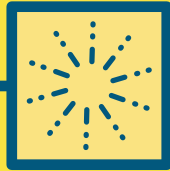


2015
Annual Report

Stirring
people's spirits

Quick Service Restaurants

1,499 units

Coffee Shops

705 units

Casual Dining Restaurants

498 units

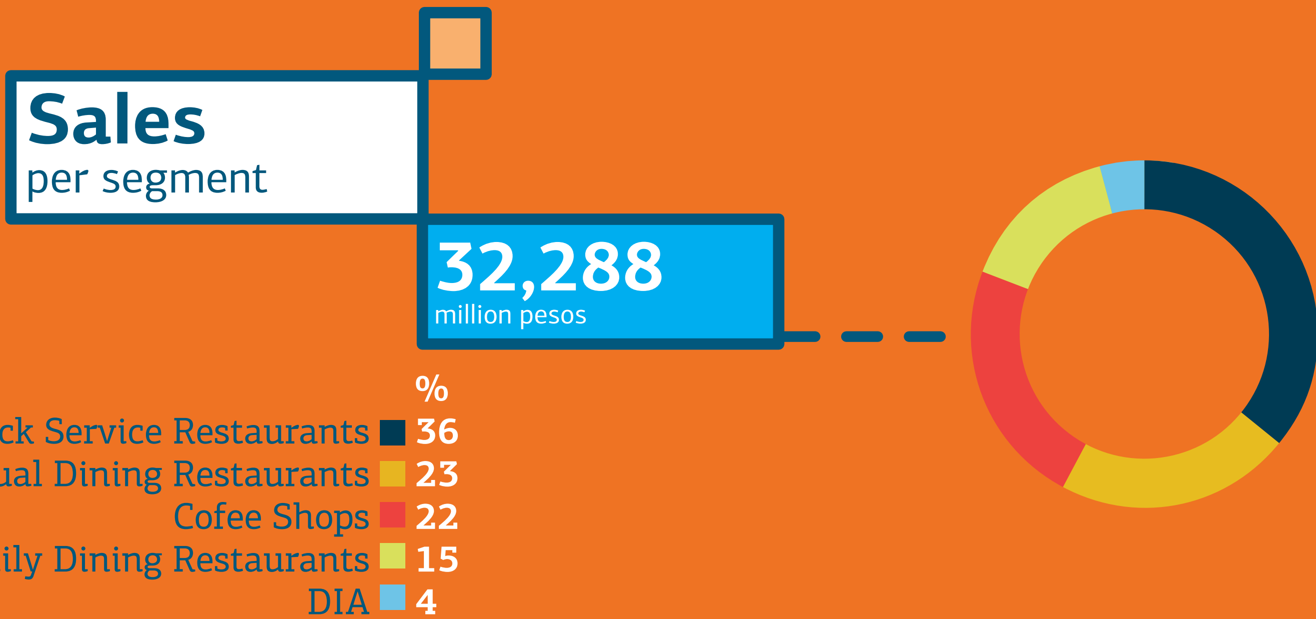
Family Dining Restaurants

252 units

G4-5, 6, 9, EC1

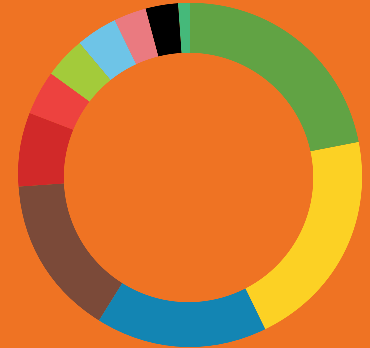
Our presence

Mexico	Argentina	Chile	Colombia	Brazil	Spain
2,092 units	**183** units	**115** units	**93** units	**4** units	**467** units



Sales
per brand

+42% vs. 2014



	%
Starbucks	22
Burger King	21
Domino's	15
Vips	15
Foster's Hollywood	7
Chili's	4
Italianni's	4
DIA	4
El Portón	3
P.F. Chang's	3
Other*	2

* Includes: California Pizza Kitchen, La Vaca Argentina, The Cheese Cake Factory, Cañas y Tapas and Il Tempietto

77% **Corporate Units**
23% **Sub-franchised Units**

A **high-performance team** focused on maximizing **profitable, sustainable growth** of the Company.

Financial highlights[1]

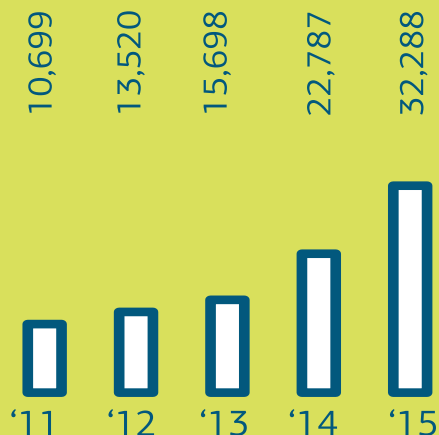
	CAGR [5]	Annual Growth	2015	%	2014	%
Income Statement						
Net Sales	31.9%	41.7%	32,288.4	100.0%	22,787.4	100.0%
Gross Profit	33.9%	42.7%	22,139.1	68.6%	15,515.1	68.1%
Operating Income	51.0%	60.3%	2,353.8	7.3%	1,468.5	6.4%
EBITDA[2]	39.9%	53.5%	4,301.7	13.3%	2,801.8	12.3%
Consolidated Net Profit	44.5%	65.5%	1,032.8	3.2%	624.1	2.7%
Balance Sheet						
Total Assets		7.0%	32,853.5	100.0%	30,871.5	100.0%
Cash		7.5%	1,195.8	3.8%	1,112.9	3.7%
Liabilities with Cost		8.8%	12,233.3	38.4%	11,239.2	37.8%
Major Shareholders' Equity		3.1%	8,948.2	28.5%	8,757.9	29.6%
Profitability						
ROIC[3]		16.3%	9.3%		8.0%	
ROE[4]		38.7%	10.4%		7.5%	
Stock Information						
Share Price		46.8%	59.85		40.77	
Earnings per Share		38.3%	1.171		0.847	
Dividend per Share			0.50		-	
Book Value per Share		3.1%	10.83		10.51	
Shares outstanding (millions)		-	837.5		837.6	
Operation						
Number of Units	23.2%	6.1%	2,954		2,784	
Employees	27.7%	2.9%	61,822		60,051	

(1) Figures in millions of nominal pesps under IFRS standards, exept data per share, number of units and employees.
(2) EBITDA is defined as operating income before depreciation and amortization.
(3) ROIC is defined as operating income after taxes over net operating investment. (total assets - cash and cash equivalents - no cost liabilities).
(4) ROE is defined as net profit over mayor shareholders' equity.
(5) CAGR Compound Annual Growth Rate 2011 a 2015.

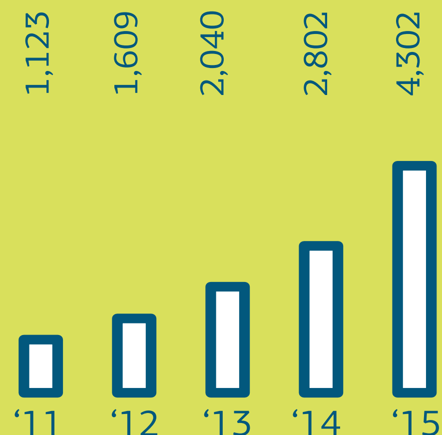
2015 **Results**

Million pesos

Net Sales



EBITDA



Consolidated **Net Income**	**1,033**	Million pesos
CAPEX	**3,439**	Million pesos
ROIC	**9.3**	%
ROE	**10.4**	%

Financial **highlights**

Shares Outstanding
(million)
837.5

Average Value Traded
(million pesos)
100

Share price year ended 2015
$59.85

Same Store Sales

Alsea
9.3%

Mexico
4.4%

South America
25.5%

Spain
7.2%

In 2015, we continued stirring the spirits of our stakeholders and the outstanding results we achieved made the company even more solid.

After 25 years of operation, we have become the leading restaurant operator in Mexico, Latin America and Spain. We are pleased to share with you our results in 2015, a year of strategic reorganization with eye to the company's future.

As part of our strategy, bearing mind the brisk pace of expansion the company has seen in both Mexico and international markets, and in order to maximize its growth potential in those countries and focus more closely on its operations, in 2015 the company decided to reorganize into two business units: Alsea Mexico and Alsea International.

Alsea Mexico

In 2015, our goal at Alsea Mexico was to focus on consolidating not only the growth of the brands in our portfolio, but our recent acquisitions as well.

In Mexico, we kept our attention on operations unit by unit, to obtain maximum return, shoring up our growth and our process efficiency.

We increased the number of units we operate to 2,092, which was a net growth of 93 units throughout the year. Our sales grew 19.1% to 19.90 billion pesos, and a like-for-like growth of 4.4% in the full year. Our adjusted EBITDA margin was 23.5% and adjusted EBITDA grew 15.6% to end the year at 4.67 billion pesos.

We also made organizational changes relating to the Vips and El Portón restaurants, incorporating the latter into our portfolio of Casual Dining brands and launching a multi-brand loyalty program called "Wow Rewards" that we hope will forge closer ties with our customers and reward them for their preference.

During the year we also kept up with our goal of supporting more children and young people suffering from hunger and malnutrition, opening up our sixth children's dining room in Saltillo, Coahuila, which serves 2,000 boys and girls daily.

2016 will be a year of daunting challenges, but also of opportunities to consolidate our position as nationwide leaders. We will continue our plan to grow our brands organically, focusing on profitability and operating efficiency, backed by the efforts and commitment of all of the employees that make up Alsea Mexico.

Alsea Internacional

In 2015, the company opened 77 new units in international markets, continuing our strategy of growth and consolidation of the portfolio in the markets where we operate. Over the course of the year, we made several strategic decisions to maximize the company's potential in those markets, enabling us to replicate Alsea's business model and achieving greater depth in the synergies in each country.

Sales in South America accounted for 20.7% of Alsea's consolidated sales for the year. This segment saw a 45.4% growth in sales, to an annual total of 6.72 billion pesos, and adjusted EBITDA for the full year 2015 grew 50.4% to 1.02 billion pesos. The adjusted EBITDA margin improved by 50 basis points. In Spain, 2015 revenues accounted for 17.8% of Alsea's consolidated sales, and adjusted EBITDA for the year reached 1.08 billion pesos, driving a significant improvement in the margin, reaching 19.1%.

In 2016 we will continue to focus on our strategy of growth and consolidation in the international markets where we operate, keeping up the pace of organic growth while taking advantage of acquisition opportunities that strengthen our portfolio in each country and generate the dynamism we are seeking in every market.

Other achievements in 2015:

- We improved our debt profile using the resources obtained from an issue of securities certificates on the local market, which was the first time we issued securities debt at 10 years and also the first time an A+ rated issuer placed assets at this term.
- In Mexico we signed a cooperation agreement with the Federal Consumer Protection Agency (PROFECO), through which we joined efforts established in the National Strategy for the Prevention and Control Excess Weight, Obesity and Diabetes in Mexico, which will promote a culture of responsible consumption and a healthy, balanced lifestyle.
- For the fourth year in a row, we earned the Socially Responsible Enterprise distinction from the Mexican Center for Philanthropy (CEMEFI).
- Included in the Mexican Stock Exchange Sustainable IPC index for the third year in a row.
- Signatories of the United Nations Global Compact for the fifth year in a row, by which we pledge to operate under the principles established in that document.

We attribute our success in meeting our goals last year to a favorable climate for consumption, our efficient business model, the strength of each of the brands that make up our portfolio, and various product launches, campaigns and technological tools that complemented our strategies.

We are grateful to all our employees, customers, partners and shareholders for placing their trust and interest in our company, and we invite you to stir people's spirits and accompany us in meeting the goals and expectations we have for the future.

Alsea Mexico

Fabian
Gosselin

Alsea Internacional

01. We are Alsea...

...the leading restaurant operator in Latin America and Spain, with internationally-recognized brands in the Quick Service, Coffee Shop, Casual and Family Dining Restaurant segments.

“Our achievements are reflected in our customers' happiness”

“**Our achievements** are reflected in our customers’ happiness”

Alsea’s World

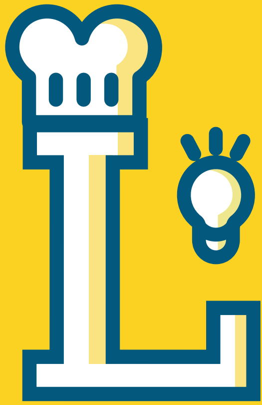
Winning Attitude

“**Our passion for excellence** inspires us to find comprehensive solutions, meet increasingly ambitious goals and maximize great results”

“Our achievements are reflected

in our customers' happiness”

“**Passion** is a symptom of contagious happiness”



Engaged Leadership

"Our restaurant managers **think and act like owners,** always aware of the business, the needs of the customer and of the team"

"Our achievements are reflected

in our customers’ happiness”

“The best **attitude**,
hands-on”

Surprising
Service

"We pursue increasingly high standards of satisfaction with a contagious passion to **serve and surprise**"

"Our achievements are reflected

in our customers' happiness”

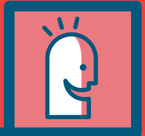
“Every day can be a **big surprise**”

Collaborative Spirit

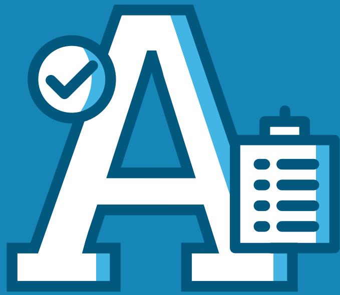
"We combine **ideas with talent**, building a hands-on community that helps each other through challenges and multiplies the value of our results"

"Our achievements are reflected

in our customers' happiness"



"**Friendship**
multiplies joy"



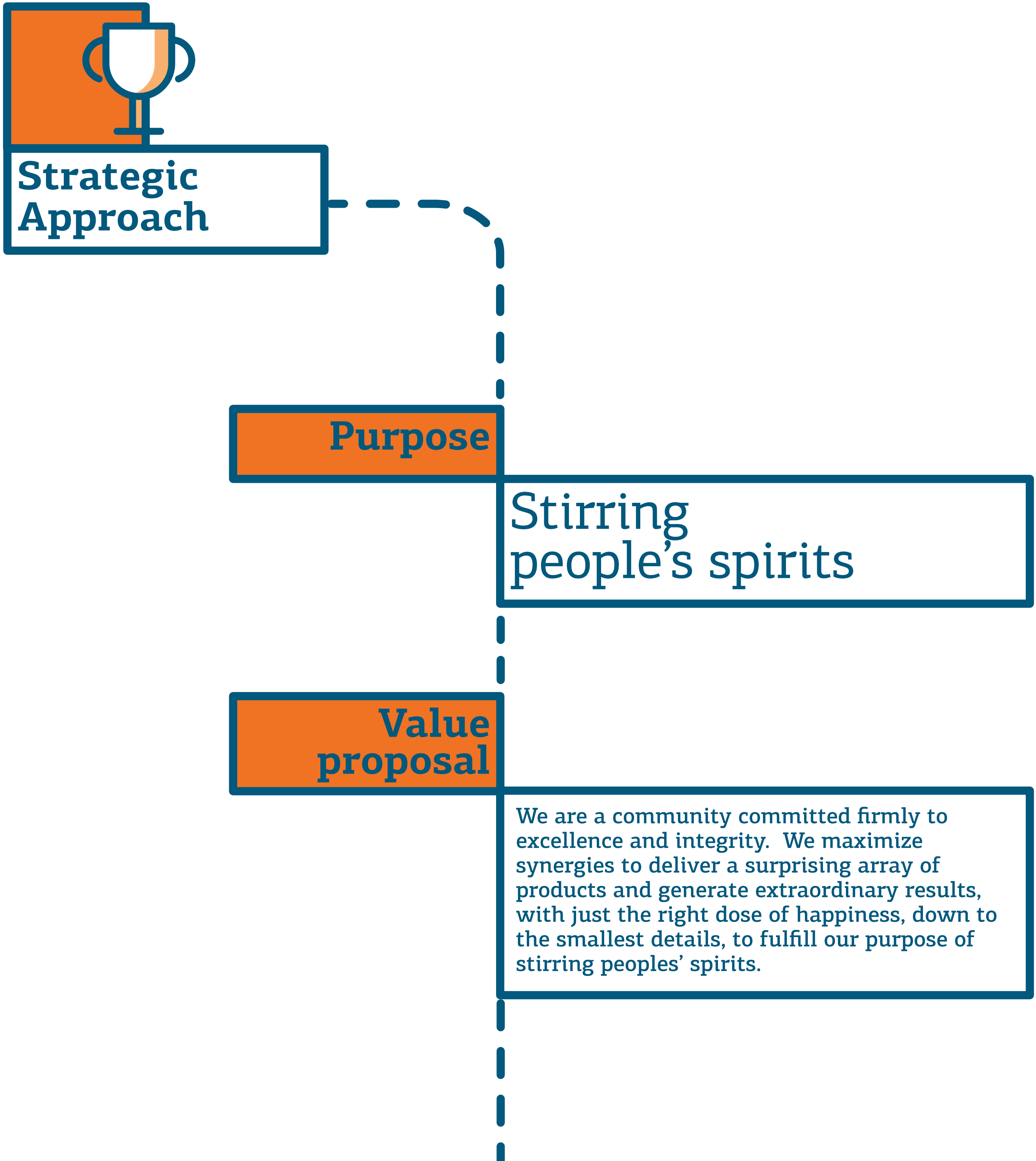
Attention to Detail

"We strive for continuous improvement, delivering **excellent execution** to enhance the value of the Alsea experience"

"Our achievements are reflected

in our customers' happiness"

"The magic is in the smallest details"


Strategic Approach
Purpose
Stirring people's spirits
Value proposal
We are a community committed firmly to excellence and integrity. We maximize synergies to deliver a surprising array of products and generate extraordinary results, with just the right dose of happiness, down to the smallest details, to fulfill our purpose of stirring peoples' spirits.

Strategic areas

Customers

Consistently surpass our customers' expectations.

Employees

Support the development of our people and have the best management talent in the industry.

Synergy

Provide an efficient platform for synergies and growth.

Results

Incorporate and operate brands of proven success, preserving their essence while ensuring sustained, profitable growth.

Corporate Responsibility

Promote a culture focused intensively on growth and continual learning, with a keen sense of social responsibility.

Business **Model**

Alsea's business units are backed by five support areas: Supply Chain, Property and Development, Finance, Human Resources, and Information Technology. We also have a structured corporate governance that includes a Board of Directors supported by Audit and Corporate Practices Committees.

SUPPORT CENTER

- Finance
- Information Technology
- Human Resources
- Marketing
- Internal Audit
- Supply Chain
- Real Estate Development
- Corporate Responsibility

BRANDS

chili's, california PIZZA KITCHEN, Italianni's, P.F. CHANG'S, The Cheesecake Factory, El Portón, vips, Foster's Hollywood, Cañas y Tapas, LAVACA

Operation | Marketing | Human Resources

COMPETITIVE ADVANTAGES

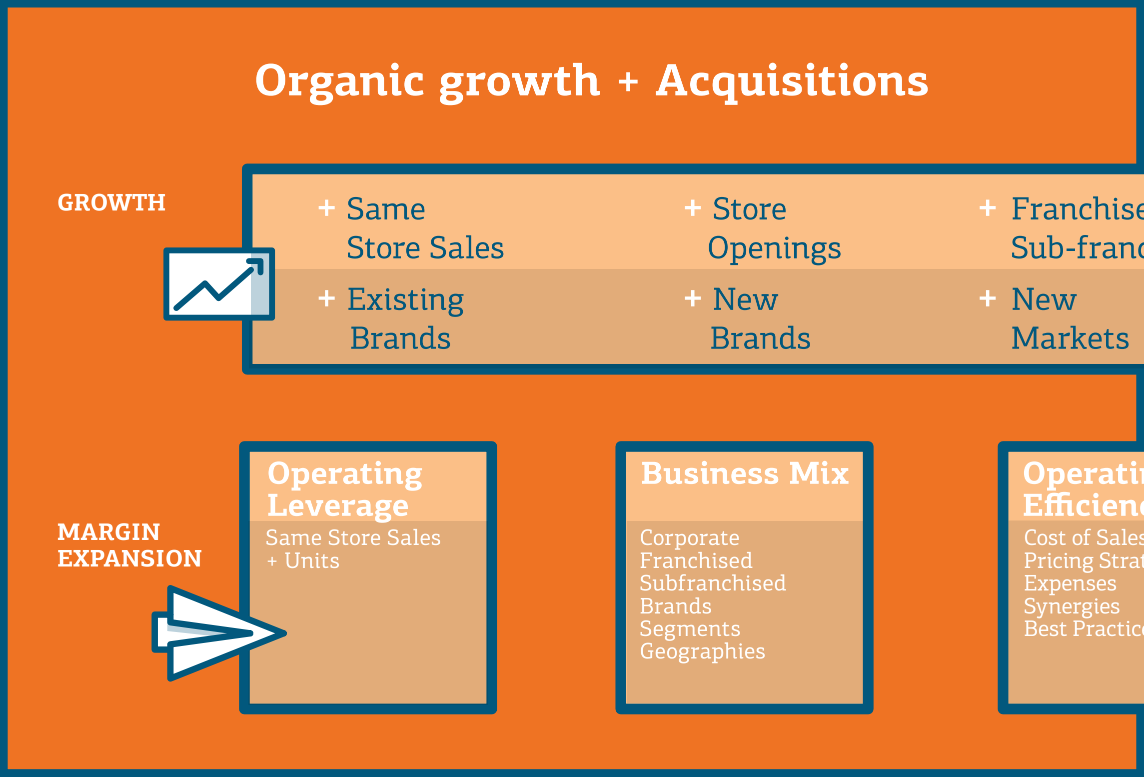
BRANDS
- Portfolio diversity
- Leading global brands
- Leading own brands

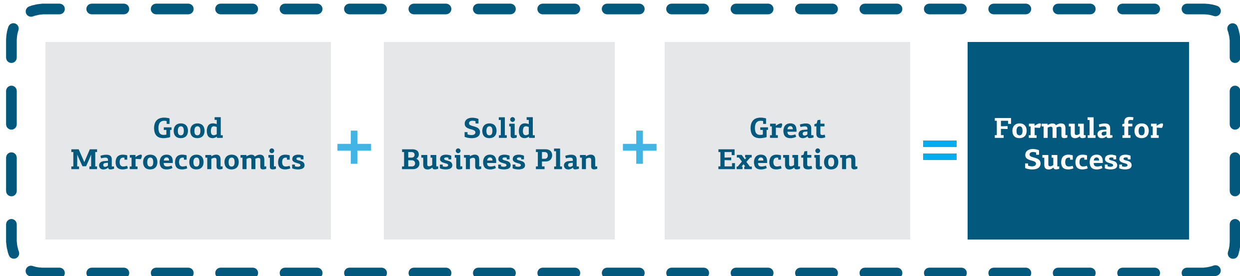
BUSINESS MODEL
- Shared services
- Brand synergies and best practices
- Economies of scale
- Negotiating power with suppliers and developers
- Geographic footprint

PEOPLE
- Market experience
- Innate talent
- Alsea career plan

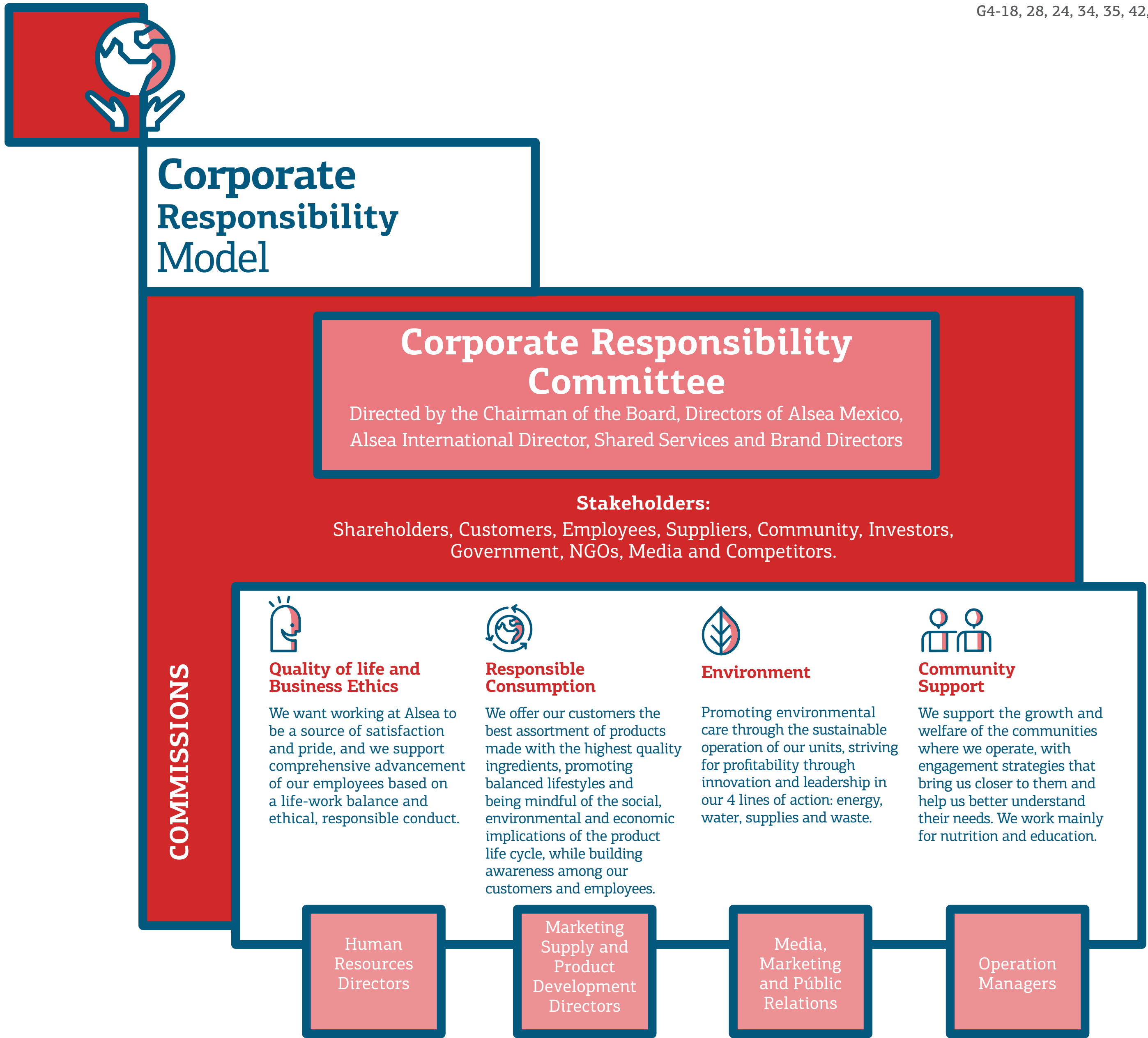
OTHERS
- Access to technology
- Corporate responsibility
- Corporate governance
- Ability to handle complexity

Growth strategy



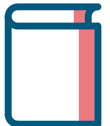


BURGER KING
BURGER KING



Corporate Responsibility is a strategic area at Alsea, and it is managed through four pillars that guide our actions and enable us to respond to the expectations and needs of our stakeholders: Employee Quality of Life and Business Ethics, Responsible Consumption, Environment, and Community Engagement.

About this **Report**



Our report "Stirring People's Spirits" is the fourth integrated annual report Alsea has published, and includes the results of the period from January 1 to December 31, 2015.

This year it is prepared for the first time based on the G4 Guidelines of the Global Reporting Initiative (GRI), under the Core "in-accordance" option for reporting without external verification.

This document is an information tool whose content and clarity are driven by the principles of clarity, balance, comparability, precision, timeliness and reliability.

- **Sustainability context**
  Corporate Responsibility for Alsea is not a program, initiative or function but an attitude that is incorporated into all aspects of our business planning and operations.

- **Materiality**
  In 2015, we conducted a materiality analysis to determine the most transcendent aspects for Alsea and our stakeholders, which was essential for shaping this report.

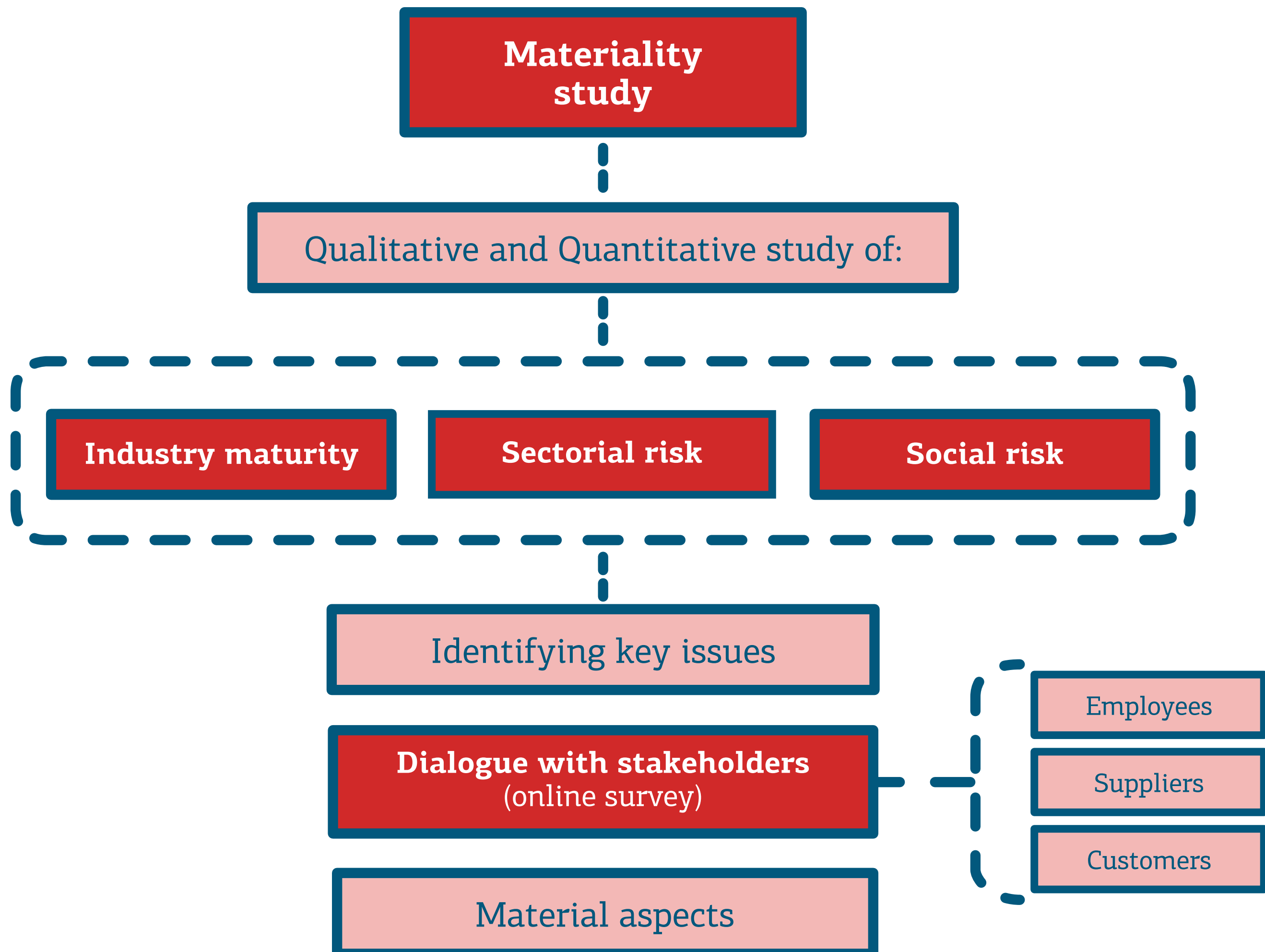
- **Stakeholder involvement**
  We engaged in dialogue with our stakeholders and took into account their opinions and expectations regarding the key issues identified in the materiality study.

- **Exhaustiveness**
  This report exhaustively documents Alsea's performance in 2015, detailing the impact of the material aspects identified, how they were managed, and the scope of each.

Materiality

In 2015, we strengthened our connection with the stakeholders, with whom we maintain a continuous dialogue, using the channels we have established for this purpose.

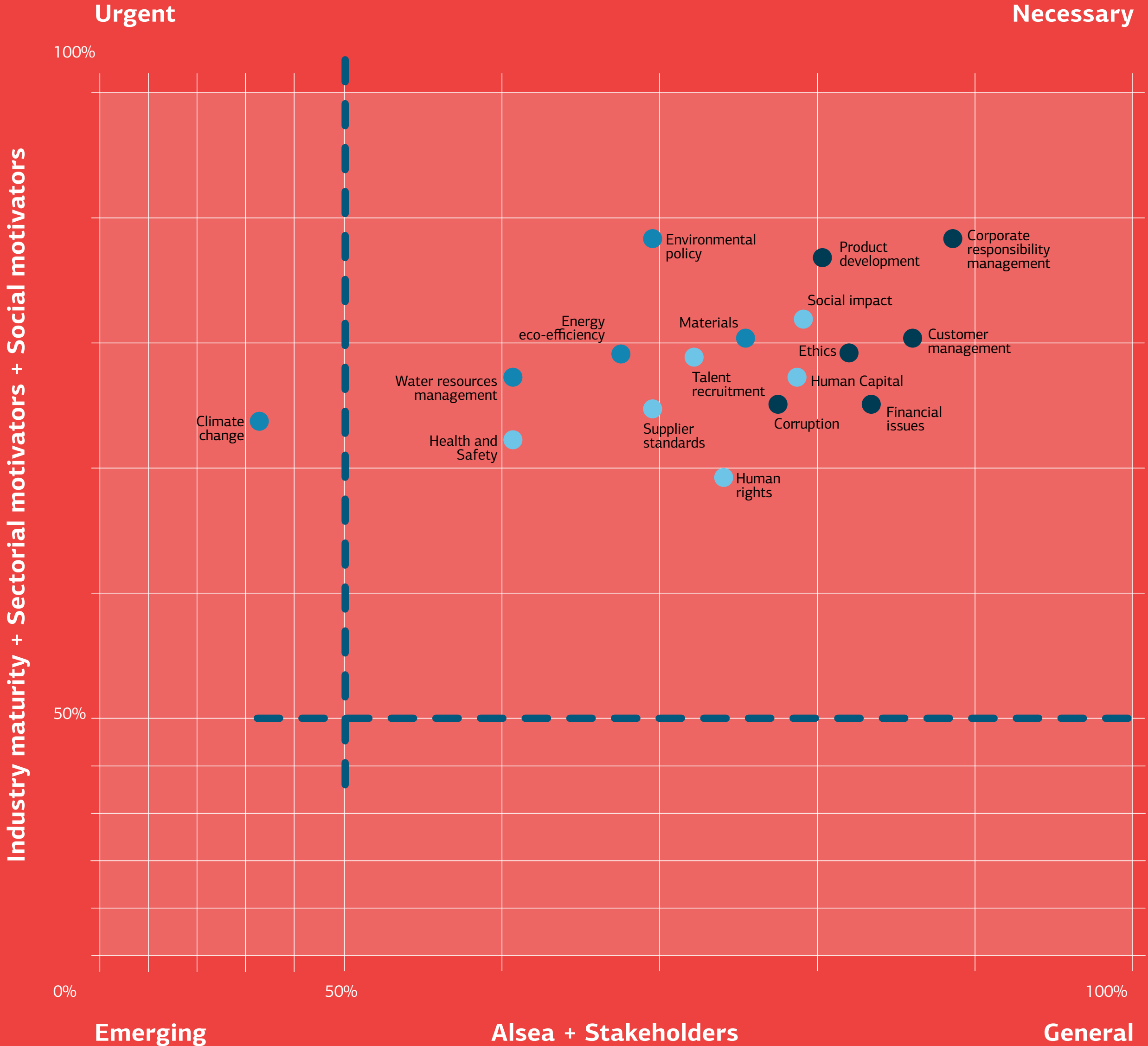
In partnership with a consulting company, we conducted a materiality analysis for the first time in order to identify aspects that were material to both Alsea and our stakeholders. The methodology was the following:



se disfruta
CON
DOMINO'S

Materiality

Once we completed our dialogue with stakeholders, we related the data with the results of our analysis of industry maturity, sectorial risk and social risk and this gave us a set of material aspects validated by our stakeholders.



The coverage and scope of each material aspect are detailed in the table below:

Material aspect	Coverage		Scope
Corporate Social Responsibility Management	● (black)	● (dark blue)	Shareholders, customers, employees, suppliers, community, investors, government, NGOs, media, competitors
Economic performance	● (black)	● (dark blue)	Shareholders, customers, employees, suppliers, investors, media and competitors
General	● (black)	● (green)	Investors, NGOs and media
Customer health and safety	● (black)	● (dark blue)	Customers, employees, investors, authorities, media
Product and service labeling	● (black)	● (green)	Customers, authorities and competitors
Marketing communications	● (black)	● (green)	Customers, authorities and media
Customer privacy	● (black)	● (dark blue)	Customers, employees and authorities
Regulatory compliance	● (black)	● (dark blue)	Shareholders, customers, employees, investors, authorities and media
Ethics and integrity	● (black)	● (dark blue)	Shareholders, customers, employees, suppliers, community, investors, authorities, NGOs, media and competitors
Anti-corruption	● (black)	● (dark blue)	Shareholders, customers, employees, suppliers, community, investors, authorities and media
Public policy	● (black)	● (green)	Authorities
Anti-competitive practices	● (black)	● (dark blue)	Customers, employees, investors, authorities, media and competitors
Training and education	● (black)	● (yellow)	Employees
Investment	● (black)	● (dark blue)	Employees, suppliers, community and NGOs
Jobs	● (black)	● (dark blue)	Employees and communities
Local communities	● (black)	● (dark blue)	Employees, community and NGOs
Indirect economic repercussions	● (black)	● (dark blue)	Customers, employees, suppliers, community and NGOs
Non-discrimination	● (black)	● (dark blue)	Shareholders, customers, employees, suppliers, community, investors, authorities, NGOs, media and competitors
Child labor	● (black)	● (dark blue)	Employees, suppliers, community, authorities, NGOs, media
Forced labor	● (black)	● (dark blue)	Employees, suppliers, community, authorities, NGOs, media
Procurement practices	● (black)	● (green)	Suppliers
Environmental evaluation of suppliers	● (black)	● (green)	Suppliers, investors and authorities
Labor practices evaluation of suppliers	● (black)	● (green)	Suppliers, investors and authorities
Human rights evaluation of suppliers	● (black)	● (green)	Suppliers, investors and authorities
Social repercussions analysis of suppliers	● (black)	● (green)	Suppliers, investors and authorities
Products and services	● (black)	● (green)	Investors, authorities and NGOs
Regulatory compliance	● (black)	● (green)	Shareholders, investors, authorities, NGOs and media
General	● (black)	● (green)	NGOs
Materials	● (black)	● (green)	Suppliers and NGOs
Health and Safety	● (black)	● (dark blue)	Employees and authorities
Emissions	● (black)	● (green)	Community, authorities and NGOs
Energy	● (black)	● (green)	Community, authorities and NGOs
Water	● (black)	● (green)	Community, authorities and NGOs

● (black) Material for the Company ● (green) Material inside and outside the Company ● (yellow) Material inside the Compay and its brands ● (dark blue) Material outside of the Company

Dear **Shareholders**

This year at Alsea we are celebrating 25 years of continuous work and constant expansion, and it pleases us to share within the pages of our 2015 Annual and Sustainability Report the successes that have allowed us to spark the spirit in people throughout our history.

We are very proud of the fact that we are now a leading company in the restaurant sector, and that we have almost 62,000 employees that make up an exceptional team in six countries, with 14 brands.

Besides it being a year of celebration for us, 2015 was also a positive year during which we continued to consolidate our position as leaders in the markets where we are present. We found ourselves in an environment that was favorable for consumption, which allowed us to improve our operations and optimize our company's performance, to levels above our original expectations.

We value innovation as a key component of our DNA, and that drives us to continue to develop projects that help us remain at the forefront in our sector, not only because of the products and services we offer our clients, but also for our technological advances. This year, for example, we launched the Domino's Pizza and Burger King mobile apps, and our multi-brand "Wow Rewards" fidelity program, through which we are able to get closer to our clients and improve our communication with them, by offering a simple way to get immediate benefits at our stores.

With the opening of 170 stores—a record number in our 25 years' history—we reached 2,954 units, sales for 32.3 billion pesos, and a 4.3 billion pesos EBITDA. I reiterate: 2015 was a very successful year for Alsea.

To strengthen our long-term vision and ensure the profitable growth of our company, during 2015 we began operating under a new organizational structure through which we separated the Alsea México and Alsea International operations. With this measure, we are able to focus more on the operation and have greater flexibility and execution capabilities to maximize the opportunities for growth we find in each segment and market in which we participate.

Both business units report to the Alsea Board of Directors that I have the honor to preside. Further, the Administration and Finance, Human Resources, and Strategic Planning divisions report directly to me, making possible for them to support the operation of our business units in all our markets.

The Board of Directors and its governing bodies continue to collaborate to drive Alsea to accomplish the levels of profitability and growth the market expects from us. As part of this task, we are fully aware of the managing risks that are inherent to a company with a geographic coverage and critical mass such as ours.

Additionally, at Alsea we reinforce every day our commitment to being a company that strictly complies with the Code of Best Corporate Practices. Through the work of our Board of Directors, we make sure that we comply with the highest corporate governance standards to generate greater security and trust in our national and international shareholders.

Based on our proven responsible and strong entrepreneurial behavior, and on the value we generate for our business, employees, and shareholders, we were included for the third consecutive year in the Sustainability Index of the Mexican Stock Exchange. Furthermore, we obtained the distinction as a Socially Responsible Company, for the fourth consecutive year.

We have accomplished outstanding results in terms of profitability and operating efficiencies, and we increased our diversification and financial strength. Additionally, in our daily activities, we reiterate our commitment to society, environmental stewardship, the quality of life of our employees, and the satisfaction of our clients.

As we embrace 2016, we will work to continue increasing our profitability. We will focus our efforts on facing up to the challenge of maintaining our current growth rates to reach the five-year goals we announced at the end of the year, during the first Alsea Analyst and Investor Day.

We celebrated 25 years of success, grateful to all our employees for their effort, passion and commitment, as with our customers for their preference and confidence, which motivates us to see the future of Alsea with great optimism.

Alberto
Torrado

Executive Chairman of the Board of Directors

02. Corporate Governance

Alsea follows the strictest Corporate Governance practices and abides by the law in every country where we operate.

G4-34, 38, 40, 51

Board of **Directors**

Our Corporate Governance model begins with our Board Directors, which is made up of 12 members who were ratified or appointed in the General Ordinary and Extraordinary Shareholders' Meetings of October 19, 2015. The Board includes six Independent Members. Its chairman is Alberto Torrado Martínez, who is a related owner member.

To guarantee that the company's strategic planning is conducted with an impartial vision, 50% of Alsea's board members are independent. This is well above the 25% minimum required by the Securities Exchange Act. The Board does not have Alternate Members, because we believe the Regular Members are obligated to fulfill their duties by attending meetings.

Alsea may convene a meeting of the Board of Directors at the request of at least 25% of the Board Members. The compensation system for Board members is fixed and calculated based on attendance to meetings of the Board and the committees to which they belong, in addition to their participation in deliberations and the efficiency of the strategic decisions taken.

In compliance with the Securities Exchange Act, to support the Board of Directors, Alsea created two committees that act as intermediary management bodies: The Corporate Practices Committee and the Audit Committee, which are comprised exclusively of Independent Board Members.

Corporate Practices Committee

Among the general duties of the Corporate Practices Committee are:

- To make observations on the performance of key executives.
- To monitor and report on transactions with related parties, detailing the characteristics of any significant transaction.
- To establish and review emoluments or comprehensive compensation packages.
- To review and present the dispensations granted by the Board of Directors.

Audit Committee

Among the general duties of the Audit Committee are:

- To monitor and report on the state of the Company's internal control system and internal audit system, and those of the companies that it controls, and where applicable, to identify any deficiencies and discrepancies, as well as the aspects that require improvement. To this end it must take into account the opinions, reports, communiqués and reports by the external auditor, as well as the reports issued by independent experts who have provided their services during the period covered by the report.

- To review, report and follow up on the preventive and corrective measures taken on the basis of investigations into any breach of guidelines and operating policies, and accounting records; with regard to either the Company itself or the companies that it controls.

- To report on and evaluate the performance of the company that provides external auditing services.

- To report on the main results of the review of the Company's financial statements and those of companies that it controls.

- To report on the description and effects of modifications to approved accounting policies.

- To report on the measures adopted pursuant to observations by shareholders, Board Members, key executives, employees and in general any third party, with respect to accounting, internal controls and matters related to the internal or external audit or even matters arising from complaints made regarding management events that are deemed irregular.

- To report on and follow up on the resolutions passed in the Shareholders' Meetings and by the Board of Directors.

The compensation system for Board members is fixed and calculated based on attendance to meetings of the Board and the committees to which they belong, in addition to their participation in deliberations and the efficiency of the strategic decisions taken.

Board of Directors

Alberto Torrado Martínez
Chairman

PROPRIETARY MEMBERS

Alberto Torrado Martinez
Chairman

Cosme Torrado Martinez
Member

Armando Torrado Martinez
Member

Fabian Gerardo Gosselin Castro
Member

Federico Tejado Barcena
Member

Diego Gaxiola Cuevas
Member

INDEPENDENT BOARD MEMBERS

Raul Mendez Segura
Chairman, Grupo Green River

Ivan Moguel Kuri
Partner of Chévez Ruiz Zamarripa y Cía, S.C.

Carlos Piedrahita
Global Reporting Initiative (GRI)
for Latin America

Julio Gutierrez Mercadillo
Chairman, Grupo Metis

Leon Kraig Eskenazi
Director and Partner, Ignia Partners, LLC

Steven J. Quamme
Chairman, Cartica Capital

SECRETARY

Xavier Mangino Dueñas
Partner of Diaz de Rivera y Mangino, S.C.

AUDIT COMMITTEE	
Ivan Moguel Kuri	Chairman
Julio Gutierrez Mercadillo	Member
Raul Mendez Segura	Member
Elizabeth Garrido Lopez	Secretary

CORPORATE PRACTICES COMMITTEE	
Julio Gutierrez Mercadillo	Chairman
Cosme Torrado	Member
Leon Kraig Eskenazi	Member
Carlos Piedrahita	Member
Elizabeth Garrido Lopez	Secretary

Code of **Ethics**

United by a culture of commitment

At Alsea we create, develop and bring to life different experiences to Stir people's Spirits. This is possible when our employees feel a sense of pride, belonging and identification with the Company, inspiring them to work with passion, commitment and dedication every day.

The full development of Alsea's culture is indispensable to its success and to developing a true competitive advantage. This culture is made up of every one of us; we are the ones who put it into practice, we shape it, and we apply it every day, regardless of the brand or country where we work and contribute to Alsea.

Every person is the living expression of their values. That's why our Code of Ethics is so important. It explains the standards of conduct we promote and are eager to apply to our daily actions within the organization. This Code is a guide for all, because it embodies our aspiration to be a company that conducts itself with a winning attitude, involved leadership, surprising service, collaborative spirit and attention to detail, generating results in the right way to benefit our clients, employees, shareholders and the community at large.

We are convinced that by living Alsea's Values we can build a culture based on high ethical standards, creating a healthy, positive workplace where we can all work together in harmony.

We all want to make this a better place to work, a safe company, with equal opportunities, free of risk, and one we can feel proud of. So we invite our employees to work every day with an attitude of ethics and responsibility, abiding by the guidelines established in our Code of Ethics.

Our Code provides detailed standards of conduct regarding:

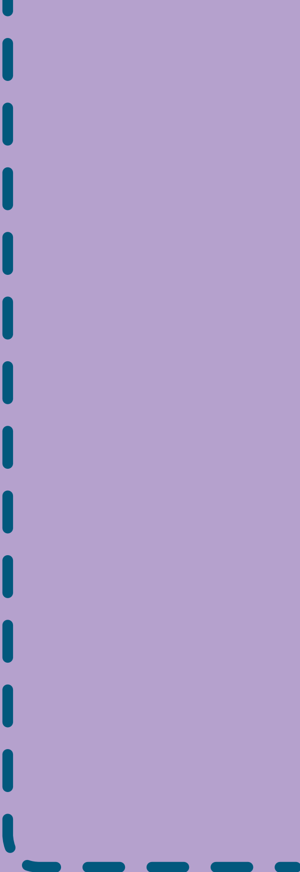
- Compliance with the law, regulations, and internal and external standards
- Our dealings with customers
- Equal opportunities
- A harassment-free workplace
- Occupational safety
- Conflicts of interest
- Policy against accepting gifts
- Transparent, corruption-free business dealings
- Care of our work tools
- Anti-fraud measures
- Protection of private and confidential information
- Environmental care and responsible use of resources

To guarantee compliance with our ethical guidelines, we have created a hotline for stakeholders, which we call Línea Correcta or “Right Line”, a mechanism for receiving reports of violations to our Code of Conduct by Alsea employees, supplies and brands, both in Mexico and in Latin America. The hotline is managed in a comply objective, reliable and confidential manner.

For more information about our Code of Conduct, visit: **http://www.alsea.net/investor-relations/code-of-ethics**

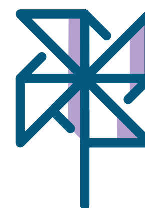
03. Our **People**

We support the **development of our people** and have the best management talent in the industry.



We are very proud to have a team made up of **61,822 employees** spread out over six countries. To all of them, we offer a pleasant workplace environment, a culture of respect and service, and the conditions they need to develop professionally and personally, and to find the ideal life balance.

Talent



At Alsea, we are committed to attracting and retaining talent. We provide the best working conditions in a healthy environment, placing a priority on non-discrimination, equal opportunity and fairness, and pursuing challenging projects that support the comprehensive development of our employees.

Our goal is to attract employees with innovative ideas who can contribute to our best practices and experience. Our recruitment and selection process is based on the comprehensive Human Rights policy in Mexico and the ÚNETE Business Rules on Talent Attraction, Recruitment and Selection.

The benefits of correctly managing this process are translated into greater business know-how, which comes from the training of our new employees, lower turnover, and development of leaders through various leadership and motivation programs. We have also identified some opportunities in defining a career plan for some positions.

G4-LA1

The main challenge we faced in 2015 was attracting the talent we needed to grow our brands and recruit employees to fill more than 2,000 operating positions and more than 500 corporate positions, due to the opening of 122 corporate-owned units. We were able to meet these goals on time to cover positions within the corporation and stores, and we did this by setting up a centralized service center for attracting talent to the operation, by creating policies and procedures, consolidating leadership and reorganizing in countries where we are present, covering critical zones in peak season, and encouraging internal advancement and mobility by keeping our employees abreast of promotion opportunities through a system for internal applications and referrals.

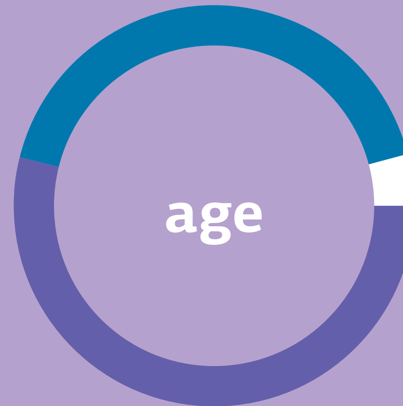
In order to attract the best candidates for filling positions within Alsea, we have a recruitment team in every country where we operate. We post our job openings through various authorized recruitment sources, like institutional, government or online job banks, social networks, schools and universities, and we establish specific strategies and lines of action for encouraging employee retention for each of our brands.

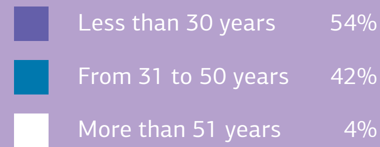
New **hires**
in Mexico

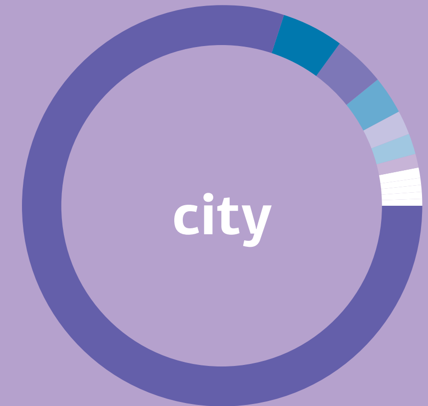
217 women

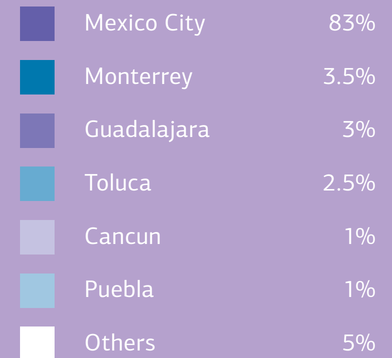
244 men

461 new administrative personnel hired









Training and **development** in Mexico

Our restaurant managers think and act like owners, always aware of the business, the needs of the customer and of the team.

At Alsea, we make an effort to provide our employees with advancement opportunities, giving them the tools they need to build and update the skills inherent to their positions, and encouraging a commitment to doing their jobs right every day, so we can identify the impact and scope of our training programs and make sure our employees are taking full advantage of them.

Other challenges we dealt with in 2015 included developing leadership, boosting sales, and controlling expenses, training our employees in the Alsea Leadership Model and reaching our financial goals.

We hire trained personnel and we keep them up to date on their job responsibilities through a new, restaurant focused attitude, starting with managers being encouraged to take on responsibility for the actions and goals of the units they are in charge of, maintaining a focus on the persons and on the advancement of the employees reporting to them.

In pursuit of this objective, we have policies and processes in place for training our personnel according to the TNA (Training Needs Assesment) of each our brands and support area, and we coordinate training plans that boost know-how in our company and operations, with internal training programs, or when necessary specialized outside courses and the soft and core issues of the business. We also monitor our training process through satisfaction surveys, learning and performance, depending on the issue addressed and its impact on the business.

1,649 of our administration employees have life insurance and major medical insurance benefits.

34.02 average work **hours of training** per employee

Men	61%
Women	39%

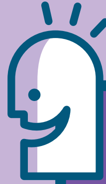
Directors / Associate Directors
10.69 hours

Managers / Middle Managers
35.41 hours

Operational workers
45.53 hours

33.12
average hours women

35.40
average hours men



2015 Initiatives

Quality of life Commission

Design of the “Extra Day” policy for operating employees.

Launch of the vacation control system for administrative personnel.

648 employee children benefited from the academic excellence program.

Activation of the Emergency Employee Support Fund.

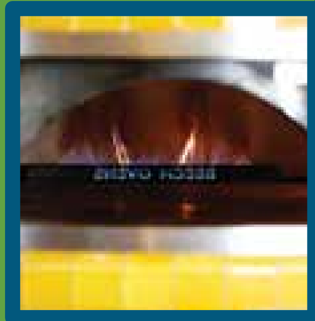
Goals 2016

- Continue pursuing the 2015 programs.
- Alsea Fellowships: Supporting high-potential store managers in completing their professional studies.
- Launch the “Extra Day” in Operations.
- Standardize inter-brand benefits for newly hired operational employees.
- Increase the number of women in executive positions.
- Regulate the process and activate the hiring of differently-abled personnel, older adults and integration of persons belonging to minorities and/or vulnerable groups.

Desayunos

04. Environment

Promoting environmental care through the **sustainable operation of our units,** striving for profitability through innovation and leadership in our **4 lines of action: energy, water, supplies and waste.**



We make an effort to use all our resources wisely, and we’ve developed various lines of action to fully comply with environmental laws, while monitoring our energy, water, supply and waste operations and making them more efficient.

We invested MXN 83,221,884 in initiatives to optimize operations, including consultancy on the National Emissions Report, a project to replace lighting and boilers in existing stores and installing more energy-efficient lighting and water heating units in new stores.

8,508 metric tons of CO_2, emissions mitigated through product manufacturing process efficiency:

- 42% reduction in consumption by using of high-efficiency heaters.
- 70% reduction in energy consumption by using LED instead of incandescent lighting.

Figures in Mexico

Energy
in Mexico

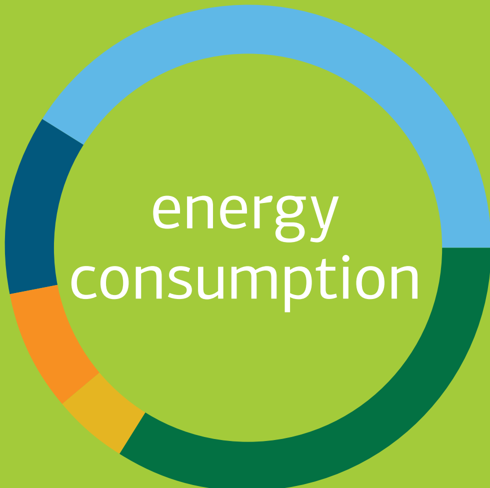
In 2015 we introduced some energy savings projects both in existing branches and in newly built units. These included:

- Installation of high-efficiency heaters in 20 new stores.
- Installation of 23,473 overhead lights in new stores.
- Replacement of 140 existing boilers for high-efficiency heaters in existing stores.
- Replacement of 110,639 overhead lights in existing stores.

78,799 Gj per year saved from energy conservation projects:

- 32,249 Gj from replacement of overhead lights in existing stores.
- 19,989 Gj from replacement of boilers in existing stores.
- 26,561 Gj from improvements in new stores.

Consumption of 166,792 KwH a year per restaurant.



L.P. Gas	1,160,717
Electricity	957,722
Gasoline	134,134
Diesel	239,702
Natural gas	351,473

Notes:
- These data refer only to Mexico
- To calculate energy consumption, we used the billing information from the Federal Electricity Commission (CFE) and suppliers of LP and natural gas
- The sources used to calculate the conversion factors were:
  National Emissions Registry Guide: http://www.semarnat.gob.mx/sites/default/files/documentos/cicc/20150915_guia_rene.pdf
  IPCC 2006 “”006 IPCC Guidelines for National Greenhouse Gas Inventories”, Volume 2 (chapter 1 - stationary combustion, table 2.2)

2016 Goals:

- **To supply 80% of our establishments in Mexico with electricity from renewable sources.**
- **To maintain the standard of efficiency of each new opening, based on the experience of previous projects, like lighting, heating and water pump.**

Water

in Mexico

2,823,215 m³

of water consumed in 2015

One our biggest challenges in environmental terms in 2015 was accounting for the consumption of water resources at Alsea. We were able to estimate 30% of this to establish a baseline, and we will continue to progress toward this measurement in coming years.

2016 Goal:

- **Calculate real measurement of 90% of our water consumption, leaving only 10% to estimate.**

Emissions
in Mexico

In keeping with the Mexican General Law on Climate Change, as a result of energy-saving programs introduced in the year, we were able to lower our carbon dioxide (CO_2) emissions in Mexico in 2015, establishing this exercise as a baseline for monitoring due to the adjustment of our calculation methodology to conform to the requirements of the National Emissions Registry.

119,915 metric tons of CO_2, total direct emissions in 2015.

5,345 metric tons of CO_2 saved through energy projects such as:

- Boiler replacement (scope 1): reduction of 1,260 metric tons of CO_2
- Overhead lighting replacement (scope 2): reduction of 4,085 metric tons of CO_2.

121,311 metric tons of CO_2, total indirect emissions in 2015.

151 metric tons of CO_2 emitted each year per restaurant.
(Direct and indirect emissions)

2016 Goals:

- **Reduce CO_2 emissions by supplying 80% of our establishments in Mexico with electricity from renewable sources.**
- **Maintaining efficiency standards in new openings, based on energy saving projects introduced successfully in the past.**

2015 Iniciatives

Environment Commission

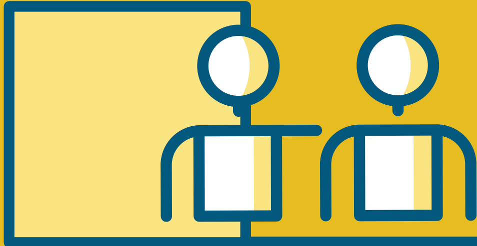
Acquiring green energy (Cogeneration and wind).

Reduce electrical energy billing and CO_2 generation.

Expansion of waste recycling programs.

Goals 2016

- Continue to pursue the 2015 programs.
- Acquire green energy (cogeneration and wind).
- Expand waste recycling programs.
- Seek out and incorporate environmentally-friendly inputs.
- Standardize the method of measuring water consumption.



05. Community **engagement**

At Alsea, **we support the growth and welfare of the communities where we operate**, with engagement strategies that bring us closer to them and help us better understand their needs.

Fundación Alsea, A.C.

Fundación Alsea has a mission of **bringing food security to vulnerable communities** and promoting human development by supporting educational initiatives.

For the past 11 years, we have supported more than 500,000 low-income families in Mexico with an investment of more than 80 million pesos.

At the instructions of the Board of Directors, every year we allocate 1% of our net profits to Fundación Alsea, which is the non-profit arm through which we carry out our charitable work, so it can promote community support programs.

80 metric tons of food donated

22,267 hours of volunteer time

MXN 42,450,000
Cash donations received in 2015

	%
Va por mi cuenta Fundraising Campaign- Customers	53
Fundraising Campaign- Employees	14
Founding partners	2
Other campaigns	15
Alsea - 1% of net profits	16

NUESTRO COMEDOR
FUNDACIÓN ALSEA Y COMEDOR SANTA MARÍA

Programs

Va por mi Cuenta

In 2012, Fundación Alsea began supporting the “Va por mi Cuenta” (It’s on Me) Campaign, a movement that guarantees that children living in food insecurity in our country have access to food in a healthy environment and with a program of values that enables them to grow physically and emotionally.

This work is carried out in dining centers for children, which we call “Nuestro Comedor” (Our Dining Room).

ACABEMOS **CON LA**
DESNUTRICIÓN INFANTIL
INVITANDO A UN NIÑO
A LA VEZ.

- In 2015 we built and opened our 6th Dining Center in the municipality of Saltillo, Coahuila.
- We currently have the capacity to feed 2,000 boys and girls every day.
- From 2012 to the present we have provided more than half a million nutritious meals, directly benefiting more than 800 families.
- Through our fundraising campaign with customers, we raised almost 20 million pesos, which will be used to guarantee the operation of existing dining rooms.
- We expanded the capacity of the “Our Dining Centers” facilities in Chalco and Ecatepec, benefiting another 270 children in those communities.
- In 2016 we expect to build and operate two more Dining Centers in the State of Mexico and Mexico City, with which we will positively impact the lives of another 1,000 children.

Fondo para la Paz IAP

In 2015, with the support of Fundación Alsea, this organization was able to improve food security conditions for 155 people through sustainable intensification of farming production among indigenous communities along Oaxaca's coast.

- Communities received 84 hours of training in setting up 6 bio-intensive community gardens.
- A local producers' network was formed in the coastal region of Oaxaca.
- 787 kgs of products were harvested (radishes, squash, corn, cucumbers, beans and cilantro).

Mano Amiga

We support "Mano Amiga" school in Chalco, State of Mexico, providing 136 scholarships to ensure the education of young people in vulnerable situations.

Todos Sembramos Café

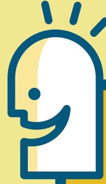
We continued our support for coffee growers in Chiapas through this program, whose name means "We all plant coffee," providing them with 369,00 plants in 2015, equivalent to 120 hectares of crops replaced.

Fund for Opportunities and Employability

In 2015 a program called Fund for Opportunities and Employability was created, sponsored and supported by Starbucks Foundation and Fundación Alsea. Its purpose is to provide vulnerable youth with the tools they need to become productive members of society and obtain a formal job more easily.

- USD 300,281 invested by Starbucks Foundation and Fundación Alsea.
- 1,044 direct beneficiaries.
- 5 young people received college scholarships.
- Community development supported through the conservation and creation of jobs.

Fondo de Oportunidades y Empleabilidad



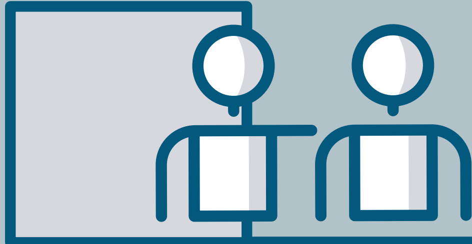
2015 Initiatives

Community Support Commission

Va por mi cuenta	2,000 kids 1 new dining room 2 extensions
Emergency/Natural Disaster Support	528 basic supply packages delivered 200 cleaning kits delivered 2 charitable support cases
Social investment projects	USD 300,381 invested 1,044 people benefited

Goals **2016**

- Continue pursuing the 2015 programs.
- Promote the “Va por mi Cuenta” campaign.
- Coordinate the Emergency/Natural Disaster Support program.
- Promote Latin American social investment projects (Fund for Opportunities and Employability).
- Launch of the corporate Va por mi Cuenta volunteering program.



06. **Responsible** consumption

We contribute to the **welfare of the community and encourage better nutrition in balanced lifestyles**, building awareness among our employees and customers and exceeding legal requirements in favor of our customers.

G4-PR1, PR3

We are convinced that balanced lifestyles, which include the pleasure of eating good food and beverages, and being together with people who are important to us, combined with proper hydration and physical activity, are indispensable for well-rounded wellness.

Our primary objectives are:

- Activate Alsea's stance and that of its brands toward three basic pillars: product, physical activity and communication.
- Build awareness within the company through workshops and active follow-up on legislative matters and guidelines.
- Build awareness outside the company by organizing and advertising activities.
- Build up our corporate reputation through execution of our public relations strategy and cooperation with key institutions.

To meet these goals, we have a variety of initiatives, the results of which are shown below::

- Update the Alsea Nutritional Index by 60%.
- Continue promoting balanced life styles by designing content with a scope of 75% from Alsea.
- Work on the process of validating and communicating with regulators (approved).
- Training operating personnel on the rights and obligations of the consumer and the seller, through corporate training.
- Work with procurement on aspects of social responsibility and nutritional transparency (we already have approval of criteria and percentage of supplier coverage).
- Mapping institutional relations .

In line with our strategy of encouraging responsible consumption, we guarantee that all our products and services meet national information transparency standards with regard to the information we provide for our customers on quality and food safety. We also meet the requirements of our international customers by providing them quality products and services and making sure the new businesses we acquire operate in a manner consistent with our quality standards and the regulations on information regarding each product, standardizing it with suppliers and affiliate businesses.

In 2015, we had some challenges, like modifying the labeling on all our products in order to comply with Mexican Official Standard (NOM) 051 and following up on this process with the authorities. On this basis, we obtained a 95% compliance in labeling based on this standard and notified the authorities of the estimated date for compliance with the last 5%, along with the mapping and documentation about the procedure for preparing, approving and managing labels.

The process of creating labels and preparing products involves various areas, like Quality Assurance, new Product Development, Regulatory Affairs, Marketing and Legal. All of them are key to the product development.

Every label goes through a process of verification and approval by the team in charge, while the procedures, formats and specifications of ingredients and finished product are reviewed and updated every quarter.

If necessary, we set up visits and meetings with the health authorities to review our compliance with food quality standards.

The information detailed on the labels of all our products considered pre-packaged products include the origin of the product components, the content, product safety instructions and elimination method.

2016 Goals:

- **Creating a plan of action to bring the Alsea Nutritional Index to 85%.**
- **Achieve a 100% Alsea scope in promoting balanced life styles, distributing content online and in print media and learning about our customers' perceptions.**
- **Implement the process of validating and communicating with regulators.**
- **Train 85% of operating personnel on the rights and obligations of the consumer and the seller, through e-learning.**
- **Quantify the basis and objectives of the work with procurement on aspects of social responsibility and nutritional transparency.**
- **Recommendations based on the mapping of institutional relations.**

BURGER
KING

Value Chain
in Mexico

PROCUREMENT PRACTICES

At Alsea, we try to influence our value chain in order to replicate best social responsibility practices. To this end, we base our procurement process on our purchasing policy, which establishes in a clear and transparent manner the fair approach we take with our suppliers, and the quality and price standards we expect them to meet.

Along the same lines, as part of our purchasing policy we introduced a "letter of laws and ordinances," a document that is used in registering a supplier of Alsea and its brands, which provides a blanket protection for Alsea in terms of requirements for commercial relations with vendors in Mexico, covering a variety of issues such as human rights, labor practices, and others.

Also in 2015, we updated the purchasing files based on a policy of supplier rights and obligations, and were able to increase the total number of social responsibility letters signed by current suppliers by 40%, to a total of 553.

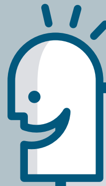
We are currently in the process of identifying and establishing key indicators for evaluating our suppliers' performance and areas of opportunity in training and other processes they must complete. In case this process revealed some negative impacts or risks in our company's supply chain, so we conducted a commercial audit to review the information that had been included in the signed letter of laws and ordinances from the supplier, including audits to evaluate the quality of products delivered to our Distribution Centers.

144
new suppliers
signed the letter of laws and ordinances during 2015

70%
of our purchases
are from local suppliers

2016 Goals:

- Make the laws and ordinances letter a formal part of the process of registering every supplier with Alsea.
- Update 100% of the supplier acquisition files currently being negotiated in the Purchasing department.
- Conduct commercial audits to check on the points indicated in the letters of laws and ordinances for 100% of new suppliers brought in by the Purchasing area.
- Visit suppliers with negotiations pending with the area according to the work plan, beginning with an 80/20 based on purchasing volume.



2015 Initiatives

Responsible Consumption Commission

Updating Alsea's Nutritional Index.

Continuing to promote balanced lifestyles.

Work on the process of validating and communicating with regulators.

Training operating personnel on the rights and obligations of the consumer and the seller.

Work with procurement on aspects of social responsibility and nutritional transparency.

Mapping institutional relations.

Goals **2016**

- Activate Alsea's stance and that of its brands toward three basic pillars:
  - Product
  - Physical activity
  - Communication
- Build awareness within the company
  - Workshops
  - Active follow-up on legislative matters
- Build awareness outside the company
  - Publicity and activities
  - Spokespersons
  - Partners and suppliers

07.

Management Discussion and Analysis

CONSOLIDATED RESULTS FOR FULL-YEAR YEAR 2015

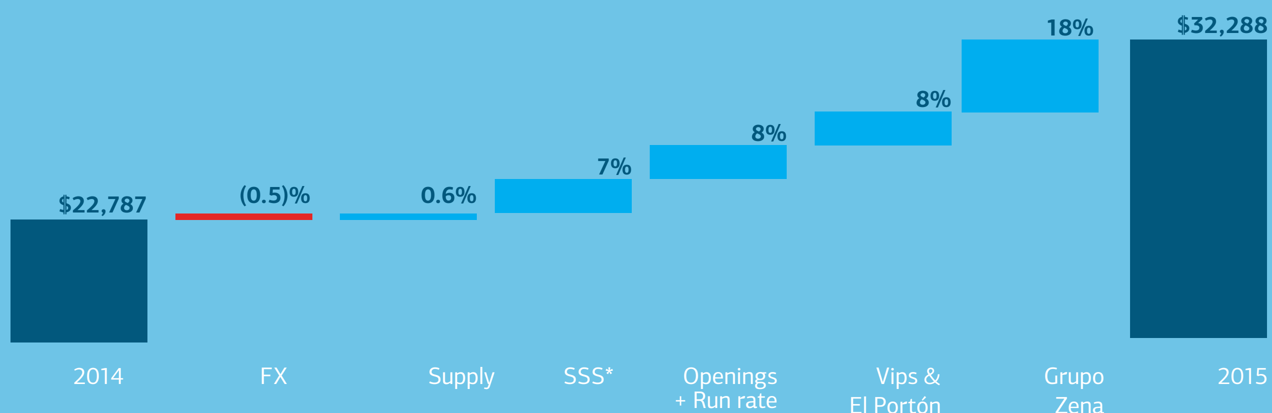
The following table shows a condensed Income Statement in millions of pesos (except EPS). The margin for each item represents net sales, as well as the percentage change for the year ended December 31, 2015, in comparison with the same period of 2014:

	2015	Margin %	2014	Margin %	Change %
Net Sales	$32,288	100.0%	$22,787	100.0%	41.7%
Gross Income	22,139	68.6%	15,515	68.1%	42.7%
EBITDA[1]	4,302	13.3%	2,802	12.3%	53.5%
Operating Income	2,354	7.3%	1,469	6.4%	60.3%
Net Income	$1,033	3.2%	$624	2.7%	65.5%
EPS[2]	1.171	N.A.	0.847	N.A.	38.2%

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

SALES

Net sales increased 41.7% to 32,288 million pesos in 2015, compared to 22,787 million pesos during the prior year. This increase was mainly due to the growth of 10.4% in same-store sales, revenues from the distribution and production segment, and to the increase of 122 corporate units, for a total of 2,283 corporate stores at the end of December 2015, which is growth of 5.6% over the same period of the prior year. This increase in sales was partially offset by the negative effect of inclusion of one additional week of operations in the prior year.



*The percentage of SSS contribution is the effect on the total revenue base.

The business portfolio in Mexico reported a growth of 4.4% in same-store sales at the end of 2015, and our brands in South America presented growth of 25.5% in same-store sales, achieving a slightly below mid-single digit growth in transactions. Likewise, the brands acquired in Spain posted positive results in the year, with growth of 7.2% in same-store sales, in comparison with the same period of the prior year.

EBITDA

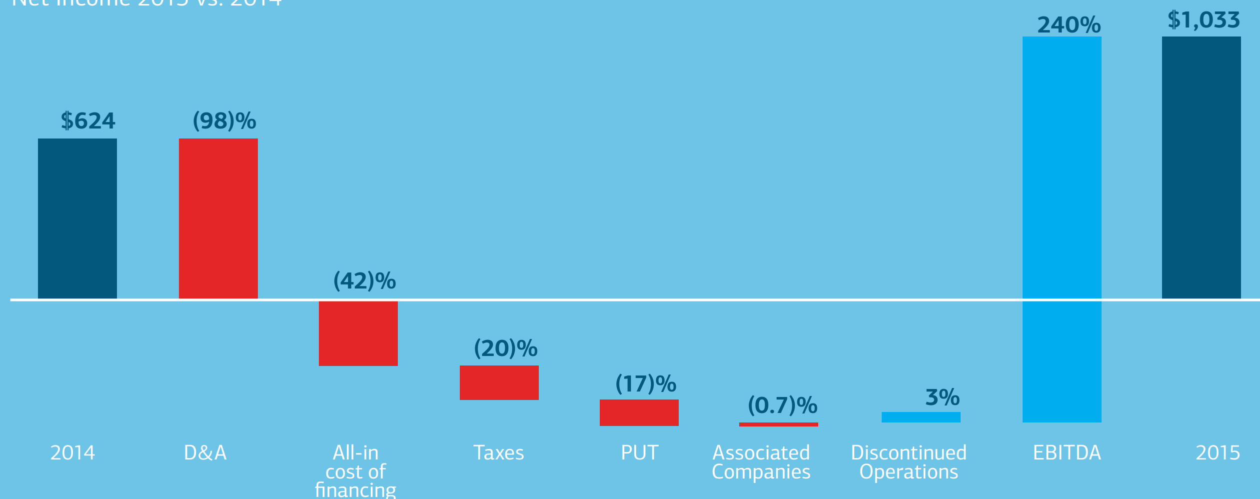
As a result of the 42.7% growth in gross income and the 40.3% increase in operating expenses (excluding depreciation and amortization), EBITDA rose 53.5% to 4,302 million pesos at the close of 2015, compared to 2,802 million pesos in the same period of the prior year. The 1.5-billion peso increase in EBITDA is mainly attributable to same-store sales growth, operating efficiencies, and the increase in the number of units and the positive contribution from incorporating the brands in Grupo Zena in Spain into our portfolio, as well as the Vips and El Portón brands in Mexico. That increase was partially offset by the impact on results due to depreciation of the Mexican peso against the dollar, the negative effect of inclusion of an additional week of operations in the previous year, and to a lesser extent to the devaluation of some currencies in Latin America. EBITDA margin increased 100 basis points as a percentage of sales, rising from 12.3% in 2014, to 13.3% in 2015.

NET INCOME

Net income in the year increased 409 million pesos over the same period in the prior year, closing at 1,033 million pesos, compared with 624 million pesos in the prior year, mainly due to the 885-million peso increase in operating income. This variation was partially offset by the increase of 365 million pesos in the all-in cost of financing, as a consequence of the negative variation attributable to the exchange-rate result for the period. This was mainly caused by revaluation of the liability related to the call and put options of the remaining 28.24% of Grupo Zena, due to depreciation of the Mexican peso against the euro, as well as to the increase of 125 million pesos in income tax.

Earnings per share (“EPS”)(2) for the 12 months ended December 31, 2015, increased to 1.171 pesos, compared with 0.847 pesos for the 12 months ended December 31, 2014.

Net Income 2015 vs. 2014



RESULTS BY SEGMENT FOR FULL YEAR 2015

Alsea Mexico	Food and Beverages				Distribution and Production				Total			
	2015	2014	Var.	%Var.	2015	2014	Var.	%Var.	2015	2014	Var.	%Var.
Same-Store Sales	4.4%	(0.4)	480 pbs	-	-	-	-	-		(0.4)	480 pbs	-
Number of Units	2,092	1,999	93	5	-	-	-	-	2,092	1,999	93	5
Sales	18,672	15,591	$3,081	20	6,375	5,064	$1,310	26	19,896	16,699	$3,197	20
Adjusted EBITDA*	4,091	3,566	$526	15	582	478	$105	22	4,674	4,043	$631	16
Adjusted EBITDA Margin*	21.9%	22.9%	(100)pbs	-	9.1%	9.4%	(30)pbs	-	23.5%	24.2%	(70) bps	-

*Adjusted EBITDA does not include administrative expenses, thus it represents the "Store EBITDA."

Sales at Alsea Mexico during the year ended December 31, 2015, increased 19.1% to 19,896 million pesos, compared to 16,699 million pesos in the same period of 2014. This favorable variation of 3,197 million pesos is mainly attributable to the incorporation of 62 corporate units of the different brands over the last 12 months, the 4.4% growth in same-store sales, as well as the increase of 9.1% in sales to third parties in the distribution and production segment in comparison with 2014. This can be attributed to the growth in the number of units served over the last 12 months, supplying a total of 2,097 units at December 31, 2015, in comparison with 2,028 units for the same period in the previous year, which was a 3.4% increase. This increase was partially offset by the negative effect of inclusion of one additional week of operations in the prior year.

Adjusted EBITDA increased 15.6% during the 12 months ended December 31, 2015, closing at 4,674 million pesos, compared with 4,043 million pesos reported in the same period of the prior year. This increase is attributable to the 4.4% growth in same-store sales, in addition to the margin created by the higher number of units in operation and to the business mix. The foregoing was partially offset by the impact from the devaluation of the peso against the dollar, as well as the difficult comparative basis of 2014, due to the margin created by the additional week of operations.

Alsea South America	2015	2014	Var.	%Var.
Same-Store Sales	25.5%	20.0%	550 pbs	-
Number of Units	395	343	52	15%
Sales	$6,718	$4,621	$2,097	45%
Adjusted EBITDA*	$1,021	$679	$342	50%
Adjusted EBITDA Margin*	15.2%	14.7%	50 pbs	-

*Adjusted EBITDA does not include administrative expenses, thus it represents the “Store EBITDA.”

Sales at Alsea South America represented 20.7% of Alsea’s consolidated sales, and at the end of the fourth quarter of 2015 included Burger King operations in Argentina, Chile and Colombia, Domino’s Pizza Colombia, Starbucks Argentina, Chile and Colombia, and P.F. Chang’s in Chile, Argentina, Colombia and Brazil. At the end of the period there were a total of 376 corporate units and 19 sub-franchised units. Sales in this segment increased 45.4% to 6,718 million pesos, in comparison with 4,621 million pesos in 2014. This positive variation of 2,097 million pesos was mainly due to the increase of 49 corporate units and 3 sub-franchised units, which variation was partially offset by the devaluation of the Colombian peso, which devalued 12.5% against the Mexican peso, as well as to the negative effect of including an additional week of operations in the previous year.

Adjusted EBITDA at Alsea South America at the end of full year 2015 increased by 50.4%, closing at 1,021 million pesos, in comparison with 679 million pesos in the same period in 2014. EBITDA margin at the close of the year ended December 31, 2015 improved 50 basis points over the same period of the prior year. That increase is partially attributable to the economies of scale arising from the aforementioned increase in number of corporate units. This variation was partially offset due to the effect of the devaluation of the Colombian currency, as well as to the difficult comparative basis of 2014, as a result of the margin generated by the additional week of operations.

Alsea Spain	2015
Same-Store Sales	7.2%
Number of Units	467
Sales	$5,674
Adjusted EBITDA*	$1,082
Adjusted EBITDA Margin*	19.1%

*Adjusted EBITDA does not include administrative expenses, thus it represents the “Store EBITDA.”

Sales at Alsea Spain in 2015 represented 17.8% of Alsea's consolidated sales, and at the end of 2015 included the operations of Foster's Hollywood, Domino's Pizza, Burger King, La Vaca Argentina, Cañas y Tapas and Il Tempietto. At the end of the period there were a total of 313 corporate units and 154 sub-franchised units.

Adjusted EBITDA for Alsea Spain at the end of full year 2015 was 1,082 million pesos, which was a margin of 19.1%

NON-OPERATING RESULTS

All-In Cost of Financing

The all-in cost of financing in the fourth quarter of 2015 increased to 187 million pesos, compared with 145 million pesos in the same period of the prior year. That variation is mainly attributable to exchange rate losses during the period, which was caused mainly by the revaluation of the liability related to the call and put options of the remaining 28.24% of Grupo Zena, due to depreciation of the Mexican peso against the euro in the fourth quarter of the year, as well as the revaluation of accounts payable in dollars as a consequence of depreciation of the Mexican peso against the dollar.

BALANCE SHEET

During the 12 months ended December 31, 2015, Alsea made capital investments of 3,439 million pesos, of which 2,316 million pesos, equal to 67% of total investments, were earmarked for store openings, equipment refurbishing and remodeling existing stores for the different brands that the Company operates. The remaining 1,123 million pesos were mainly earmarked for the acquisition of new corporate offices, to improvement and logistics projects, and to software licenses, among other items.

Other Long-Term Liabilities

The Other Long-Term Liabilities account increased 107 million pesos, due to recognition of the liability related to the call and put options that were agreed with Britania Investments, S.A.R.L. ("Alia"), the local partner of Grupo Zena, for its entire stake in the company of 28.24%.

Bank Debt and Fixed-Rate Bonds

As of December 31, 2015, Alsea's total bank debt had increased by 994 million pesos, closing at 12,233 million pesos, in comparison with 11,239 million pesos on the same date of the previous year. The Company's consolidated net debt in comparison with the close of 2014 increased 911 million pesos, closing on December 31, 2015 at 11,038 million pesos, in comparison with 10,126 million pesos.

As of December 31, 2015, 94% of the debt was long term, and on that same date 82% of the debt was denominated in Mexican pesos, 17% was in euros, and the remaining 1% was in Argentine and Chilean pesos.

The following table shows the balance of total debt in millions of pesos at December 31, 2015, as well as the maturity dates for the subsequent years:

	Balance	Maturities											
	4T 15	2016	%	2017	%	2018	%	2019	%	2020	%	2025	%
Total Debt	$12,233	$1,005	8	$829	7	$2,974	24	$2,392	20	$4,033	33	$1,000	8

The following table shows the balance and structure of total debt in millions of pesos at December 31, 2014

INSTITUTION	TASA REF.	SPREAD	MATURITIES DATE	Dic 2015
Bank of America	6.11%	NA	18-sep-19	1,000,000
SOCOTIABANK	TIIE 28 D	1.18%	08-jul-19	887,604
BANK OF TOKYO	TIIE 28 D	0.75%	20-mar-17	399,250
BANK OF TOKYO	TIIE 28 D	0.75%	20-mar-17	350,000
SCOTIABANK	TIIE 28 D	0.90%	30-sep-19	270,000
SCOTIABANK	TIIE 28 D	0.80%	07-jul-19	700,000
		BANK DEBT		3,606,854
CEBUR ALSEA´13	TIIE 28 D	0.75%	14-jun-18	2,493,909
CEBUR ALSEA´15	TIIE 28 D	1.10%	20-mar-20	2,985,886
CEBUR ALSEA´15	8.07%	NA	14-mar-25	1,000,000
		BOND DEBT		6,479,795
Argentina	24.72%	NA		49,762
Chile	1.36%	NA		69,777
ZENA ESPAÑA	3.00%	NA	31-dic-20	2,027,153
		TOTAL LATIN AMERICA AND SPAIN		2,146,692
		TOTAL DEBT		12,233,341

Shares Repurchase Program

At year ended, Alsea closed with a balance of 1,092, 281 shares in the repurchase fund. During the 12 months ended December 31, 2015, the Company conducted purchase and sale operations amounting approximately to 179 million pesos.

Financial Ratios

At December 31, 2015, the financial restrictions established in the Company's credit contracts were as follows: The ratio of: (i) Total Debt to EBITDA (last 12 months) was 2.8x; (ii) Net Debt to EBITDA (last 12 months) was 2.6x; and (iii) EBITDA (last 12 months) to interest paid over the last 12 months was 6.1x.

The Return on Net Invested Capital ("ROIC")(2) increased from 8.0% to 9.3% during the 12 months ended December 31, 2015. The Return on Equity ("ROE")(3) for the 12 months ended December 31, 2015 was 10.4%, in comparison with 7.5% in the same period of the prior year.

KEY INFORMATION

Financial Indicators	4Q15	4Q14	Variation
EBITDA[1] / Interest Paid	6.1 x	6.2 x	N.A
Total Debt / EBITDA[1]	2.8 x	3.3 x	N.A
Net Debt / EBITDA[1]	2.6 x	2.9 x	N.A
ROIC [2]	9.3%	8.0%	130 pbs
ROE [3]	10.4%	7.5%	290 pbs

Stock market Indicators	4Q15	4T14	Variation
EPS (12 months) [4]	1.171	0.847	38.2%
Shares in circulation at the close of the period (millions)	837.5	837.6	-
Price per share at close	$59.85	$40.77	46.8%

(1) EBITDA ppro forma for the last 12 months
(2) ROIC is defined as operating income after taxes (last 12 months) by net operating investment (total assets – cash and short-term investments – no-cost liabilities).
(3) ROE is defined as net earnings (last 12 months) over shareholders' equity.
(4) EPS is earnings per share for the last 12 months.

Hedge Profile

The Finance Direction, joint with the Treasury Management, shall manage risks seeking to: mitigate present and future risks; not deviate resources from the operation and the expansion plan and hold the certainty of the Company's future flows, along with a strategy regarding the debt's cost. All instruments will only be used for hedging purposes.

During 2015 hedge derivatives in foreign exchange matured for $135.0 million dollars, at an average exchange rate of 15.72 pesos per dollar. This hedging resulted in an exchange rate profit of $26.8 million Mexican pesos. At December 31, 2015 Alsea holds hedges to purchase US dollars in the next 12 months for an approximate amount of $28 million US dollars, at an average exchange rate of 16.26 pesos per dollar. The foregoing is estimated at an average exchange rate of 16.50 pesos per dollar.

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

Consolidated Financial Statements for the years ended
December 31, 2015, 2014 and 2013, and Independent Auditors'
Report Dated March 31, 2016

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

Consolidated Financial Statements for the years ended
December 31, 2015, 2014 and 2013, and Independent Auditors'
Report Dated March 31, 2016

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

We have audited the accompanying consolidated financial statements of Alsea, S.A.B. de C.V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and 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, as issued by the International Accounting Standards Board 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 audits. We conducted our audits 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.

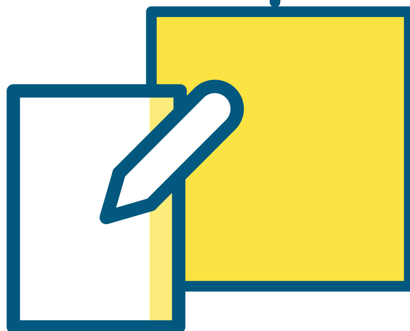
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, 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 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 financial position of Alsea, S.A.B. de C. V. and subsidiaries as of December 31, 2015, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.



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

C. P. C. Francisco Torres Uruchurtu
March 31, 2016

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

Consolidated Statements of Financial Position

At December 31, 2015, 2014 and 2013
(Figures in thousands of Mexican pesos)

Assets	Notes	2015	2014 (As adjusted)	2013 (As adjusted)
Current assets				
Cash and cash equivalents	6	$ 1,195,814	$ 1,112,850	$ 663,270
Customers, net	7	639,943	673,749	360,104
Value-added tax and other recoverable taxes		205,453	218,301	369,350
Other accounts receivable		264,910	221,794	268,714
Inventories, net	8	1,377,981	1,055,174	641,880
Advance payments	9	322,386	503,219	304,323
Total current assets		4,006,487	3,785,087	2,607,641
Long-term assets				
Guarantee deposits		384,328	291,139	128,108
Investment in shares of associated companies	14	922,962	829,824	788,665
Store equipment, leasehold improvements and property, net	10	11,137,776	10,021,037	4,764,397
Intangible assets, net	11 y 16	14,691,004	14,623,621	3,386,043
Deferred income taxes	20	1,710,943	1,320,881	760,782
Total long-term assets		28,847,013	27,086,502	9,827,995
Total assets		$ 32,853,500	$ 30,871,589	$ 12,435,636

Liabilities and stockholders' equity	Notes		2015		2014 (As adjusted)		2013 (As adjusted)
Current liabilities							
Current maturities of long-term debt	17	$	734,824	$	1,377,157	$	388,486
Current maturities of financial lease liabilities	12		7,190		7,878		-
Suppliers			3,013,091		2,694,015		1,408,565
Accounts payable and accrued liabilities			635,802		601,854		197,709
Accrued expenses and employee benefits			1,713,496		1,292,606		730,727
Income taxes			139,118		232,780		360,947
Taxes arising from tax consolidation	20		31,893		38,983		10,111
Total current liabilities			6,275,414		6,245,273		3,096,545
Long-term liabilities							
Long-term debt, not including current maturities	17		5,018,722		7,370,666		2,166,281
Non-current financial lease liabilities	12		307,140		314,342		-
Obligation under put option of non-controlling interest	19		2,777,328		2,673,053		-
Debt instruments	18		6,479,795		2,491,356		2,488,850
Other liabilities			73,272		69,035		64,722
Taxes arising from tax consolidation	20		39,755		70,093		15,923
Deferred income taxes	20		1,925,337		1,944,053		19,500
Employee retirement benefits	21		108,586		102,545		72,884
Total long-term liabilities			16,729,935		15,035,143		4,828,160
Total liabilities			23,005,349		21,280,416		7,924,705
Stockholders' equity	23						
Capital stock			478,203		478,271		403,339
Premium on share issue			8,613,587		8,613,587		2,037,390
Retained earnings			2,748,469		2,187,327		1,512,464
Reserve for repurchase of shares			517,629		531,406		569,271
Reserve for obligation under put option of non-controlling interest	19 y 23		(2,673,053)		(2,673,053)		-
Other comprehensive income items			(736,604)		(379,578)		(251,037)
Stockholders' equity attributable to the controlling interest			8,948,231		8,757,960		4,271,427
Non-controlling interest	24		899,920		833,213		239,504
Total stockholders' equity			9,848,151		9,591,173		4,510,931
Total liabilities and stockholders' equity		$	32,853,500	$	30,871,589	$	12,435,636

See accompanying notes to the consolidated financial statements.

Mr. Alberto Torrado Martínez
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

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

Consolidated Statements of Income

For the years ended December 31, 2015, 2014 and 2013
(Figures in thousands of Mexican pesos)

	Note	2015	2014	2013
Continuing operations				
Net sales	26	$ 32,288,376	$ 22,787,368	$ 15,697,714
Cost of sales		10,149,276	7,272,274	5,220,825
Leases		2,851,083	1,805,853	1,257,559
Depreciation and amortization		1,947,897	1,333,320	920,355
Other operating costs and expenses		14,930,621	10,705,673	7,202,075
Other expenses (income), net	28	55,666	201,731	(22,651)
Interest income		(30,512)	(33,257)	(39,044)
Interest expenses		710,901	527,281	241,389
Changes in the fair value of financial instruments	19	104,275	-	-
Exchange loss (gain), net		74,202	(562)	8,125
		1,494,967	975,055	909,081
Equity in results of associated companies	14	27,703	32,253	43,582
Income before income taxes		1,522,670	1,007,308	952,663
Income tax expense	20	489,919	364,593	284,867
Consolidated net income from continuing operations		1,032,751	642,715	667,796
Discontinued operations:				
Loss from discontinued operations - net of income taxes		-	(18,621)	(4,476)
Consolidated net income		$ 1,032,751	$ 624,094	$ 663,320
Net income for the year attributable to:				
Controlling interest		$ 981,215	$ 666,666	$ 681,014
Non-controlling interest		$ 51,536	$ (42,572)	$ (17,694)
Earnings per share:				
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	25	$ 1.17	$ 0.85	$ 0.99
Basic and diluted net earnings per share from continuing operations (cents per share)	25	$ 1.17	$ 0.87	$ 0.99

See accompanying notes to the consolidated financial statements.

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Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

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

Consolidated Statements of Other Comprehensive Income

For the years ended December 31, 2015, 2014 and 2013
(Figures in thousands of Mexican pesos)

		2015		2014 (As adjusted)		2013 (As adjusted)
Consolidated net income	$	1,032,751	$	624,094	$	663,320
Items that may be reclassified subsequently to income:						
Valuation of financial instruments, net of income taxes		(80,460)		(7,242)		-
Exchange difference on translating foreign operations, net of income taxes		(276,566)		(121,299)		(164,487)
		(357,026)		(128,541)		(164,487)
Total comprehensive income for the period, net of income taxes	$	675,725	$	495,553	$	498,833
Comprehensive income (loss) for the year attributable to:						
Controlling interest	$	624,189	$	538,125	$	516,527
Non-controlling interest	$	51,536	$	(42,572)	$	(17,694)

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 2014 and 2013
(Figures in thousands of Mexican pesos)

	Contributed capital			Retained earnings				Other comprehensive income items				
	Capital stock	Premium on issuance of share	Repurchased shares	Reserve for repurchase of shares	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Valuation of financial instruments	Effect of translation of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2013	$ 403,339	$ 2,466,822	$ -	$ 564,201	$ -	$ 100,736	$ 1,072,957	$ (797)	$ (86,550)	$ 4,520,708	$ 308,189	$ 4,828,897
Repurchase of shares (note 23a)	-	-	(1,011)	(67,927)	-	-	-	-	-	(68,938)	-	(68,938)
Sales of shares (note 23a)	-	-	1,011	72,997	-	-	-	-	-	74,008	-	74,008
Purchase of non-controlling (24a)	-	(429,262)	-	-	-	-	-	-	-	(429,262)	(28,020)	(457,282)
Dividends paid (note 23a)	-	-	-	-	-	-	(343,880)	-	-	(343,880)	(30,600)	(374,480)
Other movements (note 24a)	-	(170)	-	-	-	-	1,637	797	-	2,264	-	2,264
Valuation adjustment (note 2b)	-	-	-	-	-	-	-	-	-	-	7,629	7,629
Comprehensive income	-	-	-	-	-	-	681,014	-	(164,487)	516,527	(17,694)	498,833
Balances at December 31, 2013 as adjusted	403,339	2,037,390	-	569,271	-	100,736	1,411,728	-	(251,037)	4,271,427	239,504	4,510,931
Repurchase of shares (note 23a)	-	-	(498)	(39,566)	-	-	-	-	-	(40,064)	-	(40,064)
Sales of shares (note 23a)	-	-	20	1,701	-	-	-	-	-	1,721	-	1,721
Placement of shares, net of issuance expenses (note 1c and 23a)	75,410	6,576,197	-	-	-	-	-	-	-	6,651,607	-	6,651,607
Business acquisitions and obligation under put option of non-controlling (note 19 and 24a)	-	-	-	-	(2,673,053)	-	-	-	-	(2,673,053)	736,456	(1,936,597)
Valuation adjustment (note 2a)	-	-	-	-	-	-	-	-	-	-	(101,520)	(101,520)
Other movements (note 24a)	-	-	-	-	-	-	8,197	-	-	8,197	1,345	9,542
Comprehensive income	-	-	-	-	-	-	666,666	(7,242)	(121,299)	538,125	(42,572)	495,553

	Contributed capital			Retained earnings				Other comprehensive income items				
	Capital stock	Premium on issuance of share	Repurchased shares	Reserve for repurchase of shares	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Valuation of financial instruments	Effect of translation of foreign operations	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at December 31, 2014	478,749	8,613,587	(478)	531,406	(2,673,053)	100,736	2,086,591	(7,242)	(372,336)	8,757,960	833,213	9,591,173
Repurchase of shares (note 23a)	-	-	(965)	(93,422)	-	-	-	-	-	(94,387)	-	(94,387)
Sales of shares (note 23a)	-	-	897	79,645	-	-	-	-	-	80,542	-	80,542
Dividend paid	-	-	-	-	-	-	(419,173)	-	-	(419,173)	-	(419,173)
Business acquisitions and obligation under put option of non-controlling (note 24a)	-	-	-	-	-	-	(900)	-	-	(900)	5,015	4,115
Other movements	-	-	-	-	-	-	-	-	-	-	10,156	10,156
Comprehensive income	-	-	-	-	-	-	981,215	(80,460)	(276,566)	624,189	51,536	675,725
Balances at December 31, 2015	$ 478,749	$ 8,613,587	$ (546)	$ 517,629	$ (2,673,053)	$ 100,736	$ 2,647,733	$ (87,702)	$ (648,902)	$ 8,948,231	$ 899,920	$ 9,848,151

See accompanying notes to the consolidated financial statements.

Mr. Alberto Torrado Martínez
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2015, 2014 and 2013
(Figures in thousands of Mexican pesos)

	Note	2015		2014		2013
Operating activities:						
Consolidated net income		1,032,751	$	642,715	$	667,796
Adjustment for:						
Income taxes		489,919		364,593		284,867
Equity in results of associated companies		(27,703)		(32,253)		(43,582)
Interest expense		710,901		527,281		241,389
Interest income		(30,512)		(33,257)		(39,044)
Disposal of store equipment and property		162,734		60,418		24,386
Provisions		285,807		512,160		68,993
Discontinued operations		-		3,219		1,710
Income from revaluation of financial liabilities (option)		104,275		-		-
Depreciation and amortization		1,947,897		1,333,320		923,121
		4,676,069		3,378,196		2,129,636
Changes in working capital						
Customers		18,847		(188,430)		(15,629)
Other accounts receivable		(48,207)		(23,803)		(84,317)
Inventories		(352,815)		(159,470)		(82,506)
Advance payments		3,932		(270,678)		(102,645)
Guarantee deposits		-		-		(18,088)
Suppliers		344,836		259,932		264,222
Taxes paid		(818,934)		(384,787)		(456,397)
Other liabilities		(93,336)		(240,515)		(41,453)
Labor obligations		6,041		(5,240)		21,674
Discontinued operations		-		(21,840)		(6,186)
Net cash flows provided by operating activities		3,736,433		2,343,365		1,608,311
Cash flows from investing activities:						
Interest collected		30,512		33,257		39,044
Store equipment, leasehold improvements and property		(2,984,818)		(1,996,173)		(1,127,548)
Intangible assets		(411,472)		(393,984)		(339,428)
Acquisitions of business, net of cash acquired	1 y 16	-		(9,816,311)		(1,764,508)
Net cash flows used in investing activities		(3,365,778)		(12,173,211)		(3,192,440)

See accompanying notes to the consolidated financial statements.

	Nota	2015	2014	2013
Cash flows from financing activities:				
Bank loans	22	4,272,000	$ 12,230,892	$ 2,538,686
Repayments of loans		(7,389,420)	(8,042,822)	(2,449,815)
Repayments of financial leases		(7,890)	(9,679)	-
Issuance of debt instruments	1 y 18	4,000,000	-	2,488,850
Increase in capital stock from placement of shares, net of premium and issuance expenses	24	-	6,651,607	-
Interest paid		(710,901)	(527,281)	(241,389)
Dividends paid		(419,173)	-	(343,880)
Acquisition of non-controlling interest		(27,265)	-	(683,441)
Repurchase of shares		(94,387)	(40,064)	(67,927)
Sales of shares		80,542	1,721	72,997
Net cash flows (used in) provided by financing activities		(296,494)	10,264,374	1,314,081
Net increase (decrease) in cash and cash equivalents		74,161	434,528	(270,048)
Exchange effects on value of cash		8,803	15,052	724
Cash and cash equivalents:				
At the beginning of the year		1,112,850	663,270	932,594
At end of year		$ 1,195,814	1,112,850	663,270

See accompanying notes to the consolidated financial statements.

Mr. Alberto Torrado Martínez
General Director

Mr. Diego Gaxiola Cuevas
Administration and Financial Director

Mr. Alejandro Villarruel Morales
Corporate Controller

1. ACTIVITY, MAIN OPERATIONS AND SIGNIFICANT 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.

The Entity was incorporated for a period of 99 years, beginning on the date in which the deed was signed, which was April 7, 1997.

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" cafes and casual dining "Casual Dining". The brands operated in Mexico are Domino's Pizza, Starbucks, Burger King, Chili's Grill & Bar, California Pizza Kitchen, P.F. Chang's, Italianni's, The Cheese Cake Factory, VIPS and Porton. 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). The Entity operates the Burger King, P.F. Chang's and Starbucks brands in Chile and Argentina. In Colombia, Alsea operates the Domino's Pizza, Burger King, Starbucks and P.F. Chang's brands. Starting in 2014, the P.F. Chang's brands operates in Brazil. As mentioned below, starting October 2014, Alsea operates in Spain the brands Foster's Hollywood, Cañas y Tapas, Il Tempietto, La Vaca Argentina, Burger King and Domino's Pizza.

Significant events

a. **Placement of debt instruments -** In March 2015, Alsea concluded the placement of debt instruments worth $3,000,000, maturing in March 2020, and bear interest at the 28-day TIIE rate (Mexican Interbank Offering rate) plus 1.10 percentage points; and other the placement of debt instrument worth $1,000,000, maturing in March 2025, bearing interest at a fixed rate of 8.07%; this placement received a rating of "A+" for local currency debt by Fitch Rating & HR Ratings.

   In June 2013, Alsea concluded the placement of debt instruments worth $2,500,000. Those debt instruments are for a five-year term, maturing in June 2018, and bear interest at the 28-day TIIE rate (Mexican Interbank Offering rate) plus 0.75 percentage points.

   This is the first issuance under the debt instrument program, which was approved on April 25, 2013 by the Board of Directors for issuances up to $3,500,000.

b. **Acquisition of the non-controlling interest of Grupo Amigos de San Angel -** In July 2015, Alsea completed the acquisition of the remaining 10.23% of Grupo Amigos de San Angel S.A. de C.V. ("GASA"); the company owns 29 Italianni's units. Since February 2012, Alsea maintained 89.77% of the shares of GASA. (see effects in note 24b)

c. **Primary offering to subscribe and pay shares for the amount of $5,999,999 -** In June 2014, Alsea made a share placement of $5,999,999 on the Mexican and international markets (without considering an overallotment option for the total amount of $6,899,999). In Mexico, the offering amount is up to $2,881,043, while the international offering amount is up to $3,118,956. The global offering was made for 131,147,540 shares (without considering the overallotment option of 150,819,671 shares); a total of 62,973,627 shares were placed in Mexico, together with 68,173,913 shares on the international market. The placement price was $45.75 per share. Issuance expenses of $248,392 were incurred to make the public offering.

d. **Acquisition of VIPS -** In September 2013, Alsea reached an agreement with Wal-Mart de México, S.A.B. de C.V. (Grupo Wal-Mart) to acquire 100% of VIPS, the Grupo Wal-Mart restaurant division, for a total of $8,200,000. On April 30, 2014, the regulatory authorities approved the transaction, becoming effective as of such date; Alsea consolidates the financial information of VIPS since such date. (see effects in note 15). VIPS' operations include a total of 360 restaurants, of which 262 are of the "Vips" brand, 90 are of the "El Portón" brand, 6 are of the "Ragazzi" brand and two are of the "La Finca" brand. Those operations also include: I) the rights to intellectual property over the four brands, menus, development of the product, operating processes and other items; II) the acquisition of 18 real property assets; III) the buildings which total 214 units; and IV) an administrative office dedicated to the standardization of products, bulk purchases, the centralization of deliveries by suppliers and the production of desserts, sauces and food dressings. The transaction included the acquisition of Operadora VIPS, S. de R.L. de C.V. (OVI) and Arrendadora de Restaurantes, S. de R.L. de C.V. (ARE), as well as the transfer of personnel who provide services to VIPS and that at the date of the transaction worked in different Grupo Wal-Mart service companies; the transfer became effective in August 2013 and the personnel were transferred to Servicios Ejecutivos de Restaurantes, S. de R.L. de C.V. (SER) and Holding de Restaurantes, S. de R.L. de C.V. (HRE), which are newly created companies.

e. **Acquisition of Grupo Zena.-** In August 2014, Alsea reached an agreement with the Food Service Group, S.A. and Tuera 16, S.A. , S.C.R., incorporated in Luxemburgo and Spain, respectively, to acquire 71.76% of the capital stock of the entity Food Service Project, S.L. ("FSP"), incorporated in Spain and which is denominated, together with its subsidiaries "Grupo Zena", and which is engaged in the operation of restaurants of the brands "Foster's Hollywood", "Cañas y Tapas", "Il Tempietto", "La Vaca Argentina", "Burger King" and "Domino's Pizza", for a total of 107,445 Euros (equivalent to $1,934,023) ("Acquisition Price"). Alsea consolidates the financial information of Grupo Zena beginning in October 2014, date in which the transaction was formalized. (see effects in note 15)

   Grupo Zena's operations include a total of 427 restaurant, of which 195 are of the "Foster's Hollywood" brand, 127 are of the "Domino's Pizza" brand, 60 are of the "Burger King" brand, 13 are of the "La Vaca Argentina" brand, 21 are of the "Cañas y Tapas" brand and 11 are of the "Il Tempietto" brand. Also, Grupo Zena has given two subfranchises of the Domino's brand, 122 subfranchises of the Foster's Hollywood brand, 13 subfranchises of the Cañas y Tapas brand, and 6 subfranchises of the Il Tempietto brand to another parties.

f. **Acquisition of Starbucks operations in Mexico, Chile and Argentina.-** As part of its expansion plan, in July 2013, Alsea entered into an agreement to acquire 100% of the operations of the Starbucks coffee chain in Chile and Argentina. Such acquisition resulted in Alsea acquiring the remaining 82% of Starbucks Coffee Chile and the remaining 18% of Starbucks Coffee Argentina. With such acquisition, Alsea will control the 94 Starbucks stores in Argentina and the 81 stores in Chile (see note 15 and 24). In September 2013, Alsea finalized the acquisition of the remaining shares of Starbucks Coffee Chile, S.A. de C.V., as from which date it has consolidated the financial information.

Additionally, in April 2013, Alsea acquired from Starbucks Coffee International ("SCI", an affiliate of the Starbucks Coffee Company) the remaining 18% of Café Sirena, S.A. de C.V. (Café Sirena), a subsidiary created by both entities in Mexico. As a result of that acquisition, Alsea will control 100% of operations in Mexico (see note 24). Additionally, Alsea committed to a new openings plan that contemplates approximately 50 units per year over the next five years.

The parties agreed to review continuity of a contractual expansion plan after that period has elapsed.

In June 2013, SCI signed an agreement to develop the brand in the Colombian market through an association between Alsea (70%) and Nutressa (a Colombian company - 30%), whereby a commitment is made to open 51 stores in the following 5 years.

g. **Acquisition of 25% of Grupo Axo, S.A.P.I de C.V. -** In June 2013, the Entity formalized the acquisition of 25% of the shares of Grupo Axo, S.A.P.I. de C.V. (Grupo Axo), a leader in sales of international brands of clothes, cosmetics and household appliances.

   Grupo Axo has more than 2,276 points of sale inside a number of department stores in Mexico. It has 116 of its own stores and it carries the following brands: Tommy Hilfiger, Coach, Guess, Rapsodia, Thomas Pink, Brooks Brothers, Marc Jacobs, Etro, Emporio Armani, Brunello Cucinelli, Theory, Kate Spade Express, Crate & Barrel, Chaps, Kate Spade, Victoria's Secret Bath Accesories (VSBA), Loft, Abercrombie, Hollister, Bath & Body Works (BBW) and Promoda. (see note 14).

h. **Acquisition of the master franchise of Burger King in Mexico.-** In April 2013, Alsea acquired the master franchise rights to the Burger King restaurants in México, S.A. de C.V. ("BKM"), pursuant to a strategic association agreement signed between Alsea and Burger King Worldwide Inc. ("BKW"). BKM, a subsidiary of BKW in Mexico was merged with Operadora de Franquicias Alsea S.A. de C.V. ("OFA"), a subsidiary of Alsea, a result of which Alsea holds an 80% stake in OFA with the remaining 20% held by BKW. The Entity's management has assessed the terms of the above agreement and strategic partnership concluding that it continues to exercise control over OFA, both before and after the transaction, such that the financial information of BKM has been consolidated in the accompanying consolidated financial statements, as from the closing date of transaction.

   Additionally, as part of the master plan for development of the franchise, Alsea committed to a plan for new openings that contemplates opening 175 units the next five years. The parties agreed to review the continuity of a contractual expansion plan after that period has elapsed (see accounting effects in note 15).

i. **Acquisition of the exclusive rights to develop the P.F. Chang´s China Bistro in Brazil -** In January 2013, the Entity signed a Development and Operation agreement for the exclusive rights to develop the P.F. Chang's China Bistro brand in Brazil. The agreement contemplates the opening of 30 units over 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 enter the Brazilian market with the P.F. Chang's China Bistro brand, a development and expansion strategy has been 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.

j. **Signing of the exclusive rights to develop and operate the Cheesecake Factory® restaurants in Mexico -** Alsea signed an agreement to the exclusive rights to develop and operate the 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 12 openings between Mexico and Chile in the following eight years with 10-year agreements per restaurant, and the right to extend that period for 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 200 restaurants under The Cheesecake Factory® brand in over 35 states of the US operating under a franchise license.

2. BASES FOR PRESENTATION

a. Restatement of the consolidated financial statements 2014

During May and October 2015, the period allowed by IFRS 3, *Business Combinations*, for the valuation of the acquisitions of VIPS and Grupo Zena mentioned in note 1, respectively, ended. The final valuation resulted in changes to the preliminary accounting of such acquisitions; the changes are presented in note 15. Following is a summary of the effects of the adjustments to the consolidated statements of financial position:

Concept	Figures previously reported	Valuation adjustment		Balance as of December 31, 2014 (As adjusted)
Long-term assets:				
Store equipment, leasehold improvements and property, net	$ 9,804,299	$ 216,738	(1)	$ 10,021,037
Intangible assets	2,963,667	4,795,642	(1)	7,759,309
Goodwill (included in intangible assets)	10,359,089	(3,494,777)		6,864,312
Deferred income taxes	1,304,454	16,427	(2)	1,320,881
	$ 24,431,509	$ 1,534,030		$ 25,965,539
Current liabilities:				
Accrued expenses and employee benefits	$ 1,269,734	$ 22,872	(1)	1,292,606
Long-term liabilities:				
Deferred income taxes	289,207	1,654,846	(2)	1,944,053
Stockholders' equity:				
Other comprehensive income items	(337,410)	(42,168)	(1)	(379,578)
Non-controlling interest	934,733	(101,520)	(1)	833,213
	$ 2,156,264	$ 1,534,030		$ 3,690,294

Adjustments explanations:

(1) Related to the net effect of the valuation at fair value of the fixed assets, intangible assets and accrued expenses and employee benefits of Grupo Zena and VIPS, and the increase in the non-controlling interest of Grupo Zena. (see note 15).

(2) Related to the effect in income taxes due to the increase in the fair value of fixed assets and intangible assets by $1,654,846, and the effect of the assets deferred tax pending register by $(16,427). (see note 15).

b. Restatement of the consolidated financial statements 2013

During April and August 2014, the period allowed by IFRS 3, *Business Combinations*, for the valuation of the acquisitions of Burger King Mexicana (BKM), and Starbucks Chile mentioned in note 1, respectively, ended. The final valuation resulted in changes to the preliminary accounting of such acquisitions; the changes are presented in note 15. Following is a summary of the effects of the adjustments to the consolidated statements of financial position:

Concept		Figures previously reported		Valuation adjustment			Balance as of December 31, 2013 (As adjusted)
Long-term assets:							
Store equipment, leasehold improvements and property, net	$	4,610,942	$	153,455	(1)	$	4,764,397
Intangible assets		1,498,224		650,296	(1)		2,148,520
Goodwill (included in intangible assets)		1,765,672		(528,149)			1,237,523
Deferred income taxes		982,407		(221,625)	(2)		760,782
	$	8,857,245	$	53,976		$	8,911,222
Current liabilities:							
Accounts payable and accrued liabilities		170,862		26,847	(1)		197,709
Long-term liabilities:							
Deferred income taxes		-		19,500	(2)		19,500
Stockholders' equity:							
Non-controlling interest		231,875		7,629	(1)		239,504
	$	402,736	$	53,976		$	456,713

Adjustments explanations:

(1) Related to the net effect of the valuation at fair value of the fixed assets, intangible assets and account payable, and the increase in the non-controlling interest of BKM. (see note 15).

(2) Related to the effect in income taxes due to the increase in the fair value of fixed assets and intangible assets in the amount of $241,125, and the liability for deferred taxes which was presented net of the assets deferred tax in prior year for $(19,500). (see note 15)

c. Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19, Defined Benefit Plans: *Employee Contributions*

The Entity has applied the amendments for the first time in the current year. Prior to the amendments, the Entity accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered.

The amendments require the Entity to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.

- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Entity recognizes the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle

The Entity has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010-2012 Cycle* and *2011 – 2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgments made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments.* The application of the other amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

d. New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The directors of the Entity do not anticipate that the application of these amendments will have a material effect on the Entity's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. Basis of preparation

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 within the significant accounting policies.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation of financial statements

The consolidated financial statements incorporate the financial statements of the Entity and entities controlled by the Entity and its subsidiaries. Control is obtained when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income (loss) and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intercompany balances and operations have been eliminated in the consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. Financial instruments

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognize immediately in profit or loss.

e. Financial assets

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) and financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognized and derecognized on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as of FVTPL

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial asset other that a financial asset held for trading may be designated as of FVTPL upon initial recognition, if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other income and expenses" in the consolidated statements of income.

3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded on an active market are classified as loans and receivables. Loans and receivables are valued at amortized cost using the effective interest method, less impairment identified.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

4. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

f. Inventories and cost of sales

Inventories are valued at the lower of cost or net realizable value. Costs of inventories are determined using the average cost method. Net realizable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

Cost of sales represents the cost of inventories at the time of sale, increased, when applicable, by reductions in the value of inventory during the year to its net realizable value.

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.

g. Store equipment, leasehold improvements and property

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

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

	Rates
Store equipment	5 al 30
Transportation equipment	25
Production equipment	10 al 20
Buildings	5
Leasehold improvements	7 al 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 depreciated as separate components of the asset and to the extent they are not fully depreciated at the time of their replacement, are written off by the Entity and replaced by the new component, considering its respective useful life and depreciation. Likewise, when major maintenance is performed, the cost is recognized as a replacement of a component provided that all recognition requirements are met. All other routine repair and maintenance costs are recorded as an expense in the period as they are incurred.

Buildings, furniture and equipment held under finance leases are depreciated based on their estimated useful life as own assets. However, when there is no reasonable certainty that the property is obtained at the end of the lease term, the assets are depreciated over the shorter of the lease life and life period.

The Entity does not maintain a policy of selling fixed assets at the end of their useful lives. Instead, in order to protect its image and the Alsea brands, those assets are destroyed or in some cases sold as scrap. The use or lease of equipment outside the provisions of the 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.

h. Advance payments

Advance payments include advances for purchase of inventories, leasehold improvements and services that are received in the twelve months subsequent to the date of the consolidated statements of financial position and are incurred in the course of regular operations.

i. Intangible assets

1. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Brands owned by Alsea included under intangibles assets are the following:

Brand	Country	
Foster's Hollywood	Spain	Own brand
Cañas y Tapas	Spain	Own brand
La Vaca Argentina	Spain	Own brand
Il Tempietto	Spain	Own brand
VIPS	Mexico	Own brand
El Portón	Mexico	Own brand
La Finca	Mexico	Own brand

2. Intangible assets acquired separately

Other intangible assets represent payments made to third parties for the rights to use the brands with 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 to be certain, which are generally for 10 to 20 years. The terms of brand rights are as follows:

Brands	Country	Year of expiration
Domino's Pizza	Mexico	2025
	Colombia	2016
	Spain (3)	2018
Starbucks Coffee	Mexico	2037
	Argentina	2027
	Colombia	2033
	Chile	2027
Burger King	Mexico, Argentina, Chile and Colombia Spain (3)	Depending on opening dates
Chili's Grill & Bar	Mexico	2018
California Pizza Kitchen	Mexico	2022
P.F. Chang's	Mexico (2)	2019
	Argentina, Chile, Brazil, Colombia (2)	2021
The Cheesecake Factory	Mexico and Chile (2)	Depending on opening dates
Italianni's	Mexico (1)	2031

(1) The term for each store under this brand is 20 years as of the opening date, with the right to a 10 year extension.
(2) The term for each store under this brand is 10 years as of the opening date, with the right to a 10 year extension.
(3) Term of 10 years with the right to an extension.
Domino's Pizza Spain renew his contract in 2018, Burger King Spain is valid for 20 years.

The Entity has affirmative and negative covenants under the aforementioned agreements, the most important of which are carrying out capital investments and opening establishments. At December 31, 2015, 2014 and 2013, the Entity has fully complied with those obligations.

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

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

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The Entity performs impairment test annually to identify any indication.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquire and the equity interests issued by the Entity in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefit, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date;

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is 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, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

l. Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

m. Investment in associates

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

When the Entity´s share of losses of an associate or join venture exceeds the Entity´s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity´s net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, ***Impairment of Assets*** as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Lessors of leased properties require deposits equivalent guarantee of 1 to 2 months' rent. The deposits are classified as noncurrent.

o. Foreign currency transactions

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Argentina, Chile, Colombia, Brazil and Spain), which comprise 38%, 27% and 27% of consolidated net income and 22%, 23% and 21% of the total consolidated assets at December 31, 2015, 2014 and 2013, 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 is different, and subsequently converting the functional currency to the reporting currency. The functional currency is equal to recording currency of foreign operations, but different 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 statements 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.

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

p. Employee benefits

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Statutory employee profit sharing

As result of the PTU is recorded in the results of the year in which it is incurred and is presented in other expenses and other income.

As result of the 2014 Income Tax Law, as of December 31, 2015, 2014 and 2013, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

q. Income taxes

The income tax expense represents the sum of the tax currently payable and deferred tax.

- **Current tax**

  In Mexico, current income tax (ISR) and until December 31, 2013, the Business Flat Tax (IETU) is recognized in the results of the year in which is incurred.

- **Deferred income tax**

  Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

r. 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flow.

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

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

Contingent liabilities acquired as part of a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, *Revenue*.

s. Financial liabilities and equity instruments

1. Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

t. 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 cash flows, which also helps to maintain a cost of debt strategy. DFI's used are only held for economic hedge purposes, through which the Entity agrees to the trade cash flows at future fixed dates, at the nominal or reference value, and they are valued at fair value.

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 as trading instruments, changes in their fair value are recognized in income for the period.

Changes in the fair value of embedded derivatives designated for hedging recognize in based on the type of hedging: (1) when they relate to fair value hedges, fluctuations in the embedded derivative and in the hedged item they are valued at fair value and are recorded in income; (2) when they relate to cash flows hedges, the effective portion of the embedded derivative is temporarily recorded under other comprehensive income, and it is recycled to income when the hedged item affects results. The ineffective portion is immediately recorded in income.

Strategy for contracting DFI's: 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 monthly resource requirements be operated, thus ensuring that operations are always carried out for hedging and not for speculation purposes. Given the variety of derivative instruments available to hedge risks, Management is empowered to define the operations for which such instruments are to be contracted, provided they are held for hedging and not for speculative 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 needs for the resources being hedged, and the Administration and Financial Management may cover up to 75% of the exposure risk. 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 first authorize the operation.

Internal control processes: With the assistance of the Corporate Treasury Manager, the Corporate Financial 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 Financial Manager. Every month, the Corporate Treasury Manager will provide the Accounting department with the necessary documentation to properly record such 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 with exchange rate and interest rate fluctuations materialize, are to be carried out by the Internal Risk Management and Investment Committee, of which the Alsea General Director and the main Entity's directors form part.

Main terms and conditions of the agreements: Operations with DFI's 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.

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 value exceeds certain established credit limits.

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

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

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 in relation to the Entity's risk management: BBVA Bancomer S.A., Banco Santander, S. A., Barclays Bank México S. A., UBS AG Actinver Casa De Bolsa, Banorte-Ixe, BTG Pactual, Citi, Credit Suisse, Grupo Bursátil Mexicano GBM Casa De Bolsa, HSBC Global Research, Interacciones Casa de Bolsa, Intercam Casa de Bolsa, Invex, Itau BBA, Monex Casa de Bolsa, UBS Investment Research, Grupo Financiero BX+, and Vector Casa de Bolsa.

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.

Accounting of hedging: DFI's are initially recorded at their fair value, which is represented by the transaction cost. After initial recognition, DFI's are valued at each reporting period at their fair value and changes in such value are recognized in the consolidated statements of income, except if those derivative instruments have been formally designated as and they meet the requirements to be considered hedge instruments associated to a hedge relation.

Polices for designating calculation and valuation agents

The fair value of DFIs is reviewed 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.

u. Revenue recognition

Income generated from ordinary 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

Revenues from the sale of food and beverages are recognized when they are delivered to and/or consumed by customers.

Provision of services

Revenues from services are recognized given the stage of completion, which is generally when the services have been rendered and accepted by customers.

Dividends

Dividend income is recognized when the Entity's right to collect dividends has been established.

Royalties

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES FOR ESTIMATING UNCERTAINTIES

In the application of the Entity's accounting policies, which are described in Note 3, the Entity's management is required to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

a. Critical judgments for applying the accounting policies

There are critical judgments, apart from those involving estimations, that the Entity's management has made in the process of applying the Entity´s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Control over Food Service Project, S.L. (Grupo Zena) and obligation under put option of non-controlling interest

Note 1 and 15 indicates that Grupo Zena is a 71.76% owned subsidiary of Alsea. Based on the contractual agreements executed between the Entity and other investors, Alsea is empowered to appoint or remove the majority of the members of the board of directors, executive commission and management positions of Grupo Zena, which manage the relevant activities of Grupo Zena. Consequently, the Entity's management concluded that Alsea has the capacity to manage the relevant activities of Grupo Zena and therefore has control over it.

Similarly, Alsea has the obligation under the put option to acquire the non-controlling interest of the other investors (purchase option). This purchase option can be exercised four years after the acquisition date of Grupo Zena. Alsea's management has calculated the financial liability derived from the contractual requirements in effect at the purchase option date, as well as the current value of the financial liability according to the requirements of IAS 32, *Financial Instruments*. Details of this liability can be consulted in Note 19.

Control over Operadora de Franquicias Alsea, S.A. de C.V. (OFA)

Note 1 and 15 indicates that OFA is an 80% owned subsidiary of the Entity. Based on the contractual agreements signed by the Entity and other investors, the Entity is empowered to appoint and remove most of the members of the board of directors of OFA, which has the power to control the relevant operations of OFA. Therefore, the Entity's management concluded that the Entity has the capacity to unilaterally control the relevant activities of OFA and therefore it has control over OFA.

Certain significant decisions, including the following are subject to the unanimous consent of the two stockholders: 1) the approval or modification of the budget of the year, and 2) changes to the development schedule, which do not modify the Entity's control over the subsidiary, as established in the master franchise contract.

b. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Impairment of long-lived assets

The Entity annually evaluates whether or not there is indication of impairment in long-lived assets and calculates the recoverable amount when indicators are present. Impairment occurs when the net carrying value of a long-lived asset exceeds its recoverable amount, which is the higher of the fair value of the asset less costs to sell and the value in-use of the asset. Calculation of the value in-use 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.

2. Useful life of store equipment, leasehold improvements and property

Fixed assets acquired separately are recognized at cost less accumulated depreciation and 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 the end of each reporting period, and the effect of any changes in the estimation recorded is recognized prospectively.

3. Income tax valuation

The Entity recognizes net future tax benefits associated with deferred income tax assets based on the probability that future taxable income will be generated against which the deferred income tax assets can be utilized. Evaluating the recoverability of deferred income tax assets requires the Entity to prepare significant estimates related to the possibility of generating 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 any 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.

4. **Intangible assets**

The period and amortization method of an intangible asset with a defined life is reviewed at a minimum at each reporting date. 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 definite useful life are recorded in income under the expense caption in accordance with the function of the intangible asset.

5. **Fair value measurements and valuation processes**

Some of the Entity's assets and liabilities are measured at fair value for financial reporting purposes. The Entity's Board of Directors has set up a valuation committee, which is headed up by the Entity's Financial Director, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or liability, the Entity uses market-observable data to the extent it is available. When level 1 inputs are not available, the Entity engages third party qualified appraisers to perform the valuation. The valuation committee works closely with the qualified external appraiser to establish the appropriate valuation techniques and inputs to the model.

Every three months, the Financial Director reports the findings of the valuation committee to the Entity's board of directors to explain the causes of fluctuations in the fair value of assets and liabilities.

Information about the valuation techniques and inputs used in the determining the fair value of various assets and liabilities are disclosed Note 22 i.

6. **Contingencies**

Given their nature, contingencies are only resolved when one or more future events occur or cease to occur. The evaluation of contingencies inherently includes the use of significant judgment and estimations of the outcomes of future events.

5. NON-MONETARY TRANSACTIONS

During the year, the Entity carried out the following activities which did not generate or utilize cash, for which reason, they are not shown in the consolidated statements of cash flows:

During 2013, the Entity acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile) and formalized the mergers of OFA and Burger King Mexicana, S.A de C.V. ("BKM"), whereby the Entity also acquired 28.1% of the shares of OFA held by BKW, with which Alsea's final shareholding in OFA is 80% and in BKW is 20%. The breakdown of those acquisitions and the consideration paid in shares and assumed liabilities are shown in Note 15.

During October 2014, Alsea acquired 71.76% of the capital stock of Food Service Project, S.L. ("FSP"), incorporated in Spain, and which, together with its subsidiaries, is denominated "Grupo Zena". Under the terms of this transaction, in this transaction an option to purchase and sale was recorded in accordance with IAS 32, ***Financial Instruments: Presentation***, is established (see note 19).

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, 2015, 2014 and 2013 is comprised as follows:

	2015	2014	2013
Cash	$ 632,628	$ 589,565	$ 545,708
Investments with original maturities of under three months	563,186	523,285	117,562
Total cash and cash equivalents	$ 1,195,814	$ 1,112,850	$ 663,270

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced 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, 2015, 2014 and 2013, the customer balance is comprised as follows:

	2015	2014	2013
Franchises	$ 332,485	$ 359,008	$ 213,231
Credit card	163,584	188,456	110,442
Other	261,971	233,084	90,505
	758,040	780,548	414,178
Allowance for doubtful accounts (1)	(118,097)	(106,799)	(54,074)
	$ 639,943	$ 673,749	$ 360,104

(1) The estimates presented in the consolidated statements of financial position refer to the balances of doubtful accounts aged more than 90 days involving franchisees. The estimates recognized mainly for the concept are $ $118,097, $106,799 and $54,074 in 2015, 2014 and 2013, respectively. These estimates plus certain guarantees cover the overdue amount. The recognized impairment represents the difference between the book values of these customer account receivables and the current value of the resources expected from their settlement. The Entity does not hold any collateral for these balances.

The average credit term for the sale of food, beverages, containers, packaging, royalties and other items to owners of sub-franchises is from 8-30 days. Starting from the day next dates of the contractual maturity are generated interests on the defeated balance at moment of settlement. The rate comprises the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points and is multiplied by 2.

Following is the aging of past due but unimpaired accounts receivable:

	2015	2014	2013
15-60 days	$ 43,648	$ 28,739	$ 37,376
60-90 days	9,230	11,443	12,327
More than 90 days	95,161	97,270	73,615
Total	$ 148,039	$ 137,452	$ 123,318
Average time overdue (days)	60	65	77

The concentration of credit risk is limited because the balance is composed of franchisees which are supported or controlled by a service contract and / or master franchise; likewise consists of balances with from financial institutions cards, which are recovered within from 15 days.

8. INVENTORIES

At December 31, 2015, 2014 and 2013, inventories are as follows:

	2015	2014	2013
Food and beverages	$ 1,083,807	$ 836,993	$ 491,256
Containers and packaging	84,235	78,966	57,682
Other (1)	214,983	145,850	99,403
Obsolescence allowance	(5,044)	(6,635)	(6,461)
Total	$ 1,377,981	$ 1,055,174	$ 641,880

(1) Concepts are of toys, uniforms, cleaning utensils, kitchen appliances and souvenirs.

Inventories recognized under cost of sales for inventory consumption in the period related to continuous operations totaled $10,149,276, $7,277,438 and $5,227,739 for the years ended December 31, 2015, 2014 and 2013, respectively. The balances in 2014 and 2013 do not include information from discontinued operations, referred to in note 29.

9. ADVANCE PAYMENTS

Advance payments were made for the acquisition of:

	2015	2014	2013
Insurance and other services	$ 220,783	$ 267,635	$ 136,796
Inventories	62,249	202,051	134,459
Lease of locales	39,354	33,533	33,068
Total	$ 322,386	$ 503,219	$ 304,323

10. STORE EQUIPMENT, LEASEHOLD IMPROVEMENTS AND PROPERTY

a. Store equipment, leasehold improvements and properties are as follows:

	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Cost										
Balance as of January 1, 2013	$ 212,855	$ 2,231,978	$ 3,260,274	$ -	$ 98,679	$ 364,749	$ 588,464	$ 82,813	$ 506,834	$ 7,346,646
Acquisitions	93,449	263,512	375,472	-	27,091	94,508	194,299	10,533	68,684	1,127,548
Business acquisition	-	91,529	264,705	-	180	4,690	-	1,408	31,860	394,372
Valuation adjustment (note 2a)	-	99,936	38,202	-	-	-	-	15,316	-	153,454
Disposals	-	(70,620)	(25,561)	-	(10,519)	(10,750)	(2,096)	(176)	-	(119,722)
Adjustment for currency conversion	(7,139)	(60,775)	(116,515)	-	(2,100)	(13,206)	-	(4,269)	(18,560)	(222,564)
Balance as of December 31, 2013	299,165	2,555,560	3,796,577	-	113,331	439,991	780,667	105,625	588,818	8,679,734
Acquisitions	65,708	746,674	659,201	-	36,228	74,360	72,332	107,857	233,813	1,996,173
Business acquisition	432,266	1,030,175	1,807,732	321,351	39,854	51,803	97,969	60,523	325,936	4,167,609
Valuation adjustment (note 2a)	-	38,875	157,970	-	2,266	5,478	-	12,149	-	216,738
Disposals	-	(239,161)	(134,656)	(32,923)	(18,912)	(13,098)	(8,588)	(3,720)	-	(451,058)
Adjustment for currency conversion	-	(22,828)	(96,367)	-	(740)	(6,279)	(1,930)	(5,019)	(3,288)	(136,451)
Balance as of December 31, 2014	797,139	4,109,295	6,190,457	288,428	172,027	552,255	940,450	277,415	1,145,279	14,472,745
Acquisitions	14,783	1,153,047	1,239,062	-	41,315	205,232	41,196	36,161	254,022	2,984,818
Disposals	-	(183,125)	(335,952)	-	(23,113)	(23,962)	(5,903)	(163)	-	(572,218)
Adjustment for currency conversion	(5,617)	(58,817)	(98,739)	-	(1,826)	(4,945)	(1,076)	(4,649)	(11,976)	(187,645)
Balance as of December 31, 2015	$ 806,305	$ 5,020,400	$ 6,994,828	$ 288,428	$ 188,403	$ 728,580	$ 974,667	$ 308,764	$ 1,387,325	$ 16,697,700

	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Depreciation										
Balance as of January 1, 2013	$ 69,743	$ 983,230	$ 1,573,894	$ -	$ 63,432	$ 235,501	$ 453,308	$ 43,430	$ -	$ 3,422,538
Charge for depreciation for the year	7,296	240,616	267,480	-	16,271	57,799	28,014	4,748	-	622,224
Adjustment for currency conversion	(16)	(21,057)	-	-	(879)	(10,602)	-	(1,990)	-	(34,544)
Disposals	-	(65,424)	(10,557)	-	(7,628)	(9,498)	(1,622)	(152)	-	(94,881)
Balance as of December 31, 2013	77,023	1,137,365	1,830,817	-	71,196	273,200	479,700	46,036	-	3,915,337
Charge for depreciation for the year	7,848	400,780	399,389	11,031	29,075	72,539	48,654	9,560	-	978,876
Adjustment for currency conversion	-	(15,678)	(22,622)	-	(444)	(5,504)	(1,496)	(3,737)	-	(49,481)
Disposals	-	(98,798)	(247,797)	(16,212)	(13,933)	(11,537)	(4,327)	(420)	-	(393,024)
Balance as of December 31, 2014	84,871	1,423,669	1,959,787	(5,181)	85,894	328,698	522,531	51,439	-	4,451,708
Charge for depreciation for the year	8,743	633,620	727,164	14,708	33,161	112,523	45,595	20,827	-	1,596,341
Adjustment for currency conversion	-	(22,824)	(42,948)	-	(1,094)	(3,406)	(1,490)	3	-	(71,759)
Disposals	-	(141,946)	(229,691)	-	(20,106)	(22,056)	(2,421)	(146)	-	(416,366)
Balance as of December 31, 2015	$ 93,614	$ 1,892,519	$ 2,414,312	$ 9,527	$ 97,855	$ 415,759	$ 564,215	$ 72,123	$ -	$ 5,559,924
Net cost										
Balance as of December 31, 2013 as adjusted	$ 222,142	$ 1,418,195	$ 1,965,760	$ -	$ 42,135	$ 166,791	$ 300,967	$ 59,589	$ 588,818	$ 4,764,397
Balance as of December 31, 2014 as adjusted	$ 712,268	$ 2,685,626	$ 4,230,670	$ 293,609	$ 86,133	$ 223,557	$ 417,919	$ 225,976	$ 1,145,279	$ 10,021,037
Balance as of December 31, 2015	$ 712,691	$ 3,127,881	$ 4,580,516	$ 278,901	$ 90,548	$ 312,821	$ 410,452	$ 236,641	$ 1,387,325	$ 11,137,776

11. INTANGIBLE ASSETS

a. Intangible assets are comprised as follows:

	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Cost						
Balance as of January 1, 2013	$ 1,566,528	$ 386,743	$ 387,620	$ 348,372	$ 992,748	$ 3,682,011
Acquisitions	9,789	11,489	212,177	105,973	-	339,428
Business acquisition	17,985	-	18,366	113	789,877	826,341
Adjustment for currency conversion	(24,015)	(14,239)	(3,441)	(838)	-	(42,533)
Valuation adjustment (note 2a)	564,660	-	87,008	(1,372)	(528,149)	122,147
Disposals	(649)	(2,860)	(110)	(66)	-	(3,685)
Balance as of December 31, 2013 as adjusted	2,134,298	381,133	701,620	452,182	1,254,476	4,923,709
Acquisitions	94,824	243	158,933	77,308	62,676	393,984
Business acquisition	782,103	-	16,241	38,072	9,016,715	9,853,131
Adjustment for currency conversion	8,986	143	2,577	5,258	42,175	59,139
Valuation adjustment (note 2a)	4,795,642	-	-	-	(3,494,777)	1,300,865
Disposals	(2,598)	(2,875)	(4,241)	(359)	-	(10,073)
Balance as of December 31, 2014 as adjusted	7,813,255	378,644	875,130	572,461	6,881,265	16,520,755
Acquisitions	94,601	603	173,013	143,255	-	411,472
Adjustment for currency conversion	15,359	(1,031)	(6,574)	(841)	-	6,913
Disposals	(9,313)	(8,227)	(5,219)	(275)	-	(23,034)
Balance as of December 31, 2015	$ 7,913,902	$ 369,989	$ 1,036,350	$ 714,600	$ 6,881,265	$ 16,916,106

		Brand rights		Commissions for store opening		Franchise and use of locale rights		Licenses and developments		Goodwill		Total
Amortization												
Balance as of January 1, 2013	$	438,948	$	366,528	$	178,415	$	262,337	$	16,953	$	1,263,181
Amortization		166,703		17,916		41,756		71,756		-		298,131
Adjustment for currency conversion		(6,182)		(13,946)		(1,414)		(207)		-		(21,749)
Disposals		(252)		(652)		(951)		(42)		-		(1,897)
Balance as of December 31, 2013 as adjusted		599,217		369,846		217,806		333,844		16,953		1,537,666
Amortization		206,596		3,800		65,861		78,187		-		354,444
Adjustment for currency conversion		6,514		114		7		6,078		-		12,713
Disposals		(1,312)		(2,634)		(3,692)		(51)		-		(7,689)
Balance as of December 31, 2014 as adjusted		811,015		371,126		279,982		418,058		16,953		1,897,134
Amortization		128,657		9,693		95,598		117,608		-		351,556
Adjustment for currency conversion		(593)		(3,243)		(3,243)		(357)		-		(7,436)
Disposals		(3,880)		(10,472)		(1,732)		(68)		-		(16,152)
Balance as of December 31, 2015	$	935,199	$	367,104	$	370,605	$	535,241	$	16,953	$	2,225,102

		Brand rights		Commissions for store opening		Franchise and use of locale rights		Licenses and developments		Goodwill		Total
Net cost												
Balance as of December 31, 2013 as adjusted	$	1,535,081	$	11,287	$	483,814	$	118,338	$	1,237,523	$	3,386,043
Balance as of December 31, 2014 as adjusted	$	7,002,240	$	7,518	$	595,148	$	154,403	$	6,864,312	$	14,623,621
Balance as of December 31, 2015	$	6,978,703	$	2,885	$	665,745	$	179,359	$	6,864,312	$	14,691,004

12. OPERATING LEASE AGREEMENTS

a. Operating leases

The real estate housing the majority of the stores of Alsea are leased from third parties. In general terms, lease agreements signed for the operations of the Entity's establishments are for a term of between five and ten years, with fixed rates set in pesos. Lease payments are generally revised annually and they increase on the basis of inflation. Alsea considers that it depends on no specific lessor and there are no restrictions for the entity as a result of having signed such agreements.

Some of the Entity's subsidiaries have signed operating leases for company vehicles and computer equipment.

In the event of breach of any of the 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.

Rental expense derived from operating lease agreements related to the real estate housing the stores of the different Alsea brands are as follows:

	2015	2014	2013
Rental expense	$ 2,851,083	$ 1,805,853	$ 1,257,559

a. Commitments non-cancellable operating leases

	2015	2014	2013
Less than a year	$ 1,744,166	$ 1,533,805	$ 917,838
Between one and five years	7,833,383	6,888,298	4,061,677

b. Financial lease liabilities

From 2014, the Company has entered into leases that qualify as finance in the VIPS brand, which are recorded at present value of minimum lease payments or the market value of the property, whichever is less, and are amortized over the period of the lease renewals considering them.

Future minimum lease payments and the present value of the minimum lease payments are summarized below:

	Minimum payments of leases			
		2015		2014
No more than one year	$	32,789	$	33,723
More than one year and not more than five years		97,195		162,569
More than five years		566,261		533,685
		696,245		729,977
Less future finance charges		(381,915)		(407,757)
Minimum lease payments	$	314,330	$	322,220

	Present value of minimum payments of leases			
		2015		2014
No more than one year	$	7,190	$	7,878
More than one year and not more than five years		20,398		33,651
More than five years		286,742		280,691
Present value of minimum lease payments	$	314,330	$	322,220

		2015		2014
Included in the consolidated financial statements as:				
Short-term financial liability	$	7,190	$	7,878
Long-term financial liability		307,140		314,342
	$	314,330	$	322,220

13. INVESTMENT IN SUBSIDIARIES

a. The Entity's shareholding in the capital stock of its main subsidiaries is as follows:

Name of Subsidiary	Principal activity	2015	2014	2013
Panadería y Alimentos para Food Service, S.A. de C.V.	Distribution of Alsea brand foods	100%	100%	100%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Chile	100%	100%	100%
Operadora de Franquicias Alsea, S.A. de C.V.	Operator of the Burger King brand in Mexico	80.00%	80.00%	80.00%
Operadora y Procesadora de Productos de Panificación S.A. de C.V.	Operator of the Domino's Pizza brand in Mexico	100%	100%	100%
Gastrosur, S.A. de C.V.	Operator of the Chili's Grill & Bar brand in Mexico	100%	100%	100%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	100%	100%	100%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	100%	100%	100%
Starbucks Coffee Argentina, S.R.L	Operator of the Starbucks brand in Argentina	100%	100%	100%
Dominalco, S.A.	Operator of the Domino's Pizza brand in Colombia	93.25%	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	100%	100%	100%
Asian Bistro Colombia, S.A.S	Operator of the P.F. Chang's brand in Colombia	100%	100%	100%
Asian Bistro Argentina S.R.L.	Operator of the P.F. Chang's brand in Argentina	100%	100%	100%
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	94.91%	95%	95%
Asian Food Ltda.	Operator of the P.F. Chang's brand in Chile	100%	100%	100%
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	100%	100%	100%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's Chang´s and Pei Wei in Mexico	100%	100%	100%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	100%	100%	100%
Italcafe, S.A. de C.V.	Operator of Italianni's brand	100%	100%	100%
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	100%	89.77%	89.77%
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	100%	100%	100%
Grupo Amigos de Perisur, S.A. de C.V.	Operator of Italianni's brand	100%	100%	100%
Starbucks Coffee Chile, S.A.	Operator of the Starbucks brand in Chile	100%	100%	100%
Distribuidora e Importadora Alsea Colombia S.A.S.	Distributor of food and supplies for Alsea brands in Colombia	100%	100%	-
Estrella Andina S.A.S.	Operator of the Starbucks brand in Colombia	70.00%	70.00%	70.00%
Operadora Vips S. de R.L. de C.V.	Operator of Vips brand	100%	100%	-
OPQR, S.A de C.V.	Operator Brand Cheesecake Factory in Mexico	100%	100%	-
Food Service Project, S.L (Grupo Zena)	Operator of Spain	71.76%	71.76%	-

14. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES

Investment in the non-controlling interest of Blue Stripes Chile

During May 2015, Alsea reached an agreement to contribute 33% of the capital stock of Blue Stripes Chile, entity incorporated in Chile. Initial contribution by Alsea amounted to $6,477, recognized in the consolidated statements of financial position as investment in shares of associated companies. The remaining 67% was contributed by Grupo Axo, associated company. In accordance with the bylaws, Alsea will not have control over such operation.

Investment in the non-controlling interest of Stripes Chile

During August 2014, Alsea reached an agreement to contribute 33% of the capital stock of Stripes Chile, entity incorporated in Chile. Initial contribution by Alsea amounted to $4,041, recognized in the consolidated statements of financial position as investment in associated companies. The remaining 67% was contributed by Grupo Axo, associated company. In accordance with the bylaws, Alsea will not have control over such operation.

Acquisition of the non-controlling interest of Grupo Axo

In June 2013, Alsea reached an agreement to acquire 25% of the capital stock of Grupo Axo. The respective carrying entry was made in the consolidated statements of financial position as investments in shares of associated companies, and that operation gave rise goodwill of $559,887, which is included in the balance of the investment.

Goodwill arising from the acquisition of Grupo Axo resulted from the consideration paid, which included the amounts of the benefits of new businesses, mainly the sale of international brands of clothes and cosmetics, from which growth is expected through a development plan. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

At December 31, 2015, 2014 and 2013, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%)				Interest in associated company		
	2015	2014	2013	Main operations	31/12/2015	31/12/2014	31/12/2013
Grupo Axo (2)	25.00%	25.00%	25.00%	Sales of prestigious brands of clothes and accessories in Mexico	$ 892,169	$ 826,067	$ 788,665
Blue Stripes Chile SPA (1)	33.33%	-	-	Sales of prestigious brands of clothes and accessories in Chile	6,511	-	-
Stripes Chile SPA (3)	33.33%	33.33%	-	Sales of prestigious brands of clothes and accessories in Chile	24,282	3,757	-
Total					$ 922,962	$ 829,824	$ 788,665

	(%)				Interest in associated company		
	2015	2014	2013	Main operations	31/12/2015	31/12/2014	31/12/2013
Grupo Axo,	25.00%	25.00%	25.00%	Sales of prestigious brands of clothes and accessories in Mexico	$ 27,396	$ 32,663	$ 43,582
Blue Stripes Chile SPA (1)	33.33%	-	-	Sales of prestigious brands of clothes and accessories in Chile	2	-	-
Stripes Chile SPA	33.33%	33.33%	-	Sales of prestigious brands of clothes and accessories in Chile	305	(410)	-
Total					$ 27,703	$ 32,253	$ 43,582

(1) Stripes Chile SPA is a direct subsidiary of Grupo Axo together with another subsidiary of the Entity.
(2) In 2015 and 2014, contributions were made to increase the capital in Grupo Axo, by $38,706 and $4,739, respectively.
(3) In 2015, the contribution to the capital increase of $20,220 in Stripes Chile made.

Stripes Chile SPA

Total assets, liabilities, equity and profit and losses of the associated company are as follows:

	2015	2014
Current assets	$ 43,621	$ 15,609
Non-current assets	$ 55,315	$ 4,731
Current liabilities	$ 26,081	$ 9,068

	2015	01/08/2014 al 31/12/2014
Income	$ 85,486	$ 10,764
Net profit (loss) for the period	$ 915	$ (1,230)

Blue Stripes Chile SPA

Total assets, liabilities, equity and profit and losses of the associated company are as follows:

		2015
Current assets	$	16,478
Non-current assets	$	9,531
Current liabilities	$	6,475

		01/06/2015 al 31/12/2015
Income	$	11,904
Net profit for the period	$	5

Grupo Axo, S.A.P.I. de C.V.

The associated company's total assets, liabilities and equity and its results are as follows:

		2015		2014		2013
Current assets	$	2,380,902	$	1,551,287	$	1,435,557
Non-current assets	$	3,169,338	$	1,276,883	$	911,862
Current liabilities	$	1,733,052	$	752,650	$	997,003
Non-current liabilities	$	2,488,060	$	1,010,797	$	435,302

		2015		2014		2013
Revenues	$	4,504,291	$	2,531,914	$	1,207,860
Net profit for the period	$	109,584	$	130,654	$	174,328

The reconciliation of the financial information summarized above regarding the carrying value of the interest in Grupo Axo is as follows:

	2015	2014	2013
Net assets of the associated company	$ 1,329,128	$ 1,064,723	$ 919,114
Entity's interest in Grupo Axo	$ 332,282	$ 266,180	$ 228,778
Plus: goodwill	559,887	559,887	559,887
Carrying value of the Entity's interest in Grupo Axo	$ 892,169	$ 826,067	$ 788,665

15. BUSINESS COMBINATION

The following transactions classify as a business combination and have been recognized by utilizing the purchase method as of the acquisition date based on the following steps:

i.- Recognize and value the assets, liabilities and non-controlling interest.
ii.- In a business combination performed by stages, the buyer revalues its equity in the acquired entity prior to the acquisition date at face value to recognize the resulting profit or loss, as the case may be in results.
iii.- Identify intangible assets and determine goodwill.

Acquisition of Grupo Zena

In October 2014, the process to acquire of Food Service Group, S.A. and Tuera 16, S.A., S.C.R., entities resident in Luxembourg and Spain, respectively, was concluded. The acquisition involved 71.76% of the common stock of the company denominated as Food Service Project, S.L. ("FSP"), an entity incorporated according to the laws of Spain and which, in conjunction with its subsidiaries, is known as "Grupo Zena".

The acquisition amount was $102,872 Euros, payable in cash (equal to $1,794,245).

The acquisition does not consider any contingent payment. The transaction establishes an obligation under put option involving 28.24% of common stock four years after the acquisition date, which was recorded according to IAS 32, *Financial Instruments: Presentation* (Note 19).

In October 2015, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept	Preliminary book entry	Adjustment for valuation	Fair value
Current assets:			
Cash and cash equivalents	$ 89,287	$ -	$ 89,287
Accounts receivable and other accounts receivable	245,968	-	245,968
Non-current assets:			
Store equipment, leasehold improvements and property, net	1,231,979	261,998	1,493,977
Intangible assets	470,473	1,222,642	1,693,115
Reassigning Goodwill included in Grupo Zena	1,313,786	(1,313,786)	-
Deferred income taxes	174,859	-	174,859
Current liabilities:			
Suppliers and other accounts payable	(1,279,228)	-	(1,279,229)
Non-current liabilities:			
Deferred income taxes		(445,393)	(445,393)
Long-term debt	(1,845,132)	-	(1,845,132)
Other long-term liabilities	(165,459)	-	(165,459)
Fair value of net assets	236,533	(274,540)	(38,007)
Considerations paid in cash	1,794,245	-	1,794,245
Fair value of non-controlling interest	706,098	(101,521)	604,577
Total consideration paid	2,500,343	(101,521)	2,398,822
Goodwill	$ 2,263,810	$ 173,018	$ 2,436,829

Goodwill arising from the acquisition of Grupo Zena derives from the price paid, which includes amounts in relation to the benefits of operating 427 stores for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

As from the acquisition date and until December 31, 2014, Grupo Zena has contributed $1,468,036 to revenues and $118,487 to the profit for the period. If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period, according to IFRS, would have been $496,005 and revenues would have been $26,464,123. Acquisition expenses related to this transaction amounted to $12,096, which is shown within other expenses.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash flows related to the acquisition of the subsidiary total $1,704,958, corresponding to the consideration paid in cash of $1,794,245, less cash and cash and cash equivalent balances acquired in the amount of $89,287.

Acquisition of VIPS

In April 2014, the process to acquire 100% of the equity of VIPS (the restaurant division of Grupo Wal-Mart, described in Note 1) was concluded. Based on the agreement executed between Alsea and Wal-Mart de México, S.A.B. de C.V., the final acquisition price was $8,200,000. Additional expenses of $516,753 were incurred by the parties, thereby resulting in a total price of $8,716,753.

The acquisition does not consider any contingent payment.

In March 2015, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept		Preliminary book entry		Adjustment for valuation		Fair Value
Current assets:						
Cash and cash equivalents	$	605,400	$	-	$	605,400
Accounts receivable and other accounts receivable		304,964		-		304,964
Non-current assets:						
Store equipment, leasehold improvements and property, net		2,935,630		(45,260)		2,890,370
Intangible assets		365,944		3,573,000		3,938,944
Deferred income taxes		201,845		16,427		218,272
Current liabilities:						
Accrued expenses and employee benefits		(700,918)		(22,872)		(723,790)
Non-current liabilities:						
Deferred income taxes				(1,209,453)		(1,209,453)
Other long-term liabilities		(366,651)		-		(366,651)
Fair value of net assets		3,346,214		2,311,842		5,658,056
Considerations paid in cash		8,716,753		-		8,716,753
Goodwill	$	5,370,539	$	(2,311,842)	$	3,058,697

Goodwill arising from the acquisition of VIPS derives from the price paid, which includes amounts in relation to the benefits of operating 360 stores for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies.

Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash flows related to the acquisition of the subsidiary total $8,111,353, corresponding to the consideration paid in cash of $8,716,753, less cash and cash and cash equivalent balances acquired for $605,400.

As from the acquisition date and until December 31, 2014, VIPS has contributed $4,016,325 to consolidated revenues and $111,628 to the profit before income taxes for the period. If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period would have been $683,119 and revenues would have been $24,723,880. Acquisition expenses related to this transaction amounted to $9,357, which is shown within other expenses.

Acquisition of the controlling interest in Starbucks Coffee Chile

In September 2013, Alsea acquired 82% of Starbucks Coffee Chile, S.A. (Starbucks Chile), which operates the Starbucks restaurants in Chile. Through this transaction, the shareholding and voting rights of Alsea increased from 18% to 100%, thus allowing the Entity to acquire control, while constituting a business combination recorded by means of the purchase method according to IFRS.

In August 2014, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept	Preliminary book entry	Adjustment for valuation	Fair value
Current assets			
Cash and cash equivalents	$ 128,656	$ -	$ 128,656
Accounts receivable and other accounts receivable	89,427	-	89,427
Non-current assets:			
Store equipment, leasehold improvements and property, net	141,993	21,758	163,751
Intangible assets	6,132	558,180	564,312
Deferred income taxes	-	(173,981)	(173,981)
Current liabilities:			
Suppliers and other accounts payable	(88,683)	-	(88,683)
Non-current liabilities:			
Other long-term liabilities	(13,124)	-	(13,124)
Fair value of net assets	264,401	405,957	670,358
Fair value of non-controlling interest	47,593	62,683	110,276
Consideration paid in cash	928,595	-	928,595
Total consideration paid	976,188	62,683	1,038,871
Goodwill	$ 711,787	$ (343,274)	$ 368,513

Goodwill arising from the acquisition of Starbucks Coffee Chile derives from the price paid, which included amounts in relation to the benefits of operating 44 stores for which market growth is expected based on a development plan over the next five years in Chile, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

As from the acquisition date, Starbucks Chile has contributed $231,131 to consolidated revenues and $32,772 to the profit before income taxes for the period. If the acquisition had occurred on January 1, 2013, Alsea's consolidated net profit for the period would have been $694,362 and revenues would have been $16,087,950. Acquisition expenses related to this transaction amounted to $1,028, which is shown under other expenses.

Net cash flows related to the acquisition of the subsidiary total $799,939, corresponding to the consideration paid in cash of $928,595, less cash and cash and cash equivalent balances acquired for $128,656.

Acquisition of Burger King Mexicana

In April 2013, the acquisition of the BURGER KING® master franchise in Mexico concluded. According to the strategic association agreement signed by Alsea and Burger King Worldwide Inc. (BKW), the BKW subsidiary in Mexico, Burger King Mexicana, S.A. de C.V. (BKM) was merged with OFA, a subsidiary of Alsea, with the latter as the surviving company and operator of 204 BURGER KING® restaurants in Mexico. After the merger concluded, Alsea also acquired 28.1% of the shares of OFA held by BKW, after which Alsea's final shareholding in OFA is 80% and BKW´s final shareholding in OFA is 20%.

Given that the operation was considered the acquisition of is business, the related acquisition accounting was applied as of the acquisition date and according to IFRS. The acquisition price did not include any contingent consideration.

In April 2014, the acquisition measurement period concluded. An analysis of the assignment of the acquisition cost based on the fair values of the acquired net assets at the acquisition date is presented below. Certain interim accounting changes were made to the acquisition at that date, as detailed below:

Concept	Preliminary book entry	Adjustment for valuation	Fair value
Current assets			
Cash and cash equivalents	$ 47,828	$ -	$ 47,828
Accounts receivable and other accounts receivable	58,300	-	58,300
Non-current assets:			
Store equipment, leasehold improvements and property, net	283,531	131,697	415,228
Intangible assets	25,843	92,116	117,959
Deferred income taxes	62,803	(67,144)	(4,341)
Non-current liabilities:			
Other long-term liabilities	(73,547)	(26,847)	(100,394)
Fair value of net assets	404,758	129,822	534,580
Consideration paid in actions	217,534	7,629	225,163
Consideration paid in cash	333,895	-	333,895
Total consideration paid	551,429	7,629	559,058
Goodwill	$ 146,671	$ (122,193)	$ 24,478

The consideration paid in OFA shares, which is in the measurement phase, totals $225,163 and comprises 20% of its stockholders' equity.

Goodwill arising from the acquisition of Burger King Mexicana derives from the price paid, which included amounts related to the benefits of operating 204 stores (97 acquired and 107 own stores), for which market growth is expected based on a development plan over the next five years, as well the adjacent benefits, mainly the growth in income, operating synergies and the purchase of supplies resulting from the merger of the Burger King brand in Mexico. Those benefits are recognized separately in goodwill because they fail to meet the recognition criteria for identifiable intangible assets.

During 2013, as from the acquisition date, Burger King Mexicana contributed $564,376 to revenues and $3,756 to the profit before income taxes for the period. If the acquisition had occurred on January 1, 2013, Alsea's consolidated net profit for the period would have been $647,842 and revenues would have been $15,893,611. Acquisition expenses related to this transaction amounted to $1,101, which is shown under other expenses.

Net cash flows related to the acquisition of the subsidiary total $288,067, corresponding to the consideration paid in cash of $333,895, less cash and cash and cash equivalents balances acquired totaling $47,828.

16. GOODWILL

Goodwill is comprised as follows:

Item		Amount
Balance as of January 1, 2013	$	975,795
Burger King Mexicana		24,478
Starbucks Coffee Chile		237,250
Balance as of December 31, 2013 (as restated)		1,237,523
Starbucks Coffee Chile		131,263
VIPS		3,058,697
Foster's Hollywood		198,598
La Vaca Argentina		3,270
Burger King		1,219,404
Domino's Pizza		1,008,342
Il Tempietto		377
Cañas y Tapas		6,838
Balance as of December 31, 2014 (as restated)		6,864,312
Balance as of December 31, 2015	$	6,864,312

Assignment of goodwill to cash generating units

In order to carry out impairment tests, goodwill was assigned to the following cash generating units:

Concept		2015		2014		2013
Burger King	$	1,336,967	$	1,336,967	$	117,563
Domino's Pizza		1,078,622		1,078,622		70,280
Chili's		26,614		26,614		26,614
Italianni's		785,816		785,816		785,816
VIPS		3,058,697		3,058,697		-
Starbucks Coffee		368,513		368,513		237,250
Foster's Hollywood		198,598		198,598		-
La Vaca Argentina		3,270		3,270		-
Il Tempietto		377		377		-
Cañas y Tapas		6,838		6,838		-
	$	6,864,312	$	6,864,312	$	1,237,523

At December 31, 2015, 2014 and 2013, studies performed on impairment testing concluded that goodwill shows no signs of impairment.

17. LONG-TERM DEBT

Long-term debt at December 31, 2015, 2014 and 2013 is comprised of unsecured loans, as shown below:

	Maturities	Average annual interest rate		2015		2014		2013
Single loans	2014-2025	4.11-8.07%	$	5,753,546	$	8,747,823	$	2,554,767
Less current maturities				734,824		1,377,157		388,486
Long-term maturities			$	5,018,722	$	7,370,666	$	2,166,281

Annual long-term debt maturities at December 31, 2015 are as follows:

Year		Amount
2017	$	882,402
2018		502,281
2019		2,433,871
2020		1,200,168
	$	5,018,722

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2015, 2014 and 2013, all such obligations have been duly met.

18. DEBT INSTRUMENTS

In March 2015, Alsea placed of debt instruments worth $3,000,000 over 5 years as from the issuance date, maturing in March 2020. Those instruments will accrue interest at the 28-day TIIE rate plus 1.10 percentage points; and other debt instrument worth $1,000,000 over 10 years as from the issue date, maturing in March 2015. Those instruments will accrue interest at a fixed rate of 8.07%.

In June 2013, the Entity decided to issue debt instruments for a total of $2,500,000 over 5 years as from the issue date, maturing in June 2018. Those instruments will accrue interest at the 28-day TIIE rate plus 0.75 percentage points.

The balance at December 31, 2015, 2014 and 2013 amounts to $6,479,795, $2,491,356 and $2,488,850, respectively.

Year		Amount
2018	$	2,493,909
2020		2,985,886
2025		1,000,000
	$	6,479,795

19. OBLIGATION OVER PUT OPTION

As mentioned in Note 1c, the Entity acquired Grupo Zena; Alsea has the obligation over put option to purchase the non-controlling interest of the other investors (call option) starting in the fourth year since the date of acquisition. The amount represents the present value of the estimated debt that will be paid at the time of exercising the put option under the terms of the contract. The liability will be updated each year until the option date, and the effects will be recognized in the consolidated statements of income, as stated by IAS 32, Financial instruments: Presentation. The financial liability of the put option amounts to $2,777,328 and $2,673,053, at December 31, 2015 and 2014, respectively. The revaluation of this option as of December 31, 2015, generated a profit in results by $104,275, and is included in 'Changes in the fair value of financial instruments' in the consolidated Statements of Income.

20. INCOME TAXES

In Mexico, the Entity is subject to ISR. The rate of current income is 30%. The Entity incurred ISR on a consolidated basis until 2014 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a five-year period beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax Law, given that as of December 31, 2013, the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions.

At December 31, 2014, the ISR liability derived from the effects of benefits and tax deconsolidation will be paid in the following years.

Year of expiration		Amount
2016	$	31,893
2017		21,828
2018		17,927
	$	71,648

In Chile, in September 2014, the government promulgates in its tax reform increased the rate gradually according to the following 21% in 2014, 22.5% to 2015, 24% to 2016, 25.5% to 2017 and to 2018 will be of 27%, based taxation system chose for the years 2017 and 2018. The change in the First Category Tax was pronounced in July 2010.

In Colombia, the tax provisions provide that the rate applicable to income tax for the years 2014 and 2015 is 25% and the income tax for equity –CREE is 9%, respectively. Also, a surtax CREE 5% for companies whose profit is equal to or greater than 800 million sets.

In Argentina i.- Tax on income The Entity applies the deferred tax method to recognize the accounting effects of taxes on earnings at the 35% rate. ii.- Tax on presumptive minimum earnings (IGMP for its acronym in Spanish), the Entity determines IGMP applying the current 1% rate to assets computable at each year-end closing, iii.- Tax on personal goods of individuals or business entities residing abroad, the tax is determined applying the 0.5% to the proportional value of equity at the year-end closing and it is considered a single and final payment.

In Spain, tax reforms were approved for 2015, which include the reduction of this tax rate to 28% and 25% in 2016, with the exception of credit institutions and entities engaged in hydrocarbon exploration, research and exploration. Newly-created companies will pay tax at the 15% rate during the first tax period in which their tax basis is positive and in the following period. Similarly, as part of these tax reforms, tax losses will be applicable without a time limitation; until 2014, the right to apply such losses expired after 18 years.

a. Income taxes recognized in income

		2015		2014		2013
Income tax (tax basis)	$	691,060	$	597,045	$	422,573
Deferred income tax		(201,141)		(232,452)		(137,706)
	$	489,919	$	364,593	$	284,867

The tax expense attributable to income before ISR differs from that arrived at by applying the 30% statutory rate in 2015, 2014 and 2013 due to the following items:

	2015	2014	2013
Statutory income tax rate	30%	30%	30%
Non-deductible expenses	8%	7%	3%
Effects of inflation and others	(6%)	(1%)	(3%)
Tasa efectiva de ISR consolidada	32%	36%	30%

b. Deferred taxes - balance sheet

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

	2015	2014	2013
Estimation for doubtful accounts and inventory obsolescence			
Estimation for doubtful accounts and inventory obsolescence	$ (36,942)	$ (34,028)	$ (10,863)
Liability provisions	(488,383)	(447,253)	(368,176)
Advances from customers	(105,167)	(70,341)	(18,565)
Unamortized tax losses	(219,508)	(75,874)	(166,337)
Recoverable asset tax	(12,269)	(12,269)	(12,269)
Store equipment, leasehold improvements and property	882,625	1,208,752	(230,345)
Other assets	5,752	7,172	12,224
Advance payments	71,418	47,013	53,049
	97,526	623,172	(741,282)
Estimation for unamortized tax losses	116,868	-	-
	$ 214,394	$ 623,172	$ (741,282)

c. Deferred tax in statement of financial position

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statements of financial position:

	2015	2014	2013
Deferred tax assets	$ 1,710,943	$ 1,320,881	$ 760,782
Deferred tax liabilities	1,925,337	1,944,053	19,500
	$ 214,394	$ 623,172	$ (741,282)

d. Deferred income tax balances

2015		Beginning balance		Recognized in profit or loss		Recognized in stockholders' equity		Acquisitions		Ending balance
Temporary differences										
Estimation for doubtful accounts and inventory obsolescence	$	(34,028)	$	(2,914)	$	-	$	-	$	(36,942)
Liability provisions		(447,253)		(14,330)		(26,800)		-		(488,383)
Advances from customers		(70,341)		(34,826)		-		-		(105,167)
Store equipment, leasehold improvements and property		1,208,752		(316,476)		(9,651)		-		882,625
Prepaid expenses		47,013		168,825		(144,420)		-		71,418
Other assets		7,172		(1,420)		-		-		5,752
		711,315		(201,141)		(180,871)		-		329,303
Tax loss carryforwards and unused tax credits										
Tax loss carryforwards		(75,874)		-		(26,766)		-		(102,640)
Recoverable IMPAC		(12,269)		-		-		-		(12,269)
		(88,143)		-		(26,766)		-		(114,909)
	$	623,172	$	(201,141)	$	(207,637)	$	-	$	214,394

2015		Beginning balance		Recognized in profit or loss		Recognized in stockholders' equity		Acquisitions/ disposals		Ending balance
Temporary differences										
Estimation for doubtful accounts and inventory obsolescence	$	(10,863)	$	(23,165)	$	-	$	-	$	(34,028)
Liability provisions		(368,176)		(71,488)		(7,589)		-		(447,253)
Advances from customers		(18,565)		(51,776)		-		-		(70,341)
Store equipment, leasehold improvements and property		(230,345)		(79,877)		16,135		1,502,839		1,208,752
Prepaid expenses		53,049		(1,094)		(4,942)		-		47,013
Other assets		12,224		(5,052)		-		-		7,172
		(562,676)		(232,452)		3,604		1,502,839		711,315
Tax loss carryforwards and tax credits not used										
Tax loss carryforwards		(166,337)		-		90,463		-		(75,874)
Recoverable IMPAC		(12,269)		-		-		-		(12,269)
		(178,606)		-		90,463		-		(88,143)
	$	(741,282)	$	(232,452)	$	94,067	$	1,502,839	$	623,172

2015	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions/ disposals	Ending balance
Temporary differences					
Estimation for doubtful accounts and inventory obsolescence	$ (5,997)	$ (4,866)	$ -	$ -	$ (10,863)
Liability provisions	(220,682)	(149,336)	1,842	-	(368,176)
Advances from customers	(30,072)	11,507	-	-	(18,565)
Store equipment, leasehold improvements and property	(380,473)	(81,172)	1,199	230,101	(230,345)
Prepaid expenses	21,186	39,616	(7,753)	-	53,049
Other assets	807	11,417	-	-	12,224
	(615,231)	(172,834)	(4,712)	230,101	(562,676)
Tax loss carryforwards and tax credits not used					
Tax loss carryforwards	(201,465)	35,128	-	-	(166,337)
Recoverable IMPAC	(12,269)	-	-	-	(12,269)
	(213,734)	35,128	-	-	(178,606)
	$ (828,965)	$ (137,706)	$ (4,712)	$ 230,101	$ (741,282)

The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and tax credit, respectively, have been (in such case partially) recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2015, are:

Year of maturity	Amortizable losses
2020	$ 44,425
2021	22,265
2022	24,139
2023	124,948
2024	108,197
2025	407,718
	$ 731,692

21. EMPLOYEE RETIREMENT BENEFITS

The total expense recognized in profit or loss and other comprehensive income is $78,353 represents the contributions payables by the Entity to these plans. As of December 31, 2015, contributions of $78,353 that was owed on the plan had not been paid.

The expense for employee benefits as of December 31, 2015, 2014 and 2013 was $8,171,055, $5,332,897 and $3,361,176, respectively, not including the cost defined benefit described below.

The net cost for the period related to obligations derived from seniority premiums amounted to $6,041, $29,661 and $21,674 in 2015, 2014 and 2013, respectively.

22. FINANCIAL INSTRUMENTS

a. Capital risk management

The Entity manages its capital to ensure that the companies that it controls are able to continue operating as a going concern while they maximize the yield for their shareholders by streamlining the debt and equity balances. The Entity's general strategy has not changed in relation to 2014.

The Entity's capital structure consists of the net debt (the loans described in Note 17, compensated by cash balances and banks) and the Entity's capital (made up of issued capital stock, reserves and retained earnings, as shown in Note 23).

The Entity is not subject to external requirements to manage its capital.

The main purpose for managing the Entity's capital risk is to ensure that it maintains a solid credit rating and sound equity ratios to support its business and maximize value to its shareholders.

The Entity manages its capital structure and makes any necessary adjustments based on changes in economic conditions. In order to maintain and adjust its capital structure, the Entity can modify the dividend payments to the shareholders, reimburse capital to them or issue new shares.

For the years ended December 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, the financial restriction established in the Entity's loan agreements relates to the Net Debt to EBITDA ratio for the last twelve months. The Entity complied with the established ratio.

b. Financial instrument categories

	2015	2014	2013
Financial assets			
Cash and cash equivalents	$ 1,195,814	$ 1,112,850	$ 663,270
Loans and accounts receivable at amortized cost	904,853	895,543	628,818
Financial liabilities at amortized cost			
Suppliers	3,013,091	2,694,015	1,408,565
Accounts payable and accrued liabilities	635,802	601,854	197,709
Current maturities of long-term debt	734,824	1,377,157	388,486
Current maturities of financial lease liabilities	7,190	7,878	-

	2015	2014	2013
Long-term debt, not including current maturities	5,018,722	7,370,666	2,166,281
Non-current financial lease liabilities	307,140	314,342	-
Debt instruments	6,479,795	2,491,356	2,488,850

c. Objectives of managing financial risks

Alsea is mainly 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 instruments are only traded with well-established institutions and limits have been set for each financial institution. The Entity has the policy of not carrying out operations with derivative financial instruments for speculative purposes.

d. Market risk

The Entity is exposed to market risks resulting from changes 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 or disasters, among others.

Exchange fluctuations and devaluation or depreciation of the local currency in the countries in which Alsea participates could limit the Entity's capacity to convert local currency to US dollars or to other foreign currency, thus affecting their operations, results of operations 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 purchases of inventories, payments in foreign currencies and public 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 hedging 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 risk are as follows:

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

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

e. Currency exchange risk management

The Entity carries out transactions in foreign currency and therefore it is exposed to exchange rate fluctuations. Exposure to exchange rate fluctuations is managed within the parameters of approved policies, using foreign currency forwards contracts.

Note 32 shows foreign currency positions at December 31, 2015, 2014 and 2013. It also shows the exchange rates in effect at those dates.

USD hedging and its requirements are determined based on the cash flow budgeted by the Entity, and it is aligned to the current Risk Management Policy approved by the Corporate Practices Committee, the General Director's office and the Administration and Financial Director's office. The policy is overseen by the Internal Audit Department.

The exchange rate risk expressed in a foreign currency (USD) is internally monitored on a weekly basis with the positions or hedges approximating maturity at market exchange rates. The agent calculating or valuing the derivative financial instruments is in all cases the counterparty designated under the master agreement.

The purpose of the internal review is to identify any significant changes in exchange rates that could pose a risk or cause the Entity to incur in non-compliance with its obligations. If a significant risk position is identified, the Corporate Treasury Manager informs the Corporate Financial Director's office.

The following table shows a quantitative description of exposure to exchange risk based on foreign currency forwards and options agreements contracted by the Entity in USD/MXN, in effect as of December 31, 2015, 2014 and 2013.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable			Notional amount/ face value (thousands of USD)			Fair value (thousands of USD)			Amounts of maturities (thousands of USD)
			31/12/2015 current	31/12/2014 previous	31/12/2013 previous	31/12/2015 current	31/12/2014 previous	31/12/2013 previous	31/12/2015 current	31/12/2014 previous	31/12/2013 previous	
Forwards	Long	Economic	17.34 USDMXN	14.74 USDMXN	13.06 USDMXN	14,000	1,000	2,500	$ (306)	$ (117)	$ (16)	14,000
Options	Long	Economic	17.34 USDMXN	14.74 USDMXN	13.06 USDMXN	14,500	6,500	13,750	$ (9)	$ (19)	$ (9)	14,500
Forwards	Short	Economic	1.09 EURUSD	NA	NA	900	-	-	$ 0.1	-	-	900

1. Foreign currency sensitivity analysis

At December 31, 2015, the Entity has contracted hedging in order to purchase US dollars for the next 12 months at the average exchange rate of 16.26 for a total of $28 million dollars, the valuation is based on an average exchange rate of $16.50 pesos per US dollar over the next 12 months as of December 31, 2015. The initial price of currency derivatives is $7.6 million Mexican pesos payable to the Entity.

Given the values and amounts of exchange rate hedges, management does not foresee a significant risk that could affect its results at the December 31, 2015 close or the obligations contracted under current operations that will expire during the next 12 months. The Entity does not match its net asset position with financial liabilities denominated in US dollars because it is not representative or material. The analysis shows only the effect on hedging for purchases of US dollars contracted and in effect at the December 31, 2015 closing.

Management considers that in the event of a stress scenario as the one described above, the Entity's liquidity capacity would not be affected, there would be no negative effects on its operations, nor would compliance with the commitments assumed in relation to contracted derivative financial instruments be at risk.

2. Foreign currency forwards and options contracts

At December 31, 2015, 2014 and 2013, a total of 67, 212 and 309 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 41.5, 82.5 and 146.1 million US dollars, respectively. The absolute value of the fair value of the derivative financial instruments entered into 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, 2015, 2014 and 2013, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately $28, $7.5 and $16.3 million USD, at the average exchange rate of $16.26, $13.80 and $12.6 pesos to the dollar, respectively.

At December 31, 2015, 2014 and 2013, the Entity had contracted the financial instruments shown in the table above.

f. Interest rate risk management

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

- Cash flow requirements
- Budget reviews
- 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 prices and to determine the most advisable mix of fixed and variable rates.

The Corporate Treasury Manager is responsible for monitoring and reporting to the Administration and Financial Director any events or contingencies of importance that could affect the hedging, liquidity, maturities, etc. of DFI's. He in turn informs Alsea's General Management of any identified risks that might materialize.

The type of derivative products utilized and the hedged amounts are in line with the internal risk management policy 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.

- **Interest rate swap contracts**

  According to contracts for swaps of interest (Interest Rate Swap – ISR), the Entity agrees to exchange the difference between the amounts of the fixed and variable rates calculated on the agreed notional amount. Such contracts allow the Entity to mitigate interest rate change risks on the fair value of the debt issued at a fixed interest rate and the exposure to cash flows on the debt issued at a variable interest rate. The starting price of the swaps of interest at the end of the period being reported is determined by discounting future cash flows using the curves at the end of the period being reported and the credit risk inherent to the contract, as described further on in these consolidated financial statements. The average interest rate is based on current balances at the end of the period being reported.

The following table shows a quantitative description of exposure to interest rate risk based on interest rate forwards and options agreements contracted by the Entity, in effect as of December 31, 2015, 2014 and 2013.

			Underlying / reference variable			Notional amount/ face value (USD)			Fair value (USD)			
Type of derivative, security or contract	**Position**	**Objective of the hedging**	**31/12/2015 current**	**31/12/2014 previous**	**31/12/2013 previous**	**31/12/2015 current**	**31/12/2014 previous**	**31/12/2013 previous**	**31/12/2015 current**	**31/12/2014 previous**	**31/12/2013 previous**	**Amounts of expiration (USD)**
RS Plain Vanilla	Long	Coverage	3.34% - TIIE 28 d	3.31% -TIIE 28 d	-	99,158	51,842	-	$ 5,650	$ (307)	-	99,158
IRS Plain Vanilla	Long	Economic	3.34% - TIIE 28 d	3.31% -TIIE 28 d	3.79% TIIE d	15,420	21,545	38,270	$ 32	$ 13	$ 315	15,420
KO Out IRS	Long	Economic	3.34% - TIIE 28 d	3.31% - TIIE 28 d	3.79% TIIE d	2,941	6,210	11,481	$ 11	$ 43	$ 56	2,941
Limited IRS	Long	Economic	3.34% - TIIE 28 d	3.31% - TIIE 28 d	3.79% TIIE d	2,941	6,210	11,481	$ 15	$ 53	$ 64	2,941
Capped IRS	Long	Economic	3.34% - TIIE 28 d	3.31% - TIIE 28 d	3.79% TIIE d	2,553	4,265	7,654	$ 0.4	$ 9	$ 47	2,553
IRS Plain Vanilla	Long	Coverage	EURIBOR 1M	EURIBOR 1M	-	87,391	100,521	-	$ (549)	$ 741	-	87,391

1. Analysis of interest rate sensitivity

The following sensitivity analysis has been determined on the basis of the exposure to interest rates of derivative instruments and of non-derivative instruments at the end of the period being reported. In the case of variable rate liabilities, an analysis is prepared assuming that the amount of the liability held at the end of the period being reported has been the amount of the liability throughout the year.

- The first stress scenario considered by the Entity's management is a 200 bps increase in the 28-day TIIE reference rate while the rest of the variables remain constant. With the mix in the hedging portfolio of plain vanilla interest rate swaps and the swaptions contracted at the December 31, 2015 close, the increase in financial costs is of approximately $162 million. The above effect arises because the barriers protecting the increase in the interest rates are exceeded, which leaves the Entity exposed to market rates.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $122 million, which poses no risk to the Entity's liquidity nor gives rise to a negative effect on the business's operations or in assuming commitments for contracting interest rate derivative financial instruments.

- Lastly, the scenario with a 100 bps increase in the 28-day TIIE reference rate would have a positive effect on the financial cost of approximately $81 million.

The above scenarios were performed on bank and market debt contracted in Mexican pesos with floating reference rate TIIE 28 days, which represents about 80% of the total debt contracted by the Bank. The bank debt denominated in euros is covered at a fixed rate by 70%, so an increase or decrease in rates would not represent a material or significant risk to the company, offsetting effectively in the starting price and value the underlying liabilities.

g. Credit risk management

Credit risk refers to the uncertainty of whether one or several of the counterparties will comply with their contractual obligations, which would result in a financial loss for the Entity. The Entity has adopted the policy of only operating with solvent institutions and obtaining sufficient collateral, when deemed necessary, as a way to mitigate the risk of financial loss caused by non-compliance.

The Entity's exposure and the credit ratings of its counterparties are supervised on a regular basis. The maximum credit exposure levels allowed are established in the Entity's risk management internal policies. Credit risk over liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by accepted rating agencies.

In order to reduce to a minimum the credit risk associated to counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations and which form part of the Mexican Financial System.

With respect to derivative financial instruments, the Entity signs a standard agreement approved by the International Swaps and Derivatives Association Inc. with each counterparty along with the standard confirmation forms for each operation. Additionally, the Entity signs bilateral guarantee agreements with each counterparty that establish the margin, collateral and credit line policies to be followed. Such agreements, commonly known as “Credit Support Annexes”, establish the credit limits offered by credit institutions that would apply in the event of negative scenarios or fluctuations that might affect the fair value of open positions of derivative financial instruments. Such agreements establish the margin calls for instances in which credit facility limits are exceeded.

In addition to the bilateral agreements signed further to the ISDA maser agreement, known as Credit Support Annexes (CSA), the Entity monitors the favorable or negative fair value on a monthly basis. Should the Entity incur a positive result, and that result be considered material in light of the amount, a CDS could be contracted to reduce the risk of breach by counterparties.

The methodologies and practices generally accepted in the market and which are applied by the Entity to quantify the credit risk related to a given financial agent are detailed below.

1.- Credit Default Swap (CDS), the credit risk is quantified based on the quoted market price. The CDS is the additional premium that an investor is willing to pay to cover a credit position, meaning that the risk quantification is equal to this premium. This practice is utilized as long as quoted CDS are available on the market

2.- Issuance Credit Spread, if issuances are available for quotation on different financial markets, the credit risk can be quantified as the difference between the internal rate of return of the bonds and the risk-free rate.

3.- Comparable items, if the risk cannot be quantified by using the above methodologies, the use of comparable items is generally accepted; i.e., the use of entities or bonds of the sector that the company wishes to analyze as a reference.

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

At the December 31, 2015, 2014 and 2013 closing, the Entity has incurred no margin calls, nor does it hold any type of securities pledged as a guarantee by a counterparty with which it may have carried out interest rate hedging operations.

At December 31, 2015, 2014 and 2013, the Entity has recorded no breaches to the agreements signed with different financial entities for exchange rate hedging operations.

The Entity's maximum exposure to credit risk is represented by the carrying value of its financial assets. At December 31, 2015, 2014 and 2013, that risk amounts to $2,100,657, $2,088,393 and $1,292,088, respectively.

The credit risk generated by the management of the Entity's temporary investments reflects its current investment policy, which has the following objectives: I) enhance resource efficiency, and II) mitigate the credit risk. In order to fulfill these objectives, certain guidelines and maximum amounts were established for counterparties, instruments and periods within the Entity's policies.

All transactions performed in Mexican pesos and foreign currency are supported by an outline brokerage agreement duly executed by both parties with regulated institutions belonging to the Mexican Financial System, which have the guarantees required by the company and recognized credit ratings. The only instruments authorized for temporary investments are those issued by the federal government, corporate and banking institutions under the repurchase modality. As the Entity does not consider its credit risk to be material or significant, it does not perform a measurement for temporary investments

h. Liquidity risk management

The ultimate responsibility for managing liquidity lies in the Financial Director, for which purpose the Entity has established policies to control and follow up on working capital, thus making it possible to manage the Entity's short-term and long-term financing requirements. In keeping this type of control, cash flows are prepared periodically to manage risk and maintain proper reserves, credit lines are contracted and investments are planned.

The Entity's main source of liquidity is the cash earned from its operations.

The following table describes the contractual maturities of the Entity's financial liabilities considering agreed payment periods. The table has been designed based on undiscounted, projected cash flows and financial liabilities considering the respective payment dates. The table includes the projected interest rate flows and the capital disbursements made towards the financial debt included in the consolidated statements of financial position. If interest is agreed at variable rates, the undiscounted amount is calculated based on the interest rate curves at the end of the period being reported. Contractual maturities are based on the minimum date on which the Entity must make the respective payments.

As of December 31, 2015	Average effective interest rate		Up to 1 year		Up to 2 years		Up to 3 years		Up to 4 years		Up to 5 years or more		Total
Long-term debt	5.49%	$	1,000,986	$	1,048,079	$	717,767	$	2,669,308	$	1,471,296	$	6,907,436
Debt instruments	4.70%		321,818		331,341		2,772,813		222,647		4,481,332		8,129,951
Financial leasing	4.00%		32,789		32,789		32,789		32,789		565,089		696,245
Derivatives			97,806		-		-		-		-		97,806
Suppliers			3,013,091		-		-		-		-		3,013,091
Accounts payable			635,802		-		-		-		-		635,802
Total		$	5,102,292	$	1,412,209	$	3,523,369	$	2,924,744	$	6,517,717	$	19,480,331

As of December 31, 2014	Average effective interest rate		Up to 1 year		Up to 2 years		Up to 3 years		Up to 4 years		Up to 5 years or more		Total
Long-term debt	4.97%	$	1,751,434	$	1,946,208	$	2,152,688	$	1,945,586	$	2,217,377	$	10,013,293
Debt instruments	4.05%		102,346		102,628		102,628		2,547,367		-		2,854,969
Financial leasing	4.00%		33,723		33,723		33,723		33,723		595,085		729,977
Derivatives			6,146		-		-		-		-		6,146
Suppliers			2,694,015		-		-		-		-		2,694,015
Accounts payable			601,854		-		-		-		-		601,854
Total		$	5,189,518	$	2,082,559	$	2,289,039	$	4,526,676	$	2,812,462	$	16,900,254

As of December 31, 2013	Average effective interest rate		Up to 1 year		Up to 2 years		Up to 3 years		Up to 4 years		Up to 5 years or more		Total
Long-term debt	4.79%	$	520,240	$	581,546	$	629,085	$	748,952	$	451,006	$	2,930,829
Debt instruments	4.54%		115,014		123,861		106,167		123,861		2,541,933		3,010,836
Financial leasing			5,964		-		-		-		-		5,964
Suppliers			1,408,565		-		-		-		-		1,408,565
Accounts payable			197,709		-		-		-		-		197,709
Total		$	2,247,492	$	705,407	$	735,252	$	872,813	$	2,992,939	$	7,553,903

i. Fair value of financial instruments

This notes provides information on the manner in which the Entity determines the fair values of the different financial assets and liabilities.

Some of the Entity's financial assets and liabilities are valued at fair value at each reporting period. The following table contains information on the procedure for determining the fair values of financial assets and financial liabilities (specifically the valuation technique(s) and input data used).

Financial assets/liabilities		Fair value (1)(2) Figures in thousands of USD			Fair value hierarchy
		31.dic.15	31.dic.14	31.dic13	
1)	Forwards and currency options agreements	$ (315)	$ (136)	$ (25)	Nivel 2
	Valuation technique(s) and main input data	Plain vanilla forwards are calculated based on discounted cash flows on forward exchange type bases. The main input data are the Spot, the risk-free rates in MXN and USD + a rate that reflects the credit risk of counterparties. In the case of options, the methods used are Black and Scholes and Montecarlo digital and/or binary algorithms.			

Activos/pasivos financieros		Valor razonable (1)(2) Cifras en miles USD			Jerarquía del valor razonable
		31.dic.15	31.dic.14	31.dic13	
2)	Interest rate swaps	$ 5,159	$ 552	$ 482	Nivel 2
	Valuation technique(s) and main input data	Discounted cash flows are estimated based on forwards interest rates (using the observable yield curves at the end of the period being reported) and the contractual rates, discounted at a rate that reflects the credit risk of the counterparties.			

(1) The fair value is presented from a bank's perspective, which means that a negative amount represents a favorable result for the Entity.

(2) 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.

(3) Techniques and valuations applied are those generally used by financial entities, with official price sources from banks such as Banxico for exchange rates, Proveedor Integral de Precios (PIP) and Valmer for supply and databases of rate prices, volatility, etc.

In order to reduce to a minimum the credit risk associated with counterparties, the Entity contracts its financial instruments with domestic and foreign institutions that are duly authorized to engage in those operations.

In the case of derivative financial instruments, a standard contract approved by the International Swaps and Derivatives Association Inc. ("ISDA") is executed with each counterparty; the standard confirmation forms required for each transaction are also completed.

Likewise, bilateral guarantee agreements are executed with each counterparty to determine policies for the margins, collateral and credit lines to be granted.

This type of agreement is usually known as a "Credit Support Annex"; it establishes the credit limits that financial institutions grant to the company and which are applicable in the event of negative scenarios or fluctuations that affect the fair value of the open positions of derivative financial instruments. These agreements establish the margin calls to be implemented if credit line limits are exceeded.

Aside from the bilateral agreements attached to the ISDA outline agreement known as the Credit Support Annex (CSA), the Entity monthly monitors the fair value of payable or receivable amounts. If the result is positive for the Entity and is considered relevant due to its amount, a CDS can be contracted to reduce the risk of counterparty noncompliance.

The Entity has the policy of monitoring the number of operations contracted with each of these institutions so as to avoid margin calls and mitigate the counterparty credit risk.

At December 31, 2015, 2014 and 2013, the Entity has not received any margin calls and does not have any securities given as a guarantee with counterparties as interest rate hedges. Furthermore, it did not record any instances of noncompliance with the contracts executed with different financial institutions for operations involving interest rate hedges.

a. Fair value of financial assets and liabilities that are not valued at fair value on a recurring basis (but that require fair value disclosure)

Except for the matter described in the following table, Management considers that the carrying values of financial assets and liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value.

Financial liabilities	12/31/2015 Carrying value	12/31/2015 Fair value	12/31/2014 Carrying value	12/31/2014 Fair value	12/31/2013 Carrying value	12/31/2013 Fair value
Financial liabilities maintained at amortized cost:						
Suppliers	$ 3,013,091	$ 3,013,091	$ 2,694,015	$ 2,694,015	$ 1,408,565	$ 1,408,565
Accounts payable and accrued liabilities	635,802	635,802	601,854	601,854	197,709	197,709
Bank loans	734,824	766,303	1,377,157	1,403,930	388,486	395,680
Current maturities of financial lease liabilities	7,190	7,190	7,878	7,878	-	-
Long-term bank loans	5,018,722	5,018,722	7,370,666	7,370,666	2,166,281	2,166,281
Non-current financial lease liabilities	307,140	307,140	314,342	314,342	-	-
Debt instruments	6,479,795	6,539,804	2,491,356	2,498,969	2,488,850	2,507,550
Total	$ 16,196,564	$ 16,288,052	$ 14,857,268	$ 14,891,654	6,649,891	6,675,785

Financial liabilities 2015	Level 1
Financial liabilities maintained at amortized cost:	
Bank loans	$ 734,824
Current maturities of financial lease liabilities	7,190
Long-term bank loans	5,018,722
Non-current financial lease liabilities	307,140
Debt instruments	6,479,795
Total	$ 12,547,671

Financial liabilities 2014	Level 1
Financial liabilities maintained at amortized cost:	
Bank loans	$ 1,377,157
Current maturities of financial lease liabilities	7,878
Long-term bank loans	7,370,666
Non-current financial lease liabilities	314,342
Debt instruments	2,491,356
Total	$ 11,561,399

Financial liabilities 2013		Level 1
Financial liabilities maintained at amortized cost:		
Bank loans	$	388,486
Long-term bank loans		2,166,281
Debt instruments		2,488,850
Total	$	5,043,617

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 exchange cash flows at future fixed dates on the face value or reference value and are valued at fair value.

b) Liquidity in derivative financial operations:

1. 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.

23. STOCKHOLDERS' EQUITY

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

a. Capital stock structure

The movements in capital stock and premium on share issue are shown below:

	Number of shares		Capital stock (thousands of pesos)		Premium on issuance of share
Figures at January 1, 2013	687,759,054	$	403,339	$	2,466,822
Purchase of non-controlling interest	-		-		(429,262)
Placement of shares	-		-		(170)
Figures at December 31, 2013	687,759,054		403,339		2,037,390
Repurchase of shares	(956,201)		(478)		-
Placement of shares	150,819,671		75,410		6,576,197
Figures at December 31, 2014	837,622,524		478,271		8,613,587
Placement of shares	(136,080)		(68)		-
Figures at December 31, 2015	837,486,444	$	478,203	$	8,613,587

As discussed in Note 19, the Entity has the put option of acquiring the non-controlling interest of Grupo Zena, this effect resulted in the application of a charge of $2,673,053 to net worth.

In April 2015, Alsea declared a dividend payment of $419,289 with a charge to the after-tax earnings account, which is to be paid against net earnings at the $0.50 (zero pesos fifty cents) per share. It authorizes the Treasury society make payment on May 29, 2015 for an amount of $419,173.

In June 2014, Alsea issued 131,147,540 shares with an overallotment of 19,672,131, which was exercised with an asking price of $45.75 (forty-five Mexican pesos and 75/100 centavos) per share. The issuance was recorded net of placement expenses (see Note 1c).

In April 2013, Alsea declared a dividend payment of $343,880 with a charge to the after-tax earnings account, which is to be paid against net earnings at the $0.50 (zero pesos fifty cents) per share.

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

The National Banking and Securities Commission has established a mechanism that allows the Entity to acquire its own shares in the market, for which purpose a reserve for repurchase of shares must be created and charged to retained earnings, which Alsea has created as of December 31, 2015.

Total repurchased shares must not exceed 5% of total issued shares; they must be replaced in no more than one year, and they 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 notional value (paid-in capital stock divided by the number of outstanding shares) in the case of shares with no par value, including inflation, at December 31, 2012. Available repurchased shares are reclassified to contribute capital.

In February 2013, Café Sirena, S. de R.L. de C.V. declared a cash dividend of $170,000, which was paid in proportion to the value of each of the equity participation units comprising capital stock. The amount corresponding to the non-controlling interest was $30,600.

b. Stockholders' equity restrictions

I. Five percent of net earnings for the period must be set aside to create the legal reserve until it reaches 20 percent of the capital stock. At December 31, 2015, 2014 and 2013, the legal reserve amounted to $100,736, which amount does not reach the required 20%.

II. Dividends paid from retained earnings are not subject to ISR 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 1.0408. The tax accrued 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 two years.

23. NON-CONTROLLING INTEREST

a. Following is a detail of the non-controlling interest.

		Amount
Beginning balance at January 1, 2013	$	308,189
Equity in results for the year ended December 31, 2013		(17,694)
Café Sirena dividends declared		(30,600)
Acquisition of Burger King Mexicana, S.A. de C.V. (2)		225,163
Acquisition of the non-controlling interest of Café Sirena, S. de R.L. de C.V.		(201,445)
Acquisition of the non-controlling interest of Starbucks Coffee Argentina, S. de R.L. de C.V.		(44,109)
Ending balance at December 31, 2013		239,504
Equity in results for the year ended December 31, 2014		(42,572)
Other movements in capital		1,345
Contributions of Capital in Estrella Andina, S.A.S. (1)		27,904
Fair value of the non-controlling interest in Grupo Zena (note 15) (3)		607,032
Ending balance at December 31, 2014 as adjustment		833,213
Equity in results for the year ended December 31, 2015		51,536
Other movements in capital		10,156
Capital contributions in subsidiaries		31,380
Acquisition of the non-controlling interest of GASA		(26,365)
Ending balance at December 31, 2015	$	899,920

(1) In 2014, the Entity executed an agreement with Starbucks Coffee International, Inc. (SCI) to develop and operate Starbucks® in Colombia in conjunction with Grupo Nutresa. The strategic partnership of Alsea and Grupo Nutresa to develop the brand in Colombia was implemented through a joint venture in which Alsea holds 70% equity, while Nutresa holds the remaining 30%.

(2) The balance includes the restatement adjustment of $7,629 (see Notes 2b).

(3) The balance includes the restatement adjustment of $101,520 (see Notes 2a).

b. Acquisition of the non-controlling interest of Grupo Amigos de San Ángel-

In 2015, the Entity acquired the 10.23% that it did not hold in Grupo Amigos de San Ángel, a subsidiary of Alsea that operates in the different Italiani´s stores in Mexico.

For consolidation purposes, the transaction did not constitute a change in control over Grupo Amigos de San Ángel, prior to the purchase of the non-controlling interest. As the Entity had been previously consolidating the subsidiary, such accounting remained unchanged.

The change of interest in Grupo Amigos de San Ángel by Alsea upon acquisition of the non-controlling interest (from 89.77% to 100%) qualified as an equity transaction.

Accordingly, the difference between the carrying value of the non-controlling interest at the time of acquisition and the fair value of amount paid was recorded directly in stockholders' equity.

The accounting entry gave rise to a decrease in the non-controlling interest of $26,365.

c. Acquisition of the non-controlling interest of Starbucks Coffee Argentina-

The Entity acquired from Starbucks Coffee International (an affiliate of Starbucks Coffee Company) the remaining 18% of Starbucks Coffee Argentina, S.R.L. (Starbucks Argentina), a subsidiary of Alsea that operates the Starbucks Coffee stores in Argentina.

For accounting purposes, the transaction did not constitute a change in control over Starbucks Coffee Argentina prior to the purchase of the non-controlling interest. As the Entity had been previously consolidating with the subsidiary, such accounting remained unchanged.

The change of interest in Starbucks Coffee Argentina by Alsea upon acquisition of the non-controlling interest (from 82% to 100%) qualified as an equity transaction.

Accordingly, the difference between the carrying of the non-controlling interest at the time of acquisition and the fair value of the amount paid was recorded directly in stockholders' equity.

The accounting entry gave rise to a $44,109 decrease in the non-controlling interest.

d. Acquisition of the non-controlling interest of Starbucks Coffee Mexico

In April 2014, the Entity acquired from SCI the 18% that it did not hold in Café Sirena, a subsidiary of Alsea that operates in the different Starbucks® stores in Mexico.

For consolidation purposes, the transaction did not constitute a change in control over Café Sirena prior to the purchase of the non-controlling interest. As the Entity had been previously consolidating the subsidiary, such accounting remained unchanged.

The change of interest in Café Sirena by Alsea upon acquisition of the non-controlling interest (from 82% to 100%) qualified as an equity transaction.

Accordingly, the difference between the carrying value of the non-controlling interest at the time of acquisition and the fair value of amount paid was recorded directly in stockholders' equity.

The accounting entry gave rise to a decrease in the non-controlling interest of $201,445.

e. Following is the detail of the Non-Controlling interest of the subsidiaries of the Entity:

Subsidiary	Country	Percentages of the non-controlling interest			Income (loss) attributable to the non-controlling interest			Accumulated non-controlling interest		
		31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013
Food Service Project, S.L (Grupo Zena)	España	28.24 %	28.24 %	0.00 %	86,131	25,132	-	1,187,814	708,552	-
Operadora de Franquicias Alsea, S.A. de C.V.	México	20.00 %	20.00 %	20.00 %	(28,676)	(59,326)	(18,570)	116,966	225,163	225,163
Estrella Andina S.A.S.	Colombia	30.00 %	30.00 %	0.00 %	(5,480)	(6,749)	-	35,157	27,904	-

25. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the net profit attributable to controlling interest holders of ordinary capital (after adjusting for interest on the convertible preferential shares, if any) by the average weighted ordinary shares outstanding during the year plus average weighted ordinary shares issued when converting all potentially ordinary diluted shares to ordinary shares. For the years ended December 31, 2015, 2014 and 2013, the Entity has no potentially dilutive shares, for which reason diluted earnings per share is equal to basic earnings per share.

The following table contains data on income and shares used in calculating basic and diluted earnings per share:

	2015	2014	2013
Net profit (in thousands of pesos):			
Attributable to shareholders	$ 981,215	$ 666,666	$ 681,014
Shares (in thousands of shares):			
Weighted average of shares outstanding	837,486	837,623	687,514
Basic earnings per share	$ 1.17	$ 0.85	$ 0.99
Basic earnings per share continuing operations	$ 1.17	$ 0.87	$ 0.99

26. REVENUES

		2015		2014		2013
Revenues from the sale of goods	$	31,471,313	$	22,178,483	$	15,284,589
Services		487,346		378,654		249,174
Royalties		329,717		230,231		163,951
Total	$	32,288,376	$	22,787,368	$	15,697,714

27. EMPLOYEE BENEFIT EXPENSES

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

		2015		2014		2013
Wages and salaries	$	7,188,412	$	4,585,809	$	2,832,469
Social Security costs		962,914		731,405		517,627
Retirement benefits		25,770		41,332		27,678
Total	$	8,177,096	$	5,358,546	$	3,377,774

28. OTHER EXPENSES (INCOME)

In 2015, 2014 and 2013, this caption is comprised as follows:

		2015		2014		2013
Legal expenses	$	25,019	$	23,118	$	18,552
Loss on fixed assets disposals, net		40,227		189,306		24,386
PTU on tax base		6,371		20,371		3,920
Inflation and interest on tax refund		(32,649)		(10,035)		(24,347)
Other income, net		16,698		(21,029)		(45,162)
Total	$	55,666	$	201,731	$	(22,651)

29. DISCONTINUED OPERATIONS

a. Disposal of operations related to the Pei Wei Asian Dinner brand

At the end of 2014, the Entity's management decided to discontinue the operations of the Pei Wei Asian Dinner Brand in Mexico: The stores of such brand will end its operation at the beginning of 2015, consequently such operations are presented as discontinued operations in the consolidated financial statements.

b. Analysis of the results for the year from discontinued operations

The comparative results of discontinued operations included in the consolidated statements of income are detailed below.

		2014		2013
Results for the year from discontinued operations				
Income		15,676	$	20,827
Costs		5,164		6,914
Expenses		29,133		18,389
Loss for the year of the discontinued operations	$	(18,621)	$	(4,476)

Cash flows are presented in the consolidated statements of cash flows.

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Officer compensations and benefits

The total amount of compensation paid by the Entity to its main advisors and officers for the nine-month period ended December 31, 2015, 2014 and 2013 was of approximately $121,800, $98,400 and $87,700, respectively. That amount includes payments determined at a General Stockholders' Meeting for performance of their duties during that year, as well as for salaries and wages.

The Entity continuously reviews salaries, bonuses and other compensation plans in order to ensure more competitive employee compensation conditions.

31. FINANCIAL INFORMATION BY SEGMENTS

The Entity is organized into four large operating divisions comprised of sales of food and beverages in Mexico and South America (LATAM – Argentina, Chile, Colombia and Brazil) and distribution services, all headed by the same management.

The accounting policies of the segments are the same as those of the Entity's described in Note 3.

The Food and Beverages segments in which Alsea in Mexico, Spain and Latin America (LATAM) participates are as follows:

Fast Food: This segment has the following features: i) fixed and restricted menus, ii) food for immediate consumption, iii) strict control over individual portions of each ingredient and finished product, and iv) individual packages, among others. This type of segment can be easily accessed and therefore penetration is feasible at any location.

Coffee Shops: Specialized shops where coffee is the main item on the menu. The distinguishing aspects are top quality services and competitive prices, and the image/ambiance is aimed at attracting all types of customers.

Casual Dining: This segment comprises service restaurants where orders are taken from customers and there are also to-go and home delivery services. The image/ambiance of these restaurants is aimed at attracting all types of customers. This segment covers fast food and gourmet restaurants. The main features of casual dining stores are i) easy access, ii) informal dress code, iii) casual atmosphere, iv) modern ambiance, v) simple decor, vi) top quality services, and vii) reasonable prices. Alcoholic beverages are usually sold at those establishments.

Restaurant – cafeteria - (VIPS): Is a familiar-type segment and its main characteristic is the hospitality, and be close to the client. These restaurants have a wide variety of menus.

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 domestic purchase, importation, transporting, storage and distribution of frozen, refrigerated and dry food products to supply all Domino's Pizza, Burger King, Starbucks, Chili's Grill & Bar, P.F. Chang's China Bistro, Pei Wei and Italianni's establishments in Mexico.

Additionally, DIA is responsible for preparing and distributing pizza dough to the entire Domino's Pizza System in Mexico.

Panadería y Alimentos para Food Service, S.A. de C.V. This plant produces sandwiches and bread that are supplied to Starbucks and the other Alsea brands. The business model contemplates a central plant located in Lerma, in the State of Mexico, where the Pastry and Bakery products and sandwiches are prepared.

The definition of the operating segments is based on the financial information provided by General Management and it is reported on the same bases as those used internally by each operating segment. Likewise, the performance evaluations of the operating segments are periodically reviewed.

Information on the segments for the years ended December 31, 2015, 2014 and 2013 is as follows: (figures in millions of pesos).

Figures in millions of pesos as of December 31, division:

	Food and beverages - Mexican segment			Food and beverages – LATAM segment			Food and beverages – Spain Division			Distribution and production segment			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Revenues																		
From third parties	$ 18,629	$ 15,533	$ 10,326	$ 6,718	$ 4,621	$ 4,219	$ 5,674	$ 1,468	$ -	$ 1,235	$ 1,132	$ 1,130	$ 32	$ 34	$ 23	$ 32,288	$ 22,788	$ 15,698
Between segments	43	58	25	-	-	-	-	-	-	5,139	3,932	3,200	(5,182)	(3,990)	(3,225)	-	-	-
Revenues	18,672	15,591	10,351	6,718	4,621	4,219	5,674	1,468	-	6,374	5,064	4,330	(5,150)	(3,956)	(3,202)	32,288	22,788	15,698
Costs	6,244	5,078	3,371	2,132	1,563	1,440	1,581	410	-	5,344	4,218	3,615	(5,152)	(3,997)	(3,205)	10,149	7,272	5,221
Other operating costs and expenses	9,683	8,397	5,417	4,103	2,790	2,501	3,358	854	-	668	533	461	24	139	58	17,836	12,713	8,437
Depreciation and amortization	1,283	1,007	634	237	174	178	239	55	-	72	69	61	117	28	47	1,948	1,333	920
Interest paid	300	304	156	139	104	54	94	30	-	4	14	10	174	75	21	711	527	241
Interest earned	(51)	(68)	(123)	(25)	(28)	(26)	-	-	-	(7)	(5)	(2)	53	68	112	(30)	(33)	(39)
Other financial expenses	7	5	2	16	2	18	-	-	-	66	12	-	90	(19)	(12)	179	-	8
	1,206	868	894	116	16	54	402	119	-	227	223	185	(456)	(250)	(223)	1,495	976	910
Equity in results of associated companies	-	-	-	-	-	-	-	-	-	-	-	-	28	32	43	28	32	43
Income taxes	246	186	201	(28)	55	71	97	29	-	50	17	30	125	78	(17)	490	365	285
Results of segments	960	682	693	144	(39)	(17)	305	90	-	177	206	155	(553)	(296)	(163)	1,033	643	668
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)	(4)	-	(19)	(4)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	52	(43)	(18)	52	(43)	(18)
Controlling interest	$ 960	$ 682	$ 693	$ 144	$ (39)	$ (17)	$ 305	$ 90	$ -	$ 177	$ 206	$ 155	$ (605)	$ (272)	$ (149)	$ 981	$ 667	$ 682

	Alimentosy bebidas México			Alimentos y bebidas LATAM			Alimentos y bebidas España			Distribución y producción			Eliminaciones			Consolidado		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Assets:																		
Investment in performing assets	$ 18,205	$ 12,440	$ 10,585	$ 2,605	$ 2,524	$ 2,389	$ 3,437	$ 3,338	$ -	$ 2,303	$ 2,188	$ 2,022	$ 1,940	$ 7,072	$ (4,607)	$ 28,490	$ 27,562	$ 10,389
(Investment in associated companies)	-	-	-	-	-	-	-	-	-	-	-	-	923	830	789	923	830	789
(Investment in fixed assets and Intangible assets)	2,072	1,644	1,031	417	493	216	476	198	-	29	76	32	446	70	(21)	3,440	2,481	1,258
Total assets	$ 20,277	$ 14,084	$ 11,616	$ 3,022	$ 3,017	$ 2,605	$ 3,913	$ 3,536	$ -	$ 2,332	$ 2,264	$ 2,054	$ 3,309	$ 7,972	$ (3,839)	$ 32,853	$ 30,872	$ 12,436
Total liabilities	$ 7,270	$ 8,940	$ 6,449	$ 2,566	$ 2,535	$ 2,372	$ 3,805	$ 3,694	$ -	$ 1,477	$ 1,461	$ 1,335	$ 7,887	$ 4,650	$ (2,251)	$ 23,005	$ 21,280	$ 7,905

32. FOREIGN CURRENCY POSITION

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2015, 2014 and 2013, are as follows:

	Thousands of dollars 2015	Thousands of dollars 2014	Thousands of dollars 2013
Assets	$ 1,300,457	$ 1,371,033	$ 621,813
Liabilities	(4,379,546)	(4,273,402)	(742,732)
Net monetary liability position	$ (3,079,089)	$ (2,902,369)	$ (120,919)

The exchange rate to the US dollar at December 31, 2015, 2014 and 2013 was $17.25, $14.74 and $13.05, respectively. At March 31, 2016, date of issuance of the consolidated financial statements, the exchange rate was $17.25 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2015, 2014 and 2013 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin	Currency	Closing exchange rate	Issuance March 31, 2016
2015			
Argentina	Argentinian peso (ARP)	1.3408	1.1862
Chile	Chilean peso (CLP)	0.0244	0.0252
Colombia	Colombian peso (COP)	0.0054	0.0057
Spain	Euro (EUR)	18.8344	19.5332

Country of origin	Currency	Closing exchange rate	Issuance March 31, 2016
2014			
Argentina	Argentinian peso (ARP)	1.7235	1.7108
Chile	Chilean peso (CLP)	0.0240	0.0241
Colombia	Colombian peso (COP)	0.0062	0.0059
España	Euro (EUR)	17.6926	16.8876

Country of origin	Currency	Closing exchange rate	Issuance March 31, 2016
2013			
Argentina	Argentinian peso (ARP)	2.0108	1.7091
Chile	Chilean peso (CLP)	0.0248	0.0240
Colombia	Colombian peso (COP)	0.0067	0.0065

In converting the figures, the Entity used the following exchange rates:

Foreign transaction	Country of origin	Currency Recording	Functional	Presentation
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	
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
Food Service Project S.L.	Spain	EUR	EUR	MXP

33. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments:

a. The Entity leases locales to house its stores and distribution centers, as well as certain equipment further to the lease agreements entered into for defined periods (see Note 12).

b. The Entity has acquired several commitments with respect to the arrangements established in the agreements for purchase of the brands.

c. In the regular course of operations, the Entity acquires commitments derived from supply agreements, which in some cases establish contractual penalties in the event of breach of such agreements.

Contingent liabilities:

In August 2012, Italcafé received an order for an on-site official review by the tax authorities. Such visit concluded in August 2013 with certain observations regarding income that the authorities considered had not been declared and differences in VAT paid. Italcafé is currently in the phase for submitting additional documentation in order to clarify the aforementioned differences. The authorities have a six-month term, that concludes in February 2014, to assess a tax debt of approximately $146 million.

On the basis of the foregoing, Alsea will file an appeal against a possible tax debt. It is important to mention that the former owners of Italcafé will assume the economic effects arising from such tax debt in light of the terms and conditions set forth in the agreements signed by Alsea and the sellers.

On November 3, 2014, the Entity filed a Motion for Reconsideration with the Tax Inspection Office of the Federal District against the tax liability determined by the Finance Department of the Federal District. On February 13, 2015, the Tax Inspection Office issued a request for additional information, which was provided on February 20 of that year. This Motion for Reconsideration is currently being studied by the Tax Inspection Office of the Federal District. In the event of an unfavorable ruling, the Entity will file a Ruling for Annulment. The attorneys of the vendor and Alsea consider that they have a good chance of success. During the 2 to 3 years that this legal action will take, the tax liability will not be considered as definitive.

34. SUBSEQUENT EVENTS

On March 3, 2016, Alsea signed the contract purchase-sale of the assets of the chain of Italian restaurants Archie's in Colombia (Archie Colombia's, S.A.S.). Founded in 1993, Archie's restaurant chain is the largest in Colombia and one of the major chains that country Italian food. Its operation includes 41 restaurants in 7 major cities in Colombia, and has presence in major shopping centers. At the date of issuance of the consolidated financial statements, it has not carried out the closure of this operation.

35. FINANCIAL STATEMENT AUTHORIZATION

The consolidated financial statements were authorized for issuance on March 31, 2016 by Mr. Diego Gaxiola Cuevas, Administration and Financial Director, and therefore they do not reflect any facts that might occur after that date and are subject to the approval of the audit committee and the Entity's stockholders, who can decide to modify them in accordance with the provisions of the Corporations Law.

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Administration and Financial Director

Mr. Alejandro Villarruel Morales
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