010, the premium on shares issuing amounting to $ 1,241,208.

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's 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 as of December 31, 2009 was $8.73.

The Stockholders' Meeting agreed to assign 5,886,524 shares to 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.

As of December 31, 2010 the authorization of the Trust Institution to extinguish the trust is in process.

(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 legal reserve, until it equals one fifth of the capital stock. As of December 31, 2010, the legal reserve totals $92,108.

II) Dividends paid from taxed profits are free from IT if paid out 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 factor of 1.4286. 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 space that houses its stores and distribution centers, as well as certain equipment, in accordance with signed leasing agreements with defined expirations expenses from January to December 2010 and 2009 leases amounted to $753,008 and $688,751, 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(m)).

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 effect the Company's financial position.

e) In a court resolution issued on November 19, 2009; confirmed in a second resolution on November 16, 2010, Alsea and co-defendants were sentenced to comply with the sharepurchase agreement held with the shareholders of the Itallianni's Groups and therefore, to pay the purchase price and its legal interests, franchise rights and others.

Alsea has appealed the sentence above mentioned and in the opinion of management and the Company's legal counsel, there are sufficient elements to obtain a favorable resolution to the Company's interest and therefore no provision has been recognized in the financial statements at December 31 2010 and 2009.

(19) Financial information per segment-

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

The information related to segments as of December 31, 2010 and 2009 is shown on the following page (information in Millions of pesos).

	Food and Beverages Mexico		Food and Beverages South America		Distribution		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External income	$ 6,111	6,032	1,811	1,408	1,065	1,135	9	12	$ 8,996	$ 8,587
Inter-business income	-	-	-	-	1,909	1,930	(1,909)	(1,930)	-	-
	6,111	6,032	1,811	1,408	2,974	3,065	(1,900)	(1,918)	8,996	8,587
Operating costs and expenses	5,410	5,335	1,680	1,340	2,827	2,894	(1,924)	(1,932)	7,993	7,587
Depreciation and amortization	495	494	118	113	34	30	28	28	675	665
Operating income	$ 206	203	13	(45)	113	141	(4)	36	$ 328	$ 335
Other income statement items									(117)	(231)
Majority net income									$ 151	$ 104
Assets	$ 6,120	5,769	956	832	1,090	919	(2,811)	(2,244)	$ 5,355	$ 5,276
Investment in associated companies			21	25					21	25
Investment in fixed assets an intangibles	483	296	187	201	32	29	32	(18)	734	508
Total assets	$ 6,603	6,065	1,164	1,058	1,122	948	(2,779)	(2,262)	$ 6,110	$ 5,809

As of December 31, 2009, the net consolidated result for discontinuation in the Food and Beverage amounts to ($31,896).

Lic. Fabián Gosselin Castro
General Director

Lic. Diego Gaxiola Cuevas
Chief Financial Officer

C.P. Alejandro Villarruel Morales
Corporate Controller

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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 2010 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.

ALSEA

Alsea

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