LEARNING FROM THE PRESENT **TO WIN THE FUTURE**

Global Report 2020

April 2021

Learning from the Present to Win the Future

Alsea

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Dear friends, collaborators, and shareholders

With great pleasure, I present you our 2020 Annual Report, a year which has put us to the test every day, but from which we came out stronger and with a learning experience that allows us to look to the future with optimism.

"Stronger and with a learning experience that allows us to look to the future with optimism."

This 2020 we have faced, as has society as a whole and the business sector, a unique and significant challenge that shall mark an entire generation. Alsea's team has demonstrated great flexibility and capability to adapt to changes in the environment and the market, which, together with the strength and recognition of our brands, places us in a strong position towards the recovery process.

Alberto Torrado Martínez
Chief Executive Officer of Alsea

Therefore, I would like to start this message by expressing my gratitude to everyone who is part of Alsea's family. During the most challenging times, your effort and commitment have allowed us to face illusion new challenges that we will undoubtedly continue to overcome together.

We faced this complicated year under an additionally challenging context, for the Company had just concluded the largest transaction in its history by acquiring Grupo Vips in Spain and Starbucks in France and Benelux at the end of 2018, increasing its debt level; during 2020, we were able to negotiate several terms related to our credit agreements, and thus we were prepared to face the situation arising from COVID-19, allowing us to take care of the Company's liquidity and ensure a minimum level of Capex to continue our strategic projects and maintain the operation of our restaurants in optimal conditions.

By the end of 2020, we had 4,192 units in total, 3,283 of which were corporate, and 909 were sub-franchises. During the year, the sales reached 38,495 million Mexican pesos. They reached a sales level of 66.2% compared to the sales reported in 2019. Despite the natural decrease in sales and the result of the restrictions and reduction in consumption originated from the health crisis, we managed to partially offset this impact through an effort to reduce costs and expenses, both operational and administrative. This effort included effective management of all the Company's expenses lines, highlighting the relevant negotiations with suppliers and lenders, access to government support programs in some regions, and the obtainment of agreements with our strategic partners, especially the parent companies of the brands we manage, allowing us to maintain more than 60,000 direct jobs.

Another example of this adapting process has been the development of digital sales channels, as a first step in the Company's digital transformation strategy, achieving a 26.7% share of the home delivery segment in consolidated sales, representing more than 9.3 billion pesos for the year. Thanks to all of this, we have achieved a 3.9% EBITDA margin, with 80 million dollars, representing nearly a third part of the margin achieved in 2019, despite having operated at 100% only 10 out of the 52 weeks of the year.

[1] *Does not include 1 unit of Cañas y Tapas, brand sold during 2020. As of December 31, 2020, the Cañas y Tapas brand is no longer part of our portfolio, but at the end of 2020 we continue to have a store that is identified as a unit in the accounting.*

We are prepared

Our business model's strength, focused on the customer, as well as a philosophy with explicit values and a strong brand portfolio, allow us to position ourselves in the market as a leading Company in our sector with determination and commitment to seize opportunities and maintain our growth, always in search of improving our profitability.

We are a global company operating in 11 geographic markets, including Mexico, Argentina, Colombia, Chile, Uruguay in Latin America, and Spain, Belgium, France, Netherlands, Luxembourg, and Portugal in Europe. We manage a prestigious multi-brand portfolio, positioned as leaders in their segment and recognized by our customers, including Domino's Pizza, Starbucks, Burger King, Chili's, P. F. Chang's, Italianni's, The Cheesecake Factory, Vips, Archies, Foster's Hollywood, Gino's, TGI Fridays, and Conceptos Mexicanos.

Seventeen brands with the same purpose: make our clients happy. For that purpose, we maximized synergies to offer exceptional products and quality services, focusing even on the smallest detail to achieve extraordinary results. We conveyed our passion through our dishes elaborated with the utmost dedication to offer a differential value and be present whenever and wherever the customer wants.

> “*Be present whenever and wherever the customer wants.*”

Being aware of the changes in consumer habits that our clients have experienced in the last years, where technology has become primary, we continue implementing measures to digitize processes. During 2020 we strengthened and consolidated our structure in the digital area, with specific infrastructure, talent, and technology investment actions, allowing us to offer the right product and the right time through the right channel to our customers, understanding their preferences at every moment of consumption, as a part of our commitment to make Alsea the leading Company in the industry in digital transformation. The world changed, the consumer changed too, and Alsea changed with them.

Home delivery service will continue to be a sales opportunity much more important than what it represented before the pandemic. Many customers have adopted this experience and have gotten used to this channel's convenience. In Mexico, Colombia, Chile, and Spain, Alsea currently has an estimated market share of 12% of the total number of food and beverage home deliveries in these markets. Likewise, during 2020, our loyalty programs continued growing, reaching more than 650 thousand active members of "Wow Rewards" and more than 15.6 million orders through Starbucks Rewards.

To promote the development of a sustainable business model, we have four lines of action-oriented to satisfy all possible corporate practices in benefit of a more sustainable and responsible society. Life Quality, Responsible Consumption, Environment, and Community Development are our main lines of action.

> "*Life Quality, Responsible Consumption, Environment, and Community Development are our main lines of action.*"

In this context, we base our growth and improvement leverage on values that have defined us throughout our years of activity. We continually work to improve our environmental performance. We constantly listen and dialogue with our collaborators, customers, and the local communities, always searching for sustainable growth with a long-term vision.

We assured our commitment to the environment and its challenges since 2012 with our compliance to the United Nations Global Compact. We promoted important initiatives towards the realization of the Sustainable Development Goals. We also took part in recognized initiatives like IPC Sustainability Quotes and Prices Index. We are the only Restaurant and Consumer Services Company in the Dow Jones Sustainability MILA Index. CEMEFI (Mexican Center for Philanthropy A.C from its translation in Spanish) recognized us as a Socially Responsible Company (ESR) for the ninth consecutive year.

Alsea's growth is possible thanks to the passion and commitment of the more than 60,000 employees who are part of our family. This year, our team has regained a unique leading role, not only for its professionalism, courage, and moral conviction they showed day after day but also for its commitment and loyalty.

During 2020 we continued our stores' renovation, adjusting them to the criteria of energy efficiency and water consumption savings. We established a waste reduction policy and prioritized our stores to recycled materials products. We also carried out environment awareness activities among our customers and employees.

Aware that the health and welfare of our employees and clients is primordial, at Alsea, we have applied the best sanitary safety measures and strict hygiene protocols in our establishments since the very first moment the pandemic broke out, reflected in capacity reductions, use of masks, protocols for action in situations of vulnerability or early detection of any positive cases in employees. We have strengthened communication and information channels throughout our value chain, promoting health and safety, applying initiatives to safeguard the social guarantees of our employees. We made Alsea an even safer and more reliable place to work.

Finally, despite times of particular difficulty, we continue to support our various social initiatives related to food, education, and employability projects, maintaining our international commitments in community development.

Our movement "Va por mi Cuenta" (It's on Me), active since 2012, has achieved another year of success, meeting all of our fundraising goals with more than 25 million Mexican pesos and delivering more than 814 thousand nutritious meals in 2020 to vulnerable people, being a driving force in the goal of eradicating food poverty in Mexico.

We have also developed specific actions related to the response to the pandemic. A clear example is the "Va por Nuestros Héroes" (This Is for Our Heroes) initiative; through it, we supported more than 348 thousand people with 319 tons of foods we donated to employees, health personnel, patients' relatives, public safety elements, indigenous communities and people suffering from food poverty.

We faced new challenges in which our track record allows us to be well-positioned, and we do so with the same sensitivity and responsibility towards the environment. I reiterate my gratitude to everyone who is part of Alsea's family. The commitment of our internal team, the value of our brands, our strong customer focus, our ability to adapt, and the learning from this year are undoubtedly our foundations for winning in the future.

> *"The commitment of our internal team, the value of our brands, our strong customer focus, our ability to adapt, and the learning from this year are undoubtedly our foundations for winning in the future."*

Alberto Torrado Martínez
Chief Executive Officer of Alsea
April 2021

OUTSTANDING ACHIEVEMENTS

Our results are supported by responsible management with a long-term vision and the implementation of a sustained growth strategy that have allowed us to achieve positive growth rates for our company.

During 2020, we have achieved a growth of 4% in net sales and 10% in EBITDA, according to the Annual Compound Growth Rate from 2015 to 2020.

*[2]	SALES	EBITDA[3]	NET INCOME
2018	46,157	6,408	1,139
2019	58,154	12,618	1,085
2020	38,495	6,918	(3,895)

	ROE[4]	VMT[5]	UNITS
2018	12.3%	4.9%	3,688
2019	8.5%	5.1%	4,310
2020	(38.2)%	(23.0)%	4,193

[2]Figures in millions of nominal pesos and under IFRS standards (they do not include the effect of IFRS 16, nor the reference effect). The variations with respect to the values reported in 2019 derive from an adjustment in the calculations for that year.
[3]EBITDA is defined as earnings before depreciation and amortization.
[4]ROE is defined as net earnings regarding net worth.
[5]Same-Store Sales.

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*[6]	CAGR 2015-2020	Annual Growth	2020	%	2019	%
Income						
Net sales	**3.6%**	**-33.8%**	**38,495.4**	**100.0%**	**58,154.6**	**100.0%**
Gross profit	**4.1%**	**-34.0%**	**27,040.5**	**70.2%**	**40,990.5**	**70.5%**
Operating profit	**N.A.**	**-133.2%**	**-1,517.5**	**-3.9%**	**4,570.8**	**7.9%**
EBITDA[8]	**10.0%**	**-45.2%**	**6,917.6**	**18.0%**	**12,617.5**	**21.7%**
Consolidated interest income	**N.A.**	**-459.1%**	**-3,895.4**	**-10.1%**	**1,084.7**	**1.9%**
Balance						
Total Assets		**9.2%**	**83,437.9**		**76,412.2**	
Cash		**53.1%**	**3,932.4**		**2,568.7**	
Interest-bearing liabilities		**26.9%**	**32,212.2**		**25,381.9**	
Majority Stockholders' Equity		**-34.2%**	**6,303.4**		**9,581.0**	
Profitability						
ROIC[9]		**-148.1%**	**-3.8%**		**7.9%**	
ROE[10]		**-549.4%**	**-38.2%**		**8.5%**	
Stock Market Data of the Share						
Price		**-48.0%**	**25.89**		**49.83**	
Earnings per share		**-449.5%**	**-3.88**		**1.11**	
Dividend		**N.A.**	**0**		**0**	
Book Value per Share		**-26.1%**	**9.75**		**13.20**	
Outstanding Shares (In millions)		**0.0%**	**838,5**		**838.5**	
Operation						
Number of Units	**7.3%**	**-2.7%**	**4,193**		**4,310**	
Collaborators	**0.6%**	**-21.3%**	**63,819**		**81,126**	

[6]Figures in millions of nominal pesos and under IFRS standards (they do not include the effect of IFRS 16, nor the effect referring to the restatement of hyperinflation in Argentina), except data per share, number of units and collaborators.
[7]TACC Compound Annual Growth Rate for 2015 to 2020.
[8]EBITDA is defined as earnings before depreciation and amortization.
[9]ROIC is defined as earnings after taxes for net operating investment (total assets-cash and temporary investment – liability without cost).
[10]ROE is defined as net earnings regarding net worth.

Alsea

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Our business model as a guarantee to face new challenges

“We are the leading restaurant operator in Latin America and Spain, with globally recognized brands within the Fast Food, Cafeteria, Casual Dining, Fast Casual and Family Restaurant segments.”

The recognition of our brands, the common denominator of quality in all of them and the ability to adapt to changes in the market, will allow us to face with guarantees and from a position of strength the recovery scenario in which we find ourselves, after a year of uncertainty and learning.

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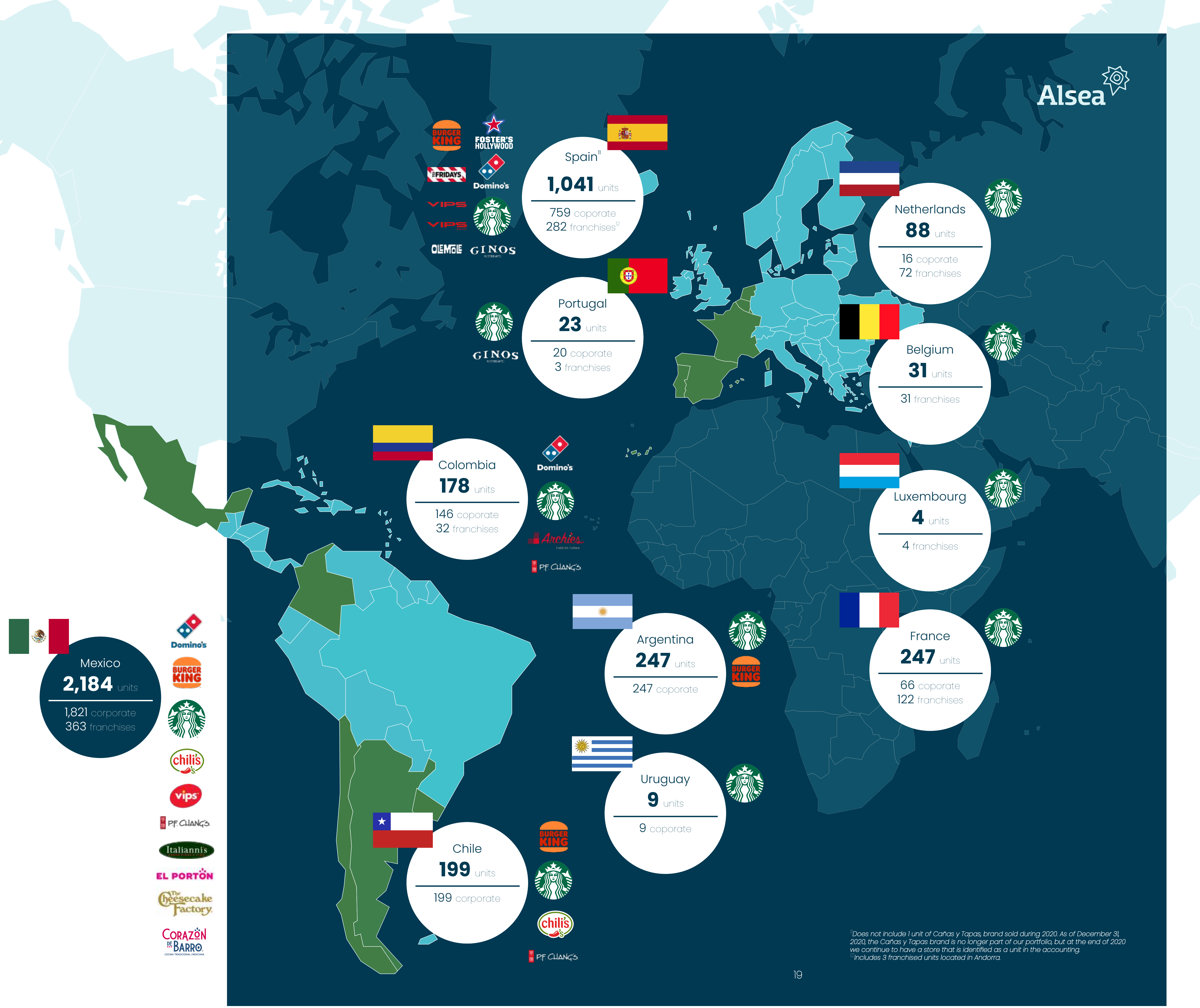
Alsea S.A.B. de C.V., hereinafter Alsea, we are the leading restaurant operator in Latin America and Europe, with globally recognized brands within the Fast Food, Cafeteria, Casual Food, Casual Fast Food and Family Restaurant segments. We have a multi-brand portfolio made up of Domino's Pizza, Starbucks, Burger King, Chili's, PF Chang's, Italianni's, The Cheesecake Factory, Vips, Vips Smart, El Portón, Archies, Foster's Hollywood, Ginos, TGI Fridays, Ole Mole and Corazón de Barro.

The company has more than 4,192 units in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Belgium, the Netherlands, Luxembourg, and Uruguay. Our business model includes supporting all business units through a Shared Services and Support Center, providing support in Administrative, Development and Supply Chain processes.

4,192
business units

3,283 corporate
909 franchises



[11] Does not include 1 unit of Cañas y Tapas, brand sold during 2020. As of December 31, 2020, the Cañas y Tapas brand is no longer part of our portfolio, but at the end of 2020 we continue to have a store that is identified as a unit in the accounting.
[12] Includes 3 franchised units located in Andorra.

To sustain this capacity, we have 10 Distribution Centers in strategic areas to supply and distribute products to our stores located in Mexico and Latin America.

Centros logísticos

5
Centers owned by Alsea
MEXICO

2
Centers owned by Alsea
COLOMBIA

1
Center operated by third parties
ARGENTINA

1
Center operated by third parties
URUGUAY

1
Center operated by third parties
CHILE

Through these distribution centers, we manage to provide a differential for brands, ensuring supply with the best costs in the industry, supported by a solid production and distribution model adapted to the needs and geographies of each market.

At Alsea Europe, we have centralized purchasing management for all the geographies where we have a presence. This modality has been implemented since August 1, 2020. Likewise, since May 1, 2020, the supply chain management process is carried out by two logistics operators operating under a 4PL (Fourth-Party Logistics) model.

The information collected in the following sections responds to Alsea's main activities in the geographical areas where it is present. This report collects the actions and global performance for Alsea S.A.B. de C.V. However, due to the actions carried out in each geography and for a better understanding, where appropriate, the information will be disaggregated according to the following division:

ALSEA MEXICO
Mexico

ALSEA SOUTH AMERICA
Argentina, Chile, Uruguay, and Colombia

ALSEA EUROPE
Spain, Portugal, France, Netherlands, Belgium, and Luxembourg

A model recognized through our brands

Our business model is customer-centric and based on a philosophy with clear values that allow us to establish our commitment to excellence with determination.

We focus on the operation of restaurant chains, our own and franchisees and related businesses that satisfy the food needs of customers inside and outside the home.

To do this, we maximize synergies to offer surprising products and quality services, focusing on the smallest detail to obtain extraordinary results. We convey our passion through our dishes prepared with the utmost dedication to offer a differential value to the customer.

Our brands are positioned as the most recognized and among the most chosen by consumers in the different geographies where we are present. This prestigious portfolio of brands includes Domino's Pizza, Starbucks, Burger King, Chili's, PF Chang's, Italianni's, The Cheesecake Factory, Vips, Vips Smart, El Portón, Archies, Foster's Hollywood, Ginos, TGI Fridays, Ole Mole and Corazón de Barro.

We consolidate a solid position in the market, which, backed by market studies and analysis, places us at the forefront of the industry. The study recently published by Brand Finance, in March 2021, has positioned Starbucks as the first brand in the "Ranking of the most valuable fast-food brands in the world".

This study evaluates the different brands according to their impact, strength, and their value in the market. In addition to Domino's and Burger King, other of our brands have also been part of this ranking that recognizes the impact and weight of each brand in the fast-food market.

Ranking of the World's Most Valuable Fast-Food Brands

1°	Starbucks
5°	Domino´s Pizza
12°	Burger King
20°	Chili's
23°	The Cheesecake Factory

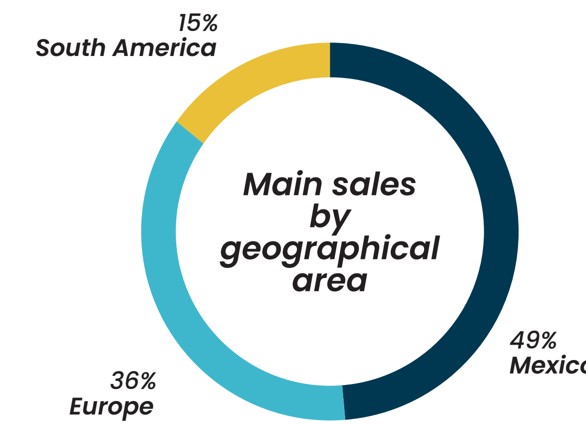
Annual study carried out by Brand Finance.

We grow together with our brands around the world

We promote organic and dynamic growth through solid premises, which are essential to create shared value globally:

- Customer centric.
- Develop the best team of people.
- Decision making focused on our clients and collaborators.
- Continue to increase the value potential of the company.
- Generate value for all shareholders.

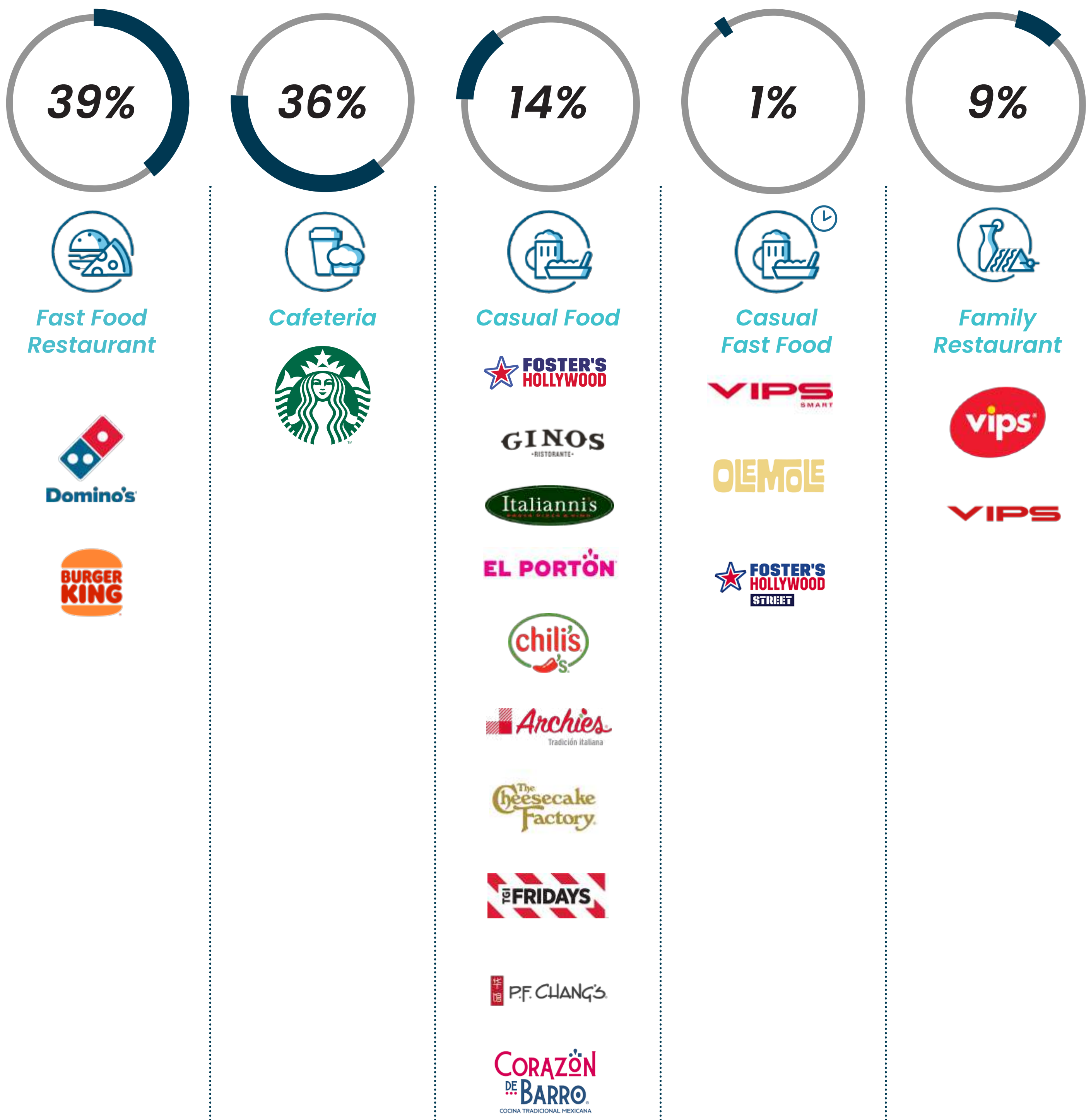
We are a company committed to excellence in operation, and we act with integrity, solidity and agility in all our brands in order to guarantee a differential experience for our clients, focused on providing a dose of happiness even in the smallest details. We serve a global demand through all our business units.



Domino's	1,234 units	811 corporate	423 franchises
Starbucks	1,524 units	1,270 corporate	254 franchises
Burger King	402 units	402 corporate	
Italianni's	79 units	62 corporate	17 franchises
Chili's	76 units	76 corporate	
El Portón	16 units	16 corporate	
Ginos	121 units	85 corporate	36 franchises
VIPS	106 units	89 corporate	17 franchises
VIPS Smart	39 units	16 corporate	23 franchises
vips	282 units	272 corporate	10 franchises
Foster's Hollywood	229 units	101 corporate	128 franchises
Foster's Hollywood Street	1 units	1 corporate	
P.F. Chang's	32 units	32 corporate	
Archie's	28 units	28 corporate	
The Cheesecake Factory	6 units	6 corporate	
TGI Fridays	13 units	13 corporate	
Corazón de Barro	2 units	2 corporate	
Ole Mole	2 units	1 corporate	1 franchises

*Does not include 1 unit of Cañas y Tapas, brand sold during 2020.

*Market segments by brand**



*Includes corporate units and franchised units. The percentage of the total number of Alsea units operating in each market segment served is indicated.

Our operational capacity has allowed us to respond to the challenges of 2020, positioning ourselves with a differential proposal within the catering industry. However, reviewing and updating our strategy is essential to ensure sustained long-term growth. We promote and drive innovation in 6 strategic areas for Alsea:

- ***WE CREATE TALENT***
  We seek to attract, retain, develop and engage our people to develop the best talents.
- ***WE PROMOTE EXCELLENCE***
  We constantly improve our customers' experience through excellence in each of our operations.
- ***DIGITAL TRANSFORMATION***
  We support the development of tools and a creative and innovative marketing strategy that highlights the differential characteristics of our company; our products and services to be as, when and where the client wants.
- ***WE ENHANCE OUR BRAND PORTFOLIO***
  We operate through 17 leading brands in the international market. We not only offer brands, but quality experiences and gratitude to our clients. Our brands expand us and allow us to bring our experience closer to consumers from anywhere in the world.
- ***WE PROMOTE INNOVATION***
  We work to adopt the best practices in the industry, which allow us to innovate in products and in the customer experience, with the objective of leadership in each of our brands.
- ***COMMITMENT TO SUSTAINABILITY AND CREATION OF SHARED VALUE***
  We promote cultural transformation towards a company committed to sustainability in a transversal way and the creation of shared value through a positive socioeconomic impact in the environments where we operate.

We drive growth. A look from Alsea to the future

During 2020, our adaptability and flexibility have been key in a year in during which the social and economic crisis derived from the spread of COVID-19 has globally affected all industries.

We are facing one of the most significant global challenges in recent times, with profound changes in the short and medium term, which have led us to develop a strategy to respond to new challenges and a new reality established, which it has allowed us to come out stronger to win in the future within a context of uncertainty.

We have reinforced and intensified advances in lines of work in which we were already working; quality employment and cultural transformation, digitization, the transversal impulse of sustainability and the capacity for resilience and adaptation in the face of a context full of challenges and opportunities

Alsea

2020 in figures...

SUSTAINABLE GROWTH MODEL

11 countries

17 brands

Starbucks Number one brand in the "Ranking of the World's Most Valuable Fast-Food Brands"

4,192 units

78% corporate
22% franchises

ALSEA IS TALENT

More than **63,000** employees

48% women

1,282,492 hours of training

20.09 average hours of training per employee

Strengthening of measures **health and safety** measures

EMPATHY AND LISTEN TO OUR CUSTOMERS

More than **273 million** clients served

More than **11 million** members in our loyalty programs

94% incidents resolved by Customer Service

Commitment to our communities

1 million food rations donated through our programs.

814,000 nutritious meals distributed through the "Va por Mi Cuenta" Movement.

More than 175,000 food rations donated through the "Va por Nuestro Héroes" initiative.

More than 9,000 food donated between all Alsea Europe brands in Spain.

395 Tons of food donated in all Alsea markets.

More than **25 million** in the "Va Por Mi Cuenta" campaign to continue the fight

Global trends and challenges

Promotion of digitization
New digital innovation strategy aimed at increasing our clients' trust and experience in new digital trends.

Alliance for Social Responsibility in Mexico
9th consecutive year

Obtaining the Socially Responsible Company distinctive from the Mexican Center for Philanthropy

Alignment with the SDGs

Inclusion in the **S&P Dow Jones Sustainability Index Mila**

For the 3rd consecutive year

2020 has been a year of adaptation and response to the challenges of the pandemic. We have maintained optimal sales levels, in accordance with the restrictions imposed globally in response to the different peaks of the pandemic. Our solid positioning in take-out, drive thru, home delivery through our own platform and through aggregators have allowed us to immediately meet the needs of our customers. At the same time, we have grown in loyalty programs reaching more than 11 million members in our programs; 5 million through the Wow program, 2 million in Starbucks Members, 1.5 million Club Vips from Alsea Europe and 2.5 million for Fosters in Alsea Europe. Likewise, during 2020, we reached more than 400 thousand active members of "Wow Rewards" and 4.9 million contactable clients through CMR of Domino's Pizza in Alsea Europe.

At an operational level, we have accessed government support programs in the different locations where we are present with benefits in the return of social security contributions (in Europe), recovery of social security charges (in Argentina), or the temporary suspension of social security (in Chile). From the point of view of our team of professionals, we have had to adapt resources to fluctuating demand throughout the year, where the activity has even come to a standstill. The panorama generated has caused us the need to apply exceptional emergency and temporary employment regulation mechanisms, in accordance with the various guidelines established by the competent authorities in each operating country.

Also, we have had to face great challenges within our value chain, taking into account the different risks generated in each of our processes. From guaranteeing the supply for our business units, adapting operations to the various levels allowed and listening to the demands of our customers.

Another point of view that has gained great prominence has been the health and safety of our employees as well as our clients. We have applied strict safety standards in all establishments.

At Alsea Europe we are currently completing a process of structural integration of our business units. This strategic process began at the end of 2018 with the acquisition, by our parent company Food Service Project S.L., of Sigla S.A. (former Grupo Vips) and the network of stores operated by Starbucks EMEA in France and Benelux[14].

Based on a solid experience and structure, at Alsea, we are prepared for a new reality, which, once established, has caused changes that are here to stay. This unusual year has also been reflected in our results.

As a leading company in the sector, we look to the future with optimism and we are committed to strengthening our company and we will continue working to generate socioeconomic value, promote employment in the communities where we operate and manage our operations in a sustainable way.

[14]Benelux comprises Belgium, the Netherlands and Luxembourg.

Aligned with the challenges of today's society

As signatories of the United Nations Global Compact, we assume the commitment to respect the 10 principles of the Global Compact, in terms of Human Rights, Labor Rights, the Environment and the Fight against corruption.

Likewise, we establish objectives and actions, within our corporate strategy, that allow us to contribute and respond to the various Sustainable Development Goals (SDGs), being a frame of reference to develop our activity in a way that allows us to face global challenges and assume the responsibility for the sustainable transformation of our company globally.

1 NO POVERTY

- *Collaboration with institutions to support the most vulnerable groups.*
- *Support for NGOs and civil society.*

2 ZERO HUNGER

- *We work to combat and eradicate hunger:*
  - *Operations of children's canteens.*
  - *Awareness raising and fundraising through the Movement "Va por Mi Cuenta" and "Va por Nuestro Héroes".*
  - *Donation of food and distribution of nutritious meals and meals served.*
  - *Donations in kind to the Food Bank in Alsea Europe*

3 GOOD HEALTH AND WELL-BEING

- *Promotion of healthy habits.*
- *Support for recreational activities for our employees.*
- *Comprehensive security policies and protocols.*
- *COVID-19 Protocols.*

4 QUALITY EDUCATION

- *Collaboration with educational institutions.*
- *Continuous training and training plan for our collaborators.*
- *Investment in education and promotion of the employability of young people in vulnerable situations.*
- *Through the Integra program, we granted educational opportunities to 2,073 young people in vulnerable situations.*

5 GENDER EQUALITY

- *Equality and non-Discrimination.*
- *Training and labor insertion of vulnerable groups.*
- *Work-family balance.*
- *Protocol against harassment.*
- *Code of Ethics.*

6 CLEAN WATER AND SANITATION

- *Use and treatment of wastewater.*
- *Efficient water management through the evaluation of improvement and optimization projects.*

7 AFFORDABLE AND CLEAN ENERGY

- *Responsible use of resources.*
- *Energy efficiency plan.*
- *Logistics and infrastructure improvements.*
- *Energy efficiency (LED lighting, lighting detectors, others).*
- *Purchase of clean or renewable energy.*

8 DECENT WORK AND ECONOMIC GROWTH

- *Employment Quality.*
- *Equality and Non-Discrimination*
- *Training and job placement.*
- *Promotion of youth employment.*
- *Work-family balance.*
- *Occupational risk prevention*
- *Stable labor relationships*

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- *Improved logistics and infrastructures.*
- *Digital employment channels.*
- *QR codes in restaurants.*
- *Gastronomic innovation.*

10 REDUCED INEQUALITIES

- *Collaboration with institutions, to support the most vulnerable groups*
- *Training and job placement*
- *Promotion of youth employment*

11 SUSTAINABLE CITIES AND COMMUNITIES

- *Support for the social, cultural and sports development of our communities.*
- *Improve infrastructures.*
- *Electric fleet.*
- *Safe and inclusive work environments.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- *Provisioning and local consumption.*
- *Support local suppliers.*
- *Efficiency in the use of resources.*
- *Ecological products and local economy boost.*
- *Efficient waste management.*
- *Elimination of single-use plastic (in plastic straws and Styrofoam in all our brands).*
- *Adaptation of our Delivery packages in all Alsea brands, adapting them to European regulations.*
- *Food waste management.*

13 CLIMATE ACTION

- *Provisioning and local consumption.*
- *Improved logistics and infrastructures.*
- *Efficiency in the use of resources.*
- *Calculation of Co2 emissions.*
- *Global Environmental Policy.*
- *Electric fleet.*

14 LIFE BELOW WATER

- *Fat separators, avoiding contamination.*
- *Efficient water management through the evaluation of improvement and optimization projects.*
- *Collection of oil to recycle it into fuel.*

15 LIFE ON LAND

- *Efficiency in the use of resources.*
- *FSC certified paper.*

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- *Compliance to the Principles of the Global Compact.*
- *Transparency in our management.*
- *Code of Ethics.*

17 PARTNERSHIPS FOR THE GOALS

- *Strategic alliances with NGO's, associations and foundations.*
- *Volunteering.*

2

Culture and commitment: our keys for the future

> *"We are a company of people and for people, committed to excellence in operation, acting with integrity. We do things with agility to deliver an amazing experience to our clients and ensure extraordinary results, providing a dose of happiness even in the smallest details."*

Alsea Culture

Our culture is guided by a strong purpose and values that allow us to focus on deep understanding of the customer and provide an exceptional experience.

> ***"To know the customers, to know what makes them happy and do it."***

Purpose.
Ignite the spirit of the people

Our values

Actitud Ganadora
To demonstrate passion for excellence, to achieve higher and higher goals.

Liderazgo Involucrado
Obsession for restaurants and taking care of the business as his own.

Servicio Sorprendente
To constantly raise the standards of satisfaction, to serve and surprise.

Espíritu Colaborativo
To add ideas and talents to form a community that multiplies results.

Atención al Detalle
To continuously improve to strengthen the Alsea experience with flawless execution.

Ethical and responsible

Responsible management, sustained by the Alsea culture, is centered on principles of ethics, integrity and transparency and allows us to advance in the integration of sustainability at all levels.

Our management model, based on the commitment to our culture and principles of good corporate governance, makes it possible to generate a feeling of belonging and identity on the part of our collaborators that allows us to offer the best experience and enrich the moments of our clients.

In this sense, our Code of Ethics and our Corporate Policies generate a regulatory framework for responsible action, which reaches all the people who are part of Alsea and, also, the groups interested in maintaining a relationship with our company. The aforementioned framework is a mandatory cross-sectional mechanism that establishes the guidelines for action.

Code of Ethics

The Code of Ethics establishes the guidelines of conduct to be adopted in a committed manner by all Alsea employees, their brands and strategic partners, in order to contribute to the achievement of the company's objectives and goals, in addition to ensuring that the way of doing business is carried out based on values and ethical standards, thus ensuring the sustainable development and generation of value of the company.

The principles and areas of action that define the lines of conduct include:

1. Compliance with the Law, regulations and internal and external standards
2. Our customer service
3. Equal opportunities
4. Harassment-free workplace
5. Occupational Safety
6. On conflicts of interest
7. Acceptance of gifts
8. Transparent and bribery-free business practices
9. Care of our work tools.
10. Regarding Fraud
11. Financial Information
12. Care of our private and confidential information
13. Environment and responsible use of resources

Furthermore, tools such as Línea Correcta (Ethics Hotline) or Canal de Denuncias (Whistleblower Channel) are established to report situations that are contrary to the guidelines of the Alsea Code of Ethics. Likewise, the correct operation and breaches in line with the Code of Ethics correspond to the Ethics Committee.

Línea correcta

Aware of the need to identify behaviors or situations that put our customers, collaborators, and suppliers at risk, at Alsea Mexico and Alsea South America we continue with the Línea Correcta program, a confidential reporting means operated by Deloitte. This independent third party provides objectivity and transparency in the process of attention and resolution of complaints

Our clients also have the opportunity to report deficiencies in the service of any of our brands through this program, in order to improve the experiences and retain their preference.

During 2020, in Alsea Mexico and Alsea South America, we received 876 complaints, of which 46 are from suppliers, 35 from customers, and the rest of collaborators. At the end of this year, 100% of the complaints were dealt with, of which 98% were closed, the remaining 18 are in the process of investigation..

The issues that were reported are coercion, conflict of interest, breach of trust, fraud and theft, before which, Alsea defines programs to strengthen communication options with customers, communication campaigns to focus the Línea Correcta system to collaborators and suppliers, and thus channel and deal with complaints in an agile and objective way.

At Alsea Europe, the complaint channel is managed by an internal labor relations team. In this way, it makes available to all its collaborators, clients, suppliers and franchisees, a direct and confidential communication channel to report any breach, irregularity or behavior contrary to its principles and Code of Ethics. This communication and complaints channel is organized and managed in accordance with the provisions of the Complaints Channel Operation Protocol.

For more information about the Code of Ethics please visit: http://www.alsea.net/relacion-con-inversionistas/codigo-de-etica

Culture of transparency and anti-corruption

We uphold principles based on a strong commitment to integrity, transparency, ethics and business responsibility in all markets where we operate; prohibiting any form of corruption, bribery and attitude that goes against our norms of conduct.

We have an Anti-Corruption Policy that establishes the mechanisms and guidelines to guarantee compliance with the different applicable anti-corruption laws and laws, in the way we do business and in all relationships that arise in our daily performance. It provides the set of norms and instructions to be followed by our collaborators in their relationship with clients, suppliers, public administrations and other third parties that carry out activities on behalf of Alsea. Consequently, it will also apply to franchisees, contractors, union organizations and employee representatives.

Anti-corruption policy

"It establishes the necessary support for compliance with the legal regulations and regulations applicable to each country, promoting the highest ethical standards."

> It establishes the principles for decision-making with a direct or relevant tax impact, always in accordance with the regulations applicable to each country where Alsea Europe has a presence and activity.

Fiscal Policy

We promote a culture of zero tolerance when it comes to corruption and bribery, so we are committed to acting professionally and ethically at all times and guaranteeing the necessary mechanisms and channels to make our performance in this management transparent.

Since 2019, the dissemination of Alsea's Anti-Corruption Policy to collaborators is conducted through the e-learning platforms that we have and our internal network. To reinforce these issues and the guidelines of our Code of Ethics, employees reiterate their commitment to the company by signing acceptance and compliance letters to the Code and Anti-Corruption Policy.

Likewise, communications are sent that reinforce our culture of integrity and the use of Línea Correcta or Canal de Denuncias (Whistleblower Channel) in Alsea Europe, reinforcing essential criteria related to our documents, for example:

- Code of Ethics
- Travel Expenses Business Norms
- Social Responsibility Business Norms.
- Policy Conflict of interest
- Purchasing Business Norms

In Alsea Europe, within the framework of its regulations, there is a Tax Policy linked to the part of a fiscal nature and the prudent management of the derived risk. Therefore, due to its direct relationship with the applicable laws in each geography, it closely affects matters related to the fight against corruption and ethical behavior.

The Board of Directors is in charge of determining and approving the tax strategy, as well as the supervision and monitoring of investments with special importance, particularly regarding their relevance to the tax impact. In addition, the tax area ensures compliance with current tax regulations and our Policy. Lastly, the Audit Committee is the body responsible for supervising the Policy and proposing opportunities for improvement.

Human Rights as a guarantee of social strengthening

At Alsea we understand respect for human rights as an essential and priority principle. Respect for them must be understood as a shared responsibility. For this reason, we provide our stakeholders with the necessary mechanisms to guarantee compliance and to move towards the strengthening of a more responsible society.

Our model of good corporate governance and regulatory compliance, together with strict respect for current legislation, comprise our human rights management model.

Through our Global Human Rights Policy, applicable to all functional areas, brands and collaborators that are part of Alsea assume the commitment of relationships based on respect, dignity and promoting this attitude in each of their daily tasks.

Alsea is committed to maintaining a work environment that respects and supports the protection of basic Human Rights for all its employees in all the geographies where it has a presence, regardless of the country in which they work, to the extent permitted by law. To that end:

- Alsea strictly prohibits all forms of work that could be detrimental to the health or safety of children.
- Alsea strictly prohibits forced or compulsory labor for any employee.
- Alsea respects the rights of employees to participate in free association in collective bargaining processes if they so wish.
- Alsea promotes, protects and helps guarantee the full and equitable enjoyment of Human Rights for all people, including people with disabilities.

> It emphasizes Alsea's commitment to treating each individual with respect and dignity, always taking into account the inalienable Human Rights of each person.

Human Rights Policy

Data protection

The control and management of the privacy of our stakeholders (clients, suppliers, legal representatives, collaborators of the organization) is essential for Alsea. We have protocols and security measures aligned with current legislation on this matter, to ensure data protection and prevent the risk of violating the confidentiality, integrity and availability of information. The control and management of privacy and data protection are supervised by those directly responsible for each of the internal contact points.

At Alsea, we recognize the importance of the treatment and protection of personal data that we collect from individuals (being clients, suppliers, legal representatives and/or collaborators) as well as the risk and responsibility that their use implies. Structurally, we adopt data treatment and protection measures aligned with the current legislation of each territory.

The management of the privacy of our clients is supervised by the internal department of Privacy of Personal Data, in charge of communicating to our clients everything related to the treatment of their data and exercise of their ARCO Rights through our privacy notices (in Mexico and Argentina).

Additionally, we provide permanent training on this subject to our collaborators through work plans and continuous improvement processes of the organization. We continue to strengthen our data protection monitoring and management practices for Stores, Plants, Distribution Centers and Support Center.

> *It establishes the guidelines that define the guidelines to be followed in the processing of personal data and compliance with the legislation in each of the countries where Alsea Europe operates.*

Data Protection Policy

In line with the great technological development, we have had and the acceleration of our digital innovation strategy, the security of internal and external information is of vital importance. As in all our actions, based on strict compliance with the law, we guarantee the confidentiality and data protection of all people who establish a relationship with our company.

In a more specific context, for Alsea Europe we have a Data Protection Policy that establishes the general and specific principles on the processing of personal data. In addition, it establishes the assessment of the need, accuracy, and veracity of collecting said information and the procedures to perform it.

Confidentiality obligations are established in the corporate compliance policies and procedures. These obligations extend to all persons who establish a relationship with Alsea Europe and its brands, including franchisees and suppliers.

During this year, Alsea Europe has promoted the development of access to information in restaurants through QR codes, combining a process of technological innovation with greater information security. In addition, management through QR codes have helped minimize contacts in relation to COVID-19.

Corporate Governance

The Board of Directors is Alsea's highest governing body and promoter of good corporate governance practices. In addition, the corporate management structure is completed by the Corporate Practices Committee and the Audit Committee, two committees that perform functions as intermediate management bodies and that support the Board of Directors.

Alsea's Board of Directors has been characterized by its actions and its solidity, aligned with the highest national and international standards in matters of corporate governance. We advance in the transparency and reporting processes to provide complete, clear and timely information. We took an essential step in the structure of our Council, reaching twelve members, one of which is a woman, and the recent incorporation of three members, to provide the Council with more experience and a strategic vision that allows us to face the current challenges and challenges successfully. Proactivity, adaptation and flexibility in the context of the pandemic generated by COVID-19 have been of great importance.

Likewise, Alberto Torrado Martínez, was ratified as Executive President of Alsea, who as a founding partner has vast experience and global knowledge of the company's business and culture, granting suitability for the strategic and differential management of the company.

At Alsea, we have a Nominating and Compensation Committee that is empowered to propose to the Shareholders' Assembly, the number and integration of the members of the Board of Directors, considering the competencies and abilities of the candidates and the goals and objectives of the company, as well as the remuneration received by said directors.

Likewise, at Alsea, we determine that the compensation for the members that make up its Board is a fixed amount applicable according to their attendance at each session and the Committees to which they belong. In turn, we have implemented clear and objective mechanisms to assess performance management of our Board of Directors and, where appropriate, propose external training on relevant issues in the development of the company's business, allowing efficient the Directors' deliberation and decision-making.

Board of Directors

Alsea's Board of Directors is made up of 12 members, 4 of which are related proprietary directors, 7 are independent and 1 is related.

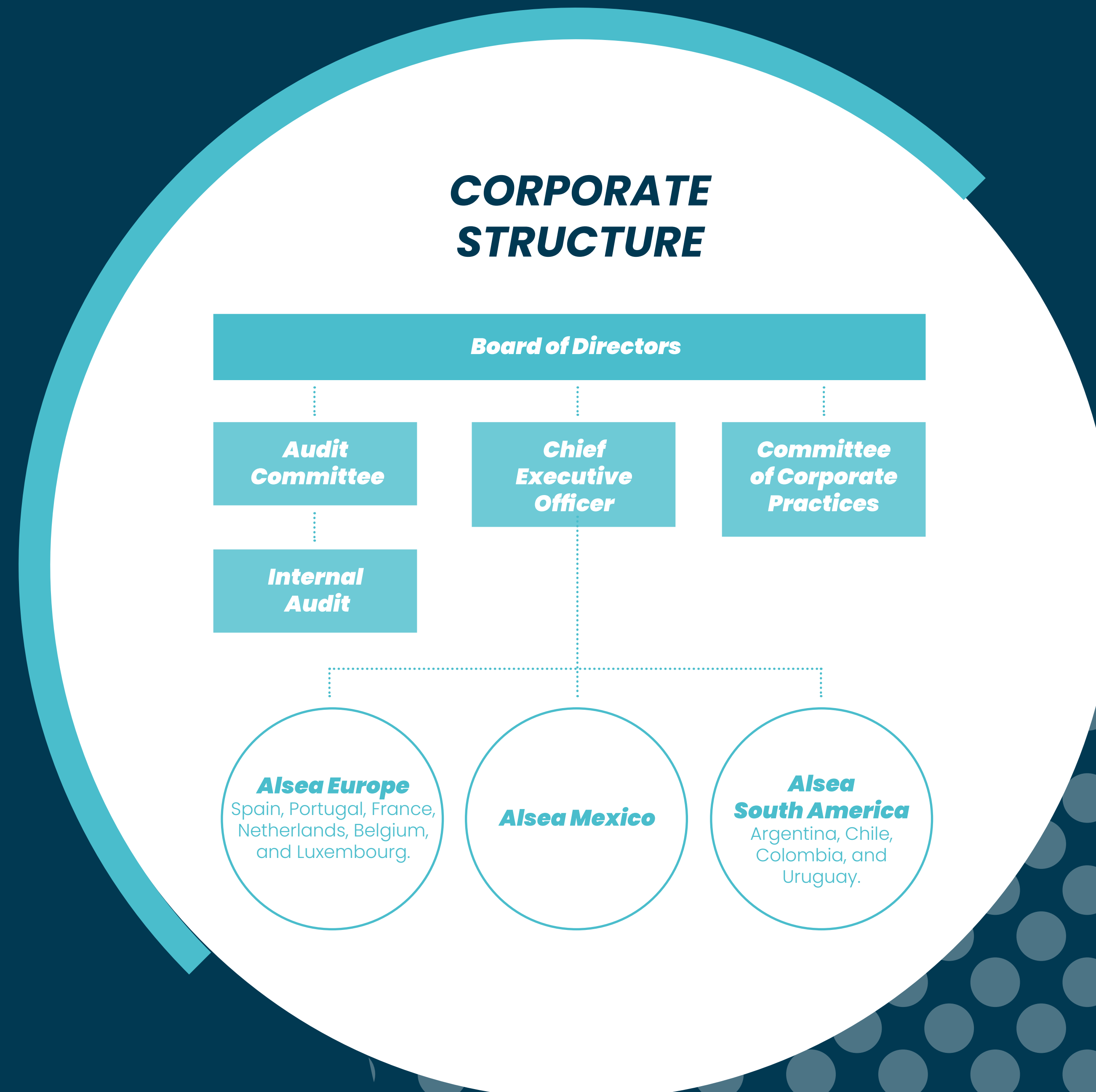
Chief Executive Officer
Alberto Torrado Martínez

Proprietary Directors
Alberto Torrado Martínez
Chair of the Board
Cosme Alberto Torrado Martínez
Armando Torrado Martínez
Federico Tejado Bárcena

Independent Directors
Fabián Gerardo Gosselín Castro
Julio Gutiérrez Mercadillo
León Kraig Eskenazi
Adriana María Noreña Sekulist
Carlos Vicente Salazar Lomelín
Alfredo Sánchez Torrado
Luiz Carlos Ferezin

Related Counselors
Pablo Torrado Aguilar Cauz

Technical Secretary
Xavier Mangino Dueñas



Audit Committee

In accordance with the provisions of the Securities Market Law and the status of Alsea, the Audit Committee is composed of the following:

Alfredo Sánchez Torrado
Chair

Julio Gutiérrez Mercadillo
Member

Luiz Carlos Ferezin
Member

Elizabeth Estrella Garrido López
Non-member Secretary of Audit Committee

Functions and responsibilities

- *Recommend the Board of Directors the candidates for external auditors of the company, the contracting conditions, and the scope of professional work and supervise compliance with them.*
- *To be communication channel between the Board of Directors and the external auditors, as well as to ensure the independence and objectivity of the latter.*
- *Review the work program, observation letters and internal and external audit reports and report to the Board of Directors on the results.*
- *Meet periodically with the internal and external auditors, without the presence of company officials, to hear their comments and observations on the progress of their work.*
- *Give their opinion to the Board of Directors on the policies and criteria used in the preparation of financial information, as well as the process for its issuance, ensuring its reliability, quality and transparency.*
- *Contribute to the definition of the general guidelines of internal control, internal audit and assess their effectiveness.*
- *Verify that the mechanisms established to control the risks to which the company is subject are observed.*
- *Coordinate the work of the internal auditor.*
- *Contribute to the establishment of policies for operations with related parties.*
- *Analyze and assess operations with related parties to recommend to the Board of Directors.*
- *Decide the hiring of third-party experts who give their opinion on the operations with related parties or any other matter, which allows the adequate fulfillment of their functions.*
- *Verify compliance with the Code of Ethics and the mechanism for the disclosure of undue facts and the protection of informants.*
- *Assist the Board of Directors in the analysis of contingency and information recovery plans.*
- *Verify that the necessary mechanisms are in place to ensure that the company complies with the different legal provisions.*

Committee of Corporate Practices

It is made up mostly of independent directors and is currently made up of the following:

León Kraig Eskenazi
Chair

Julio Gutiérrez Mercadillo
Member

Cosme Alberto Torrado Martínez
Member

Fabián Gerardo Gosselín Castro
Member

Elizabeth Estrella Garrido López
Non-member Secretary of Committee of Corporate Practi-

Functions and responsibilities.

- *Suggest criteria to the Board of Directors for appointing or removing the CEO and high-level officials.*
- *Propose to the Board of Directors the evaluation and compensation criteria for the General Director and high-level officials*
- *Recommend to the Board of Directors the criteria to determine the payments for separation from the company of the General Director and high-level officials.*
- *Recommend criteria for the compensation of the directors of the company.*
- *Analyze proposal made by the CEO regarding the structure and criteria for staff compensation.*
- *Analyze and present to the Board of Directors for approval, the statement to consider the company as socially responsible, the Code of Ethics, as well as the information system of improper acts and the protection of informants.*
- *Analyze and propose to the Board of Directors the approval of the formal succession system for the CEO and high-level officials, as well as verify compliance.*
- *Study and propose to the Board of Directors the strategic vision of the company to ensure its stability and permanence over time.*
- *Analyze general guidelines presented by the general management for the determination of the strategic plan of the company and follow up on its implementation.*
- *Assess investment and financing policies of the company proposed by the general management and give its opinion to the Board of Directors.*
- *Issue opinion on the premises of the annual budget presented by the CEO and monitor its application, as well as its control system.*
- *Assess mechanisms presented by the general management for the identification, analysis, administration and control of risks to which the company is subject and give its opinion to the Board of Directors.*
- *Assess criteria presented by the Chief Executive Officer for the disclosure of the risks to which the company is subject and give its opinion to the Board of Directors.*

Currently, as a sign of continuous improvement, we are in the process of creating a Governance Committee, which will be made up mainly of independent members and whose objective will be to advance towards a solid and benchmark model in terms of responsible corporate governance.

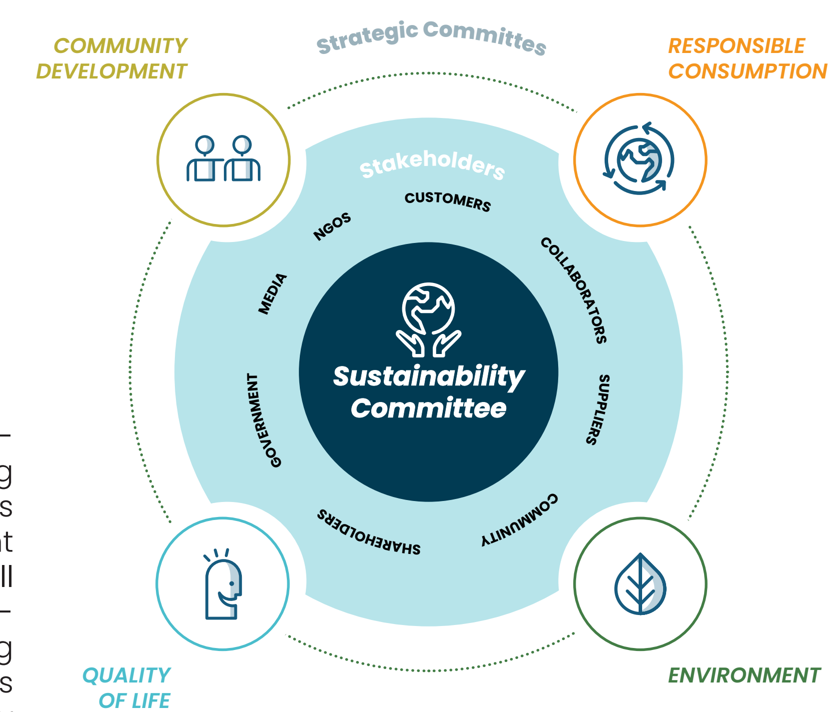
Its main functions will be to evaluate compliance with the best corporate governance practices, ensure the permanence and transparency in the rendering of accounts by the different management bodies and directors of the Company and ensure that the members of the second generation of the founders successfully transfer the business, applying best practices and corporate strategy for long-term sustainable growth.

Leading the way to sustainability

At Alsea we understand sustainability as something inherent to our business; it is a commitment that encompasses our entire organization. The company's Sustainability Model allows our positioning and performance to achieve our goals and strengthen our contributions towards sustainable development. To do this, we have four Committees that make up a Sustainability Model that allows us to move forward responsibly and manage our direct and indirect impact.

Our model is made up of 4 strategic committees that report to the Sustainability Committee made up of the Company's Top Management .

The Sustainability Committee is in charge of identifying and managing the needs inherent to the environment and stakeholders, as well as defining the sustainability strategy and supervising compliance with the actions and initiatives proposed by the committees.



Alsea Mexico manages and leads this Sustainability Model. South America and Europe carry out open and fluid coordination with the sustainability team in Mexico to align their policies and strategies with the Alsea Sustainability Model, adapting them to local demands and requirements. In this matter, coordination and management of the different strategies and inherent risks are critical, such as strict compliance with the different regulations in each of the territories where we operate.

Our Social Responsibility structure is divided into three levels that guarantee the total efficiency of our actions.

SOCIAL RESPONSIBILITY STRUCTURE

Governance Level
- SOCIAL RESPONSIBILITY COMMITTEE

Strategic Level
- RESPONSIBLE CONSUMPTION COMMISSION
- QUALITY OF LIFE COMMISSION
- URBAN DEVELOPMENT COMMISSION
- ENVIRONMENTAL COMMISSION

Operational Level
- SUPPORT TEAM

Each commission has a Support Group, which has the objective of providing support and support in the execution of the initiatives of each of the commissions

This Sustainability Model works as a reference framework for developing our business growth strategy and supports both the decisions and initiatives and projects we promote. In turn, we rely on important international guidelines and standards, and we are part of important initiatives in the field of corporate responsibility:

Bolsa Mexicana: We have been listed on the Sustainable IPC of the BMV[15] since 2013.

Cemefi: CEMEFI[16] has recognized us for nine consecutive years as a Socially Responsible Company (SRC).

United Nations Global Compact: We ratify the compliance and commitment of Alsea Mexico to the United Nations Global Compact (members since 2011).

Dow Jones Sustainability Indexes: Third consecutive year as one of the member companies of the Dow Jones Sustainability MILA (Latin American Integrated Market).

[15]The Mexican Stock Exchange launched in 2011 the Sustainable IPC, the first sustainable index in Mexico, with the aim of promoting the adoption of policies and measurement systems in Social, Environmental and Corporate Governance matters.
[16]Mexican Center for Philanthropy.
[17]Reference index that measures the performance of listed companies by market capitalization in economic, environmental and social matters.

Alsea

Strategic Commissions

Through these four strategic commissions, from Alsea Mexico, we guide our performance of corporate social responsibility.

Responsible consumption

We promote a balanced lifestyle integrating the pleasure of a quality food and a healthy coexistence in combination with physical activity.

Nutritional communication

- *100% of the pre-packaged foods that we sell to our consumers of all our brands comply with the new labeling standard.*
- *We are in the process of putting the caloric content of our dishes on the virtual platforms.*
- *Plan for reformulation of products by brand (less calories, sugars, fats and/or salt).*

Food safety and health

- *Implementation of the COVID-19 plan 100% operations.*
- *Agility in handling consumer complaints in less than 24 hours*
- All Alsea Mexico production plants and distribution centers obtained their SQF (Safety Quality Food) level II certification.
- Improved water treatment systems and ice machines in stores.

Sustainable Account

- *Zero Styrofoam, zero plastic bags[19] and single-use non-plastic straws.*
- *Evaluation of new materials to replace plastic.*

Quality of life

We promote the integral development of our collaborators, facilitating the conditions for them to harmonize their personal and professional life and we offer them occupational health and safety programs.

Occupational Safety

- *Creation of the COVID-19 Emergency Committee.*
- *Creation and communication of protocols and operating guidelines for Stores, Distribution Centers and Support Center.*
- *Work on strengthening protocols and prevention measures.*
- *133 COVID-19 tests conducted[18] in Alsea Mexico*
- *Monitors and weekly follow-up of cases in Mexico and consolidation of case status at a global level.*
- *Negotiation with hospitals to ensure care and coverage with Major Medical Expense Insurance negotiation in Spain with insurance companies for price reduction in private COVID -19 tests.*
- *Private vaccination strategy for Alsea Mexico.*

Health and well-being as a boost to productivity

- *Compliance with NOM-035 in Alsea Mexico:*
    - *Psychosocial risk prevention policy.*
    - *Prevention and control measures.*
    - *Communication of prevention measures to collaborators.*
- *Training of the human resources team to keep documentary records of the evaluation and prevention and control measures.*
- *Evaluation of the organizational environment.*
- *Follow-up and support for collaborators who have experienced traumatic events (Programa Orienta of Alsea Europe).*

Support for workers affected by COVID-19

- *Creation of the Emergency Fund for operational collaborators from Mexico and South America in conjunction with Starbucks International.*

Culture of diversity and labor inclusion

- *Progress in inclusive organizational policies, programs, and processes at all levels of the organization.*

Environment

We promote the care of the environment through the efficient use of resources: energy, water, supplies and waste.

We work to improve our environmental performance

- *Awareness in environmental performance and detection of areas of opportunities.*
- *Operational discipline and changes in habits to improve operational management (correct waste management, promotion of the circular economy, and others).*
- *Progress in the measurement, analysis and establishment of reduction goals and objectives.*
- *Efficient water management through the assessment of improvement and optimization projects (for example, the current Starbucks treatment plant for a less wasteful one).*
- *Promote and increase alliances with suppliers and companies that seek the same goals as Alsea.*
- *Purchase of clean or alternative energy.*

Community development

We seek food security for vulnerable communities and promote human development through initiatives that promote education and employability.

Fight hunger

- *Children's soup kitchens operations:*
    - *Operation of existing canteens (13) and the upcoming opening of a new soup kitchen in Cancun.*
    - *Study of the impact of dining room models to quantify their impact and social benefits.*
- *"Va por Mi Cuenta" Movement: an initiative supported by Fundación Alsea, A.C., which contributes to eradicating food poverty through food donations, nutritional education and food security.*
- *"Va por Nuestros Héroes" Movement: an initiative created to support healthcare workers and vulnerable populations due to the pandemic.*
- *Creation of the Emergency Fund to exclusively support employees who suffered a catastrophic situation derived from COVID-19.*
    - *At Alsea Europe, food rations have been donated to families and health workers in times of confinement.*
- *Recovery and donation of food as a lever to reduce food waste.*
    - *At Alsea Spain, we have donated 29.5 tons of food to the Food Bank.*
- I work in nutritional education and promotion of healthy life.

Education and employability

- *Investment in education and promotion of the employability of vulnerable youth.*
- *We are working on our "Programa Integra" initiative to provide opportunities and employability to young people in vulnerable situations through alliances with educational institutions, companies and foundations.*

Culture

- *Promote initiatives around culture and local development in Alsea Mexico through:*
    - *Promotion of Mexican gastronomy.*
    - *Raise awareness through art.*
    - *Project support through fiscal incentives.*
    - *Others.*

[18] *10% positive cases.*
[19] *With the exception of the Domino's Pizza brand (in Alsea Spain), which uses plastic bags whose percentage of plastic is in accordance with the provisions of current legislation. .*

Active listening to define our priorities

At Alsea we create and lead a responsible business model aligned with each of the stakeholders with whom we interact, and we can generate a direct or indirect impact for them. After active listening in which we seek to know their opinions and needs, we transfer the expectations and requirements of our stakeholders to our decision-making processes.

We implement various mechanisms to maintain a fluid and close dialogue with our stakeholders. This allows us to meet the demands and build a solid management model based on the expectations and requirements of key agents for our business model.

Alsea

COMMUNICATION CHANNELS

COLLABORATORS

Our driving force and main asset.

- Internal Newsletters.
- Communication boards.
- Workplace.
- Intranet - Red Alsea.
- Messages from the Chief Executive Office.
- Internal Communication Campaigns.
- Screens.
- Comprehensive Report.
- Email and website.

CLIENTS

Our raison d'être and the reason to improve ourselves every day

- Communication in restaurants.
- Fundraising Campaign.
- Social Networks.
- Medios masivos.
- Mass Media.
- Comprehensive Report.
- Email and website.

SUPPLIERS

A fundamental part of the value chain, allies to offer the best products to our customers.

- Letter.
- Fundraising Campaign.
- Visits.
- Comprehensive Report.
- Email and website

INVESTORS

Promoters of the value we generate.

- Shareholders' Meeting.
- Earnings Call.
- Social Networks.
- Telephone Conversations.
- Comprehensive Report.
- Email and website.
- Meetings.
- Conferences.
- Investors and Analysts Day.

COMMUNITY

The social environment to which we belong and in which we carry out our activity.

- Assessment visits.
- Participatory diagnostics.
- Work Meetings.
- Reports and control meetings.
- Comprehensive Report.
- Email and website.

NGOs

Partners in creating a positive impact on social needs and concerns.

- Assessment visits.
- Participatory diagnostics.
- Work Meetings.
- Reports and control meetings.
- Comprehensive Report.
- Email and website.

MEDIA

Strategic group for the relationship and communication with other stakeholders

- Social Networks.
- Comprehensive Report.
- Email and website.

GOVERNMENT

Legislators from each of the countries and locations where we operate.

- Participation in events.
- Reports and control meetings.
- Comprehensive Report.
- Email and website.

We assume a firm commitment to being accountable to our stakeholders, promoting long-term relationships of trust based on our values and a culture of transparency and corporate responsibility.

In addition to the communication above channels, we highlight in this regard the complaint mentioned above channels. Through them, we intend to facilitate communication between Alsea and stakeholders that, for one reason or another, feel concerned or doubt about any action within the company or that may be susceptible to breach of any internal principle or regulation

In the framework of preparing a global report, and as a reflection of our commitment to stakeholders and the need to obtain a framework for decision-making, we have updated the materiality analysis. The analysis above has been developed considering the trends of the sector and the market, with particular attention to the atypical situation generated by COVID-19 and the importance and concerns derived from the main activities of Alsea in each of the geographical areas where it operates.

The global materiality study pursues the objective of promoting strategic reflection in the company on sustainability and corporate responsibility, with particular attention to developments in the strategy and business model and responding to new demands from stakeholders in a context of maximum uncertainty and change. Integrating the stakeholders' expectations, demands, and concerns in Alsea's decision-making processes allows having higher quality and precision information to make more accurate decisions.

We have updated our study according to the framework of our four strategic commissions: Responsible Consumption, Quality of Life, Environment, and Community Development. We have identified 27 potentially relevant topics based on documentary reviews and a reference framework of globally recognized companies, and we determined global trends in environmental, social, and good governance issues.

Likewise, we have prioritized the issues under the company's strategic perspective, mainly through consultation with the different interlocutors and leading managers of the strategic and operational areas of Alsea (Mexico, Europe, and South America) and through the direct and indirect integration of stakeholders, thus providing a comprehensive view of critical concerns and an assessment of the significant potential impacts related to our activity.

Based on the results of the analysis, we present the materiality matrix, which shows the concerns and issues relevant to Alsea.

We have identified 27 material themes in total, under the following dimensions:

RESPONSIBLE CONSUMPTION

1. *Talent management*
2. *Equality, diversity and inclusion*
3. *Organizational culture and climate*
4. *Collaborator's training*
5. *Human rights*
6. *Ethics and Compliance*
7. *Corporate Governance*
8. *Regulation and Policies*
9. *Risk management and Social Responsibility Management*
10. *Communication and Transparency.*
11. *Stakeholder Relations*
12. *Business strategies*
13. *Brand Preferences, Value and Loyalty*
14. *Information Security and Data Privacy*
15. *Responsible Digitization*

QUALITY OF LIFE AND BUSINESS ETHICS

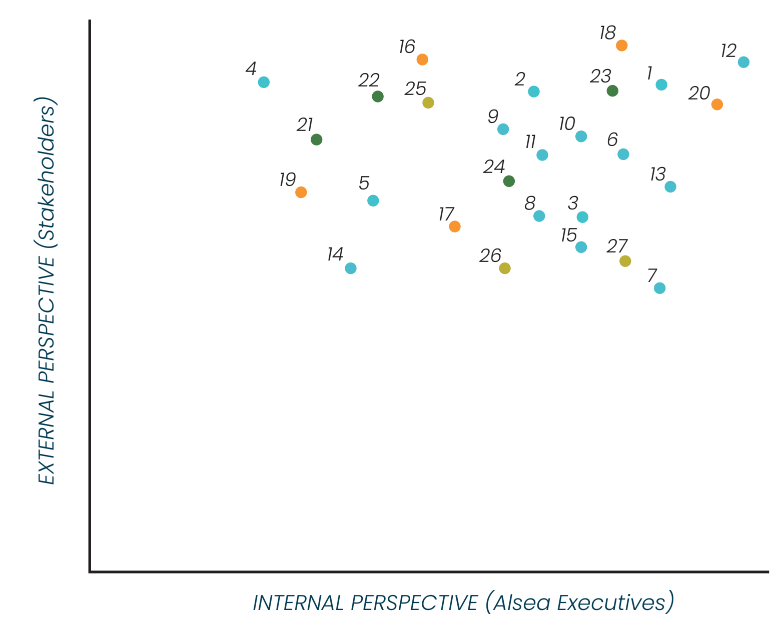
16. *Responsible sourcing*
17. *Food waste*
18. *Customer wellness*
19. *Health and safety*
20. *Food Quality and Safety*

ENVIRONMENT

21. Water
22. Energy and emissions
23. Waste and Pollution
24. Climate Strategy

COMMUNITY DEVELOPMENT

25. Community and Philanthropy
26. Culture and Social Commitment
27. Local impact of operations



Alsea

3

Talent and quality of life: growing as a team

> *"At Alsea, our employees are the heart of the business, and for this reason, we want people to grow professionally and personally through quality employment and in a safe work environment."*

At Alsea, we understand that the best way to offer our clients a complete and quality experience in our establishments is based on a human team made up of the best talent and aligned with the values of the company.

With the aim of transcending the work environment and being next to all the people who work every day to achieve our goals and purposes, we promote the generation of quality employment with equal opportunities, ensuring the professional development and well-being of workers that make up this great team.

Our collaborators, our best asset

The generation of quality employment in all the geographies where we are present has been and is our differential value as a leading company in the sector. Alsea's restaurants are the first place of work for many young people, being their first experience and a door to the labor market.

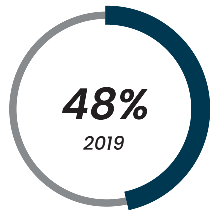
The Alsea family is made up of 63,819[20] employees who make up the human team in the different geographies where we are present, with 48% of the workforce being professional women.

63,819
collaborators

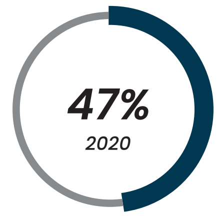
Mexico and Spain are the two countries with the highest number of collaborators (Mexico 48% and Spain 30%), in accordance with the volume of business in each of these regions. However, the distribution of the workforce by country is the following:

[20] The business units of Alsea Mexico, Alsea South America and Alsea Europe (Spain, Portugal, France and the Netherlands, being the most significant geographies and those with their own establishments) have been taken into account.

Annual average of female professionals (%)



Out of a total of 79,647 employees



Out of a total of 63,819 employees

Annual average of professionals by gender and region (%)

	YEAR	WOMEN	MEN
Alsea Mexico	2020	46%	54%
	2019	46%	54%
Alsea South America	2020	54%	46%
	2019	54%	46%
Alsea Europe	2020	48%	52%
	2019	56%	44%

Number of professionals by age in Alsea Mexico and Alsea South America (%)

	YEAR	18-29 YEARS	30-49 YEARS	50 YEARS OR MORE
Alsea Mexico	2020	54.39%	38.59%	7.02%
	2019	57.22%	34.55%	8.23%
Alsea South America	2020	76.74%	21.57%	1.69%
	2019	78.82%	19.54%	1.64%

Number of professionals by age in Alsea Europe (%)

	YEAR	18-29 YEARS	30-49 YEARS	50 YEARS OR MORE
Spain and Portugal	2020	57%	37%	7%

	YEAR	18-25 YEARS	26-35 YEARS	36 YEARS OR MORE
France and Netherlands	2020	41%	43%	16%

*The comparison is not made for 2019 since only the 2019 data is available, with the other countries being outside the scope of the 2019 Non-Financial Information Statement.

From all our centers, we promote quality employment, based on respect, equality and relationships of trust and we promote permanent hiring as a structural criterion of employment management, subject to the needs and seasonality of campaigns or other specific situations in the sector. During 2020, 96% of our collaborators had permanent contracts.

Annual average of professionals with permanent and temporary contracts by gender and region (%)

		INDEFINITE			TEMPORARY		
	YEAR	WOMEN	HOMBRES	TOTAL	WOMEN	HOMBRES	TOTAL
Alsea Mexico	2020	45.79%	53.89%	99.69%	0.19%	0.13%	0.31%
	2019	45.99%	53.57%	99.55%	0.20%	0.24%	0.45%
Alsea South America	2020	52.11%	44.41%	96.52%	1.89%	1.58%	3.48%
	2019	53.07%	44.76%	97.83%	1.11%	1.06%	2.17%
Alsea Europe	2020	44.41%	45.73%	90.14%	3.80%	6.05%	9.86%
	2019	40.38%	42.77%	83.15%	7.10%	9.75%	16.85%
Total Global Alsea	2020	46.62%	49.36%	95.98%	1.69%	2.33%	4.02%
	2019	45.72%	48.83%	94.55%	2.34%	3.11%	5.45%

Annual average of professionals by type of contract (full-time or part-time) by gender and region (%)

		COMPLETO			PARCIAL		
	YEAR	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Alsea Mexico	2020	41.65%	50.09%	91.74%	4.33%	3.93%	8.26%
	2019	42.32%	50.25%	92.57%	3.87%	3.56%	7.43%
Alsea South America	2020	22.16%	22.52%	44.68%	31.84%	23.48%	55.32%
	2019	21.38%	21.47%	42.85%	32.80%	24.36%	57.15%
Alsea Europe	2020	13.76%	14.68%	28.44%	34.46%	37.10%	71.56%
	2019	11.15%	12.58%	23.72%	36.33%	39.95%	76.28%
Total Global Alsea	2020	28.75%	33.15%	61.90%	19.56%	18.53%	38.10%
	2019	29.50%	34.10%	63.60%	18.56%	17.84%	36.40%

2020 was one of the most challenging years in our 30-year history. The sanitary and economic crisis derived from the coronavirus has had a significant impact at an operational and strategic level in our organization and personnel management. At Alsea, and committed to our collaborators and society, we have adopted measures of flexibility and adaptation to the context and focused on working for a successful reactivation, which allows us to reach pre-pandemic operational levels once again. This has been a great challenge for a company like Alsea, with a geographical and cultural spread and diversity, and within one of the sectors that have been most affected by the global pandemic.

At the most critical moment in the development of the pandemic, Alsea defined 3 priority objectives for the company in this matter:

- Take care of the health and well-being of employees and clients.
- Ensure the liquidity of the company to maintain business and employment continuity
- Recover our sales levels so that all our people can ensure their regular income.

Attending to these three objectives, from Alsea, we adopt various initiatives according to the needs of each geography and the level of activity of each country where we operate to lessen the impacts of the crisis and protect the safety of employees. In the first measure, hiring was frozen during the first months of the pandemic, taking advantage of the natural turnover of personnel in the brands. In turn, we made partnered up with 22 companies from other industries (which were in the process of hiring), and where we channeled a group of collaborators into making an immediate transition to a job, contributing to their job stability, despite being in a trial period (with an antiquity of fewer than three months).

Subsequently, an inter-brand transfer plan was carried out, in which collaborators were relocated to other brands with greater activity and that required a larger staff. During the pandemic period, with a higher level of restrictions and limitations to our operation in restaurants, flexible labor schemes were designed, allowing the conservation of a greater number of sources of employment.

Inevitably, we had to opt for mechanisms to regulate temporary employment and sick leave, in a context where some shops have had little or no activity. All were carried out prudently and in accordance with the law and with the utmost respect for our people. Likewise, in the period of recovery of the economy and of operating capacity, hiring was reactivated, gradually reintegrating our staff. In this context, we gave priority to former employees with the necessary skills to develop the positions to be filled.

According to the trends and forecasts of the pandemic, it is expected that after the advance in the vaccination of the population and its subsequent control, the reactivation of our restaurants will take us to the levels of hiring that we usually had.

"Cuentas con toda nuestra entrega"

Cuentas con toda nuestra entrega (You Have All Our Commitment) has been the campaign slogan Alsea designed in 2020, with the primary objective of protecting and caring for the safety and health of its people during the pandemic and contributing to the communities nearby in each of the geographies where it has a presence.

We strive to be close to our people despite isolation and we have established adequate communication channels and provided transparent and open information to provide our people with a trustworthy and safe environment, through each of the actions we carry out to deal with to the contingency for COVID-19.

This campaign, in a spirit of union and commitment to Alsea's values, sought to reinforce the sense of belonging of each of our collaborators, based on 4 pillars:

Communication and adaptability to a new work modality under the 100% Home Office scheme.

1 ***Health and well-being of our employees***

2 ***Solidarity with the company***

3 ***Course alignment (where are we going)***

4 ***Effective interaction with leaders.***

At Alsea, we adopt various measures for each of the territories, taking into account the current legislation and the evolution of the pandemic in each of them, which has led us to develop particular strategies to safeguard the operation in each region. Some of the main actions carried out were:

- **To be one of the leading companies in protecting its vulnerable group from COVID-19:** at Alsea Mexico, at the beginning of the pandemic, we anticipated the measures adopted by the Government, and we have sent collaborators within the risk group (older adults, pregnant women and people with chronic diseases) to shelter at home while maintaining their salary and all benefits.
- **We prioritize teleworking as a protection measure for people:** 95% of the Support Center collaborators have embraced teleworking. We have reinforced the security measures in the offices, respecting the guidelines established by the competent authorities.
- **Adaptability in our management and operation models:** the days have been redefined in stages and flexibility has been granted while preserving the safety of the collaborators.
- **Establishment of strict health and safety protocols:** stablishment of hygiene and sanitation measures applied 100% to safeguard integrity at all times. In addition, in line with Alsea's protocols to attend to health situations, those collaborators who have tested positive for COVID-19 have received personalized follow-up, complying with all medical recommendations and waiting for their situation to progress favorably.
- **Promotion of benefits:** in Alsea Mexico, we have reinforced the benefits for some collaborators, especially for those who went through extreme emergencies, providing insurance for major medical expenses and support in life insurance, coverage of funeral expenses for 100% of our people.

- **Commitment to the preservation of employment sources:** espite the drop in sales and the temporary and permanent closure of certain stores, we require various mechanisms to preserve Alsea's jobs:
  - Plan for the temporary transfer of collaborators to various brands with less impact from COVID-19.
  - Partnerships with 22 leading companies from other industries currently hiring to channel employees with less than 3 months of seniority (Alsea Mexico).
  - Adoption of temporary flexibility measures, keeping more employees for a longer time, respecting in all cases the legal frameworks and respect for labor rights.
- **Innovation in times of crisis:** our Marketing, Operations and Delivery team have developed immediate action plans, with attractive promotions and essential benefits to preserve and retain our customers, promoting alternative sales channels, preserving the level of activity of our company.
- **Creation of "Va por Nuestro Héroes,"** initiative of Alsea Mexico, supported by Fundación Alcea, to support people affected by the coronavirus and in a state of vulnerability, promote actions for food safety. Distribution of food rations, prepared lunches, breakfasts and the donation of tons of food have been the main initiatives. Alsea Europe has also carried out actions for food safety by donating food and meals served to different organizations.

Equality, diversity and inclusion as the basis of our management

At Alsea we promote values and a culture of equality, diversity and labor inclusion, paying special attention to groups in vulnerable situations. For this purpose, we have a Diversity and Inclusion Policy that ensures equal opportunities for all company members.

Diversity and Inclusion Policy

> *"It establishes the guidelines that promote a culture of respect for diversity, labor equality, non-discrimination and labor inclusion of groups in vulnerable situations for Alsea."*

The principle of equality and non-discrimination applies to all aspects of established labor relations, from hiring and working conditions to professional development and established salary. Thus, our Code of Ethics includes the commitment to guarantee equal opportunities for all people who establish a professional or commercial relationship with Alsea.

Our Policy includes the framework of action in which labor relations we must develop, positioning diversity as an advantage that strengthens our culture and performance:

NON-DISCRIMINATION

Prohibiting our corporation any distinction between our employees based on their gender, culture, religion, ethnic origin, social condition, or sexual orientation, among other factors.

GUIDELINES OF CONDUCT

Promoting a respectful and educated conduct in the treatment of other people and developing a culture that promotes dignity and respect for all.

LABOR INCLUSION

Support and encouragement in the implementation of programs that promote labor inclusion in different sectors of the population such as people with disabilities, the elderly, and people who come from situations of vulnerability.

GENDER EQUITY

Promotion of effective equality between women and men within the company with regard to access to employment, training, professional promotion and working conditions, promoting gender diversity as a manifestation of social and cultural reality.

FLEXIBLE QUALITY OF LIFE SCHEMES

We work under various flexibility schemes in each country and operation in order to promote the reconciliation of work with family and personal life, through a better distribution of effective working time. For example: maternity and paternity leave, flexible office, lactation room, among others.

DIVERSITY IN THE BOARD OF DIRECTORS

This policy will be applied to the selection of candidates for Directors, in which the correct selection of members will be ensured, avoiding discrimination of any kind.

The policy establishes the creation of a Diversity and Inclusion Committee, and the creation of the Diversity and Inclusion Council in charge of the implementation and compliance of this policy at all levels of the organization. The policy establishes the creation of a Diversity and Inclusion Committee, and the creation of the Diversity and Inclusion Council in charge of the implementation and compliance of this policy at all levels of the organization.

As part of our commitment to the social and labor integration of groups with disabilities, from Alsea we promote a culture of inclusion and diversity, integrating people with disabilities into our teams. During 2020, we had 290 employees with disabilities. Likewise, to guarantee the accessibility of people with limitations and / or physical difficulties to our facilities, our premises have the necessary adaptations for the safety and comfort of our workers, as well as that of our clients.

Through our policies and procedures, we implement the various measures established in our Diversity and Inclusion Policy regarding work disconnection and aspects related to the reconciliation of work and family life.

In this sense, we promote labor flexibility through measures so that our professionals can reconcile their personal and work life.

- Flexible entry and exit times, as long as the job position allows it.
- Schedules adapted to daycare for professionals under specific and justified circumstances.
- Professionals with children under three years old can request not to work on weekends and holidays.
- Possibility of transferring to a workplace closer to home.

Along these lines, we have counted a total of 1,387 professionals who have exercised parental rights as of December 31, 2020: 717 professionals from Alsea Mexico, 149 from Alsea Chile and 521 from Alsea Europe, the latter being 47% men and 53% women.

We are close to our employees

We continue to advance in the structural strengthening of the company at all levels, adapting to a new environment. In particular, at Alsea Europe, we are promoting the process of integration and management of professionals and social relations, which will not be complete until we have a single collective agreement. Currently, 100% of the employees in Spain and France are covered by a collective agreement.

We maintain a constant and close social dialogue with the Legal Representation of the workers through the specific committees that protect the consultation and participation processes in all the parties involved. For example, in Alsea Europe, through the Group Inter-Center Committee for general questions when they exceed the powers of the center committees. Dialogue with professionals and unions is regular and fluid, always ensuring compliance and the right to freedom of association and collective representation. Regarding union representation in the different countries, 65% of our collaborators are unionized, producing a small decrease compared to 2019 (with 73% union representation).

We connect with our collaborators around the world

Similarly, global employee satisfaction and commitment surveys are another mechanism for internal dialogue and consultation.

Through the Workplace tool we strengthen internal communication within our company. This allows us to establish fluid communication with all members, be more connected, create synergies, which allows us to improve the skills of employees and enhance teamwork. During 2020, we began to use this tool in Alsea Mexico and Alsea South America. In Europe we have the Activate intranet, which in 2020 achieved 70% penetration and usability.

MORE THAN

29,000

ACTIVE ACCOUNTS

Mexico, Colombia, Argentina, Chile and Uruguay

Alsea

Remuneration consolidation. Unified compensation systems

At Alsea we promote equal pay for the performance of work activities of equal value. Due to this, our remuneration policy is established around a salary management based on principles of justification, equity and non-discrimination, establishing salary reviews based on performance.

Compensation process[21]

1. Hired collaborators enter with an **initial remuneration**, based on their experience and the position to be filled.
2. **Salary increases** are linked to performance, market, inflation and growth within the company.
3. The **total remuneration is made up of:**
   - Unquantifiable value/emotional compensation
   - Quantifiable value
4. **Superior benefits**

[21] Applicable to Alsea Mexico.

We connect with the best talent

We are convinced that the growth of the company, the positioning of our brands and empathizing with our clients are only possible thanks to the passion and commitment of the collaborators that make up the Alsea family.

When we select professionals, we do not request personal or physical data, exclusively seeking the objectivity of the process based on the qualities demanded for the job position. We promote a diverse and transparent selection process, based on equal opportunities and non-discrimination

At Alsea Europe, this year we highlight as a novelty the promotion of the launch of 100% digital employment channels for all brands, establishing another step forward in our internal integration process of the business units of Alsea Europe.

Our employability policy attaches high importance to professional development and internal promotion. Growth within the company is part of our culture. In addition, talent is corporate, not being specific to each business unit. Therefore, overarching development is promoted by offering the alternative in each of our brands and geographies.

In this sense, we promote the growth of our professionals, and, for this, we focus our efforts on monitoring our human team to evaluate their skills. In addition, we encourage their initiative by keeping the training resources open to choose a particular training according to their interest and promote their commitment to growing within the company.

The professional development process has different nuances depending on the level of the business unit to which you want to promote. In general terms, annual goals are established, the corresponding performance assessment is conducted, the talents are identified, training and development processes are conducted, and promotion is proposed as appropriate.

In Alsea South America, 100% of the employees of the Support Center, Starbucks Operations and Burger King Operations, have received performance evaluations during 2020, with the exception of Starbucks Argentina Operations, where 95% of the employees have received performance evaluations. Along these lines, we have improved the measurement of the performance of our employees by increasing the percentage of evaluations in Chile, compared to 2019.

On the other hand, at Alsea Europe, performance evaluations and professional development have also been conducted. The main reason behind the decrease in evaluations conducted compared to previous years is related to the circumstances caused by the pandemic's impact.

Performance reviews and professional development [22]

PROFESSIONAL GROUP	MEN	WOMEN
Group I	528	433
Group II	475	469
Group III	-	-
Group IV	-	-

We have conducted 1,905 performance evaluations, approximately 11% of our human team. This year the described and known circumstances have made it difficult for us to conduct the process under normal conditions; this is the main reason for the decrease compared to the 10,875 evaluations in 2019.

[22] Alsea Europe business units in Spain. As for the rest of the Alsea Europe countries, we have not been able to conduct evaluations or information is not available.

Continuous training and talent development

As a global company, in addition to the great challenge of generating profitability in our restaurants, we have the challenge of managing more than 63 thousand people, located in diverse geographies and very diverse cultures.

From the moment a collaborator joins our company, we understand as essential to instill the philosophy and values of Alsea. In this sense, it is so important that they know our policies, as well as that they know and adhere to our Code of Ethics. In turn, we have a corporate training strategy, which seeks the complete immersion of each worker in the company, generating a commitment and sense of belonging to the brands and Alsea, and promoting the development and evolution of each job within the company.

0.
Onboarding Alsea

We perform a very complete immersion of our work philosophy, values, principles and policies to each collaborator who joins our company.

1.
Self-development

We promote a culture of self-learning that allows employees to choose how and when to train.

2.
Training Roadmap

We define learning activities by level and competencies. We continually develop and adapt courses to adjust and respond to new needs.

3.
Tools

We offer different training options and for this, we have allies who help us in the design of the best training tools.

4.
Gamification

We implement a Gamification methodology, through credits and badges so that each collaborator is committed to carrying out learning activities that help them in the development of their skills.

Alsea Europe Corporate Training Strategy

The training processes of Alsea Europe establish a plan that is structured in three differentiated itineraries:

INITIAL TRAINNING

Compulsory training for all professionals who join our restaurants. It includes prior, brand-specific and global training in corporate culture and policies, as well as the necessary training on COVID-19.

CONTINIOUS TRAINING

Specific training in the work area, on the product and on skills on a regular basis to keep up to date on the necessary skills, as well as cross-disciplinary training.

TRAINING IN THE ACCOMPANIMENT PROCESS

Training offered for promotion to different responsibility levels in the company

We are promoters of the best continuity and for this reason we develop innovative internal training and training programs through a wide catalog of training, courses and workshops aimed at all our collaborators according to the needs of each position.

In this fiscal year we have some difficulties in relation to corporate training planning, adapting to new requirements and needs.

At Alsea Europe we have reached important milestones:

- Adaptation to online training and digitization of content.
- Creation of a common training model, unifying content and itineraries.
- Establishment of a single platform for training and talent management.

Due to the situation generated by COVID-19, during this year teleworking has been promoted in areas where the possibility exists, such as in the Support Center. For this, specific training has been carried out in the efficient use of corporate tools for remote work.

Once the epidemiological situation got better (going from red to orange traffic light), all the CS and store managers in Mexico were trained in a program called "Comeback" on relevant matters, such as sanitary protocols, adaptation of the communication strategy, digital menus, innovation, etc. The purpose of the training was to provide basic tools to return into normal operation conditions.

In 2020, we have given our professionals a total of 1,285,098 hours of training:

Training hours by gender and region

	YEAR	WOMEN	MEN	TOTAL
Alsea Mexico	2020	484,391	625,329	1,109,783
	2019	304,382	396,425	700,807
Alsea South America[23]	2020	47,134	32,373	79,507
	2019	45,974	8,599	54,573
Alsea Europe	2020	48,584	44,618	93,202
	2019	97,971	99,836	197,807

During this year, we gave a series of essential trainings within the framework of the adaptability of our operations to the reality of the COVID-19 pandemic, and we strengthened our training programs. Due to this context, the total hours of training were increased by 58.73% in Alsea Mexico and 45.69% in Alsea South America compared to the hours taught in 2019.

Average hours of training per person

34.18h Alsea Mexico

8.34h Alsea South America[23]

4.61h Alsea Europe

20.09h Alsea Global

[23] It does not include Colombia since training hours per employee are not available.

Overcoming the difficulties of an atypical year and with uncertainty, during 2020, we developed the following

training programs in Mexico...

The Voice of the Manager

This program, developed in Mexico, aims to establish direct contact with store managers and hear first-hand what their needs are in the operation, as well as understand the support they expect to receive from the support areas in terms of management, contingency management and food security

- **15 participants from different brands**
- **98.4% program satisfaction**

Alsea Mentorship

Mentoring program to accompany our talents (individually or in groups) and strengthen skills to improve their performance and development within our company.

- **12 Participants**
- **8 Mentors**
- **8 hours of mentoring per participant**

Alsea College

It is a program that bets on self-development through a platform that is online and functional 24 hours a day. We promote a proactive attitude of employees to own their training and development, accessing training according to their position. They have various tools for their training at their disposal such as videos, films, more than 300 E-learning courses, and more than 800 lectures.

- **99% of employees accessed some form of training**
- **25,533 hours of training**
- **16.5 hours average**
- **23,283 courses taken in the year.**

Alsea College operations

We managed to bring all our brands together in a single space, allowing us to manage, administer and train each of our operations collaborators in an approved and more efficient way. In addition to generating savings of more than $ 500,000 pesos annually.

- **100% implemented brands: Burger King, Vips, Italianni's, Chili's, P.F. Chan's, Domino's Pizza, Starbucks, The Cheesecake Factory.**

From Leader to Leader

With the launch of Workplace, this program migrated from a face-to-face format to a virtual one, enhancing its reach to all our collaborators in Mexico. The essence of this program is to bring the experience and best practices of our leaders to every corner of Alsea.

- **More than 35,000 visits in Workplace**

The Power of Leadership

This program was launched in 2020, with the aim of training and educating the best management team in the support center. It was taught by Tec de Monterrey experts and training was provided on topics such as managerial courage, leadership, team building, business understanding, and risk management.

- **Training for 78 support center managers**
- **1,413 hours of training.**

Regional Coach

Based on the need to have Regional Directors who generate strategies to increase business results, we developed a Diploma together with Tecnológico de Monterrey in which they developed leadership skills and worked to improve their management skills. In turn, employees were challenged to implement a business strategy in their brands, which will be evaluated by a general management panel.

- **28 Regional Directors**
- **28 360° Assessment completed**

Gerente Dueño Come back

Due to the health contingency, we take advantage of our Alsea College platform to train more than 3,000 employees of the management staff of all our brands in health, marketing, sales and profitability issues. The focus has been placed on the one hand, on providing training on the new sanitary protocols and on the other hand, on training on more efficient communication and marketing strategies, digital menus, etc.

- **100% compliance in operations management staff**

ABC Scholarships

We are convinced that education is fundamental for the development and professional growth of people. That is why this year, we reaffirm our commitment and continue with our ABC scholarship program, which allowed a total of 278 employees to continue their studies at the upper and upper secondary level

- **278 collaborators with ABC scholarship (high school and undergraduate)**
- **Hours at the high school level: 30,252 hours**
- **Hours at undergraduate level: 16,380 hours**

Sponsorship

Several Top Talent officers had the opportunity to hold sessions with partners and Alsea officers, strengthening in our leaders' executive skills for the correct management of the business.

- **16 Officers participated**

Leaders of Tomorrow

We concluded the second edition of this program where we work with our high-potential coordinators to develop general skills, taught by our expert leaders from different areas.

- **37 support center coordinators**

Management Training

Program aimed at strengthening the different leadership competencies of our assistant directors with high support center potential.

- **46 assistant directors**
- **1,849 hours of training**

"Disruptive" induction

The emergence of new technologies prompted us to look for tools that would help facilitate the On-Boarding process for our new income. For this reason, this year we launched augmented reality and virtual reality for the first time, where employees learn about restaurants and their history in a totally new and didactic way, thus taking the first step to generate more disruptive training methods.

- **83 employees trained**
- **498 hours taught**

In turn, we motivate our collaborators to continue and advance in their studies, for which we provide support to our collaborators in this matter:

- 705 Employees benefited from Academic Excellence
- 17 Collaborators with Middle School Alsea Scholarship
- 210 Collaborators with High School Alsea Scholarship
- 68 Collaborators with College Alsea Scholarship

We promote safe work environments

The health and safety of all the professionals who comprise Alsea and all the people who have a relationship with our company have always been an aspect of vital importance. For this reason, we are committed to applying good practices concerning the protection and prevention of occupational hazards.

This commitment has acquired greater relevance after the events experienced during 2020 due to the social and health crisis generated by the coronavirus. Therefore, during this fiscal year, we have made every effort to guarantee the well-being of our employees and ensure a safe working environment throughout our value chain and facilities.

We have worked on three strategic lines to guarantee the well-being of our workers at all times:

In terms of occupational safety, we created a COVID-19 Emergency Committee, to give an agile response to the critical situation derived from the health crisis caused by the coronavirus.

In this line, we have updated and reinforced our security measures, developing different protocols for action and security, both for Stores, Distribution Centers, and Support Center, adapted to the characteristics of each business unit, complying in all cases with the specific regulations of each country. The main highlighted initiatives are:

- ***DEVELOPING STRICT SPECIFIC HEALTH AND SAFETY PROTOCOLS*** for all Alsea areas (collaborators, clients, suppliers, and others).
- ***STRENGTHENING COMMUNICATION AND MONITORING*** of the measures to be implemented to guarantee the safety of people and establishments.
- ***APPLYING PREVENTION MEASURES*** capacity limit, respect for established distances, correct use of sanitary material, frequent sanitation, among others.
- ***DEVELOPING ACTION PROTOCOLS AND SUPPORT*** measures for potential positive cases of COVID-19 and / or sick relatives. .
- ***REINFORCING IN THE EMOTIONAL ASSISTANCE*** of employees and their families. .
- ***CONDUCTING PRIVATE TESTS*** to detect possible cases of COVID-19 among collaborators and weekly monitoring of the cases (in Alsea Mexico).
- ***PROMOTING VACCINATION*** or seasonal influenza of collaborators in Mexico.

During this period, we have worked on the management of close contacts due to specific cases related to the coronavirus and thus minimize its transmission.
In addition, in more operational terms, at Alsea Europe, we provide 100% of our staff with reusable UNE 0065 certified masks that we frequently renew according to needs.

We work to promote health and well-being as a boost to productivity in all our facilities. For this, we have a Health and Safety Management System for each country, strictly complying with the respective current legislation. This system is integrated into all of our activities and processes at all levels of the organization. We have developed, including references to legal requirements, following the guidelines established in national and international standards and scope to all professionals, activities, and work environments.

On the other hand, we have an Occupational Risk Prevention Policy (PRL)[24], which establishes the framework, including guidelines to achieve the objectives in terms of health and safety in the workplace. The aforementioned policy constitutes the management approach of Alsea Europe and the conditions under which we establish the prevention and monitoring actions of the associated risks.

Occupational Risk Prevention Policy

> *"Strict compliance with the legislation of each country and our internal regulations, and the establishment of a risk management system, achieving a high level of occupational health and safety are the goals that represent our commitment to the prevention of occupational hazards."*

[24]Application to Alsea Europe

In terms of occupational health and safety, we work on various strategic lines, among which are:

- Preventive training.
- Communication of improvement opportunities.
- Investigation of accidents.
- Consultation and participation of our professionals.
- Control and update to guarantee continuous improvement of the management system.

To assess our procedures in preventing occupational risks, control, and establish improvement measures, we have a system of preventive visits. We carry out risk assessments, drills, controls, and internal and external audits. During 2020, the situation generated by the pandemic has limited the activity in terms of preventive visits and, therefore, there are exceptional circumstances compared to other periods for a more favorable performance of them.

In addition, internally, quality audits have content on prevention, and therefore, they are also established as preventive visits to manage the risks inherent in our work activity. In 2020, we had a voluntary external audit[25] carried out by an entity accredited by the Administration.

At Alsea Europe, we adopt various procedures in matters of occupational health and safety set out in the separate collective agreements that affect the professionals of the different business units. In addition, there are formal committees for the representation of professionals, as well as monitoring commissions on occupational health and safety, where regular consultations are held. Finally, we have strengthened the Prevention Service.Jointly, assuming the technical disciplines of Occupational Safety, Industrial Hygiene and Ergonomics and Applied Psychosociology. Likewise, we have arranged the Health Surveillance with an external entity accredited by the Labor Authority.

Preventive visits at Alsea Europe

Type of preventive visit	2020[26]	2019
Risk assessments	77	64
Initial evaluations (openings)	18	13
Updated assessments	59	51
External Audits	1	0
Drills (internal)	1	4

[25]Application to Alsea Europe
[26]Due to the more significant impact, only the business units of Alsea Europe in

All these actions are supported by the completion of preventive training on occupational hazards, as a tool to achieve the established objectives and ensure the development of options under optimal conditions. In 2020, we have strengthened communication and the development of strict health and safety protocols regarding COVID-19, through which we instruct on the knowledge and skills needs required by the situation due to the pandemic. In particular, we have focused on training related to the regulations and recommendations established by each government, training in the primary documents, and published guides on COVID-19 prevention and procedures, guaranteeing internal and external security in our activities.

Despite this complicated year, we have put all our efforts into being able to maintain the prevention activity, adapting it to the needs and adapting to the established restrictions. We carry out exhaustive monitoring and control of occupational accidents and diseases in order to detect their causes and take the pertinent corrective measures.

On the other hand, we have given special care to our professionals in situations of risk or vulnerability and anyone who may be especially sensitive to the contagion of COVID-19, following Health criteria. Hence, we work primarily to ensure your health and well-being.

Following the guidelines and compliance with NOM 035 regarding the prevention of occupational accidents and illnesses caused by work, at Alsea Mexico, we conducted surveys on the organizational environment to a population sample of collaborators, both for the Support Center and Operations, to detect possible risks and detect the attention to the needs and support those workers need. In Alsea Europe during 2020, these surveys have not been carried out.

Regarding the results of the surveys, the workers positively value the work environment, the organizational environment and the leadership and relationships at work. On the other hand, regarding the workload and rhythm, a greater attention and demand on the part of the workers is perceived at a certain level, such as the organization of work time.

This year marked by the pandemic has required greater determination in the management of labor relations and mainly in those where the situation required precise and delicate management. Therefore, after the closure period that began in March due to restrictions, the return to work of all professionals has been carried out with the utmost rigor in terms of occupational health and constant dialogue with the Workers' Legal Counsel. Likewise, our responsibility in the actions implies going beyond the legally established requirements. For this reason, we have maintained a permanent social dialogue with all parties, especially with the trade union organizations that make up our Workers' Legal Counsel.

All the procedures described establish the framework to comply with the requirements established in terms of occupational health and safety in the different collective agreements that affect the professionals of the different business units. In addition, there are formal committees for the representation of professionals, as well as monitoring commissions on occupational health and safety, where regular consultations are held.

In addition to the specific measures within the framework of COVID-19, we promote healthy habits in our employees such as physical exercise (daily training, yoga practice, etc.) encouraging an active and healthy social life.

Regarding the Initiatives to support collaborators affected by COVID-19, we promote actions to favor and take care of the well-being of our workers. We created the Emergency Fund for operational collaborators of Alsea Mexico and Alsea South America in conjunction with Starbucks International, achieving the following results:

More than
3 million
pesos allocated to emergency and aid funds for collaborators

236
collaborators
supported in 2020

Jointly, assuming the technical disciplines of Occupational Safety[27], ndustrial Hygiene and Ergonomics and Applied Psychosociology. Finally, we have strengthened the Joint Prevention Service, assuming the technical disciplines of Occupational Safety, Industrial Hygiene and Ergonomics, and Applied Psychosociology.

At Alsea Europe (Spain and Portugal), in addition to our commitment to assisting groups in vulnerable situations, we promoted the "Orienta" program for another year. This social care program for employees and members of their coexistence unit has had a particular relevance during 2020 due to the social emergency generated by COVID-19 and particularly during the state of alarm stage. This service seeks to improve well-being in areas and aspects of people such as health, the economy, education or housing. This year it has reached 238 professionals, increasing social needs notably compared to 2019, where it had reached 28 people.

All the measures adopted have strengthened the safety of our people and the establishments, making Alsea a safe place for its workers and its customers, who are guaranteed enjoyment, in the context of the new normal, in a safe and careful environment for all people.

[27] Service with scope to the business units of Alsea Europe in Spain.

4

More quality and flexibility in the model: our response to new customer needs

> *“We listen to our customers, respond to their needs, and offer a guarantee of quality and choice for their meals. Our anticipation and ability to adapt has allowed us to continue providing service through different channels during 2020.”*

We know our clients'needs

Our Social Networks are our main point of contact with consumers and through which we inform the client about the existence of promotions with added value and the latest products that make a difference. In addition, the use of social networks in this stage of the pandemic has been essential to keep clients and other interest groups and audiences informed about the importance of the protocols and the different security measures that we have implemented.

Marketing services examine the activity in social networks. It seeks to make available to our customers and consumers a menu of quality and freshness that can be easily identified, with tasty products with an excellent value for money. Precisely, this year, thanks to the study of customer interactions with our publications, we have been able to interpret a trend in demand for vegan and organic products, and we have renewed the quality and freshness criteria of our products to meet the demands of our consumers.

We manage our channels of interaction with customers daily, and in the event of complaints, we have mechanisms to manage and resolve user complaints. In the same way, through our listening and customer and partner service processes (customers adhered to our loyalty system), we complete a record to manage possible incidents, doubts or suggestions.

Satisfaction and loyalty of our customers is a commitment of great importance in our company. We want to maintain their trust and offer a complete experience, so they return to our establishments, transforming recurrence into added value.

For this reason, we undertake to respond to the complaints sent by our clients, within a maximum period of 7 days via telephone or email, to resolve the claims, a period that is reduced to 2 days in the particular case of our partners. In the same way, and with the main purpose of diagnosing the efficiency in handling claims, Alsea is developing actions related to improving the effectiveness and efficiency of the complaints handling process.

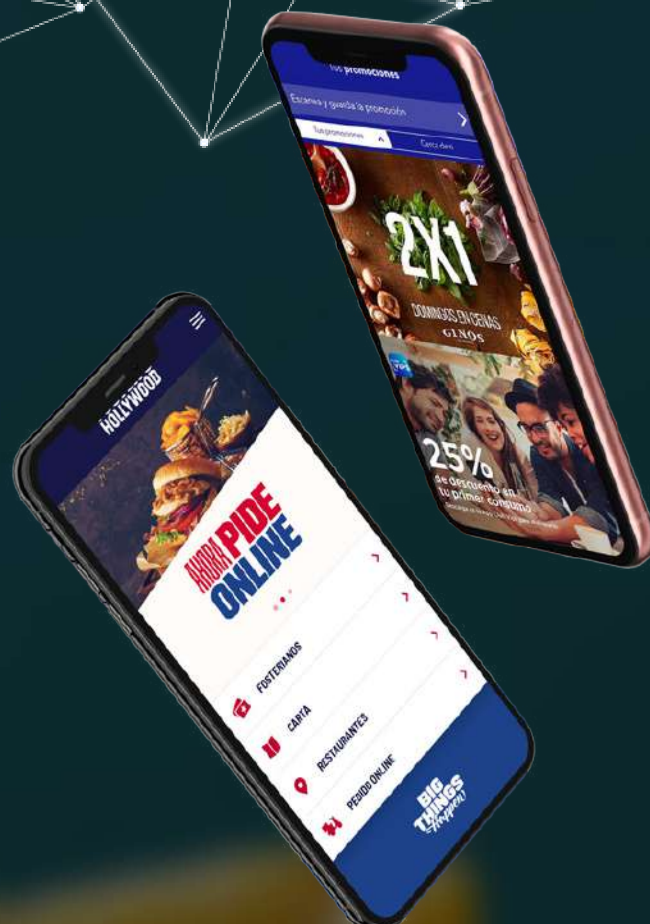
At Alsea we have loyalty programs for our brands, where our partners can access promotions and benefits when it comes to enjoying new experiences through our products and services. Likewise, we carry out satisfaction surveys that allow us to know the degree of satisfaction of our clients and consumers, using the information collected to make the corresponding improvements in our service. At Alsea, we are aware that all these contact processes with our clients, suppliers, legal representatives, and even collaborators of the organization from whom we obtain very relevant information imply on our part an outstanding commitment concerning the protection of personal data. Therefore, we make use of our Personal Data Protection Department to offer full guarantees.

Under the preceding, we are constantly working on implementing security measures aligned with current legislation, which adhere to the principles and duties regarding the Protection of Personal Data.

Our management approach towards the client is based on meeting or exceeding consumer expectations by offering a complete experience in our restaurants through the highest quality of the products and services.

In this sense, the company's marketing and communication strategy aims to position the differential value of brands and take advantage of marketing as a driving force behind the growth of these brands to satisfy customer needs, generating incredible experiences in restaurants.

Innovation and digitization as a lever for change



At Alsea, we are aware of the current trend towards digitization. Therefore, keeping pace with emerging customer demands, we integrate digital technology to provide value in interacting with consumers.

In our desire to offer the best experience, through the corresponding tools, we analyze communication with the client in the most personalized way possible to respond to their specific needs and demands. In our desire to offer the best experience, we analyze communication with the client in the most personalized way possible to respond to their specific needs and demands through the corresponding tools.

At Alsea, we were pioneers in the implementation of digitization and digital innovation tools in our operations and commercial activity. However, 2020, to a certain extent, accelerated our deployment strategy and digital advancement to adapt to the new reality and changes in the needs and preferences of our customers.

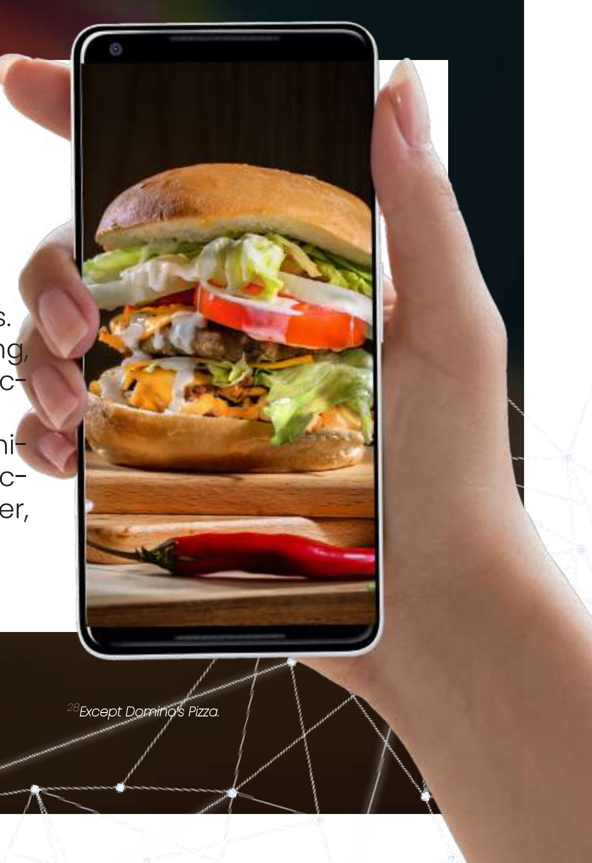
Throughout 2020 we made progress in our digital transformation projects, and we finished defining and building the foundations of our digitization strategy. Along these lines, this year, we have faced more than 200 requests and requirements, which have shaped and made more flexible our digitization strategy, mainly derived and implemented during the pandemic.

Among the most relevant digital innovation activities that we have promoted in some of the countries where we are present, the following stand out:

- **Advancement in Delivery Technology Platforms**: integration of Core Alsea in all Alsea Mexico[28] brands in more than 1,100 units and with 3 aggregators allowing expansion and a better positioning in this market.
- **Digital menus** for each of Alsea's brands.
- **Meal voucher.**
- **Christmas dinners.**
- **Redesign of Apps**, Domino's website, providing greater stability and security of the operations of our portals.
- **Increase in payment methods**, including other platforms.
- **Implementation of HR Management Software** (HCM) in Mexico and progress in other countries.
- **Migration** from My Starbucks Rewards to Starbucks Rewards, including change of technological platform.
- **Mobile Order & Pay** for Starbucks.
- **Implementation in several brands** of the food manufacturing business model exclusively for home sales
- **Implementation of the Workplace tool. .**

Greater digitization and delivery boost in 2020

- **+ 10% in the participation of the total sale** of Alsea Mexico.
- **Greater sales boost to Delivery** compared to previous years.
- **Implementation of Marketplace Delivery**-Web for Burger King, Chili's, Italianni's, P.F. Chang's, Portón, Vips, The Cheesecake Factory and Starbucks brands.
- **Implementation of the Takeout channel** for Burger King, Chili's, Italianni's, P.F. Chang's, Portón, Vips, The Cheesecake Factory and Starbucks brands in the Delivery channels (Call Center, Marketplace Delivery- Web, and App wow Delivery).



[28] Except Domino's Pizza.

Loyalty Programs

Through our loyalty programs, we create a strong community among our customers.

In these communities our data protection policy establishes the guidelines that define the guidelines to be followed in the processing of personal data and compliance with the legislation of each of the countries in which we participate

Mexico

Wow Rewards

Wow Rewards is our loyalty program with each of our brands. We offer preferential promotions and accumulation of points for consumption to be redeemed in new visits in any other Alsea Mexico stores. This program allows us to obtain information about the habits and preferences of our customers, which allows us to personalize and optimize the benefits by encouraging consumption in all our brands.

During 2020, we strengthened our program, carrying out various actions, among which the following stand out:

- Unification of millions of customer profiles under a single Data Warehouse and a CDP.
- Integration of a new loyalty tool (CMR) in order to promote the evolution of all new loyalty programs. .
- Improved Domino's digital marketing segmentation and analytics.
- Offers customization strategy achieving:
  - Cross-sell customers across brands
  - Recover lost clients
  - Focus sales on open brands during the pandemic (such as Domino's Pizza)

Thanks to the various initiatives and continuous improvement in our program, we have grown in our clients' loyalty, reaching approximately

800 thousand unique users on Wow in 2020, more than 400 thousand active users, and more than 5 million members in total. During 2020, Wow represented 5% of our total sales in Mexico.

Starbucks Rewards

Another of our loyalty programs is aimed at our Starbucks customers, who accumulate stars and receive benefits according to their profile. During 2020, we have obtained a good performance from this program, reaching

more than 10 million pesos in APP Orders and more than one billion in sales.

Digital Coupons

Our Digital Coupon strategy integrates all brands, with the particularity of freedom in the choice of promotions according to the requirements and needs of each customer target. The success of this program is based on a rapid expansion, due to the increase in the use of technology, which allows it to reach a greater number of users. At the end of the year, we reached

more than 4 million coupons generated and more than 200 million sales through the digital coupon system.

OLO (On Line Ordering) Domino´s

Thanks to Domino's online ordering, this business area has grown by more than 32% compared to 2019, with more than 2 billion annual sales. Through this modality, we have

exceeded 24 thousand daily orders, more than 171 thousand weekly orders and more than 744 thousand monthly orders.

The excellent numbers support technological growth and the need for a solid strategy of technological innovation such as the one Alsea is working on.

SPAIN AND PORTUGAL

At Alsea Europe, we have loyalty programs for our brands, where our partners can access promotions and benefits when it comes to enjoying our experiences through our products and services.

Applications such as Club Vips or Fosterianos are an example of the effectiveness of these measures. With them, the client will be able to improve their experience in our establishments through, for example, tools such as Pay & Go and other integrations that will allow us to optimize our processes and increase our presence in the markets.

In addition, without defining itself as a loyalty program but with an equally close management with the client, we have our CRM interaction for Domino's Pizza. In our desire to offer the best experience, through the corresponding tools, we analyze communication with the client in the most personalized way possible to respond to their specific needs and demands.

In our desire to offer the best experience, we analyze communication with the client in the most personalized way possible to respond to their specific needs and demands through the corresponding tools.

We currently have 4.9 million contactable customers at Alsea Europe.

We develop a responsible and safe offer for everyone

In all of our brands, we work to promote a balanced lifestyle integrating the pleasure of quality food and a healthy coexistence in combination with healthy habits.

We continue with our commitment to promote responsible consumption by integrating captions in our menus, offering consumption alternatives to our customers. This information helps consumers to make the best consumer choice according to their lifestyle.

All our brands have a common principle and priority objective to establish and maintain a food safety system, guaranteeing food safety and offering the best health and safety conditions to consumers. Our Food Quality and Safety Policy, which covers both the operations of brands dedicated to catering and industrial manufacturing, including professionals, franchisees, and suppliers, establish the commitments acquired by all business units.

Through our HACCP system (Hazard Analysis and Critical Control Points), we reflect the procedures and controls based on quality requirements to control and guarantee the safety and quality of food products at all stages and carry out daily activities in restaurants and facilities. During 2020, 87% of Alsea Mexico stores were approved under the ICA standard, 2% more than in 2019.

Together, our professionals, within their commitment, must promote prevention and safety actions in the area of food quality. To boost their training, all employees have access to manuals and training courses related to the policy and procedures. In this line, we have a training plan, which covers four main axes: NOM-251, Ica Standard, Critical factors, and pest control.

We assume the commitment to the highest standards and sanitary and hygiene protocols to take care of our clients and employees:

- Improvement and strict compliance in cleaning measures
- Sanitary filters for all employees and customers

- Use of face masks and face shields by employees
- Preventive daily disinfection in all regions

In Alsea Mexico, during 2020, safety complaints received from consumers have decreased by 29% compared to 2019, going from 500 (in 2019) to 358 (in 2020).

Despite the decrease in verification needs compared to 2019, derived from the atypical year motivated by the coronavirus crisis that has led to the closure of the activity and the subsequent opening under certain restrictions, we have carried out 1,976 audits in Alsea Europe.

We work every day with the firm commitment to provide an inclusive offer incorporating healthier alternatives based on the diversity of needs of our consumers. Our goal is to help our consumers make informed decisions and combine the demands of our customers with the possibilities of the gastronomic development of our brands.

We promote a balanced lifestyle integrating the pleasure of quality food and excellent fast-food service. To incorporate new products under the guidelines above, we develop innovative processes where new ingredients focused on offering a nutritionally more balanced diet prevails.

Evaluation of the experience of our clients

To measure the satisfaction of our clients, we evaluate the experience in the various services and areas of our activities:

Store experience + ***Home experience*** + ***Starbucks experience***

Our clients can provide the information through two means; anonymous surveys (such as tickets, stickers, account holders) or via email (WOW, OLO, MSR) based on the last transaction sent on a due date.

Since 2019, we have evolved the way of measuring customer experience, centralizing assessment for all brands in Alsea Mexico and Alsea South America into a single channel and surveying in real-time, either through tickets, the Domino's app or email, to make transactions with WOW Rewards and Starbucks Rewards. At Alsea Europe, the channel to survey our clients is carried out through Club VIPS and Fosterianos.

Our customer experience evaluation tool allows us to compare brands under the same methodology and adapt them to the brand's needs. Through the continuous improvement of the tool, the agility in the resolution of incidents, our main objective is to reduce the% of customers with incidents and solve a high percentage of them.

According to the results of the Voice of the Customer in Alsea Mexico, the percentage of customer incidents has remained constant compared to 2019, derived from the exceptional nature of the year. However, general satisfaction has improved notably, increasing by 54.86% compared to 2019.

Starbucks has a methodology for assessing its customers through DPI. According to the sample taken to analyze the customer experience, the results obtained have been:

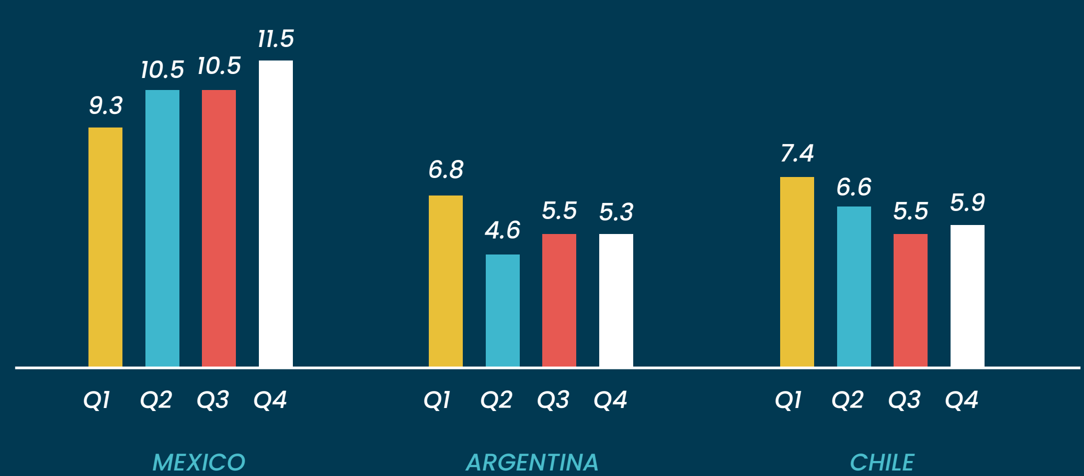
- Improvement in the connection of collaborators: such as measuring the effort that employees make to know their customers honestly. The connection has consistently improved in the 3 markets (Mexico, Argentina and Chile), with Mexico being the country with the highest points.
- In Chile, the highest valuation has been registered in terms of operational performance.

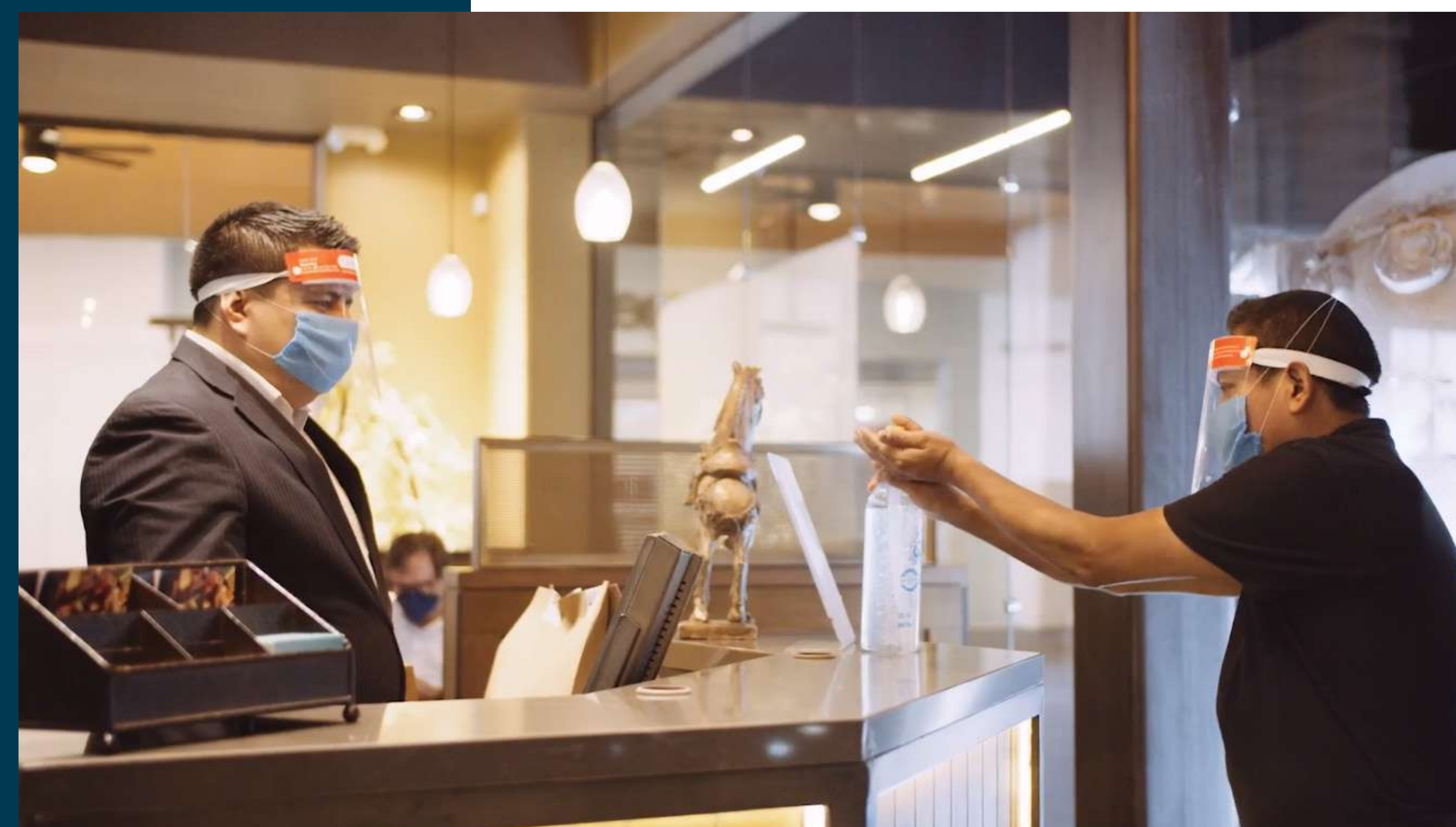
Regarding the percentage of incidents, a greater number is registered in Mexico, which is related to the size and volume of operations compared to other South American countries.

In this line, we have a Customer Service Contact Center, which allows us to contact them through various tools such as telephone, e-mail, social networks, and others. Mainly, we collect the metrics of percentage of abandonment, the level of service (time in calls) and the percentage of closure of complaints.

CUSTOMER SERVICE

% OF INCIDENTS[29]





[29] The Starbucks scale is 7 points. Base according to total country.

Mexico is one of the geographies that concentrates the highest volume of business, so the number of incidents is usually higher than in the rest of the geographies where we have operations. In 2020, a total of 138,170 incidents were received with 94% resolution of them. At Alsea Europe, the incidents generated were 100% resolved. In addition, the different brands in that region have received 934 congratulations from our customers.

The decrease in the volume of incidents compared to 2019 is explained by the temporary and extraordinary closure of the activity and later, by the maintenance of certain restrictions derived from COVID-19 that had an impact on the traffic of our establishments (capacity limitations, restrictions hours, restrictions on available services, and others).

As in other operational facets of the company, due to the social and health crisis this year, the external contact center service was completely suspended as of March 2020, and internal resources were reduced to adapt to the new situation. Due to this restructuring, the responsibility of responding to incidents and suggestions made by our clients and partners has fallen solely on the internal team, who have dealt with it successfully.

Communications regarding support and support for inquiries/ claims from Alsea Europe partners

Responsible service		*2020*
Contact Center[30]	(Low criticality level)	*7,722*
Internal team	(Medium/high criticality level)	*15,338*

[30]*Data available from January 1 to March 20, 2020.*

In 2020, at Alsea Mexico, we reinforced our comprehensive security actions in which the following relevant issues have been managed:

- **Monitoring of 1,631 business units** also through our strategic security partners and attending to emergencies generated during the operation.
- **Attention to more than 19 thousand alerts** per system related to technical incidents, panic buttons, emergency attention (medical, police, civil protection, and others).
- **Attention of 4,261 calls to the CAEA** related to emergency situations (robberies, medical emergencies, suspicious persons or alternating the order of the store, and others).
- **Security protocols and monitoring** of each by our collaborating teams.
- **4,513 technical assistance calls** carried out day by day to keep the business units monitored (alarm and video surveillance system). .
- **Registration of 1,400 collaborators** who access the emergency platform installed on their mobile App equipment through which in case of emergency they are geolocated at the point where they require it as long as it corresponds to an emergency.
- **Attention to more than 4 thousand calls from collaborators for COVID -19 issues** (confirmed, suspected, and discarded), applying the corresponding protocol for their attention.
- **Preparation of the Business Continuity Plan (BCP)** under the context of the COVID-19 pandemic.

5

Capacity and sustainability: the pillars that cement the future of our operation

A supply chain committed to sustainability

We assume a comprehensive commitment to sustainability throughout our value chain, protecting the environment through continuous improvement of our processes and activities.

We are advancing in a more sustainable value chain, promoting initiatives in energy efficiency, the fight against climate change, efficient consumption of resources, and the proper management of water and waste.

We take care of the environment through the efficient use of the resources and materials necessary for the development of our activity.

Our supply chain's careful management and coordination are essential to provide quality products and services that our customers value. In this sense, our Code of Ethics and the Global Purchasing Policy establish the framework for action and compliance with our ethical principles and corporate procedures to prevent and mitigate the associated risks.

Alsea's suppliers are an essential part of the value chain, and, therefore, we promote solid alliances and relationships based on transparency and mutual trust, involving our suppliers in sustainable management

We promote a responsible supply chain through our management in Mexico and external management in South America, working together on the optimization and sustainability of our supply chain. We have a support area that acts as the organizing core of our processes. The area is in charge of supplier selections, raw materials and essential foods reception, storage, manufacturing, order assortment, shipping processes, and distribution of our product.

Our supply chain is divided into 6 processes that operate synchronously with the common goal of bringing all the necessary supplies to each store, in a timely manner, in order to meet and exceed the expectations of our customers:

OUR SUPPLY CHAIN'S STRATEGIC PILLARS

- *To be the best Food Service logistics operator in Mexico*
- *Have a highly professional, upright and committed team*
- *Exceeding the expectations of our clients and investors*
- *Taking care of the environment and quality of life of our collaborators*

Alsea

Planning and supply

Given the uncertainty in demand, a great deal of collaboration has been carried out between the Supply Chain and our Brands, making demand forecasts and managing inventories, maintaining levels in line with the operation and eliminating potential losses in the brands.

Likewise, work has continued on the SKU reduction strategy, achieving a 23% decrease in active code catalogs.

We improved our service level reaching **99.3% in delivery efficiency,** 2 percentage points above 2019 and a 63% decrease in complaints from stores and restaurants.

We had a **reduction in inventory losses and differences by 42%** compared to 2019.

The route optimization program was executed achieving an efficiency of 37% vs 2019.

The accumulated turnover was 39.2% having an improvement of 5.3% compared to the previous year. The training program on issues of Quality and Industrial Safety was implemented, as well as the Certification Program aimed at improving theoretical-practical skills by developing expert operational collaborators.

We increased **sales of products to third parties by 44%** vs. 2019 with a total of **$46.8 million**

Responsible purchasing and sourcing

Alsea's Global Purchasing Policy provides the framework for action and the principles upon which we must develop the company's commercial relations. This policy pursues the objective of guaranteeing the best market conditions and strict compliance and alignment with our corporate values.

In turn, the policy states that all purchasing management must be based on respect for people and social values. In addition, the relationships established must be based on professionalism and mutual benefit, promoting adequate competitiveness in equal opportunities. Likewise, these relationships will be subject to compliance with the Code of Ethics, including social, labor, and environmental criteria.

We assess all suppliers in terms of health and food safety to establish strict compliance standards regarding the quality of our products and services.

Global Purchasing Policy

"It establishes the principles that support the aspects of commercial relations. These must always respond and be aligned with Alsea's ethical principles, compliance systems and its responsible way of acting."

Supplier Approval Procedure

Our Food Safety and Quality Supplier Approval Procedure establishes the system for evaluating, approving and monitoring potential suppliers. The procedure reaches out to food suppliers, but also to service providers that influence product quality and food safety. In the specific case of franchisees, in addition to the criteria established in this procedure, they must also apply commercial and brand protection criteria.

The approval process differentiates the suppliers of reputed and prestigious brands in the market. In this case, the suppliers must comply with a series of elements such as: having a quality assurance system certified by any system recognized by the GFSI (Global Food Safety Initiative). As well as having a distribution system and compliance with applicable local legislation.

For those potential suppliers that are in the process of obtaining the certification of their quality assurance system, there is the possibility of granting a conditional approval as long as during the process of obtaining their certification, they comply at least with good manufacturing practices and have an APCCC system (Analysis of Critical Control Points), certified by a third party.

Supplier Audit Procedure

At Alsea, we encourage, through our internal audits, that all our suppliers become certified in a scheme recognized by the Global Food Safety Initiative (GFSI), aimed at ensuring throughout the chain supply food safety. This allows us to guarantee the quality, traceability and origin of raw materials and to ensure compliance with our Quality and Food Safety Policy.

To strengthen compliance with the requirements established in terms of health and food safety, we carry out audits to approved suppliers to ensure a quality management system in their facilities and processes.

In 2020, due to the pandemic, our supplier activities focused on auditing the most critical or new ones and closely monitoring the performance of current suppliers to avoid food safety and quality incidents.

The Global Purchasing Policy, the homologation and audit procedures, together with correct identification and management of risks, outline our supplier management model and allow us to extend our health and safety commitments to the entire supply chain.

During 2020 and derived from the health contingency, we focused on cost containment, obtaining. As a result, inflation in the Price List of 1.24% below the INPC of Food and Non-Alcoholic Beverages of Mexico.

In addition, in this area, we conducted essential revisions to brand service contracts. We negotiated prices and payment terms, which allowed us to obtain cash flow and working capital benefits.

To reduce the uncertainty associated with purchasing management, we designed a specific matrix for possible risks in the purchasing process, included in our risk management system. This matrix establishes our framework and approach to assess and control the risks identified at the operational, reputational, and compliance levels..

From the purchasing area we take care of the search, communication and negotiation of purchasing conditions with suppliers. On the other hand, we assume the responsibility of carrying out the corresponding approval and auditing processes from the Quality Department.

Materias primas y principales proveedores

Alsea Mexico has 3,976 suppliers and an item of expenditure on suppliers of more than 13 billion pesos, of which 98% of the suppliers are Mexican[31] and 2% international. In turn, 12% are food providers, the main raw materials being (Mozzarella cheese, Pepperoni, Pizza sauce, flour, coffee and consumables, hamburger meat, ribs and sausages and cuts, pastries and sandwiches, among others) and the remaining 88% to suppliers of other types of goods (inputs such as corrugated box) and the contracting of services, marketing, investment or others. On the other hand, in Spain, we have a total of 993 suppliers and an expenditure of more than 7 billion pesos, of which 96% are of national[32] origin and 4% international.

2020 Alsea Suppliers 2020

2020 SUPPLIERS[33]	NATIONAL SUPPLIERS	INTERNATIONAL SUPPLIERS
Mexico	98.00%	2.00%
Chile	93.00%	7.00%
Argentina Uruguay	88.20%	11.80%
Spain	96.00%	4.00%

[31]Suppliers headquartered in Mexico
[32]Suppliers headquartered in Spain that provide service to their own units.
[33]Total purchases (productive, non-productive, services and assets). For Colombia, the number of suppliers is available: 271 national suppliers and 12 international suppliers.

Strategic logistics and distribution

Through DIA (Distribuidora e Importadora Alsea), in Mexico, the supply chain of the brands and establishments where it operates is optimized and efficiently managed, focusing its efforts on improving customer service.

DIA's objective is to become a competitive advantage for brands, ensuring supply at the best cost in the industry, based on a production and logistics model of maximum efficiency and operational capacity, adapted to the specific needs of each market.

DIA specializes in the purchase, import, production, storage, and distribution at the national level of food and non-perishable items, in the modalities of dry, frozen, refrigerated (multi-temperature) to supply all brands, focusing on fast food, cafes, and casual dining. In turn, it has a new Product Development Area that, in collaboration with brands, is in charge of developing projects that satisfy consumer needs and promote the consumption of raw materials and local suppliers.

In the case of Mexico, we have a vehicle maintenance area in each of the distribution centers that serve 215 units nationwide, with an average of 750 services per month and that mainly serves preventive and corrective maintenance, repair, cleaning, and sanitation services necessary for each case.

We have promoted initiatives in terms of distribution, including a route reduction program. We managed to reduce 37% and have a 24% decrease in the kilometers traveled and directly impact reducing pollutant emissions by CO_2 of the 24.2% all vs. 2019.

We have 10 distribution centers in strategic areas to supply and distribute products to our stores located in Mexico (State of Mexico, Monterrey, Hermosillo, Cancun and Tláhuac), Colombia (Bogotá and Cali) and in the rest of Latin America in Argentina, Chile and Uruguay.

Alsea Europe has a centralized purchasing management for all the geographies where it operates, and the supply chain management is carried out by two logistics operators. In general, the operator carries out an integral[34] management from the purchase of the merchandise to the distribution in the centers, assuming responsibility for the process and merchandise. Alsea Europe verifies that the process is carried out under the specifications demanded, and also acts as a link between the operators and the centers and departments to provide an efficient solution to incidents and changes.

[34] The comprehensive management model is applied to all of Alsea Europe's business units, except in France, where purchasing and supply are carried out, delegating storage and distribution management to the different centers to the logistics operator.

Alsea Operations Centers

The Alsea Operations Center (COA) integrates storage, distribution and manufacturing services in one place, in order to optimize the operation of our restaurants and maintain quality and profitability. Improving operational capacity and efficiency is the main objective, such as mitigating the impacts of new import tariffs on key products such as cheese, pepperoni, potatoes and prepared foods, working on inventory reduction and efficiency in the production chain for suppliers.

DISTRIBUTION IN MEXICO
(weekly basis)

247
Cities

2,008
Selling points

295
Routes per week

590,685
Boxes delivered per week

3,427
Deliveries per week

More than
11,3 million
kilometers traveled during 2020

Manufacturing

This year, this sector focused its efforts on optimizing operating resources, ensuring compliance with production programs, taking this indicator from 95% to 99.6% to guarantee the existence of products for the stores. In addition, we developed projects to improve the efficiency of the production lines, implementing best practices and standardizing execution criteria and KPIs standardization.

Quality

During 2020, 4 of our 5 Distribution Centers in Mexico obtained the SQF[35] (Safe Quality Food), Level II certification, which confirmed that our Alsea Safety and Quality Management System (ICA) complies with international standards of food safety for manufacturing and distribution operations, thus offering security for our customers and consumers, in the management of quality and safety in each link of the value chain.

Domino's International acknowledged us as the Latin American Operation with the best food safety and quality management system. Also, Walmart re-certified us, endorsing us as a supplier that meets its quality, safety, and social responsibility standards.

Regarding the performance indicators in terms of quality and safety, this year, we improved the performance of our suppliers, manufacturing, and distribution operations, reducing quality complaints by 40% compared to 2019 and 29% in complaints from our customers.

Human Resources

At Alsea Mexico, we invest in the development of our employees through training programs on Quality and Industrial Safety for operational employees.

Likewise, we developed the Operational Certification Program to improve theoretical and practical skills to achieve expert operational collaborators, ensuring the standardization and mastery of processes, specializing 124 Manufacturing collaborators through 9,812 hours of training.

Security

At Alsea Mexico, this year we achieved a 40% reduction in the number of disabling accidents in our operations, going from 26 accidents in 2019 to 16 accidents in 2020. We work on the training and dissemination of the Detónate program to involve all collaborators in the identification of unsafe acts and conditions, reporting their identification through cards for follow-up and closure. We also develop safety guidelines for each of the operational areas where we identify the key behaviors on safety issues within each operation.

[35] It is a Food Safety Management System designed to provide organizations with a rigorous system to manage food safety risks, and at the same time provide product and consumer safety with a recognized food safety certification.

Managing our impact on the environment

We act responsibly in favor of the environment, protecting our surroundings and operating under high sustainability standards..

We manage resources efficiently and innovatively in order to minimize our impacts. In addition, we are involved in areas such as resource efficiency, the fight against climate change, the circular economy.

We promote the rational and responsible use of natural resources, the optimization of our processes and the minimization of their associated risks. Aware that there is still work to be done, we make advances in priority areas and adopt innovative initiatives, moving towards sustainability.

We work every day in our management to make the processes more demanding and conducive to making better use of resources, establishing measures to mitigate our impacts, and working on initiatives that contribute to strengthening the responsible management of our value chain.

In each of its four committees, our Sustainability philosophy promotes actions and initiatives that allow us to impact the communities where we are present positively. Likewise, through our Code of Ethics, we assume responsibility for the environment, committing ourselves to taking care of natural resources and promoting their rational use.

On the other hand, we have a Global Environmental Policy that determines the priority activities to prevent, mitigate and efficiently control the environmental impacts of our activity.

To this end, we determine guidelines for establishing goals, guaranteeing compliance, and establishing continuous improvement mechanisms to formalize a comprehensive system for environmental management.

> *"The environmental management and action procedures included in the Global Environmental Policy are aligned with the ISO 14001 standard for environmental management systems."*

Global Environmental Policy

Our environmental strategy and this policy are mainly structured around three lines of action:

1. ***Efficient energy consumption and reduction of greenhouse gas emissions.***
2. ***Waste reduction.***
3. ***Efficient water consumption.***

Energy efficiency and the fight against climate change

Our commitment to climate change means we adopt measures concerning energy efficiency in our facilities to optimize our energy consumption and decarbonize our activities.

Given our activity in restaurants and the use of vehicles, electricity and fuel consumption is the main impact identified. Due to this, we adopt energy saving measures related to lighting and air conditioning in our facilities.

In this matter, we establish specific objectives for reducing and optimizing consumption, which are updated based on the evolution and continuous improvement of our performance. On the other hand, we implement technological solutions to improve energy efficiency and reduce our GHG (Greenhouse Gas) emissions. Finally, we promote reduction and efficient use of energy resources with all our collaborators, their commitment to responsible and efficient consumption being essential.

During 2020, the main measures adopted in Alsea Mexico include:

- LED Lighting
- Installation of control and automation equipment in Vips stores.
- Purchase and priority to the use of clean energy.
- Videos to change habits and awareness.
- Start of placement of water treatment plants.

Likewise, in Alsea South America, energy saving and automation strategies, rational use of water and waste separation are being implemented. In Chile, particularly, the LEED[36] certification of its stores is being promoted.

[36] *LEED (Leadership in Energy and Environmental Design) is a certification program with international recognition for green buildings created by the Council of Green Building of the United States (U.S. Green Building Council).*

On the other hand, the main measures implemented in Alsea Europe were:

- LED lighting installation.
- Variable frequency drives in extractor hoods.
- Regulators for room lighting.
- Lighting detectors.
- Installation of an efficient enthalpy recuperator marked by RITE for premises with capacity greater than 62 people.
- Low consumption EC type projected fans for RITE compliance.
- Installation of solar panels in premises where specified by the corresponding town hall.

Due to our activity, acting on the impact of electricity consumption is important to improve our environmental performance. Alsea's electricity consumption in 2020 was 388,589,233 Kwh, 22% lower than in 2019. The decrease compared to 2019 was mainly due to periods where no activity or restrictions have significantly reduced this.

Electricity consumption *(kWh)*[37]

	2020	2019	
Alsea Mexico	219,220,762	292,889,551	
Alsea South America	52,321,649	56,639,151	
Alsea Europe	117,046,821	146,964,839	
TOTAL	388,589,233	496,493,541	-22%

[37] *Consumption belonging to Alsea's own establishments.*

Contributing to the decarbonization of economies, we have increased the clean energy purchase mix for Alsea Mexico (wind energy, cogeneration, or hydro), going from 45.24% in 2019 to 62.37% in 2020. Part of the electricity consumption comes from renewable sources, with 31% standing out in Mexico and 11% in Chile.

Likewise, in Spain we have 502 electric scooters with the aim of offering our own more sustainable delivery service. Electric motorcycles represent 14% of the total number of mopeds belonging to our business units in this territory.

In the three geographies (Alsea Mexico, Alsea South America and Alsea Europe), there is evidence of a 33.64% global decrease in energy consumption. The decrease in natural gas responds to the closure of establishments caused by the restrictions derived from the COVID-19 pandemic. On the other hand, the increase in gasoline and diesel consumption is motivated by the growth of our automobile fleet and the exponential growth of our delivery service throughout the company.

The main impact identified in terms of greenhouse gas emissions comes from the electricity and fuel consumption carried out in the development of the activity. Through our various energy efficiency and energy consumption reduction initiatives, we seek to reduce our carbon footprint.

Fuel consumption *(kWh)*[38]

	2020	2019	
Alsea Mexico	221,742,788	346,686,936	
Alsea South America	26,002,487	34,264,216	
Alsea Europe	53,877,915	73,597,063	
TOTAL	301,623,190	454,548,215	-33.64%

Greenhouse Gas Emissions *(Tn CO_2 eq.)*

	2020	2019	
Scope 1. Direct emissions	64,584	98,302	
Scope 2. Indirect emissions	106,269	156,028	
Scope 3: Indirect emissions[39]	-	-	
TOTAL	170,853	254,330	-32.82%

[38]The unit conversion factors for energy consumption in 2019 have been updated.
[39]As of December 31, 2020, scope 3 measurements are not carried out..

Alsea

Sustainable resource management and circular economy

The resources and materials identified as relevant for the development of the activity are the use of water, plastics, paper and cardboard. Although we have measures for its correct management and efficiency in its use, we continue working on the implementation of a more complete and formal measurement model. Continuous improvement in the introduction of more effective measures to control the use of resources has the fundamental goal of reducing our environmental footprint.

Reduction of waste and inputs

We promote and participate in the proper management of waste through recycling and proper separation, trying to avoid health problems, pollution, getting involved in the life stages of the product and working to minimize its impact on the environment. For this reason, at Alsea we use an increasing number of recycled products.

Through our brands, we continue to promote the commitment acquired with the efficient use of materials and proper waste management. In this regard, our main actions related to the use of raw materials are related to the management of containers, bags and napkins, the main materials being plastic, paper and cardboard.

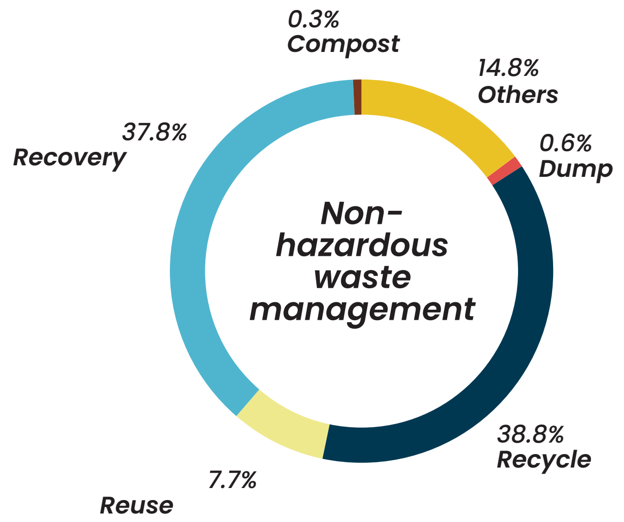
Advancing in our management, we promote the development of various waste reduction initiatives. In particular, we have promoted initiatives to reduce and decrease the use of single-use plastic in Alsea Mexico, among which the following stand out:

- We eliminated the use of plastic straws and Styrofoam in all our brands.
- We switched from plastic bags to paper bags for consumers.
- We are in the process of changing the rest of the plastic packaging for biodegradable and/or compostable packaging.

On the other hand, the main initiatives promoted in Alsea Europe stand out:

- Promotion of the consumption of recycled paper with FSC certification.
- Elimination of plastic straws.
- Single-use plastic packaging project.

We responsibly manage hazardous and non-hazardous waste caused by our activity. At Alsea Mexico, only 0.10% of non-hazardous waste is generated out of total waste. Regarding non-hazardous waste, approximately 85% goes to recycling, reuse, recovery, or composting, and only 15% goes to "other" and/or landfill.



We are improving waste separation through various initiatives and actions such as identifying the type of waste, measuring it, defining a strategy, and communicating it. Likewise, it was planned to start with a pilot test of waste separation in Portal San Ángel (Offices and Stores), but it has been postponed due to COVID-19.

On the other hand, oil collection was reduced by 34% per month in 2020 in Alsea Mexico and South America, compared to previous years, managing 525,531 liters of oil. However, we made progress in the renegotiation and evaluation of new oil suppliers

Consumption of materials in Mexico

Throughout our supply chain, we distribute to brands a total of 12 thousand tons of disposable products, of which 58% correspond to recycled or biodegradable materials. On the other hand, we are working on the reuse of pallets together with our logistics department. In addition, we have practically eliminated all the use of plastic boxes for packaging in our distributions.

Alsea Europe Material consumption

At Alsea Europe, during 2020 we have been actively working on the modification of single-use plastic containers. This project will be executed during the year 2021. On the other hand, we are making progress in comprehensive waste management in our restaurants, by studying the implementation of measures related to prevention and recycling.

To achieve these goals, we are investing our efforts in recycling and waste management projects, such as the packaging recycling program in collaboration with Ecoembes. Additionally, we are launching pilot waste separation projects at our Domino's Pizza, Starbucks and VIPS brands.

Each brand is responsible for applying proper waste and recycling management in its establishments. This way, Starbucks separates plastic waste from other waste in the back office. At Domino's Pizza, Foster's Hollywood, Ginos, TGI Fridays, VIPS, and VIPS Smart, progress continues in a plan to separate plastic, organic and other waste in kitchens.

In the case of oil, for all brands and establishments, used oil is removed by authorized and certified managers for recycling and reuse, being reused for the manufacture of other new products or fuels. In 2020 330,940 liters of oil were managed.

Efficient water management

We work to reduce the water footprint of the company and implement global campaigns to raise awareness of good use and management among our employees. At the same time, we apply measures linked to a more rational and responsible consumption, among which the following stand out:

- Double discharge cisterns.
- Urimat-type urinals in Foster's Hollywood brand restaurants.
- Timed water taps.
- Aerator filters to save water.

In addition, our water supply and supply management is always carried out in full accordance with local limitations, extracting the water consumed from public infrastructures. In 2020, Alsea's water consumption was 2.4 million m3, which represents a 33% decrease compared to 2019. Likewise, there is a decrease in the intensity of consumption compared to the volume of billing.

In this matter, at Alsea Mexico, we are studying and evaluating the viability of a water treatment plant for Starbucks, which will lead to advantages in saving average water consumption, reducing or not using salt, making use of 100% drinking water consumed, and the guarantee of water quality for the preparation of beverages under Alsea standards

Regarding wastewater and effluent management, at Alsea Europe, we install grease separators in accordance with the EN 1825 standard to ensure that organic fats and oils are removed effectively. The separators are applied in the restaurants of the brands where the spills may contain these substances.

Water consumption *(m^3)*

Country	2020	2019	
Alsea Mexico	1,700,000	2,514,000	
Alsea South America	12,292	19,000	
Alsea Europe[40]	862,270	1,336,262	
TOTAL	2,574,562	3,869,262	-33%

[40] Due to internal information monitoring systems, it is not possible to show water consumption in liters (or equivalent unit) for 2020. Instead, an approximation is made according to the cost in euros and the average price of water € / m^3 for Spain and Portugal. It does not consider the cost of water consumption in France and the Netherlands, due to the impossibility of distinguishing the amount allocated to this cost in the internal information systems. Furthermore, Spain and Portugal represent 90% of Alsea Europe's own establishments, consequently, the justified omission of the aforementioned information does not entail a significant impact on the final result.

Alsea

6

Community response: we remain committed to continue sharing value

“Every year we reaffirm our commitment to society, promoting an inclusive growth path in all the territories where we are present, promoting responsible and fair development for all people”

At Alsea, we are firmly committed to creating shared value and spreading it to society, making it a participant in our growth and promoting the development of each of the environments where we operate.

To achieve this great objective, we are directly involved in local development and promote initiatives and programs in alliance with social organizations supporting the most vulnerable groups in our surroundings.

Alliances to favor the closest environment

Strategic alliances in Alsea Mexico, South America and Europe

We are a company that operates in 11 geographies worldwide, which leads us to interact with very diverse cultures, realities, and people. Because of this, at Alsea, we understand as essential the development of a global strategy of commitment and social cooperation, but that is nourished by specific objectives, adapted to the reality and need of each territory. This local vision allows us to enhance our collaborations and increase the positive impact in each of the locations we operate.

In this line, we establish multiple strategic alliances to generate value in the environment and respond to the needs of the territories where we are present. Mainly, the impulse of these alliances is centered on the collaboration of all the parties involved and the dialogue with them.

To achieve a more significant impact, we adhere to platforms and promote collaboration in different events where we connect with interest groups and interested parties, including actors from local communities.

These strategic alliances are also established with associations and NGOs through contributions to develop our closest environment, aimed at meeting specific needs according to each organization. Throughout 2020 we have made donations to associations and non-profit entities for a value of more than 1.7 million pesos and an economic value of donations in kind for more than 20 million pesos, which amounts to approximately 22 million pesos of collaboration with organizations, turning to the communities and environments where we operate.

NON-PROFIT ASSOCIATIONS AND ENTITIESV2020

EUROPE

Financial and in-kind donations

- *Acción contra el Hambre*
- *Adena/WWF*
- *AFMD*
- *ALZHE*
- *AMIZADE*
- *Asociación Española Contra el Cáncer*
- *Asociación Espiral Loranca*
- *Asociación manos de ayuda social*
- *Association Arpejeh*
- *Association Vie et Coeur (AVEC)*
- *Banco Alimentar - Emergência Alimentar*
- *Banco de alimentos*
- *Cáritas Diocesana de Jaén*
- *COGAM*
- *Cruz Roja*
- *FESBAL*
- *Fundación Adra*
- *Fundación Bobath*
- *Handicap et Compétences*
- *Manos Unidas*
- *SEO/Birdlife*
- *Voluntare*

EUROPE

Professional and social volunteer

- *ASPACE*
- *CEAR*
- *Federación de PPSS Pinardi*
- *Fundación éxit*
- *Fundación Luz Casanova*
- *Fundación Manantial*
- *Fundación Secretariado Gitano*
- *Fundación Tomillo*
- *Orden de Malta*
- *Zonta, centro de acogida Arturo Soria*

MEXICO AND SOUTH AMERICA

Financial and in-kind donations

- *Banco de Alimentos Argentina*
- *Ceprodih*
- *Coanil*
- *Descubreme*
- *Fundación ABC Prodeín*
- *Fundación Flexer*
- *Fundación Funoz*
- *Fundación Natalí Dafne*
- *Fundación Semilla y Fruto*
- *Fundación Sí*
- *Trabajadores de la Salud*

MEXICO AND SOUTH AMERICA

Professional and social volunteer

- *Colombia Cuida Colombia*
- *Fundación Flexer*
- *Fundación Retro Alimenta*

Positive impact on local communities

We are committed to society in all the countries in which we are present, collaborating with different entities in carrying out different social benefit activities.

However, the coronavirus this 2020 has been an omnipresent issue in collaborations in all the countries in which we participate.

MEXICO

As a result of our commitment to Mexican society, the Alsea Foundation was founded in 2004, whose mission is to be a vehicle for sustainability, focusing mainly on the food security of vulnerable communities, education and employability.

We support the growth and well-being of the communities where we operate by providing or improving services to the community and carrying out social volunteering actions, financial and in-kind donations. Our main lines of action are:

Food

Through our campaign "Va por mi cuenta"(It's on Me) and under the slogan no one else is hungry, we collaborate with our clients and stakeholders in the eradication of food poverty in Mexico.

Social and cultural investment

This year 2020 we have seen how Mexican society suffered with serious consequences from the action of the pandemic, therefore, we have decided to strengthen the commitment that has always characterized us as a company and create the "Va por nuestros Héroes" (This One's for Our Heroes) movement to support people who, as a result of COVID-19, are in a situation of vulnerability.

Education and employability

Our Integra program provides educational and employability opportunities to talented young Mexicans through the action of the Alsea Foundation.

Mexican Gastronomy

Promotion of Mexican gastronomy

In turn, in alliance with World Vision of Mexico, it has collaborated with the families of Villahermosa affected by the floods caused by the tropical storm "ETA" and their situation has been aggravated by the state of alarm and the pandemic. We carried out this project for five days with the primary goal of distributing humanitarian aid; 1,000 food security kits to children, teens, and youths and their families, benefiting a total of 3,910 people.

WE STRENGTHEN OUR SUPPORT DURING THE PANDEMIC

We created "Va por nuestros Héroes"

VA X NUESTROS HÉROES

348,745 people benefited
and we continue to impact many more on a daily basis

11,278 food baskets
for VXMC beneficiaries
$6,060,597.00
Food baskets and operating cost of 10 soup kitchens for children.

1,650 food baskets
for collaborators who are single mothers
$700,000

395 tons
of food donated in all Alsea markets

Emergency fund
for employees of the Alsea operation in Mexico, Chile, Colombia, Uruguay and Argentina
2.5 million pesos

Food security
for 620 beneficiaries of indigenous communities in Oaxaca and SLP + purchase and distribution of medical supplies
$1,578,000

8,865 food rations
or patients and families of the Hospital Siglo XXI + the hundreds of products donated by the brands
$300,000

More than
170,000 rations
of food for health workers from various hospitals in the country

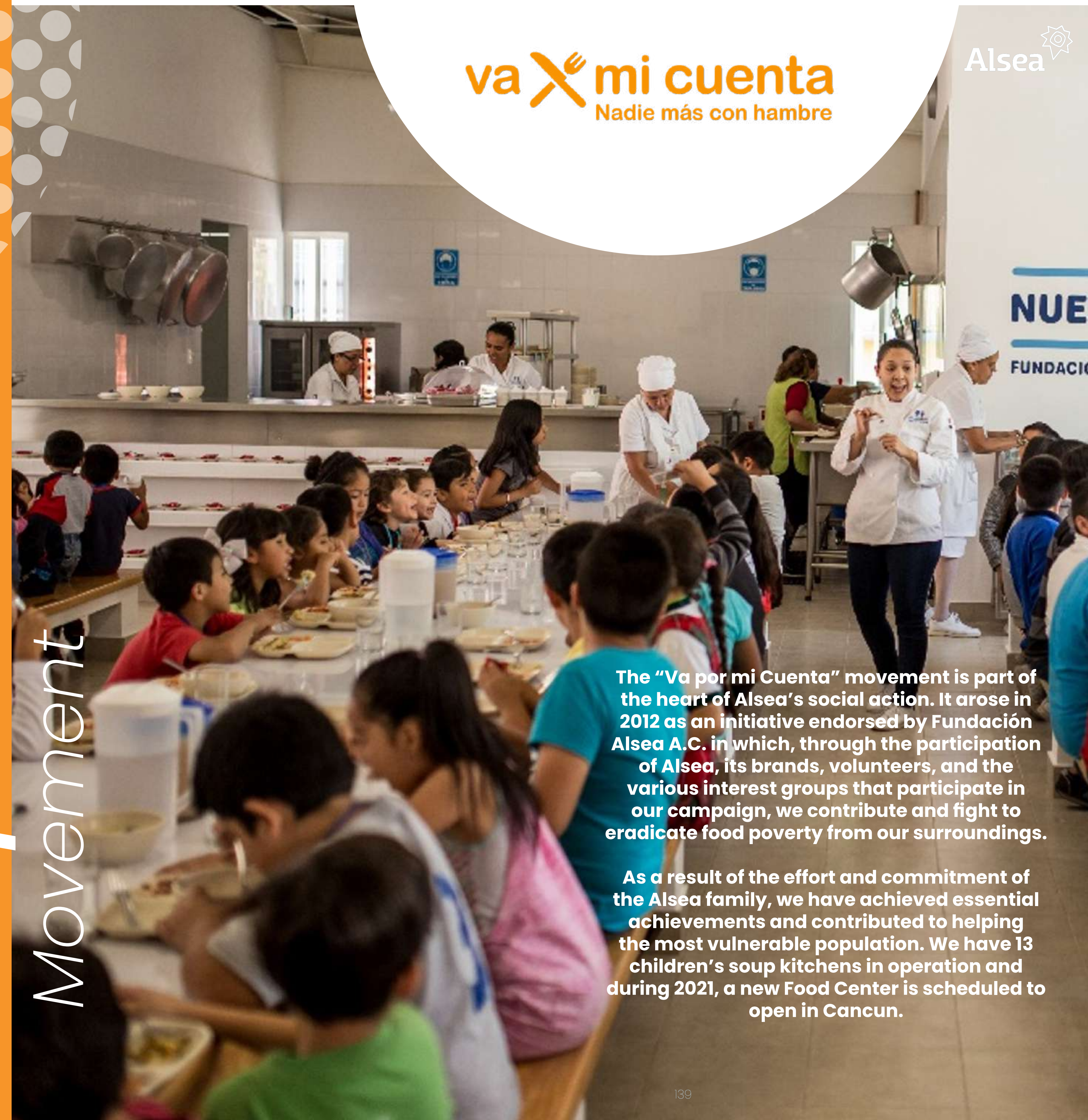
Purchase of
11 tons
of grains benefiting
2,759
families in 11 states of the Republic
$250,000

$42,291,765.30
Total expenses

Causes/ Destined Resources:

Food	78.48%
Education and employability	6.43%
Emergency fund	1.76%
Variable contributions	0.57%
New soup kitchen construction	4.66%
Associations in which Alsea participates	0.77%
Citizen participation	0.83%
Community Development	7.09%

"Va por mi Cuenta" Movement



va mi cuenta
Nadie más con hambre

Alsea

The "Va por mi Cuenta" movement is part of the heart of Alsea's social action. It arose in 2012 as an initiative endorsed by Fundación Alsea A.C. in which, through the participation of Alsea, its brands, volunteers, and the various interest groups that participate in our campaign, we contribute and fight to eradicate food poverty from our surroundings.

As a result of the effort and commitment of the Alsea family, we have achieved essential achievements and contributed to helping the most vulnerable population. We have 13 children's soup kitchens in operation and during 2021, a new Food Center is scheduled to open in Cancun.

We are very proud of the growth and acceptance that our program has had and of the results that we have achieved throughout these years:

More than **35 million pesos invested** per year in the operation of our soup kitchens.	More than **3 million nutritious meals** served since 2012.	**7,400 boys and girls** have access to nutritious food daily.	More than **2,000 families** benefited indirectly.

OUR LINES OF ACTION

Food rescue and donations in kind

- "Alimento para compartir" (Food for Sharing) program in conjunction with Starbucks.
- Donations of food rations to various associations.

Nutritional education

- Delivery of nutritional and values talks, and distribution of cookbooks in vulnerable communities that includes dishes prepared with a low budget.

Food Safety

- Construction and operation of 13 children's soup kitchens called "Nuestro Comedor".

1. Urban model: 9
2. Community model: 3
3. School model: 1

Models

1. Urban model

Partner: Comedor Santa María A.C.
Number of soup kitchens: Construction and operation of 13 children's soup kitchens called "Nuestro Comedor".
Capacity: 300 to 500 children.
Características: Human training program, talks to parents, community social project.
Features: State of Mexico (Metepec, Ecatepec, Ecatepec Embajadas, Valle de Chalco), Mexico City (Iztapalapa, Santa Úrsula, Golondrinas), Nuevo León (García), Coahuila (Saltillo)

2. Community model

Partner: Fondo para la paz I.A.P.
Number of soup kitchens: 3 operating under this model.
Capacity: 150 to 200 boys and girls approx.
Características: Comprehensive and sustainable design, it has rainwater harvesting, drainage, water treatment plant, dual drinker, patsari-style saving stoves, vegetable garden, LED lighting, etc.
Features: Oaxaca (Santa Rosa, El Corozal), San Luis Potosí (La Concepción).

3. School model

Partner: Comedor Santa María A.C. y SEDAC I.A.P.
Number of soup kitchens: 1 operating under this model
Capacity: 740 children
Características: operates within a school directly impacting the school performance of minors in basic education.
Features: State of Mexico (Ixtapaluca).

This unusual year, we have strongly valued having solid social contribution programs to fight inequalities and the most disadvantaged groups. During 2020, we have continued with our annual fundraising campaign, which has exceeded the goal set for this year, achieving excellent results:

Customer fundraising:
10,940,563.68 pesos

Collaborators fundraising[40]:
1,812,312.16 pesos

Products with a Cause:
12,633,077.70 pesos

FUNDRAISING TOTAL
25,385,953.54

+7.2%
of the collection goal for 2020

The excellent results achieved and our commitment to continue fighting and combating child food poverty motivates us to continue with this program, promote social collaboration, and alliances with social organizations that help people at risk of social and economic exclusion.

During 2020, Alsea has made investments of more than 4 million pesos to Integra, a program that seeks to facilitate access to quality employment and education for young people in vulnerable situations.

Likewise, together with Starbucks, we created a fund of 5 million pesos to benefit our operational collaborators seriously affected by the pandemic in Mexico, Chile, Argentina, Colombia, and Uruguay.

[40] Collection until March 2020.

Latin America

Our satisfaction with the social actions conducted in Mexico and our concern for the social situation of various sectors of society in South America prompted us to expand our work throughout Latin America.

Colombia

More than	More than	Contribution to
616,000 pesos donated to social action	**18,000 beneficiaries**	**education and support to the health sector**

- ***Colombia cuida Colombia:*** e contribute to the initiative "Colombia Cuida Colombia" (Colombia Cares for Colombia) a partnership between civil society and the private sector to connect and articulate people, organizations, foundations, companies and the government, to mitigate the negative impact of COVID-19 on security food and health, in the most vulnerable populations of the country (including older adults, informal workers, single mothers, indigenous and migrant populations, among others).

- During the winter wave suffered in Colombia, the collaborators donated the value they wanted through a link, where some of them joined to donate a figure, others doing it individually.

- From Alsea Colombia, the use of sales of all the products of its brands was donated for December 1 and the money raised was used to cover the needs and initiatives of Colombia Cuida Colombia.

- ***Fundación ABC Prodeín:*** we collaborate with this foundation, whose main purpose is the comprehensive education of people in all its aspects. Our collaboration was mainly aimed at guaranteeing the school days provided by said entity, contributing to the provision of recreational and didactic materials for teaching children.

- ***Fundación Funo:*** together with Archies and Starbucks, we are part of an initiative in which 400 coffees and 250 calzoni were distributed to collaborating personnel, mainly nurses, doctors, assistance personnel, cleaning, surveillance, of the San Rafael University Hospital and La Samaritana University Hospital.

- ***Fundación Semilla y fruto:*** We contributed with an investment in material and security elements necessary to operate the bakery that supports part of the Foundation's income, and that were essential to obtain the license to operate, especially given the strict restrictions and measures implemented during the pandemic.

Chile

More than **1,700 kilos of food** donated to hospitals in Chile	Collaboration with **3 social entities**	Help vulnerable children and young people **and/or with learning disabilities**

Our social action in Chile is based on collaboration with various social organizations:

- ***Fundación Forge:*** It aims to motivate economically vulnerable young people to access a quality life through work, continuous learning, and commitment to the community. Its programs focus on the development of key social-emotional and digital skills for the jobs of the future and adaptation to changing scenarios.

- ***Descubreme:*** It was created in 2010 with the mission of promoting the comprehensive inclusion of people with cognitive disabilities in all areas of human development.

- ***Coanil:*** It provides and develops support services for people with intellectual disabilities with standards of excellence and recognition of their needs. In addition to promoting a social change that is essential to improve their quality of life.

During 2020, we have collaborated with various hospitals in Chile, in which we have donated more than 1,700 kg of food, supporting health services at critical times to face the fight against the pandemic.

Argentina

More than
47,000
plates of food donated
to the Food Bank

More than
44,000
Solidarity Whoppers donated
to the Food Bank.

Help vulnerable children and
make visible the struggle of children with cancer and their families

Our social action in Argentina has been directed at various social entities and institutions:

- ***Universidad Nacional de La Matanza:*** Public institution located in one of the most important areas of the province of Buenos Aires, from a demographic, political and economic point of view, in which young people who acquire a degree are the first generation of their families to achieve it.
    - We have collaborated with the donation of toys for vulnerable children.
- ***Fundación Natalí Dafne Flexer:*** It is an entity that develops emotional support activities for children with cancer and their families.
    - We have celebrated the 12th anniversary of our collaboration with the NGO, in which we have donated 3,000 cups of milk.
    - From Starbucks Argentina, each year, within the framework of the International Child and Adolescent Cancer Day, we support #FundaciónFlexer in publicizing their awareness campaign: #PoneteLaCamiseta That day all the collaborators work with a white t-shirt, with the aim of spreading and sensitizing society about the fight of children suffering from cancer and their families. In addition, various volunteer actions and fundraising activities are carried out, among others.
- ***Fundación Sí:*** NGO whose main objective is to promote the social inclusion of the most vulnerable sectors of Argentina.
    - We donate products to the Fundación Sí in support of vulnerable adults for international coffee day.
- ***Food Bank:*** Through Burger King, we have donated more than 47 thousand plates of food and more than 44 thousand Whopper Solidario, which is equivalent to more than 78 thousand Mexican pesos.

It has also collaborated with various hospitals and health workers in Argentina through the donation of free breakfasts and coffee during certain periods of time during the pandemic.

Uruguay

Our action in Uruguay, on the one hand, includes assistance to the Center for the Promotion of Human Dignity, which aims to serve and promote family members who, for various reasons, are unemployed, unexpected pregnancy, among others, especially women with children in a high-risk situation.

Through Starbucks, we collaborate with organizations like Ceprodih by donating mainly food. It has also collaborated with various hospitals in Uruguay with breakfasts and bags of coffee.

EUROPE

We conducted employment promotion activities for vulnerable groups. In addition, with our volunteer programs we collaborate in strengthening the territory by reaching out to local populations.

- ***Path to employment:*** We offer an employment option for people at risk of social exclusion. We divided this project into three phases.

  1. Starting line: Training stage.
  2. Practice and learn: Carrying out work practices in our school restaurants.
  3. First opportunity: In collaboration with the public employment service and the La Caixa Foundation.

  Unfortunately, this 2020 we have not been able to reach the same number of people with this project as in previous years due to limitations caused by the pandemic.

- ***Volunteering:*** We promote volunteering among all Alsea employees, our main volunteer programs are related to the themes of the environment and labor insertion.

We establish strategic relationships with other companies and with NGOs to generate value and respond to the needs of the territory in which we are present. This 2020 we have donated in total, adding economic donations and donations in kind to food banks, more than 200,000 euros. Additionally, during the months of confinement, we have collaborated with both the Emergency Military Unit, the Spanish Red Cross, and other social entities, providing 9,300 food rations to vulnerable groups (in addition to the initiatives carried out by our brands in Europe).

Domino's

We donated 600 pizzas and 200 combos to health personnel and police forces supporting the fight against COVID-19.

We collaborate with the Red Cross by delivering 650 pizzas to its volunteers and to families and people at risk of social exclusion.

We started our program "Aperturas con causa" (Openings with a Cause) in which we commit to donate funds raised during our stores' opening day. During 2020, 19,000 euros were raised for various local organizations under the framework of this program.

In our "Smiles" project, we donated 50 cents from the sale of our pizzas to Fundación Theodora. Fundación Theodora collaborates with hospitals to bring joy to more than 5,000 hospitalized children and accompany their families. In 2020, more than 70,000 euros have been raised and donated.

During 2020, 110,000 euros have been allocated to the sponsorship of children's sports, benefiting 723 teams and 11,000 children..

Ginos

We partnered with Deliveroo to bring 1,782 food rations to vulnerable families in Madrid and 495 to Red Cross professionals active in the fight against COVID-19.

Starbucks

We collaborate with the military field hospital installed at IFEMA and a large number of hospitals distributed between Spain and Portugal through the donation of 9,000 coffee capsules, more than 1,000 liters of milk, croissants, paper cups.

We created the "Extra Solidario" campaign in which the client makes a voluntary donation by adding an amount to their order and we double the amount. We managed to raise 800 euros. .

Vips

We donated 5,544 food rations to homeless families as a result of COVID-19. Together with the Madrid City Council and the Luz Casanova Foundation, we created the "No second Night" initiative, offering 50 women at risk 5,500 meals and 2,500 breakfasts, at a cost that was financed by the Madrid City Council.

Fight Food Waste

Actions to combat food waste come from implementing management based on the prevention and control of surpluses to reduce and mitigate waste.

Through Burger King, Chili's, P.F. Chang's Starbucks and Alsea Support Center they have collaborated with the Fundación Retro Alimenta, collecting and recovering more than 4 tons of vegetables to be donated to foundations and soup kitchens. More than 100 volunteers have participated in this initiative to fight against food waste. Cosecha Solidaria (Solidarity Harvest) is one of the volunteer campaigns, in which agricultural volunteers of fruit and vegetables recover harvested food that is not intended for distributors, which is donated to various organizations with social purposes.

On the other hand, Alsea Europe restaurants and cafeterias have information systems to adjust orders by carrying out consumption estimates. Under this mechanism, the supply needs to warehouses and daily product preparations are foreseen. On the other hand, we are also implementing the recording of organic waste throughout the company, both in the room and by the client, to establish control and opportunities for improvement.

In addition, we have established a protocol that allows the surplus produced in the warehouses to be donated when there is a change of letter or recipe. In this sense, we link donations of products close to the expiration period described above.

On the other hand, the Quality Department of Alsea Europe is developing life studies for each product so that its duration can be extended under strict food safety standards. The increase in the useful life product seeks to avoid food waste.

Responsible for our environment

Convinced of the importance of promoting animal protection and welfare, Alsea, the leading restaurant operator in Latin America and Spain, remains committed to promoting the transition to a supply of eggs from cage-free hens.

For this reason, during the last 4 years we have explored with our suppliers' different alternatives that allow us to have a sufficient supply of cage-free chicken eggs to satisfy market demand, under affordable conditions accessible to customers.

2020 was an atypical year, not only for Alsea and the restaurant industry, but for various sectors around the world and this had a clear effect on the levels of production and consumption of the raw materials used. However, our commitment made in 2016 continues and, as part of the actions to achieve it, we are proud to report that, in Iberia, a market in which we have more than 1,000 units, we already have the optimal conditions so that 100% of the Shell eggs that we use in the different brands come from cage-free hens.

Aware of the road ahead, in Alsea we will continue working hand in hand with our primary producers and suppliers in each country where we operate to achieve a sufficient supply of cage-free chicken eggs to supply demand. Alsea is convinced that, with this type of action, we contribute to generating a process of change towards a practice that positively impacts animal welfare.

On the other hand, from Alsea Europe, we are also working to acquire 100% of the I range vegetables (fresh or preserved, not processed) and IV range (fresh prepared for consumption) from suppliers that have some certification of good agricultural practices.

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Scope of the information and content of the report

Scope of the information

This sustainability report includes the main results of the activities we carry out at Alsea S.A.B. of CV. and subsidiaries in terms of sustainability during the year 2020, in the period between January 1 and December 31.
The report mainly includes our relationship with stakeholders, the identification of material issues, risk management and the analysis of the impacts and positive contributions of our operation, in economic, social and environmental matters.

For its preparation we rely on the report of the main actions of our management in the territories where we operate: Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Belgium, the Netherlands, Luxembourg, and Uruguay.

We work to improve accountability and greater transparency, explaining our sustainability strategy and addressing issues of important relevance to our Company. We publish this report giving continuity to our management reports and progress of our actions and strategies. In 2020, we published our Sustainability Progress Report for the year 2019. In this annual exercise, we detail our initiatives aligned to the fulfillment of the Sustainable Development Goals (SDG) and their goals, with which we also respond to our corporate commitment to the Ten (10) Principles of the Global Compact and the 2030 Agenda of the Organization of the United Nations.

Reporting Criteria

We have selected and included content following the principles and requirements defined by the most up-to-date versions of the GRI Standards guides in their essential option. The information presented is expanded and is related to the content published on the Alsea website through various policies and public documents, such as the Consolidated Financial Statements for the year 2020.

The report details the actions and milestones reached in 2020, one of the most exceptional years in recent times. For comparison and analysis purposes, quantitative data from previous years have been included, ensuring transparency and clarity in communicating the results to interested parties.

Principles for the definition of contents:

- Inclusion of stakeholders
- Sustainability context
- Materiality
- Completeness

Principles for the definition of quality:

- Precision
- Balance
- Clarity
- Comparability
- Reliability
- Timeliness

Alsea

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Annex. Indicator Tables

Additional information on collaborators

In this section, the number of professionals is broken down by professional group for Alsea. Considering the different classifications of the categories, it is not possible to display the information according to the characterization described in chapter one (Alsea Mexico, Alsea South America and Alsea Europe).

At Alsea Europe, different collective agreements are applied but signed under homogeneous criteria for all professionals in companies in Spain. For this reason, under the premise of integration of Alsea Europe, we have added professionals from groups corresponding to different collective agreements but under a criterion of similarity and following the guidelines established in the State Hospitality Labor Agreement..

Likewise, for the distribution by professional group for Alsea Europe, it is presented disaggregated by the countries that respond to the geographical distribution where Alsea Europe operates under its own establishments. The professional groups respond to the classifications by their own classification or their own collective agreement, if available, in each country. In addition, the data presented for 2019 respond to distribution by agreement and companies prior to the company's integration process. Finally, the number of professionals outside of Spain in 2019 is not shown because it is not within the scope of the 2019 Non-Financial Information Statement.

Number of professionals per professional group

Professionals by professional group Alsea Mexico and Alsea South America (%)

	GRUPO	2019	2020
Alsea Mexico	Administrative	4.46%	4.81%
	Operational	95.54%	95.19%
Alsea South America[41]	Administrative	5.18%	4.61%
	Operational	67.87%	68.30%

Professionals by professional group (%)

SPAIN	2020
Group I	7.98%
Group II	11.94%
Group III	37.95%
Group IV	42.12%
Total	100.00%

Grupo VIPS

SPAIN	2019
Group I	7.83%
Group II	11.51%
GroupIII	49.59%
Group IV	31.07%
Total	100.00%

Zena Alsea

SPAIN	2019
Group I	5.95%
Group II	6.15%
Group III	16.60%
Group IV	67.29%
Group V	4.02%
Total	100.00%

FRANCE	2020
Executive	11.42%
Agent	31.60%
Employee	56.98%
Total	100.00%

NETHERLANDS	2020
Store Manager	8.57%
Shift supervisor	24.29%
Barista	60.00%
Assistant	2.86%
Support functions	4.29%
Total	100.00%

PORTUGAL	2020
Kitchen Helper	4.10%
Area Expert 1	0.51%
Area Expert 2	0.51%
Assistant Store Manager	4.10%
Barista	45.13%
Barista 1ª	10.77%
Kitchen Chef	0.51%
Cook	1.54%
Director	0.51%
District Manager	1.03%
Waiter	3.59%
Waiter 1	0.51%
Manager	1.03%
Kitchen Manager	0.51%
Room Manager	2.05%
Shift Supervisor	12.82%
Specialist 1	3.59%
Specialist 2	1.03%
Store Manager	5.64%
Supervisor	0.51%
Total	100.00%

[41] It does not include the employees of Alsea Chile, since there is no disaggregated information by professional category.

New Hires

New hires by gender

	2020[42]			2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Alsea Mexico	10,410	5,819	16,229	21,055	13,673	34,728
Alsea Sudamérica	1,387	911	2,298	3,177	2,823	6,000
Alsea Europa	3,669	1,808	5,477	2,804	3,447	6,251
Alsea Global	15,466	8,538	24,004	27,036	19,943	46,979

Nuevas contrataciones por edad

	2020			2019		
	18-29 AÑOS	30-49 AÑOS	50 AÑOS O MÁS	18-29 AÑOS	30-49 AÑOS	50 AÑOS O MÁS
Alsea Mexico	12,746	3,241	242	27,100	6,901	727
Alsea Soud America[43]	1,817	462	19	4,889	1,066	45
Alsea Europa	4,185	1,003	77	5,552	668	31
Alsea Global	18,748	4,706	338	37,541	8,635	803

New hires by age Alsea France and the Netherlands

	2020			2019		
	18-25 AÑOS	26-35 AÑOS	35 AÑOS O MÁS	18-25 AÑOS	26-35 AÑOS	35 AÑOS O MÁS
France	125	34	2	-	-	-
Netherlands	36	10	5	-	-	-
Alsea Global	161	44	7	-	-	-

[42]In relation to the new hires for Alsea Europe in 2019, due to the internal compilation operation of the previous year, only the information corresponding to the companies that comprised the old VIPS Group is presented.
[43]Includes only Spain and Portugal.

GRI Table of Contents and Global Compact

GRI Standards	Table of Contents	Response to indicator/Pages	Global compact
General contents			
Organizational profile			
102-1	Name of the Organization	18	
102-2	Activities, brands, products, and services	18-26	
102-3	Location of headquarters	Avenida Revolución Número 1267, Torre Corporativa, Piso 21, Colonia Los Alpes, Delegación Álvaro Obregón, 01040 Ciudad de México	
102-4	Location of operations	18-21	
102-5	Ownership and legal form	45-49	
102-6	Markets served	18-26	
102-7	Scale of the organization	30,31	
102-8	Information on employees and other workers	61-65	Principle 6
102-9	Supply Chain	110-119	
102-10	Significant changes to the organization and its supply chain	110-119	
102-11	Precautionary Principle or approach	48-52	
102-12	External initiatives	34,53	
102-13	Membership of associations	193	
Strategy			
102-14	Statement from senior decision-maker	6-12	
102-15	Key impacts, risks, and opportunities	51-55	
Ética e integridad			
102-16	Values, principles, standards, and norms of behavior	38-43	Principle 10
102-17	Mechanisms for advise and concerns about ethics	39-43	Principle 6
Gobernanza			
102-18	Governance structure	45-50	

102-19	Delegating authority	45-50	
102-20	Executive-level responsibility for economic, environmental, and social topics	45-50	
102-21	Consulting stakeholders on economic, environmental, and social topics	56-59	Principle 6
102-22	Composition of the highest governance body and its committees	45-50	
102-23	Chair of the highest governance body	47	
102-24	Nominating and selecting the highest governance body	45-50	
102-26	Role of highest governance body in setting purpose, values, and strategy	51-55	
102-27	Collective knowledge of highest governance body	45-55	
102-28	Evaluating the highest governance body's performance	45-50	
102-29	Identifying and managing economic environmental, and social topics	45-50, 58,59	
102-31	Review of economic, environmental, and social topics	45-50, 58,59	
102-32	Highest governance body's role in sustainability reporting	51-55	
102-33	Communicating critical concerns	45-50, 58,59	
102-34	Nature and total number of critical concerns	45-50, 58,59	
102-35	Remuneration policies	46	
Stakeholder's involvement			
102-40	List of stakeholder groups	47	
102-41	Collective bargaining agreements	73	Principles 1 and 3
102-42	Identifying and selecting stakeholders	56-59	
102-43	Approach to stakeholder engagement	56-59	
102-44	Key topics and concerns raised	56-59	
Practicing reporting			
102-45	Entities included in the consolidated financial statements	Consolidated financial statements	
102-46	Defining report content and topic boundaries	153,154	
102-47	List of material topics	58,59	

102-48	Restatements of information	The indicators have been reviewed and environmental consumption adjusted, applying improvements in the measurement methodology.	
102-49	Changes in reporting	153,154	
102-50	Reporting period	2020	
102-51	Date of most recent report	2019	
102-52	Reporting cycle	Anual	
102-53	Contact point for questions regarding the report	155	
102-54	Claims of reporting in accordance with the GRI Standards	153,154	
102-55	GRI content index	161-166	
102-56	External assurance	No	
Management approach			
103-1	Explanation of the material topic and its Boundary	58,59	
103-2	The management approach and its components	51-55	
103-3	The management approach and its components	51-55	
Economic			
Economic performance			
201-1	Direct economic value generated and distributed	Consolidated financial statements	
Indirect economic impacts			
203-1	Infrastructure investments and services supported	14,15	
203-2	Significant indirect economic impacts	14,15	
Acquisition practices			
204-1	Expenditure proportion in local suppliers	115	
Anti-corruption			
205-1	Operations assessed for risks related to corruption	40,41	Principle 10
205-2	Communication and training about anti-corruption policies and procedures	40,41	Principle 10
205-3	Confirmed incidents of corruption and actions taken	40,41	Principle 10
Principle			
207-1	Fiscal approach	14,15,42	
207-2	Tax governance, control and risk management	14,15,42	

Environmental			
Materials			
301-2	Recycled input materials used	125-127	Principles 7 and 8
301-3	Reused products and their packaging materials	125-127	
Energy			
302-1	Energy consumption within the organization	122-124	Principles 7 and 8
302-2	Energy consumption outside the organization	122-124	
302-3	Energy intensity	The energy intensity went from 16.35 kwh / thousand pesos in 2019 to 17.93 kwh / thousand pesos in 2020, increasing by 9.64%.	Principle 8
302-4	Reduction of energy consumption	In 2020, the total energy consumed in Alsea was 690,212.42 Mwh, 27% lower than the 2019 consumption.	Principles 8 and 9
Water and effluents			
303-4	Water spilling	128,129	
303-5	Water consumption	128	
Emissions			
305-1	Direct (Scope 1) GHG emissions	123,124	Principles 7 and 8
305-2	Indirect (Scope 2) GHG emissions	123,124	Principles 7 and 8
305-3	Other indirect (Scope 3) GHG emissions	123,124	
305-4	GHG emissions intensity	123,124	Principle 8
305-5	Reduction of GHG emissions	123,124	Principles 8 and 9
Effluents and waste			
306-2	Waste by type and disposal method	125,126	Principles 7 and 8
Environmental evaluation of suppliers			
308-1	New suppliers that have passed evaluation and selection filters in accordance with environmental criteria.	114,115	
Social			
Employment			
401-1	New employee hires and employee turnover	160	Principle 6
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	75	Principle 6

401-3	Parental leave	73	Principle 6
Occupational Health and Safety			
403-1	Occupational health and safety management system	84-89	Principle 3
403-2	Hazard identification, risk assessment, and incident investigation	87,88,119	
403-3	Occupational health services	84-89	
403-4	Worker participation, consultation and communication on occupational health and safety	73	Principle 3
403-5	Worker training on occupational health and safety	82,83,86,87	
403-6	Promotion of worker health	84-89	
Training and education			
404-1	Average hours of training per year per employee	80,81	
404-2	Programs for upgrading employee skills and transition assistance programs	80-83	
404-3	Percentage of employees receiving regular performance and career development reviews	76-77	
Diversity and equal opportunities			
405-1	Diversity of governance bodies and employees	45,46,64,65	Principle 6
Child labor			
408-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	39-40	Principle 5
Forced or Compulsory Labor			
409-1	Operaciones y proveedores con riesgo significativo de casos de trabajo forzoso u obligatorio	39-40	Principle 4
Security Practices			
410-1	Security personnel trained in human rights policies or procedures	39-43	Principle 1
Evaluación de Derechos Humanos			
412-2	Employee training on human rights policies or procedures	39-43	Principle 1
Local communities			
413-1	Operations with local community engagement, impact assessments, and development programs	131-151	

Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	114	Principle 2
414-2	Negative social impacts in the supply chain and actions taken	110-119	
Public Policy			
415-1	Political contributions	Given our neutral position regarding politics, Alsea does not grant any kind of financing to political parties or institutions that support them	Principle 10
Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	87,114,115	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During 2020, the payment of fines to COFEPRIS (Federal Commission for the Protection against Sanitary Risks, a federal agency of the government of Mexico has decreased by 65% compared to 2019.	
Marketing and label			
417-1	Requirements for product and service information and labeling	54,101-105	
Client Privacy			
418-1	Substantiated complaints concerning breaches of costumer privacy and losses of customer data	40	Principle 10.

Alsea

Consolidated Financial Statements

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

Independent Auditors' Report and Consolidated Financial Statements for 2020, 2019 and 2018

Contents	Page

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

Opinion

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, 2020, 2019 and 2018, and the consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alsea, S.A.B. de C.V. and subsidiaries as of December 31, 2020, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis paragraph

As mentioned in Note 1a and 20 to the consolidated financial statements, the declaration of the COVID-19 pandemic that emerged in 2020 had a major impact on the restaurant industry and the Operations of the Entity, affecting the operation of the restaurants and, consequently, the amount of income. This had mainly impacts on operating results, cash generation.

In addition, as mentioned in Note 20 to the attached consolidated financial statements, as of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $19,394 million, causing short-term liabilities to significantly exceed short-term assets at that date.

On April 5, 2021, the Entity formalized a new negotiation of the conditions of the credit, which establish new debt obligations, which allows the Entity to have certainty about its fulfillment for the twelve-months period ending December 31, 2021.

The Entity has undertaken a series of internal actions to ensure the viability and the success of its operations will depend upon the continuity of the pandemic and the measures taken by different governments with respect to the operation of restaurants, as well as the ability of the management to generate income and liquidity. Our opinion has not been modified in relation to this matter.

Key Audit Matters

Key audit matters are those which, according to our professional judgment, have the greatest significance for our audit of the consolidated financial statements of the current period. They have been handled within the context of our audit of the consolidated financial statements taken as a whole and the formation of our opinion in this regard. Accordingly, we do not express a separate opinion on these matters. We have decided that the issues described below constitute the key audit matters that must be included in our report.

Impairment of Long-Lived Assets

The Entity has determined that the smallest cash generating units are its stores. It has developed financial and operating performance indicators for each of its stores and performs an annual study to identify indications of impairment. If necessary, it also performs an impairment analysis according to IAS 36, Impairment of Assets ("IAS 36"), in which discounted future cash flows are calculated to ascertain whether the value of assets has become impaired. However, a risk exists whereby the assumptions utilized by management to calculate future cash flows may not be fair based on current conditions and those prevailing in the foreseeable future.

The audit procedures we applied to cover the risk of the impairment of long-lived assets include the following:

The application of internal control and substantive tests, in which we performed a detailed review of projected income and expenses and, on this basis, discounted future cash flows. We also verified, according to our knowledge of the business and historical audited information, the regularization of any nonrecurring effect, so as to avoid considering these effects in the projections. We evaluated the fairness of the discount rate utilized by management, for which purpose we requested support from our firm's experts. The results derived from the application of our audit tests were reasonable.

As discussed in Note 4m to the consolidated financial statements, the Entity has recorded an amount of $220,000 (thousand) for impairment as of December 31, 2020.

Goodwill and Other Intangible Assets

Given the importance of the goodwill balance and continued economic uncertainty, when necessary, it is important to ensure that goodwill is adequately reviewed to identify potential impairment.

The determination as to whether the book value of goodwill is recoverable requires the Entity's management to make significant estimates regarding future cash flows, discount rates and growth based on its opinion regarding future business perspectives.

In our capacity as auditors, we have analyzed the assumptions utilized in the impairment model, specifically including cash flow projections, discount rates and long-term rate growth. The key assumptions used to estimate cash flows in the Entity's impairment tests are those related to the growth of revenues and the operating margin.

Our fair value valuation specialists assisted us by preparing an independent evaluation of the discount rates and methodology used to prepare the impairment testing model, together with the utilized market multiple estimates. We also tested the completeness and accuracy of the impairment model.

The results of our audit tests were reasonable and we agree that the utilized assumptions, including the discount rate and the goodwill impairment amount recorded for the year, are appropriate.

Information Other Than the Consolidated Financial Statements and Independent Auditors' Report

The management is responsible for the other information. The other information includes the information included in the annual report (but does not include the consolidated financial statements, nor our audit report) that the Entity is obliged to prepare in accordance with the General Provisions Applicable to Issuers and other Market Participants of Securities in Mexico. The annual report is expected to be available for our reading after the date of this audit report.

Our opinion regarding the consolidated financial statements does not cover the other information and we do not give any assurance in this regard.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the annual report and other information, when it is available, and when we do so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or that appears to contain a material error. If, based on the work we have carried out, we conclude that there is a material error in the other information; we would have to report it in the declaration on the annual report required by the

National, Banking and Securities Commission and those responsible for the Entity's government.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided the Entity's corporate governance officers with a declaration to the effect that we have fulfilled applicable ethical requirements regarding our independence and have reported all the relations and other issues that could be reasonably be expected to affect our independence and, when applicable, the respective safeguards.

The issues we have reported to the Entity's governance officers include the matters that we consider to have the greatest significance for the audit of the consolidated financial statements of the current period and which, accordingly, are classified as key audit matters. We have described these matters in this audit report, unless legal or regulatory provisions prevent them from being disclosed or, under extremely infrequent circumstances, we conclude that a given matter should be excluded from our report because we can fairly expect that the resulting adverse consequences will exceed any possible benefits as regards the public interest.

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

C.P.C. Juan Carlos Reynoso Degollado
Mexico City, Mexico
April 14, 2021

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

Consolidated Statements of Financial Position

At December 31, 2020,2019 and 2018
(Figures in thousands of Mexican pesos)

Assets	Notes	2020	2019	2018 (Restated)
Current assets:				
Cash and cash equivalents	7	$ 3,932,409	$ 2,568,771	$ 1,987,857
Customers, net	8	890,484	764,902	582,135
Value-added tax and other recoverable taxes		1,274,055	338,597	286,360
Other accounts receivable		730,291	682,319	211,086
Inventories	9	1,617,570	1,779,646	2,120,208
Non-current assets classified as held for sale		-	52,546	70,340
Advance payments	10	328,034	289,885	412,676
Total current assets		8,772,843	6,476,666	5,670,662
Long-term assets:				
Guarantee deposits		1,789,833	753,850	863,512
Investment in shares of associated companies	17	90,110	85,471	14,296
Store equipment, leasehold improvements and property, net	13	15,879,778	16,692,801	18,960,250
Right of use assets	11	23,423,275	21,192,657	-
Intangible assets, net	14 and 19	28,816,687	27,375,209	27,779,352
Deferred income taxes	23	4,665,412	3,835,593	2,867,571
Total long-term assets		74,665,095	69,935,581	50,484,981
Total assets		$ 83,437,938	$ 76,412,247	$ 56,155,643

See accompanying notes to the consolidated financial statements.

	Notes	2020	2019	2018 (Restated)
Current liabilities:				
Current maturities of long-term debt	20	$ 24,233,053	$ 305,668	$ 2,586,553
Current obligation under finance leases	12	4,207,633	3,915,338	6,799
Debt instruments		7,979,149	-	-
Suppliers		2,949,829	2,327,048	2,290,788
Factoring of suppliers		654,115	889,046	757,976
Accounts payable to creditors		2,834,150	2,234,461	2,326,156
Accrued expenses and employee benefits		4,279,180	3,278,798	4,239,559
Option to sell the non-controlling interest	22	2,701,407	2,304,864	2,506,006
Total current liabilities		49,838,516	15,255,223	14,713,837
Long-term liabilities:				
Long-term debt, not including current maturities	20	-	17,102,448	16,040,204
Obligation under finance leases	12	21,092,417	19,542,694	284,375
Debt instruments	21	-	7,973,765	6,983,244
Other liabilities		265,050	416,663	758,053
Deferred income taxes	23	4,364,054	4,365,095	3,772,048
Employee retirement benefits	24	244,056	213,797	151,988
Total long-term liabilities		25,965,577	49,614,462	27,989,912
Total liabilities		75,804,093	64,869,685	42,703,749
Stockholders' equity:	26			
Capital stock		478,749	478,749	478,749
Premium on share issue		8,676,827	8,670,873	8,444,420
Retained earnings		(683,700)	2,551,874	3,906,447
Reserve for repurchase of shares		660,000	660,000	660,000
Reserve for obligation under put option of non-controlling interest	22 and 26	(2,013,801)	(2,013,801)	(2,013,801)
Other comprehensive income items		(814,676)	(766,696)	97,337
Stockholders' equity attributable to the controlling interest		6,303,399	9,580,999	11,573,152
Non-controlling interest	27	1,330,446	1,961,563	1,878,742
Total stockholders' equity		7,633,845	11,542,562	13,451,894
Total liabilities and stockholders' equity		$ 83,437,938	$ 76,412,247	$ 56,155,643

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

Consolidated Statements of Income

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Note	2020	2019	2018
Continuing operations				
Net sales	29	$ 38,495,420	$ 58,154,617	$ 46,156,590
Cost of sales	30	11,454,884	17,164,021	14,187,508
Depreciation and amortization	11, 13 and 14	8,435,190	8,046,665	3,114,728
Employee benefits		12,138,673	16,044,061	11,557,626
Services		2,004,405	2,872,443	2,533,938
Advertising		1,398,352	2,026,539	1,644,825
Royalties		1,124,108	1,779,165	1,460,437
Repair and maintenance		866,926	1,080,830	923,279
Supplies		765,373	928,544	852,515
Distribution		521,046	613,309	644,022
Other operating expenses		1,303,972	3,028,149	5,944,126
(Loss) operating profit		(1,517,509)	4,570,891	3,293,586
Interest income		(118,987)	(101,168)	(56,526)
Interest expenses		3,225,511	3,123,023	1,627,938
Changes in the fair value of financial instruments	22	456,548	(201,142)	(114,806)
Exchange loss (gain), net		11,318	29,083	(636)
		3,574,390	2,849,796	1,455,970
Equity in results of associated companies	17	(2,647)	(942)	-
(Loss) income before income taxes		(5,094,546)	1,720,153	1,837,616
(Profit) income taxes	23	(1,199,088)	635,420	698,294
Consolidated net (loss) income from continuing operations		$ (3,895,458)	$ 1,084,733	$ 1,139,322
Net (loss) income for the year attributable to:				
Controlling interest		$ (3,235,574)	$ 926,669	$ 953,251
Non-controlling interest		$ (659,884)	$ 158,064	$ 186,071
Earnings per share:				
Basic and diluted net earnings per share from continuing and discontinued operations (cents per share)	28	$ (3.86)	$ 1.11	$ 1.14
Basic and diluted net earnings per share from continuing operations (cents per share)	28	$ (3.86)	$ 1.11	$ 1.14

See accompanying notes to the consolidated financial statements.

Alsea

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

Consolidated statements of other comprehensive income

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

Assets	Notes	2020	2019	2018 (Restated)
Current assets:				
Cash and cash equivalents	7	$ 3,932,409	$ 2,568,771	$ 1,987,857
Customers, net	8	890,484	764,902	582,135
Value-added tax and other recoverable taxes		1,274,055	338,597	286,360
Other accounts receivable		730,291	682,319	211,086
Inventories	9	1,617,570	1,779,646	2,120,208
Non-current assets classified as held for sale		-	52,546	70,340
Advance payments	10	328,034	289,885	412,676
Total current assets		8,772,843	6,476,666	5,670,662
Long-term assets:				
Guarantee deposits		1,789,833	753,850	863,512
Investment in shares of associated companies	17	90,110	85,471	14,296
Store equipment, leasehold improvements and property, net	13	15,879,778	16,692,801	18,960,250
Right of use assets	11	23,423,275	21,192,657	-
Intangible assets, net	14 and 19	28,816,687	27,375,209	27,779,352
Deferred income taxes	23	4,665,412	3,835,593	2,867,571
Total long-term assets		74,665,095	69,935,581	50,484,981
Total assets		$ 83,437,938	$ 76,412,247	$ 56,155,643

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders’ Equity

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Contributed capital			Retained earnings			Other comprehensive income items						
	Capital stock	Premium on issuance of share	Reserve for repurchase of shares	Reserve for obligation under put option of non-controlling interest	Legal reserve	Retained earnings	Inflation effect	Valuation of financial instruments	Cumulative translation adjustment	Remeasurement of defined benefit obligation	Total controlling interest	Non-controlling interest	Total stock holders’ equity
Balances at January 1, 2018	$ 478,749	$ 8,223,224	$ 660,000	$ (2,673,053)	$ 100,736	$ 3,506,551	$ -	$ (211,766)	$ (538,668)	$ (64,213)	$ 9,481,560	$ 1,121,566	$ 10,603,126
Repurchase of shares (Note 26a)	-	(152,204)	-	-	-	-	-	-	-	-	(152,204)	-	(152,204)
Sales of shares (Note 26a)	-	373,400	-	-	-	-	-	-	-	-	373,400	-	373,400
Dividend paid (Note 26a)	-	-	-	-	-	(654,091)	-	-	-	-	(654,091)	(66,052)	(720,143)
Acquisition of business and sale option for uncontrolled participation (Note 26)	-	-	-	659,252	-	-	-	-	-	-	659,252	613,029	1,272,281
Other movements	-	-	-	-	-	-	-	-	-	-	-	24,128	24,128
Comprehensive income	-	-	-	-	-	953,251	545,766	149,109	190,222	26,887	1,865,235	186,071	2,051,306
Balances at December 31, 2018	478,749	8,444,420	660,000	(2,013,801)	100,736	3,805,711	545,766	(62,657)	(348,446)	(37,326)	11,573,152	1,878,742	13,451,894
Effect of change in accounting policy for initial application of IFRS 16	-	-	-	-	-	(2,281,242)	-	-	-	-	(2,281,242)	-	(2,281,242)
Sales of shares (Note 26a)	-	226,453	-	-	-	-	-	-	-	-	226,453	-	226,453
Other movements (Note 27)	-	-	-	-	-	-	-	-	-	-	-	(75,243)	(75,243)
Comprehensive income	-	-	-	-	-	926,669	313,132	12,686	(1,141,069)	(48,782)	62,636	158,064	220,700
Balances at December 31, 2019	478,749	8,670,873	660,000	(2,013,801)	100,736	2,451,138	858,898	(49,971)	(1,489,515)	(86,108)	9,580,999	1,961,563	11,542,562
Repurchase of shares (Note 26a)	-	5,954	-	-	-	-	-	-	-	-	5,954	-	5,954
Other movements (Note 27)	-	-	-	-	-	-	-	-	-	-	-	28,767	28,767
Comprehensive income	-	-	-	-	-	(3,235,574)	263,736	(202,333)	(131,277)	21,894	(3,283,554)	(659,884)	(3,943,438)
Balances at December 31, 2020	$ 478,749	$ 8,676,827	$ 660,000	$ (2,013,801)	$ 100,736	$ (784,436)	$ 1,122,634	$ (252,304)	$ (1,620,792)	$ (64,214)	$ 6,303,399	$ 1,330,446	$ 7,633,845

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

	Note	2020	2019	2018
Cash flows from operating activities:				
Consolidated net income		$ (3,895,458)	$ 1,084,733	$ 1,139,322
Adjustment for:				
Income taxes		(1,199,088)	635,420	698,294
Equity in results of associated companies		2,647	942	-
Interest expense		3,225,511	3,123,023	1,627,938
Interest income		(118,987)	(101,168)	(56,526)
Disposal of store equipment, leasehold improvements and property		324,877	1,362,947	87,673
Impairment goodwill	19	220,000	32,469	-
Profit on sale of fixed assets		(178,774)	10,994	(70,374)
Changes in the fair value of financial instruments		456,548	(201,142)	(114,806)
Depreciation and amortization	11,13 and 14	8,212,474	8,046,665	3,114,728
		7,049,750	13,994,883	6,426,249
Changes in working capital:				
Customers		(125,582)	(4,299)	217,292
Other accounts receivable		(47,972)	(261,948)	57,151
Inventories		162,076	356,210	57,253
Advance payments		(1,074,132)	398,617	(102,897)
Suppliers		622,781	(645,479)	(1,822)
Factoring of suppliers		(234,931)	131,070	184,879
Accrued expenses and employee benefits		1,251,019	(1,209,205)	343,403
Income taxes paid		(546,667)	(588,322)	(709,011)
Other liabilities		(326,440)	(482,203)	539,553
Labor obligations		61,536	(7,880)	(6,287)
Net cash flows provided by operating activities		6,791,438	11,681,444	7,005,763
Cash flows from investing activities:				
Proceeds from equipment and property		231,320	82,668	-
Interest collected		118,987	101,168	56,526
Store equipment, leasehold improvements and property	13	(1,778,242)	(3,087,269)	(4,253,226)
Intangible assets	14	(403,916)	(425,573)	(356,929)
Acquisition in investment in shares of associated companies		(7,286)	(72,117)	(14,296)
Acquisitions of business, net of cash acquired	1 and 18	-	(1,109,933)	(10,618,697)
Net cash flows used in investing activities		(1,839,137)	(4,511,056)	(15,186,622)
Cash flows from financing activities:				
Bank loans		10,045,269	1,633,890	21,515,017
Repayments of loans		(4,703,310)	(2,797,076)	(9,849,731)
Issuance of debt instruments	21	-	4,000,000	-
Payments for debt instruments		-	(3,000,000)	-
Interest paid		(3,225,511)	(3,123,023)	(1,627,938)
Dividends paid		-	-	(720,143)
Cash received non-controlling stake		28,767	(75,243)	637,157
Payments for financial leasing		(4,186,643)	(4,139,136)	(10,269)
Repurchase of shares		5,954	221,400	(152,204)
Sigla debt payment		-	-	(1,690,050)
Sales of shares		-	5,053	373,400
Net cash flows (used in) provided by financing activities		(2,035,474)	(7,274,135)	8,475,239
Net increase (decrease) in cash and cash equivalents		2,916,827	(103,747)	294,380
Exchange effects on value of cash		(1,553,189)	684,661	153,074
Cash and cash equivalents:				
At the beginning of the year		2,568,771	1,987,857	1,540,403
At end of year		$ 3,932,409	$ 2,568,771	$ 1,987,857

See accompanying notes to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

1. **Activity, main operations and significant events**

Operations

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 Av. Revolución 1267 Int. 20 and 21, Col. Alpes, Alcaldía Álvaro Obregón, C.P. 01040, Mexico City, Mexico.

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.

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, P.F. Chang's, Italianni's, The Cheese Cake Factory, Vips, El Portón, Corazón de Barro, La Casa del Comal and Ole Mole. 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, Chili's Grill & Bar and Starbucks brands in Chile. In Argentina, Alsea operates the Burger King, and Starbucks brands. In Colombia, Alsea operates the Domino's Pizza, Starbucks, P.F. Chang's and the Archie's brands. In Uruguay, it operates the Starbucks brand. In Spain, Alsea operates the brands Foster's Hollywood, Burger King, Domino's Pizza, VIPS, VIPS Smart, Foster's Hollywood Street, Starbucks, Ginos, Fridays and Wagamama and until mid-2020 Cañas y Tapas, and from January and February 2020, Alsea operates the Starbucks brand in France, Netherlands, Belgium and Luxembourg.

Significant events

a. **Implications resulted from COVID-19 –** Net sales in 2020 decreased by 33.8% to $38,495 million pesos, compared to $58,155 million pesos the previous year. This decrease is mainly due to the impact of the contingency related to the COVID-19 pandemic, which affected both the number of units in operation, as well as the trend of consumption and changes in purchasing habits. During the fourth quarter of the year, there was a recovery in sales in Mexico and South America compared to the third quarter of 2020, reporting growth of 21% and 36%, respectively. Europe declined by 1%, as a result of health restrictions implemented due to the spread of the infection.

EBITDA in 2020 decreased 45.2% to reach $6,918 million pesos, compared to $12,618 million

pesos the previous year. The decrease in EBITDA of 5.7 billion pesos was mainly due to the decrease in the generation of EBITDA in all geographies where Alsea has a presence, affected by the implementation of contingency measures by the COVID-19 pandemic.

In the fourth quarter of the year, resulting from the recovery in sales and savings generated, adjusted EBITDA (store level) increased by 146% in Mexico, 68% in Europe and 119% in South America in comparison to 3Q20. In all the geographies the Entity has managed to reopen more stores. At the end of the year, they have in operation approximately 88% of the stores, operating under home delivery schemes, deliveries at the counter to take away and with on-site service implementing a limited capacity, while the remaining 12% remains closed.

Alsea continues with agreements reached with all banks, with the aim of suspending (financial constraints) from 29 June 2020 to 30 June 2021, the commitments originally made to banks that, in the event of the impacts of the pandemic, have been affected (mainly those related to the gross leverage index and interest hedging index) , thus being in a better position to deal with the situation arising from COVID-19.

b. **Alsea receives liquidation letter -** On February 14, 2020, Alsea informs that the Tax Administration Service (SAT) carried out a review of the fiscal aspects related to the purchase operation of the Vips restaurant division from Wal-Mart de México, S.A.B. de C.V. "Walmex" carried out in 2014. The SAT issued a liquidation document in which Alsea is required to pay taxes for alleged income from the acquisition of goods, which amounts to $3,881 million. This amount includes upgrade, surcharges and penalty. On March 23, 2020, Alsea filed an Administrative Appeal with the tax authorities, which is under review.

c. **Alsea agrees to obtain a waiver in its credit agreements -** On July 2, 2020, the Entity has reached agreements with all the banks with which it has a relationship, to negotiate various terms in their credit agreements, in order to suspend from June 29, 2020 to June 30, 2021, the commitments originally assumed with the banks that, due to the impacts of the pandemic, have been affected (mainly those related to the gross leverage ratio and the interest coverage index), thus achieving better conditions to face the situation derived from COVID-19.

Derived from the agreements, the cost of interest and commissions will be temporarily increased during the suspension period.

Additionally, Alsea has agreed with the banks, taking care at all times of the Entity's liquidity, to maintain a minimum level of Capex that allows ensuring the continuity of its priority strategic projects and the operation of its restaurants in optimal conditions, as well as achieving growth organic estimated between 80 and 90 corporate units by 2021. In addition, Alsea will have the possibility of accessing additional debt, which will allow the Entity to have the ability to respond to any liquidity need during this contingency period.

Similarly, focusing on the Company's liquidity, the existing short-term credit agreements at the end of May 2020 have been refinanced, extending the payment commitments to June 30, 2021.

On April 5, 2021, Alsea has negotiated with all its relationship banks to extend the suspension of the computation of certain covenants in their credit contracts, (primarily those related to the gross leverage ratio and the interest coverage ratio) effective from April 1, 2021 to June 30, 2022. This puts Alsea in a stronger position to continue facing the impact of the COVID-19 pandemic and to ensure the continuity of its priority strategic projects, the operation of its restaurants in optimal conditions, as well as the continued organic growth of the Company.

In addition, Alsea has assumed the following commitments during the aforementioned period, which will be reviewed with the banks on a monthly basis:

- Maximum indebtedness:
    - The debt that the company has in Mexican pesos should not exceed 19.4 billion Mexican pesos or its equivalent in U.S. dollars or Chilean pesos.
    - The debt that the company has in euros must not exceed 615 million euros or its equivalent in U.S. dollars or Chilean pesos.
- Minimum liquidity:
    - During this period, the company agrees to maintain a minimum liquidity level of 3 billion pesos.
- Minimum consolidated stockholders' equity:
    - During this period, the company must maintain a minimum consolidated stockholders' equity of 6.9 billion pesos.
- Capital expenditure (Capex):
    - The Company agrees not to exceed 800 million pesos in capital expenditure per quarter during the established period.

The Entity's management is in the process of formalizing the contractual extension of the term of its short-term loan contracts to renegotiate the maturities that it will have during 2021, which will be formally approved during May 2021.

d. **Development of the Starbucks brand in Netherlands, Belgium and Luxembourg –** In February 2019, Alsea executed a development contract with Starbucks Coffee Company to obtain the full license and acquire Starbucks corporate store operations in Netherlands, Belgium and Luxembourg. This transaction resulted in the acquisition by Alsea of 13 corporate units in Netherlands, as well as the rights to provide services to licensed operators in those countries (95 licensed stores in these territories), while operating and generating expansion opportunities for Starbucks stores in those countries. Alsea concluded the purchase process on February 25, 2019.

e. **Transfer of operations and development rights of the California Pizza Kitchen (CPK) brand –** In May 2019, as follow-up on the portfolio restructuring strategy, Alsea reached an agreement with CPK to divest the brand under an asset lease scheme and transfer operating and development rights to Opcal, S.A. de C.V. as of May 8, 2019, while also assuming the operation of the 13 corporate units, the rights to 2 sub-franchises at airports, together with the rights to develop and build the CPK brand in Mexico.

f. **Transfer of operations and development rights of the P.F. Chang's brand in Brazil –** In June 2019, as follow-up on the portfolio restructuring strategy and to seek efficiencies, Alsea executed an agreement with Banco de Franquias for the incorporation of a joint venture involving P.F. Chang's in Brazil as of June 2019. As part of this agreement, Banco de Franquias will manage the operation of the P.F. Chang's units in that country within the joint venture, while also developing new units.

In November 2020, Alsea concluded an agreement for the sale of the P.F. Chang's in Brazil to Banco de Franquicias mentioned in the previous paragraph. As part of this agreement, Alsea will cease to operate the brand in that Country. This operation is aligned with the portfolio restructuring strategy and search for its efficiencies to increase the profitability of the company.

g. **Transfer of operations and development rights of the Burger King brand in Colombia and the P.F. Chang's brand in Argentina –** In August 2019, Alsea executed an agreement to sell the Burger King business in Colombia and the P.F. Chang's business in Argentina.

As part of this agreement, Alsea will cease to operate its 16 Burger King units in Colombia and 1 unit in Argentina. This transaction is aligned with the portfolio restructuring strategy and to seek efficiencies to enhance the company's profitability.

h. **Acquisition of Sigla, S.A. -** In October 2018, through its subsidiary Food Service Project, S.L. (Grupo Zena), Alsea entered into a purchase and sale agreement whereby, subject to the conditions contained therein, it acquired from the majority stockholders and founders, led by the Arango family and ProA Capital Iberian Buyout Fund II, F.C.R., a Spanish company, 100% of the common stock of the company known as Sigla, S.A., established under the laws of Spain and which, in conjunction with its subsidiaries is known as Grupo VIPS, and is engaged in the exploitation of multibrand restaurant establishments in Spain of the brands VIPS, VIPS Smart, Starbucks, GINOS, Fridays, and Wagamama, for the price of €471 million after debt (equivalent to MX $10,618,697) (hereinafter the acquisition price). Alsea consolidates the financial information of Grupo VIPS as of December 27, 2018, when the acquisition was formalized (see accounting effects in Note 18).

The business of Grupo VIPS comprises more than 400 establishments between corporate and franchises, including a total of six brands, which address the segments of Casual Meals, Fast-Casual, Family Restaurants and Cafeterias in Spain, Portugal and Andorra.

i. **Development of the Starbucks brand in France -** In December 2018, Alsea entered into a development contract with Starbucks Coffee Company to obtain the total license and acquire the operations of Starbucks corporate and stores in France.

This transaction resulted in Alsea acquiring 170 units (70 corporate and 100 franchises), and the rights to operate, sub-franchise and generate expansion opportunities for Starbucks stores in France. Alsea concluded the purchase process on January 27, 2019.

2. Basis of presentation

Restatement of the consolidated financial statements 2018

During December 2019, the period allowed by IFRS 3, Business Combinations, Alsea concluded the valuation of the acquisitions of Grupo VIPS mentioned in Note 1 to the consolidated financial statements. The final valuation resulted in changes to the preliminary accounting of such acquisitions; the changes are presented in Note 18. 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, 2019 (As adjusted)
Current assets:				
Customers, net	$ 814,032	$ (231,897)	(1)	$ 582,135
Advance payments	404,969	7,707	(1)	412,676
Long – term assets:				
Guarantee deposits	678,260	185,252	(1)	863,512
Store equipment, leasehold improvements and property, net	19,167,225	(206,975)	(1)	18,960,250
Intangible assets, net	25,822,831	1,956,521	(1)	27,779,352
Deferred income taxes	2,764,884	102,687	(2)	2,867,571
	$ 49,652,201	$ 1,813,295		$ 51,465,496
Current liabilities:				
Current maturities of long – term debt	$ 2,588,266	$ (1,713)	(1)	$ 2,586,553
Suppliers	4,457,901	159,043	(1)	4,616,944
Long – term liabilities:				
Long – term debt, not including current maturities	16,038,416	1,788	(1)	16,040,204
Other liabilities	802,211	(44,158)	(1)	758,053
Deferred income taxes	2,073,713	1,698,335	(2)	3,772,048
	$ 25,960,507	$ 1,813,295		$ 27,773,802

Adjustments explanations:

(1) Related to the net effect of the valuation at fair value of the fixed assets, intangible assets, accrued expenses and employee benefits of Grupo VIPS (see Note 18).

(2) Related to the effect in income taxes due to the increase in the fair value of fixed assets and intangible assets by $1,698,335, and the effect of the assets deferred tax pending register by $102,687

3. Application of new and revised International Financial Reporting Standards

a. *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 issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2020.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

These modifications have not implied changes for the Entity since it has no exposure to IBOR reference interest rates.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date in the consolidated statement of income under other operating expenses.
Impact on accounting for changes in lease payments applying the exemption

The Entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

The Entity has benefited from reductions in the rental payment amounts for leases. The waiver of lease payments of $1,596,496 has been accounted for as a negative variable lease payment in profit or loss. The Entity has derecognized the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

The Entity has negotiated with its lessors different discount percentages depending on the impact on the flow of customers suffered by each brand operated. The discount percentages are periodically reviewed and; in some cases, readjusted as a result of reductions in operating hours, limited capacity and/or restrictions on the opening of restaurants in shopping malls, mainly. The Entity continued to recognise interest expense on the lease liability.

Impact of the initial application of other new and amended IFRS Standards that are effective for the fiscal years and reporting periods beginning on or after January 1, 2020

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

During the current year, the Entity applied a series of amendments to the Standards and Interpretations of IFRS issued by the International Accounting Standards Board (IASB), which are effective for the annual period starting on or as of January 1, 2020. Their adoption did not have any material effects on the disclosures or amounts recorded in these consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The Entity has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards, which are amended, are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 Definition of a business	The Entity has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.
Amendments to IAS 1 and IAS 8 Definition of material	The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Alsea

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date, the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

4. ***Significant accounting policies***

a. ***Statement of compliance***

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

The entity's management has, at the time of approving the financial statements, a reasonable expectation that the Entity has the necessary resources to continue operating in the foreseeable future. Therefore, they continue to adopt the Going Concern accounting basis when preparing the financial statements.

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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 IFRS 16, 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.

iii. ***Re-expression of financial statements***

As of July 1, 2018, accumulated inflation of the last three years in Argentina exceeded levels of 100%, for which reason the Argentine peso was classified as a currency in a hyperinflationary economic environment. As a result, the financial statements of the subsidiaries in that country, whose functional currency is the Argentine peso, have been re-expressed to adopt the requirements of International Accounting Standard 29, Financial Information in Hyperinflationary Economies, (IAS 29) and have been consolidated in accordance with the requirements of IAS 21, Effects of Variances in the Exchange Rates of the Foreign Currency. The purpose of applying such requirements is to consider the changes in the general purchasing power of the Argentine peso and thus present the financial statements in the current measurement unit at the date of the statement of financial position. Argentina, for purposes of its financial reporting, updated its figures using the country's inflation rate based on official indexes. The financial statements before the re-expression were prepared using the historical costs method.

c. ***Basis of consolidation of financial statements***

The consolidated financial statements incorporate the financial statements of Alsea, S.A.B. de C.V. and entities controlled by the Entity. 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.

Profit or 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on 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. ***Information by segment***

The operating segments are reported consistently with the internal reports prepared to provide information to the Audit Committee, which is responsible for assisting the Board of Directors, which is why it is considered the body that makes strategic decisions for the allocation of resources and the evaluation of the operating segments on the established platform of Corporate Governance.

e. ***Previous fiscal year reclassifications***

The financial statements for the year ended December 31, 2019 have been reclassified in certain items for the adequate presentation of lease liabilities and that the information can be presented in a comparative way with that used in 2020.

Concept	Figures previously reported 2019	Reclassifications	Reclassified balance 2019
Cash and cash equivalents	$ 2,625,389	$ (56,618)	$ 2,568,771
Customers, net	974,187	(209,285)	764,902
Other accounts receivable	473,034	209,285	682,319
Guarantee deposits	697,232	56,618	753,850
Current obligation under finance leases	8,763,668	(4,848,330)	3,915,338
Suppliers	4,561,509	(2,234,461)	2,327,048
Accounts payable to creditors	111,702	2,122,759	2,234,461
Accrued expenses and employee benefits	2,595,586	683,212	3,278,798
Income taxes	571,510	(571,510)	-
Obligation under finance leases	14,694,364	4,848,330	19,542,694

i) The balance of Current obligation under finance leases for short-term leases was reclassified to Obligation under finance leases because the review of the lease payments determined that the short-term liability was lower.

ii) The balance of Suppliers was reclassified to Accrued expenses and employee benefits to show only the balances of suppliers for the acquisition of products.

f. ***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.

g. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a 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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) *Amortized cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

A financial asset is held for trading if:

- It has been obtained with the main objective of being sold in the short term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent pattern of obtaining profits in the short term; or
- It is a derivative (except for derivatives that are contractual financial guarantees or a designated and effective hedging instrument).

(ii) *Debt instruments classified as at FVTOCI*

The corporate bonds held by the Entity are classified as at FVTOCI. Fair value. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is 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 evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss

in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.

  In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses';
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses'. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item; and
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial

instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);

(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.
Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 16, *Leases*.

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

h. ***Cash and cash equivalents***

They consist mainly of bank deposits in checking accounts and investments in short-term securities, liquid, easily convertible into cash or with a maturity of up to three months from the date of acquisition and subject to insignificant risks of changes in value.

Cash is presented at nominal value and equivalents are valued at fair value; fluctuations in its value are recognized in income for the period.

Cash equivalents are represented by investments in money desks and mutual funds and are recognized at fair value.

i. ***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.

The Entity reviews the book value of inventories, in the presence of any indication of impairment that would indicate that their book value may not be recoverable, estimating the net realizable value, the determination of which is based on the most reliable evidence available, at the time the estimate of the amount in which they are expected to be made is made. 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.

j. ***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-linemethod, based on the useful lives estimated by the Entity's management.

Annual depreciation rates of the main groups of assets are as follows:

	Rates
Buildings	5
Store equipment	5 to 30
Leasehold improvements	7 to 20
Transportation equipment	25
Computer equipment	20 to 30
Production equipment	10 to 20
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.

k. ***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.

l. ***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	
Archie's	Colombia	Own brand
Foster's Hollywood	Spain	Own brand
Vips	Mexico	Own brand
El Portón	Mexico	Own brand
La Finca	Mexico	Own brand
Casa de comal	Mexico	Own brand
Corazón de barro	Mexico	Own brand
Vips	Spain	Own brand
Ginos	Spain	Own brand
Ole Mole	Spain	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:

	America				
Brands	Mexico	Argentina	Chile	Colombia	Uruguay
Domino's Pizza	2025	-	-	2026	-
Starbucks Coffee	2037	2027	2027	2033	2026
Burger King	Depending on opening dates			-	-
Chili's Grill & Bar	2023	-	2026	-	-
P.F. Chang's	2029 [2]	-	2021[2]	2021[2]	-
The Cheesecake Factory	Depending on opening dates	-	-	-	-
Italianni's	2031	-	-	-	-

	Europe						
Brands	Spain	Luxembourg	Portugal	Andorra	France	Netherlands	Belgium
Domino's Pizza	2029 [3]	-	-	-	-	-	-
Starbucks Coffee	2030	2030	2030		2034	2034	2034
Fridays	2030	-	2030	2030	-	-	-
Wagamama	2036	-	2036	2036	-	-	-
Burger King	Depending on opening dates	-	-	-	-	-	-

(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, where Domino's Pizza Spain renewed its contract in 2019. 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. As of December 31, 2020, derived from the Covid-19 pandemic, it was business to limit the investment of new stores until the recovery of sales as normal. At December 31, 2019 and 2018, 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.

3. Derecognition of intangible assets

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.

m. ***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.

As of December 31, 2020, 2019 and 2018, the Entity recorded an amount of $220,000, $32,469 and $3,647, respectively, for impairment of the values of its long-lived assets.

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.

n. ***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 the consolidated statement of income 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 and IAS 19, 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, *Share-based Payments,* 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.

o. ***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. At December 31, 2018, the Entity has identified impairment effects on its La Vaca Argentina and Il Tempietto brands for an amount of $3,270, and $377, respectively.

At December 31, 2019, the Entity has identified impairment effects on its El Portón brands for an amount of $32,469.

During 2020, the Entity has identified impairment effects on its El Portón, Stabucks Coffee, Burger King, Italiani´s y Vips brands for an amount of $220,000.

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.

p. ***Investment in shares of associated companies and joint venture***

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, *Non-current Assets Held for Sale and Discontinued Operations*.

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.

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 36 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 IFRS 9.

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.

q. ***Leasing***

<u>The Entity as lessor</u>

The Entity executes lease contracts for certain investment properties as the lessor. The Entity also rents the equipment needed by retailers for the presentation and development of their activities and the equipment manufactured by the Entity.

The leases in which the Entity acts as lessor are classified as capital leases or operating leases.

When contractual terms substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a capital lease. All other contracts are classified as operating contracts.

When the Entity acts as an intermediary lessor, it accounts for the main lease and sublease as two separate contracts. The sublease is classified as a capital lease or operating lease with regard to the right-of-use asset derived from the main lease.

Rental revenue derived from operating leases is recognized according to the straight-line method during the relevant lease period. The direct initial costs incurred for the negotiation and arrangement of the operating lease are added to the book value of the leased asset and are recognized in conformity with the straight-line method throughout the lease period.

The outstanding amounts of finance leases are recognized as leases receivable for the amount of the net investment in the leases. Income from finance leases is allocated to accounting periods in such a way as to reflect a constant periodic rate of return on the net unpaid investment in respect of the leases.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to assign the respective payment to each contractual component.

The Entity as lessee as of January 1, 2019

The Entity assesses whether a contract initially contains a lease.

The Entity recognizes a right-of-use asset and the respective lease liability for all the lease contracts in which impacts it acts as lessee, albeit with the exception of short-term leases (executed for periods of 12 months or less) and those involving low-value assets (like electronic tablets, personal computers and small items of office furniture and telephones). For these leases, the Entity records rental payments as an operating expense according to the straight-line method throughout the lease period, unless another method is more representative of the time pattern in which economic gains result from the consumption of the leased assets.

The lease liability is initially measured at the present value of the rental payments that are not settled at the starting date, discounted according to the implied contractual rate. If this rate cannot be easily determined, the Entity utilizes incremental rates.

The rental payments included in the lease liability measurement are composed by:

- Fixed rental payments (including substantially fixed payments), less any received lease incentive;
- Variable rental payments that depend on an index or rate, which are initially measured by utilizing the index or rate in effect at the starting date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The purchase option exercise price, if it is reasonably certain that the lessee will exercise these options; and
- Penalty payments resulting from the termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured based on the book value increase to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

The Entity revalues the lease liability (and makes the respective adjustments to the related right-of-use asset) as long as:

- The lease period is modified or an event or significant change takes place with regard to the circumstances of the lease, thereby resulting in a change to the assessment of the purchase option exercise, in which case, the lease liability is measured by discounting restated rental payments and utilizing a restated discount rate.
- Rental payments are modified as a result of changes to indexes or rates, or a change in the payment expected under a guaranteed residual value, in which case, the lease liability is revalued by discounting restated rental payments by using the same discount rate (unless the change in rental payments is due to a change of variable interest rate, in which case a restated discount rate is used).
- A lease contract is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is revalued according to the amended lease period by discounting restated rental payments using a discount rate restated at the date on which the amendment took effect.

The Entity did not make any of these adjustments in the presented periods.

Right-of-use assets are composed by the initial measurement of the respective lease liability, the rental payments made on or prior to the starting date, less any received lease incentive and any initial direct costs. The subsequent valuation is the cost less accumulated depreciation and impairment losses.

If the Entity assumes an obligation derived from the cost of dismantling and removing a leased asset, to restore the place where it is located or restore the underlying asset to the condition required by lease terms and conditions, a provision measured according to IAS 37 must be recognized. To the extent that costs are related to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventories.

Right-of-use assets are depreciated during the shorter of the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity plans to exercise the purchase option, the right-of-use asset is depreciated according to its useful life. Depreciation begins at the lease starting date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and to account for any identified impairment loss, as described in the 'Property, plant and equipment' policy.

Variable leases that do not depend on index or rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense of the period in which the event or condition leading to the payments arises and are included under the "Other expenses" heading in the consolidated statement of income.

As a practical expedient, IFRS 16 offers the option of not separating non-lease components and instead recording any lease and its associated non-lease components as a single agreement. The Entity has not utilized this practical expedient. For contracts containing lease components and one or more additional lease or non-lease components, the Entity assigns the contractual payment to each lease component according to the relative stand-alone selling price method for all non-lease components.

The Entity as lessee, until December 31, 2018

Leases are classified as capital leases when the terms of the lease substantially transfer all the risks and rewards inherent to ownership to lessees. All other leases are classified as operating leases.

The assets maintained under capital leases are recognized as the Entity's assets at fair value at the start of the lease or, if this value is lower, at the present value of the minimum lease payments. The respective liability of the lessor is included in the consolidated statement of changes in financial position as a capital lease liability.

Lease payments are distributed between financial expenses and the reduction of lease obligations in order to obtain a constant interest rate for the remaining liability balance. Financial expenses are charged directly to results.

Operating lease rental payments are charged to results by utilizing the straight-line method during the respective lease period.

The lessors of leased real property require guarantee deposits equal to between 1 and 2 monthly rentals. These deposits are classified as non-current.

r. ***Foreign currency transactions***

In order to consolidate the financial statements of foreign operations carried out independently from the Entity (located in Latin America and Europe), which comprise 50%, 53% and 45% of consolidated net income and 39%, 36% and 34% of the total consolidated assets at December 31, 2020, 2019 and 2018, 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.

- Capital movements (contributions or reductions) are converted at the exchange rate on the date these movements were carried out.

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

s. ***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.

The defined benefit plan includes retirement. The other benefits correspond to the legal seniority premium in Mexico. Its cost is determined using the projected unit credit method, with actuarial valuations that are made at the end of each 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 (PTU)

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, 2020, 2019 and 2018, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

t. ***Income taxes***

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

1. Current tax

Current income tax (ISR) is recognized in the results of the year in which is incurred.

2. 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.

3. 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.

u. ***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.

1. 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 IFRS 15.

v. ***Financial liabilities and equity instruments***

1. Classification as debt or equity

Debt and / or equity instruments are classified as financial liabilities or as capital in accordance with the substance of the contractual agreement and the definitions of liabilities and capital.

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.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

w. ***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 Deputy Director of Corporate Treasury must quantify and report to the Director of Administration and Finance the monthly requirements of operating resources. The Director of Administration and Finance 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 Deputy Director of Corporate Treasury, the Director of Administration and Finance 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.

Hedge accounting: 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.

x. ***Revenue recognition***

The Entity recognizes income from the following sources:

Sale of goods
Provision of services
Royalties

Sale of goods

Beverages and food sold by Alsea are transferred to the customer at the time they are delivered and/or consumed by them. Mostly sales of goods, the payment method is cash and is recorded at the time they are delivered to the customer.

Provision of services

The income is recognized according to the percentage of termination. Every month the Entity receives from the clients a fixed agreed payment and the recording is made when the services have been accrued and generally accepted in time.

Royalties

Revenue from royalties is based on a fixed percentage on sales of subfranchises. Alsea has two revenues from the sale of the subfranchises. At the beginning of the contract, the subfranchisee pays an amount depending on the franchise, which is recorded as income in the period of the duration of the contract.

5. **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. (Zena Group) and sale option of the non-controlling interest

Note 22 mentions that Grupo Zena is a subsidiary of Alsea, over which it owns 66.24%. Based on the contractual agreements between the Entity and other investors, Alsea has the power to appoint and dismiss the majority of the members of the board of directors, executive committee and management positions of Grupo Zena, which have the power to direct the activities of the Zena Group. Therefore, the Entity's management concluded that Alsea has the ability to direct the relevant activities of Grupo Zena and therefore has control over that entity.

Similarly, Grupo Zena has the right to sell Alsea its uncontrolled participation (21.06% put option). The sale option may be exercised no later than June 20, according to the addendum to the shareholders' agreement dated June 20, 2019 and the remaining 12.70%, the put option may be exercised during the 7-year period as of the acquisition date.

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. Details of this liability can be consulted in Note 22.

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. Right-of-use asset

The main aspects considered by the Entity for the implementation of IFRS 16 are: a) assess, at the start of the contract, whether the right to control the use of an identified asset for a given period of time is obtained; b) a change in the nature of lease-related expenses by replacing the operating lease expense determined according to IFRS 16 with the depreciation or amortization of right-of-use assets (in operating costs) and an interest expense for lease liabilities in interest expenses; and c) the determination of lease payments because the Entity has variable rental contracts.

The recoverable amount of right-of-use assets is sensitive to the uncertainty inherent to the preparation of projections and the discount rate utilized in the calculation.

3. Discount rate to determine lease payments

IFRS 16 requires the tenant to discount the lease liability using the interest rate implied in the lease if that rate can be easily determined. If the interest rate implied in the lease cannot be easily determined, then the tenant must use its incremental indebtedness rate. The renter's incremental loan rate is the interest rate that the tenant would have to pay to borrow for a similar term, with similar security and the funds needed to obtain an asset of a value similar to the right-to-use asset in a similar economic environment.

There are three steps to determining the incremental loan rate: (i) determining a benchmark rate, (ii) determining the credit risk adjustment, and, (iii) determining the specific adjustment of the lease.

4. 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, LATAM and Spain.

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.

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 25 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.

6. **Non-monetary transactions**

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:

As discussed in Note 22, Grupo Zena has the option of selling the noncontrolling interest of Alsea. On October 30, 2018, Alsea and the investors of Grupo Zena signed a new agreement for purchase and sale options, termination of the stockholders' agreement and a commitment to enter into a new stockholders' agreement, which was ratified on December 27, 2018, stipulating the termination of the original stockholders' agreement and the formalization of this new agreement, whereby Grupo Zena has the right to sell to Alsea its noncontrolling interest in other investors for 21.06% of the equity of Grupo Zena, the net amount between termination of the original agreement and recognition of the new right was recorded net in the consolidated statement of changes in stockholders' equity under Reserve for purchase of noncontrolling interest, in the amount of $659,252 at December 31, 2018.

7. **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, 2020, 2019 and 2018 is comprised as follows:

	2020	2019	2018 (restated)
Cash	$ 2,614,467	$ 1,864,521	$ 1,769,871
Investments with original maturities of under three months	1,317,942	704,250	217,986
Total cash and cash equivalents	$ 3,932,409	$ 2,568,771	$ 1,987,857

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

8. **Customers, net**

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, 2020, 2019 and 2018, the customer balance is comprised as follows:

	2020	2019	2018 (restated)
Franchises	$ 917,477	$ 746,115	$ 523,049
Credit card and daily sale	52,505	75,862	97,256
Other (1)	18,525	36,105	59,085
	988,507	858,082	679,390
Expected credit losses	(98,023)	(93,180)	(97,255)
	$ 890,484	$ 764,902	$ 582,135

(1) In others there are concepts such as third parties, officials and employees and vouchers to be redeemed.

Accounts receivable

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.

The reserve is then composed of the part of the general and significant customers, which follows a procedure of credit losses expected according to the provisions of the standard. Additionally, it incorporates a criterion to be followed, either quantitative or qualitative, to consider a significant increase in the credit risk of the account receivable and follow up to prepare the estimate of its reserves on a quarterly basis.

Before accepting any new client, the Entity uses an external credit rating system to evaluate the credit quality of the potential client and defines the credit limits per client. As mentioned in Note 4g, for the determination of the estimation of doubtful accounts, the Entity performs an analysis of balances seniority per client and is assigned based on the experience an estimation percentage.
This first analysis gives an indication of deterioration; subsequently, an analysis of the financial situation of all the included clients is carried out to determine which are the accounts that present an impairment according to the expected credit loss model and on these the corresponding estimate is recorded.

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

	2020	2019	2018 (restated)
15-60 days	$ 59,245	$ 125,380	$ 95,469
60-90 days	47,268	32,360	24,213
More than 90 days	171,351	71,312	123,622
Total	$ 277,864	$ 229,052	$ 243,304
Current balance	745,203	629,030	436,086
Total account receivable	$ 988,507	$ 858,082	$ 679,390

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.

9. Inventories, net

At December 31, 2020, 2019 and 2018, inventories are as follows:

	2020	2019	2018 (restated)
Food and beverages	$ 1,599,260	$ 1,747,219	$ 2,095,626
Containers and packaging	21,479	33,445	25,883
Other (1)	2	3,430	6,676
Obsolescence allowance	(3,171)	(4,448)	(7,977)
Total	$ 1,617,570	$ 1,779,646	$ 2,120,208

(1) In others are concepts such as toys, uniforms, cleaning utensils, kitchen appliances and souvenirs.

Derived from the COVID-19 pandemic, the entity had to take the following actions to avoid an increase in inventory obsolescence or the destruction of perishable foods:

a) Sales of slow moving products were made to employees
b) Analysis of slow-moving products was carried out on a weekly basis with the administration of each brand for decision-making
c) Donations of slow-moving and / or near-expiring products were made
d) The safety stock was reduced with the intention of not increasing the days of inventory, always monitoring the sale of the brands.

10. Advance payments

Advance payments were made for the acquisition of:

	2020	2019	2018 (restated)
Insurance and other services	$ 138,983	$ 39,760	$ 124,116
Inventories	160,271	224,497	255,531
Lease of locales	28,780	25,628	33,029
Total	$ 328,034	$ 289,885	$ 412,676

11. *Entity as lessee*

Entity leases premises for its stores, office, including an industrial warehouse, furniture and equipment. The average lease term is between 6 and 7 years for 2020 an 2019.

Right of use assets	Amount
Cost:	
Balance at January 1, 2019	$ 18,493,689
Additions	6,709,656
Balance as of December 31, 2019	25,203,345
Additions and renovations	6,535,160
Balance as of December 31, 2020	$ 31,738,505
Depreciation:	
Balance at January 1, 2019	$ -
Charge for depreciation for the year	(4,010,688)
Balance as of December 31, 2019	(4,010,688)
Charge for depreciation for the year	(4,304,542)
Balance as of December 31, 2020	$ (8,315,230)
Net cost:	
Balance as of December 31, 2019	$ 21,192,657
Balance as of December 31, 2020	$ 23,423,275

Amounts recognized in the consolidated statement income	2020	2019
Depreciation expense of the asset for use rights	$ 4,304,542	$ 4,010,688
Finance expense caused by lease liabilities	1,034,284	1,081,791
Expense related to short-term leases	199,669	216,883
Expense related to leasing of low-value assets	36,847	42,045
Expense related to variable lease payments, not included in the measurement of lease liabilities	316,173	101,069
Benefits obtained from negotiations related to COVID-19	(1,596,496)	-

Some of the leases of properties in which the Entity participates as lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost.

The composition of the lease payments by the stores is detailed in the following table.

		2020		2019
Fixed payments	$	5,344,326	$	4,949,390
Variable payments		316,173		101,069
Total lease payments	$	5,660,499	$	5,050,459

In general, variable payments constitute 6% and 2% at December 31, 2020 and 2019, respectively, of the Entity's total lease payments. The Entity expects this proportion to remain constant in future years. Variable payments depend on sales and, consequently, on economic development during the following years.

Considering into consideration the development of expected sales over the next 10 years, it is expected that the expense for variable leases will continue to present a similar proportion of store sales in the following years. The total cash outflows for leases amount to $5,660,499 and $5,050,459 for 2020 and 2019, respectively.

Due to the COVID-19 pandemic generated as of March 2020, the entity made different agreements with the tenants of the premises to achieve a decrease in the payment of rent or a grace period in those stores that had to be closed obligatorily by indications of the local authorities. In May 2020, the IASB issued an amendment to IFRS 16 called "Lease Concessions Related to Covid-19", exempting lessees from having to consider leases individually to determine whether the lease concessions to be produced as a direct consequence of the Covid-19 pandemic are modifications to those contracts, and it allows tenants to account for such concessions as if they were not modifications to the lease contracts.

12. Obligation under finance leases

		2020	
Maturity analysis:			
Year 1	$	5,092,312	
Year 2		4,640,483	
Year 3		4,158,803	
Year 4		3,320,533	
Year 5		2,698,233	
Later		8,768,258	
			28,678,622
Less: Unearned interest		(3,378,572)	
	$	25,300,050	
Analyzed:			
Long term			21,092,417
Short term		4,207,633	
	$	25,300,050	

		2019
Maturity analysis:		
Year 1	$	4,574,273
Year 2		3,950,863
Year 3		3,308,716
Year 4		2,846,815
Year 5		2,316,689
Later		9,657,198
		26,654,554
Less: Unearned interest		(3,196,522)
	$	23,458,032
Analyzed:		
Long term	$	19,542,694
Short term		3,915,338
	$	23,458,032

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

13. Store equipment, leasehold improvements and property, net

Store equipment, leasehold improvements and properties are as follows:

Cost	Buildings	Store equipment	Leasehold improvements	Capital lease	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in process	Total
Balance as of January 1, 2019	$ 947,088	$ 10,209,510	$ 16,333,671	$ 282,859	$ 269,900	$ 1,270,902	$ 987,519	$ 427,312	$ 2,436,776	$ 33,165,537
Acquisitions	-	1,020,646	1,236,703	-	51,915	251,680	68,587	273,727	184,011	3,087,269
Business acquisitions	-	69,215	388,528	-	-	-	-	5,842	13,774	477,359
Reclassified of equipment under financial leasing contracts	-	-	(309,463)	(282,859)	-	-	-	-	-	(592,322)
Disposals	(29,085)	(419,724)	(611,966)	-	(28,726)	(87,089)	(65,798)	(41,787)	(402,224)	(1,686,399)
Restatement	-	335,129	504,801	-	1,649	21,441	-	7,290	70,327	940,637
Adjustment for currency conversion	(10,721)	(738,536)	(1,471,548)	-	(14,395)	(84,549)	-	(108,373)	(130,896)	(2,559,018)
Balance as of December 31, 2019	907,282	10,476,240	16,070,726	-	280,343	1,372,385	990,308	564,011	2,171,768	32,833,063
Acquisitions	54,590	668,875	844,503	-	25,946	99,727	24,733	59,868	-	1,778,242
Disposals	(60,829)	(355,725)	(827,659)	-	(27,153)	(27,858)	(931)	(55,533)	(188,632)	(1,544,320)
Restatement	-	233,034	349,978	-	1,078	15,286	-	4,980	39,398	643,754
Adjustment for currency conversion	77,554	552,760	2,002,050	-	22,026	84,588	-	262,902	4,868	3,006,749
Balance as of December 31, 2020	$ 978,597	$ 11,575,184	$ 18,439,598	$ -	$ 302,240	$ 1,544,128	$ 1,014,110	$ 836,228	$ 2,027,402	$ 36,717,488
Depreciation	**Buildings**	**Store equipment**	**Leasehold improvements**	**Capital lease**	**Transportation equipment**	**Computer equipment**	**Production equipment**	**Office furniture and equipment**	**Construction in process**	**Total**
Balance as of January 1, 2019	$ 113,919	$ 5,133,697	$ 7,239,212	$ 45,830	$ 133,639	$ 874,273	$ 557,725	$ 106,992	$ -	$ 14,205,287
Charge for depreciation for the year	6,240	1,150,947	2,204,789	-	49,800	202,407	41,546	134,828	-	3,790,557
Reclassified of equipment under financial leasing contracts	-	-	-	(45,830)	-	-	-	-	-	(45,830)
Disposals	(2,096)	(377,119)	(592,571)	-	(25,769)	(83,145)	(65,781)	(67,698)	-	(1,214,179)
Restatement	-	131,018	236,050	-	1,450	10,420	-	2,528	-	381,466
Adjustment for currency conversion	(1,396)	(306,697)	(554,998)	-	(7,002)	(56,767)	-	(50,179)	-	(977,039)
Balance as of December 31, 2019	116,667	5,731,846	8,532,482	-	152,118	947,188	533,490	126,471	-	16,140,262
Charge for depreciation for the year	56,317	1,054,166	2,164,640	-	44,804	184,627	39,224	178,558	-	3,722,336
Disposals	(2,238)	(293,138)	(603,537)	-	(20,477)	(26,471)	(917)	(39,286)	-	(986,064)
Restatement	-	163,195	289,240	-	1,147	13,590	-	3,903	-	471,075
Adjustment for currency conversion	46,258	413,768	802,607	-	10,028	63,571	-	153,867	-	1,490,100
Balance as of December 31, 2020	$ 217,004	$ 7,069,837	$ 11,185,432	$ -	$ 187,620	$ 1,182,505	$ 571,797	$ 423,513	$ -	$ 20,837,710
Net cost										
Balance as of January 1, 2019	$ 833,169	$ 5,075,813	$ 9,094,459	$ 237,029	$ 136,261	$ 396,629	$ 429,794	$ 320,320	$ 2,436,776	$ 18,960,250
Balance as of December 31, 2019	$ 790,615	$ 4,744,394	$ 7,538,244	$ -	$ 128,225	$ 425,197	$ 456,818	$ 437,540	$ 2,171,768	$ 16,692,801
Balance as of December 31, 2020	$ 761,593	$ 4,505,347	$ 7,254,166	$ -	$ 114,620	$ 361,623	$ 442,313	$ 412,715	$ 2,027,402	$ 15,879,778

14. **Intangible assets, net**

Intangible assets are comprised as follows:

Cost	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Balance as of January 1, 2019	$ 15,515,745	$ 525,592	$ 1,443,581	$ 1,534,295	$ 12,553,038	$ 31,572,251
Acquisitions	85,407	15,396	139,001	185,769	-	425,573
Business acquisition	608,076	-	308,701	-	19,823	936,600
Adjustment for currency conversion	(1,154,231)	(8,391)	43,580	(72,271)	-	(1,191,313)
Disposals	(152,513)	(10,068)	(446,916)	(2,302)	-	(611,799)
Restatement	99,570	40	-	-	-	99,610
Balance as of December 31, 2019	15,002,054	522,569	1,487,947	1,645,491	12,572,861	31,230,922
Acquisitions	33,881	110	160,076	209,849	-	403,916
Adjustment for currency conversion	553,775	149,145	227,883	126,510	477,505	1,534,818
Disposals	(93,080)	(3,689)	(25,128)	(3,787)	-	(125,684)
Restatement	58,734	1,711	8,228	3,343	-	72,016
Balance as of December 31, 2020	$ 15,555,364	$ 669,846	$ 1,859,006	$ 1,981,406	$ 13,050,366	$ 33,115,988

Amortization	Brand rights	Commissions for store opening	Franchise and use of locale rights	Licenses and developments	Goodwill	Total
Balance as of January 1, 2019	$ 1,483,851	$ 489,078	$ 597,291	$ 1,205,726	$ 16,953	$ 3,792,899
Amortization	182,621	286	154,466	175,184	-	512,557
Business acquisition	(143,522)	(4,656)	(23,083)	(10,340)	-	(181,601)
Adjustment for currency conversion	(178,218)	(46,736)	(9,676)	(52,186)	-	(286,816)
Disposals	24,180	211	(5,717)	-	-	18,674
Balance as of December 31, 2019	1,368,912	438,183	713,281	1,318,384	16,953	3,855,713
Amortization	143,572	91,748	72,698	100,294	-	408,312
Adjustment for currency conversion	57,383	39,046	1,011	118,490	-	215,930
Disposals	(98,206)	(3,649)	(18,548)	(18,660)	-	(139,063)
Restatement	(31,819)	(1,681)	(4,603)	(3,489)	-	(41,592)
Balance as of December 31, 2010	$ 1,439,842	$ 563,647	$ 763,838	$ 1,515,019	$ 16,953	$ 4,299,301
Net cost						
Balance as of January 1, 2019	$ 14,031,894	$ 36,514	$ 846,290	$ 328,569	$ 12,536,085	$ 27,779,352
Balance as of December 31, 2019	$ 13,633,142	$ 84,386	$ 774,666	$ 327,107	$ 12,555,908	$ 27,375,209
Balance as of December 31, 2020	$ 14,115,522	$ 106,199	$ 1,095,167	$ 466,387	$ 13,033,413	$ 28,816,687

As of December 31, 2020, derived from the COVID-19 pandemic, the entity recorded a loss in its brands El Portón, Stabucks Coffe, Burger King, Italiani's and Vips, for an amount of $220,000, affecting $58,163 to fixed assets and $161,837 to intangible assets.

15. **Operating lease agreements**

a. ***Operating leases, until December 31, 2018***

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.

The amounts of the lease payments derived from the operating leases related to the premises where the stores of the different Alsea brands are located are presented below. Rental expense derived from operating lease agreements related to the real estate housing the stores of the different Alsea brands are as follows:

	2018
Minimum lease payments	$ 3,944,744

b. ***Commitments non-cancellable operating leases***

	2018
Less than a year	$ 4,598,153
Between one and five years	24,731,869

c. ***Financial lease liabilities***

From 2014, the Entity 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. As of 2019, the lease liability on leases previously classified as finance leases under IAS 18 and previously presented under "Obligations under finance leases" is now presented under "Lease liability". There were no changes in the recognized liability. Future minimum lease payments and the present value of the minimum lease payments are summarized below:

	Minimum payments of leases 2018
Less than a year	$ 32,398
Between one and five years	113,295
More than five years	456,633
	602,326
Less future finance charges	(311,152)
Minimum lease payments	$ 291,174

	Present value of minimum payments of leases 2018
Less than a year	$ 6,799
Between one and five years	23,898
More than five years	260,477
Present value of minimum lease payments	$ 291,174
Included in the consolidated financial statements as:	
Short-term financial liability	$ 6,799
Long-term financial liability	284,375
	$ 291,174

16. **Investment in subsidiaries**

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

Name of subsidiary	Principal activity	2020	2019	2018
Panadería y Alimentos para Food Service, S.A. de C.V.	Distribution of Alsea brand foods	100.00%	100.00%	100.00%
Café Sirena, S. de R.L de C.V.	Operator of the Starbucks brand in Mexico	100.00%	100.00%	100.00%
Operadora de Franquicias Alsea, S.A. de C.V. (1)	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	100.00%	100.00%	100.00%
Gastrosur, S.A. de C.V.	Operator of the Chili's Grill & Bar brand in Mexico	100.00%	100.00%	100.00%
Fast Food Sudamericana, S.A.	Operator of the Burger King brand in Argentina	100.00%	100.00%	100.00%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	100.00%	100.00%	100.00%
Starbucks Coffee Argentina, S.R.L.	Operator of the Starbucks brand in Argentina	100.00%	100.00%	100.00%
Servicios Múltiples Empresariales ACD, S.A. de C.V. (before SOFOM E.N.R.)	Operator of Factoring and Financial Leasing in Mexico	100.00%	100.00%	100.00%
Asian Bistro Colombia, S.A.S.	Operator of the P.F. Chang's brand in Colombia	100.00%	100.00%	100.00%
Asian Bistro Argentina, S.R.L. (2)	Operator of the P.F. Chang's brand in Argentina	-	-	100.00%
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.03%	95.03%	95.03%
Asian Food, Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%	100.00%

Name of subsidiary	Principal activity	2020	2019	2018
Grupo Calpik, S.A.P.I. de C.V.	Operator of the California Pizza Kitchen brand in Mexico	100.00%	100.00%	100.00%
Especialista en Restaurantes de Comida Estilo Asiática, S.A. de C.V.	Operator of the P.F. Chang's brand in Mexico	100.00%	100.00%	100.00%
Distribuidora e Importadora Alsea, S.A. de C.V.	Distributor of foods and production materials for the Alsea and related brands	100.00%	100.00%	100.00%
Italcafé, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Grupo Amigos de San Ángel, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Grupo Amigos de Torreón, S.A. de C.V.	Operator of Italianni's brand	100.00%	100.00%	100.00%
Starbucks Coffee Chile, S.A.	Operator of the Starbucks brand in Chile	100.00%	100.00%	100.00%
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	100.00%	100.00%	100.00%
OPQR, S.A. de C.V.	Operator Brand Cheesecake Factory in Mexico	100.00%	100.00%	100.00%
Food Service Project, S.L. (Grupo Zena)	Operator of Spain	66.24%	66.24%	66.24%
Gastrococina Sur, S.P.A.	Operator of Chili's Grill & Bar in Chile	100.00%	100.00%	100.00%
Gastronomía Italiana en Colombia, S.A.S.	Operator of Archie´s brand in Colombia	97.60%	97.60%	97.60%
Sigla, S.A. (Grupo VIPS) (see Note 2)	Operator of the VIPS, VIPS Smart, Starbucks, GINOS, Fridays and Wagamama brands in Spain	100.00%	100.00%	100.00%
Café Sirena Uruguay, S.A.	Operator of Starbucks brand in Uruguay	100.00%	100.00%	100.00%
Operadora GB Sur, S.A. de C.V.	Operator of the Burger King and Domino's Pizza brand in Mexico	70.90%	70.90%	70.90%

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

17. **Investment in shares of associated companies**

At December 31, 2020, 2019 and 2018, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%) 2020	(%) 2019	(%) 2018	Main operations	Interest in associated company 2020	2019	2018
Operadora de Restaurantes AYB Polanco, S.A. de C.V. (1)	30.00%	30.00%	-	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ 12,691	$ 14,932	$ 14,296
Other investments					77,419	70,539	-
Total					$ 90,110	$ 85,471	$ 14,296

	(%) 2020	(%) 2019	(%) 2018	Main operations	Equity in results 2020	2019	2018
Operadora de Restaurantes AYB Polanco, S.A. de C.V (1)	30.00%	30.00%	-	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ (1,550)	$ 636	$ -
Other investments					(1,097)	(1,578)	-
Total					$ (2,647)	$ (942)	$ -

(1) On September 12, 2018, AFP Asesores de Franquicias, S.A. of C.V. (subsidiary of Alsea) signed an investment contract for $14,296 that represents 30% of the shareholding of Restaurant Operator AYB Polanco, S.A. de C.V.

Operadora de Restaurantes AYB Polanco, S.A. de C.V.

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

	2020	2019	2018
Current assets	$ 15,410	$ 14,263	$ -
Non-current assets	$ 38,160	$ 40,924	$ -
Current liabilities	$ 11,268	$ 5,413	$ -

	2020	2019	2018
Income	$ 19,379	$ 46,224	$ -
Net profit for the period	$ (5,166)	$ 2,120	$ -

18. Business combination

Subsidiaries acquired

Entity name	Main activity	Acquisition date	Proportion of shares acquired (%)	Consideration transferred
Clover	Operator of the Starbucks brand in France, Holland, Belgium and Luxembourg	February 25, 2019	100%	$ 1,109,933
Sigla, S.A.	Operator of the VIPS, VIPS Smart, Starbucks, GINOS, Fridays and Wagamama brands in Spain	December 27, 2018	100%	$ 10,618,697

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 Clover

During the months of January and February 2019, the acquisition process was concluded with Starbucks Coffee Company to obtain the full license and acquire the store operations of the Starbucks companies in France, the Netherlands, Belgium and Luxembourg and which together with its subsidiaries they are called Clover.

The consideration paid for the acquisition was €50 million after debt payable in cash (equivalent to MX $1,109,933).

The acquisition does not contemplate any contingent consideration.

The following is an analysis of the preliminary allocation of the cost of acquisition over the values of the net assets acquired and that are in the measurement stage according to IFRS 3. Since it is in the measurement period, the preliminary amounts below are subject to change:

Concept	Fair value
Current assets	
Cash and cash equivalents	$ 188,675
Customers, net	199,078
Inventories, net	15,648
Advance payments	110,237
Long-term assets:	
Store equipment, leasehold improvements and property, net	477,359
Intangible assets, net	936,600
Guarantee deposits	55,927
Deferred income taxes	21,287

Concept	Fair value
Current liabilities:	
Suppliers and other accounts payable	(590,044)
Long-term liabilities:	
Deferred income taxes	(183,845)
Other liabilities	(140,812)
Fair value of net assets	1,090,110
Considerations paid in cash	1,109,933
Goodwill	$ 19,823

The goodwill that arises from the acquisition of Clover, derives from the paid consideration that included amounts related to the benefits of operating more than 270 establishments between corporate and franchisees, expecting a market growth with a development plan for the next five years in the market, likewise the adjacent benefits mainly income growth, synergies expected in the operation and in the purchase of inputs. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash flows related to the acquisition of the subsidiary total $921,258, corresponding to the consideration paid in cash of $1,109,933, less cash and cash and cash equivalent balances acquired for $188,675.

If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period would have been $933,045 and revenues would have been $58,371,001. Acquisition expenses related to this transaction amounted to $42,006, which is shown within other expenses (income).

Acquisition of Sigla

On December 27, 2019, the acquisition process was concluded for the majority stockholders and founders, led by the Arango family and ProA Capital Iberian Buyout Fund II, F.C.R., a Spanish company, whereby 100% of the common stock of the company known as Sigla, S.A., established under the laws of Spain and which, in conjunction with its subsidiaries is known as Grupo VIPS.

As of December 31, 2018, a consideration paid for €500 million euros was considered, however, this figure was made up of a contribution made after the takeover by Grupo Zena and should not have been considered as part of the price paid. The final consideration paid for the acquisition was €471 million euros after debt payable in cash (equivalent to $10,618,697). At the same time, the previous shareholders of Grupo Zena, the Arango family and ProA Capital, reinvested €75 million (equivalent to MX $1,711,703 (thousand)), through a capital increase in Grupo Zena, after which they became minority shareholders.

The acquisition does not contemplate any contingent consideration. This transaction establishes a purchase and sale option for 12.70% of the share capital during the 7-year period as of the acquisition date, which was recorded under IFRS 9, *Financial Instruments*: *Presentation* (Note 22).

In December 2019, 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	$	413,716	$	-	$	413,716
Accounts receivable and other accounts receivable		431,694		(231,897)		199,797
Inventories		369,541		-		369,541
Advance payments		-		7,707		7,707
Long-term assets:						
Store equipment, leasehold improvements and property, net		2,707,972		(206,975)		2,500,997
Intangible assets, net		125,085		6,842,156		6,967,241
Guarantee deposits		-		185,252		185,252
Deferred income taxes		457,679		102,687		560,366
Current liabilities:						
Accounts payable to suppliers and other accounts payable		(1,802,471)		(159,043)		(1,961,514)
Current maturities of long-term debt		(1,713)		1,713		-
Long-term liabilities:						
Other liabilities		(150,654)		44,158		(106,496)
Long – term debt, not including current maturities		(2,481,009)		(1,788)		(2,482,797)
Deferred income taxes		(12,198)		(1,698,335)		(1,710,533)
Fair value of net assets		57,642		4,885,635		4,943,277
Considerations paid in cash		10,618,697		-		10,618,697
Goodwill	$	10,561,055	$	(4,885,635)	$	5,675,420

The goodwill that arises from the acquisition of Grupo VIPS, derives from the paid consideration that included amounts related to the benefits of operating more than 400 establishments between corporate and franchisees, expecting a market growth with a development plan for the next five years in the market, likewise the adjacent benefits mainly income growth, synergies expected in the operation and in the purchase of inputs. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash flows related to the acquisition of the subsidiary total $10,204,981, corresponding to the consideration paid in cash of $10,618,697, less cash and cash and cash equivalent balances acquired for $413,716.

If the acquisition had occurred at beginning of year, Alsea's consolidated net profit for the period would have been $682,777 and revenues would have been $54,849,482. Acquisition expenses related to this transaction amounted to $54,172, which is shown within other expenses.

19. Goodwill

Assignment of goodwill to cash generating units

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

Concept		2020		2019		2018 (Restated)
Burger King	$	1,336,967	$	1,336,967	$	1,336,967
Domino's Pizza		1,078,622		1,078,622		1,078,622
Chili's		26,614		26,614		26,614
Italianni's		785,816		785,816		785,816
Vips		3,058,697		3,058,697		3,058,697
Starbucks Coffee		368,513		368,513		368,513
Foster's Hollywood		198,598		198,598		198,598
Grupo Vips Spain (See Note 18)		3,662,326		3,374,722		3,374,722
Ginos		1,224,095		1,127,665		1,127,665
Starbucks Spain		917,727		845,431		845,431
Fridays		6,006		5,534		5,534
British Sandwich Factory		349,609		322,068		322,068
Clover		19,823		19,823		-
Cañas and Tapas		-		6,838		6,838
	$	13,033,413	$	12,555,908	$	12,536,085

As of December 31, 2020, 2019 and 2018, the studies carried out on the impairment tests concluded that the goodwill has no impairment.

20. **Long-term debt**

Long-term debt at December 31, 2020, 2019 and 2018 is comprised of unsecured loans, as shown below:

Bank	Type of credit	Currency	Rate	Maturity	2020	2019	2018 (Restated)
Sindicado	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2023	$ 4,432,195	$ 4,533,800	$ 3,681,937
Sindicado	Simple credit	Euros	Variable rate Euribor +1.25%	2023	10,312,875	8,969,600	8,872,628
Sindicado	Simple credit	Euros	Euribor + 3.25%	2021	2,500,000	-	-
Bank of America	Simple credit	Mexican pesos	6.11% (Fixed rate)	2020	-	-	1,000,000
Sumitomo	Simple credit	Mexican pesos	Euribor + 1.60%	2021	599,223	-	-
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	Simple credit	Mexican pesos	Variable rate TIIE +1%	2025	1,668,413	1,668,411	1,661,002
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2021	155,000	113,628	152,893
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	285,993	-
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.1%	2021	-	400,000	400,000
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.15%	2025	993,526	-	-
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2022	283,594	287,500	285,369
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.65%	2020	-	-	200,000
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.50%	2020	-	-	120,000
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.65%	2020	-	-	130,000
Banco Santander, S.A.	Simple credit	Euros	Euribor + 1.35%	2022	243,802		
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	-	200,000
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	-	200,000
BBVA Bancomer, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.75%	2020	-	-	400,000
Sindicado	Simple credit	Argentine pesos	Euribor + 1.25%	2023	-	-	19,466
Clover ING	Simple credit	Euros	Euribor + 1.95%	2022	1,145,869	411,072	819,999
Clover Rabobank	Simple credit	Euros	Euribor + 1.95%	2022	-	411,072	-
Banca March	Simple credit	Euros	Euribor + 1.50%	2020	243,802	205,536	-
Banco Unión Argentina	Simple credit	Argentine pesos	29% (Fixed rate)	2019	-	-	19,466
Banco Unión Argentina	Simple credit	Argentine pesos	29.25% (Fixed rate)	2019	-	-	27,253
Banco HSBC, S.A.	Simple credit	Argentine pesos	29% (Fixed rate)	2019	-	-	106,157
Banco Citibank	Simple credit	Argentine pesos	29.25% (Fixed rate)	2019	-	-	107,079
Banco Citibank Argentina	Simple credit	Argentine pesos	29.50% (Fixed rate)	2019	-	-	71,628
Santander Chile, S.A.	Simple credit	Chilean pesos	3.6% (Fixed rate)	2020	-	121,504	151,880
Santander Chile, S.A.	Simple credit	Chilean pesos	Variable rate TIIE +0.41%	2021	83,182	-	-
Banco de Chile	Simple credit	Chilean pesos	29% (Fixed rate)	2024	93,888	-	-
Bankia Icos	Simple credit	Euros	Euribor + 1.85%	2022	243,802	-	-
Sabadel Icos	Simple credit	Euros	Euribor + 2.20%	2023	136,773	-	-
Santander Icos	Simple credit	Euros	Euribor + 2.10%	2022	341,323	-	-
BBVA Icos	Simple credit	Euros	Euribor + 2.75%	2025	243,801	-	-
Ibercaja Icos	Simple credit	Euros	Euribor + 1.75%	2023	24,380	-	-
Abanca Icos	Simple credit	Euros	Euribor + 1.75%	2023	48,760	-	-
Caja rural Icos	Simple credit	Euros	Euribor + 1.60%	2023	36,571	-	-
BNP CIC	Simple credit	Euros	Euribor + 2%	2025	365,704	-	-
Santander Totta	Simple credit	Euros	Euribor + 1.50%	2026	36,570	-	-
					24,233,053	17,408,116	18,626,757
			Less - current portion		(24,233,053)	(305,668)	(2,586,553)
			Long-term debt maturities		$ -	$ 17,102,448	$ 16,040,204

Annual debt maturities at December 31, 2020 are as follows:

Year	Amount
2021	$ 4,838,775
2022	6,332,063
2023	11,244,335
2024	728,380
2025	1,089,500
	$ 24,233,053

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2020, 2019 and 2018, all such obligations have been duly met.

The declaration of the COVID-19 pandemic that emerged in 2020 had a great impact on the restaurant industry and on the Entity's operations, affecting the operation of restaurants.
The foregoing had effects on income, operating results, and cash generation, mainly. As of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $19,394 million, causing short-term liabilities to significantly exceed short-term assets at that date.

On April 5, 2021, the Entity formalized a new negotiation of the conditions of the credit, which establish new debt obligations, which allows the Entity to have certainty about its fulfillment for the twelve-months period ending December 31, 2021.
The Entity has undertaken a series of internal actions to ensure the viability and the success of its operations will depend upon the continuity of the pandemic and the measures taken by different governments with respect to the operation of restaurants, as well as the ability of the management to generate income and liquidity.

The Entity's management is in the process of formalizing the contractual extension of the term of its short-term loan contracts to renegotiate the maturities that it will have during 2021, which will be formally approved during May 2021.

The Entity as of December 31, 2020, has lines of credit contracted for 75,700 million Euros.

21. Debt instruments

In May 2019, the Entity placed of debt instruments worth $1,350,000 over 5 years as from the issuance date, maturing in May 2024. Those instruments will accrue interest at the 28-day TIIE rate plus 0.95 percentage points; and other debt instrument worth $2,650,000 over 7 years as from the issue date, maturing in May 2026. Those instruments will accrue interest at a fixed rate of 10.01%.

In October 2017, the Entity placed of debt instruments worth $1,000,000 over 5 years as from the issuance date, maturing in September 2022. Those instruments will accrue interest at the 28-day TIIE rate plus 0.90 percentage points; and other debt instrument worth $2,000,000 over 10 years as from the issue date, maturing in September 2027. Those instruments will accrue interest at a fixed rate of 8.85%.

In March 2015, the Entity 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 2025. Those instruments will accrue interest at a fixed rate of 8.07%.

The balance at December 31, 2020, 2019 and 2018 amounts to $7,979,149, $7,973,765 and $6,983,244, respectively.

Year	Amount
2022	$ 1,000,000
2024	1,350,000
2025	979,149
2026	2,650,000
2027	2,000,000
	$ 7,979,149

As of December 31, 2020, the entity has to comply with certain covenants, as well as to maintain certain financial ratios related to bank loans, which were met at year-end; However, there are other covenants, as well as financial ratios for the twelve-month period ending December 31, 2021, from which only waivers were obtained by their bank creditors until June 30, 2021, and at year-end the Entity has no certainty they could be complied, as established by IAS 1 Presentation of Financial Statements, indicating the long-term debt shall be classified as current. The amount of this debt was reclassified in the short term in the consolidated statement of financial position amounting to $7,979 million, causing short-term liabilities to significantly exceed short-term assets at that date.

22. **Long-term liabilities, option to sell noncontrolling interest**

In October 2014, the Entity acquired Grupo Zena; as a result, it has the right to sell to Alsea its noncontrolling interest for 28.24% in other investors, upon completion of the fourth year after the acquisition (original agreement). In compliance with IFRS 9, *Financial Instruments*, the present value of the estimated debt that will be liquidated at the time the sale option is exercised should be recognized in accordance with the clauses of the contract. The initial recognition of such debt is recognized as a supplemental equity account and every year its revaluation affects the result for the year.

On October 30, 2018, an agreement was signed for purchase and sale options, termination of the stockholders' agreement and a commitment to sign a new stockholders' agreement, ratified on December 27, 2019, whereby the following agreements were reached:

1. Terminate the original stockholders' agreement and formalize this new agreement.
2. The minority stockholders invested €75 million in Grupo Zena, which resulted in the acquisition of 7.7% of the common stock of Grupo Zena by such minority stockholders.
3. Britania Investments, S.A.R.I. has the right to sell to Alsea its noncontrolling interest in other investors equal to 21.06%, in April 2019. In compliance with IFRS 9, Financial Instruments, the present value of the estimated debt that will be liquidated at the time the sale option is exercised should be recorded in accordance with the contract clauses. The net amount between termination of the agreement mentioned in the first point and recognition of the new right was recorded net in the consolidated statement of changes in stockholders' equity under Reserve for purchase of noncontrolling interest, for the amount of $659,252 as of December 31, 2019.
4. Britania Investments, S.A.R.I., on June 20, 2019, signs a new agreement in which a fixed amount of €111 million euros is agreed, which will be liquidated when exercising the put option according to the clauses of the new agreement to take effect no later than June 2022. The present value of the estimated debt as of December 31, 2020 and 2019 as of $2,701,407 and $2,304,864, respectively.
5. In the new agreement Grupo Zena has the right to sell to Alsea 12.7% of its noncontrolling interest in other investors upon completion of the seventh year after the acquisition; such right will be liquidated through delivery of the variable number of shares of Alsea. Consequently, in accordance with IFRS 9, it is accounted for as a financial derivative that will be settled at the time the sale option is exercised in accordance with the contract clauses. The liability will be restated every year up to the date on which the option is exercised, and the effects generated subsequently will be recognized in the statement of income. The financial liability derived from the sale option as of December 31, 2020 and 2019 is $50,178 and $17,436, respectively.

23. **Income taxes**

The Entity is subject to ISR. Under the ISR Law the rate for 2020, 2019 and 2018 was 30% and will continue at 30% and thereafter. The Entity incurred ISR on a consolidated basis until 2013 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 long-term 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 2018 Tax Law, given that as of December 31, 2014, 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.

The ISR liability as of December 31, 2017 is $19,892 related to the effects for benefits and fiscal deconsolidation, which was paid in 2018.

In Chile, in September 2014, the government gradually enacted a rate increase in its tax reform according to the following 25.5% for 2017, by 2018, 2019 and 2020 the rate will be 27%, according to the taxation system chosen. The change in The First Category tax was enacted in July 2010.

In Colombia, the applicable tax provisions stipulate that the rate applicable to income tax for taxable years 2018 and 2019 is 33%, 32% for 2020, 31% for 2021 and 30% from the 2022 taxable year. Likewise, for taxable bases over $800,000,000 Colombian pesos must settle a surcharge of 4% for the year 2018 that will not be applicable from 2019. In any event, from the 2018 taxable year, the taxable amount of income tax may not be less than 3.5% of the liquid assets of the immediately before, this percentage will be reduced to 1.5% for taxable years 2019 and 2020 and 0% from the 2021 taxable year.

In addition, tax losses determined from 2017 may be offset by liquid income earned within twelve (12) years. The term for offsetting presumptive income excesses will remain five (5) years. These tax credits cannot be tax reset.

In Argentina, i.- Income tax: The Entity applies the deferred method to recognize the accounting effects of income tax; the tax rate was 30% for the year 2018 and 2019 and 25% from 2020.; this change was suspended until fiscal years commrising from 1 January 2021 inclusive, the reduction in the aforementioned income tax aliquot will remain at 30% during the suspension period. In addition, withholding tax on dividends for accrued profits will be 7% during the same period. (ii.- Presumed minimum earnings tax (IGMP), the company determined the IGMP by applying the 1% rate on computable assets at the end of the 2018 financial year; from 2019 on this tax was repealed. -

In Spain, tax reforms, which include the reduction of this tax rate 25% in 2020, 2019 and 2018, 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. As of 2021, the tax exemption on dividends and capital gains is limited from 100% to 95%, so that 5% of income will be taxed in Spain without said adjustment being eliminated in consolidation. Similarly, as part of these tax reforms, tax losses will be applicable without a time limitation; until 2015, the right to apply such losses expired after 18 years.

The tax rates established for the financial year 2020, in the rest of the countries in which Alsea is present in Europe are as follows:

- Portugal: 21%.
- France: 28%
- Netherlands: First 200,000 euros at 16.5%, the rest at 25.00%.
- Belgium: 25%
- Luxembourg: 16.05% plus solidarity and municipal surcharges (includes the solidarity surcharge of 7% on the CIT amount).

a. ***Income taxes recognized in income***

	2020	2019	2018
Current	$ 465,379	$ 988,600	$ 836,509
Deferred	(1,664,467)	(353,180)	(138,215)
	$ (1,199,088)	$ 635,420	$ 698,294

The tax expense attributable to income before ISR differs from that arrived at by applying the 30% statutory rate in 2020, 2019 and 2018 due to the following items:

	2020	2019	2018
Statutory income tax rate	(30%)	30%	30%
Non-deductible expenses	2%	6%	6%
Effects of inflation and others	3%	9%	11%
Fixed asset update	1%	(3%)	(7%)
Others	1%	(5%)	(2%)
Effective consolidated income tax rate	(23%)	37%	38%

b. ***Deferred taxes in the statement of financial position***

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

	2020	2019	2018 (restated)
Deferred (assets) liabilities:			
Estimation for doubtful accounts and inventory obsolescence	$ (29,897)	$ (29,048)	$ (28,802)
Liability provisions	(995,418)	(657,526)	(743,666)
Advances from customers	(64,507)	(121,311)	(38,180)
Unamortized tax losses	(969,854)	(568,505)	(586,659)
Store equipment, leasehold improvements and property	1,596,223	1,748,904	2,228,491
Advance payments	162,095	156,988	73,293
	$ (301,358)	$ 529,502	$ 904,477

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:

	2020	2019	2018 (restated)
Deferred tax assets	$ 4,665,412	$ 3,835,593	$ 2,867,571
Deferred tax liabilities	4,364,054	4,365,095	3,772,048
	$ (301,358)	$ 529,502	$ 904,477

d. ***Deferred income tax balances***

2020	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences:					
Estimation for doubtful accounts and inventory obsolescence	$ (29,048)	$ (849)	$ -	$ -	$ (29,897)
Liability provisions	(657,526)	(250,628)	(87,263)	-	(995,417)
Advances from customers	(121,311)	56,804	-	-	(64,507)
Store equipment, leasehold improvements and property	1,748,904	(1,073,552)	920,870	-	1,596,222
Prepaid expenses	156,988	5,107	-	-	162,095
	1,098,007	(1,263,118)	833,607	-	668,496
Tax loss carryforwards and unused tax credits:					
Tax loss carryforwards	(568,505)	(401,349)	-	-	(969,854)
	$ 529,502	$ (1,664,467)	$ 833,607	$ -	$ (301,358)

2019	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences:					
Estimation for doubtful accounts and inventory obsolescence	$ (28,802)	$ (246)	$ -	$ -	$ (29,048)
Liability provisions	(743,666)	177,382	5,437	(96,679)	(657,526)
Advances from customers	(38,180)	(83,131)	-	-	(121,311)
Store equipment, leasehold improvements and property	2,228,491	(549,034)	156,613	(87,166)	1,748,904)
Prepaid expenses	73,293	83,695	-	-	156,988
	1,491,136	(371,334)	162,050	(183,845)	1,098,007
Tax loss carryforwards and unused tax credits:					
Tax loss carryforwards	(586,659)	18,154	-	-	(568,505)
	$ 904,477	$ (353,180)	$ 162,050	$ (183,845)	$ 529,502

2018 (restated)	Beginning balance	Recognized in profit or loss	Recognized in stockholders' equity	Acquisitions	Ending balance
Temporary differences					
Estimation for doubtful accounts and inventory obsolescence	$ (2,347)	$ (26,455)	$ -	$ -	$ (28,802)
Liability provisions	(623,225)	(125,079)	78,030	(73,392)	(743,666)
Advances from customers	(164,635)	126,455	-	-	(38,180)
Store equipment, leasehold improvements and property	471,310	30,044	196,829	1,530,308	2,228,491
Prepaid expenses	123,515	(50,222)	-	-	73,293
	(195,382)	(45,257)	274,859	1,456,916	1,491,136
Tax loss carryforwards and unused tax credits					
Tax loss carryforwards	(186,952)	(92,958)	-	(306,749)	(586,659)
	$ (382,334)	$ (138,215)	$ 274,859	$ 1,150,167	$ 904,477

The benefits of restated tax loss carryforwards 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, 2020, are:

Year of maturity	Amortizable losses	Country
2023	$ 12,103	Mexico
2024	84,111	Mexico
2025	261,962	Mexico
2026	102,966	Mexico
2027	130,658	Mexico
2028	259,130	Mexico
2029	996,703	Mexico
2030	1,555,070	Mexico
Losses of entities abroad without expiration	2,122,390	Spain
Losses of entities abroad without expiration	812,010	Chile
2022	234	Argentina
2023	39,315	Argentina
2023	28,055	Argentina
Losses of entities abroad without expiration	211	Colombia
	$ 6,404,918	

24. **Employee retirement benefits**

Defined contribution plans

Retirement plan is established with the objective of offering benefits in addition to and complementary to
those provided by other public retirement plans.

The total revenue recognized in the consolidated statements of income and other comprehensive income is $(31,277), $69,689 and $35,411 in 2020, 2019 and 2018, respectively.

The net cost for the period related to obligations derived from seniority premiums amounted to $23,838, $1,669 and $($522) in 2020, 2019 and 2018, respectively.

25. **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 2019.

The Entity's capital structure consists of the net debt (the loans described in Note 20, 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 26).

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, 2020, 2019 and 2018, 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, 2019 and 2018, 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.

  As of December 31, 2020, the company agreed, through a waiver, not to measure the financial restriction established in the Entity's credit agreements corresponding to the ratio of Total Debt to EBITDA in the last twelve months.

b. ***Financial instrument categories***

	2020	2019	2018 (restated)
Financial assets			
Cash and cash equivalents	$ 3,932,409	$ 2,568,771	$ 1,987,857
Loans and accounts receivable at amortized cost	1,620,775	1,447,221	793,221
Financial liabilities at amortized cost			
Suppliers by merchandise	2,949,829	2,327,048	2,290,788
Factoring of suppliers	654,115	889,046	757,976
Current maturities of long-term debt	24,233,053	305,668	2,586,553
Current maturities of financial lease liabilities	4,207,633	3,915,338	6,799
Long-term debt, not including current maturities	-	17,102,448	16,040,204
Non-current financial lease liabilities	21,092,417	19,542,694	284,375
Debt instruments	7,979,149	7,973,765	6,983,244

c. ***Objectives of managing financial risks***

Among the main associated financial risks that the Entity has identified and to which it is exposed are: (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 consolidated 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 33 shows foreign currency positions at December 31, 2020, 2019 and 2018. 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, 2020, 2019 and 2018.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Notional amount/ face value (thousands of USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Fair value (thousands of USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Amounts of maturities (thousands of USD)
Forwards	Long	Economic	21.0200 USDMXN	19.8727 USDMXN	19.6512 USDMXN	78,100	28,350	62,650	$ 1,738	$ 2,450	$ 147	78,100
Options	Long	Economic	20.9100 USDMXN	19.8727 USDMXN	19.6512 USDMXN	11,200	31,250	56,400	$ 2,697	$ 267	$ 18,880	11,200

1. ***Foreign currency sensitivity analysis***

At December 31, 2020, 2019 and 2018, the Entity has contracted hedging in order to purchase US dollars for the next 12 months, a total of $89.3, $59 and $119 million dollars, respectively, at the average exchange rate of $21.69, $19.45 and $19.16 pesos per US dollar, respectively the valuation is based on an average exchange rate of $19.94, $19.00 and $19.65, pesos per US dollar, respectively, over the next 12 months as of December 31, 2020, 2019 and 2018. The initial price of currency derivatives is ($89.3), $(3.9) and $(10.9) million Mexican pesos, respectively, 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, 2020 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, 2020 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, 2020, 2019 and 2018, a total of 539, 603 and 465 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 240.3, 329.7 and 275.6 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, 2020, 2019 and 2018, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately 89, 59 and 119 million USD, at the average exchange rate of $20.69, $19.45 y $19.16 pesos to the dollar, respectively.

At December 31, 2020, 2019 and 2018, 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.

At December 31, 2020, the Entity has a total debt of $32,212 million pesos, this debt was contracted at a fixed rate and a variable rate; in addition to the above, it was decided to apply a risk management strategy in order to you mitigate the fluctuations of the interest rate staying in a mix of rates where 39% is fixed at a weighted rate of 8.11%, and 61% at a variable rate, this strategy has generated a positive result for the Entity.

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, 2020, 2019 and 2018.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Notional amount/ face value (USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Fair value (USD) 31/12/2020 current	31/12/2019 previous	31/12/2018 previous	Amounts of expiration (thousands of USD)
IRS Plain Vanilla	Long	Coverage	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	208,817	207,495	187,853	$ (1,302)	$ 11,565	$ 20,413	$ 207,495
IRS Plain Vanilla	Long	Economic	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	87,032	144,161	107,326	$ (906)	$ 723	$ (7,251)	$ 144,161
Capped IRS	Long	Economic	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	8.5956% - TIIE 28 d	65,211	32,890	33,263	$ (766)	$ 89	$ (53)	$ 32,890

1. <u>Analysis of interest rate sensitivity</u>

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, 2020 close, the increase in financial costs is of approximately $247.8 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, with approximately 49% coverage of the debt.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $186.3 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 $124.8 million.

The previous scenarios were carried out on the bank and stock market debt contracted in Mexican pesos with 28-day TIIE floating rate, which represents about 7.26% of the total debt contracted by the Entity.

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 has identified in its portfolio a credit risk among its derivative financial instruments designed as cash flow hedges, since are measured at fair value.

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, 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 close of December 31, 2020 and 2018, the Entity has incurred in 28 and 13 margin calls just in 2020 and 2019 respectively. At December 31, 2019 has had no margin calls.

At December 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, that risk amounts to $5,629,155, $4,072,609 and $3,012,975, 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 Entity 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.

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, 2020	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	6.48%	$ 24,233,053	$ -	$ -	$ -	$ -	$ 24,233,053
Debt instruments	8.13%	7,979,149	-	-	-	-	7,979,149
Financial leasing	4.00%	4,207,744	3,946,443	3,638,393	2,936,185	10,571,285	25,300,050
Derivatives		89,839	-	-	-	-	89,839
Suppliers		2,949,829	-	-	-	-	2,949,829
Factoring of suppliers (1)		654,115	-	-	-	-	654,115
Total		$ 40,113,729	$ 3,946,443	$ 3,638,393	$ 2,936,185	$ 10,571,285	$ 61,206,035

As of December 31, 2019	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	8.76%	$ 1,093,453	$ 1,558,759	$ 2,394,325	$ 13,906,439	$ 1,139,110	$ 20,092,086
Debt instruments	9.03%	735,841	735,841	1,715,588	648,077	8,554,678	12,390,025
Financial leasing	4.00%	4,574,273	3,950,863	3,308,716	2,846,815	11,077,714	25,758,381
Derivatives		3,904	-	-	-	-	3,904
Suppliers		2,327,048	-	-	-	-	2,327,048
Factoring of suppliers (1)		889,046	-	-	-	-	889,046
Total		$ 9,623,565	$ 6,245,463	$ 7,418,629	$ 17,401,331	$ 20,771,502	$ 61,460,490

As of December 31, 2018 (restated)	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	9.53%	$ 3,093,379	$ 1,090,172	$ 2,726,458	$ 6,358,985	$ 7,277,773	$ 20,546,767
Debt instruments	9.18%	640,446	3,397,887	353,787	1,325,103	3,789,577	9,506,800
Financial leasing	4.00%	32,398	32,398	32,398	32,398	472,734	602,326
Derivatives		10,361	-	-	-	-	10,361
Suppliers		2,290,788	-	-	-	-	2,290,788
Factoring of suppliers (1)		757,976	-	-	-	-	757,976
Total		$ 6,825,348	$ 4,520,457	$ 3,112,643	$ 7,716,486	$ 11,540,084	$ 33,715,018

(1) The policy of payment to suppliers is 90 days, for which the Entity signed financial factoring contracts backed by credit lines with financial institutions, through which a supplier can contact the financial institution to collect the any invoice in particular, previously approved by Alsea, before the payment date, which ends the payment obligation of Alsea to the supplier; in turn, Alsea will settle the balance to the financial institution on the due date for the invoice, in accordance with the terms previously agreed with the supplier. This transaction has no cost to Alsea, provided that the balances are liquidated in a timely manner, the balances not settled in a timely manner will be subject to a default interest that will be determined by the financial institution; Additionally, Alsea receives a commission for the balances discounted by the suppliers. These amounts have been classified as factoring of suppliers in the statement of financial position.

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
	12/31/2020	12/31/2019	12/31/2018	
1) Forwards and currency options agreements	$ (34,637)	$ 46,244	$ 147,543	Level 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.			
2) Interest rate swaps	$ (53,771)	$ 5,041	$ 18,880	Level 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.			

During the period there were no transfers between level 1 and 3

(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, 2020, 2019 and 2018, 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.

j. ***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:

Alsea

Financial liabilities	12/31/2020 Carrying value	12/31/2020 Fair value	12/31/2019 Carrying value	12/31/2019 Fair value	12/31/2018 Carrying value	12/31/2018 Fair value
Financial liabilities maintained at amortized cost:						
Suppliers	$ 2,949,829	$ 2,949,829	$ 2,327,048	$ 2,327,048	$ 2,290,788	$ 2,290,788
Factoring of suppliers	654,115	654,115	889,046	889,046	757,976	757,976
Bank loans	24,233,053	25,796,432	305,668	322,187	2,586,553	2,702,880
Obligation under finance leases	4,207,633	4,207,633	3,915,338	3,915,338	6,799	6,799
Long-term bank loans	-	-	17,102,448	17,102,448	16,040,204	16,040,204
Non-current financial lease liabilities	21,092,417	21,092,417	19,542,694	19,542,694	284,375	284,375
Debt instruments	7,979,149	8,442,256	7,973,765	8,243,744	6,983,244	6,809,099
Total	$ 61,116,196	$ 63,142,682	$ 52,056,007	$ 52,342,505	$ 28,949,939	$ 28,892,121

Financial liabilities 2020	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 24,233,053
Current maturities of financial lease liabilities	4,207,633
Non-current financial lease liabilities	21,092,417
Debt instruments	7,979,149
Total	$ 57,512,252

Financial liabilities 2019	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 305,668
Current maturities of financial lease liabilities	3,915,338
Long-term bank loans	17,102,448
Non-current financial lease liabilities	19,542,694
Debt instruments	7,973,765
Total	$ 48,839,913

Financial liabilities 2018	Level 2
Financial liabilities maintained at amortized cost:	
Bank loans	$ 2,586,553
Current maturities of financial lease liabilities	6,799
Long-term bank loans	16,040,204
Non-current financial lease liabilities	284,375
Debt instruments	6,983,244
Total	$ 25,901,175

Valuation

Alsea

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 meet the requirements related to financial instruments, will come from the resources generated by Alsea.

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

26. 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 actions	Thousands of pesos social capital	Premium in issuance of shares
Figures as of January 1, 2019	835,640,182	$ 478,749	$ 8,444,420
Placement of actions	2,938,543	-	226,453
Figures as of December 31, 2019	838,578,725	478,749	8,670,873
Placement of actions	-	-	5,954
Figures as of December 31, 2020	838,578,725	478,749	$ 8,676,827

As discussed in Note 22, Grupo Zena has the sale option of the noncontrolling interest of Alsea. On October 30, 2018, Alsea and the investors of Grupo Zena entered into a new agreement for purchase and sale options, termination of the stockholders' agreement and a commitment to sign a new stockholders' agreement, which was ratified on December 27, 2018, and stipulates the termination of the original stockholders' agreement and the formalization of this new agreement, whereby Grupo Zena has the right to sell to Alsea its noncontrolling interest in other investors equal to 21.06% of the equity of Grupo Zena. The net amount between the termination of the original agreement and recognition of the new right was recorded net in the consolidated statement of changes in stockholders' equity under Reserve for purchase of noncontrolling interest, in the amount of $659,252, as of December 31, 2018.

In April 2018, Alsea declared a dividend payment of $654,091 with a charge to the after-tax earnings account, which is to be paid against net earnings at $0.78 (zero pesos seventy and eight cents) per share. The Treasury society must make payment on April 23, 2018 for $654,091.

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.

b. ***Stockholders' equity restrictions***

I. 5% of net earnings for the period must be set aside to create the legal reserve until it reaches 20% of the capital stock. At December 31, 2020, 2019 and 2018, the legal reserve amounted to $100,736, which amount does not reach the required 20%.

II. Dividends paid out of accumulated profits will be free of ISR if they come from the CUFIN and for the surplus 30% will be paid on the result of multiplying the dividend paid by the update factor. The tax arising from the payment of the dividend that does not come from the CUFIN will be charged to the Entity and may be credited against the corporate ISR for the following two years.

27. Non-controlling interest

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

		Amount
Ending balance at January 1, 2019 (Restated)	$	1,878,742
Equity in results for the year ended December 31, 2019		158,064
Other movements in capital		(75,243)
Ending balance at December 31, 2019		1,961,563
Equity in results for the year ended December 31, 2020		(659,884)
Other movements in capital		28,767
Ending balance at December 31, 2020	$	1,330,446

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

Subsidiary	Country	Percentages of the non-controlling interest			Income (loss) attributable to the non-controlling interest			Accumulated non-controlling interest		
		31/12/2020	31/12/2019	31/12/2018	31/12/2020	31/12/2019	31/12/2018	31/12/2020	31/12/2019	31/12/2018
Food Service Project, S.L. (Grupo Zena)	Spain	33.76%	33.76%	33.76%	$ (617,817)	$ 169,700	$ 200,690	$ 1,179,805	$ 1,797,622	$ 1,704,079
Operadora de Franquicias Alsea, S.A. de C.V.	Mexico	20.00%	20.00%	20.00%	(35,908)	2,530	(8,350)	30,340	66,248	63,718
Estrella Andina, S.A.S.	Colombia	30.00%	30.00%	30.00%	(10,757)	(12,404)	(10,936)	47,804	58,561	65,114

28. 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, 2020, 2019 and 2018, 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:

	2020	2019	2018
Net profit (in thousands of Mexican pesos):			
Attributable to shareholders	$ (3,235,574)	$ 926,669	$ 953,251
Shares (in thousands of shares):			
Weighted average of shares outstanding	838,579	838,579	835,640
Basic and diluted net income per share of continuous and discontinued operations (cents per share)	$ (3.86)	$ 1.11	$ 1.14
Basic and diluted net income per share of continuous operations (cents per share)	$ (3.86)	$ 1.11	$ 1.14

29. Revenues

	2020	2019	2018
Revenues from the sale of goods	$ 37,403,800	$ 56,594,841	$ 44,991,698
Services	676,154	850,163	742,915
Royalties	415,466	709,613	421,977
Total	$ 38,495,420	$ 58,154,617	$ 46,156,590

For the year ended December 31, 2020, operating income decreased 34% compared to the year ended December 31, 2019, primarily driven by the effects of the COVID-19 pandemic.

30. Cost of sales

The costs and expenses included in other operating costs and expenses in the consolidated statements of income are as follows:

	2020	2019	2018
Food and beverage of costs	$ 10,873,059	$ 16,457,416	$ 13,438,000
Royalties of costs	96,524	160,732	158,930
Other costs	485,301	545,873	590,578
Total	$ 11,454,884	$ 17,164,021	$ 14,187,508

31. 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 period ended December 31, 2020, 2019 and 2018 was of approximately $137,839, $134,000 and $185,740, respectively.

This amount includes emoluments determined by the General Assembly of Shareholders of the Entity for the performance of their positions during said fiscal year, as well as salaries and salaries.

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

32. Financial information by segments

The Entity is organized into three large operating divisions comprised of sales of food and beverages in Mexico and South America (LATAM - Argentina, Chile, Colombia and Uruguay) and Europe (Spain, Portugal, France, Netherlands, Belgic and Luxemburg) 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, Europe 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 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, 2020, 2019 and 2018 is as follows:
(figures in millions of pesos).

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

	Food and beverages			Food and beverages			Food and beverages					
	Mexico			LATAM			Europe			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Income												
From third parties	$ 19,067	$ 27,217	$ 25,462	$ 5,568	$ 9,732	$ 10,832	$ 13,861	$ 21,206	$ 9,862	$ 38,496	$ 58,155	$ 46,156
Income	19,067	27,217	25,462	5,568	9,732	10,832	13,861	21,206	9,862	38,496	58,155	46,156
Costs	6,018	8,398	8,032	1,954	3,190	3,430	3,483	5,576	2,726	11,455	17,164	14,188
Operating costs	7,750	10,066	11,530	2,749	4,710	5,906	6,830	9,834	5,220	17,329	24,610	22,656
EBITDA store	5,299	8,753	5,900	865	1,832	1,496	3,548	5,796	1,916	9,712	16,381	9,312
Depreciation and amortization	3,616	3,921	2,123	1,015	907	572	3,804	3,219	419	8,435	8,047	3,114
Non-operating expenses	1,263	1,617	1,553	283	664	803	1,178	1,482	549	2,724	3,763	2,905
Utility operation	420	3,215	2,224	(433)	261	121	(1,434)	1,095	948	(1,447)	4,571	3,293
Interest paid										3,226	3,123	1,628
Earned interests										(119)	(101)	(57)
Other financial expenses										468	(172)	(115)
										3,575	2,850	1,456
Participation in associates										(3)	(1)	-
Income taxes										(1,178)	635	698
Consolidated net income for the year										(3,847)	1,085	1,139
Noncontrolling interest										(660)	158	186
Majority net income										$ (3,187)	$ 927	$ 953

	Food and beverages			Food and beverages			Food and beverages					
	Mexico			LATAM			Europe			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Assets	$ 50,009	$ 46,557	$ 23,610	$ 6,570	$ 4,922	$ 5,469	$ 25,044	$ 21,077	$ 6,652	$ 81,623	$ 72,556	$ 35,731
Investment in productive assets												
Investment in associates	(435)	85	14	525	-	-	-	-	-	90	85	14
Investment in Fixed Assets and Intangible	747	1,718	3,014	243	649	1,155	784	1,404	16,242	1,774	3,771	20,411
Total assets	$ 50,321	$ 48,360	$ 26,638	$ 7,338	$ 5,571	$ 6,624	$ 25,828	$ 22,481	$ 22,894	$ 83,487	$ 76,412	$ 56,156
Total liability	$ 48,203	$ 39,818	$ 25,315	$ 3,792	$ 2,466	$ 1,638	$ 23,809	$ 22,586	$ 15,751	$ 75,804	$ 64,870	$ 42,704

33. **Foreign currency position**

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2020, 2019 and 2018, are as follows:

	Thousands of Mexican pesos 2020	Thousands of Mexican pesos 2019	Thousands of Mexican pesos 2018
Assets	$ 4,028,843	$ 3,238,135	$ 2,331,077
Liabilities	(19,872,347)	(15,310,246)	(14,955,348)
Net monetary liability position	$ (15,843,504)	$ (12,072,111)	$ (12,624,271)

The exchange rate to the US dollar at December 31, 2020, 2019 and 2018 was $19.91, $18.87 and $19.65, respectively. At April 14, 2021, date of issuance of the consolidated financial statements, the exchange rate was $20.07 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2020, 2019 and 2018 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin 2020	Currency	Closing exchange rate	Issuance April 14, 2021
Argentina	Argentinian peso (ARP)	0.2369	0.2164
Chile	Chilean peso (CLP)	0.0280	0.0283
Colombia	Colombian peso (COP)	0.0058	0.0054
Spain	Euro (EUR)	24.3802	23.9767

Country of origin 2019	Currency	Closing exchange rate
Argentina	Argentinian peso (ARP)	0.5192
Chile	Chilean peso (CLP)	0.0283
Colombia	Colombian peso (COP)	0.0061
Spain	Euro (EUR)	22.5340

Country of origin 2018	Currency	Closing exchange rate
Argentina	Argentinian peso (ARP)	1.0509
Chile	Chilean peso (CLP)	0.0321
Colombia	Colombian peso (COP)	0.0066
Spain	Euro (EUR)	23.6587

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	MXP
Asian Food Ltda,	Chile	CLP	CLP	MXP
Gastronomía Italiana en Colombia, S.A.S.	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

34. **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 15).

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

c) In the normal 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.

d) In the signed contracts with third parties, the Entity is entitled to comply with certain mandatory clauses; some of the main mandatory clauses are related to capital investments and opening of restaurants. As of December 31, 2020, derived from the Covid-19 pandemic, it was business to limit the investment of new stores until the recovery of sales as normal. As of December 31, 2019 and 2018, these obligations have been met.

Contingent liabilities:

a. In September 2014, the Finance Department of Mexico City determined taxable income for the company denominated Italcafé, S.A. de C.V. (Italcafé) based on amounts deposited in its bank accounts derived from different restaurants owned by Grupo Amigos de San Ángel, S.A. de C.V. (GASA), however, that these revenues were accumulated by the latter company giving it all the corresponding tax effects , that authority concluded that the observations were partially called into effect, and in January 2019, Italcafé brought an action for invalidity against the partial favourable decision, trial continues in legal process and in analysis by the Superior Chamber of the First Section of the Tax Court who shall be appointed to issue the decision.

In March 2019, the Tax Administration Service (SAT) determined tax liabilities for GASA and

Italcafé derived from the review performed for 2010 and 2011, respectively, with regard to the deposits made in their bank accounts. Accordingly, the companies filed a motion for reconsideration and, in August and November 2019, filed a proceeding for annulment against the rulings issued in the motions for reconsideration. The trial continues in its legal process.

Please note that the former owners of GASA and Italcafé will assume the economic effects derived from the aforementioned tax liability due to the terms and conditions established in the agreements executed by Alsea with these vendors.

b. The tax authorities conducted an inspection of Alsea and its subsidiary, Operadora Alsea de Restaurantes Mexicanos, S.A., de C.V. (OARM) for 2014, which primarily focused on tax aspects related to the transactions performed to acquire the Vips division from Wal-Mart de México, S.A.B. de C.V. that year.

The tax authorities issued payment requests, the most significant of which requests the payment of taxes for alleged income derived from the acquisition of goods from ALSEA for the total amount of $3,881 million pesos, including restatement.

Alsea and its external attorneys consider that they have sufficient elements to show that the payment requests issued by the tax authorities are unlawful, while demonstrating that Alsea has fulfilled its tax obligations in time and form with regard to the aforementioned purchase-sale transaction; for this reason, an Administrative Appeal was lodged with the tax authorities on 23 March 2020, which is under review. I do not know, a provision has not been created for this purpose.

Appeals for revocation have been filed with the tax authorities, which are still pending resolution, in order to make an adequate assessment of all the elements to be established to establish the improperness of the abovementan settlements.

The transaction was recorded for accounting purposes according to IFRS and, more specifically, International Accounting Standards (IAS) 27 and 28, *Consolidated and separate financial statements, and Investments in Associates and Joint Ventures*, respectively. These standards establish that, in a business combination, the surplus value forming part of the book value of an investment in a subsidiary is not recognized separately; i.e., the surplus value generated by the acquisition of Vips must be presented together with the investment in shares in the separate financial statements of OARM because it does not fulfill the definition of a separate asset in the individual financial statements.

In the separate financial statements of Alsea, the acquisition of the VIPS Brand is only referred to as the acquisition of the intellectual property of the VIPS brand.

Alsea applied the accounting or purchase method contained in IFRS 3, Business combination, which is only applicable to the buyer in the Entity's consolidated financial statements. When applying this method, the assets and liabilities acquired through the purchase of this business included the identified intangible assets of the acquired company, the assets and liabilities covered by the previous terms are matched with the amount paid and the difference between these values is recorded as surplus value at the consolidated level.

As discussed above, purchase accounting is a special accounting treatment; the

respective adjustments are only recognized in the consolidated financial statements, but are not recognized in the financial statements of the acquired entity or in the separate financial statements of the buyer.

35. Subsequent events

On April 5, 2021, Alsea has negotiated with all banks an extension to suspend the calculation of certain covenants for their credit contracts, (primarily those related to the gross leverage ratio and the interest coverage ratio) effective from April 1, 2021 to June 30, 2022. By doing so Alsea is a stronger position to continue facing the impact of the COVID-19 pandemic and to ensure the continuity of its priority strategic projects, the operation of its restaurants in optimal conditions, as well as the continued organic growth of the Entity.

In addition, Alsea has assumed the following commitments during the aforementioned period, which will be
reviewed with the banks on a monthly basis:

- Maximum indebtedness:
  - The debt that the company has in Mexican pesos should not exceed 19.4 billion Mexican pesos or its equivalent in U.S. dollars or Chilean pesos.
  - The debt that the company has in euros must not exceed 615 million euros or its equivalent in U.S. dollars or Chilean pesos.
- Minimum liquidity:
  - During this period, the company agrees to maintain a minimum liquidity level of 3 billion pesos.
- Minimum consolidated stockholders' equity:
  - During this period, the company must maintain a minimum consolidated stockholders' equity of 6.9 billion pesos.
- Capital expenditure (Capex):
  - The company agrees not to exceed 800 million pesos in capital expenditure per quarter during the established period.

The Entity has undertaken a series of internal actions to ensure the viability and their success will depend upon the continuityof the pandemic and the measures taken by different governments regarding the operation of the restaurants, as well as the ability to the management to generate income and liquidity.

36. Authorization of consolidated financial statement

The consolidated financial statements were authorized for issuance on April, 14 2021 by Mr. Rafael Contreras Grosskelwing, 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.

Alsea

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IPC Sustentable · ESR Empresa Socialmente Responsable · United Nations Global Compact · Dow Jones Sustainability Indexes

- We have been listed on the Sustainable IPC of the BMV since 2013.
- CEMEFI has recognized us for eight consecutive years as a Socially Responsible Company
- We are joined the United Nations Global Compact since 2011
- Third year in the Dow Jones Sustainability Index

See here our previous annual reports: https://www.alsea.net/sustentabilidad/informes-anuales

Alsea