Alsea

2012

In augmentation

Growth

Strengthening

Results

Sustainability

Annual Report 2012

Index

Strategic planning

Alsea (BMV: ALSEA*) is the leading restaurant operator in Latin America. The company has a portfolio of leading global brands in the Quick Service, Coffee Shop, and Casual Dining segments, including: Domino's, Starbucks, Burger King, Chili's, California Pizza Kitchen, P.F. Chang's, Pei Wei and Italianni's. At the end of 2012, the portfolio added up to a total of 1,421 units, with a presence in Mexico, Argentina, Chile, and Colombia. Its Business Model includes their Support Areas and supply chain. It has more than 27,600 employees.

What do we want to be?

"To be the best operator with leading brands in the segments and countries that we participate in"

Mission

To have a team that is committed to exceeding our clients expectations.

"Touching people, enriching moments"

Principles

- **The customer comes first**
  To serve our customers with respect and a passion for excellence in service.

- **Respect and loyalty to our coworkers and the company**
  To create a work atmosphere with a feeling of unity, tightness with the operation, that is respectful and without favoritism.

- **Personal excellence and commitment**
  To always act in a way that is honest, simple, and fair, without putting personal interests first.

- **Results oriented**
  To make decisions that are always oriented around the good of the company in order to improve results.

Domino's	Burger King	Starbucks	Chili's	California Pizza Kitchen
613	**221**	**472**	**36**	**13**
Mexico 584 Colombia 29	Mexico 107 Argentina 65 Chile 34 Colombia 15	Mexico 367 Argentina 64 Chile 41	Mexico 36	Mexico 13
Subfranchises 205		Associated 41		Subfranchises 2
834 Units **QSR**		472 Units **Coffee Shops**		

Strategic areas

- **Clients** to exceed our customers' expectations, through an unbeatable experience of our products, services, and image.
- **People** to promote the personal and professional development of our coworkers.
- **Synergy** to guarantee synergy by maximizing our critical mass and via collaboration with our strategic partners.
- **Results** to ensure the profitable growth and sustainability of the company.
- **Social Responsibility** to be recognized by customers and coworkers as a socially responsible company.

P.F. Chang's	Pei Wei	Italianni's
11 Mexico 10 Chile 1	2 Mexico 2	53 Mexico 53 Subfranchises 12

115 Units
Casual Dining

ALSEA OPERATES **THE LARGEST** MULTI-BRAND **PORTFOLIO** OF RESTAURANTS IN LATIN AMERICA

- 8 Brands
- 1,161 Corporate Units
- 260 Sub-franchise and Associated Units
- 27,619 Employees

MORE THAN 232 MILLION CUSTOMERS SERVED

Mexico	Chile
1,172 Units	76 Units
Colombia	**Argentina**
44 Units	129 Units

A SUCCESSFUL **BUSINESS MODEL** SUPPORTS OUR OPERATION

- 9 Distribution Centers
- Distribution to more than 1,474 points of sale
- Structure of Support Areas

The Business Model includes:

- Support Areas: Finance, Technology and Systems, Human Resources, and Real Estate Development.
- Supply Chain: Purchasing, Production, and Distribution.

Coming soon 2013

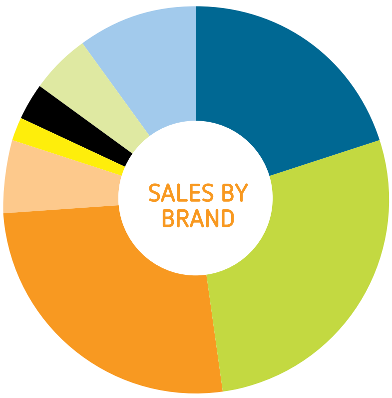
Brand: The Cheesecake Factory

Market: Brasil

Financial highlights[1]

	CAGR[5] 10 years	Annual Growth %	2012	%	2011	%
Income statement						
Net Sales	18.4	26.7	13,519.5	100.0	10,668.8	100.0
Gross Profit	20.2	27.1	8,747.8	64.7	6,881.2	64.5
Operating Income	13.2	76.0	797.3	5.9	453.1	4.2
EBITDA [2]	15.8	43.2	1,608.6	11.9	1,123.1	10.5
Consolidated Net Profit	13.6	69.7	401.8	3.0	236.8	2.2
Balance sheet						
Total Assets		4.2	9,771.2	100.0	9,374.2	100.0
Cash		26.1	932.6	9.5	739.4	7.9
Liabilities with Cost		(18.2)	3,317.2	33.9	4,056.5	43.3
Major Shareholder´s Equity		51.0	4,520.6	46.3	2,993.9	31.9
Profitability metrics						
ROIC[3]		220 bps	8.6%		6.4%	
ROE[4]		310 bps	10.5%		7.4%	
Stock information						
Share Price		83.1	25.78		14.08	
Earnings per Share		66.5	0.57		0.34	
Dividend per Share		NA	0.50		0.20	
Book Value per Share		32.5	6.57		4.96	
Shares Outstanding (millions)		13.5	687.8		606.0	
Operation						
Number of Units	10.9	10.8	1,421		1,283	
Employees	15.9	19.0	27,619		23,212	

(1) Figures in millions of pesos and in IFRS, expressed in nominal pesos, except per share data, number of stores and employees.
(2) EBITDA Operating income before depreciation and amortization.
(3) ROIC is defined as the operating income after taxes divided by the invested capital - net (total assets - cash and cash equivalents - liabilities without cost).
(4) ROE is defined as net profit divided by major shareholder´s equity.
(5)CAGR is defined as Compound Annual Growth Rate from 2003 to 2012.



QSR

Domino's 20%

Burger King 26%

Coffee Shops

Starbucks 28%

Casual Dining

chili's 6%

california pizza kitchen 2%

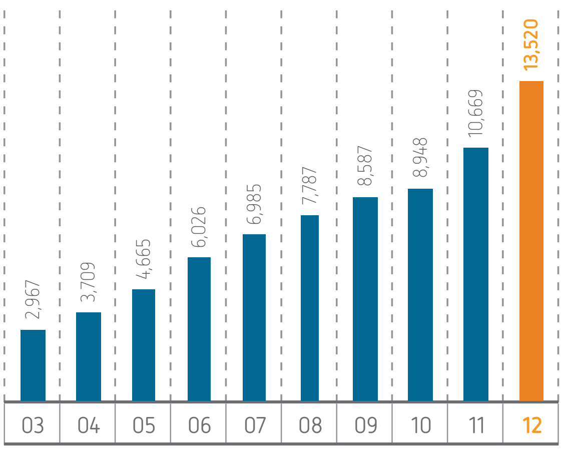
P.F. Chang's / Pei Wei 3%

Italiannis 5%

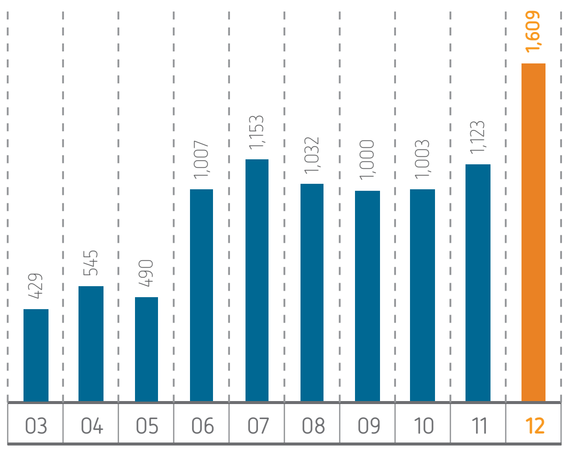
Distribution and Production

DIA 10%

Net Sales
*million pesos



EBITDA(2)
*million pesos



Dear shareholders

Once again I am quite honored to present you with our financial results and Alsea's principal successes during the year, which continue **IN AUGMENTATION**, since the established goals for growth have been exceeded and consolidated. However, before presenting the scenario for the year and explaining its reach, I would particularly like to thank each one of our employees, clients, strategic partners and investors, who again provided us with the support and trust necessary to continue creating greater value for our shareholders.

Without a doubt, one important factor in obtaining these results was the country's macroeconomic environment, which, throughout 2012, was propitious for the sustained improvement in consumption. Added to this favorable environment, our efficient business model and the strength of each of our brands, as well as the different strategies implemented, were determining factors in reaching our goals.

Next I would like to share with you the goals and achievements **IN AUGMENTATION** that Alsea reported during 2012:

13,519 MXNm in Sales

10.5% Growth in Same Store Sales

43.2% Increase in EBITDA

11.9% EBITDA margin

138 Net openings

83.1% Share price growth

2nd Year in the IPC index

EXPANSION AND STRENGTHENING

- We strengthened our portfolio by adding in the Italianni's brand, which is the absolute leader in Mexico in the Italian food segment. This acquisition will allow Alsea to increase its total market share by entering into this important segment.

- We acquired the exclusive rights to operate the Master Franchise of Burger King in Mexico, in a strategic partnership with BKW. This operation, which includes the acquisition of 97 restaurants, will provide major synergies that will benefit the brand's profitability.

- We consolidated our operations in South America with the start-up of P.F. Chang's operations in Chile, and the signature of an exclusivity agreement for the brand in Brazil, which will be the fifth country in which we operate and a fundamental part of our expansion strategy. We will also open units of this brand in Argentina and Colombia during 2013, which will enable our pace of growth in the region to continue **IN AUGMENTATION.**

- We added a ninth brand to our portfolio, with an agreement to develop and operate The Cheesecake Factory in Latin America. This brand, which is the global industry leader, without a doubt will be a new project that will bring innovation and synergy to our Business Model.

Fabián Gosselin Castro
Chief Executive Officer

FINANCIAL RESULTS

- Total sales were 13.5 billion pesos, which translates into growth of 27% over 2011. This growth was mainly due to the 10.5% increase in same-store sales, and to the expansion during the year of 138 units in our portfolio.

- The Company's EBITDA margin rose 140 basis points, for an increase of 43% it closed at 1.6 billion pesos, which is a record in our history. This major achievement was due to efficient management that focused on generating higher profitability in the portfolio, added to continuous growth in the operation of our most successful brands.

- Another favorable result during the year was the generation of net income of 402 million pesos a year-over-year increase of 70% , which clearly reflects the Company's commitment to each of our shareholders.

- Due to the early debt payments during the year and higher cash flow generation, we closed the year with one of the lowest debt levels in the history of the Company: a Net Debt/EBITDA ratio of 0.96x. Thanks to this solid financial position, we will be able to face the challenges and projects outlined for Alsea in 2013.

- I want to finish this section on our results talking about our share price, which, during 2012 recorded an annual increase of more than 83%, closing at $25.78; this places us as one of the most highly profitable issuers in the Mexican market. This achievement was possible thanks to the market's ongoing interest in us, backed by our solid results and growth. In addition to the foregoing, in 2012 our shareholders received a dividend equal to one share for every 37.52 shares in control. Also in relation to our shares, I want to thank all of you for the trust and interest in the follow-on offering that we carried out at the end of the year; the demand for this placement exceeded the total value of the transaction by five times.

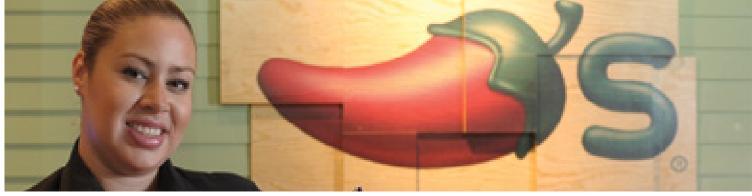
SUSTAINABILITY

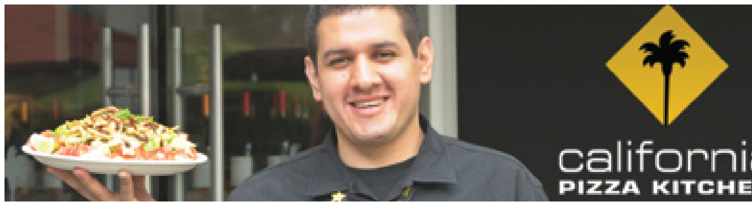
- At Alsea, we have worked over the years to position Social Responsability as a strategic part of the business.

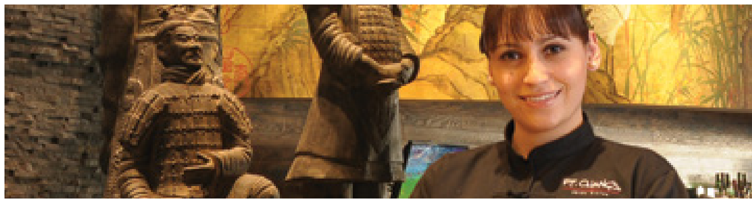
- In 2012, Alsea was awarded the Socially Responsible Company badge by the Mexican Philantropic Center (CEMEFI A.C.). We also reaffirmed our commitment to the principles of the United Nations Global Compact, and for the first time we present an integrated report that addresses the creation of financial value for our shareholders, as well as our social and environmental performance.

- As we are concerned with child malnutrition in our country, we support the initiative "It's on me", a social movement that contributes with Mexican children in food poverty situation to have access to an adequate balanced diet, through the construction and operation of dinning rooms for children, called "Nuestro Comedor". In 2012 we started up 2 dining rooms in Estado de México, which serve 400 children daily.

- Our main challenges will be to continue aligning our efforts and processes for the development of the communities where we operate, encourage better quality of life for our employees, protection of the environment through our energy efficiency program and likewise to continue promoting Responsible Consumption.







I would like to thank all of our employees, clients, strategic partners and shareholders for yet another year of trust and interest in our company, and invite you to join us in continuing **IN AUGMENTATION** our successes during this year 2013, since **THE BEST IS YET TO COME**.

Respectfully,

Fabián Gosselin Castro
Chief Executive Officer

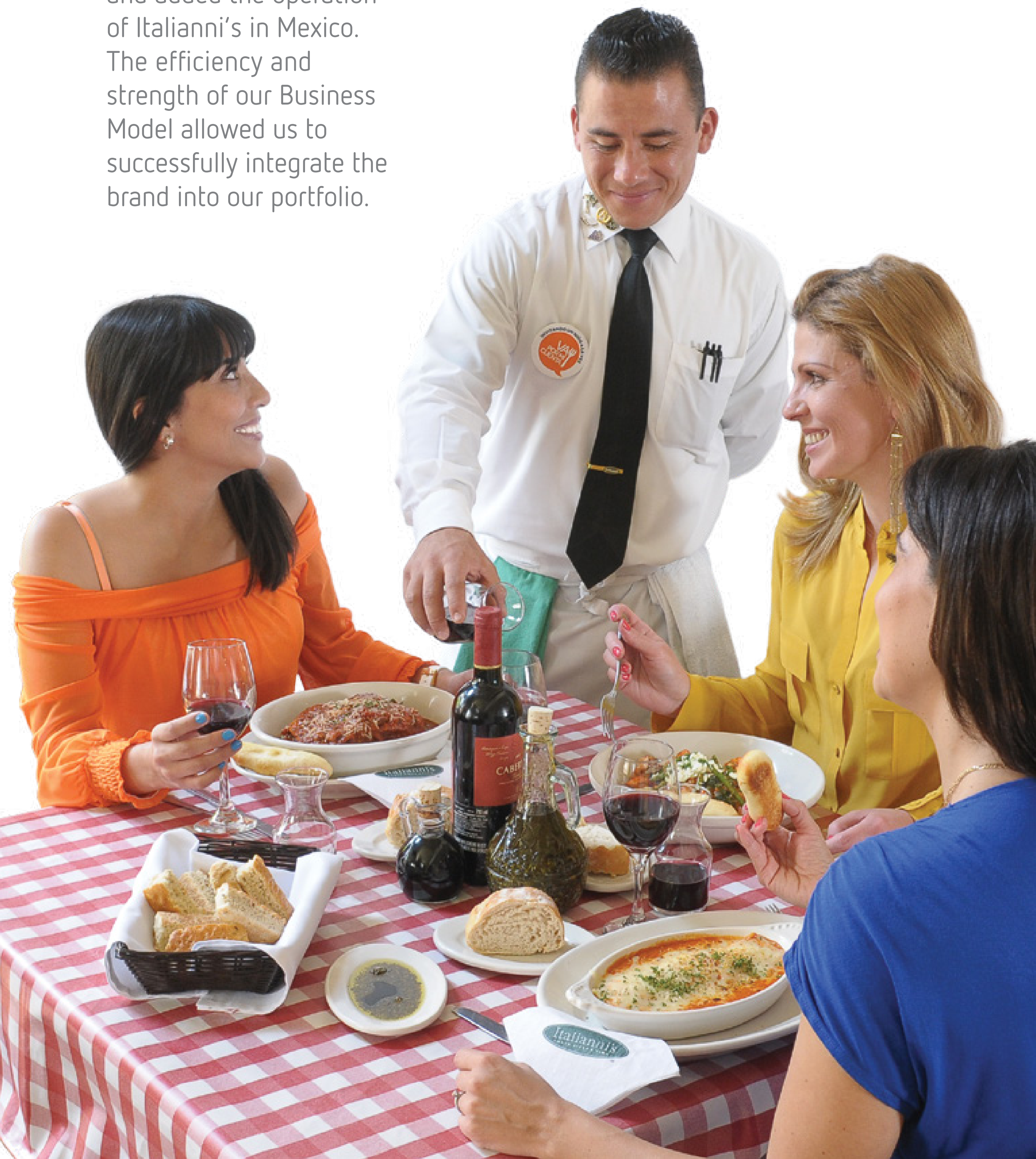
GROWTH

IN AUGMENTATION

Growing our portfolio

Integration of Italianni's

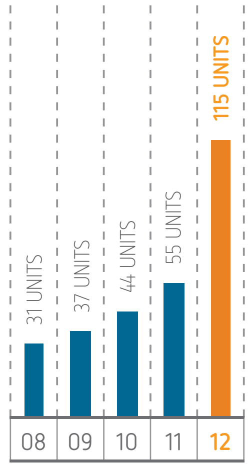
During 2012, we acquired and added the operation of Italianni's in Mexico. The efficiency and strength of our Business Model allowed us to successfully integrate the brand into our portfolio.



Italianni's
PASTA PIZZA & VINO
La Tradizione di Compartire.

FROM 55 TO 115 UNITS,

IN THE CASUAL DINING SEGMENT



CAGR= 38.8%

*CAGR = Compound Annual Growth Rate (2008-2012).

Alsea + Italianni's = 8th brand in operation

Consolidating our operations

Acquisition of 97 units

Inclusion of 206 subfranchises

THE SISTEM
IN MEXICO
HAS A TOTAL OF
410 UNITS
8 OPERATORS

Joint Venture

Having the exclusive rights to operate and develop the brand in Mexico allows us to achieve greater market penetration, reaching the leadership position that characterizes the brand.

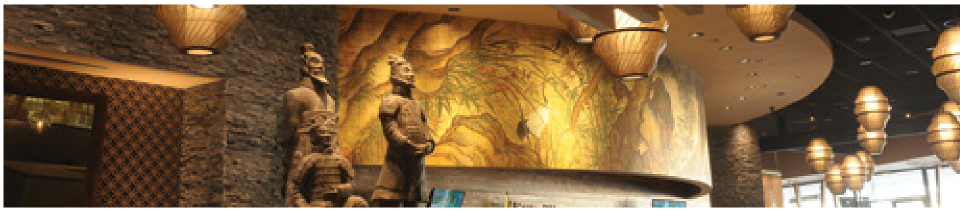
MASTER
20 YEARS
FRANCHISE

STRENGTHENING IN AUGMENTATION

Strengthening our presence

EXPANSION STRATEGY FOR CASUAL DINING IN SOUTH AMERICA

POTENTIAL MARKET WITH OVER 294 MILLION PEOPLE



Exclusivity for:

P.F. Chang´s in the region

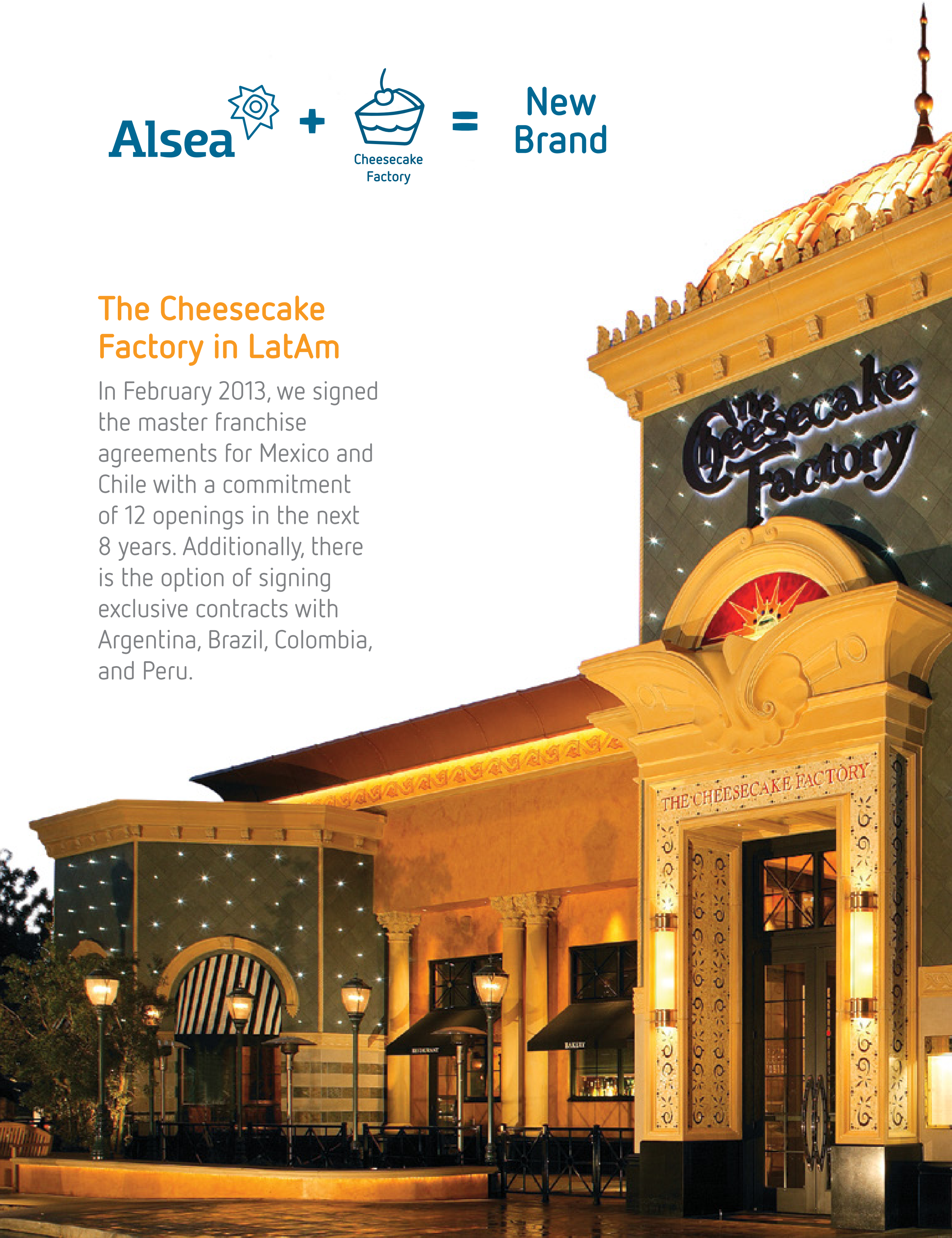
In July 2012, we opened the first P.F. Chang's unit in South America. Taking advantage of synergies and leverage from our business model, we also signed the exclusivity rights for P.F. Chang´s in Brazil, an important market for the growth strategy in the region.

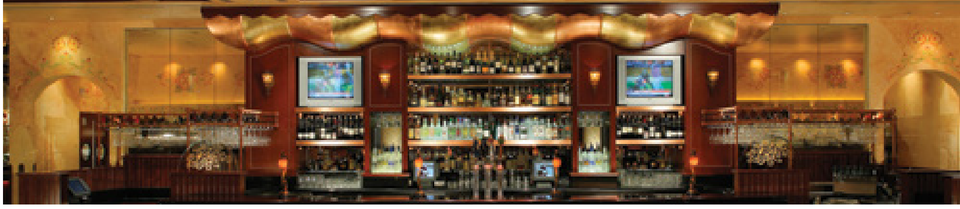
Adding a new brand

Alsea + Cheesecake Factory = New Brand

The Cheesecake Factory in LatAm

In February 2013, we signed the master franchise agreements for Mexico and Chile with a commitment of 12 openings in the next 8 years. Additionally, there is the option of signing exclusive contracts with Argentina, Brazil, Colombia, and Peru.





Exclusivity option:

Making history, creating moments

Domino's

New image

During 2012 the brand consolidated its different communication and product strategies, achieving DOUBLE-DIGIT growth in same-store sales.

During 2013, the store's new image will be implemented for our operation in Mexico and Colombia, which will allow us to build a closer relationship with our consumers.

MORE THAN 35 MILLION **PIZZAS** SOLD IN 2012

GENERATED
28% OF
ALSEA SALES
IN 2012

472 Units

Alsea

+

Starbucks

=

10 years enriching moments

Starbucks 10 Years

We are celebrating the 10th Anniversary of the brand in Mexico, which has become the brand with the biggest share of Alsea's total sale. At the end of 2012, Starbucks operated in more than 49 cities in Mexico.

20 AÑOS
COMPARTIENDO EXPERIENCIAS

Chili´s 20 years

Chili's has been in Mexico for 20 years, and under Alsea's operation for 7 years. With Chili's, we entered the Casual Dining segment for the first time. Under Alsea, the brand served more than **4 MILLION CONSUMERS** during 2012, achieving the most significant growth in Same Store Sales for our operations in Mexico.

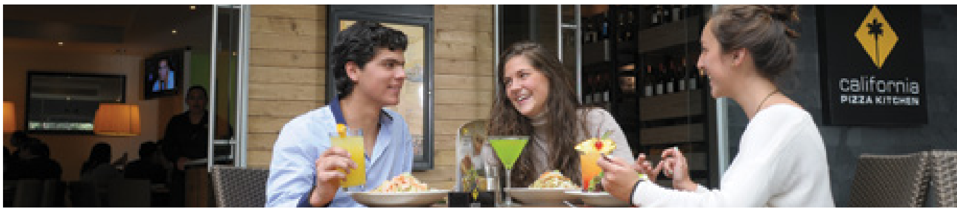
Alsea

+

Chili's

=

20 years Sharing Moments



california
PIZZA KITCHEN

IN 2012 WE SERVED MORE THAN 1 MILLION SATISFIED CLIENTS

At CPK we seek the extraordinary

At California Pizza Kitchen, 2012 was a year for seeking the extraordinary and achieving operational successes that generated greater investment value. During the year, total sales for the brand achieved a growth of over 9%, driven mainly by growth in the average ticket, as a result of the acceptance that the different product platforms presented during the year.

RESULTS IN AUGMENTATION

Growth and expansion

Capex

2,751

MILLION PESOS

Units and acquisitions

We acquired the operation of Italianni's in Mexico and invested in new units.

Technology and systems

We improved Oracle ERP system and made them more efficient.

Distribution and logistics

Warehouse Managment System (WMS) and Transportation Management System (TMS).

Maintenance

During the year we invested more than 154 million pesos in maintenance capex for our stores.

Our organizational structure

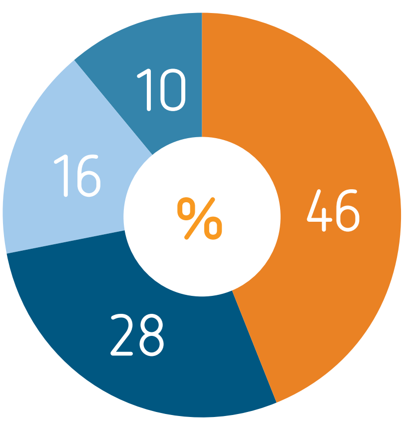
During 2012 we focused on consolidating our organizational structure, developing new capabilities, and making changes aligned with sustainable growth.

- Integration of the operation for all countries under CEO management.
- Reorganization for all support areas, with the result of synergies and critical mass.
- Evolution of our Supply Chain, by integrating all of its areas.

ANNUAL GROWTH 138 UNITS

- 27 units in QSR
- 49 units in Coffee Shops
- 62 units in Casual Dining

Our business mix for 2012



- QSR
- Coffee Shops
- Casual Dining
- Distribution and Production

Results and profitability

(Margin Expansion)

Results

SALES
$13,519.5
million pesos

26.7%
annual growth

SAME-STORE SALES
10.5%
full-year

138 Units
(84 Corporate)

EBITDA
$1,608.6
million pesos

Growth
43.2%

11.9%
Margin

+140 bps
vs
prior year

NET INCOME
$401.8
million pesos

60.7%
annual growth

Profitability

STRENGTHENING
OUR PROFITABILITY
METRICS

ROIC
8.6%

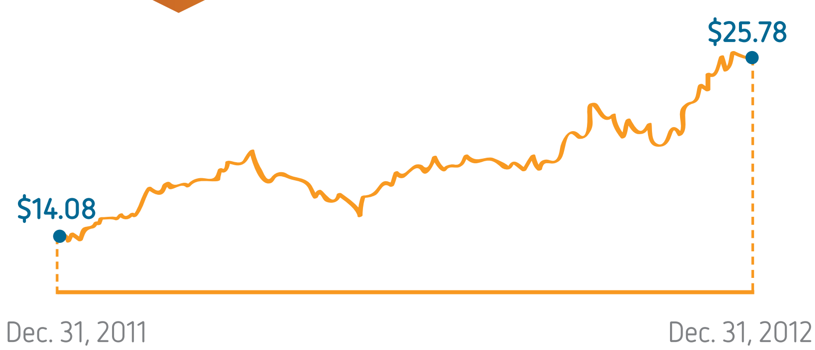
ROE
10.5%

ALSEA*

SHARE PRICE
$25.78

ANNUAL GROWTH
83.1%

2nd CONSECUTIVE YEAR IN THE IPC INDEX



AVERAGE DAILY OPERATION
2 MILLION DOLLARS

Follow-on transaction

Share Price **$21.50**

53.49 million Common shares issued

Amount of the transaction
$1.15 billion pesos

With the proceeds, we prepaid debt which added to the cash flow generation reached during the year, we were able to reached a ratio of:

Net Debt/EBITDA=0.96x

SHARED VALUE IN AUGMENTATION

Corporate governance

Board Of Directors 2012

Chairman
Alberto Torrado Martínez

Shareholder Board

Alberto Torrado Martínez
Chairman

Cosme Torrado Martínez
Shareholder

Armando Torrado Martínez
Shareholder

Fabián Gerardo Gosselin Castro
Chief Executive Officer

Federico Tejado Bárcena
CEO Starbucks Mexico

Independent Board

Marcelo A. Rivero Garza
Chairman, Brain Strategic Insight

Julio Gutiérrez Mercadillo
Chairman, Grupo Metis

Raúl Méndez Segura
Chairman, Grupo Green River

Iván Moguel Kuri
Partner Chevez, Ruiz, Zamarripa y Cia, S.C.

León Kraig Eskenazi
Director & Partner de IGNIA Partners, LLC.

Secretary
Xavier Mangino Dueñas
Partner Díaz de Rivera y Mangino S.C.

Audit Committee

Iván Moguel Kuri
Chairman

Julio Gutiérrez Mercadillo
Member

Raúl Méndez Segura
Memeber

Elizabeth Garrido López
Secretary

Corporate Governance Committee

Julio Gutiérrez Mercadillo
Chairman

Marcelo A. Rivero Garza
Member

León Kraig Eskenazi
Member

Elizabeth Garrido López
Secretary

Alsea's solid structure for corporate governance contributes to our development and long-term viability.

Via the Committees, we are able to identify and manage possible economic, labor, environmental, and community risks that we are exposed to on a daily basis in our operations.

The compensation framework for members of Alsea's board is fixed, and is calculated as a function of attendance at Board meetings and the meetings of the Committees that each advisor belongs to, their participation in deliberations, and the effectiveness of the strategic decisions they make.

Participation in Organizations and Associations:

At Alsea, we contribute to the development of public policies on issues that could have an effect on our operations, always within the framework of the law and adhering to the highest ethical standards.

We comply with laws and regulations regarding anticompetitive behavior, antitrust or monopolistic practices, therefore we have never been sanctioned.

Alsea participates in:

- Consejo de la Comunicación, as members of the board we actively participate in campaigns that promote social benefits.
- CANIRAC [Cámara Nacional de la Industria de Restaurantes y Alimentos Condimentados], whose goal is to provide a scope for the Mexican restaurant industry's potential, as well as helping it build processes with intelligence, care, and proper management in order to maximize its opportunities in the Mexican economy.
- The American Chamber of Commerce, as a guest member of the Tax Committee and the Real Estate Development Committee.

To Alsea S.A.B. de C.V. General Shareholders' Meeting

Dear Shareholders:

Since the IPO, Alsea, like other companies in the national business community, has considered the implementation of best practices in matters of corporate governance as one of its most important goals. Is not just talking about its obligation to comply with applicable laws on the matter, but rather of building greater safety and trust among its shareholders, which in turn generates greater efficiency in its operations and decision making, and that makes it more competitive.

Public companies directed by someone other than the person presiding over the Board of Administration are becoming more and more frequent. This shows great progress in institutionalization, as well as a commitment to form and adopt better practices for the benefit of all shareholders.

At Alsea, our Board of Members has the invaluable support of various Committees, which are solely made up of independent advisors. This ensures that its composition is optimally balanced, and this has been reflected in its high level of professionalism, efficiency, and neutrality, which each day brings greater benefits to society and consequently to its shareholders.

Alsea has a methodology for selecting and evaluating independent Members, with orientation procedures and formulas for renewing positions that are in accordance with the highest international standards of corporate governance. Through this, we seek at all times to comply with the company's own goals, and carry them out with great efficiency, and achieve the highest professionalism and institutionalization in making the decisions that the greatest administration board of the Company is in charge of making, meaning the Board of Directors.

Current markets and shareholders, meaning all of you, seek greater efficiency in asset management, but you also want to contribute to a healthy market development and its long-term sustainability. Therefore, you seek public companies to invest in that not only fulfill your economic expectations, but above all, that contribute to the elevation of social, community, and cultural values, with a genuine concern for protecting the environment. This can only be achieved through a clear strategy like the one Alsea has, which includes developing and maintaining high levels of responsibility and good practices of corporate governance.

Sincerely,

Alberto Torrado Martínez
Chairman of the Board

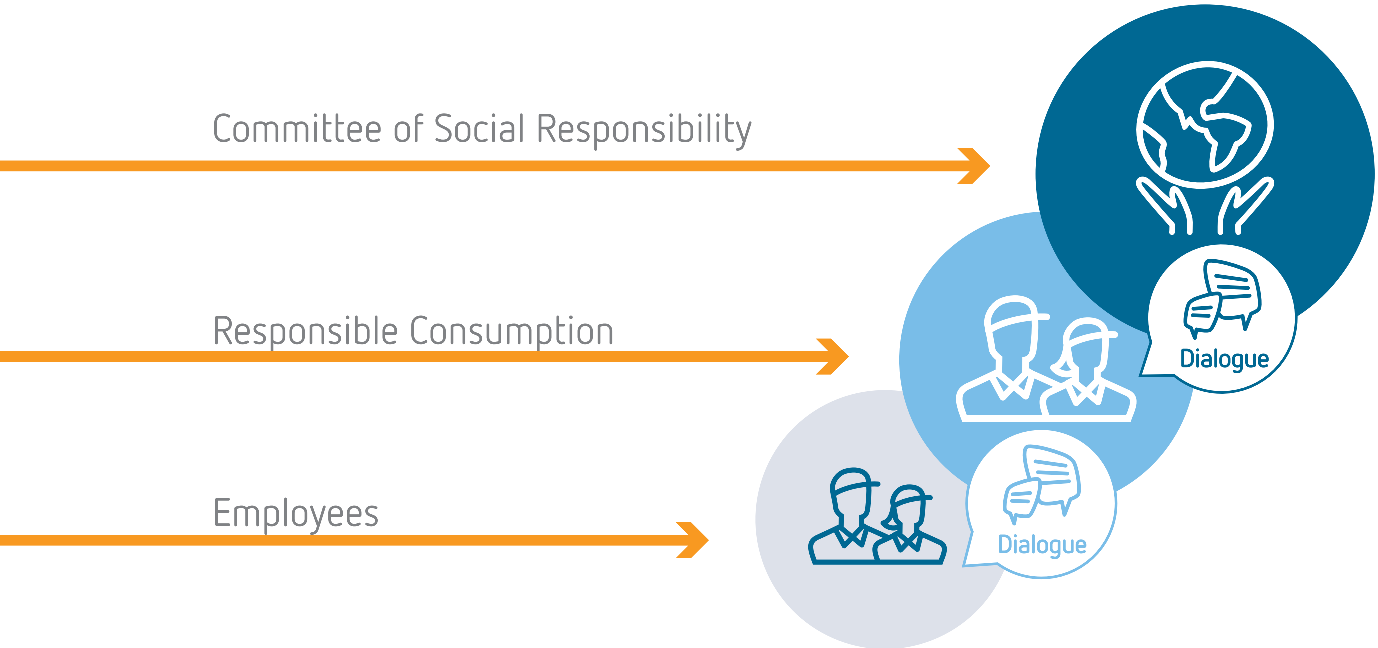
Responsible management

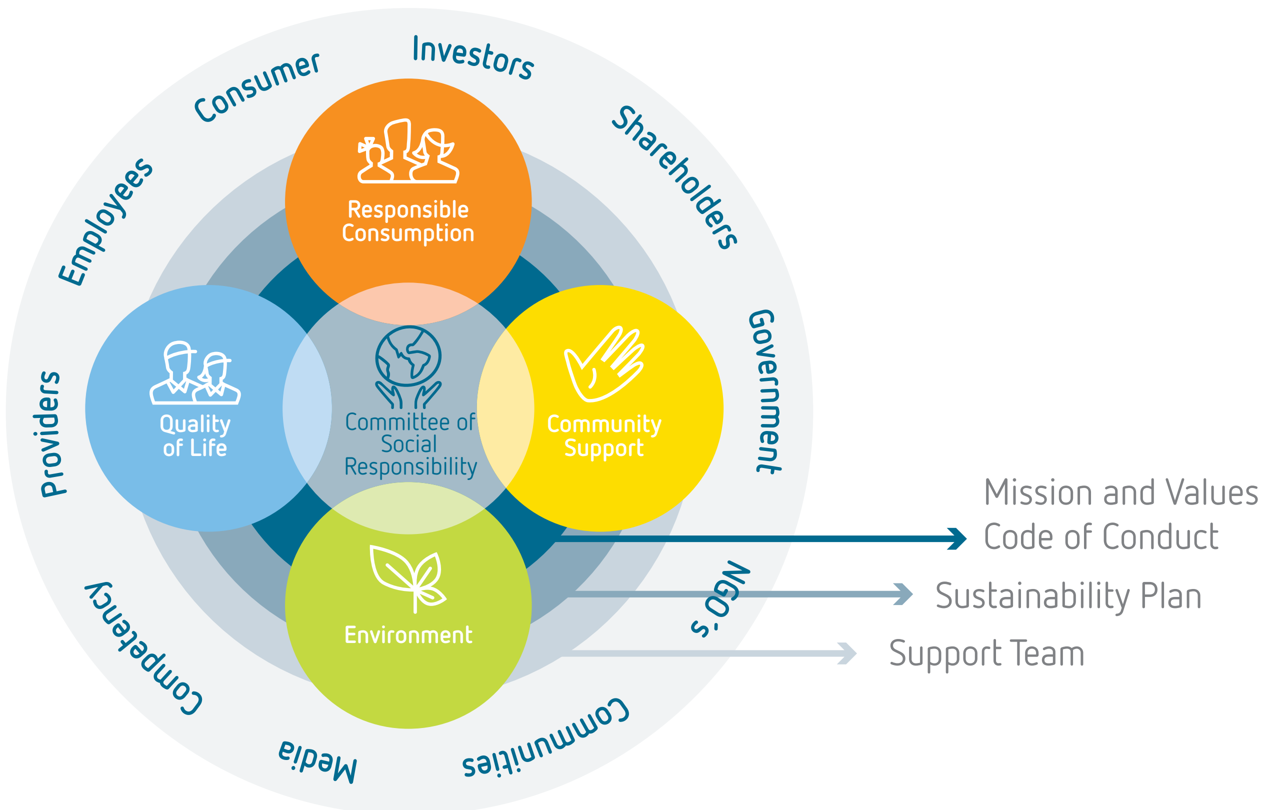
For us, Social Responsibility is an attitude that is incorporated in all aspects of our business planning and operation. It is what guarantees that we will generate not only favorable economic results, but also comply with and exceed the expectations of all of our stakeholders, as well as carrying out our operations in a way that does not have a negative impact on the environment.

In order to ensure this, we work through four commissions that have representatives from all of our business units, which meet bimonthly.

Additionally, the actions generated in these commissions are supervised and approved by the Social Responsibility Committee, which is constituted by the President of the Board of Administration and the highest ranking officials of all of Alsea's business units. The committee meets quarterly to define our Social Responsibility strategy.

This process ensures that the ideas and proposals that the commissions work on, get to the highest decision-making levels of our company.





Communication and Dialogue

At Alsea we promote openness and transparency with all of our stakeholders. The information and feedback that we receive from them allows us to detect new areas of opportunity for improving our performance. In order to facilitate this communication, we offer the following channels:

	Shareholders	Customers	Workers	Suppliers	Community	Frequency
Shareholders' Meeting	✓					Annual
Investor Relations	✓					Ongoing
Portfolio of internal means of communication			✓			Ongoing
Dialogue with our communities					✓	Ongoing
Electronic media	✓	✓	✓	✓	✓	Ongoing
Organizational climate surveys			✓			Annual
Focus groups		✓				Ongoing
Correct Line*			✓			Ongoing

*Phone line for complaints and transparency

Quality of life

As part of the Human Capital Model, we promote a culture based on ethical principles and standards, and through our Code of Conduct and our policy for health and safety at work, we ensure the integrity and safety of all of our coworkers.

We promote a culture of equity and diversity, and any act of discrimination for reasons of age, color, disability, marital status, race, religion, sex, and sexual orientation are sanctioned by our Code of Conduct.

The Correct Line is our open line of communication, through which collaborators can express their complaints and comments. All the information that comes in is processed and responded to promptly.

90 DIFFERENTLY ABLED PEOPLE WORK FOR ALSEA

8 AVERAGE HOURS OF TRAINING PER WORKER

100% OF WORKERS HAVE HAD PERFORMANCE EVALUATIONS

70% OF OUR WORKERS ARE UNIONIZED IN A LABOR ORGANIZATION

17% GROWTH IN EMPLOYEE CREATION OVER THE PREVIOUS YEAR

221,683 HOURS OF TRAINING PROVIDED FOR THE YEAR

27 YEARS OLD IS THE AVERAGE AGE OF OUR WORKERS

37% OF THE ADMINISTRATIVE EMPLOYEES TRAINED IN ACCOUNTING AND ANTICORRUPTION POLICIES AND PROCEDURES

Our people

At Alsea we want to reward our workers fairly, by providing wages and benefits that go beyond legal requirements, such as additional vacation days, support for external training, flexible policies for mothers, savings fund, savings account, coupon books, life insurance and major medical expenses, and ideal workplaces that promote an atmosphere of credibility, respect, impartiality, and pride.

We promote the health of our people through our program "Ciudad Salud"; a health promotion marketplace, which offers discounts on vaccines, discussions on health, and checkups for our workers and their family members.

Employees with a permanent contract (full and part time)

16,881

Total No. of employees (Mexico and Latin America)

27,619

Men 57.3%

Women 42.7%

By age:

Under age 30: 76%

From 30 to 50: 23%

Over age 50: 1%

% of men and women who hold Executive positions at Alsea

(Board President, CEO, VPs, Executives and Assistant Directors)

Men 87.5%

Women 12.5%

We promote practices that generate a positive impact and mitigate negative impacts throughout our value chain, such as our Equality in Employment Program that seeks out and eradicates gender-based wage differences, which immediately reduced worker turnover rates .

Responsible consumption

We are committed to balanced lifestyles, therefore we seek to offer options and information to our customers about responsible decision making for their wellness.

We achieve this through:

- Providing nutrition facts information for our main food and beverage products.
- Selecting the best ingredients, guaranteeing the quality and safety standards for our processes, and ensuring that the social, environmental, and economic life cycle implications are positive.
- Promoting recreational activities and physical activity within the family. The Starbucks race was carried out for the second consecutive year, with 6,000 people registering.

100% OF OUR ACTIVE SUPPLIERS HAVE SIGNED THE SOCIAL RESPONSIBILITY LETTER, IN WHICH THEY PROMISE TO RESPECT:

- HUMAN RIGHTS
- WORKERS' RIGHTS, SAFETY AND HEALTH
- CIVIL PROTECTION LAW
- FEDERAL ENVIRONMENTAL REGULATIONS
- ANTICORRUPTION

All our brands have a program that measures our customers' level of satisfaction. We listen and offer solutions that are immediate, consistent and appropriate adhering to a process for attending to, and resolving complaints established by the company for all its brands.

No incidents involving the failure to comply with regulations in marketing materials, including advertising, promotion, and sponsorship.

No complaints with respect to improper management of the privacy of our consumers' personal data.

81% OF OUR SUPPLIES COME FROM LOCAL PROVIDERS

Environment

Achieving greater efficiency and reducing our energy consumption continues to be the main objective of our environmental policy.

In 2012 we achieved:

- 720 establishments where we replaced lighting with high-efficiency lighting equipment.
- 500 establishments where we installed equipment for monitoring and automating energy use.
- Results: 6,600 ton reduction in CO_2 for the year.[1]
- 9.1% reduction in energy consumption.

We obtained the 1ST PLACE IN THE NATIONAL AWARDS FOR ENERGY SAVINGS BY THE ENERGY SAVING TRUST

Total MJ consumption: 375,974,298*

Yearly MJ savings: 34,180,315

In order to strengthen our environmental policy, we included dry urinals to save water in our establishments, as well as high-efficiency lights and automation equipment.

Total water consumption 1,268,419 cubic meters. Water savings from urinals in new stores: total cubic meters per year 3,800. All of Alsea's water consumption comes from the public water system.

[1] The methodology used to calculate this savings was from the EPA, the Environmental Protection Agency. www. epa.gov/cleanenergy
* The total energy consumption considers the incorporation of 40 Italianni's establishments, which during 2012 began adapting to our environmental policy requirements.

In order to mitigate our environmental impact, in 2012 we identified the kind of wastes that our operation generates.

PAPER	0.33%
CARDBOARD	13.33%
GLASS	2.79%
ALUMINUM	0.64%
LAMINATE	0.76%
PLASTIC	0.63%
PET	1.11%
DISHES	0.12%
TRASH	50.76%
ORGANIC WASTE	29.52%

During 2013 we will focus our efforts on recovering this waste and generating alliances that allow us to recycle them or reuse them in the best way possible.

In 2012, we extended our used vegetable oil collection program for the oil that we produce. This oil will be used for the generation of Biodiesel.

Totals
47,617

Cubic meters of oil 47.6

Truckloads of oil
4.8

We promote the use of recyclable materials in all of our brands, using tablecloths, napkins, carry-out bags, pizza boxes, and cup holders made from recyclable materials.

Domino's napkins are made from 100% recyclable materials and the plastic bags used for deliveries are Biodegradable.

WE PROMOTE THE PROPER SEPARATION AND RECYCLING OF WASTE AMONG OUR CONSUMERS AND COWORKERS

During 2013 we will continue valuing initiatives that seek to reduce our ecological footprint, which is why we are evaluating various practices such as:

- Renewable energy sources.
- Waste reduction and recycling programs.
- The use of more efficient solar and gas heaters.
- The inclusion of green vehicles in our fleets.

Community

WE ARE **PEOPLE**

TAKING CARE OF PEOPLE

Fundación Alsea A.C. reaffirms its commitment to ensuring food security in vulnerable communities and the promotion of human development through education.

In 2012 we supported the initiative "Va por mi cuenta", a movement that through Alsea's participation, as well as its brands and all the people willing to contribute toward ending child malnutrition in our country.

This goal, in the first phase, will be achieved through the construction and operation of child dining rooms which we call "Nuestro Comedor" and which are managed by our operating partner Comedor Santa María, A.C., guaranteeing a positive nutritional impact on vulnerable child populations.

Additionally, with the movement we seek to raise consciousness about the serious problem of malnutrition due to the lack of access to adequate, varied, sufficient, and uncontaminated food.

NUESTRO COMEDOR

FUNDACIÓN ALSEA Y COMEDOR SANTA MARÍA

THE FOLLOWING WAS ACHIEVED BY THE END OF 2012:

THE OPERATION OF TWO DINING ROOMS LOCATED IN THE CHALCO AND METEPEC IN THE ESTADO DE MÉXICO

THE DELIVERY OF 18,615 NUTRITIOUS MEALS, BENEFITING 400 CHILDREN DAILY

TOTAL RAISED $5,786,200.45 PESOS

IN 2013 WE EXPECT TO CONSTRUCT **3 DINING ROOMS** TO SERVE 1,300 CHILDREN PER DAY

Results and achievements for 2012

Through Fundación Alsea A. C. and our business units' various community support programs, we achieved the following:

50,534 HOURS VOLUNTEERED, 303% MORE THAN THE PREVIOUS YEAR

MORE THAN 100,000 PEOPLE BENEFITED

$903,197 IN DONATIONS IN KIND

44 TONS OF GRAINS COLLECTED WITH THE CAMPAIGN "SEMILLAS QUE LLENAN VIDAS"

$4,489,280 IN FINANCIAL DONATIONS

MANO AMIGA CHALCO

For the 9th consecutive year Fundación Alsea supports Mano Amiga Chalco, located in one of the communities that lags behind the most in education in the Estado de México. Providing education to:

69 FIRST YEAR MIDDLE SCHOOL STUDENTS

67 SECOND YEAR MIDDLE SCHOOL STUDENTS

"VOCATIONAL TESTIMONIES II" WAS HELD, WITH **500 STUDENTS** FROM MIDDLE AND HIGH SCHOOLS

FONDO PARA La Paz

The alliance with Fondo para la Paz has been strengthened in order to combat extreme poverty in 12 communities in the state of Oaxaca by:

OFFERING ACCESS TO BASIC SERVICES

CARING FOR AND PRESERVING THE ENVIRONMENT

DEVELOPMENT OF SOCIAL CAPITAL

EMPOWERING WOMEN

REDUCING CHILD MALNUTRITION

GRI index (G3)

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1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	6-9 and 35
Organizational Profile		
2.1	Name of the organization	2
2.2	Primary brands, products, and/or services	2 and 3
2.3	Operational structure of the organization	2-3 and 29
2.4	Location of organization's headquarters	Inside backpage
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	2 and 3
2.6	Nature of ownership and legal form	Inside backpage
2.7	Markets served.	2 and 3
2.8	Scale of the reporting organization	2 and 5
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3.2	Date of most recent previous report	Inside backpage
3.3	Reporting cycle	Inside backpage
3.4	Contact point for questions regarding the report or its contents	Inside backpage
3.6	Boundary of the report	2 and 3
3.7	State any specific limitations on the scope or boundary of the report	2 and 3
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	In 2012, Alsea operated the brand Starbucks in Mexico, Argentina and Chile, under a joint venture agreement.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	44
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	There are no re-statements of the information provided in earlier reports

Disclosure	Description	Page
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	There are no significant changes from previous reporting periods
3.12	Table identifying the location of the Standard Disclosures in the report	50-54
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4.2	Indicate whether the Chair of the highest governance body is also an executive officer	35
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	34
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4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	35
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	35
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	35
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	2 and 3
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	35-37
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	34
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	9 and inside backpage
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic	34
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4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	37
Economic Performance Indicators		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	43
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	47-48

GRI index (G3)

Disclosure	Description	Page	Global Compact Principles
Environmental Performance Indicators			
EN3	Direct energy consumption by primary energy source	44	**Principle 7:** Support a precautionary approach to environmental challenges. **Principle 8:** Undertake initiatives to promote environmental responsibility. **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.
EN5	Energy saved due to conservation and efficiency improvements	44	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	44-45	
EN8	Total water withdrawal by source	44	
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EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	44-45	
Social: Labor Practices and Decent Work Performance Indicators			
LA1	Total workforce by employment type, employment contract, and region	41	**Principle 1:** Support and respect the protection of internationally proclaimed human rights. **Principle 2:** Make sure that they are not complicit in human rights abuses. **Principle 6:** Uphold the elimination of discrimination in employment and occupation.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	40	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	40	
LA10	Average hours of training per year per employee by employee category	38	
LA12	Percentage of employees receiving regular performance and career development reviews	38	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	41	

Disclosure	Description	Page	Global Compact Principles
Social: Human Rights Performance Indicators			
HR4	Total number of incidents of discrimination and actions taken	38	**Principle 1:** Support and respect the protection of internationally proclaimed human rights. **Principle 2:** Make sure that they are not complicit in human rights abuses. **Principle 4:** Uphold the elimination of all forms of forced and compulsory labour. **Principle 5:** Uphold the effective abolition of child labour. **Principle 6:** Uphold the elimination of discrimination in employment and occupation.
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Alsea has no risk for incidents of child labor since it complies with the labor legislation of all the countries where it operates	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Alsea avoids any activity that poses any risk for incidents of forced or compulsory labor	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Alsea does not report any incidents of violation involving rights of indigenous people	
Social: Society Performance Indicators			
SO2	Percentage and total number of business units analyzed for risks related to corruption	66-67	**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	39	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	34	

GRI index (G3)

Disclosure	Description	Page	Global Compact Principles
Social: Product Responsibility Performance Indicators			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Alsea has no incidents concerning health and safety impacts of our products and services	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	42	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Alsea has no incidents regarding information and labeling of our products and services	**Principle 1:** Support and respect the protection of internationally proclaimed human rights.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	43	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	43	

THE MILLENNIUM DEVELOPMENT GOALS	
With our actions and performance Alsea contributes to the fulfillment of the following Millenium Goals:	
Goal 1	Eradicating extreme poverty and hunger
Goal 2	Achieving universal primary education
Goal 3	Promoting gender equality and empowering women
Goal 7	Ensuring environmental sustainability
Goal 8	Developing a global partnership for development

Principles of the Global Compact of the United Nations

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labour.

Principle 5: The effective abolition of child labour.

Principle 6: The elimination of discrimination in respect of employment and occupation.

THE GLOBAL COMPACT

WE SUPPORT

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

MD&A AND

COMMITTEE´S LETTERS

Management´s Discussion & Analysis

CONSOLIDATED RESULTS FOR THE FULL YEAR 2012

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 in the year ended December 31, 2012, in comparison with the same period of 2011. This information is presented according to the International Financial Reporting Standards (IFRS), and is presented in nominal terms.

	2012	Margin%	2011	Margin%	Change%
Net sales	$13,519.5	100.0%	$10,668.8	100.0%	26.7%
Gross Income	8,747.8	64.7%	6,881.2	64.5%	27.1%
EBITDA(1)	1,608.6	11.9%	1,123.1	10.5%	43.2%
Operating income	797.3	5.9%	453.1	4.2%	76.0%
Net Income	$401.8	3.0%	$236.8	2.2%	69.7%
EPS(2)	0.5726	N.A.	0.3440	N.A.	66.5%

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

SALES

Increase of
2,851 million pesos

Net sales increased 26.7% to 13,519.5 million pesos during the full year 2012, in comparison with 10,668.8 million pesos in the same quarter of the prior year. This increase of 2,850.7 million pesos reflects the growth in sales of the food and beverage segments in Mexico and South America, mainly due to the 10.5% growth in same-store sales, to the increase in the number of units and to a lesser extent, to the growth in the distributor's revenues from third parties.

Growth in brand sales was due to the increase in same-store sales for the operations in Mexico and South America, as a result of additional orders served and a higher average ticket, because of the commercial and communication strategies implemented by each brand, as well as the fact that there was a net increase of 84 corporate stores in the last twelve months and sustained improvement in consumer behavior.

GROSS PROFIT

Gross margin of
64.7 %

During the full-year 2012, gross income increased 1,866.6 million pesos to 8,747.8 million pesos, with a gross margin of 64.7%, compared with 64.5% recorded in 2011. The improvement of 0.2 percentage points in the gross margin is mainly attributed to the appreciation of the peso against the dollar over the last twelve months, as well as to the positive effect from the businesses mix in which the business units with the highest sales growth are those that generate lower costs as a percentage of sales. This effect was partially offset by the increased cost of some inputs, and to a lesser extent, to the discount strategies implemented among some brands.

OPERATING EXPENSES

Operating expenses (excluding depreciation and amortization) decreased 1.1% as a percentage of sales, dropping from 54.0% during the full-year 2011, to 52.9% in the same period of 2012. That improvement can be attributed mainly to the margin from growth in same-store sales, to the increase in the number of units, and to a lesser extent, to operating efficiencies achieved during the period. These effects were partially offset by the aforementioned business mix in which the units with larger sales growth are those that generate higher expenses as a percentage of sales.

Decreare of
110 bps
in Margin

EBITDA

EBITDA increased 43.2%, to 1,608.6 million pesos for the full year 2012, in comparison with the 1,123.1 million pesos in full-year 2011. EBITDA margin presented an expansion of 1.4 percentage points, rising from 10.5% in full-year 2011, to 11.9% in 2012. This increase was mainly due to the margin from the growth in same-store sales for the Company's different brands, and to a lesser extent as a consequence of the business mix, in which the units with the highest growth are those that have a higher EBITDA margin as a percentage of sales. In addition to the above, margin expansion is a result of the improvement in the cost resulting from the initiatives and business strategies handled from brands and to a less extent, to the operating efficiencies achieved during the year as a result of improvements in the operating model.

1,609 million pesos
of EBITDA

Margin of
11.9 %

OPERATING INCOME

For the full-year 2012, operating income showed an increase of 76.0%, equivalent to 344.2 million pesos, closing at 797.3 million pesos, in comparison with the 453.1 million pesos in the same period of 2011. The foregoing was mainly due to the increase of 485.5 million pesos in EBITDA, which was offset by the 133.1 million pesos increase in depreciation and amortization due to the Company's expansion plan over the last twelve months. The operating margin increased 170 basis points versus the same period of the previous year, mainly as a consequence of the EBITDA margin expansion previously mentioned.

NET INCOME

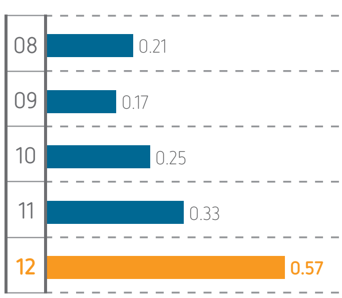
Net consolidated income rose 69.7%, increasing from 23.8 million pesos in full-year 2011, to 401.8 million pesos for full-year 2012. The 165.0 million pesos increase was mainly due to the increase of 344.2 million pesos in operating income and to the increase of 4.2 million pesos in the participation the results of associated companies. Those variations were partially offset by the increase of 112.1 million pesos in tax on earnings, and to the 71.3 million pesos increase in the all-in result of financing.

69.7 % ↑
vs. 2011

EARNINGS PER SHARE

Earnings per share "EPS"(2) for the twelve months ended December 31, 2012, increased to 0.5726 pesos, in comparison with 0.3440 pesos for the twelve months ended December 31, 2011.

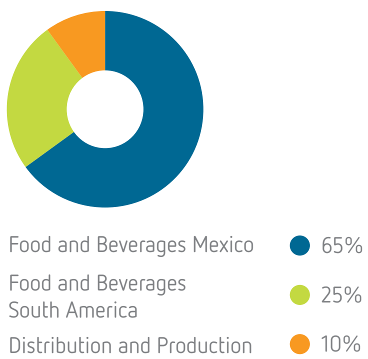
Earnings per share



RESULTS BY SEGMENT

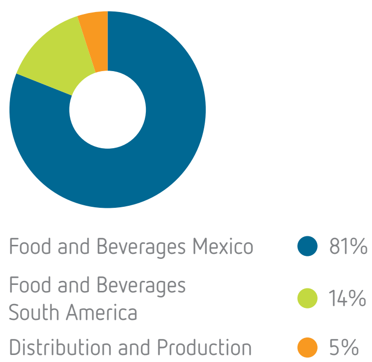
Earnings per share "EPS"(2) for the twelve months ended December 31, 2012, increased to 0.5726 pesos, in comparison with 0.3440 pesos for the twelve months ended December 31, 2011.

Net Sales by Segment



Net Sales by Segment	2012	% Cont.	2011	% Cont.	% Var.
Food and Beverages – Mexico	$8,752.2	64.7%	$7,083.8	66.4%	23.6%
Food and Beverages – South America	3,416.3	25.3%	2,401.7	22.5%	42.2%
Distribution and Production	4,032.4	29.8%	3,395.6	31.8%	18.8%
Intercompany Operations (3)	(2,681.4)	(19.8)%	(2,212.3)	(20.7)%	21.2%
Consolidated Net Sales	**13,519.5**	**100.0%**	**10,668.8**	**100.0%**	**26.7%**

EBITDA by Segment



EBITDA by Segment	2012	% Cont.	Margin	2011	% Cont.	Margin	% Var.
Food and Beverages – Mexico	$1,307.3	81.3%	14.9%	$840.1	74.8%	11.9%	55.6%
Food and Beverages – South America	214.3	13.3%	6.3%	198.7	17.7%	8.3%	7.8%
Distribution and Production	78.4	4.9%	1.9%	39.6	3.5%	1.2%	97.9%
Others(3)	8.7	0.0	N.A.	44.7	0.0	N.A.	(80.5)%
Consolidated EBITDA	**1,608.6**	**100%**	**11.9%**	**1,123.1**	**100%**	**10.5%**	**43.2%**

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

1,668 million pesos growth

14.9 % EBITDA margin

1,015 million pesos growth

Food and Beverages – Mexico

Sales for the full-year 2012 increased 23.6% to 8,752.2 million pesos, in comparison with 7,083.8 million pesos in the same period of 2011. This positive variation of 1,668.4 million pesos is mainly attributable to the growth in same-store sales for the segment in Mexico and to the net opening of 48 corporate units from its various brands over the last twelve months.

EBITDA increased 55.6% during the full-year 2012 to 1,307.3 million pesos, compared with the 840.1 million pesos reported in the same period of the prior year. That increase is attributed to the margin generated by the increase in same-store sales, by the cost improvement resulting from the initiatives and business strategies implemented in different brands and to a lesser extent, to the effect due to the aforementioned business mix.

Food and Beverages – South America

At the end of 2012, the Food and Beverages – South America division represented 25.6% of Alsea's consolidated sales and was comprised of Burger King Operations in Argentina, Chile and Colombia, as well as Domino's Pizza Colombia, Starbucks Coffee Argentina and PF Chang´s Chile with a total of 208 units. This division saw a 42.2% increase in sales, totaling 3,416.3 million pesos, in comparison with 2,401.7 million pesos during 2011. This increase of 1,014.6 million pesos was mainly due to the increase in same-store sales in the South America division and to the net opening of 36 corporate units over the last twelve months.

For the full-year 2012, EBITDA for the Food and Beverages – South America division increased 7.8% to 214.3 million pesos, in comparison with 198.7 million pesos in the same period of the prior year. This positive variation was mainly attributable to growth in the number of units in operation and to a lesser extent by the reduction in the effect of new business as a result of the consolidation of the brands in the region. These effects were partially offset by the creation of a tax provision due to a difference in tax rates and a liability to pay labor, conducted in the fourth quarter of 2012.

EBITDA of 214 million pesos

Distribution and Production

Net sales during the full-year 2012 increased 18.8% to 4,032.4 million pesos, in comparison with 3,395.6 million pesos in the same period of 2011. The foregoing is due to the growth in same-store sales of the brands in Mexico and to the increase in the number of units served over the last twelve months, supplying a total of 1,474 units as of December 31, 2012, in comparison with 1,367 units during the same period of the prior year, which was an increase of 7.8%. Sales to third parties increased 14.3% to 1,331.8 million pesos, mainly driven to the increase in same-store sales of Burger King and Domino's Pizza System in Mexico, and to the additional units attended, due to the integration of Italianni´s brand in to Alsea´s Business Model.

1,474 Units attended

EBITDA increased 97.9% during the full-year 2012, ending with 78.4 million pesos, in comparison with 39.6 million pesos in the same period of the prior year. This increase of 38.8 million pesos is attributed primarily to growth in same-store sales, the increase in the number of units in operation and the reduction of the effect of new business. The EBITDA margin presented an expansion of 70 base points, mainly due to lower costs as a result of the business mix and efficiencies and operating leverage achieved during the year.

NON-OPERATING RESULTS

All-In Cost of Financing

The all-in cost of financing for the full-year 2012 increased to 189.3 million pesos, in comparison with 118.1 million pesos during the same period of the prior year. This increase of 71.2 million pesos can be mainly attributed to the increase of 67.0 million pesos in net interest paid as a result of the loans acquired for the acquisition of Italianni's, and to a lesser extent to the decreased of 4.2 million pesos in exchange rate result.

Tax on Earnings

Taxes on earnings of 219.1 million pesos increased 112.1 million pesos in comparison with the full-year 2011, which is a result of the 277.2 million pesos increase in earnings before taxes at the close of 2012 and to a lesser extent to the effect caused by South American operations, as some countries have higher tax rates than Mexico.

Effective tax rate of 35.3 %

BALANCE SHEET

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

The increase of 1,965.6 million pesos in this line was mainly due to the acquisition of the Italianni's operation in Mexico and to a lesser extent, to the acquisition of assets and opening of new stores as a part of the expansion program over the last twelve months. This was 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 twelve months ended December 31, 2012, Alsea made capital investments of 2,751.0 million pesos. From the 95.0% of total investments, equal to 2,614.9 million pesos, 1,765.0 million pesos were earmarked for the Italianni's acquisition and 849.9 million pesos for unit openings, equipment refurbishing, and remodeling existing stores for the different brands that the Company operates. The remaining 136.1 million pesos were earmarked for other items, notably logistics improvement projects, as well as software licenses, among other items.

2,751 million pesos of Capex during 2012

Inventories

Inventory increased from 403.1 million pesos at December 31, 2011, to 550.4 million pesos at December 31, 2012. This increase of 147.3 million pesos is mainly attributable to the increase in some inputs due to a price opportunity that arose, allowing those inputs to be acquired in advance, to Alsea's consolidation of Italianni's inventory as a consequence of the acquisition and, to the inventory in advance strategy generated for the operations in Argentina as a result of the import problems presented in this country. Inventory also increased because of the increase of units in operation.

Other Current Assets

The decrease in the Other Current Assets account of 2,184.2 million pesos at December 31, 2012, is mainly due to the fact that at the end of 2011 there was a deposit made to an escrow as part of the process for the acquisition of Italianni's, completed in February 2012.

Taxes Payable – Net

The increase in the account Taxes Payable – Net of Taxes Recoverable, of 89.5 million pesos at December 31, 2012, can be attributed mainly to the increase in income tax payable, partially offset by a higher VAT recoverable.

Deferred Income Tax

Deferred income tax increased from 692.4 million pesos at December 31, 2011, to 778.8 million pesos at December 31, 2012. This increase of 86.4 million pesos occurred mainly as a consequence of the effect of the differences in financial depreciation rates and tax rates, and to recognition of tax losses.

2 days ↑ of suppliers

Suppliers

Suppliers increased from 1,021.4 million pesos at December 31, 2011, to 1,129.6 million pesos at December 31, 2012. This variation of 108.2 million pesos was created principally as a consequence of better negotiating conditions, which translates into an increase of 2 payable days, which rose from 43 to 45 days over the last twelve months and to a lesser extent, by a larger number of units in operation.

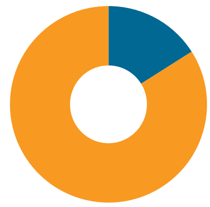
Bank Debt and Local Bonds

At December 31, 2012, Alsea's total debt had decreased by 1,582.0 million pesos, closing at 2,474.5 million pesos, in comparison with 4,056.5 million pesos on the same date of the previous year. The Company's net consolidated debt compared with the fourth quarter of 2011 decreased 1,775.3 million pesos, closing at 1,541.9 million pesos on December 31, 2012, compared with the 3,317.2 million pesos in the same quarter of the previous year. This decrease is mainly attributable to prepayment of ALSEA11 local bond with the proceeds of the equity placement made, and to the cash flow generated by the Company over the last twelve months.

At December 31, 2012, 84.0% of the debt was long term, and on that same date 98.0% of the debt was denominated in Mexican pesos and 2.0% in Argentinean pesos.

The following table shows the amount of total debt in millions of pesos at December 31, 2012, as well as the maturity dates by year:

Debt structure

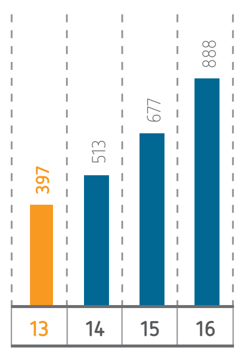


Debt Structure

Bank	Loan	Spread	Balance 4T-12	Maturities by Credit 2013		2014		2015		2016	
Banamex	$600	1.40%	$588	60		162		162		204	
BBVA	$525	1.20%	$525	53		105		158		210	
HSBC	$300	1.50%	$99	8		8		82		-	
HSBC	$737	1.40%	$737	147		147		184		258	
Santander	$533	1.25%	$488	91		91		91		216	
BBVA Francés	RC	18.75%	$35	35		-		-		-	
Citibank Chile	RC	0,74%	$3	3		-		-		-	
Maturities by year			$2,475	$397	16%	$513	21%	$677	27%	$888	36%

Figures in Mexican million pesos
Considers a TIIE of 4.84 %
RC= Revolving Credit

Maturities per Year



WACD * = 6.17 %
*TIIE = 4.84%

Share Repurchase Program

At December 31, 2012, the Company had a cero balance in the repurchase fund. During the twelve months ended December 31, 2012, the Company had purchase and sale operations totaling 13.3 shares, for an approximate amount of 212.6 million pesos.

Financial Ratios

At December 31, 2012, the covenants established in the Company's credit contracts were as follows: the net debt to EBITDA ratio for the last twelve months was slightly below 1.0x and the twelve-month EBITDA to twelve-month interest paid ratio was 6.6x.

Net Debt / EBITDA
0.96 x

ROIC = 8.6 %
ROE = 10.5 %

The Net Return on Invested Capital ("ROIC")(4) increased from 6.4% to 8.6% over the twelve months ended December 31, 2012. The Return on Equity ("ROE") (5) for the twelve months ended December 31, 2012, was 10.5% in comparison with 7.4% for the same period in the prior year.

Average trading per day of
1.3 million shares

Stock Market Indicators

ALSEA* at December 31, 2012 closed with 687.8 million shares in circulation at a price of 25.78 pesos per share, which is a 83.1% increase over the share price at the end of 2011, and with a free float of 47.3%. The EV/EBITDA for the last twelve months was 12.2x. The average daily trading during 2012 was of 1.3 million shares.

Hedge Profile

The Chief Financial Officer, in conjunction Treasury Manager, manages risk as a function of mitigation of present and future risk, no diverting resources from operation, 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.

70 % of the
Company´s needs in
US dollars were hedged

During 2012, hedge derivatives in US dollars matured for 103.3 million dollars, at an average rate of 12.97 pesos per dollar. As a result of this coverage, there was an exchange rate profit of 19.1 million pesos. For 2013 Alsea has hedges to purchase dollars for approximately 44.7 million US dollars, with an average exchange rate of 12.84 pesos per dollar.

Corporate Governance Committee´s Annual Report
To the Board of Directors of Alsea, S.A.B. de C.V.:

February 18, 2013

In compliance with articles 42 and 43 of the Security Market Law and in the name of the Corporate Governance Committee, I present to you our report on the activities we carried out during the year ended December 31, 2012. In the development of our work, we kept present the recommendations contained in the Corporate Best Practice Code.

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

1. During this period we did not receive any request for dispensation according to article 28, section III, paragraph f) of the Securities Market Law so that it was not necessary to make any recommendation in this sense.

2. This committee presented and approved the Strategic Plan of Distribuidora e Importadora Alsea, S.A. de C.V. (DIA).

3. This Committee presented and approved the Investment Plan for Brazil.

4. The quarterly and accrued results of the 2012 Stock Exchange Plan were presented. An authorization to improve the float of Alsea was requested from the General Management, therefore guaranteeing the permanence in the IPC. Furthermore, it was requested to present the proposal of key strategies to increase the price of the share.

5. We were presented with the update of the shareholder cost applicable at the end of each quarter of 2012 using the methodology authorized by the Board of Directors and it is approved to continue using the rate of 16.0%. The delegated director of Latin America was asked to present to this committee a clear strategy to minimize the impact of a negative change in the Argentinean macroeconomic situation.

6. We were presented quarterly with the summary of risk management operations through "forwards of the exchange rate" (peso-dollar) done during the year. Said operations have been executed as authorized, in other words complying with the objective of covering the exchange risk of the operation based on the authorized budget.

7. The results of the evaluation of relevant executives of 2012 were presented. This committee requested a document containing the itemization of the results of the relevant executives, as well as the amount to be disbursed for them.

8. The results of the inquiry of Organizational Climate of Alsea 2012 with the Great Place to Work methodology were presented.

9. A synthesis of the work plan for the development of the replacement tables of the General Management was presented. This Committee asked Human Resources that, at the end of the evaluations of the candidates selected, they be sent for evaluation.

10. The Corporate Department of Human Resources presented the strategy for the Compensation 2013 for managerial levels; this committee recommended the approval of said strategy.

11. The organizational structure of Alsea 2013 was presented, which will be communicated at the beginning of March to be implemented as of April 1. It was recommended to take it to the Board of Directors for approval;

Lastly, I would like to mention as part of our activities, including the preparation of this report, the fact that at all times we have listened and taken into account the viewpoint of the relevant executives, without any notable difference of opinion.

Sincerely,

Julio Gutiérrez

Chairman of the Corporate Governance Committee
Julio Gutierrez Mercadillo

Audit Committee´s Annual Report
To the Board of Directors of Alsea, S.A.B. de C.V:

February 18, 2013

In fulfillment of the provisions of Articles 42 and 43 of the Stock Market Law and the Rules of the Audit Committee, I hereby inform you of our activities during the year ending December 31, 2012. During the performance of our work, we kept in mind the recommendations set out in the Code of Best Corporate Practices and, in accordance with a work program developed from the Committee Rules, we met at least once every quarter to perform the following activities:

I. RISK ASSESSMENT We reviewed, with the Administration and the External and Internal Auditors, the critical risk factors that could affect Company operations, and determined that they had been appropriately identified and managed.

II. INTERNAL CONTROL We ensured that the Administration, in fulfillment of its responsibilities regarding internal control, had established the appropriate policies and procedures. In addition, we followed up on the comments and observations in this respect developed by the External and Internal Auditors in the performance of their work.

III. EXTERNAL AUDIT We recommended that the Board of Directors hire some external auditors for the Group and subsidiaries for fiscal year 2012. To this end, we made sure of their independence and compliance with the requirements of the law. Together with them we analyzed their approach and work program.

We maintained constant and direct communication with them to stay informed on the progress of their work, their observations, and to take note of their comments on the review of the annual financial statement. We were promptly informed of their conclusions and reports on the annual financial statement and followed up on the implementation of the observations and recommendations that arose from their work.

We authorized the fees paid to the external auditors for auditing services and other permitted services, ensuring that this would not interfere with their independence from the company. Taking account of the Administration's point of view, we performed the evaluation of its services for the previous year, and began the process of evaluation for the year 2012.

IV. INTERNAL AUDIT To maintain its independence and objectivity, the Internal Audit area reports functionally to the Audit Committee.

In due course, we revised and approved its annual program of activities. To produce this, Internal Auditing participated in the risk identification process, the establishment of controls, and their verification.

We received periodic reports regarding the progress of the approved work program, changes that might have occurred, and the reasons for the same.

We followed up on the observations and suggestions that arose and their appropriate implementation.

V. FINANCIAL INFORMATION, ACCOUNTING POLICIES, AND THIRD PARTY REPORTS We reviewed, together with the persons responsible, the process of preparation of the quarterly and annual financial statements for the Company, and recommended to the Board of Directors that it approve and authorize them for publication. As part of this process, we took into consideration the opinion and observations of the external auditors and ensured that the criteria, accounting policies, and information used by the Administration to prepare the financial information were adequate and sufficient and had been applied consistently with those for the previous year. As a consequence, the information presented by the Administration reasonably reflects the Company's financial situation, operational results, and changes in financial situation for the year ending December 31, 2012.

We also revised the quarterly reports prepared by the Administration to be presented to the shareholders and the general public, verifying that they were prepared using the same accounting criteria used to prepare the annual information. We verified that there was a comprehensive process that provides reasonable security for its contents. In conclusion, we recommend that the Board authorize its publication.

Our review also includes the reports and any other financial information required by the Mexican Regulatory Bodies.

We reviewed and confirmed that the Company, starting from 2012, adopted and implemented for the preparation of its Financial Statements the accounting framework set out in the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS and IASB, respectively), considering as part of this process the opinion and observations of the external auditors. Therefore we conclude from the foregoing that the Company has fulfilled the requirements set out by the Mexican National Banking and Securities Commission.

VI. COMPLIANCE WITH REGULATIONS, LEGAL ASPECTS, AND CONTINGENCIES We confirmed the existence and reliability of the controls established by the company to ensure compliance with the various legal requirements to which it is subject, ensuring that they were properly disclosed in the financial information.

We periodically reviewed the various legal, fiscal, and labor contingencies existent within the company, monitoring the efficacy of the procedure established for their identification and tracking, as well as their proper disclosure and recording.

VII. ADMINISTRATIVE ASPECTS We held regular meetings with the Administration to keep ourselves informed on the functioning of the Company and relevant or unusual activities or events. We also met with the external and internal auditors to discuss the progress of their work and any constraints they might have encountered, and to facilitate any private communication they wished to have with the Committee.

In cases where we deemed it appropriate, we sought the support and opinion of independent experts. Similarly, we had no knowledge of any significant non-compliances in operational policies, internal control systems, or accounting records policies.

We held executive meetings with the exclusive participation of Committee members, during which we established agreements and recommendations for the Administration.

The President of the Audit Committee reported our activities to the Board of Directors on a quarterly basis.

Our work was duly documented in records prepared for each meeting, which were appropriately reviewed and approved by the members of the Committee.

Sincerely,

Chairman of the Audit Committee
Ivan Moguel Kuri

FINANCIAL STATEMENTS

ALSEA, S.A.B. DE C.V. AND SUBSIDIARIES
Consolidated financial statements
for the years ended December 31, 2012 and 2011, and
Independent Auditors' Report Dated March 29, 2013

Index

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

(Thousands of Mexican pesos)

We have audited the accompanying consolidated financial statements of Alsea, S. A. B. de C. V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December, 2011, the consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alsea, S. A. B. de C. V. and subsidiaries as at December 31, 2011, and the consolidated results of their operations and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

As described in note 1(e) and as a result of court rulings issued in December 2009; November 2010, and at December 31, 2011, Alsea has established the necessary arrangements to finalize the acquisition of Italcafé, S. A. C. V., thus ending the legal disputes faced in previous years with no detriment to the parties involved. On the other hand, in February 2012, the acquisition was finalized amounting $1,765,000 plus other additional costs, which means that as of that date control over the assets and liabilities acquired was duly transferred to the Group.

As mentioned in note 1(b), in May 2011, Alsea finalized the placement of debt stock in the amount of $1,000,000 on the Mexican market. In December, 2012, Alsea amortized in advance the total amount of said debt instrument through the resources obtained from the issued stock by Alsea in December, 2012, amounting $1,150,000.

KPMG CARDENAS DOSAL, S. C.

Jaime Sánchez Mejorada

March 29, 2013

Independent auditors' report to the Board of Directors and Shareholders of Alsea, S.A.B. de C.V.

We have audited the enclosed consolidated financial statements of Alsea, S.A.B. de C.V. and Subsidiaries (the Entity), which include the consolidated statements of financial position at December 31, 2012 and the consolidated statements of comprehensive income and other comprehensive income, of changes in stockholders' equity and of cash flows for the year ended on that date, as well as a summary of the significant accounting policies and other explanatory notes.

Management responsibility for the consolidated financial statements

The Entity's Management is responsible for preparing and providing a fair presentation of the accompanying consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards, and the internal control considered necessary by the Entity to prepare consolidated financial statements that are free of material misstatement due to fraud or error.

Responsibility of the Independent auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates prepared by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alsea, S. A.B. de C. V. and subsidiaries as of December 31, 2012, and its financial performance and its cash flows for the year ended on that date, in accordance with International Financial Reporting Standards issued by the International Accounting Standards.

Other matters

The financial statements of Alsea, S.A.B. de C.V. and Subsidiaries for the year ended on December 31, 2011 and January 1, 2011 were audited by other auditors that expressed an unqualified opinion on said consolidated financial statements on March 29, 2013.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Francisco Torres Uruchurtu

March 29, 2013

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

Consolidated statements of financial position

At December 31, 2012 and 2011 and January 1, 2011 (date of transition)
(Figures in thousands of Mexican pesos)

Assets	Notes	2012	2011	Date of transition
Current assets				
Cash and cash equivalents	6	$ 932,594	$ 739,379	$ 640,203
Customers, net	7	339,481	219,350	207,224
Value added tax and other recoverable taxes		272,254	243,736	218,037
Other accounts receivable		196,450	166,228	39,482
Inventories, net	8	550,394	403,130	352,325
Advance payments	9	184,201	128,631	95,233
Guarantee deposits	10	-	2,262,800	-
Total current assets		2,475,374	4,163,254	1,552,504
Long term assets				
Guarantee deposits	10	110,020	86,991	78,168
Investment in shares of associated company	11	40,296	30,394	20,783
Store equipment, leasehold improvements and property, net	12	3,924,108	3,472,420	2,994,123
Intangible assets, net	12	2,418,830	928,695	914,626
Deferred income taxes	23b	828,965	692,420	544,474
Total long-term assets		7,322,219	5,210,920	4,552,174
Total assets		$ 9,797,593	$ 9,374,174	$ 6,104,678

See accompanying notes to the consolidated financial statements.

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

Liabilities and stockholders' equity	Notes		2012		2011		Date of transition
Current liabilities							
Current maturities of long-term debts	15	$	396,647	$	185,333	$	229,524
Suppliers			1,129,612		1,021,424		710,548
Accounts payable and accumulated liabilities			209,669		117,633		120,092
Provisions	18		661,735		571,730		364,592
Income taxes			189,749		87,638		37,032
Taxes arising from tax consolidation			6,885		7,089		2,606
Total current assets			2,594,297		1,990,847		1,464,394
Long-term liabilities							
Long-term debts, not including current maturities	15		2,077,833		2,877,667		668,000
Debt instruments	16		-		993,531		694,834
Other liabilities			58,787		24,924		37,962
Taxes arising from tax consolidation			186,569		162,724		127,720
Employee retirement benefits	22		51,210		31,750		22,498
Total long-term liabilities			2,374,399		4,090,596		1,551,014
Total liabilities			4,968,696		6,081,443		3,015,408
Stockholders' equity	24						
Capital stock		$	403,339	$	362,461	$	362,080
Premium on share issue			2,466,822		1,092,047		1,086,415
Retained earnings			1,173,693		1,118,767		1,031,772
Reserve for repurchase of shares			564,201		383,903		363,833
Other comprehensive income items			(87,347)		36,750		-
Stockholders' equity attributable to the controlling interest			4,520,708		2,993,928		2,844,100
Non-controlling interest			308,189		298,803		245,170
Total stockholders' equity			4,828,897		3,292,731		3,089,270
Total liabilities and stockholders' equity		$	9,797,593	$	9,374,174	$	6,104,678

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

Consolidated Statements of Income

For the years ended on December 31, 2012 and 2011
(Figures in thousands of Mexican pesos)

	Notes	2012	2011
Net sales		$ 13,519,506	$ 10,668,771
Cost of sales		4,771,721	3,787,599
Leases		1,066,583	827,370
Depreciation and amortization		794,867	661,780
Operating costs and expenses		6,098,830	4,846,801
Other expenses (income) - Net	21	9,804	(92,154)
Interest income		(47,043)	(20,687)
Exchange gain - Net		(8,719)	(12,911)
Interest expenses		245,104	151,692
		607,967	334,973
Equity in results of associated company	11	12,978	8,805
Income before income taxes		620,945	343,778
Income taxes	23	219,147	107,017
Consolidated net income		$ 401,798	$ 236,761
Comprehensive income for the year attributable to:			
Non-controlling interest		$ 36,880	$ 27,118
Controlling interest		$ 364,918	$ 209,643
Net basic gain per share (cents per share)	25	$ 0.57	$ 0.34

See accompanying notes to the consolidated financial statements.

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

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

Consolidated statements of comprehensive income

For the years ended on December 31, 2012 and 2011
(Figures in thousands of Mexican pesos)

	2012	2011
Consolidated net income	$ 401,798	$ 236,761
Other comprehensive items:		
Financial instrument valuation	(9,963)	9,166
Conversion of foreign operations	(114,134)	27,584
Total comprehensive income for the period, net of income taxes	277,701	273,511
Comprehensive income for the year attributable to:		
Net income of controlling interest	$ 240,821	$ 246,393
Non-controlling interest	$ 36,880	$ 27,118

See accompanying notes to the consolidated financial statements.

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

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

Consolidated statements of changes in stockholders' equity

For the years ended on December 31, 2012 and 2011
(Figures in thousands of Mexican pesos)

	Contributed capital		
	Capital Stock	Premium on issuance of shares	Repurchased shares
Balances at the start of 2011 (transition date)	$ 368,362	$ 1,086,415	$ (6,282)
Increase in non-controlling interest	-	-	-
Repurchased shares, net (Note 24)	-	-	381
Premium on share subscription (Note 24)	-	5,632	-
Transfer of legal reserve	-	-	-
Cash dividends (Note 24)	-	-	-
Comprehensive income	-	-	-
Balances at December 31, 2011	$ 368,362	$ 1,092,047	$ (5,901)
Repurchased shares, net (Note 24)	-	1,090	5,901
Transfer of legal reserve (Note 24)	-	-	-
Business acquisition and purchase of non-controlling interest (Note 1d and 14)	-	(15,262)	-
Share dividends (Note 24)	8,233	300,669	-
Cash dividends declared by a subsidiary (Note 24)	-	-	-
Placement of shares (Note 1d)	26,744	1,088,278	-
Comprehensive income	-	-	-
Balances at December 31, 2012	$ 403,339	$ 2,466,822	$ -

See accompanying notes to the consolidated financial statements.

Retained earnings			Other comprehensive income items				
Reserve for repurchase of shares	Legal reserve	Retained earnings	Valuation of financial instruments	Effect of conversion of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
$ 363,833	$ 86,051	$ 945,721	$ -	$ -	$ 2,844,100	$ 245,170	$ 3,089,270
-	-	-	-	-	-	26,515	26,515
20,070	-	-	-	-	20,451	-	20,451
-	-	-	-	-	5,632	-	5,632
-	7,560	(7,560)	-	-	-	-	-
-	-	(122,648)	-	-	(122,648)	-	(122,648)
-	-	209,643	9,166	27,584	246,393	27,118	273,511
$ 383,903	$ 93,611	$ 1,025,156	$ 9,166	$ 27,584	$ 2,993,928	$ 298,803	$ 3,292,731
180,298	-	(1,090)	-	-	186,199	-	186,199
-	7,125	(7,125)	-	-	-	-	-
-	-	-	-	-	(15,262)	(494)	(15,756)
-	-	(308,902)	-	-	-	-	-
-	-	-	-	-	-	(27,000)	(27,000)
-	-	-	-	-	1,115,022	-	1,115,022
-	-	364,918	(9,963)	(114,134)	240,821	36,880	277,701
$ 564,201	$ 100,736	$ 1,072,957	$ (797)	$ (86,550)	$ 4,520,708	$ 308,189	$ 4,828,897

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

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

Consolidated statements of cash flows

For the years ended on December 31, 2012 and 2011
(Figures in thousands of Mexican pesos)

	Notes	2012	2011
Cash flows from operating activities			
Consolidated net income		$ 401,798	$ 236,761
Adjustment for:			
Income taxes		219,147	107,017
Equity in results of associated company		(12,978)	(8,805)
Financial costs		245,104	151,692
Investment income		(47,043)	(20,687)
Cancellation of store equipment and property		64,200	34,099
Estimations for the period		90,005	207,138
Long-term depreciation and amortization	19	811,298	670,000
Cost of purchase of non-controlling interest		(11,748)	-
Effect of valuation of financial instruments		(9,963)	9,166
		1,749,820	1,386,381
Changes in working capital			
Customers		(79,917)	(10,809)
Recoverable taxes		(758)	(25,699)
Other accounts receivable		(23,263)	(126,745)
Inventories		(100,418)	(49,480)
Advance payments		(38,332)	(8,823)
Guarantee deposits		(23,029)	(37,622)
Suppliers		80,640	272,415
Taxes payable		(220,337)	(167,200)
Other liabilities		85,066	17,514
Labor obligations		19,460	9,253
Net cash flows provided by operating activities		1,448,932	1,259,186
Cash flows from investing activities			
Interest collected		47,043	20,687
Store equipment, leasehold improvements and property		(921,123)	(939,845)
Intangible assets.		(220,542)	(235,904)
Guarantee deposits	10	-	(2,262,800)
Reimbursement of guaranty deposit	10	2,262,800	-
Purchase of non-controlling interest		(15,262)	-
Net cash flows arising from business acquisitions	1e and 14	(1,765,000)	-
Net cash flows used in investing activities		(612,084)	(3,417,862)

(Continued)

	Notes	2012	2011
Cash flows from financing activities			
Bank loans	15	75,092	2,706,233
Amortization of bank financing		(750,168)	(537,317)
Issue of debt instruments	1b and 16	-	1,000,000
Amortization of debt instrument		(1,000,000)	(700,000)
Increase in capital stock, net of premium and expenses incurred for share issue	24	1,115,022	-
Interest paid		(245,104)	(151,692)
Dividends paid		-	(122,648)
Other items		(27,000)	26,515
Repurchase of shares, net		186,199	26,083
Net cash flows (used in) provided by financing activities		(645,959)	2,247,174
Net increase in cash and cash equivalents		190,889	88,498
Cash and cash equivalents at beginning of year		739,379	640,203
Exchange effects on value of cash		2,326	10,678
Cash and cash equivalents at end of year		$ 932,594	$ 739,379

See accompanying notes to the consolidated financial statements.

(Continued)

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

1. Activity, main operations and significant subsequent events -

Alsea, S.A.B. de C.V. and Subsidiaries (Alsea or the Entity) was incorporated as a variable income stock company on May 16, 1997 in Mexico. The Entity's domicile is Paseo de la Reforma No. 222, tercer piso, Col. Juárez, Delegación Cuauhtémoc C.P. 06600, México, D.F.

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

Operations

Alsea is mainly engaged in operating fast food restaurants "QSR", cafeteria and casual dining units "Casual Dining". In Mexico, the Entity operates the brands Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, California Pizza Kitchen, P.F Chang's China Bistro and Pei Wei Asian Diner, and began operating the Italianni's brand in March 2012. In order to operate its multi-units, the Entity has the support of its shared service center, which includes the supply chain through Distribuidora e Importadora Alsea, S.A. de C.V. (DIA), real property and development services, as well as administrative services (financial, human resources and technology). In Chile and Argentina, it operates the Burger King brand and beginning in 2007 it began operating Starbucks in association with Starbucks International. In Colombia, it has operated the Domino's Pizza and Burger King brands since 2008. In May 2011, Alsea signed an agreement with PFCCB International, Inc. for the exclusive development and operation of P.F. Chang's China bistro in Argentina, Colombia and Chile, the latter country in which it opened its first P.F. Chang's unit in 2012.

Main operations

a. **Agreement to purchase the Burger King master franchise in Mexico.-** In December 2012, Alsea signed a Strategic Association Agreement with Burger King Worldwide, Inc. ("BKW") to acquire the master franchise of the BURGER KING® brand in Mexico for a 20-year exclusivity. Under the Strategic Association Agreement signed by Alsea and BKW, the BKW subsidiary will merge with Operadora de Franquicias Alsea S.A. de C.V. ("OFA"), a subsidiary of Alsea, with the latter as the surviving company and operator of 203 BURGER KING® restaurants in Mexico. Once the merger goes into effect, BKW will sell the OFA shares to Alsea, which means that after the transactions in question are finalized, Alsea will retain 80% of OFA and BKW will retain the remaining 20%. This merger is subject to the approval of the Federal Competition Commission (CFC). The most important rights and responsibilities acquired by Alsea through OFA are: i.- Operating control over the BURGER KING® brand throughout Mexico, ii.- The acquisition of 97 BURGER KING® restaurants for operation of a total of 203 units, iii.- Exclusivity in Mexico for a 20-year period, iv.- Collection of royalties from its sub-franchisees; and v.- A development plan that contemplates new BURGER KING® corporate stores and sub-franchisees for the following 20 years.

b. **Early amortization of the total "ALSEA 11" debt instrument.-** In May 2011, Alsea finished placing debt instruments for a total of $1,000 million pesos in the Mexican market. The resources obtained from that issuance were used mainly to prepay the debt instruments issued in December 2009 and March 2010 for $300 and $400 million pesos, respectively.

   In December 2012, Alsea amortized in advance the total amount of said debt instrument "ALSEA11". The payment was for approximately $1,004.7 million pesos, which included interest accrued. Said issue was settled with part of the resources obtained from the capital issue performed by the Entity, which helped to improve the cost of the debt and the maturity profile. (Note 16)

c. **Capital issue.-** In December 2012, Alsea issued stock worth 1,150 million pesos, which included the over-allotment option. The issue was carried out in the Mexican market through the Mexican Stock Exchange (BMV for its initials in Spanish) and the foreign market through a private offer in accordance with Regulation "S" of the US Securities Act of 1933. The final placement price according to the books was 21.50 pesos per share, which resulted in the placement of approximately 53.49 million shares. As a result of the issue and the exercise of the over-allotment option, Alsea's subscribed and paid in capital will be comprised of 687'759,054 (six hundred and eighty seven million , seven hundred and fifty nine thousand, fifty four) Class I, sole series, common shares, with no par value. The Entity used the resources derived from this issue to prepay the debt instrument with ticker code ALSEA'11, which matures in 2014, as a result of which the leverage level for this transaction decreases (Net Debt to EBITDA) from 1.9x to 1.2x with figures at September 2012. (Note 24)

d. **Acquisition of 35% of Grupo Calpik, S.A.P.I. de C.V. and 10.64 % of Panadería y Alimentos para Food Service, S.A de C.V..-** In June 2012, the Entity finalized the acquisition of the remaining 35% shares of Grupo Calpik, a company that holds the exclusive rights to develop and operate California Pizza Kitchen restaurants in Mexico. The book entry for that acquisition gave rise to a charge to stockholders' equity of $15,262. Additionally, in October 2012, the Entity acquired the remaining 10.64% shares of Panadería y Alimentos para Food Service, a company that distributes food brands mainly to Café Sirena, S de R.L. de C.V. , which operates Starbucks in Mexico. The book entry for said acquisitions gave rise to a decrease in the Entity's non-controlling interest of $15,172 and $11,748, respectively. (Note 24)

e. **Agreement to acquire Italianni's restaurants and the exclusive rights to develop and operate that brand of restaurants in Mexico.-** The process for the Italianni's acquisition concluded in February 2012 at a final price of $1,765 million pesos.

   Italianni's is a leading Italian food chain in Mexico with more than 52 units in over 20 states. The brand is known for offering top quality products and services thanks to its experienced operating team and a philosophy based on high service values. (Note 14)

f. **Acquisition of the master license and exclusive development rights for operating the Pei Wei Asian Dinner (Pei Wei) brand in Mexico.-** As part of its expansion plan, in October 2011, Alsea signed an exclusive development and master license agreement to operate the Pei Wei brand in the entire Mexican territory. The agreement stipulates the obligation to open three units in the first 18 months and the right to a 10-year exclusivity agreement, with a commitment to open 50 units and the right to extend the term. The first restaurant commenced operations in December 2011.

   The concept behind the brand is an Asian food menu operating in Mexico under a business model of sit-down, to go and home delivery service, thus adding value to the brand.

   Pei Wei is the leading Asian food brand in the US under the "Fast Casual" category, which means that by signing the agreement, Alsea becomes the pioneer in Mexico operating under this concept.

g. **New agreements signed with Starbucks Coffee International (SCI) for Mexico, Argentina and Chile.-** In October 2011, Alsea established new accords with SCI to develop the brand. Alsea currently holds 82% shareholding over the Starbucks Mexico and Starbucks Argentina subsidiaries and SCI holds the remaining 18%. Shareholding over the subsidiary in Chile is 82% for SCI and 18% for Alsea.

Under the initial agreements, SCI has the option to increase its shareholding in the Mexico and Argentina subsidiaries by up to 50% and for the Chilean subsidiary Alsea has the option to increase its shareholding by up to 49%.

In light of the new agreements signed with SCI to develop the brand, Alsea has committed to develop more than 300 new units for the Mexico and Argentina markets in the next five years. If the proposed openings plan is achieved and all the agreed terms are met, SCI will waive its right to increase its shareholding in the Mexico and Argentina subsidiaries.

The agreements also include an extension of Alsea's rights to develop the brand in Mexico for an additional five years, which means that they could extend to February 2027.

h. **Agreement for development and exclusive operation of the brand P.F. Chang's China Bistro in Argentina, Chile and Colombia -** In May 2011, Alsea signed the exclusive development agreement and it bought a franchise to operate and develop P.F. Chang's brand restaurants in Argentina, Chile and Colombia. As part of the agreement, Alsea will open 7 restaurants in Argentina and 5 in Chile and Colombia over the next ten years.

i. **Incorporation of Panadería y Alimentos para Food Service, S. A. de C. V.-** Panadería y Alimentos para Food Service, S. A. de C. V. was incorporated in November 2010 and started operating in September 2011 to continue the vertical development of the Entity. Alsea invested in the incorporation and development of a new plant that produces sandwiches and bread that is supplied to Starbucks and the other Alsea brands. The business model contemplates the central plant located in Lerma, State of Mexico, where 100% of Pastry and Bakery goods are to be produced and 65% of sandwiches will be assembled. In addition to that plant, there are three regional assembly centers located in the DIA Monterrey, Cancun and Hermosillo facilities for assembly of the regional sandwiches.

Significant subsequent events

Acquisition of the exclusive rights to develop the P.F. Chang's China Bistro brand in Brazil. -

In January 2013, the Entity signed a Development and Operation agreement for the exclusive development of the P.F. Chang's China Bistro brand in Brazil. The agreements contemplate the opening of 30 units in the next 10 years. P.F. Chang's is the leading brand in the Casual Asian Food segment in the US with more than 225 operating units. It currently has points of sale in Mexico, Puerto Rico, Canada, Kuwait, Beirut, Chile, Hawaii, the Philippines and the United Arab Emirates. In order to introduce P.F. Chang's into the Brazilian market, a development and expansion strategy was designed based on the successful business model used to operate the brand portfolio in South America. That model has made it possible to position Alsea as the leading Casual and Fast-food operator in Latin America. With Brazil operations as the new path for growth, the Entity will work towards generating greater diversification and profitability of its portfolio.

Alsea signs the rights to the exclusive development and operation of The Cheesecake Factory® restaurants in Mexico.

Alsea signed an agreement to be the exclusive developer and operator of The Cheesecake Factory® restaurants in Mexico and Chile, which also contemplates the option for Argentina, Brazil, Colombia and Peru, thus becoming the strategic partner of the prestigious brand in the entire region.

The agreement initially contemplates the development of 12 openings between Mexico and Chile in the following eight years with 10-year agreements per restaurant, and a right to extend that period to an additional 10 years.

The Cheesecake Factory® chain is considered the best seller per unit in its category. The brand focuses on providing customers with top quality products and services. Its operations include 162 restaurants under the The Cheesecake Factory® brand in over 35 states of the United States of America operating under a franchise license.

2. Bases for presentation

a. Adoption of International Financial Reporting Standards.

As of January 1, 2012, the Entity adopted the International Financial Reporting Standards (IFRS) and the amendments and interpretations thereto issued by the International Accounting Standards Board (IASB) in effect as of December 31, 2012. Therefore, it applied IFRS 1, First-time Adoption of International Financial Reporting Standards. These consolidated financial statements have been prepared in accordance with the standards and interpretations issued and enacted at the date of their issuance.

- Transition to IFRS

  The consolidated financial statements at December 31, 2011 were the last statements prepared in accordance with Mexican Financial Reporting Standards (MFRS). Those reports differ in certain areas in relation to the IFRS. In preparing the consolidated financial statements at December 31, 2012 and 2011 and for the years ended on those dates, the Entity's Management has changed certain methods of accounting presentation and valuation applied under the MFRS accounting standards to comply with the IFRS. The comparative figures at December 31, 2011 and for the year ended on that date were modified to reflect adoption of said standards. The Entity's date of transition, which is defined as the beginning of the earliest period for which the Entity is presenting comparative information, is January 1, 2011. ("date of transition")

  The reconciliations and descriptions of the effects of transition from MFRS to IFRS on the statements of financial position, of income and of other comprehensive income are explained in Note 32.

b. Bases for presentation

The Entity's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are valued at fair value, as explained in further detail in the section on accounting policies.

i. Historical cost

The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

ii. Fair value

The fair value is defined as the price to be received from the sale of an asset, or to be paid on the transfer of a liability in an orderly transaction between participants of the market at valuation date.

c. Bases for consolidation of the financial statements

The consolidated financial statements include those of the Entity and the subsidiaries over which it holds control. Control is obtained when the Entity has the power to govern the financial and operating policies of an entity in order to benefit from its operations. The shareholding in its capital stock is as follows:

		Shareholding percentage (%)		
Subsidiary and/or associate	Operations	2012	2011	Date of transition
Panadería y Alimentos para Food Service	Distribution of Alsea brand foods	100.00%	89.36%	89.36%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Mexico	82.00%	82.00%	82.00%
Operadora de Franquicias Alsea, S.A. de C.V.	Operator of the Burger King brand in Mexico	99.99%	99.99%	99.99%
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	99.99%	99.99%	99.99%
Gastrosur, S.A. de C.V.	Operator of the Chili's Grill & Bar brand in Mexico	99.99%	99.99%	99.99%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	99.99%	99.99%	99.99%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	99.99%	99.99%	99.99%
Starbucks Coffee Argentina, S.R.L	Operator of the Starbucks brand in Argentina	82.00%	82.00%	82.00%
Dominalco, S.A.	Operator of the Domino's Pizza brand in Colombia	95.00%	95.00%	95.00%
Servicios Múltiples Empresariales ACD S.A. de C.V. SOFOM E.N.R	Operator of Factoring and Financial Leasing in Mexico	99.99%	99.99%	99.99%
Asian Bistro Colombia, S.A.S	Operator of the P.F. Chang's brand in Colombia	100.00%	100.00%	-
Asian Bistro Argentina S.R.L.	Operator of the P.F. Chang's brand in Argentina	100.00%	100.00%	-
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.00%	95.00%	95.00%
Asian Food Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%	-
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	99.99%	65.00%	65.00%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's and Pei Wei brands in Mexico	99.99%	99.99%	99.99%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	99.99%	99.99%	99.99%
Italcafe, S.A. de C.V.	Operator of Italianni's brand	100.00%	-	-
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	89.77%	-	-
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	93.86%	-	-
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	94.88%	-	-
Associate: Starbucks Coffee Chile, S.A. (1)	Operator of the Starbucks brand in Chile	18.00%	18.00%	18.00%

(1) The investment in shares of associate company was valued through the equity method (see Note 11).

The balances and transactions between the consolidated entities have been eliminated.

The results of subsidiaries acquired in the year are included in the consolidated statements of comprehensive income and other comprehensive income as of the date of acquisition.

The non-controlling interest in subsidiaries is identified separately from the Entity's investments in them. The non-controlling interests may be initially value either at their fair value or at the proportional equity of non-controlling interests on the fair value of the identifiable net assets of an acquired entity. The selection of the valuation base is done individually for each operation. After the acquisition takes place, the book value of the controlling interests represents the amount of those interests upon initial recognition, plus the portion of subsequent non-controlling interests of the statement of changes in stockholders' equity. The comprehensive income is attributable to non-controlling interests, even if it results in a deficit.

i. **Subsidiaries –** Subsidiaries are all entities (including special purpose entities SPEs) over which the Entity has the power to govern the operating and financial policies, generally as a result of holding more than half of their voting rights. The existence and effects of potential voting rights that can be presently exercised or are convertible, are considered when evaluating whether or not the Entity controls the other entity. The subsidiaries consolidate as from the date on which control thereof is transferred to the Entity, and they stop consolidating as from the date on which said control is lost. In accordance with the previous Standards Interpretations Committee (SIC) SIC 12, SPEs are deemed to consolidate when the substance of the relationship between the Entity and the SPEs indicate that they are controlled by the Entity.

   The accounting policies of the subsidiaries have been modified to the extent necessary to ensure consistency with the policies adopted by the Entity.

ii. **Associates –** Associates are all entities over which the Entity exercises significant influence but not control. Generally speaking, those are entities over which shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at historical cost and subsequently through the equity method. The Entity's investment in associates includes goodwill (net of accrued impairment loss, if any) identified at the time of acquisition.

Changes in the Entity's equity in existing subsidiaries

The changes in investments in the Entity's subsidiaries that do not give rise to loss of control are recorded as stockholders' equity transactions. The book value of the Entity's investments and non-controlling interests is adjusted to reflect the changes in investments in subsidiaries. Any differences between the amount for which non-controlling interests are adjusted and the fair value of the consideration paid or received are recorded directly in capital and are attributed to the Entity's owners.

When the Entity losses control over a subsidiary, the related gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any interest retained and (ii) the prior book value of assets (including goodwill) and the subsidiary's liabilities and any non-controlling interest. Amounts previously recorded under other comprehensive income related to the subsidiary are recorded in the same manner as disposals of relevant assets and liabilities (i.e. they are reclassified to income or are directly transferred to retained earnings). The fair value of any investments retained in the former subsidiary at the date of control loss is considered the fair value of initial recognition for subsequent accounting treatment, as established in IAS 39, ***Financial Instruments: Recognition and Measurement***, or, when applicable, the cost of initial recognition of an investment in an associate or an entity under joint control.

3. Summary of the main accounting policies

The enclosed accompanying consolidated financial statements comply with the IFRS issued by the IASB. Preparation of these consolidated financial statements requires the Entity's Management to prepare certain estimates and use certain assumptions to value different consolidated financial statement line items and to make the necessary disclosures. However, actual results could differ from those estimates. After applying its professional judgment, the Entity's Management considers that the estimates and assumptions used were appropriate under the circumstances (see Note 4). The main accounting policies followed by the Entity are described below:

a. Reclassifications

The consolidated financial statements for the year ended on December 31, 2011 have been reclassified under certain captions to adjust their presentation to that for 2012.

b. Financial instruments

i) Financial assets

Initial recognition

The financial assets covered by IAS 39 are classified as financial assets at fair value with changes in income, loans and accounts receivable, investments held to maturity, financial investments available for sale, or as derivative instruments designated as hedging instruments in an effective hedge, as the case may be. The Entity determines the classification of financial assets at the time of their initial recognition.

All financial assets are initially recognized at their fair value plus, in the case of financial assets not accounted for at fair value with changes in income, the transaction costs that are directly attributable.

Fixed asset purchases or sales that require delivering the related assets in a period of time specified by a standard or market convention (conventional purchases-sales or regular way trades) are recognized at the date of the purchase-sale, i.e., the date on which the Entity agrees to purchase or sell the asset.

After their initial recognition, financial assets or liabilities are valued at each balance sheet date according to their classification, either as assets measured at fair value or at amortized cost.

Subsequent measurement

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After their initial recognition, those financial assets are measured at amortized cost using the effective interest method, less any impairment in value.

The amortized cost is calculated considering any discounts or premiums on acquisition, and any commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the consolidated statements of income as financial income. Any losses resulting from impairment in value are recognized in the consolidated statements of income as part of the financial cost.

Cancellation of accounts

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is canceled from the accounts when:

a) The contractual rights to receive cash flows generated by the asset have expired;

b) The contractual rights over cash flows generated by the asset have been transferred, or an obligation to pay a third party the entirety of such cash flows without a significant delay through a pass through arrangement has been assumed, and

   i. All risks and benefits inherent to ownership of the asset have been substantially transferred; or

   ii. All risks and benefits inherent to ownership of the assets have not been transferred or retained substantially, but control thereof has been transferred.

When the contractual rights to receive cash flows generated by an asset have been transferred, or a transfer agreement has been signed, but not all risks and benefits inherent to ownership of the asset have been substantially transferred or retained, nor has control thereof been transferred, the asset must continue to be recognized to the degree of the continued involvement of the Entity in regard to the asset. In that case, the Entity must also recognize the related liability. The transferred asset and related liability must be measured in a way that reflects the rights and responsibilities retained by the Entity.

Continuous involvement that takes on the form of a guaranty over the transferred asset must be measured at the lower of the original book value of the asset and the maximum amount of the consideration that the Entity is required to return.

Impairment in the value of financial assets

At the close of each period being reported, the Entity evaluates whether or not there is objective evidence that the value of a financial asset or a group of financial assets has deteriorated. The value of a financial asset or group of financial assets is considered to have been impaired if, and only if, there is objective evidence of impairment in said value resulting from one or more events occurring after initial recognition of said assets (an "event that causes an impairment loss"), and when the impairment causing event has an effect on estimated future cash flows arising from the financial asset or group thereof and said effect can be reasonably estimated. Evidence of impairment in value could include, among others, signs such as debtors or a group of debtors experiencing significant financial difficulties, default or late payment of amounts owed on the capital or interest, the probability of entities filing for bankruptcy or adopting another form of financial reorganization, or observable data indicating a measurable decrease in expected future cash flows, as well as adverse changes in the status of late payments, or in economic conditions correlated to default.

In the case of financial assets accounted for at amortized cost, the Entity first evaluates whether or not there is objective evidence of impairment in their value, individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Entity determines that there is no objective evidence of impairment in the value of a financial asset evaluated individually, irrespective of its materiality, it includes said asset in a group of financial assets with similar credit risk features, and it evaluates them collectively to determine the existence of impairment in their value.

Assets that are evaluated individually to determine the existence of impairment in their value, and for which an impairment loss has been or continues to be recognized, are not included in the evaluation of impairment in value collectively.

If there is objective evidence that there has been a loss due to impairment in value, the amount of the loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows (not including expected future loan losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the original effective interest rate of the financial assets. If a loan is subject to a variable interest rate, the discount rate used to measure impairment losses is the present effective interest rate.

The book value of the asset is reduced through a provision account and the amount of the loss is recognized in income for the period. Interest earned continues to accrue on the reduced book value of the asset, using the interest rate for discounting future cash flows from the result of measuring the impairment loss in value. Interest earned is recorded as financial income in income for the year. The loans and the respective provision are canceled when there are no realistic expectations of recovering the amount in the future and all existing guarantees have been exercised or transferred to the Entity. If in a subsequent year the estimated amount of the impairment loss increases or decreases due to an event occurring after the impairment is recognized, the loss for impairment in value recognized previously is increased or reduced adjusting the reserve account. If an item attributed to the loss is recovered subsequently, the recovery is credited in the account in which the reserve was recorded under operating expenses for the period. (Note 17)

ii) Financial liabilities

Initial recognition and measurement

The financial liabilities covered by IAS 39 are classified as financial liabilities at fair value with changes in income, loans and accounts payable, or as derivative instruments designated as hedging instruments in an effective hedge, as the case may be. The Entity determines the classification of financial liabilities at the time of their initial recognition.

All financial liabilities are initially recognized at their fair value plus, in the case of loans and accounts payable accounted for at amortized cost, the transaction costs that are directly attributable.

The Entity's financial liabilities include accounts payable to suppliers, other accounts payable, and short and long-term debts, and they are accounted for as financial liabilities measured at their amortized cost.

Subsequent measurement

After their initial recognition, accounts payable and debts are measured at amortized cost using the effective interest method. Gains and losses are recognized in income for the period when liabilities are canceled by the amortization process, using the effective interest method. The amortized cost is calculated considering any discounts or premiums on acquisition and any commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized in the consolidated statements of income as financial cost.

Cancellation of accounts

A financial liability is canceled when an obligation specified in the respective agreement has been paid or canceled, or when it is due.

When an existing financial liability is replaced by another liability from the same lender under substantially different conditions, or if the conditions of an existing liability change substantially, said change is treated as a cancellation of the original liability and a new liability is recognized, and the difference in the respective book values is recognized in the consolidated statements of income.

iii) Financial instrument compensation

Financial assets and financial liabilities are compensated by reporting the net amount in the consolidated statements of financial position, only if there is a legal right of offset the amounts recognized and if there is an intention to settle the net amount or to realize said assets and cancel the liabilities simultaneously.

b. Derivative financial instruments

Alsea uses derivative financial instruments (DFI) known as forwards or swaps, in order to a) mitigate present and future risks of adverse fluctuations in exchange and interest rates, b) avoid distracting resources from its operations and the expansion plan, and c) have certainty over its future flows, which also helps to maintain a cost of debt strategy. DFIs used are only held for economic hedge purposes, through which the Entity agrees to trade cash flows at future fixed dates, at the nominal or reference value, and they are valued at fair value.

Entity must define monthly the price levels at which the Corporate Treasury must operate the different derivative financial instruments. Under no circumstances should amounts above the monthly resource requirements be operated, thus ensuring that there is always a position at risk to hedge and that the derivative instruments are not held for speculation. Given the variety of derivative instruments available to cover risks, Management is empowered to define the operations for which said instruments are contracted, provided they are held for economic hedging and not for speculative purposes.

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

In certain cases, the Entity and the financial institutions have signed an agreement enclosed to the ISDA master agreement, which stipulates conditions that require them to offer guarantees for margin calls in the event that the mark-to-market exceeds certain established credit limits.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls as much as possible and diversify the risk for the counterparty.

Derivative financial instruments are contracted in the local market under the over the counter (OTC) mode. Following are the financial entities that are eligible to close operations related to the Entity's risk management: BBVA Bancomer S.A., Banco Nacional de México, S. A., Banco Santander, S. A., Barclays Bank México S. A., Deutsche Bank AG, Goldman, Sachs Paris Inc. Etcie., HSBC México S. A., Merril Lynch Capital Services Inc., Morgan Stanley Capital Services Inc., and UBS AG. The Entity may choose other entities, provided that they are regulated and authorized to carry out that type of operations.

Valuation -

DFIs are initially recorded at fair value, which is represented by the transaction cost. After their initial recognition, DFIs are valued at market value at each balance sheet date and any changes in value are recognized in the statement of income, except when said derivatives have been formally designated and they meet the requirements to be considered as hedging instruments associated to a hedge.

In the case of cash flow hedges, the effective portion of gains or losses of the hedging instrument are recognized under other items of comprehensive gain or loss, and they are reclassified to income in the same period or periods in which the projected hedged transaction affects them. The ineffective portions and any exclusion are immediately recorded in income for the year.

Identified risks are those related to variations in exchange rate and interest rate. Derivative instruments are contracted under Entity policies and no risks are expected to occur that differ from the purpose for which those instruments are contracted.

c. Embedded derivatives

The Entity reviews all signed contracts to identify the existence of embedded derivatives. Identified embedded derivatives are subject to evaluation to determine whether or not they comply with the provisions of the applicable regulations; if so, they are separated from the host contract and are valued at fair value. If an embedded derivative is classified for trade, the appreciation or depreciation of fair value is recognized in income for the period.

Implicit derivatives designated for hedging are recorded in changes in valuation based on the type of hedging: (1) when they relate to fair value, fluctuations in the embedded derivative and in the hedged item are valued at fair value and are recorded in income; (2) when they relate to cash flow, the effective portion of the embedded derivative 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.

d. **Inventories and cost of sales**

Inventories are valued at cost or at net realizable value, the lower of the two. Costs, including a portion of fixed and variable indirect costs, are assigned to inventories through the most appropriate method for the specific type of inventory. In assigning the unit cost of inventories, the Entity uses the average cost method (AC).

The sales cost represents the cost of inventories at the time of sale, increased, when applicable, by reductions in the net realization value of inventories during the year.

The Entity records the necessary estimations to recognize reductions in the value of its inventories due to impairment, obsolescence, slow movement and other causes that indicate that utilization or realization of the items comprising the inventories will be below the recorded value. (Note 8)

e. **Business combinations**

Business acquisitions are accounted using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Entity, less liabilities incurred by the Entity with the former owners of the purchased company and the interests in capital issued by the Entity in exchange for control over the acquired company at acquisition date. Costs related to an acquisition are generally recorded in the consolidated statements of income as they are incurred.

At the date of acquisition, identifiable assets acquired and assumed liabilities are recognized at fair value, with the exception of:

- Deferred tax assets or liabilities and assets and liabilities related to employee benefits recognized and measured in accordance with IAS 12, ***Income Taxes***, and IAS 19, ***Employee Benefits,*** respectively.

- Liabilities or equity securities related to payment agreements based on shares of the purchased company or payment agreements based on shares of the Entity entered into to replace payment agreements based on shares of the acquired company are measured in accordance with IFRS 2, ***Share Based Payments***, at the date of acquisition; and

- Assets (or a group of assets for disposal) classified as held for sale in accordance with IFRS 5, ***Non-current Assets Held for Sale and Discontinued Operations,*** that are measured in accordance with that standard.

Goodwill is measured as the surplus of the amount of the transferred consideration, the amount of any non-controlling interest of the acquired company, and the fair value of previous shareholding of the purchaser in the acquired company (if any) over the net amount of identifiable acquired assets and assumed liabilities at the date of acquisition. If after a revaluation, the net amount of identifiable acquired assets and assumed liabilities at the date of acquisition exceeds the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of previous shareholding of the purchaser in the acquired company (if any), the surplus is recognized immediately in the consolidated statements of income as a gain on a good purchase opportunity.

Non-controlling interests that represent current shareholdings and that offer their holders a proportional interest in the net assets of the entity in the event of liquidation can be initially measured either at fair value or at the value of the proportional interest of the non-controlling interest in the amounts recognized for net identifiable assets of the acquired company. The measurement option is based on each transaction. Other types of non-controlling interests are measured at fair value, or, when applicable, based on the provisions of another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at fair value at the date of acquisition and it is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration qualifying as adjustments for the measurement period are retrospectively adjusted along with the respective adjustments vs. goodwill. Adjustments in measurement period are adjustments that arise from the additional information obtained in the measurement period (which cannot exceed one year as from the acquisition date) in relation to existing facts and circumstances at acquisition date.

The accounting treatment for changes in fair value of the contingent consideration that do not qualify as adjustments of the measurement period depend on the manner in which the contingent consideration is classified. The contingent consideration classified as capital is not remeasured at subsequent reporting dates and its subsequent liquidation is accounted for under capital. A contingent consideration classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37, ***Provisions, Contingent Liabilities and Contingent Assets***, as appropriate, recognizing the respective gain or loss in the consolidated statements of income.

When a business combination is developed in stages, the Entity's previous shareholding in the acquired company is remeasured at fair value at acquisition date (i.e., the date on which the Entity obtains control), and the resulting gain or loss, if any, is recognized in the consolidated statements of income. Amounts resulting from equity in the acquired company prior to the date of acquisition, which have been previously recognized in other comprehensive income, are reclassified to the consolidated statements of income.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination takes place, the Entity reports the provisional amounts of the items for which book recording is incomplete. Those provisional amounts are adjusted in the measurement period (see above), or instead additional assets or liabilities are recognized to reflect new information obtained on the existing facts and circumstances at the acquisition date and which, had it been known, would have affected the amounts recognized at that date.

f. Store equipment, leasehold improvements and property

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

Depreciation in store equipment, leasehold improvements and property is calculated by the straight line method, based on the useful lives estimated by the Entity's Management. Annual depreciation rates of the main groups of assets is as follows:

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

Any significant components of store equipment, leasehold improvements and property that must be replaced periodically are canceled by the Entity and the new component is recognized with its respective useful life and depreciation. Likewise, when major maintenance is performed, the cost is recognized as a replacement of a component to the extent that all recognition requirements are met. All other routine repair and maintenance costs are recorded as an expense in income for the period as they are incurred.

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily requires a substantial period of time to be in use condition or ready for sale are capitalized as part of the cost of the respective asset. All other financing costs are accounted for as expenses for the period in which they are incurred. Financing costs include interest and other costs incurred in relation to loan agreements signed by the Entity.

The Entity does not have the policy of selling fixed assets at the end of their useful lives, since in order to protect its image and the Alsea brands, they are destructed an in some cases sold as waste. Use or lease of equipment outside the provisions of franchise agreements is subject to sanctions. Additionally, given the high costs of maintenance or storage required, those assets are not used as spare parts for other brand stores.

For the years ended December 31, 2012 and 2011, the Entity has not capitalized financing costs under the value of assets, since its lacks ratable assets or financing for purchase of construction of assets.

g. Intangible assets.

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

In order to test impairment, goodwill is assigned to each of the Entity's cash generating units (or groups of cash generating units) expected to benefit from the synergies of the combination.

Other intangible assets represent payments made to third parties for rights to use brands through which the Entity operates its establishments under the respective franchise or association agreements. Amortization is calculated by the straight line method based on the use period of each brand, including renewals considered certain for the next 10 to 20 years. The terms of brand rights are as follows:

Brands	Country	Year of expiration
Domino's Pizza	Mexico Colombia	2025 2016
Starbucks Coffee	Mexico (1) Argentina	2027 2027
Burger King	Mexico, Argentina, Chile and Colombia	Depending on opening dates
Chili's Grill & Bar	Mexico	2015
California Pizza Kitchen	Mexico	2017
P.F. Chang's China Bistro	Mexico, Argentina, Chile and Colombia (3)	2019 2021
Pei Wei	Mexico (4)	2021
Italianni´s	Mexico (2)	2031

(1) Contemplates a five-year extension to the rights for developing the brand resulting from the agreements signed in 2011.
(2) The term for each store under this brand is 20 years as of the opening date, with the right to a 10 year extension (Note 1e).
(3) The term for each store under this brand is 10 years as of the opening date, with the right to an additional 10 year extension.
(4) Term of 10 years with the right to an extension.

The Entity has obligations to do and refrain from doing under the aforementioned agreements, the most important of which are carrying out capital investments and opening establishments. At December 31, 2012 and 2011, and at January 1, 2011, those obligations have been met.

Amortization of intangible assets is included in the depreciation and amortization accounts in the consolidated statements of income.

h. Leases

Determination of whether an agreement constitutes or includes a lease is based on the essence of the agreement at the date on which it is signed, if compliance of said agreement depends on the use of one or more specific assets, or if the agreement awards the right to use said assets, even when said right is not explicitly specified in the agreement.

Financial leases whereby substantially all risks and benefits inherent to ownership of the leased good are transferred to the Entity are capitalized at the start of the lease period, either on the fair value of the leased property, or on the present value of the minimum lease payments, the lower of the two. Lease payments are distributed between the financial charges and the reduction of debt so that a constant ratio of interest over left-over debt balance can be determined. Financial charges are recognized as financial costs in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Entity will obtain ownership at the end of the lease term, the asset is depreciated over its estimated useful life or over the lease term, the lower of the two.

Operating lease payments are recognized as operating expenses using the straight line method over the lease term, except when another systematic apportionment base is more appropriate for showing the pattern of lease benefits for the user. Contingent leases are recognized as expenses in the periods in which they are incurred. (Note 13)

i. Advance payments

Advance payments include advances for purchase of inventories, property, store equipment, leasehold improvements and services that are received in the twelve months after the date of the statement on financial position and over the course of regular operations.

j. Impairment in the recovery value of long-lived assets, equipment, leasehold improvements, properties, goodwill and other intangible assets

At the end of the year being reported, the Entity periodically evaluates the book values of its long-lived assets, store equipment, leasehold improvements, properties, goodwill and other intangible assets to determine whether or not those values exceed their recoverable value.

The recoverable value represents the value of potential net income that is reasonably expected to be incurred as a result of using or selling said assets. If it is determined that the book values exceed the recoverable value, the Entity records the necessary allowances to reduce them to their recoverable value. When assets qualify as held for sale, they are shown in the consolidated financial statements at their book value or fair value less selling expenses, the lower of the two. Assets and liabilities of a group classified as held for sale are shown separately in the consolidated statements of financial position.

k. Provisions

Provisions are recorded when the Entity has a present obligation (be it legal or assumed) as a result of a past event, and it is probable that the Entity will have to settle the obligation and it is possible to prepare a reliable estimation of the total amount.

The amount recorded as a provision is the best estimation of the amount required to settle the present obligation at the end of the period being reported, considering the risks and uncertainties surrounding the obligation. When a provision is valued using the cash flows estimated to settle the present obligation, the book value is shown at the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third party, an account receivable is recorded as an asset provided that it is virtually certain that the payment will be received and the amount of the account receivable can be reliably valued.

Provisions are classified as current or non-current based on the estimated period of time estimated for addressing the obligations covered.

l. Employee benefits

Direct employee benefits are valued in proportion to the services rendered, considering current salaries, and they are recognized under liabilities as they accrue. This item includes mainly ESPS payable, paid absences, such as vacations and vacation premium, and incentives.

Seniority premiums to which employees are entitled are recognized in income for each year based on actuarial calculations prepared under the projected unit credit method, considering projected balances or the projected cost of benefits.

The actuarial gain or losses are recognized directly in income for the year as they are incurred.

Other compensation to which personnel is entitled is recognized in income for the year in which it accrues.

ESPS is recorded in income for the year in which it accrues and it is shown under other income and expenses in the consolidated statements of income.

ESPS is determined based on the tax profit in accordance with Section I of article 10 of the Income Tax Law.

m. Income taxes.-

The expense for income taxes represents the sum of income taxes incurred and deferred income taxes.

- Incurred income taxes

  In Mexico, income tax (IT) and flat tax (IETU) are recorded in income in the years in which they are incurred.

  In Chile, in April 2010, the Chilean government announced the 2010-2013 financing plan for the reconstruction of Chile after the February 2010 earthquake. Said financing plan includes a temporary increase in the First Category Interest rate of the historical rate of 17% to 20% in 2011, 18.5% in 2012 and reduces it back to 17% in 2013. The change in the First Category Tax was pronounced in July 2010.

  In Colombia, income tax is determined on the basis of tax income. The percentage for determining presumptive income is 3% of the liquid equity of the preceding year.

  In Argentina, i.- Income taxes, the Entity applies the deferred tax method to recognize the accounting effect of taxes on profits . ii.- Taxes on minimum presumptive income (TMPI), the Entity determines TMPI applying the current 1% rate to computable assets at each year end closing. iii.- Tax on personal goods belonging to individuals or business entities resident abroad, it is determined applying the 0.5% factor to the proportional equity value at the yearend closing and its considered a lump sum payment.

- Deferred income taxes

  In recognizing deferred taxes, the Entity determines whether or not, based on its financial projections, it will incur IT or flat tax and it recognizes deferred tax on the tax payable in the future. Deferred income taxes are recorded based on temporary differences between the book value of assets and liabilities included in the consolidated financial statements and the respective tax bases used to determine the tax result, applying the respective rates to said differences and including any benefits from unamortized tax losses and tax credits. A deferred taxes on profits liability is recognized usually for all tax temporary differences . A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that the entity will accrue future tax profits against which to apply those deductible temporary differences . Those assets and liabilities are not recognized if the temporary differences arise from the goodwill or from initial recognition (other than that of the business combination) of other assets and liabilities in an operation not affecting the book or tax result.

  A deferred tax liability is recognized for taxable temporary differences associated to investments in subsidiaries and associates, and interests in joint businesses, except when the Entity is capable of controlling reversal of the temporary differences and it is probable that the timing difference will not be reversed in a foreseeable future. Deferred tax assets arising from temporary differences associated to said investments and interests are recognized only to the extent that it is probable for sufficient future tax profits to arise against which to offset those temporary differences and they are expected be reversed in the near future.

  The book value of a deferred tax asset must undergo a review at the end of each period being reported and it must be reduced in proportion to the likelihood of an insufficiency in taxable income with which to recover all or part of the asset.

  Deferred tax assets and liabilities are valued using the tax rates expected to be applied in the period in which the liability is settled or the asset is sold, based on the rates (and tax laws) approved or substantially approved at the end of the period being reported. Valuation of deferred tax assets and liabilities reflects the tax consequences that would derive from the manner in which the Entity expects to recover or settle the book value of its assets and liabilities at the end of the period being reported.

  Deferred tax assets and deferred tax liabilities are compensated when there is a legal right to offset short-term assets vs. short-term liabilities and when they relate to the same taxes on profits and the Entity has the intention of liquidating its assets and liabilities on net bases.

- Incurred and deferred taxes

  Taxes incurred and deferred are recorded in income as income or expenses, except when they relate to items that are recorded in a caption other than income, either under other comprehensive income or directly under stockholders' equity, in which case the tax is also recognized in a caption other than income; or when they arise from initial recognition of a business combination. In the case of a business combination, the tax effect is included in the recognition of the business combination.

n. Revenue recognition

Income generated from common operations is recorded to the extent that future economic benefits are likely to flow into the Entity and income can be measured reliably, irrespective of the moment in which payment is made. Income is measured based on the fair value of the consideration received or receivable, bearing in mind the payment conditions specified in the respective agreement, without including taxes or tariffs.

Sale of goods

Income from the sale of goods and beverages is recognized when they are delivered to and / or consumed by customers.

Provision of services

Income is recorded based on the percentage of completion. Percentage of completion is determined when the services have been rendered and accepted by customers.

Interest earned

For all financial instruments measured at amortized cost, interest earned or paid is recorded using the effective interest method, which is the interest rate used to discount future payment or collection flows in cash over the expected life of the financial instrument, or a lesser period, as the case may be, with respect to the net book amount of the financial asset or liability. Interest earned is included in the interest income line in the consolidated statements of income.

Dividends

Income is recognized when the Entity's right to collect dividends materializes.

Royalties

Royalty income is recorded as it is incurred, based on a fixed percentage of sub-franchise sales.

o. Foreign currency transactions.

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Argentina, Chile and Colombia) and that comprise 25% and 23% of consolidated net income and 16% and 17% of the total consolidated assets at December 31, 2012 and 2011, respectively, companies apply the policies followed by the Entity. The financial statements of consolidating foreign operations are converted to the reporting currency by initially identifying whether or not the functional and recording currency of foreign operations are different, and subsequently converting the functional currency to the reporting currency.

In order to convert the financial statements of subsidiaries resident abroad from the functional currency to the reporting currency at the reporting date, the following steps are carried out:

- Assets and liabilities, both monetary and non-monetary, are converted at the closing exchange rates in effect at the reporting date of each consolidated statement of financial position.

- Income, cost and expense items of the consolidated statements of income are converted at the average exchange rates for the period, unless those exchange rates will fluctuate significantly over the year, in which case operations are converted at the exchange rates prevailing at the date on which the related operations were carried out.

- Stockholders' equity is converted at historical exchange rates, i.e., at the rates in effect on the date on which capital contributions were made or earnings were incurred.

- All conversion differences are recognized as a separate component under stockholders' equity and form part of other comprehensive income items.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, Management is required to make certain judgments, estimates and assumptions on the amounts of the book value of assets and liabilities included in the consolidated financial statements. The related estimates and assumptions are based on experience and other factors considered to be relevant. Actual results could differ materially from those estimates.

Estimations and assumptions are reviewed on a regular basis. Changes to the accounting estimations are recognized in the period in which changes are made, or in future periods if the changes affect the current period and other subsequent periods.

Following is an analysis of the basic assumptions regarding the future and other key sources of uncertainty contemplated in the year-end estimations for the period being reported, which involve a significant risk of giving rise to important adjustments in the book value of assets and liabilities for the following year.

Impairment of long-lived assets

The Entity annually evaluates whether or not there is indication of impairment in long-lived assets and it calculates the recoverable amount when said indication is present. Impairment occurs when the net book value of a long-lived asset exceeds its recoverable amount, which is the higher of the fair value of the asset less selling costs and the in-use book value. Calculation of the in-use value is based on the discounted cash flow model, using the Entity's projections of its operating results for the near future. The recoverable amount of long-lived assets is subject to uncertainties inherent to the preparation of projections and the discount rate used for the calculation.

Useful life of store equipment, leasehold improvements and properties

Fixed assets acquired separately are recognized at cost less accrued amortization and accrued losses for impairment. Depreciation is calculated based the straight-line method over the estimated useful life of assets. The estimated useful life and the depreciation method are reviewed at each year-end closing, and the effect of any changes in the estimation recorded is recognized prospectively.

Income tax valuation

The Entity recognizes the net future tax benefit related to deferred income tax assets depending on the likelihood of temporary differences reversing in the foreseeable future. Evaluating the recoverability of deferred income tax assets requires the Entity to prepare significant estimates related to the possibility of incurring future taxable income. Future taxable income estimates are based on projected cash flows from the Entity's operations and the application of the existing tax laws in Mexico. The Entity's capacity to realize the net deferred tax assets recorded at reporting date could be negatively affected to the extent that future cash flows and taxable income differ significantly from the Entity's estimates.

Additionally, future changes in Mexico's tax laws could limit the capacity to obtain tax deductions in future periods.

Intangible assets

The period and amortization method of an intangible asset with a defined life is reviewed at least at the date of the consolidated statements of financial position. Changes to the expected useful life or the expected pattern of consumption of future economic benefits are made changing the period or amortization method, as the case may be, and are treated as changes in the accounting estimations. Amortization expenses of an intangible asset with a defined useful life are recorded in income under the expense caption in accordance with the function of the intangible asset.

Contingencies

Given their nature, contingencies are only resolved when one or more future events occur or stop occurring. The evaluation of contingencies inherently includes the use of significant criteria and estimations of the result of future events.

5. Non-monetary transactions

In the year, the Entity carried out the following financial activities and non-monetary investments that are not shown in the consolidated statements of cash flows:

As mentioned in Note 24, in April 2012, Alsea declared share dividends of $308,902 through the capitalization of that amount in the after-tax earnings account.

6. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the cash and cash equivalents caption includes cash, banks and investments in money market instruments. The cash and cash equivalents balance included in the consolidated statements of financial position and the consolidated statements of cash flows at December 31, 2012 and 2011, and at January 1, 2011 is comprised as follows:

	2012		2011		Date of transition	
Cash	$	329,841	$	316,938	$	284,306
Investments payable on demand with original maturities of under three months		602,753		422,441		355,897
Total cash and cash equivalents	$	932,594	$	739,379	$	640,203

The Entity keeps its cash and cash equivalents with accepted financial entities and it has historically experienced no losses due to credit risk concentration.

7. Customers

The accounts receivable from customers disclosed in the consolidated statements of financial position are classified as loans and accounts receivable and therefore they are valued at their amortized cost.

At December 31, 2012 and 2011, and at January 1, 2011, the customer balance is comprised as follows:

	2012	2011	2010
Franchises	164,053	116,460	106,939
Credit card	101,310	48,800	20,229
Other	100,442	63,359	83,861
Total portfolio	365,805	228,619	211,029

The average credit term for the sale of foods, beverages, containers, packagings, royalties and other items to owners of sub-franchises is from eight to 14 days. No interest charges are made on accounts receivable to customers in the first 14 days after billing is issued. After that date, the Entity charges the TIIE rate+5 points x2 % a year on unpaid balances. The Entity has generally not recognized an estimation for doubtful accounts because customers are governed by master franchise agreements whereby they are required to follow the conditions stipulated in those agreements in relation to services and supply of production materials.

Following is the seniority of accounts receivable outstanding but no deemed irrecoverable:

	2012		2011		Date of transition	
60-90 days	$	7,118	$	18,484	$	43,301
More than 90-120 days		55,844		49,410		42,765
Total	$	62,962	$	67,894	$	86,066
Average seniority (days)		93		51		67

The estimates shown in the consolidated statements of financial position refer to possible differences between income and accounts receivable from the general public in the regular course of operations of the different brands. Estimates recorded mainly for this item total $26,324 in 2012, and $9,269 and $3,805 at December 31 and January 1, 2011, respectively.

Credit risk concentration is limited because the customer base is large and independent, and the risk of customers in relation to services and supply of foods is controlled and supported by a service and/or master franchise agreement.

8. Inventories

At December 31, 2012 and 2011, and at January 1, 2011, inventories are as follows:

	2012	2011	Date of transition
Foods and beverages	$ 455,960	$ 336,517	$ 230,983
Containers and packagings	46,265	39,280	98,854
Other	56,251	36,203	30,808
Obsolescence allowance	(8,082)	(8,870)	(8,320)
Total	$ 550,394	$ 403,130	$ 352,325

9. Advance payments

Advance payments were made for the acquisition of:

	2012	2011	Date of transition
Insurance and other services	$ 50,990	$ 54,044	$ 38,008
Inventories	102,821	49,826	31,702
Lease of locales	30,390	24,761	25,523
Total	$ 184,201	$ 128,631	$ 95,233

10. Current and non-current guarantee deposits

Guarantee deposits are comprised as follows:

	2012	2011	Date of transition
Guarantee deposit acquisition of Italcafé	$ -	$ 2,262,800	$ -
Guarantee deposits for non-current leased properties	110,020	86,991	78,168

11. Investment in shares of associated company

At December 31, 2012 and 2011, and at January 1, 2011, the investment in shares of associated company is comprised of the Entity's direct equity in the capital stock, as described below:

	Shareholding (%)	Main operations	Interest in stockholders' equity 2012	Interest in stockholders' equity 2011	Interest in stockholders' equity Date of transition
Starbucks Coffee Chile, S.A.	18%	Operator of the Starbucks brand in Chile	$ 40,296	$ 30,394	$ 20,783

			Equity in results for the year 2012	2011
Starbucks Coffee Chile, S.A.	18%	Operator of the Starbucks brand in Chile	$ 12,978	$ 8,805

The Entity's interest in assets and liabilities at December 31, 2012 and 2011, and at January 1, 2011, as well as in income and expenses related to the years ended on December 31, 2012 and 2011 is 18%. Total assets, liabilities and stockholders' equity of the associated company are as shown below:

	2012	2011	Date of transition
Current assets	$ 207,660	$ 139,152	$ 86,442
Non-current assets	136,399	94,203	78,852
Current liabilities	99,908	48,014	34,887
Non-current liabilities	20,287	16,487	14,945
Stockholders' equity	223,864	168,854	115,462

	2012	2011
Income	$ 536,655	$ 371,641
Costs	464,555	322,722
Net profit for the year from continued operations	72,100	48,919

12. Store equipment, leasehold improvements, property and intangible assets-

Store equipment, leasehold improvements, property and intangible assets are as follows:

Cost	Buildings	Store equipment	Leasehold improvements	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Investments	Total
Balance at January 1, 2011	$ 195,270	$ 1,877,882	$ 2,500,621	$ 124,599	$ 271,668	$ 212,559	$ 99,132	$ 271,164	$ 5,552,895
Acquisitions	11,167	284,870	467,808	21,362	43,492	361,707	8,289	140,002	1,338,697
Disposals	-	(289,272)	(42,117)	(31,338)	(11,470)	(5,616)	(36,218)	-	(416,031)
Balance at December 31, 2011	206,437	1,873,480	2,926,312	114,623	303,690	568,650	71,203	411,166	6,475,561
Acquisitions	6,956	328,707	351,879	15,119	74,444	20,726	14,726	108,565	921,123
Business acquisition	-	164,741	162,073	2,178	15,357	-	302	-	344,651
Disposals	(553)	(91,043)	(80,501)	(32,361)	(20,306)	(912)	(1,751)	-	(227,428)
Adjustment for conversion	15	(43,907)	(99,489)	(880)	(8,436)	-	(1,667)	(12,897)	(167,261)
Balance at December 31, 2012	$ 212,855	$ 2,231,978	$ 3,260,274	$ 98,679	$ 364,749	$ 588,464	$ 82,813	$ 506,834	$ 7,346,646
Amortization									
Balance at January 1, 2011	$ 54,639	$ 886,662	$ 1,140,413	$ 85,759	$ 179,742	$ 140,048	$ 71,509	$ -	$ 2,558,772
Charge for depreciation for the year	5,404	178,443	257,216	14,073	42,522	299,978	4,592	-	802,228
Disposals	(16)	(272,586)	(7,291)	(26,923)	(9,655)	(5,202)	(36,186)	-	(357,859)
Balance at December 31, 2011	60,027	792,519	1,390,338	72,909	212,609	434,824	39,915	-	3,003,141
Charge for depreciation for the year	10,038	227,427	212,405	15,913	39,546	19,603	9,449	-	534,381
Business acquisition	-	53,142	57,350	1,636	7,631	-	1,018	-	120,777
Adjustment for conversion	3	(10,852)	(31,410)	(484)	(5,789)	-	(1,371)	-	(49,903)
Disposals	(325)	(79,006)	(54,789)	(26,542)	(18,496)	(1,119)	(5,581)	-	(185,858)
Balance at December 31, 2012	$ 69,743	$ 983,230	$ 1,573,894	$ 63,432	$ 235,501	$ 453,308	$ 43,430	$ -	$ 3,422,539
Net cost									
Date of transition	$ 140,631	$ 991,221	$ 1,360,207	$ 38,840	$ 91,926	$ 72,511	$ 27,623	$ 271,164	$ 2,994,123
Balance at December 31, 2011	$ 146,410	$ 1,080,961	$ 1,535,974	$ 41,714	$ 91,081	$ 133,826	$ 31,288	$ 411,166	$ 3,472,420
Balance at December 31, 2012	$ 143,112	$ 1,248,748	$ 1,686,380	$ 35,247	$ 129,248	$ 135,156	$ 39,383	$ 506,834	$ 3,924,108

Cost	Brands	Commissions for store opening	Franchise and use of locales rights	Licenses and developments	Goodwill	Total
Balance at January 1, 2011	$ 671,614	$ 328,164	$ 272,000	$ 239,174	$ 206,932	$ 1,717,884
Acquisitions	45,859	84,753	49,542	62,169	-	242,323
Disposals	-	(2,403)	(3,114)	(15,623)	-	(21,140)
Balance at December 31, 2011	$ 717,473	$ 410,514	$ 318,428	$ 285,720	$ 206,932	$ 1,939,067
Acquisitions	67,839	8,330	77,133	67,239	-	220,541
Business acquisition	803,447	-	-	-	785,816	1,589,263
Adjustment for conversion	(12,725)	(12,011)	(1,376)	89	-	(26,023)
Disposals	(9,506)	(20,090)	(6,565)	(4,676)	-	(40,837)
Balance at December 31, 2012	$ 1,566,528	$ 386,743	$ 387,620	$ 348,372	$ 992,748	$ 3,682,011

Cost	Brands	Other opening expenses	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Amortization						
Balance at January 1, 2011	$ 255,586	$ 247,438	$ 117,669	$ 165,612	$ 16,953	$ 803,258
Amortization (asset registrations)	46,587	93,606	23,226	48,026	-	211,445
Disposals	(191)	(1,698)	(691)	(1,751)	-	(4,331)
Balance at December 31, 2011	$ 301,982	$ 339,346	$ 140,204	$ 211,887	$ 16,953	$ 1,010,372
Amortization (asset registrations)	136,488	46,321	41,928	52,180	-	276,917
Business acquisition	8,500	-	-	-	-	8,500
Adjustment for conversion	(2,414)	(11,436)	(573)	22	-	(14,401)
Disposals	(5,608)	(7,703)	(3,144)	(1,752)	-	(18,207)
Balance at December 31, 2012	$ 438,948	$ 366,528	$ 178,415	$ 262,337	$ 16,953	$ 1,263,181
Net cost						
Date of transition	$ 416,028	$ 80,726	$ 154,331	$ 73,562	$ 189,979	$ 914,626
Balance at December 31, 2011	$ 415,491	$ 71,168	$ 178,224	$ 73,833	$ 189,979	$ 928,695
Balance at December 31, 2012	$ 1,127,580	$ 20,215	$ 209,205	$ 86,035	$ 975,795	$ 2,418,830

13. Leases

The locales housing the stores of Alsea are leased from third parties. In general terms, lease agreements entered into to operate the Entity's establishments are for a term of five to ten years, with fixed payments set in pesos. Lease payments are generally revised annually and they increase on the basis of inflation. As an exception, lease payments for certain establishments are agreed in US dollars, and in some cases, they may include a variable component, which is determined on the basis of net sales of the respective establishment. Alsea considers that it depends on no specific lessor and there are no restrictions for the entity as a result of having signed said agreements.

Some of the Entity's subsidiaries have signed operating leases for utilitarian cars and sundry computer equipment.

In the event of breach of any of the straight-lease agreements, the Entity is required to settle in advance all its obligations, including payments and penalties for early termination, and it must immediately return all vehicles to a location specified by the lessor.

Amounts of lease payments derived from operating lease agreements related to the locales housing the stores of the different Alsea brands are as follows:

Year	Amount
2011	$ 827,370
2012	1,066,583

14. Business combinations

The process for the acquisition of Italianni's concluded in February 2012. The final price was $1,765 million pesos.

Alsea acquired, 8,168,161 shares comprising 100% of the capital stock of Italcafé, S.A. de C.V., which owns: i.- Eight Italianni's units, as well as the exclusive rights to develop, expand and sub-franchise the Italianni's brand throughout Mexico, and ii.- 89.7682% of the capital stock of Grupo Amigos de San Ángel S.A. de C.V. ("GASA"), a company that owns 34 Italianni's units. The purpose of the acquisition is to consolidate the plans for expansion of the Casual Dinning segment.

Franchise license agreements, other rights and assets assigned to third parties as a result of the transition were paid to the holders of those rights and goods.

Additionally, the final agreement contemplates the following, among other matters:

a) The exclusive operation of the Italianni's brand restaurants in Mexico for a maximum term of 30 years.

b) Alsea will pay no royalties, opening fees or commissions for the use of brand or the franchise model.

c) There is no obligation to comply with an openings plan.

d) The assignment of franchise agreements to existing third parties.

e) The power to award new franchises to third parties.

f) The rights to distribute all raw materials to the brand's restaurants.

The period for measuring the acquisition concluded in February 2013. Following is an analysis of the preliminary assignment of the acquisition cost of fixed assets expressed at fair value at the date of acquisition.

Item		February 2012
Current assets:	$	173,961
Store equipment and properties, net		242,241
Intangible assets, net		740,619
Short-term and long-term debts		(204,063)
Fair value of acquired net assets		952,758
Amount paid		1,765,000
Non-controlling interest		(26,426)
Goodwill	$	785,816

As from the acquisition date, Italinanni's has contributed $742,466 in income and $43,622 in pretax profit for the period to the Entity's earnings. If the combination had occurred at the start of 2012, the consolidated net gain for the period would have been $413,001 and the income from continuous operations would have been $13,652,912.

Transition costs of $3,234 were recognized in income for the period and are part of cash flows arising from operations recorded in the consolidated statements of cash flows.

15. Long-term debts

The long-term debt at December 31, 2012 and 2011, and at January 1, 2011 is comprised of two unsecured loans, as shown below:

	Maturities	Average annual interest rate	2012	2011	Date of transition
Straight loans	2013-2016	4.50% - 6.50%	$ 2,474,480	$ 3,063,000	$ 897,524
Less current maturities			396,647	185,333	229,524
Long-term maturities			$ 2,077,833	$ 2,877,667	$ 668,000

Annual long-term debt maturities at December 31, 2012 are as follows:

Year	Amount
2013	$ 396,647
2014	513,242
2015	676,757
2016	887,834

Bank loans include certain obligations to do and refrain from doing, such as keeping certain financial ratios. At December 31, 2012 and 2011, and at January 1, 2011, all such obligations have been met.

16. Debt instruments

Based on the debt instrument program established by Alsea, in May 2011, the Entity concluded the placement of debt instruments for a total of $1,000 million pesos on the Mexican market (Alsea11). The intermediaries that participated in placing the offer were HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC, Actinver Casa de Bolsa, S. A. de C. V. and Grupo Financiero Actinver.

The debt instruments in question are for a term of three years as from their issue date, they mature in May 2014 and are subject to the 28-day TIIE (Average Interbank Interest Rate) rate plus 1.30 percentage points.

In December 2012, the Entity decided to amortize in advance the entirety of the debt instrument with ticker code Alsea11. Therefore, at December 31, 2012, the Entity has no debt instruments. At December 2012, the balance of expenses related to said issue, such as legal fees, issue costs, and printing and placement expenses, were recognized in consolidated income statement for the year after the early amortization of the debt instrument.

17. Derivative financial instruments

At December 31, 2012 and 2011, a total of 387 and 288 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 103.4 and 86.2 million US dollars, respectively. The absolute value of the fair value of the derivative financial instruments used per quarter over the year does not comprise more than 5% of assets, liabilities or total consolidated capital, or otherwise 3% of the total consolidated sales for the last quarter. Therefore, the risk for the Entity of exchange rate fluctuations will have no negative effects, nor will it affect its capacity to carry out derivative financial instrument operations.

At December 31, 2012 and 2011, and at January 1, 2011, Alsea has contracted DFIs for the purchase of dollars in 2013 of approximately 45, 6.3 and 51.5 million USD at the average exchange rate of $12.84, $12.46 and $12.14 peso to the dollar, respectively.

At December 31, 2012, the Entity's debt instruments include a variable/fixed interest rate swap for a total of $400 million pesos, which amount covers payment of 28-day coupons maturing in May 2014. The Entity signed two interest rate options known as "Knock Out Swap" and "Limited Swap", each for a notional $150 million Mexican pesos, both related to a bank loan maturing in December 2016.

At January 1, 2011, the Entity has acquired a variable rate/ fixed rate swap for economic interest rate hedging purposes. That strategy has been applied to a loan contracted by Alsea (balance to date is $56.3 million pesos) of which only 20% is under a 7.98% fixed interest rate swap, plus a 10 bps spread. The loan is payable monthly and matures in June 2011.

The type of derivative products and the hedged amounts are in line with the internal policy for risk management defined by the Entity's Corporate Practices Committee, which contemplates an approach to cover foreign currency needs without the possibility to carry out speculative operations.

Despite the fact that the Entity does not operated DFIs for speculation purposes, those instruments have not been formally designated as accounting hedging instruments, and therefore the effects are recognized in income for the period under the expense accounts and interest income accounts.

At December 31, 2012 and 2011, and at January 1, 2011, the Entity had contracted the following financial instruments:

	2012		
Institution	Thousands of dollars (notional)	Average payment exchange rate	Maturity
Banamex	13,750	12.88	2013
Barclays	8,500	13.05	2013
Deutsche Bank	10,250	12.73	2013
HSBC	6,250	12.61	2013
Santander	5,500	12.89	2013
UBS	500	13.29	2013

	2011		
Institution	Thousands of dollars	Average payment exchange rate	Maturity
Deutsche Bank	3,250	12.33	2012
Banamex	3,000	12.59	2012

Institution	Date of transition		
	Thousands of dollars	Average payment exchange rate	Maturity
Banamex	6,350	12.13	2011
Barclays	1,000	12.78	2011
Deutsche Bank	27,150	12.24	2011
Morgan Stanley	2,750	11.79	2011
Santander	6,750	11.92	2011
UBS	7,500	11.98	2011

The following interest rate financial instruments had been contracted at December 31, 2012 and 2011:

Institution	2012		
	Instrument	Notional thousands of MXP	Maturity
Santander	Plain Vanilla Swap	200,000	2014
Banamex	Plain Vanilla Swap	100,000	2014
HSBC	Plain Vanilla Swap	100,000	2014
Banamex	Knock Out Swap	150,000	2016
Banamex	Limited Swap	150,000	2016

Institution	2011		
	Instrument	Notional thousands of MXP	Maturity
Santander	Plain Vanilla Swap	200,000	2014
Banamex	Plain Vanilla Swap	100,000	2014
HSBC	Plain Vanilla Swap	100,000	2014

At January 1, 2011, the Entity had not contracted financial instruments for interest rate hedging.

Following is a detailed list of the fair value of derivative financial instruments held in the Entity's portfolio, which receive the accounting treatment of instruments held for economic hedging or trade purposes:

		Fair values*	
	2012	2011	Date of transition
Interest rate swap	$ 442	$ 447	$ 130
Forwards and options	$ (569)	$ (8,811)	$ 1,380
Total	$ (127)	$ (8,365)	$ 1,510

* Fair value from the viewpoint of banks, a negative amount represents an amount in favor to Alsea.

At December 31, 2011, the Entity had contracted DFIs to purchase US dollars in 2012 for a total $6.2 million dollars at the $12.46 exchange rate. At that same date, the fair value receivable by the Entity is $8.3 million pesos.

In order to quantitatively measure the credit risk of the counterparties, following is the Credit Default Swap (CDS) for the international counterparty and the notional amount to be covered.

Counterparty	CDS	Notional (thousands of USD)
Deutsche Bank AG London	199	3,250

Risk measurement of the local counterparty that lacks a CDS is done in relation to its counterparty risk spread for the same period, plus the 28-day TIIE reference rate.

Counterparty	Spread	(thousands of USD)
Banamex SA	0.0%	3,000

In the preceding case, only the TIIE rate is considered to be the cost of credit risk contracted with Banco Nacional de México.

Exposure to other counterparties is not material. The amount disclosed comprises 85% of exposure.

The Entity monitors the counterparty's exposure to credit risk through a CDS, which makes it possible for hedging to exist in the event of default when a counterparty is at risk of liability exposure by the Entity.

At December 31, 2012 and 2011, and at January 1, 2011, the Entity has had no margin calls and it has not breached the agreements signed with the different financial entities.

Strategy for contracting DFIs: Every month, the Corporate Finance Director's office must define the price levels at which the Corporate Treasury must operate the different derivative instruments. Under no circumstances should amounts above the monthly resource requirements be operated, thus ensuring that there is always a position to be hedged and that DFI are not held for speculation purposes.

Processes and authorization levels: The Corporate Treasury Manager must quantify and report to the Financial Director the monthly requirements of operating resources. The Corporate Financial Director may operate at his discretion up to 50% of the resource requirements being covered, and the Administration and Finance Director's office may hedge up to 75% of the related exposure. Under no circumstances may amounts above the limits authorized by the Entity's General Management be operated, in order to ensure that operations are always for hedging and not for speculation purposes. The foregoing is applicable to interest rates with respect to the amount of debt contracted at variable rates and the exchange rate with respect to currency requirements. If it becomes necessary to sell positions for the purpose of making a profit and/or incurring a "stop loss", the Administration and Finance Director must authorize the operation.

Internal control processes: With the assistance of the Corporate Treasury Manager, the Corporate Finance Director must issue a report the following working day, specifying the Entity's resource requirements for the period and the percentage covered by the Administration and Finance Manager. Every month, the Corporate Treasury Manager will provide the Accounting department with the necessary documentation to properly record said operations. The Administration and Finance Director will submit to the Corporate Practices Committee a quarterly report on the balance of positions taken.

The actions to be taken in the event that the identified risks associated to exchange rate and interest rate fluctuations materialize are carried out by the Internal Risk Management and Investment Committee, of which the Alsea General Director and the main Entity's directors form part.

Markets and counterparties Derivative financial instruments are contracted in the local market under the over the counter (OTC) mode. Following are the financial entities that are eligible to close operations with regard to the Entity's risk management: Banco Nacional de México S.A., Banco Santander S.A., Barclays Bank México S.A., Deutsche Bank México S.A., Goldman Sachs Paris Inc. Et Cie., HSBC México S.A., Morgan Stanley Capital Services INC., and UBS Bank México.

The Corporate Financial Director is empowered to select other participants, provided that they are regulated institutions authorized to carry out this type of operations, and that they can offer the guarantees required by the Entity.

Main terms and conditions of the agreements

All operations with DFIs are carried out under a master agreement through an ISDA form (International Swap Dealers Association), which must be standardized and duly formalized by the legal representatives of the Entity and the financial institutions.

Polices for designating calculation and valuation agents

The fair value of DFIs is revised monthly. The calculation or valuation agent used is the same counterparty or financial entity with whom the instrument is contracted, who is asked to issue the respective reports at the month-end closing dates specified by the Entity.

Likewise, as established in the master agreements (ISDA) that cover derivative financial operations, the respective calculations and valuations are presented in the quarterly report. The designated calculation agents are the corresponding counterparties. Nevertheless, the Entity validates all calculations and valuations received by each counterparty.

Margins, collateral and credit line policies

In certain cases, the Entity and the financial institutions have signed an agreement enclosed to the ISDA master agreement, which stipulates conditions that require them to offer guarantees for margin calls in the event that the mark-to-market exceeds certain established credit limits.

The Entity has the policy of monitoring the volume of operations contracted with each institution, in order to avoid margin calls.

Valuation

a) Description of valuation techniques, policies and frequency:

The derivative financial instruments used by Alsea (forwards and swaps) are contracted to reduce the risk of adverse fluctuations in exchange and interest rates. Those instruments require the Entity to trade cash flows at future fixed dates on the face value or reference value and are valued at fair value.

b) Method for measuring the effectiveness of hedges:

In the case of cash flow hedges, the effective portion of gains or losses generated by the hedging instrument are recognized under comprehensive gain or loss in stockholders' equity, and they are reclassified to income in the same period or periods in which the projected transaction affects them. The ineffective portion is immediately recorded in income for the year.

The valuation of the effective and ineffective portion generated from the aforementioned instruments is recorded monthly in the Entity's consolidated financial statements.

A valuation analysis was performed to determine the result of the instruments in question, That valuation meets the objective of mitigating the risk and therefore the hedge is effective.

c) Liquidity in Derivative Financial Operations:

1. Internal sources of liquidity: Every month, the Corporate Finance Director's office must define the price levels at which the Corporate Treasury must operate the different hedging instruments. Under no circumstances should amounts above the requirements be operated, thus ensuring that operations are always for hedging and not for speculation purposes. The resources used to address financial instrument requirements will derive from the resources generated by the issuer.

2. External sources of liquidity: No external sources of financing will be used to address requirements pertaining to derivative financial instruments.

18. Provisions

Provisions at December 31, 2012 and 2011, and at January 1, 2011 are as follows:

	Compensation other personnel payments	Supplies and others	Total
Date of transition	$ 76,580	$ 288,012	$ 364,592
Increases charged to income	398,165	577,051	975,216
Payments and cancellations	(371,114)	(396,964)	(768,078)
December 31, 2011	103,631	468,099	571,730
Increases charged to income	434,582	728,559	1,163,141
Payments and cancellations	(400,509)	(672,627)	(1,073,136)
December 31, 2012	$ 137,704	$ 524,031	$ 661,735

19. Depreciation and amortization included in the consolidated statements of income

		2012		2011
Included in the cost of sales:				
Depreciation	$	12,019	$	6,946
Amortization		4,412		1,274
Subtotal		16,431		8,220
Included in operating expenses:				
Depreciation		522,362		446,134
Amortization		272,505		215,646
Subtotal		794,867		661,780
Total	$	811,298	$	670,000

20. Expenses for employee benefits

Following are the expenses for employee benefits included under operating costs and expenses in the consolidated statements of income.

		2012		2011
Wages and salaries	$	2,552,834	$	2,032,522
Social security costs		309,891		277,740
Retirement benefits		21,923		4,050
Total	$	2,884,648	$	2,314,312

21. Other (expenses) income

In 2012 and 2011, this caption is comprised as follows:

		2012		2011
Legal expenses	$	(1,425)	$	(41,123)
Loss on fixed assets disposals, net		(5,346)		(33,855)
ESPS on tax base		(4,782)		(5,038)
Restatement and interest on tax refund		2,220		929
Other income (expenses), net		19,137		(13,067)
Total	$	9,804	$	(92,154)

22. Employee retirement benefits

At December 31, 2012 and 2011, and at January 1, 2011, the two seniority premiums and indemnities at the end of the labor relationship for causes other than restructuring to which employees are entitled by law are recognized in income for each year in which the services are rendered based on actuarial calculations.

The Entity has not established a trust to cover those benefits. Following is a summary of the actuarial calculations.

	Benefits											
	2012				2011				Date of transition			
		Seniority premium		Retirement		Seniority premium		Retirement		Seniority premium		Retirement
Obligation for defined benefits	$	11,754	$	48,335	$	8,224	$	34,331	$	6,209	$	28,391
Unamortized items		-		(8,879)		-		(10,805)		-		(12,102)
Current net liability	$	11,754	$	39,456	$	8,224	$	23,526	$	6,209	$	16,289

The net cost for the period included in operating expenses is comprised as shown below:

	Benefits							
	2012				2011			
		Seniority premium		Retirement		Seniority premium		Retirement
Labor cost	$	1,804	$	5,716	$	1,264	$	4,634
Financial cost		689		2,660		457		2,115
Amortization of pending items		1,166		5,067		2,178		2,523
Net cost for the period:	$	3,659	$	13,443	$	3,899	$	9,272

Following is the reconciliation of the main components of obligation for defined benefits (ODB) at December 31, 2012 and 2011, and at January 1, 2011:

	Benefits							
	2012				2011			
		Seniority premium		Retirement		Seniority premium		Retirement
Initial balance of ODB	$	8,224	$	34,331	$	6,209	$	28,391
Labor cost of current services		2,215		5,792		1,299		4,651
Financial cost		724		2,687		472		2,123
Actuarial gains and losses for the period		1,489		5,534		383		(834)
Employee benefits payments		(898)		(9)		(139)		-
Ending balance of ODB	$	11,754	$	48,335	$	8,224	$	34,331

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

The interest rates and assumptions used to show the present value of obligations and the expected asset yields are in line with the economic environment in which the Entity operates. Reference for establishing the parameters used to determine interest rates are taken from long-term, low risk financial instruments that are representative of the market, using a long-term interest curve and considering the bond rate issued by the federal government.

	Benefits		
	2012	2011	Date of transition
Discount rate	7%	7%	8%
Salary increase rate	5.8%	5.7%	5.9%
Average expected labor life (years)	5.3	5.3	5.3

* Includes the expected career salary increase assumption

23. Income taxes

The Entity is subject to income tax and flat tax.

Income taxes (IT) - The rate is 30% for 2013, 2012 and 2011, and will be 29% for 2014 and 28% subsequent years. The entity consolidates with its subsidiaries for IT purposes.

The amendments to the Income Tax Law applicable as from 2010 were published on December 7, 2009, and establish that: IT payment pertaining to the tax consolidation benefits arising from 1999 to 2004 must be made in installments from 2010 to 2014 and b) IT payment pertaining to the tax consolidation benefits arising in 2005 and subsequent years must be paid from the sixth to the 10th year following that in which the benefit arises. Tax payment on tax consolidation benefits arising from 1982 (year of tax consolidation startup) to 1998 may be demanded in certain cases specified in the tax provisions.

Flat tax (IETU) - Income, deductions and certain tax debts are determined on the basis of cash flows for each period. The rate is 17.5% as from 2010. The Asset Tax Law was annulled when the Flat Tax Law came into effect, which allows, under certain circumstances, recovery of that tax paid in the 10 years immediately preceding that in which IT is first paid, in the terms of the tax provisions. Furthermore, unlike IT, IETU is incurred individually by the controlling company and its subsidiaries.

The tax on profits is the higher of IT and IETU.

On the basis of financial projections, the Entity has determined that it will essentially be paying IT; therefore, the Entity recognizes deferred IT.

a. Income taxes

	2012	2011
IT (tax basis)	$ 326,795	$ 275,064
Deferred IT	(107,648)	(168,047)
	$ 219,147	$ 107,017

The tax expense attributable to income before IT was different from that arrived at by applying the 30% rate in 2012 and 2011, as a result of the following items:

	2012	2011
Expected IT rate	30%	30%
Nondeductible expenses, effects of inflation and others	10%	4%
Change in the reserve for valuation of tax losses	(5%)	(3%)
Effective consolidated IT rate	35%	31%

b. Deferred taxes – balance sheet

Following is an analysis of deferred tax (assets) liabilities shown in the consolidated statements of financial position:

	2012	2011	Transition Date
Deferred (assets) liabilities:			
Estimation for doubtful accounts and inventory obsolescence	$ (5,997)	(5,351)	$ (2,164)
Liability provisions	(220,682)	(151,786)	(93,795)
Advances from customers	(30,072)	(29,756)	(10,945)
Unamortized tax losses, net of the valuation reserve	(201,465)	(170,115)	(172,426)
Recoverable asset tax	(12,269)	(22,802)	(22,802)
Store equipment, leasehold improvements and property	(380,473)	(327,214)	(255,020)
Other assets	807	(41)	(1,277)
Advance payments	21,186	14,645	13,955
	$ (828,965)	(692,420)	$ (544,474)

Temporary differences	2012	2011
Beginning balance	$ (692,420)	$ (544,474)
Recognized in income	(107,648)	(168,047)
Procurement	(24,628)	-
Recognized directly in capital	(4,269)	20,101
	$ (828,965)	$ (692,420)

Deferred assets not recognized at December 31, 2012 and 2011 and at January 1, 2011 totaled $159,594, $190,220 and $200,245, respectively. The net change in deferred assets not recognized at December 31, 2012 and 2011 and at January 1, 2011 was a decrease of $30,626 and $10,025 and an increase of $21,603, respectively, arising mainly from accrued tax losses.

At December 31, 2012, unamortized tax losses expire as shown below

Year of maturity		Amortizable losses
2014	$	29,187
2016		62,843
2017		44,825
2018		169,980
2019		102,740
2020		68,368
2021		41,962
2022		43,615

The Entity has recognized no liability for deferred taxes on the undistributed earnings of its subsidiaries arising in 2012 and preceding years, as it currently does not expect those undistributed profits to be reversed or become taxable in the near future. That deferred liability will be recognized when the Entity expects to receive those undistributed profits and they become taxable, such as in the case of sales or the disposal of investments in shares.

At December 31, 2012 and 2011 and at January 1, 2011, IT balances related to the Entity's consolidated tax regime before and after the 2009 tax amendments came into effect correspond to unamortized tax losses arising under consolidation at the controlling and the controlled companies amounting to $193,454, $169,813 and $130,326 respectively.

Following is the yearly schedule of payments contemplated by the Entity to cover income tax liabilities arising under tax consolidation resulting from the 2009 tax amendments:

Year of maturity		Payment
2013	$	6,885
2014		11,407
2015		22,976
2016		27,912
2017		32,926
2018		33,501
2019		27,132
2020		16,194
2021		9,965
2022		4,556
	$	193,454

24. Stockholders' equity

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

a. Capital stock structure

Following are the movements in the capital stock and the premium on the issuance of shares:

	Number of shares	Thousands of pesos Capital stock	Premium on the issuance of shares
Figures at January 1, 2011	605,240,724	$ 362,080	$ 1,086,415
Repurchased shares	761,200	381	-
Premium on share subscription	-	-	5,632
Figures at December 31, 2011	606,001,924	362,461	1,092,047
Repurchased shares	11,802,800	5,901	-
Dividends declared in shares	16,465,957	8,233	300,669
Repurchased shares, net	-	-	1,090
Purchase of the non-controlling portion	-	-	(15,262)
Placement of shares	53,488,373	26,744	1,088,278
Figures at December 31, 2012	687,759,054	403,339	2,466,822

In December 2012, Alsea issued 46,511,628 shares with an overallotment of 6,976,745 shares, which was exercised at an offering price of 21.50 (twenty one pesos and fifty centavos) per share. The issue was recorded net of placement expenses. (Note 1d)

In April 2012, Alsea declared dividends of $308,902 by capitalizing that amount from the after-tax earnings account in order to cover the subscription value of 16,465,957 shares issued and used as payment of the declared dividend at a rate of $37.52 pesos per share. Authorization was issued for the factor used in determining the number of shares necessary to cover the dividend declared to be the closing quotation price for the date of the stockholders' meeting, that is to say, $18.76 (eighteen pesos and 76 centavos), of which $0.50 (zero pesos fifty centavos) corresponds to the theoretical value, and the remainder to a premium on share subscription. In April 2011, cash dividends were declared in the amount of $122,648.

The fixed minimum capital with no withdrawal rights is represented by Class I shares, while the variable portion is represented by Class II shares, and must in no case exceed 10 times the value of the minimum capital with no withdrawal rights.

At December 31, 2012 and 2011, and at January 1, 2011, the fixed and variable subscribed capital stock is represented by 687,759,054, 606,001,924 and 605,240,724 common nominative shares, respectively, with no par value, as shown below:

Description	Number of shares		Amount
Fixed portion of the capital stock at December 31, 2012	687,759,054	$	403,339
Fixed capital stock	489,157,480	$	304,038
Variable capital stock	128,647,244		64,324
Repurchased shares (par value)	(11,802,800)		(5,901)
Capital stock at December 31, 2011	606,001,924	$	362,461
Fixed capital stock	489,157,480	$	304,038
Variable capital stock	128,647,244		64,324
Repurchased shares (par value)	(12,564,000)		(6,282)
Capital stock at January 1, 2011	605,240,724	$	362,080

The National Banking and Securities Commission has established a procedure that allows the Entity to acquire its own shares on the market, for which purpose, a reserve for repurchase of own shares must be created and charged to retained earnings. Alsea has applied that procedure at December 31, 2012.

Total repurchased shares must not exceed 5% of total released shares; they must be re-placed in no more than one year, and are not considered in the payment of dividends.

The premium on the issuance of shares is the difference between the payment for subscribed shares and the par value of those same shares, or their theoretical value (paid-in capital stock divided by the number of outstanding shares) in the case of shares with no par value, plus restatement at December 31, 2012. Repurchased own shares available are reclassified to contributed capital.

In January 2012, Café Sirena, S. de R.L. de C.V. declared a cash dividend of $150,000, calculated on the value of each of the equity units into which the company's capital stock is divided. The amount corresponding to the uncontrolled portion was $27,000.

In August 2012, it was agreed to convert the variable capital stock to fixed minimum capital stock, with the resulting reduction in the variable portion of the capital stock and an increase in the minimum fixed portion, which was effected by converting 145,113,201 Class II shares currently representing the variable portion of the capital stock for the same number of shares, while Class I shares remained unchanged, representing the minimum fixed portion, after which, the shareholders continue to hold the same number of shares.

(a) Executives stock option plan

Alsea has established a stock option plan for its executives. The plan was set up in 2005 and concluded on December 31, 2009. It consisted of providing the executives the right to receive the surplus (difference) on certain shares determined between the price of the shares at the outset of the plan and the exercise price of the option (market value) payable in cash.

The assignment of 5,886,524 shares for this plan was approved at a stockholders' meeting and those shares were administered by a trust.

At the close of the 2006 period, the executives exercised 20% of the rights acquired so far, and the remaining 80% was exercised in the 2009 period, for which a payment of a $14,306 premium on share subscription was recognized.

At December 31, 2011, institution administering the trust authorized its total termination.

(b) Stockholders' equity restrictions

I. Five percent of net earnings for the period must be set aside for the legal reserve until it reaches 20 percent of the capital stock. At December 31, 2012, the legal reserve amounted to $100,735, which has not yet reached the required 20%.

II. Dividends paid from retained earnings are not subject to IT if paid from the after-tax earnings account (CUFIN), and 30% must be paid on the excess, i.e., the result arrived at by multiplying the dividend paid by a factor of 1.4286. The tax on the dividend payment not arising from the CUFIN must be paid by the Entity and may be credited against corporate IT in the following years.

25. Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the holders of the ordinary capital of the controlling company by the average weighted number of ordinary shares outstanding during the period.

The amount of diluted profits per share is calculated by dividing the net profit attributable to the holders of the ordinary capital of the controlling company (after adjusting for interest on the convertible preferential shares) by average weighted ordinary shares outstanding during the period plus average weighted ordinary shares issued when converting all potential ordinary diluted shares to ordinary shares. At December 31, 2012 and 2011, the Entity has no diluted profits per share.

The following table shows information on income and shares used in calculating basic and diluted profits per share.

	2012	2011
Net profit (in thousands of pesos)		
attributable to the stockholders	$ 364,918	$ 209,643
Shares (in thousands of shares):		
Average weighted outstanding shares	637,329	609,342
Basic profit per share	$ 0.57	$ 0.34

26. Related party balances and transactions

Other compensation and benefits

Total compensation paid by the Entity to directors and the principal officers for the period ended on December 31, 2012 and 2011 was approximately $109 and $108 million pesos, respectively. That includes compensation determined at a stockholders' meeting for discharging their duties in that period, as well as salaries and wages.

The Entity constantly reviews salaries, bonuses and other compensation plans so as to offer its personnel competitive remuneration conditions.

Compensation plans for retaining executive talent

Deferred compensation programs were implemented in 2003 in order to bring the interests of the Issuing Entity's executives in line with those of the stockholders and make it more likely that they will remain with the Entity. Bond plans were implemented in 2003 and 2004, which have now been settled. Subsequently, a stock option plan was established in 2005, which concluded on December 31, 2009. It consisted of providing the executives the right to receive the surplus (difference) on certain shares determined between the price of the shares at the outset of the plan and the exercise price of the option (market value) payable in cash (Note 24 a).

27. Commitments and contingent liabilities

Commitments:

a) The Entity rents certain equipment and the facilities housing its stores and distribution centers under leasing agreements for specific periods (see Note 13).

The estimation for future minimum operating lease payments for the facilities housing the different Alsea trademarks is shown below:

Year	Amount	
2013	$	1,049,809
2014		983,604
2015		921,575
2016		863,458
2017	$	809,006

b. The Entity has a number of commitments pertaining to the agreements established in the contracts for trademarks acquired.

c. During the normal course of operations, the Entity acquires commitments under production material supply contracts which in certain cases establish conventional penalties in the event of noncompliance.

Contingent liabilities:

At the date of the financial statement, Alsea is involved in no judicial, administrative or arbitration procedures that could affect the Entity or its subsidiaries.

28. Financial information per segment

The Entity is divided into three large operating divisions, i.e., food and beverages in Mexico, food and beverages in LATAM and distribution services, all run by the same management.

The Food and Beverage segments in which we participate in Mexico and Latin America (LATAM) are defined as follows:

Fast food: The features of this segment are as follows: i) fixed and restricted menu, ii) food for immediate consumption, iii) strict control of individual portions for each ingredient and finished product, iv) individual wrapping, among others. This type of segment has easy access and can therefore penetrate any location.

Coffee shops: Specialized outlets principally selling coffee. The principal difference is the quality service together with a competitive price; the image/environment is focused on attracting all types of customers.

Casual dining: This is a segment of service restaurants at which an order is taken, aside from take-out service and home delivery service, offering quality service together with a competitive price; the image/environment is focused on attracting all types of customers. This segment includes fast food establishments and gourmet restaurants. The principal features of casual dining restaurants are i) easy access, ii) informal dress code, iii) casual environment, iv) modernity, v) simple décor, vi) high-quality service and vii) accessible prices. Alcoholic beverages are generally sold at those establishments.

Fast casual dining: This is a combination of the fast food and casual dining segments:

The distribution and production segment is defined as follows:

Distribuidora e Importadora Alsea, S.A. de C.V (DIA). Specializes in the purchase, importation, transportation, storage and distribution throughout Mexico of frozen, refrigerated and try food products to supply all Domino's Pizza, Burger King, Starbucks, Chilis Grill & Bar and P.F. Chang's China Bistro, Pei Wei e Italianni´s establishments in Mexico.

Additionally, DIA handles the preparation and distribution of pizza dough for the entire Domino's Pizza system in Mexico.

Panadería y Alimentos para Food Service, S.A. de C.V. produces sandwiches and bread to supply Starbucks and other Alsea trademarks. The business model contemplates the central plant located in Lerma, where pastries, bread and sandwiches are prepared.

The definition of the operating segments is based on the financial information provided to the General Management, and is reported on the same basis used internally by each operating segment. Performance at the different operating segments is evaluated on the same basis.

The information pertaining to segments for the year ended on December 31, 2012 and 2011 is as follows: (Figures in millions of pesos)

Figures in millions of pesos at December 31, 2012

	Food and Beverage Division		LATAM Division		Distribution and Production Division		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Income										
From third parties	$ 8,752	$ 7,084	$ 3,416	$ 2,402	$ 1,332	$ 1,166	$ 19	$ 18	$ 13,519	$ 10,669
Intersegment	-	-	-	-	2,701	2,230	(2,701)	(2,230)	-	-
Income	8,752	7,084	3,416	2,402	4,033	3,396	(2,682)	(2,212)	13,519	10,669
Costs	2,957	2,372	1,129	809	3,383	2,824	(2,697)	(2,217)	4,772	3,788
Operating costs and expenses	4,488	3,872	2,074	1,394	588	541	7	(40)	7,157	5,766
Depreciation and amortization	558	478	168	130	35	22	33	31	794	661
Interest paid	122	72	28	17	9	12	85	51	244	152
Interest earned	(76)	(49)	(6)	(3)	-	(1)	36	33	(46)	(20)
Other financial expenses	13	(19)	2	-	34	26	(58)	(20)	(9)	(13)
	59	4	24	14	43	37	63	64	189	119
Equity in associates	-	-	13	9	-	-	-	-	13	9
Income taxes	182	79	49	31	(8)	(9)	(4)	6	219	107
Segment income	508	279	(15)	33	(8)	(19)	(84)	(56)	-	-
Other components of income	-	-	-	-	-	-	-	-	37	27
Majority net profit									$ 364	210
Assets:	$ 8,496	$ 7,332	$ 1,274	$ 1,148	$ 1,533	$ 1,347	$ (2,538)	$ (1,679)	$ 8,765	$ 8,148
Investment in productive assets										
(Investment in associates)	-	-	40	30	-	-	-	-	40	30
(Investment in fixed and intangible assets)	608	568	277	428	34	203	47	(3)	966	1,196
Total assets	$ 9,104	$ 7,900	$ 1,591	$ 1,606	$ 1,567	$ 1,550	$ (2,491)	$ (1,682)	$ 9,771	$ 9,374
Total liabilities	$ 5,070	$ 3,481	$ 1,137	$ 1,138	$ 960	$ 891	$ (2,198)	$ 571	$ 4,969	$ 6,081

29. Foreign currency position

Following are monetary assets and liabilities denominated in US dollars (dollars) shown in the reporting currency at December 31, 2012 and 2011 and January 1, 2011:

	Thousands of pesos		
	2012	2011	Transition date
Assets	484,233	582,388	266,257
Liabilities	(390,432)	(514,458)	(320,540)
Asset (liability) position, net	93,802	67,930	(54,283)

The dollar exchange rate at December 31, 2012 and 2011 and January 1, 2011 was \$13.01, \$13.98 and \$12.38, respectively. At March 29, 2013, date of issuance of the consolidated financial statements, the rate of exchange was \$12.3438 per US dollar.

Following are the exchange rates used in the different conversion processes in relation to the reporting currency at December 31, 2012 and 2011 and January 1, 2011, and at the date of issuance of the consolidated financial statements:

Country of origin	Currency	Closing Exchange-rate	Issuance March 29, 2013
2012			
Argentina	Argentinian Peso (ARP)	2.6486	2.4088
Chile	Chilean Peso (CLP)	0.0271	0.0261
Colombia	Colombian Peso (COP)	0.0074	0.0067

Country of origin	Currency	Closing Exchange-rate	Issuance March 29, 2013
2011			
Argentina	Argentinian Peso (ARP)	3.2485	2.4088
Chile	Chilean Peso (CLP)	0.0269	0.0261
Colombia	Colombian Peso (COP)	0.0072	0.0067

Country of origin	Currency	Closing Exchange-rate	Issuance Transition date
January 1, 2011			
Argentina	Argentinian Peso (ARP)	3.1142	2.4088
Chile	Chilean Peso (CLP)	0.0264	0.0261
Colombia	Colombian Peso (COP)	0.0064	0.0067

The following currencies were used for conversion purposes:

Foreign operations	Country of origin	Currency of Recording	Currency of Functional	Currency of Reporting
Fast Food Sudamericana, S. A.	Argentina	ARP	ARP	MXP
Starbucks Coffee Argentina, S. R. L.	Argentina	ARP	ARP	MXP
Asian Bistro Argentina, S.R.L.	Argentina	ARP	ARP	MXP
Fast Food Chile, S. A.	Chile	CLP	CLP	MXP
Asian Food Ltda,	Chile	CLP	CLP	MXP
Dominalco, S. A.	Colombia	COP	COP	MXP
Operadora Alsea en Colombia, S. A.	Colombia	COP	COP	MXP
Asian Bistro Colombia, S.A.S	Colombia	COP	COP	MXP

30. Fair value of financial assets and liabilities

- Fair value of financial instruments recorded at amortized cost

  The Entity's principal financial instruments are valued at amortized cost, as they generally consist of accounts receivable and liabilities at amortized cost. With the exception of debt and debt instruments, the Entity's management considers that the book value of said financial assets and liabilities approximates their fair value, given their nature and the fact that they are short term.

  The fair value of the debt at December 31, 2012 is estimated to be approximately $2,753 million pesos.

  The fair value of the debt and debt instruments at December 31, 2011 is estimated to be approximately $3,591 and $1,147 million pesos, respectively.

- Valuation techniques and assumptions applied in determining fair value

  The fair value of financial assets and liabilities is determined as follows:

  - The fair value of financial assets and liabilities with standard terms and conditions and negotiated in liquid asset markets is determined on the basis of prices quoted in the market.

  - The fair value of other assets and liabilities is determined as per models for the determination of generally accepted prices, which are based on the analysis of discounted cash flow.

Fair value hierarchy:

The Entity classifies valuations at fair value recognized in the consolidated statements of financial position on three levels of hierarchy, in accordance with the data used for the valuation. When a valuation uses data from different levels, the overall valuation is classified on the lowest level for classification of any relevant figure.

- Level I fair value valuations are those derived from prices quoted (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value valuations are those derived from indicators other than quoted prices included in Level 1, which are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 fair value valuations are those derived from valuation techniques that include indicators for assets and liabilities not based on observable market information (non-observable indicators).

The following analysis shows fair value measured as per a valuation methodology considered to qualify as Level 2::

December 31, 2012		Level 2
Forwards and Options	$	(569)
Swaps		442
Total	$	(127)

December 31, 2011		Level 2
Forwards and Options	$	(8,811)
Swaps		447
Total	$	(8,364)

January 1, 2011		Level 2
Forwards and Options	$	1,380
Swaps		130
Total	$	1,510

31. Financial risk policies and management-

Significant accounting policies

The details of significant accounting policies and methods adopted (including recognition criteria, bases for valuation and bases for recognition of income and disbursements) for each type of financial asset, financial liability and capital instrument are disclosed in Note 3.

Categories of financial instruments

The principal categories of financial instruments are:

	2012	2011	Transition date
Financial assets			
Cash and cash equivalents	$ 932,594	$ 739,379	$ 640,203
Accounts and other receivables:			
Customers – less estimation for doubtful accounts	339,481	219,350	207,224
Value added tax and other recoverable taxes	272,254	243,736	218,037
Other accounts receivable	196,450	166,228	39,482
Short-term guarantee deposits	-	2,262,800	-
Long-term guarantee deposits	110,020	86,991	78,168

	2012	2011	Transition date
Financial liabilities			
At amortized cost:			
Long-term debt	2,474,480	3,063,000	897,524
Debt instruments	-	993,531	694,834
Accounts payable to suppliers	1,129,612	1,021,424	710,548
Other accounts payable	175,637	67,068	25,042
For negotiation			
Derivative financial instruments	-	8,365	(3,391)

The objectives of financial risk management

Alsea is principally exposed to the following financial risks: (i) market (foreign currency and interest rate), (ii) credit and (iii) liquidity.

The Entity seeks to minimize the potential negative effects of the aforementioned risks on its financial performance by applying different strategies. The first involves securing risk coverage through derivative financial instruments.

Derivative financial instruments are negotiated only with entities with recognized solvency, and limits have been established for each entity. It is the policy of the Entity not to conduct operations with derivative financial instruments for speculative purposes.

Market risk

The Entity is exposed to market risks arising from variations in exchange and interest rates. Variations in exchange and interest rates may arise as a result of changes in domestic and international economic conditions, tax and monetary policies, market liquidity, political events and natural catastrophes and disasters, among others.

Exchange fluctuations and the devaluation or depreciation of local currency in the countries in which Alsea participates could limit the Entity's capacity to convert local currency to dollars or other foreign currency, thus affecting its operations, operating results and financial position.

The Entity currently has a risk management policy aimed at mitigating present and future risks involving those variables, which arise mainly from the purchase of inventories, payments in foreign currency and the bank and stock exchange debt contracted at a floating rate. The contracting of derivative financial instruments is intended to cover or mitigate a primary position representing some type of identified or associated risk for the Entity. Instruments used are merely for economic coverage purposes, not for speculation or negotiation.

The types of derivative financial instruments approved by the Entity for the purpose of mitigating exchange fluctuation and interest rate risks are as follows:

- USD/MXN exchange-rate forwards contracts
- USD/MXN exchange-rate options
- Interest Rate Swaps
- Cross-Currency Swaps

Given the variety of possible derivative financial instruments for covering the risks identified by the Entity, the Director of Corporate Finance is authorized to select said instruments and determine how they are to be operated.

Exchange risk management

USD coverage and the respective requirements are determined on the basis of cash flow budgeted by the Entity, and are in line with the current risk management policy approved by the Business Practices Committee, General Management and the Director of Administration and Finance. The policy is monitored by the Director of Internal Audit.

The exchange risk denominated in foreign currency (USD) is monitored internally on a weekly basis based on unexpired positions or coverage at the market exchange rate. In all cases, the table for calculation or valuation of derivative financial instruments is the table specified in the master contract. The internal review is intended to spot significant variations in exchange rates that could give rise to a risk or result in some type of noncompliance by the Entity. In the event that a significant and representative risk position is encountered, it is reported to the Director of Corporate Finances by the Corporate Treasury Manager.

The following table contains quantitative details of the exchange risk exposure based on USD/MXN foreign currency forwards and options contracts entered into by the Entity and in effect at December 31, 2012.

Type of derivative, security or contract	Position	Purpose of the coverage	Value of the underlying asset/reference variable		Notional amount/ Nominal amount (USD)		Fair value (USD)		Maturities (USD)
			Current quarter	Previous quarter	Current quarter	Previous quarter	Current quarter	Previous quarter	
Forwards	Long	Economic	13.1 USD/MXN	12.85 USD/MXN	18,250	18,500	$ 19	$ 251	$ 18,250
Options	Long	Economic	13.1 USD/MXN	12.85 USD/MXN	26,500	43,500	$ (63)	$ 332	$ 26,500

Note 29 shows foreign currency positions at December 31, 2012 and 2011 and January 1, 2011. It also shows the exchange rates in effect on those dates and transactions for the year ended on December 31, 2011.

As concerns the sensitivity analysis, because the fair value of the derivative financial instrument (DFI) position at December 31, 2012 and 2011 is not material, any change in the risk factors pertaining to the interest rate or the peso/dollar exchange rate would not significantly impact their fair value. On that basis, Entity management concluded that the payment capacity and liquidity for handling obligations contracted are not affected and show no significant impact. Likewise, as mentioned, DFIs used by the Entity are intended to mitigate USD interest rate and exchange rate risks.

Any devaluation/revaluation of the peso against the dollar, which represents management's evaluation of a possible reasonable change in the parity of those currencies, would result in an increase/decrease in income and stockholders' equity of approximately $55 and $25 million pesos for the years ended on December 31, 2012 and 2011, considering that not all foreign currency financial instruments are covered by derivative financial instruments.

The sensitivity analysis is determined on the basis of the US dollar financial instrument position at December 31, 2012 and 2011 and may not be representative of the exchange risk during the period due to variations in the net position in that currency.

Interest rate risk management

The Entity faces certain exposure to the volatility of interest rates as a result of contracting bank and stock exchange debt at fixed and variable interest rates. The respective risks are monitored and evaluated monthly on the basis of:

- Cash flow requirements
- A budget review
- Observation of the market and interest rate trends in the local market and in the countries in which Alsea operates (Mexico, Argentina, Chile and Colombia).
- Differences between negative and positive market rates

The aforementioned evaluation is intended to mitigate the Entity's risk concerning debt subject to floating rates or indicators, to streamline the respective price and to determine the most advisable mix of fixed and variable rates.

At the date of the consolidated financial statements, the Entity has an interest rate swap at variable and fixed interest rates amounting to a total of $400 million pesos, maturing in May 2014. In addition to the plain vanilla IT, two interest rate options have been contracted, known as a knockout swap and a limited swap, each for a notional amount of $150 million pesos, both applied to a bank loan expiring in 2016.

According to the swap contract, the Entity agrees to exchange the difference between the fixed and floating interest rates calculated on the agreed notional amounts of capital, which makes it possible to reduce, mitigate and control the exchange risk on interest rates on the fair value of debt issued at a fixed interest rate and exposures to the risk of cash flow on debt issued at a variable interest rate.

The following table contains quantitative details of the exchange risk exposure based on forwards and options contracts entered into by the Entity and in effect at December 31, 2012.

Type of derivative, security or contract	Position	Purpose of the coverage	Value of the underlying asset reference variable		Notional amount Nominal amount (USD)		Fair value (USD)		Maturities (USD)
			Current quarter	Previous quarter	Current quarter	TPrevious quarter	Current quarter	TPrevious quarter	
Interest Rate Swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	30,888	31,008	$ 151	$ 167	30,888
Knock Out swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$ (48)	$ (173)	11,583
Limited Swap	Long	Economic	4.84 - TIIE 28 d	4.81 - TIIE d	11,583	11,628	$ (70)	$ 150	11,583

The Corporate Treasury Manager is responsible for monitoring and reporting to the Director of Administration and Finance any significant event or contingency that could affect the coverage, liquidity, maturities, etc. of the DFIs. The Director of Administration and Finance reports any such situation to the Alsea General Director if the identified risks could materialize.

Note 15 and 16 contain details of loans from financial institutions and the issuance of debt instruments, respectively, at December 31, 2012 and 2011 and January 1, 2011.

Credit risk management

In order to minimize the credit risk associated with the counterparty, Entity contracts its financial instruments with institutions both in Mexico and abroad authorized to engage in that type of operation.

As concerns derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. is signed, as well as standard confirmation forms for each operation.

Bilateral guarantee contracts are also signed with the counterparty, which specify policies on margins, collateral and the credit lines to be granted. Those contracts, usually known as Credit Support Annexes, establish the credit limits granted to the Entity by financial institutions, which apply in the event of negative scenarios or fluctuations that affect the fair value of the open positions in derivative financial instruments. Those contracts establish margin calls in the event that credit line limits are exceeded.

In addition to the Credit Support Annexes (CSA) attached to the master contract, the Entity monitors the positive or negative fair value on a monthly basis. If a significant positive result arises, a credit default swap (CDS) can be contracted to lower the risk of noncompliance by any of the counterparties.

It is the policy of the Entity to monitor the volume of operations contracted with each of those institutions in order to avoid margin calls and mitigate the credit risk with counterparties.

The Entity's maximum credit risk arises from the book value of financial assets, which amount to $1,845,897 at December 31, 2012.

Liquidity risk

The Entity's principal source of liquidity is cash generated by operations.

The Director of Finance holds final responsibility for liquidity management, for which purpose, policies have been established for control of and follow-up on working capital, which makes it possible to manage short, medium and long-term financing requirements. Periodic cash flow projections are prepared in order to manage the risk and ensure adequate reserves, credit lines are contracted and investments are planned.

Notes 15, 16 and 17 provide the details of the financing contracted by the Entity and the respective maturities. The following table shows contractual maturities of the Entity's financial liabilities. The table is based on undiscounted flows based on the first date on which payment can be demanded of the Entity, and includes payments of principal and interest.

December 31, 2012	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 496,553	$ 1,395,753	$ 860,763	$ 2,753,069
Accounts payable to suppliers	1,129,612	-	-	1,129,612
Other accounts payable	175,637	-	-	175,637
Total	$ 1,801,802	$ 1,395,753	$ 860,763	$ 4,058,318

December 31, 2012	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 510,113	$ 1,346,175	$ 1,735,168	$ 3,591,456
Debt instruments	61,592	1,085,400	-	1,146,992
Accounts payable to suppliers	1,021,424	-	-	1,021,424
Other accounts payable	67,068	-	-	67,068
Total	$ 1,660,197	$ 2,431,575	$ 1,735,168	$ 5,826,940

January 1, 2011	Less than a year	Over 1 year and less than 3	Over 3 years and less than 5	Total
Loans from financial institutions	$ 284,993	$ 336,243	$ 442,993	$ 1,064,229
Debt instruments	50,535	757,199	-	807,734
Accounts payable to suppliers	710,548	-	- -	710,548
Other accounts payable	25,042	-	-	25,042
Total	$ 1,071,118	$ 1,093,442	$ 442,993	$ 2,607,553

Management of capital

The main purpose of managing capital is to ensure that the Entity maintains strong credit ratings and healthy capital ratios in support of its business and to ensure maximum value for the stockholders.

The Entity manages is capital structure and makes any necessary adjustments required by changes in economic conditions. With a view to maintaining and adjusting its capital structure, the Entity may modify dividend payments, reimburse capital or issue new shares.

In the periods ended on December 31, 2012 and 2011, there were no modifications to the objectives, policies or processes pertaining to capital management.

The following ratio is used by the Entity and by different rating agencies and banks to measure credit risk.

- Net debt to EBITDA = Net debt / EBITDA ltm

At December 31, 2012 and 2011, and at January 1, 2011, the financial restrictions established in the Entity's loan agreements are as follows: the Net debt to EBITDA ratio for the last twelve months was slightly under 1.0 times, 2.6 times and 0.96 times.

32. Explanation of the transition to IFRS

In January 2009, the National Banking and Securities Commission (NBSC) amended the respective regulations to require certain entities disclosing financial information to the public through the Mexican Stock Exchange (BMV) (including the Entity) to prepare and disclose their financial information on the basis of the IFRS issued by the International Accounting Standards Board (IASB).

On that basis, on January 1, 2012, the Entity adopted the accounting framework established in the IFRS for preparing its consolidated financial statements in order to comply with the provisions of the NBSC. Following is a description of the principal changes in accounting policies resulting from the initial adoption of the IFRS.

The Entity's consolidated financial statements at December 31, 2012 and for the year ended on that date will be the first annual consolidated financial statements that comply with IFRS. The period ended on December 31, 2011 is the comparative period, and the transition date was January 1, 2011. The Entity applied the significant obligatory exemptions and certain optional exemptions for retrospective application of the IFRS.
The following reconciliations show quantification of the effects of transition and the impact on stockholders' equity at the transition date (January 1, 2011) and at December 31, 2011 and on the comprehensive net profit for the transition period (January 1, 2011) and at December 31, 2011:

I) Equity

a) Reconciliation of stockholders' equity at January 1, 2011 (date of transition to the IFRS)

Equity	Nota	Figures under MFRS at January 1, 2011	Adjustments and reclassifications	Figures per IFRS
Capital stock		$ 527,657	$ (165,577)	$ 362,080
Premium on share subscription	i	1,241,208	(154,793)	1,086,415
Legal reserve	i	92,108	(6,057)	86,051
Retained earnings	ii, iii	636,262	309,459	945,721
Effects of conversion	v	(23,340)	23,340	-
Reserve for repurchase of shares	i	391,433	(27,600)	363,833
Total capital attributable to the owners of the controlling company		2,865,328	(21,228)	2,844,100
Non-controlling interest		245,641	(471)	245,170
Total stockholders' equity		$ 3,110,969	$ (21,699)	$ 3,089,270

Reconciliation of stockholders' equity at December 31, 2011

Equity	Figures under MFRS at January 1, 2011	Adjustments and reclassifications (Note 32(III))	Figures per IFRS
Capital stock	$ 528,038	$ (165,577)	$ 362,461
Premium on share subscription	1,246,840	(154,793)	1,092,047
Legal reserve	99,667	(6,056)	93,611
Financial instrument valuation	9,166	-	9,166
Retained earnings	712,460	312,696	1,025,156
Effects of conversion	4,244	23,340	27,584
Reserve for repurchase of shares	411,503	(27,600)	383,903
Total capital attributable to the owners of the controlling company	3,011,918	(17,990)	2,993,928
Non-controlling interest	299,274	(471)	298,803
Total stockholders' equity	$ 3,311,192	$ (18,461)	$ 3,292,731

II) Comprehensive income

Reconciliation of net income for the year ended December 31, 2011

Net consolidated income per MFRS	$	233,523
Financial instrument valuation		9,166
Conversion of foreign operations		27,584
Comprehensive consolidated income per MFRS		270,273
Cancellation of the liability at the end of the period		3,238
Comprehensive income under IFRS at December 31, 2011	$	273,511

III The different items included in the aforementioned reconciliations are explained below:

i) Capital stock

Under MFRS, capital stock accounts, the premium on share subscription, the legal reserve, the reserve for the repurchase of shares and retained earnings were restated up to December 31, 2007 on the basis of National Consumer Price Index (NCPI) factors.

Under the IFRS, the effects of inflation are recognized only in hyperinflationary economies, that is to say, when the inflation rate accrued over a three-year period approximate or exceeds 100%. The most recent three-year period in which Mexico showed those figures was from 1996 to 1998. Therefore, the effects of inflation recognized after that date under capital stock, the capital reserve, the reserve for the repurchase of own shares and retained earnings were eliminated; the net effect was $533,768.

ii) Deferred taxes

The adjustment corresponds to the recalculation of deferred taxes, principally the adjustments resulting from adoption of IFRS, which affected the book value of assets and liabilities.

The overall net effect on deferred taxes was $9,299 and $6,436 at the transition date and at December 31, 2011, respectively.

iii) Employee benefits

The differences in labor obligations between MFRS and the IFRS arise principally as concerns the valuation for adjustments in actuarial assumptions. Under IFRS, the benefits from termination of employment are recognized only if the company can demonstrate its commitment to terminate employment by means of a detailed dismissal plan as per NIC 19 Employee Benefits. Therefore, the termination liability recognized on the basis of MFRS was eliminated for IFRS purposes at the transition date. The amount eliminated was $9,686.

iv) Reclassification of debt instrument issuance expenses

The cost of issuing debt instruments was reclassified to the respective long-term debt.

Adjustments at the transition date and at December 31, 2011 totaled $9,685 and $14,311, respectively.

v) Effects of conversion

Under IFRS, an entity adopting IFRS for the first time is not required to comply with the requirements concerning accrued conversion differences existing at the transition date. However, when applying that exemption, the Entity must not consider the accumulated conversion differences recognized under MFRS and may not consider those differences when determining the gain or loss on the subsequent disposal of any business abroad. At the transition date, the accumulated result of converting foreign currency was ($24,757), which was canceled against retained earnings.

The Entity considers that it has no material adjustments in the consolidated statements of cash flows, which is why no such reconciliation is presented.

Exceptions and exemptions in adopting IFRS

IFRS 1 now in force, provides certain exceptions and exemptions from the general requirement to apply IFRS retrospectively to the transition date. IFRS 1 establishes four obligatory exceptions and fourteen optional exemptions for not applying IFRS retrospectively in the consolidated statements of financial position at the transition date.

Alsea is applying the obligatory exceptions pertaining to 1) determination of estimations at the transition date, 2) prospective application, as from that date, of the regulatory requirements of International Accounting Standards (IAS) 27, ***Consolidated and Individual Financial Statements,*** applicable to the non-controlling interest, 3) an entity need not provide a list of coverages of a type that does not comply with the coverage conditions specified in IAS 39 and 4) prospective application of the disposal in books of financial assets and liabilities.

Optional exemptions applicable to Alsea are:

Fair value or revaluation-

Under IFRS 1, on the transition date, the Entity may opt to measure property, plant and equipment at fair value, and use that fair value as the attributed cost at that date.

An entity adopting IFRS for the first time may opt to use the revaluation method as per its previous accounting principles for store equipment, leasehold improvements, real property and intangibles, either at the transition date or some previous date, as the attributed cost at the revaluation date, if it was substantially comparable at that date.

- At fair value, or

- At cost or at depreciated cost as per IFRS, adjusted to reflect, for example, changes in the general or specific price index.

Alsea has decided that its attributed cost at the date of transition is to be the revalued depreciated cost of its store equipment, leasehold improvements and real property, determined as per MFRS at December 31, 2010 (which includes the effects of inflation up to December 31, 2007 and current pesos for movements as from that date).

Business combinations-

An entity adopting IFRS for the first time may opt not to apply IFRS 3, ***Business Combinations***, retroactively to business combinations carried out in the past (prior to the transition date to IFRS).

Alsea has decided that their consolidated financial statements will show business combinations up to the transition date as they were recognized under MFRS, i.e., by the purchase method, including acquisitions in stages.

All acquisitions made as from the transition date, which is January 1, 2011, are recognized in accordance with IFRS 3, which among other things, makes it necessary to:

- Specify that the item acquired qualifies as a business
- Specify the acquiring party
- Determine the acquisition date
- Recognize identifiable assets acquired, liabilities assumed and the non-controlled interest in the wired entity.
- Value the price
- Recognize goodwill acquired or a profit on the purchase, after certain considerations.

Accumulated conversion effects of foreign entities –

IAS 21, ***Effects of Variations in Foreign Currency Exchange Rates***, requires the Entity to:

- Recognize certain differences of the effects of conversion in comprehensive income and include them in a separate stockhol ders' equity component and

- Reclassify the accumulated conversion difference arising from the disposal of a business abroad (including, if applicable, the results of the respective coverage) from stockholders' equity to income as part of the profit or loss arising from the disposal.

However, an entity adopting IFRS for the first time need not comply with this requirement as concerns accumulated conversion differences existing at the transition date. If an entity adopting IFRS for the first time makes use of this exemption:

- Accumulated conversion differences for all businesses located abroad are considered to be nil on the transition date and

- The profit or loss on the subsequent disposal of any business abroad must exclude any conversion differences arising prior to the transition to IFRS and must include conversion differences arising subsequent to that date.

Alsea applied that exemption in their consolidated financial statements at the transition date, and therefore reclassified the accumulated effect of conversion of foreign entities as per MFRS to retained earnings. As from January 1, 2011, Alsea determined the effects of conversion in accordance with IAS 21.

33. New accounting standards

The entity has not applied the following new and revised IFRS, which have been analyzed but not yet implemented:

IFRS 9, Financial Instruments[3]
IFRS 10, *Consolidated Financial Statements* [1]
IFRS 11, *Joint Agreements* [1]
IFRS 12, *Information to be disclosed concerning equity in other entitie*s [1]
IFRS 13, *Measurement of Fair Value* [1]
Modifications to IFRS 7, *Disclosures – Compensation for financial assets and liabilities* [1]
Modifications to IFRS 9 and IFRS 7, Effective date for IFRS 9 and Transition Disclosures[3]
Modifications to IFRS 10, IFRS 11 and IFRS 12, *Consolidated financial statements, Joint Agreements and Disclosures Concerning Equity in Other Entities: Transition guidelines*
IAS 19 (revised in 2011), *Employee benefits* [1]
IAS 27 (revised in 2011), *Individual Financial Statements* [1]
IAS 28 (revised in 2011), *Investments in Associates and Joint Agreements*[1]
Modifications to IAS 32, *Disclosures - Compensation for Financial Assets and Liabilities*[2]
Modifications to IFRS, *Annual improvements to IFRS 2009-2011 cycle, except for modifications to IAS* [1]

[1] Effective for annual periods beginning as from January 1, 2013.
[2] Effective for annual periods beginning as from January 1, 2014.
[3] Effective for annual periods beginning as from January 1, 2015.

34. Authorization of the consolidated financial statements

The accompanying consolidated financial statements were authorized for issuance on March 29, 2013 by Diego Gaxiola Cuevas, Chief Executive Offcer, and therefore do not reflect events occurred subsequent to that date; they are subject to approval by the stockholders and audit committee, who may modify them as provided in the Corporations Law.

Fabián Gosselin Castro
Chief Executive Officer

Diego Gaxiola Cuevas
Chief Financial Officer

Alejandro Villarruel Morales
Corporate Controller

The best is yet to come...

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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 2012 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.

ABOUT THIS REPORT

Alsea presents its first 2012 comprehensive report, which reflects both the financial results as well as the actions taken during 2012 with respect to sustainability issues.
For the second consecutive year we are presenting this report based on guidelines provided by the Global Reporting Initiative (GRI) methodology. It is a self-declared level B report, without external verification.

Also, we are committed to ensuring that our operations and strategies are aligned with the United Nations' Millennium Development Goals and the Principles of the Global Contract. This is why we are also presenting initiatives for supporting its 10 principles in this report.

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