
ANNUAL REPORT
2021
Alsea
our Purpose is clear...

13:13
It's a great day for coffee
Sign in
Orders
STARBUCKS REWARDS™
Join Rewards
to be
WHEREVER & WHENEVER
THEY
want


TRANSFORM EACH
dish
into a
UNIQUE
experience
chili's


Domino's
to have a
positive
IMPACT
ON OUR
planet

Our purpose is:

We bring happiness & EXPERIENCES FULL of flavor

Alsea

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

We currently operate 4,262 units in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Belgium, Netherlands, Luxembourg and Uruguay. Our business model includes support for all business units through a Shared Services Center, providing support in Administrative, Development and Supply Chain processes.

4,262 UNITS

3,289 CORPORATE UNITS
973 FRANCHISES

MEXICO	2,174	1,789	385
COLOMBIA	207	165	42
CHILE	201	201	-
ARGENTINA	246	246	-
URUGUAY	10	10	
SPAIN	1,072	770	302
FRANCE	201	71	130
PORTUGAL	24	21	3
NETHERLANDS	90	16	74
BELGIUM	33	-	33
LUXEMBOURG	4	-	4

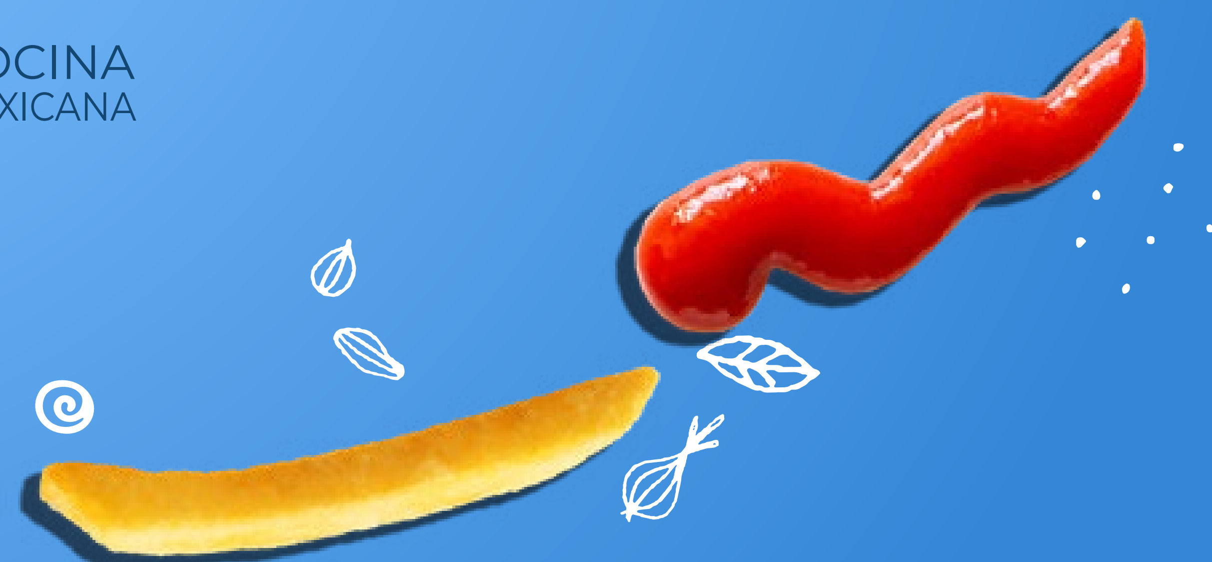
10 LOGISTICS CENTERS

Operated by Third Parties
ARGENTINA 1 center
URUGUAY 1 center
CHILE 1 center
EUROPE 3 centers

Owned by Alsea
MEXICO 5 ceenters
COLOMBIA 2 enters

SEGMENTS

	FAST FOOD RESTAURANT	CAFETERIA	CASUAL FOOD	FAMILY RESTAURANT	FAST-CASUAL FOOD
units	1,700	1,552	602	364	44
%	40%	36%	14%	9%	1%
	Domino's Burger King	Starbucks	Chili's Italiannis P.F. Chang's The Cheesecake Factory Ole Mole TGI Fridays Ginos Ristorante Archies Foster's Hollywood Cocina Mexicana	Vips VIPS	Foster's Hollywood Street VIPS Smart



We operate the most prestigious and renowned brands in each of their segments, in all the countries where we have a presence.

2021

+70,000 employees

48% women
52% men

+2.6 million hours of training

37.9 average hours per employee

11 countries

17 brands

4,262 units

77% corporate units
23% franchises

764,000+ meals served by "It's on Me" (Va por mi Cuenta) in Mexico

4.6M+ mdp donated to Community Development programs

3.5M+ pesos allocated to Education and Employability programs

alignment with the UN Global Compact **SDGs***

alliance for Social Responsibility in Mexico

inclusion in the S&P Dow Jones Sustainability Mila Index

* Sustainable Development Goals

KEY
FINANCIAL RESULTS[1]

SALES

EBITDA

784.5
Net Income

9.0%
ROE[4]

30.7%
VMT

4,262
units

	CAGR 2016-2021	ANNUAL GROWTH	2021	%	2020	%
OUTCOME						
Net Sales	7.2%	38.7%	53,379.5	100.0%	38,495.4	100.0%
Gross Profit	7.8%	39.7%	37,788.2	70.8%	27,040.5	70.2%
Operating Profit	N.A.	N.A.	4,132.9	7.7%	(1,517.5)	(3.9%)
EBITDA[2]	19.0%	78.0%	12,311.3	23.1%	6,917.7	18.0%
Consolidated Net Income	N.A.	N.A.	784.5	1.5%	(3,895.5)	(10.1%)
BALANCE						
Total Assets		(0.6%)	82,977.6		83,437.9	
Cash		75.3%	6,893.4		3,932.4	
Liability Costs		(3.5%)	55,492.4		57,512.3	
Majority Stockholders' Equity		21.2%	7,639.2		6,303.4	
RENTABILIDAD						
ROIC[3]		N.A.	6.5%		(3.3%)	
ROE[4]		N.A.	9.0%		(51.0%)	
STOCK MARKET SHARE DATA						
Price		46.6%	37.95		25.89	
Earnings per share		N.A.	1.00		(3.86)	
Dividend		N.A.	-		-	
Book Value per Share		13.6%	10.34		9.10	
Outstanding shares*		0.0%	838.6		838.6	
OPERATION						
Total Number of Units	5.9%	1.6%	4,262		4,193	
Employees	0.7%	18.8%	70,827		59,636	

This outcome is the result of the commitment and dedication of our employees, responsible management with a long-term vision, and the implementation of a sustained growth strategy that has allowed us to achieve positive growth rates.

In 2021, we achieved a growth of 4% in net sales and 10% in EBITDA, according to the Compound Annual Growth Rate from 2015 to 2020.

[1] Figures in millions of nominal pesos under IFRS standards (including the IFRS 16 effect and the effect referring to restatement due to hyperinflation in Argentina), except data per share, number of units and employees.
[2] EBITDA is defined as operating income before depreciation and amortization.
[3] ROIC is defined as operating income after taxes divided by net operating investments (total assets-cash and short-term investments-liabilities without cost).
[4] ROE is defined as net income divided by stockholders' equity.
[5] CAGR Compound Annual Growth Rate from 2016 to 2021.

Dear friends,

Alsea is the best example to show that commitment, unity and the ability to adapt without losing sight of the objectives, are crucial factors in facing challenges.

Thus, we are proud to present our 2021 Annual Report that tells the story of a positive economic, environmental, social, and corporate governance outcome.

The results we are sharing today were produced by a team of employees who are passionate about providing quality services, focused on our corporate purpose to deliver happiness and experiences full of flavor. That is the essence of Alsea because everything our brands do is aimed at guaranteeing happy moments through quality, warmth and innovation.

We are very proud of our performance in 2021—a pivotal year marked by sustained growth in net sales—which were up 38.7% compared to 2020 to stand at MXN 53.379 billion, combined with a positive EBITDA with 78% growth for a total of MXN 12.311 billion. This increase was due primarily to sales recovery and expense and cost efficiencies managed with a price strategy and an enhanced mix of products and promotions in response to rising pressure on costs. At the end of 2021, we had 4,262 units, including 3,289 company units and 973 franchises, generating more than 70,000 direct jobs.

We also invested in an additional stake in Alsea Europe together with Bain Capital Credit. Alsea now owns 76.8% of the Company's operations in Europe, with Bain Capital Credit holding a 10.5% stake and other minority shareholders holding the rest.

Although restaurant traffic has gradually normalized, food delivery sales totaling MXN 12.5 billion maintained their position as a valuable sales channel for our customers, with a 41.1% increase compared to 2020, representing a 23.4% share in the Company's consolidated sales. These results confirm that consumers will continue to opt for home delivery services; therefore, our omnichannel strategy will remain a constant to ensure that we are always where consumers want us to be when and where ever they need us.

In Mexico, we launched Wow+ featuring delivery services, a loyalty program and restaurant experiences for all of our brands across the nation, with more than 1.3 million active users registered at year-end.

We also launched the Starbucks Mobile Order and Pay App in Mexico that consumers can use to read our menu, order and pay from their mobile devices, reload and check their balances, and enjoy access to personalized promotions. In 2022, we plan to launch this initiative in the other geographies where we have a presence.

In 2021, we renewed our sustainability model structured around three pillars centered on Growth, Development and Balance. We are committed to achieving our 2030 Goals for Environmental, Social and Corporate Governance (ESG) and working hard because we know that market leaders have enormous responsibilities.

One example of this is that 63% of our units in Mexico use clean energy. In Argentina, Chile, and Mexico, we collected more than 1,000,000 liters of oil in our stores to recycle and transform it into biodiesel, and at Burger King Argentina, we replaced dessert containers with poly paper.

We are very proud of the award we received from the Association of Food & Health Professionals (APSAL, acronym in Spanish) in the "LATAM Corporate Social Responsibility" category for our plan to ensure energy efficiencies and recycle and reuse resources in both our stores and the Alsea Southern Cone Support Centers. This achievement resulted from our work to positively impact the region by recycling materials and reducing energy consumption.

Our social initiatives are centered on three priority aspects: fighting food poverty, generating education and employment opportunities, and promoting community development through various programs and the help provided by civil society organizations.

Thanks to this social support, we completed our ninth annual fundraising campaign for the Va por mi Cuenta (It's on Me) Movement, raising MXN 33 million that will be used to provide nutritious meals to the most vulnerable populations in Mexico. In addition, in 2021, we served more than 700,000 meals in our 14 soup kitchens to more than 6,800 families and gave out more than 133 tons of in-kind donations, producing a positive impact on more than 260,000 individuals.

We received a Corporate Social Responsibility award for the tenth year running. Beginning in 2013, Alsea has been listed on the IPC Sustainability Quotes Index of the Mexican Stock Exchange. It has been part of the Dow Jones Sustainability Index since 2018, where we improved our overall score by ten points. Like every year since 2011, we reaffirmed our pledge to the ten Sustainable Development principles of the UN Global Compact and the Sustainable Development Goals.

Good Corporate Governance is the cornerstone of our organization; therefore, I am pleased to inform you that Leticia Jáuregui joined our Board of Directors in 2021 as an independent director who will contribute her knowledge as an expert in innovation strategies and exponential technologies. We reaffirmed our dedication to consolidating an inclusive community with greater representation of women in key roles with this appointment.

In addition, Fernando González joined the Alsea team as Deputy CEO in June 2021 and in January 2022, he became global CEO. Fernando shares our vision and philosophy. His experience contributes to helping us achieve the strategic objectives established by the Board of Directors and to continue building a healthy future for our Company.

I am proud to belong to Alsea, the leading Company in the restaurant sector in Latin America and Europe with the most successful brands in its segments and a team of employees fully committed to our customers, service and the community.

These months serving as Deputy CEO were a discovery phase that gave me an understanding of the business and its details while also experiencing the Company's culture and verifying why Alsea has consistently consolidated a history of achievements over the last 30 years.

We are the sum of unique experiences and happy spaces and are devoted to our customers, our people and our community.

I am committed to taking Alsea into its next development chapter as we focus on maintaining our good results and increasing our Company's success.

Today we are a more agile, efficient and competitive company, well-positioned to face the new macroeconomic environment. We have a revitalized sense of commitment to continue putting our hearts into everything we do and ***delivering happiness and experiences full of flavor.***

ALBERTO TORRADO
Chairman of the Alsea Board of Directors

FERNANDO GONZÁLEZ
Alsea CEO
April 2022

SUSTAINABILITY
AT ALSEA

Our reason for being is to deliver experiences full of flavor to our customers, creating a positive impact on our employees, the environment and the communities we serve.

At Alsea, we consistently strive for economic prosperity that promotes human well-being and social equity, significantly reducing the environmental risks generated by our operation.

Our strategy is based on three pillars underpinned by our Corporate Governance as a transversal focal point.

Environmental, Social and Corporate Governance Model

CORPORATE GOVERNANCE
It guides the Company's course and strategic decisions, ensures management's transparency, drives the coexistence of our values and guarantees our purpose.

GROWTH
It includes all aspects of our business operation with a clear focus on our customers' preferences and needs. It promotes the transparency of our products through responsible labeling and advertising practices inside and outside our restaurants.

DEVELOPMENT
It combines the work we do for people: our team and the community.

It promotes our employees' comprehensive development, improving conditions to guarantee a fair, inclusive, diverse, dignified and safe work environment so they can harmonize their career and personal lives.

It seeks to ensure food security for vulnerable communities and promotes human development through initiatives that favor education and employability.

BALANCE
It drives and promotes care for the environment through the efficient use of resources: energy, water, supplies and waste.

SUSTAINABILITY MANAGEMENT

We established three levels of operation to meet our sustainability goals and create shared value:

1. GOVERNMENT LEVEL

It comprises the Company's Board of Directors, in charge of defining the sustainability strategy and supervising compliance with the established activities and initiatives.

The Board delegates the responsibility of managing the organization's impacts on economic, environmental and social issues to its management team, whose function is to give an account of their actions at the quarterly Regular General Meetings.

2. STRATEGIC LEVEL

It is responsible for identifying surrounding and stakeholder needs and proposing initiatives that respond to concerns related to social, economic, environmental, and business ethics.

3. OPERATIONAL LEVEL

It comprises four commissions created to support the execution of initiatives based on the priorities established.

COMMISSIONS AND PRIORITY ISSUES

Responsible consumption

- Nutritional communication
- Food safety & health
- Sustainable consumption

Quality of life

- Job security
- Health and well-being to boost productivity
- Culture of diversity and inclusion in the workplace
- Financial well-being

Environment

- Energía
- Agua
- Insumos
- Residuos

Community development

- Fighting against hunger
- Education and employability
- Culture

This Model is managed locally and globally to align policies and strategies with the requirements specific to each region.

We also rely on international guidelines and standards to promote initiatives that respond to the challenges of the Global Sustainability Agenda:

- We received a Corporate Social Responsibility award from the Mexican Center for Philanthropy (CEMEFI) for the tenth year running.
- Since 2011, we have adhered to the ten principles of the UN Global Compact to respond to the Sustainable Development Goals.
- We have been listed on the Sustainable IPC of the Mexican Stock Exchange since 2013.
- We have been listed on the Dow Jones Sustainability Index since 2018.

OBJECTIVES

OF OUR SUSTAINABILITY STRATEGY

1 Identify the risks and opportunities inherent to our operation.

2 Create initiatives that contribute to generating positive economic, social and environmental impacts.

3 Measure and monitor the progress of established initiatives.

4 Provide clarity and transparency in sustainability processes.

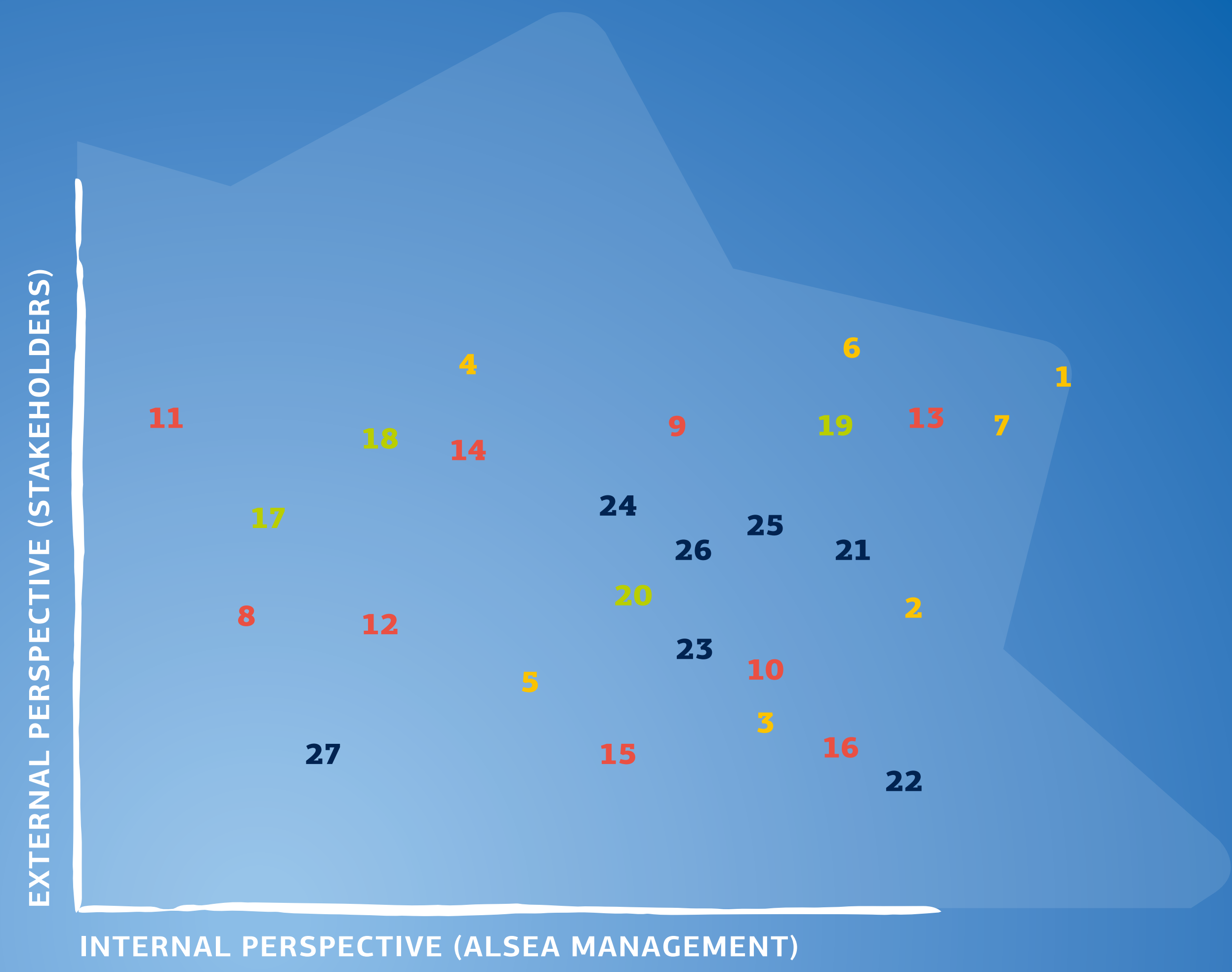
ESR Empresa Socialmente Responsable · United Nations Global Compact · IPC Sustentable · Dow Jones Sustainability Indexes

ALSEA MATERIALITY

In 2020, we updated our materiality analysis to generate a positive impact in terms of sustainability, promoting reflection and permeating corporate responsibility, with special attention to the needs of the groups with whom we interact.

Integrating these expectations, demands and concerns improves the quality of the information we use to make better decisions. We updated the study under the framework of our four strategic commissions: **Responsible Consumption, Quality of Life, Environment and Community Development, integrated into the three pillars of our renewed Sustainability Strategy.**

Aspects such as our corporate philosophy, identification of business risks and opportunities, strategic plan and global challenges were evaluated in relation to our stakeholders' expectations, resulting in a list of material issues that impact our performance as a Company.



GROWTH
1. Business strategy
2. Preferences, Value and Brand Loyalty
3. Responsible Digitization
4. Responsible Sourcing
5. Food waste
6. Customer's well-being
7. Food Quality & Safety

DEVELOPMENT
8. Talent Management
9. Equality, Diversity and Inclusion
10. Culture and Organizational Climate
11. Employee Training
12. Human Rights
13. Health & Security
14. Community and Philanthropy
15. Culture and Social Commitment
16. Local Impact of Operations

BALANCE
17. Water
18. Energy and Emissions
19. Waste and Pollution
20. Climate Strategy

CORPORATE GOVERNANCE
21. Ethics and Compliance
22. Corporate Governance
23. Policies and Regulation
24. Risk Management and Social Responsibility Management
25. Communication and Transparency
26. Stakeholder Relations
27. Information Security and Privacy

OUR STAKEHOLDERS

At Alsea, we are fully transparent with our stakeholders, providing clear and timely information on Corporate Governance, economic, social, and environmental matters.

For Alsea, the most important thing is *to deliver happiness and experiences full of flavor.* Hence, we have the best talent who shares our vision and the pride of belonging to this Company to achieve this goal.

We believe that a culture based on high ethical standards allows us to build a healthy work environment.

Clear and timely communications reinforce trust in the Company

INVESTOR PARTNERS
- Shareholders' meeting
- Results report
- Phone conversations
- Annual report
- Email and website
- Meetings
- Live and remote meetings
- Investor and Analysts Days
- Sending relevant communications
- Monthly newsletter
- Correct line

EMPLOYEES
- Internal newsletters
- Communication boards
- Workplace
- Messages from the CEO
- Internal communication campaigns
- Screens
- Annual report
- Email and website
- Live and remote events and conventions
- Monthly newsletter
- Correct line

GOVERNMENT
- Participation in events
- Reports
- Meetings
- Annual report
- Email and website
- Phone calls
- Official announcements
- Monthly newsletter
- Correct line

CUSTOMERS
- Communication in restaurants
- Social media
- Mass media
- Annual report
- Email and website
- Communication campaigns
- Marketing campaigns
- Digital apps
- Loyalty programs
- Monthly newsletter
- Correct line

COMMUNITY
- Evaluation visits
- Participatory diagnoses
- Work meetings
- Control and reporting meetings
- Annual report
- Email and website
- Participation in forums
- Live and remote events
- Social media
- Monthly newsletter
- Correct line

SUPPLIERS
- Visits
- Annual report
- Email and website
- Monthly newsletter
- Phone calls
- Monthly newsletter
- Correct line

NGOs
- Evaluation visits
- Participatory diagnoses
- Work meetings
- Control and reporting meetings
- Annual report
- Email and website
- Participation in forums and events
- Monthly newsletter
- Correct line

MEDIA
- Social media
- Annual report
- Email and website
- Press releases
- Live and remote events and activations
- Shipping of special kits and product
- 1:1 meetings
- Interviews
- Monthly newsletter
- Correct line

GROWTH

CREATING A BUSINESS MODEL THAT CREATES VALUE

The strength of our customer-focused business model, a philosophy with clear values, a strong brand portfolio, and our commitment to sustainable development allow us to position ourselves as a leading company in our sector.

SUPPLY CHAIN

One of our primary commitments is to offer products and services that exceed customer expectations.

To achieve this, we maintain strict control of our supply chain, from strategic planning and supplier selection to in-restaurant services and home delivery.

This value chain managed internally in Mexico and externally in South America and Europe, works in coordination with a support department to optimize and ensure the sustainability of our processes. We promote initiatives in terms of energy efficiency, actions against climate change, proper management and efficient consumption of resources, as well as responsible waste management.

Thus, our Code of Ethics and the Global Purchasing Policy offer guidelines to minimize risk in each process. For this, we establish solid relationships with our suppliers, based on transparency and mutual trust, with alliances centered on sustainable management.

Seven synchronous processes to bring the necessary supplies to each store on time

LOGISTICS AND DISTRIBUTION
Takes delivery, stocks and transports orders to stores

HR, FINANCE AND TECHNOLOGY
Provides full-time support to our entire value chain

SECURITY
Identifies, controls and corrects all aspects that could represent operational or labor risks.

PLANNING AND SUPPLY
Organizes the phases of the chain, guaranteeing its effectiveness.

PROCUREMENT
Selects and develops supply sources and approves suppliers.

MANUFACTURE
Makes our products (pizza dough, bread, buns, soups, etc.)

QUALITY
Protects our customers' health and our brand image and value.

STRATEGIC PILLARS

1. To be the best foodservice logistics operator in Mexico.
2. To have a highly professional, upright and committed team.
3. To exceed our customers' and investors' expectations.
4. To care for the environment and quality of life of our employees.

We use planning to organize all phases of the chain to ensure the supply of products and the fulfillment of each process on time.

PLANNING

In 2021, despite global health restrictions, the work done by our supply chain and proper decision-making allowed us to achieve 99.1% of InStock: our best result in recent years. We continue to consolidate our collaborative processes with the brands, which led us to achieve a forecast assertiveness of over 94%. We managed our inventories by promoting "A" products and supplies with a risk of shortages, thereby reducing inventory closing by two days and increasing rotation compared to 2020. We maintained our input purification process, reducing our catalog of active codes by an average of 20% against our prior year's totals.

PURCHASING

This Department is responsible for ensuring the best supply network for goods and services, generating synergies and critical mass between brands and countries. During the last year, we focused on containing inflation and guaranteeing supply through early negotiations with suppliers, prioritizing local development and dual sourcing.

Our Global Purchasing Policy establishes the principles that govern our business relations based on respect, professionalism, and mutual benefit to guarantee the best market conditions.

With this we seek to promote healthy competition with equal opportunity for all.

Supplier Approval

Our supplier approval procedure considers supply and service facilitators that influence our products' quality and food safety.

The franchises also apply commercial criteria and ensure adherence to the operating protocols established for each brand.

In order to guarantee the quality and traceability of raw materials throughout the value chain, as well as compliance with our Quality and Food Safety Policy, we require that all our suppliers have some type of certification recognized by the Global Food Safety Initiative (GFSI).

For suppliers in the process of being certified, conditional approval is granted as long as they comply with manufacturing good practices and have an Analysis of Critical Control Points (APCC) system certified by a third party.

Supplier Audits

To strengthen compliance with the requirements established in terms of health and food safety, we audit suppliers to verify the quality management systems in their facilities and processes.

In 2021, due to the pandemic, our supplier activities continued to focus on auditing the most critical or new suppliers and strictly monitoring the performance of current suppliers, to prevent quality and food safety incidents.

Our Global Purchasing Policy, approval procedures, risk management and supplier audits allow us to extend our health and safety commitments to the entire supply chain.

Raw materials and key suppliers

Alsea Mexico has 3,304 suppliers representing more than MXN 16 billion in spending; 83% are Mexican,[1] and 17% are international,[2] while 12% are food and raw material suppliers, with the remaining 88% providing other types of supplies and services. In Spain, we have 3,515 suppliers representing more than MXN 7 billion in spending; 77% are of national origin[3] and 23% are international.[4]

SUPPLIERS 2020	DOMESTIC	INTERNATIONAL
Mexico	82.00%	18.00%
Chile	93.00%	7.00%
Argentina and Uruguay	88.20%	11.8%
Spain	96.00%	4.00%

Foreign Trade

Ensures the proper operation of the export and import of products, goods, raw materials, and finished products according to each country's regulations. Despite the global supply chain crisis, we closed our import costs 2% below the prior year.

1 Suppliers residing in Mexico
2 Suppliers outside of Mexico
3 Suppliers residing in Spain
4 Suppliers outside of Spain

We promote projects to improve the efficiency of production lines with best practices and execution criteria.

MANUFACTURE

Our Manufacturing Department is responsible for producing quality products that are the first purchase option for Alsea brands and third parties in the following categories: fresh dough and par-bake for pizza, bread and buns, pastries, sandwiches, soups, sauces, cooked dishes and different cuts of meat. In 2021, we focused on ensuring our Company's profits and optimizing operations to share best practices and standardize execution criteria. We also continued to train and certify personnel in their different activities.

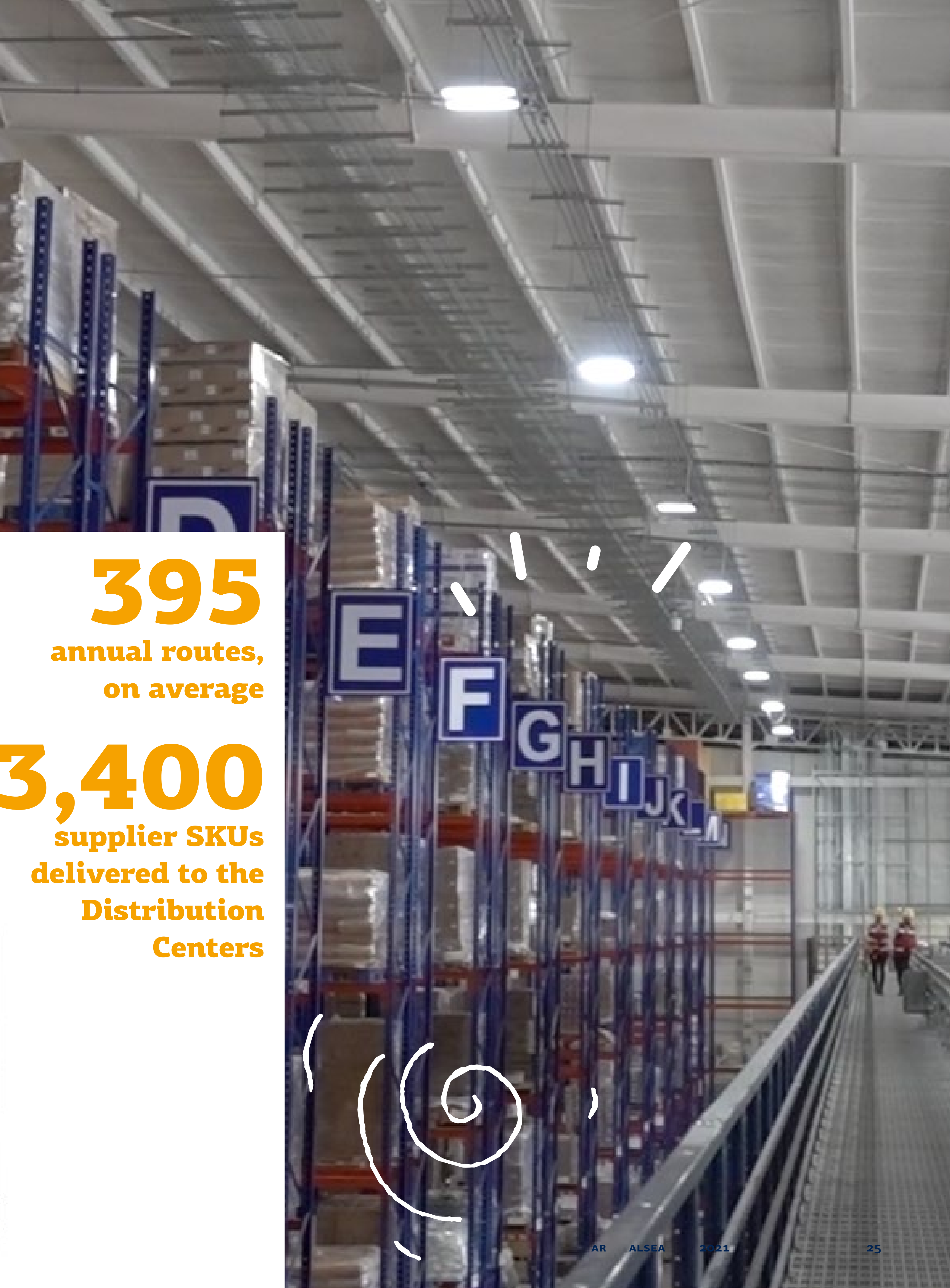
This year, we added 31 new products to meet our customers' needs and exceed their expectations.

QUALITY

This Department is responsible for protecting the health of our customers, with high standards of excellence for our products, from their design to their consumption.

In 2021, we applied for Social Responsibility Certification and continued our efforts to reduce safety risks, resulting in a 12.6% decrease in consumer complaints vs. 2020 and 37% vs. 2019.

The Logistics and Distribution Department is responsible for receiving, supplying, shipping and transporting brand orders to restaurants to guarantee our service and ensure an amazing customer experience.



LOGISTICS AND DISTRIBUTION

One of the most relevant achievements in terms of distribution was the implementation of a program to reduce our routes by 6%.

In Mexico, DIA *(Distribuidora e Importadora Alsea)* operates a vehicle maintenance department in each distribution center that services 213 units nationwide, providing an average of 750 services per month. It provides preventive and corrective maintenance, thermos and bodywork repairs, and cleaning and sanitization services.

We have ten distribution centers in strategic areas to ensure the supply and distribution of products to our establishments in Mexico, Colombia, Argentina, Chile and Uruguay.

On the other hand, Alsea Europe operates a centralized purchasing system for all its geographical points. Its supply chain is managed by two logistics operators responsible for everything from purchasing merchandise to distribution in the centers. In order to guarantee compliance with the required specifications, the process is verified by Alsea, which also plays a mediating role between operators, centers and departments in ensuring the efficient resolution of incidents.

395
annual routes, on average

3,400
supplier SKUs delivered to the Distribution Centers

Alsea Operations Center AOC

The Alsea Operations Center (AOC) integrates the supply chain.

It makes dough, bread and buns, sandwiches, processed foods and cuts of meat. It is designed to support our growth plans, thanks to its state-of-the-art systems and technology that ensure the timely delivery of weekly supplies to more than 1,400 stores.

252 cities

2,017 points of sale

12.6M+ km traveled

733,971 boxes delivered

3,753 deliveries

395 annual routes, on average

Mexico's weekly distribution figures.

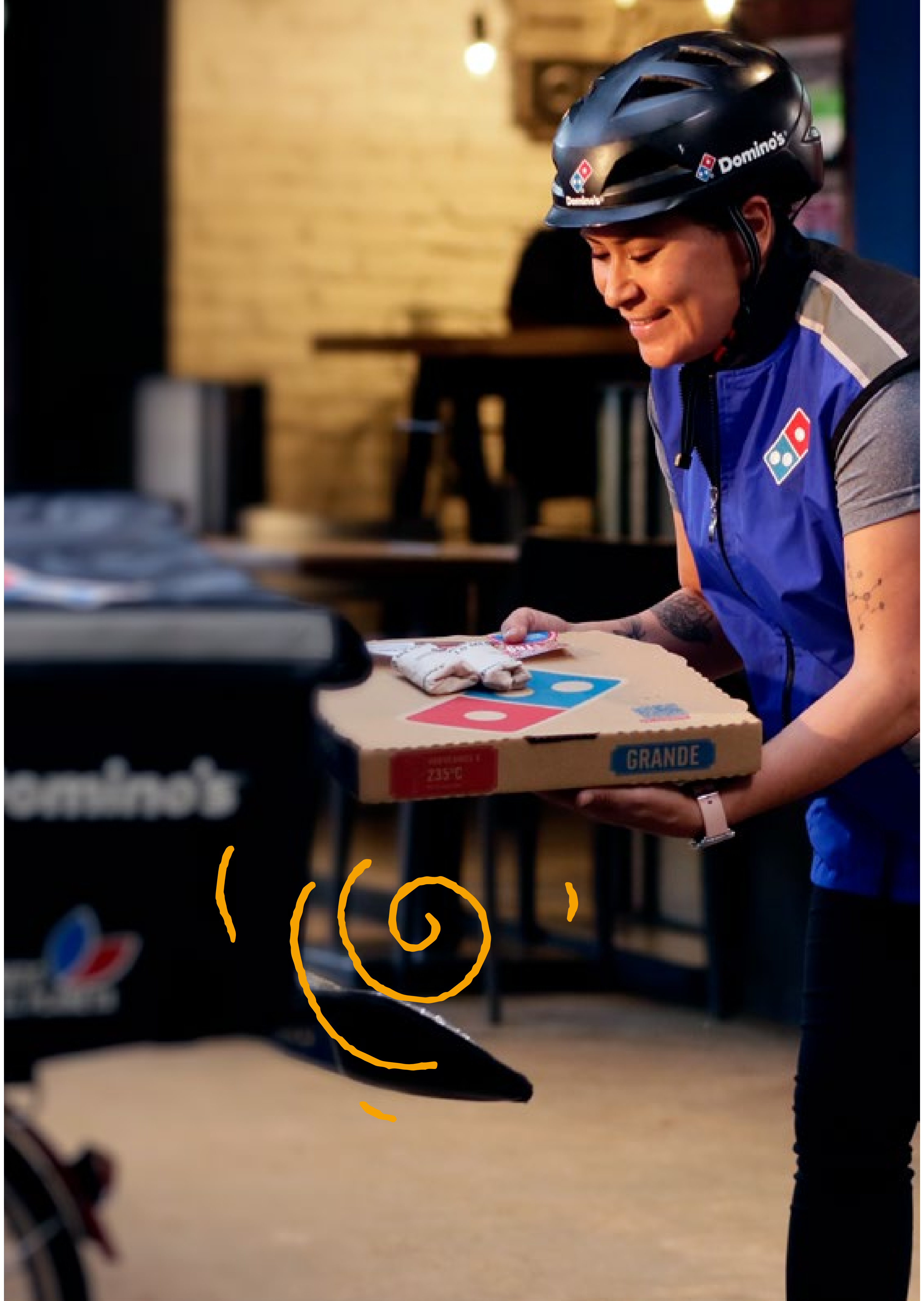
HUMAN RESOURCES, FINANCE AND TECHNOLOGY

These are strategic departments that contribute by providing support and ensuring the proper operation of their activities.

Today, the focus on human capital at Alsea is one of our top priorities since employees are the engine that allows us to ensure compliance with the Company's long-term goals.

The Finance Department, for its part, is responsible for ensuring the Company's sound financial management. Its main functions include the preparation of the annual budget in line with the established growth targets and implementing financing and investment strategies. It is also in charge of our investor relations, responding to the market's concerns about business outlooks.

The Technology Department is responsible for implementing innovative solutions that integrate all business functions while also contributing to creating the best omnichannel experience for our customers.



SAFETY & SECURITY

We recognize the value of our employees and, therefore, seek to provide them with a workplace that nurtures their professional and human growth while offering them a safe development environment.

We continued to work on the safety culture, reinforcing training programs and analyzing risks in each of the Supply Chain operations, which allowed us to identify our potential dangers and implement the appropriate mitigation measures.

As a result, we passed the inspections carried out in our four Distribution Centers throughout the year.

This year, we obtained a re-certification from Wal-Mart after our SEDEX Members Ethical Trade Audit (SMETA) on safety and social responsibility.

0.99

LTIR (Lost Time Injury Rate)

Our operation by the numbers

Cumulative Service Indicators

99.10% In Stock
vs. 98% target

96.82% On Time
vs. 96% target

95.95%
OTIF (on time in Full)
vs. 93.1% target

-23%
total complaints from stores and **restaurants** vs. 2020

-57%
waste
vs. 2020

72% productivity
+24% compared to the prior year

213
leaders
trained

1,917
hours of training
by the Effective Impact Leadership (LIE) program

FOOD QUALITY AND SAFETY

We are delighted to be part of the lives of our customers: in each dish we serve, in each pizza delivered and in each cup of coffee shared with friends. Therefore, our commitment to food safety is a fundamental aspect that encompasses every process involved in our operation.

Alsea Mexico has the Alsea Comprehensive Safety and Quality Management System (SIGICA) that establishes the procedures to guarantee food safety and the best quality conditions for the food we serve in our restaurants.

Our Quality and Food Safety Policy reflects the commitments made by all business units, brands, franchises and suppliers.

We provide all employees with a food quality training plan focused on food quality and safety and Official Mexican Standard NOM 251 (hygiene practices for processing food, beverages, or food supplements). This year we trained 100% of the employees working for our brands in Mexico.

The Supply Chain Operations Department controls each of its links that comply with the set of food production safety and quality standards recognized by the Global Food Safety Initiative (GFSI). This year, all four Distribution Centers in Mexico obtained their second SQF (Safe Quality Food) certification, level II, which confirms that our SIGICA is at the level of the highest internationally recognized qualifications.

How do we guarantee food safety?

SUPPLIES
We follow rigorous procurement and auditing processes to ensure the selection of high-quality raw materials.

CONSERVATION
We have traceability processes in our cold chain to ensure that food is protected and distributed at the ideal temperature to preserve its flavor and nutritional values.

PREPARATION
Our dish manufacturing plants are engineered under strict design and construction guidelines and implement cleaning and sanitation controls in each phase of the process.

SERVICE
Our restaurant service protocols follow the procedures to take delivery and store supplies, food preparation, personal hygiene, and facility maintenance.

RESPONSIBLE CONSUMPTION

Committed to the health of our customers, we incorporate healthy alternatives in all our menus to satisfy our consumers' lifestyles and provide nutritional information that allows them to make better choices based on their preferences.

As a result, Alsea Cono Sur and Burger King Argentina were recognized by APSAL, the Association of Health and Food Professionals, in the LATAM Corporate Social Responsibility and Healthy Menu categories, respectively. This achievement that reflects the daily efforts made by our employees fills us with pride and satisfaction.

HOW, WHEN AND WHERE
OUR CUSTOMERS WANT...

Customers are our reason for being, and all our decisions are focused on them. Therefore, we have pledged to listen to them and meet their needs in order to maintain their trust and continue creating experiences full of flavor that reaffirm our leadership position.

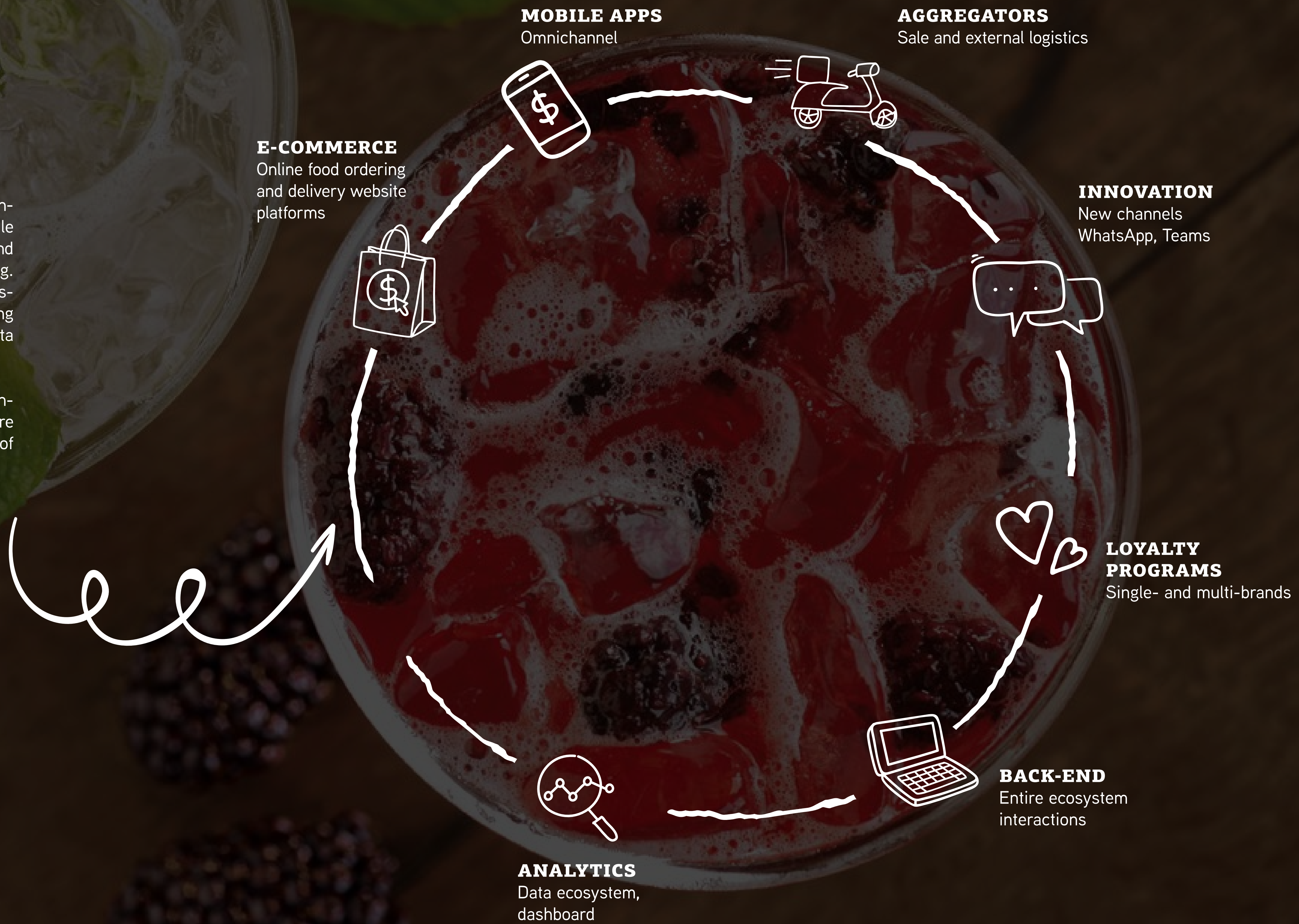
Thanks to the acceleration of technological advances and the growing market demand to adopt new ways of interacting with your favorite brands, digitization is present in practically all of our processes.

Knowing our customers is accompanying their experience through our brands and platforms to offer them the right product in the right channel and at the right time.

DIGITAL
PLATFORMS

We have a User Experience Department (CX/UX/UI) centered on understanding our customers before and while creating our digital strategies to learn about their needs and expectations through processes such as design thinking. This information obtained from our customers is processed by different artificial intelligence and machine learning technology platforms that strictly adhere to current data privacy and protection regulations.

Our goal is for digital platforms to become the Alsea linchpin to a successful omnichannel transformation, where customers can interact throughout the entire universe of options providing a comprehensive digital experience.



DIGITAL CHANNELS

OWN CHANNELS

Wow+ App
- Check-In (offline)
- Delivery
- Take Out
- WOW Points

Starbucks Rewards App
- Car Pick-up
- Pick-up
- Delivery
- In-App Payment

Vips
- Loyalty Card (TDL)

Domino's OLO
- Loyalty
- Delivery
- WOW+ mixed payment

Club Vips (Spain)
- Pay&Go
- Take Out
- Promotions

App Foster's Hollywood
- Delivery
- Take Out
- Reservations

Ecommerce (Multi-brand)
- Take Out
- Delivery

CallCenter (Multi-brand)
- Take Out
- Delivery

3RD PARTY

Glovo, Rappi, Uber Eats, DiDi Food

Aggregators (Multi-brand)
- Offer Integrations
- Orders

NEW CHANNELS

WhatsApp (Multi-brand)
- Delivery

Teams (Multi-brand)
- Delivery

OTHER INDUSTRIES

mercado pago

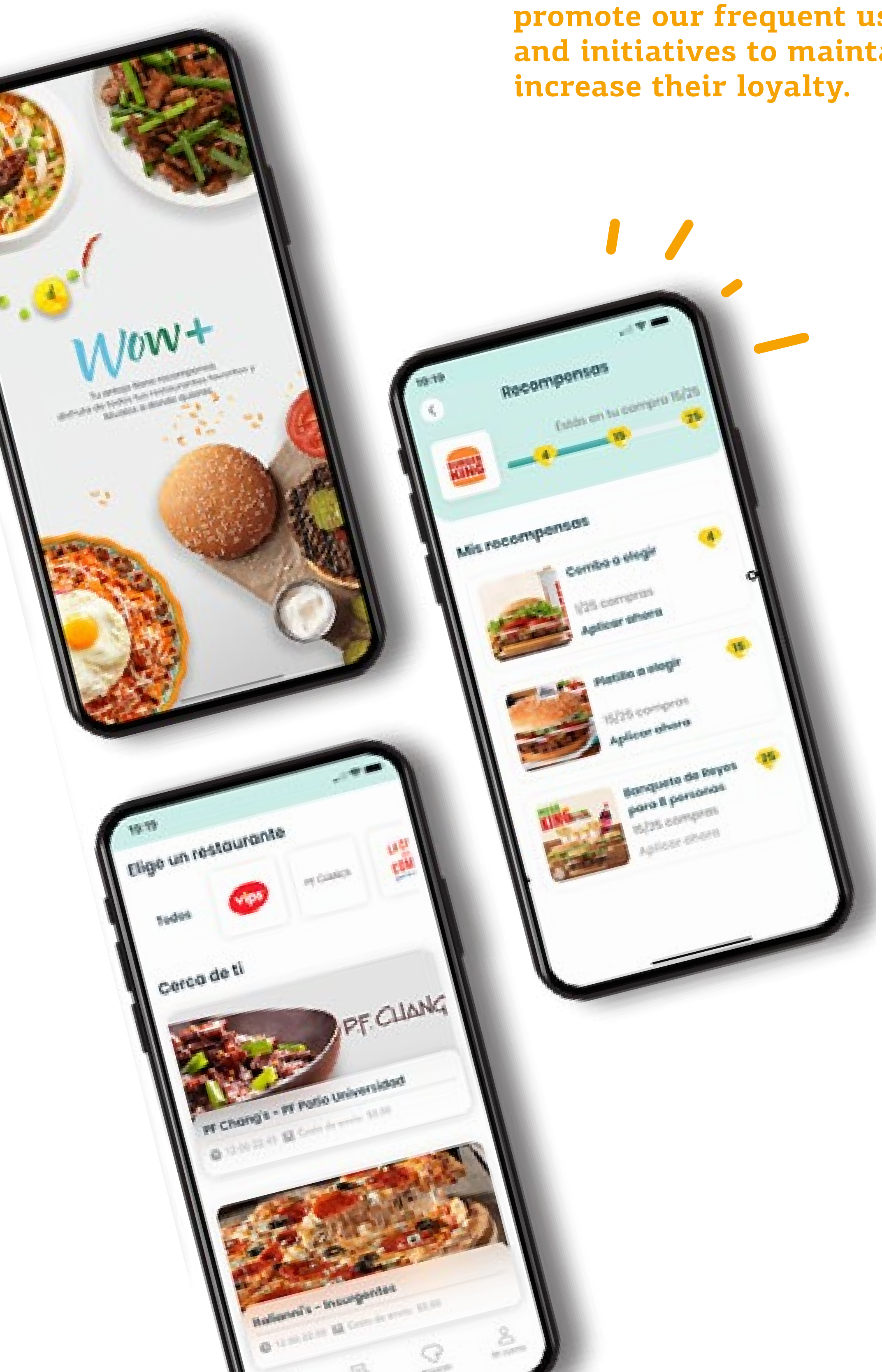
Alliances

BBVA

Exclusive specials

LOYALTY
PROGRAMS

We seek to create a solid community with our customers and permanently promote our frequent user programs and initiatives to maintain and increase their loyalty.



MEXICO WOW+

This year, we relaunched Wow+ as an omnichannel loyalty platform, evolving the technology and end-to-end user experience. With this application, we promote loyalty with the different brands through promotions, points earned for redemption during visits to other Alsea Mexico stores, and the integration of the different sales channels in the same place. The application allows us to collect information about the habits and preferences of our customers, to personalize and encourage their consumption of all our brands.

Some significant achievements include:

- **Unique customer creation**
- **Implementation of a new loyalty platform and CRM**
- **Implementation of Google Analytics 4**
- **Creation of the Data Strategy Department**

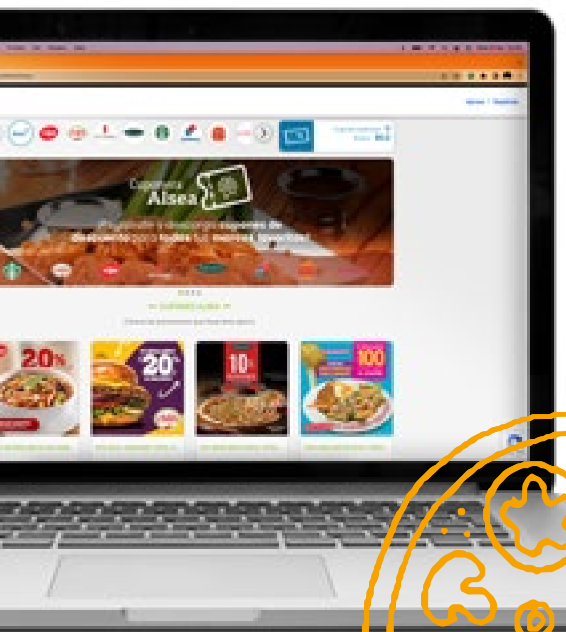
The efforts made to improve this program continuously have resulted in a considerable increase in customer loyalty in the last year. We now have over 800,000 active users and more than 2 million members, representing 6.7% of total sales in Mexico.

2.5 million members
ON OUR WOW+ OMNICHANNEL PLATFORM

STARBUCKS REWARDS

This initiative seeks to retain Starbucks customers by earning stars they can exchange for rewards based on their preferences and membership levels. With this, in 2021, we served more than 20 million orders with over MXN 2 billion in sales.

We implemented Starbucks Rewards in Mexico, a 100% omnichannel mobile app that allows users to consult the menu, order through different channels (Delivery, Pick-up & Car Pick-up), pay from a mobile device, reload, check their balances, and enjoy access to personalized promotions. In 2022, we plan to launch this initiative in the other geographies where we have a presence.



OLO (ONLINE ORDERING) AT DOMINO'S

This is Domino's online shopping experience where customers create their favorite pizza through a step-by-step educational process beginning with choosing their product through the delivery of the same. Thanks to our technological developments, Domino's online orders have grown by more than 32% compared to 2020, with more than 10 million orders placed through our App and website per year.

32%+
orders
vs. 2020

CLUB VIPS

We offer Club VIPS for the Gino's, Starbucks, TGI Fridays and Vips brands. It is a loyalty program that allows members to register through the App or website to receive promotions and earn Vips money.

In 2021, we improved corporate communication processes through this App that allows members to read about different aspects of the brand and Company, such as its purpose and values. The App also allows consumers to read about allergens in brand products, place orders for pick-up at restaurants and reserve a table. We currently have close to 1.8 million members.

FOSTERIANS

Foster's Hollywood features our online Fosterians Loyalty app members can use to earn points during visits that they can exchange for special promotions.

Customers can use this convenient App to identify themselves, redeem points for promotions, check the menu, access information of interest about restaurants, place orders online and check allergens. We have also integrated an e-commerce function into the App. There are currently 2.6 million Fosterian members.

Delivery in Mexico

11.9 M orders delivered

$2,515M ventas
+60.7% vs. 2020

1.1 orders per second

Omnichannel and Innovation

+16 channels for the sale of any brand
website, App, aggregators, marketplaces, etc.

12.7K orders processed through WhatsApp

Vips (Spain)
Pay&Go
Promotions

Foster's Hollywood
Delivery
Take Out
Reservations

Domino's

10.5 M orders
placed through the App and website

42% sales
through digital channels

STARBUCKS REWARDS

MXN2.1 MM in App sales

7.1 k transactions
daily on average

Car Pickup
Pickup
Delivery

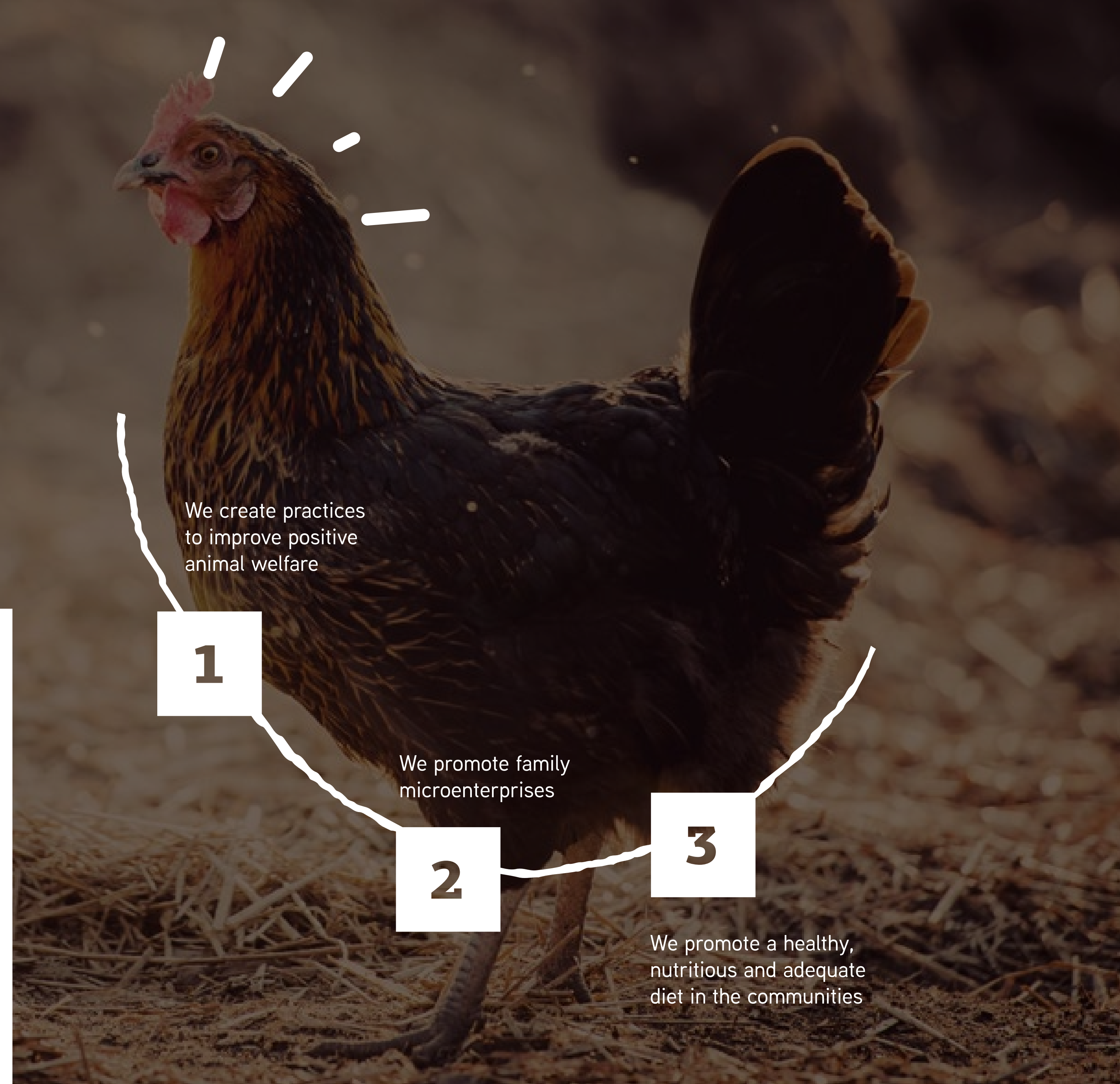
Wow+

2.5 M registered customers

5.6 frequency
vs. 2021

64 k check-ins

We contribute to generating a change in favor of animal welfare



FREE-RANGE CHICKEN EGGS

At Alsea, we support the consumption of animal cruelty-free products and local suppliers to promote the growth and development of the communities where we have a presence.

Thus, in 2021 we continued to promote our poultry farm development project in the State of Veracruz, Mexico. We conceive this commitment from a comprehensive perspective that begins with providing training on cage-free egg production, poultry management, financial education, and health and safety at work while including the responsibility of following up and monitoring to provide feedback to the participating communities.

This initiative has benefited 99 families that are producing cage-free chicken eggs for sale at the local and regional levels. This is a promising project, as one farm in Veracruz expects to produce approximately 4,000 eggs per month, which means more than 40,000 eggs per year. This benefit extends to the entire community since the consumption of this protein favors a varied and adequate diet.

On the other hand, on the coast of Oaxaca, we began with a similar model and thanks to the support and aid received from ONG Fondo para la Paz I.A.P., the outlook for the highest production season is around 2,200 eggs per month.

DEVELOPMENT

WORKING TOGETHER EFFORTS TO GENERATE WELL-BEING

2 ZERO HUNGER
10 REDUCED INEQUALITIES
8 DECENT WORK AND ECONOMIC GROWTH
5 GENDER EQUALITY
17 PARTNERSHIPS FOR THE GOALS

At Alsea, we recognize the value of people, especially our employees. We enjoy doing what we do best. We have fun, we learn, overcome challenges and grow. We are happy and convey that happiness. Therefore, in addition to promoting their comprehensive development through decent employment, we are committed to guaranteeing a fair, inclusive, diverse and safe work environment.

This vision constitutes a value that sets us apart as a Company since we believe that having talented, trained, and happy team members committed to the Company and its values is the only way to offer our customers an experience that exceeds their expectations.

THE ALSEA TEAM

		FULL-TIME	PART-TIME
33,920 women		49%	46%
36,907 men		51%	54%

contract

indefinite duration **98%**

seasonal **2%**

70,827 employees

67,993 operational

2,834 administrative

60,610 unionized

10,217 non-union

	MEXICO 33,903 (47.9%)		LATIN AMERICA 14,268 (20.1%)		EUROPE 22,656 (32.0%)	
	men	women	men	women	men	women
	18,195	15,708	6,414	7,854	12,298	10,358
ages 18 to 29	5,993	8,482	5,398	6,478	4,120	5,654
ages 30 to 49	11,383	5,929	958	1,323	6,284	3,916
ages 50 to 59	730	1,223	53	40	552	673
over 60	89	74	5	13	1,342	115

Note: This includes the Alsea business units in Mexico, South America and Europe (Spain, Portugal, France and the Netherlands) as the most relevant geographical locations with wholly-owned establishments.

THE ALSEA TEAM

	33,903		3,345		3,021		7,755		147		21,254		304		932		166	
	M	**W**	**M**	**W**	**M**	**W**	**M**	**W**	**M**	**W**	**M**	**W**	**M**	**W**	**M**	**W**	**M**	**W**
operational %	51.4	44.7	55.4	33.3	37.0	57.0	39.0	55.3	43.0	51.0	51.8	42.8	39.0	52.0	45.0	48.0	33.0	63.0
administrative %	2.2	1.6	5.5	5.6	1.7	4.5	1.3	4.3	5.0	1.0	2.6	2.6	1.0	2.0	4.0	3.0	2.0	2.0
Contracts																		
ages 18 to 29	739	7,916	1,045	**633**	1,363	1,692	696	948	-	24	6,525	-	62	116	175	290	51	137
ages 30 to 49	212	2,237	267	**133**	10	97	17	14	-	1	339	-	13	25	11	15	20	15
ages 50 to 59	191	215	11	**3**	5	4	-	-	-	-	101	74	-	1	2	-	-	-
over 60	7	7	-	-	3	4	-	-	-	-	10	6	-	-	-	-	-	-

TALENT DEVELOPMENT

In a business like ours, happiness is part of every detail.

Our talent, representing an interdisciplinary and multicultural team, is at the heart of everything we do. Alsea has more than 70,000 employees working in the 11 countries where we have a presence, all committed to *delivering happiness and experiences full of flavor.*

Once an employee joins the Alsea team, we pledge to instill our philosophy, values and policies and adhere to our Code of Ethics.

At Alsea, we have fully reactivated our operations at 100% as the economic recovery has taken a good course. In 2021, upon reopening our operations, we resumed our contracting rhythm, maintaining the COVID-19 protocols and prevention measures. We continue to promote communication and awareness campaigns for the team members, provide kits for our employees' kids going back to school, and aid through the emergency relief fund.

CONTRACTING

Our hiring processes and career plan are based on equal opportunity. We promote the transversal growth of our employees; that is, everyone has the opportunity to work for any of our brands and locations. To facilitate this practice, we offer a variety of training resources so all employees can have access to them, develop their skills and nurture their growth.

A total of 98% of our employees worked under indefinite duration contracts in 2021, as part of our policy to support quality employment based on respect, equality and relationships of trust in response to each department's specific needs.

We continue to strengthen our "Join" program that uses AI to manage our selection process in Mexico and Latin America effectively.

This tool helped reduce job vacancy times because the chatbot processes and filters our candidates' information before sending them to the corresponding managers.

50%
of managerial-level vacancies
COVERED BY INTERNAL TALENT

33% regional
75% district

TRAINING

We have a Corporate Training Strategy to work side-by-side with our employees, beginning with their integration process while improving their operational and managerial skills, supporting their growth, fostering commitment and a sense of belonging to the Alsea Culture and its brands.

The health crisis prompted us to accelerate certain digitization plans, so today, we train our employees virtually, with great advantages:

- **The establishment of a single talent training and management platform**
- **The creation of a standard training model, unifying content and schedules**
- **Our adaptation to online training and content digitization**

2,684,611

hours of global training
focused on leadership development, business management and Alsea's seven competencies

ALSEA MEXICO CORPORATE TRAINING STRATEGY

1

ONBOARDING
Immersion in the work culture, values, principles and policies. Mandatory training for all professionals joining the Company.

2

CONTINUOUS TRAINING
Specific training activities by brand and competence level. Our transversal programs allow employees to train in different brands and activities, thereby expanding their employment outlooks.

3

SUPPORT
Training offered to prepare our employees in their promotion processes to different levels of responsibility in the Company.

training
PROGRAMS

Focus on Leadership programs
Owner Manager, Top Gun Training: Training Leaders for Domino's, Leader of Mexican Cuisine People, PF Chang's MIT Program.

At Burger King, we focused our training on **Food Safety and Critical Factors.**

Grants for 83 employees, at the undergraduate and high school levels. This initiative allows us to impact their development and the progress of their teams directly.

These programs have been vital to ensuring our teams' development and growth, enhancing their leadership and talent and impacting sales and service indicators.

We guarantee operation and training continuity based on career plans through the **Train the Trainers and KMIT** programs at The Cheesecake Factory and the **Vips College** programs.

Distrital Coach, taught by the ITESM, involves all regional district brand leaders. In addition to the training on leadership skills, we complemented the program with a 360° assessment so participants could see their performance from different perspectives to design more effective development plans. Upon completion, they received their certification and presented their challenges to the management team.

Dialogue between Operations and the Support Center, with programs such as **The Manager's Voice**, where the CEO, Support Center Directors and Store and Restaurant Managers discuss the needs and possible solutions to the problems presented. **The Leader to Leader** program included the participation of Alsea managers in a virtual experience, sharing their experience with employees in Mexico, Latin America and Spain.

Mentoring and Sponsorship, support programs for our employees where the most experienced and responsible leaders share the most important lessons learned during their careers and best practices, challenges, and achievements.

Alsea College, is an online platform we use to reinforce the self-development of all employees.
750+ e-Learning courses and 600+ lectures available for reading 24/7.

Alsea College Operations, is a virtual platform specialized in content for our employees working in the Operations Center. This space gives them access to management courses and skills specific to their brands. As of June, all management teams had access to more than 750 self-learning courses focused on different skills to complement their training.

Standardization of restaurant processes across Mexico through our manager certification program: **Elevating My Approach at Starbucks** and **Italiani's La Grandezza Operativa, Cucina, Servizio y Gestione** program focused on PASTA, PIZZA AND WINE that laid the foundation to refresh the brand and welcome the new work plan.

Giving our best is part of our culture. We have created a continuous and progressive personal development model to permeate this passion for service across the team.

ALSEA DEVELOPMENT MODEL 70:20:10

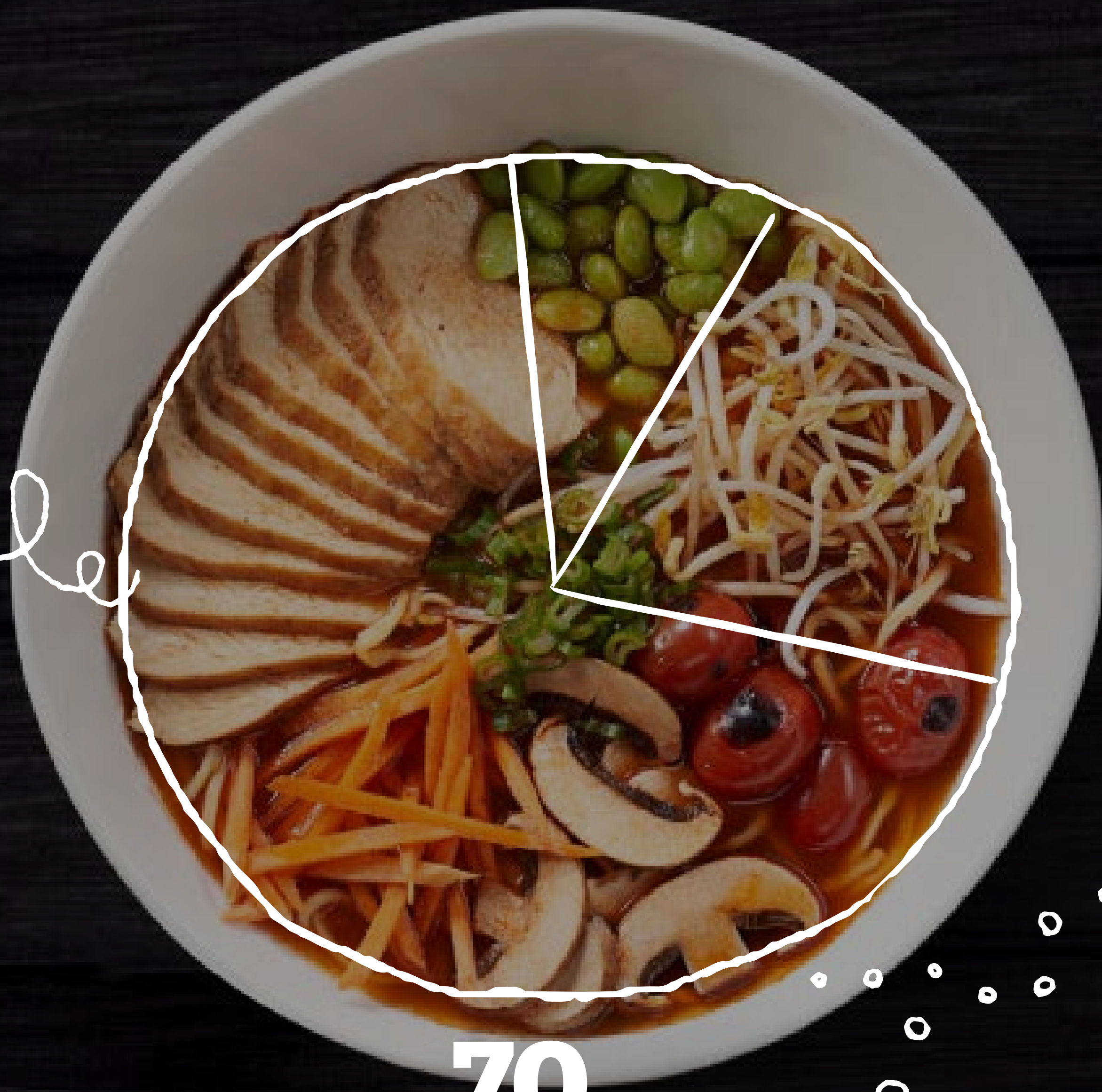
This model facilitates a flexible self-learning and continuous training culture employees can share. It is divided into three segments that contemplate different forms of learning.

It includes everyone, from analysts to managers and is structured in three segments representing the training mode percentage.

Employees have access to video lessons and virtual reality, where they experience the typical operation of our brands and case studies that promote critical thinking.

10 % FORMAL TRAINING

Internal and external, face-to-face and e-learning courses through a platform that allows employees to learn at their own pace, from anywhere and anytime, considering their Individual Development Plans.



20 % SHARED TRAINING

Learning occurs through collaborative work with peers, leaders and mentors, either informally or through programs such as Mentoring, Feedback or From Leader to Leader.

70 % EXPERIENCES

Because practice is the best teacher, the employees use activities they carry out in their positions to perfect their skills, supported by courses that add value to their career plans.

EVALUATION PROCESSES

At Alsea, we evaluate our entire team of employees to obtain information in two ways:

a. Learn about their levels of satisfaction and commitment to the Company.

b. Determine each employee's professional potential.

ECO survey

This year we applied the Treatment and Leadership survey to all of our Support and Operation Center employees with more than three months of seniority in Mexico (except Starbucks), Southern Cone and Colombia.

We obtained favorable results with 90% of employees who would recommend Alsea and its brands as a good place to work.

COUNTRY	PARTICIPATION %	SCORE
Mexico	71	4.12
Colombia	78	4.04
Argentina	74	3.85
Chile	71	4.15
Uruguay	90	4.15

76.8%
average participation

4.06/5
score

Alsea Leadership Index

At Alsea, we promote leaders with human sense who encourage their teams to develop their potential and put people first. This year, we applied the Alsea Leadership Index evaluation to top-level managers who perform self-assessments. The results were then compared to the direct reports' evaluations of their leaders.

The 13 human qualities evaluation assesses honesty and coherence, prioritization, balanced management, assertive communication, openness and respect, clarity and management of resources, support and teaching, employee development, independence and trust, life-work balance, humility and accessibility, and feedback and recognition.

These metrics provide valuable information favoring decision-making processes to improve our performance, promote productivity and participation to achieve growth goals, take advantage of development opportunities and, above all, fulfilling our purpose of *delivering happiness and experiences full of flavor* to our consumers.

The results obtained from these evaluations provide information about:

- **Individual traits**, csuch as skills, values, personality, knowledge, experience, and work styles;
- **Group characteristics,** such as leadership, communication, work styles, interaction networks, and
- **Organizational characteristics include climate, culture, change, satisfaction, performance,** and quality of life.

Some of the main advantages of talent evaluations include helping employees improve their performance through feedback, establishing compensation policies, and determining training and development needs.

Individual performance evaluations

Performance evaluations were applied to store and support center managers in all the regions where we have a presence, including all employees, at 100%, in some businesses.

In 2021, we conducted 1,905 performance evaluations among 11% of staff members, down from the 10,875 evaluations conducted in 2019.

We ultimately met our goal of conducting close to 6,000 evaluations with a 99% completion rate, including all Starbucks and Burger King employees across Argentina's entire operation. In 2022, we expect to evaluate all employees working in Chile's Casual and Burger King segments.

Strengths Program

At Alsea, we are driven by our new vision to develop our employees, focusing on their strengths instead of weaknesses. We strive to nurture "our talent" to learn how to increase their effectiveness and turn them into a powerhouse.

The process begins by identifying their capabilities with the Gallup CliftonStrengths assessment, followed by a group coaching session to explain the traits to improve their personal development and professional growth.

We began to implement the program with store managers to make them aware of this new culture and learn to develop their strengths, permeating the knowledge to their work teams.

1,648
employees evaluated through calibration sessions in Spain and Mexico

884 men
764 women

6,067
employees evaluated by objectives in Chile, Colombia, Argentina, Uruguay, Spain and Mexico

3,130 men
2,937 women

Working and learning is a unique experience that transforms our passion into excellence and makes our customers happy.

DIVERSITY
& INCLUSION

As part of our values at Alsea, we promote a culture of equality, diversity and inclusion in the workplace, with a special focus on priority service groups. In line with our Diversity & Inclusion and Human Rights Policies, we promote respect for people, non-discrimination and equal opportunity for all. These guidelines apply to every aspect of labor relations, from hiring and established conditions to professional development and remuneration.

Some of the 2021 initiatives were:

- McKinsey Alsea Mexico and LATAM "Women Matter" study completed; the results will be delivered in March 2022
- UN Women Diagnosis
- Distinctive Éntrale 2021, for the efforts promoted by Alsea day by day for the inclusion of people with disabilities

303
EMPLOYEES
with disabilities in Chile, Uruguay, Spain and Mexico

330
EMPLOYEES
in Mexico identified themselves as being part of sexual diversity

5,208
EMPLOYEES
of the elderly were incorporated into our workforce

NON-DISCRIMINATION
We make the best team because we know that the greatest wealth comes from our differences, regardless of gender, culture, religion, ethnic origin, social status or sexual orientation.

CONDUCT GUIDELINES
We promote respectful and polite behavior in dealing with other people and developing a culture that promotes dignity for all.

INCLUSION IN THE WORKPLACE
We implement programs to integrate people with disabilities, older adults and people who come from vulnerable situations into working life.

GENDER EQUALITY
We promote gender equality regarding access to employment, training, professional promotion and working conditions.

FLEXIBLE QUALITY OF LIFE PLANS
We work with various flexible work plans in each country to reconcile work, family and personal life through a better distribution of effective working time.

DIVERSITY ON THE BOARD OF DIRECTORS
We know that gender diversity in our highest Governing Body enriches decision-making.

2
WOMEN
are on the Board of Directors

GENDER EQUALITY

A diverse team enhances ideas, fosters creativity and creates improved solutions to the challenges we face daily.

At Alsea, growth is for everyone, prioritizing their commitment, dedication, talent and passion for serving.

- Our Compensation Policy guarantees that the same remuneration corresponds to women and men alike, tasked with equivalent functions and responsibilities.
- We promote career plans and access to positions of greater responsibility for our employees based on merit and the required professional capacity.
- We create selection mechanisms and procedures to include both genders in the applicant list.
- We look for balanced representation in the different decision-making bodies and at the different levels, guaranteeing that women are offered equal opportunities to participate in the process.

We also encourage workplace conditions to ensure a work-life balance for our employees through the implementation of different measures, such as:

- Flexible hours, as long as the job position allows them
- Schedules adapted to daycare centers for professionals under justifying circumstances
- Rest on weekends and holidays for professionals with children under three
- The possibility of transferring to a work center close to home

1,371
Parental Rights beneficiaries

973 women
398 men

OCCUPATIONAL HEALTH
& SAFETY

Protecting the personal safety of all our employees and everyone who has a relationship with Alsea is and will always be our priority.

On this basis, we assume the commitment to implement good protection workplace and occupational risk prevention practices.

Our Occupational Risk Prevention Policy establishes the guidelines to achieve our occupational health and safety goals and the conditions to implement actions to prevent and monitor the associated risks.

As a result, we focus on the following strategies:

- Preventive training
- Communications about opportunities for improvement
- Accident investigation
- Consulting and engaging our professionals
- Controls and updates to ensure continuous improvement of our management system

We use our preventive visits system to conduct internal and external audits to quantify results, evaluate our occupational risk prevention actions, identify areas for improvement and propose corrective measures.

PREVENTIVE VISITS IN ALSEA EUROPE

TYPE OF PREVENTIVE VISIT	2021
Risk assessments	281
Initial evaluations (openings)	26
Updated evaluations	255
External audit	52
Drills (own)	5

We continue to work on our health and safety development and communication efforts centered on instructing, raising awareness and providing employees with the needed skills to maintain well-being in the workplace.

In order to ensure control and the prevention of occupational accidents and diseases, we continuously and thoroughly monitor these incidents to determine their causes and take the relevant corrective measures.

In compliance with Official Mexican Standard NOM-035 on the prevention of occupational accidents and diseases, in Mexico, we conduct staff surveys at the Support and Operations Centers to identify latent risks on time and address the needs of employees, providing a positive workplace and relations, organizational environment and leadership ratings.

In 2021, we conducted this evaluation with two questionnaires among 30,937 employees measuring psychosocial risk factors and severe traumatic events.

1 Applies to Alsea Europe

PROMOTION OF HEALTHY LIFESTYLES

We continue promoting initiatives to support the well-being of our people, such as healthy habits to lead an active and healthy social life. We also worked with Starbucks International to create the Emergency Relief Fund for operational employees working for Alsea Mexico and South America, with favorable results.

In Spain and Portugal, we continued to promote the "Orienta" program providing social care to employees to improve their well-being in aspects related to health, the economy, education and housing, among others.

1.1M invested in supporting employees in Mexico

1,119 employees supported

ALSEA EMERGENCY SERVICE CENTER

At Alsea Mexico, we maintain our efforts to ensure comprehensive safety and security, serving 1,561 quick-service restaurants in situations that could put the operation's safety and security at risk, providing support through a technological platform integrating analog systems, IP and GPRS, CCTV, and fire and intrusion alarms.

This year, we addressed these incidents through three communication channels:

- A dedicated toll-free hotline
- Panic button activation
- Mobile app

In 2021, we attended:
310 high-impact incidents
339 customer impact incidents
7,206 events asking local authorities for help

SOS VIPS

Our psychological support hotline is open to assist our Vipsters 24/7, with help from Fundación Origen.

The service assists employees and their family members through WhatsApp and a toll-free hotline. If necessary, patients are referred to specialized institutions for face-to-face support.

* Figures corresponding to Alsea Mexico at December 23, 2021.

At Alsea, we focus on being the best-paying employer in the sector, with a comprehensive approach to remuneration that promotes punctual attendance, commitment to execution and a service attitude. This approach aims to attract and retain the best talent, comply with each store's operating standards, and positively impact our customers' experience.

TOTAL REMUNERATION MODEL

1

FIXED COMPENSATION

- Base salary based on market standards
- Wage scale by brand
- Annual update differentiated by geographical area

2

VARIABLE COMPENSATION

- Review of variable incentive systems
- The eligibility of variable incentives is extended to all of our employees at 100%

3

BENEFITS (emotional salary)

- Employee meals
- SOS contact
- Inter-brand approval of services and benefits that provide liquidity and facilitate talent exchanges
- Discount agreements based on each employee's needs
- Preferential prices to acquire dental and optical plans
- 40% discount off Alsea brands
- A+ Day / Holidays

INTERNAL COMMUNICATIONS MEDIA

In 2020, we implemented the Workplace digital collaboration platform as a space to promote internal communications that facilitate teamwork, promote direct dialogue and streamline information exchange processes between all the countries in which we have a presence.

An example of this is the meetings scheduled between local managers and our global managers, which, in addition to generating high engagement rates, have contributed to ensuring open and efficient communications in a comfortable and friendly environment for all participants.

45,000
employees registered in Workplace in Mexico and LATAM

76%
with active accounts

FREEDOM TO ASSOCIATE

Subject to local law, we respect and promote freedom to associate as everyone's right to form or join an organization that represents their interests.

In 2021, in Europe, we continued to integrate our employees into a single collective agreement as in Spain and France, which have covered all of their employees under this type of agreement.

To achieve this in the rest of the geographies, we maintain a constant social dialogue with the Legal Representation of workers through specific committees that support the consultation and participation processes with all parties involved.

CHILD LABOR

Alsea does not permit hiring minors in any of our operations.

We guarantee compliance with this rule by asking applicants to provide official documents to confirm that their age corresponds to the minimum hiring age permitted by current legislation.

We have not received reports about the breach of this rule.

FORCED LABOR

At Alsea, all of our employees work under freely given consent. They are informed of the working conditions and their responsibilities, schedules, rest times, vacation rights, and benefits from the moment they are hired. They also have total freedom to resign from their jobs at any time. Thus, we categorically reject any type of forced labor.

COMMUNITY COMMITMENT

At Alsea, we contribute to sustainable development and the interests of society by assuming responsibility for the direct and indirect impacts produced by our activities.

Over 30 years ago, we began to establish close community ties and implement programs to fight food poverty and promote their development and programs to support education and employability in all the countries where we have a presence.

764,000+ meals served by "It's On Me" (Va por mi Cuenta) in Mexico

141,614 kg of in-kind donations

+50 NGOs supported

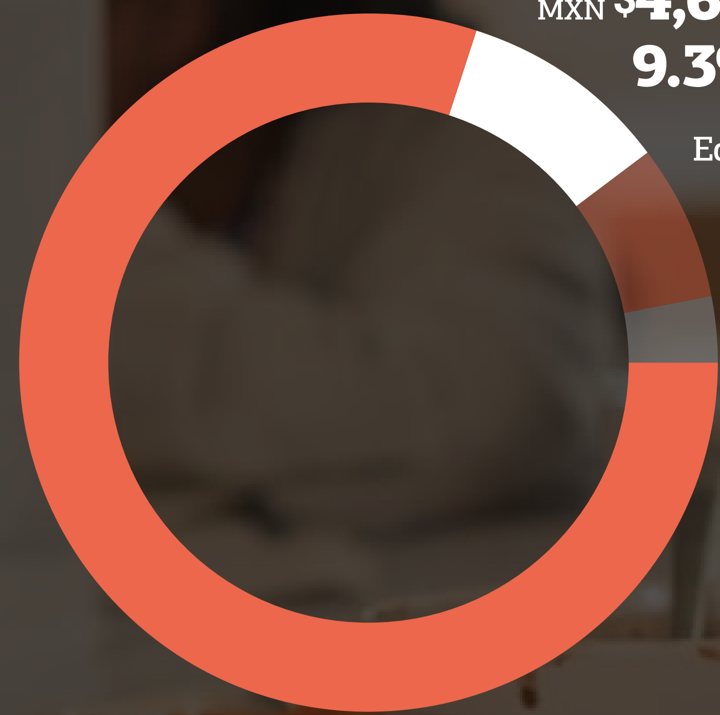
Figures corresponding to Alsea Mexico at December 31, 2021.

MEXICO

Alsea FUNDACIÓN

MXN $50,254,559

in donations from Fundación Alsea in 2021



THE ALSEA FOUNDATION

Fundación Alsea, A.C. is our link with the community by which we carry out actions to support the development and well-being of communities, implementing programs to promote food security and engaging in volunteer activities, as well as financial and in-kind donations under different lines of action:

Meals
We join forces with our different stakeholders to combat food poverty through the "It's On Me" Movement with the slogan "No One Else Goes Hungry."

Community Development
We foster community growth with productive projects promoting their sustainability.

Education and Employability
To provide education and employment opportunities to young people who need it most, we promote their development through the "Integra" program.

va mi cuenta
Nadie más con hambre

IT'S ON ME MOVEMENT IN MEXICO

In 2012, Alsea created the "It's On Me" Movement as a coordinated effort with its brands, consumers, employees, suppliers, society and stakeholders to guarantee nutritious meals for vulnerable people in Mexico. The efforts are implemented through children's kitchens managed by strategic partners such as Comedor Santa María A.C., Fondo para la Paz I.A.P., SEDAC (Servicio Educación y Desarrollo a la Comunidad I.A.P.), Save the Children, and Restauración Salud y Prosperidad A.C.

In 2021, we opened the first Food Center in Cancun, Quintana Roo, which serves more than 500 people per day.

The new Food Center reflects how Fundación Alsea A.C. and the It's On Me Movement have changed their food delivery processes after the pandemic.

This center is operated by the civil association Huellas de Pan A.C. It has a vegetable garden, multipurpose room, nutrition consultation office, a kitchen and a dining room to respond to the needs caused by the pandemic.

MXN 39M+
invested in 2021
It's On Me Movement

3 million
nutritious meals
served since 2012

6,000+
boys and girls
have access to nutritious food every day

2,000+
families
directly benefited

14
soup kitchens
in operation

6,883
beneficiaries

3,537 Santa María Soup Kitchen
2,783 Por un Hogar
428 Save the Children
135 Huellas de Pan

OUR BENEFICIARIES

14 children's dining rooms

State of Mexico
- Metepec
- Ecatepec
- Ecatepec Embajadas
- Valle de Chalco
- Ixtapaluca

Mexico City
- Iztapalapa
- Santa Úrsula
- Golondrinas

Oaxaca

Nuevo León

Saltillo

Cancún

children from 4 months to 16 years of age and pregnant and lactating moms

earning less than MXN 30 per day per family to cover all their needs at 100%

75% severe food insecurity

environments of **violence,** insecurity **and loneliness**

33% only have **a mom** to support them

65% of the recommended **daily intake** received in the dining rooms and kitchens

Dining room and soup kitchen models

	URBAN MODEL 9 SOUP KITCHENS	COMMUNITY MODEL 9 SOUP KITCHENS	SCHOOL MODEL 1 DINING ROOM
Partner	Comedor Santa María, A.C.	Fondo para la Paz, I.A.P.	Comedor Santa María A.C. y SEDAC, I.A.P.
Capacity	300 to 500 boys and girls.	Between 150 to 200 boys and girls.	740 boys and girls.
Features	Human education, talks for parents, social community project.	Comprehensive and sustainable design with rainwater harvesting, drainage, a water treatment plant, a dual water fountain, patsari wood-saving stoves, an orchard, and LED lighting.	It operates in a school, directly impacting the performance of minors in basic education.
Locations	State of Mexico (Metepec, Ecatepec, Ecatepec Embajadas, Valle de Chalco), Mexico City (Iztapalapa, Santa Úrsula, Golondrinas), Nuevo León (García), Coahuila (Saltillo).	Oaxaca (Santa Rosa, El Corozal), San Luis Potosí (La Concepción).	State of Mexico (Ixtapaluca).

In order to support the most vulnerable groups, we maintain our community contribution programs, such as our annual fundraising campaign that exceeded its 2021 goal.

Seeing our results fills us with pride; however, beyond this sense of satisfaction, they motivate us to continue fighting child hunger through partnerships with social organizations we can work with to create synergies to benefit the most vulnerable sectors.

MXN 44.6 M
Funds raised for It's On Me in 2021

MXN 17.6 M
It's On Me campaign

MXN 14.3 M
Product with a cause

MXN 12.1 M
Other partners It's On Me

MXN 0.4 M
Employees campaign

764,637
meals served in Mexico

10k+
employees
belong to the Alsea donors network in Mexico

meals served

680,192	Santa Maria Soup Kitchen
17,245	Huellas de Pan
27,824	Por un Hogar
39,376	Save the Children

Learning gives us an optimistic outlook.

INTEGRA

Is an initiative that aims to provide educational and employability opportunities to talented vulnerable young people, benefited by Fundación Alsea A.C. and the Starbucks Foundation.

The program gave MXN 7.8M to 19 organizations in Mexico, Colombia, Argentina, Chile and Spain, supporting 4,500 people in need who face barriers to access education and job opportunities.

Close to 4,500 beneficiaries

MXN 7.8 M invested

19 institutions supported

LATIN AMERICA

The strong results obtained in Mexico encouraged us to replicate actions in other parts of the continent, adapting them to the specific needs of each region:

COLOMBIA

It's On Me Movement

The movement began in 2016 by combining Alsea and its brand efforts to help four institutions at the national level through Fundación Éxito:

- Corporación Uno Más
- Hermanas Misioneras de Cristo Maestro
- Fundación Semilla y Fruto
- Fundación Créalo

Since its creation:
2,849 food supplement packages have been delivered
201,716 meals have been served

In 2021, recreational events were held for children and their families, where they received personal hygiene and school kits, t-shirts and toys, and food and beverages provided by some of our brands.

220 children benefited

61,740 meals served

1,440 food packages delivered

COP 149 M+ collected from employees

78% of employees engaged

4 visits

20 volunteer hours

SOUTHERN CONE

Donations
In 2021, we donated more than 5,000 kg of food to the Food Network in Chile, the Food Bank in Argentina and various health and vaccination centers in the region, benefiting more than 10,000 people and over 85 foundations.

Breast cancer awareness campaign
We held a Workplace session with Josefa Cortés, creator and founder of StartUp Palpa, the first device to help identify breast cancer, in a joint effort with the Know your Lemons Foundation that spoke about the importance of self-examination and awareness of this disease.

Forge Foundation
An initiative in Argentina, Chile, and Uruguay motivates low-income youth to find a way to improve their quality of life through work, education, and social commitment. Their efforts are focused on developing socio-emotional and digital skills to adapt to the future workplace.

This year more than 35 interviews were carried out.

Sustainability week
We organized a series of "Positive Impact" webinars taught by renowned personalities from various sectors who shared their knowledge on the following topics:

- The urgent need to change our habits
- The Alchemy Program
- Electromobility
- Carbon footprint reduction
- Innovation in the food industry
- Global impact trends
- The world after COVID
- Development opportunities in the SDGs

Figures in millions of pesos

EUROPE

At Alsea Europe, we work on various initiatives that contribute to training, job searches, environmental improvements, and the integration of the most vulnerable groups.

The path to employment
An option to bring people at risk of social exclusion into the labor market, especially young people, women, people with disabilities and older workers. This initiative is implemented through an agreement with the Incorpora de La Caixa program that allows us to access multiple social organizations across Spain.

53 people have accessed their first job experience

Comprehensive volunteer model
We remain committed to supporting the needs of local populations by making two volunteer programs available to the professionals working for our brands in Spain:

- **Social and environmental sensitization and awareness**
  A program to raise social awareness through innovative and cleaning activities.
- **Nurturing professionals and their work skills**
  Volunteers for young people at risk of social exclusion focused on training to work in the hotel and catering industries.

Collaborations to promote the closest surroundings
We create multiple strategic alliances to generate value in the surroundings and respond to the needs of the territories where we have a presence. The primary focus behind the promotion of these alliances is collaboration and dialogue with all the parties involved.

These partnerships involve associations and NGOs to promote the development of our closest surroundings and reinforce our commitment to collaboration. In 2021, we donated more than MXN 1.2M, equal to EUR 59,000, to non-profit organizations and associations.

Environmental Volunteer Project
We worked on raising awareness and providing training to our employees on environmental issues through volunteer actions such as replanting trees with Ecoherencia and cleaning rivers, seas and mountains with Seo BirdLife, with the participation of 62 and 22 volunteers, respectively.

Donations and aid projects
In 2021, we donated 3,085 kg of products to the Food Bank to support the management of surplus food projects. We also worked to reduce surpluses through efficient control management projects.

Our brands in Portugal have contributed more than MXN 340,000, equal to EUR 15,800, to different associations and institutions. In France and Benelux, donations to different local development projects in collaboration with social entities have exceeded MXN 570,000, equal to EUR 26,500.

Openings with a cause

At Domino's Pizza, we reinforce our commitment to our immediate environment through programs such as "Openings with a Cause," solidarity menus with the Red Cross and financial contributions to social organizations through marketing projects with a cause. These projects serve to establish ties and partnerships with local NGOs.

In 2021, we developed a new "Openings with a Cause" project to donate proceeds from our first-day sales. We have applied this program to the last 21 store openings, raising more than MXN 1.7M, equal to EUR 82,564, which we have donated to the different partner associations.

21 Openings with a Cause
with 21 associations

EUR 82,000 raised

Foster's Hollywood has reinforced its commitment to social development by launching a Corporate Social Responsibility plan centered on children, delivering Christmas dinners and lunches to vulnerable families through programs such as Tengo Hogar, Soñar Despierto, and Coordinadora Infantil y Juvenil de Vallecas, benefiting 93 people.

Gino's launched its commitment to the elderly with its Solidarity Pizza Campaign in collaboration with the Adopt a Grandfather Association. For each pizza sold, customers can donate EUR 0.05, which the brand then matches. A total of 1,989 pizzas were sold, collecting more than MXN 43,000, equal to EUR 2,000. The profits were used to finance a phone line for the elderly with 52 volunteers.

Starbucks again collaborated with Action Against Hunger through the 1x2 program, which has raised more than MXN 800,000, equal to EUR 37,000. This project aims to reduce surplus food to the extent possible and collaborate with this social entity. During the last hour before closing, the stores offer up to 50% off fresh products to encourage purchasing. The proceeds from these sales go to this international NGO.

Vips has maintained a relationship with the Red Cross for more than ten years; therefore, as of 2021, all new premises join the "Solidarity Openings" program to donate 100% of first-day sales to local projects of the territorial delegations where the new store is opened. In 2021, two new stores opened under this program, raising more than MXN 190,000, equal to EUR 8,770.3, which were donated to this institution.

BALANCE

A POSITIVE IMPACT ON OUR PLANET

In order to protect the environment, at Alsea, we manage natural resources in a responsible, efficient and innovative manner, minimizing our impact under the highest sustainability standards to fight climate change with circular economy solutions.

We promote the rational use of natural resources and optimize our processes by adopting initiatives that allow us to strengthen the responsible management of our value chain and continue moving forward on what continues to be a long journey towards sustainability.

We want to positively impact the environment by ensuring the efficient use of resources to minimize the risks linked to our operations.

GLOBAL ENVIRONMENTAL POLICY

With this in mind, our Global Environmental Policy establishes the measures and guidelines to prevent, mitigate and control the environmental impacts produced by our activities. We strive to meet our goals through continuous improvement initiatives that allow us to formalize an Environmental Management System. The procedures established in this policy are aligned with the ISO 14001 standard for environmental management systems based on three core pillars:

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

ENERGY
EFFICIENCY

The actions we have taken to fulfill our commitment to combat climate change include looking for ways to optimize fuel and energy consumption—especially electricity—and decarbonize our processes by implementing different measures related to lighting and air conditioning in our facilities and the use of vehicles.

We rely on technological solutions to improve energy efficiencies and reduce our GHG (Greenhouse Gas) emissions to meet these goals. We also seek to raise awareness among our employees by encouraging them to adopt habits that contribute to the reduction and responsible use of energy resources.

In terms of mobility, we are committed to improving the efficiency and sustainability of our vehicles. We do this with our 417 electric motorcycles in Europe, representing 16% of all our mopeds on that continent.

In Mexico City, seven of our stores use close to 35 electric bicycles as part of a pilot test for Domino's Pizza deliveries.

ELECTRIC POWER CONSUMPTION (kWh)

	2021	2020
Alsea Mexico	238,369,880	219,220,762
Alsea South America	40,429,000	52,321,649
Alsea Europe	131.581.791	117,046,821
Total	**410,379,887**	**388,589,233**

FUEL CONSUMPTION* (kWh)

	2021	2020
Alsea Mexico	240,009,734	221,742,788
Alsea South America	30.037,00	26,002,487
Alsea Europe	64,739,25	53,877,915
Total	**334,785,959**	**301,623,190**

GREENHOUSE GAS EMISSIONS (Tons of CO_2 equivalent)

	2021	2020
Alsea Mexico	124,552	107,324
Alsea South America	16,379	106,269
Alsea Europe	44.381	38.619
Total	**185,312**	**170,853**

Overall, these efforts have produced good results. Compared to 2020, energy consumption was up 8% of the total energy consumed as restrictions due to the health crisis were lifted.

Gasoline and diesel consumption also increased due to the increase in demand for delivery services, leading to growth in the fleet of our delivery vehicles.

* Sum of gasoline, diesel and gas.

energy efficiency
AND CLEAN ENERGY CONSUMPTION

At Alsea, we are focused on evolving towards the use of clean energy in all our operations.

In Argentina, **Burger King** reduced its electrical energy consumption by 24% compared to 2019.

On the other hand, **Starbucks** reduced its use of electrical energy by 13% compared to 2019. In 2021, approximately 12% of its energy came from renewable sources provided by the national generation matrix of Argentina.

24%-
reduction in the use of electrical energy
in Argentina

In Uruguay, **Starbucks** rreduced its use of electrical energy by 24% compared to 2019, and 98% of the energy used came from **renewable sources**.

24%-
reduction in the use of electrical energy
in Uruguay

98%
of the energy comes from renewable sources

En México the **clean energy** purchase mix (wind, cogeneration or hydraulic) went from 62.37% in 2020 to 69% in 2021.

69%
clean energy consumption
in México

MATERIAL RESOURCES
AND THE CIRCULAR ENERGY

The resources and materials identified as relevant to our activities are water, plastics, paper and cardboard.

Although we have measures to ensure proper management and use of resources, we continue to implement a more complete and formal measurement model. Hence, our different brands increasingly use more recycled materials in the production of containers, bags and napkins, with which we endorse our permanent commitment to the environment.

This year, we are promoting global initiatives to reduce and reuse our waste:

1+ million
46 thousand liters of cooking oil collected in 2021
99%+ vs. 2020

We promoted the consumption of FSC-certified recycled paper

We eliminated the use of plastic straws and Styrofoam in all our brands

We changed plastic bags for paper bags

We replaced plastic packaging with biodegradable or compostable materials

We promoted waste separation

We continue to collect used cooking oil to transfer it to certified sources for recycling, reuse, and manufacturing other products or fuels

Starbucks Argentina

encourages sustainable practices through the Grounds for your Garden Program, inviting customers to help themselves free coffee grounds to enrich their gardens and compost.

Archie's, Domino's, Starbucks, P.F. Chang's

and our Distribution Centers (CEDIS) in Bogotá collected 47.51 tons of usable materials and reused 14.55 tons of used vegetable oil.

Archie's and P.F. Chang's

delivered **164,397 kg** of waste to an environmental manager to make compost and organic fertilizers later used in gardens and green areas.

Alsea in **Spain**, recycled 474,475 liters of cooking oil. Domino's also optimized surplus food management by working with **Too Good to Go**, a mobile app that promotes the sale of products that will be discarded (due to preparation errors or surplus, etc.) at a lower price. In 2021, 58 stores **rescued 2,300 food packages**, equal to preventing 2.3 tons of food waste.

REDUCE REUSE RECYCLE

In 2021, **Starbucks** contributed to using organic waste by delivering more than **4,453 bags of compost** to its customers, turning them into **15,585 kg** of compost for their gardens.

Also, in Argentina, **123 office furniture units in disuse were donated** for use by **Fundación Vivienda Digna**.

In Argentina, **Burger King** developed an FSC®-certified container for its fries, guaranteeing environmental protection and the responsible use of natural resources. It also replaced all ice cream containers with polypaper, avoiding the use of 7,000 kg of plastic per year.

WATER

At Alsea, aware of the importance of caring for water and avoiding any waste, we have invested in infrastructure to make its consumption more efficient and raise awareness among our employees of our responsibility to conserve it.

We reduce our water footprint by promoting the responsible use of water through awareness campaigns for employees, along with other measures such as:

- Double discharge tanks
- Water-saving urinals
- Timed taps
- Water-saving aerators
- Water pressure regulators

Per local limitations, we provide and supply water, extracting it from public infrastructures.

WATER CONSUMPTION (m³)

	2021	2020
Alsea Mexico	1,698,000	1,700,000
Alsea South America	140.313	12,292
Alsea Europe	1,069,862	86,270
Total	**2,908,175**	**1,798,562**

We are proud of the work done by our dedicated employees, who reaffirm our commitment to sustainable development every day.

Acknowledgments and Certifications

- Alsea Southern Cone received an award from the Association of Food & Health Professionals (APSAL, acronym in Spanish) in the LATAM Corporate Social Responsibility category for our plan to ensure energy efficiencies and recycle and reuse resources in our stores and support centers. This achievement results from the work we did to positively impact the region by recycling materials and reducing energy consumption and our commitment to nurturing healthy lifestyles.

- More than 20 Starbucks stores in Chile obtained the LEED® (Leadership in Energy and Environmental Design) certification that recognizes the best sustainability standards for building designs, construction, operation practices and strategies.

CORPORATE
GOVERNANCE

At Alsea, *delivering happiness and moments full of flavor* begins with an ethical and transparent Corporate Governance that guides our business decisions, establishes our stakeholder relations and ensures compliance with our policies to lead us towards the generation of value.

ALSEA CULTURE

At Alsea, we are committed to excellence and dedication to fulfill our purpose:
To deliver happiness and experiences full of flavor.

This happens when our employees identify with our company, believe that they belong to Alsea and are proud to collaborate with us and take our culture to each country where we have a presence.

Our culture, based on five values, ensures that our customers enjoy an outstanding experience every time they visit our restaurants.

We want to be multipliers of happiness and make each occasion an unparalleled experience of extraordinary flavors.

A — Winning **Attitude**

We strive, we dare, we reinvent ourselves to exceed expectations

L — Engaged **Leadership**

We inspire by example and empower our people

S — Amazing **Service**

We make each moment unique to offer unparalleled experiences

E — Collaborative **Spirit**

We are stronger when we work as a team

A — **Attention** to Detail

We take care of everything we do because every detail counts

ETHICAL
AND RESPONSIBLE MANAGEMENT

663
complaints
Mexico, LATAM and Europe

The Alsea Culture is the basis of our responsible management model, which governs us under the principles of ethics, integrity and transparency, seeking to incorporate sustainability into all processes and levels of the operation.

Our commitment to these ideals and the principles of good Corporate Governance has driven us to instill in each of our employees a sense of belonging and a passion for serving, which is the motor that drives us to *deliver happiness and experiences full of flavor*. Therefore, our Code of Ethics and our Corporate Policies establish the guidelines for our actions, which are mandatory for all of us at Alsea.

CODE OF ETHICS

It describes our values as a company and the regulatory framework for ethical behavior providing conduct guidelines for employees, suppliers, and franchisees.

Our ethical guidelines direct our behavior and decisions in the workplace. They also regulate our relationships with colleagues, suppliers, customers and authorities.

The guiding principles of our Code of Ethics are as follows:

1. Compliance with the law, regulations and internal and external standards
2. Customer service
3. Equal opportunity
4. Harassment-free workplace
5. Job security
6. Conflicts of interest
7. Acceptance of gifts
8. Transparent and bribery-free business practices
9. Taking care of our work tools
10. Matters related to fraud
11. Financial information
12. Taking care of our private and confidential information
13. The environment and our responsible use of resources

CORRECT LINE

We are aware of the need to identify behaviors or situations that put at risk the integrity of the company, the relationship with our clients, collaborators and suppliers, which is why in Alsea Mexico and Alsea South America we have a reporting line called "Correct Line", this means of reporting is confidential and is operated by an independent third party that provides objectivity and transparency in the process of attention and resolution of complaints. At Alsea Europe, the management of the whistleblower channel is dealt with internally and is carried out directly and confidentially by a labor relations team, and is organized and managed in accordance with the provisions of the Whistleblower Channel Operating Protocol.

In both cases, the reporting channel serves to identify, address and follow up on any breach, irregularity or behavior contrary to our way of doing business and the Code of Ethics. For more information about the Code of Ethics, you can visit:

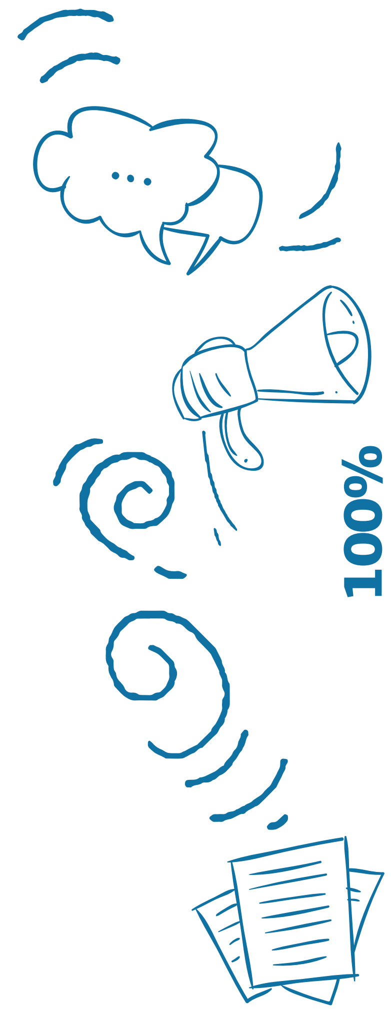
- http://www.alsea.net/relacion-con-inversionistas/codigo-de-etica

In 2021, we received reports on 663 cases related to the following offenses:

- Coercion
- Abuse of trust
- Conflicts of interest
- Fraud and theft
- Harassmen

Of these cases, 600 were treated satisfactorily, and 63 are still undergoing resolution.

To learn more about our Code of Ethics and public policy, go to Corporate Integrity at: https://www.alsea.net/integridad-corporativa#messages



595
about employees

58
about suppliers

10
about clients

100% attended
89% closed
11% in process

100
harassment cases

41
men

59
women

4
discrimination cases

CULTURE OF TRANSPARENCY AND ANTI-CORRUPTION

Our way of doing business is based on integrity, transparency, honesty and high ethical standards, which is why we have an Anti-Corruption Policy that promotes a culture of zero tolerance when it comes to corruption and bribery, for which we are committed to act in a professional and ethical manner at all times, and to guarantee the necessary reporting and investigation mechanisms and channels to make our performance in this management transparent.

Our Policy establishes the mechanisms and guidelines to guarantee compliance with the different legislation and anti-corruption laws applicable in the different regions in which Alsea operates, as well as the way of doing business, rules and instructions so that all the activities and relationships of our collaborators with clients, suppliers, public administrations and other third parties, as well as those carried out by third parties for or on behalf of Alsea, are carried out in accordance with our anti-corruption principles, it stipulates the prohibition of any type of political contributions, whether directly or indirect. We also prohibit spending to encourage or discourage the election of a candidate for political office, as well as corporate contributions to any organization for political purposes.

To strengthen our culture of integrity, our collaborators reiterate their commitment to the company by signing acceptance and adherence to the Code of Ethics and Anticorruption Policy, likewise, communications are sent through internal means that reinforce Zero Tolerance for corruption and bribery. What:

- Code of Ethics
- Business Rules Travel Expenses
- Business Rules Social Responsibility
- Conflict of Interest Policy

TAX APPROACH

Alsea has a Tax Policy that establishes the principles for making decisions with a direct or relevant tax impact, always following the regulations applicable to each country where we have a presence.

HUMAN RIGHTS

Respect for Human Rights is a shared responsibility that must be understood as an essential and priority principle. To ensure compliance in search of a more responsible society, we have a Human Rights Policy that binds us to all functional areas, brands, and Alsea employees to maintain relationships based on respect and dignity in each of our daily actions.

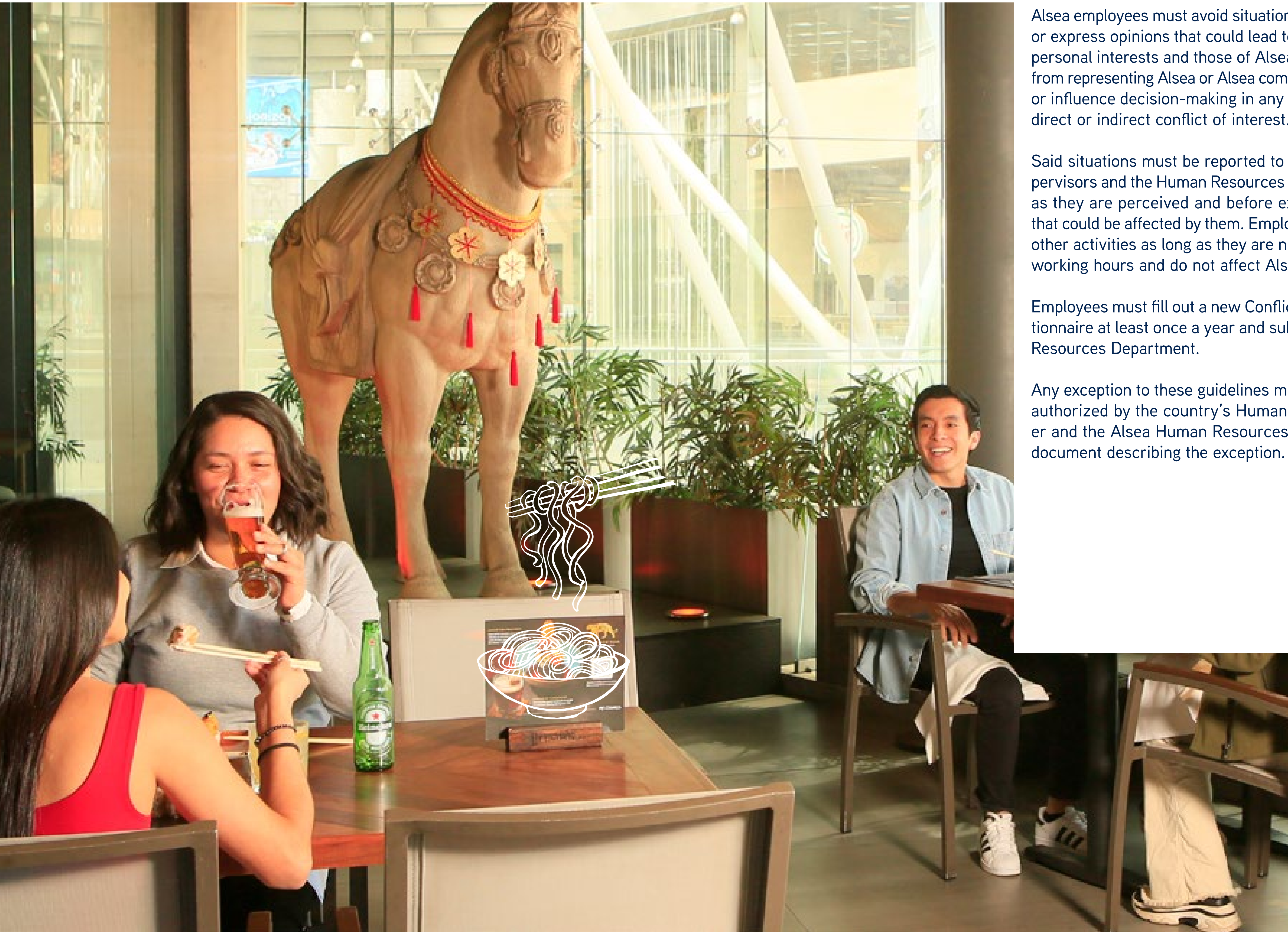
Similarly, to guarantee a respectful work environment favoring the protection of the Human Rights of employees, Alsea:

- Prohibits all forms of work that could be detrimental to the health or safety of children.
- Strictly prohibits forced or compulsory labor for any male or female employee.
- Respects the rights of employees of freedom to associate in collective negotiation processes. Promotes, protects and helps ensure the full and equal enjoyment of the Human Rights of each person.

DATA PROTECTION

We recognize the importance and confidentiality of the personal data that we collect, as well as the responsibility that its treatment implies. For this reason, the management and protection of the personal data of our clients, suppliers, legal representatives and collaborators is one of the priorities to prevent the risk of violation of their confidentiality, integrity and availability. In order to comply with this responsibility, we have security protocols aligned with the legislation in force in each region in which we operate, which are supervised by those directly responsible for the internal contact points.

Our principles for the Protection of Personal Data during its collection and treatment are based on confidentiality, evaluation of necessity, accuracy and truthfulness. For their part, the Personal Data Privacy departments of the various countries comply with current legislation on the matter and make available to customers, suppliers, collaborators and other third parties, information on the processing of their data and their rights as unique owners/holders of these.



CONFLICTS OF INTEREST

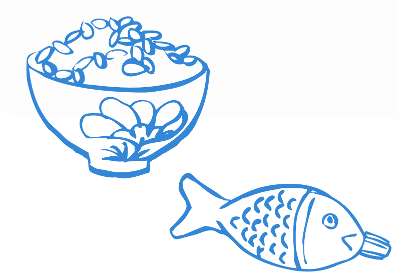
A conflict of interest exists when personal, family, friends or third-party interests put the responsibilities of the position held and organizational processes at risk. Therefore, all work-related decisions must focus on the company's greater good.

Alsea employees must avoid situations, conduct activities or express opinions that could lead to a conflict between personal interests and those of Alsea. They must refrain from representing Alsea or Alsea companies and intervene or influence decision-making in any situation involving a direct or indirect conflict of interest.

Said situations must be reported to their immediate supervisors and the Human Resources Department as soon as they are perceived and before executing any action that could be affected by them. Employees may engage in other activities as long as they are not conducted during working hours and do not affect Alsea's interests.

Employees must fill out a new Conflicts of Interest Questionnaire at least once a year and submit it to the Human Resources Department.

Any exception to these guidelines must be validated and authorized by the country's Human Resources manager and the Alsea Human Resources Department with a document describing the exception.



CORPORATE
STRUCTURE

Our Corporate Governance structure is the set of rules, systems and processes that we apply to guide Alsea's stakeholder relations.

It is the highest governing body responsible for developing, approving and updating the company's essence (mission, vision, values and purpose) and approving the corporate policies affecting its management, including those related to the Sustainability Strategy.

At Alsea, 82% of our board members are men, and 18% are women.

BOARD OF DIRECTORS

RELATED ASSETS
Alberto Torrado Martínez
Chairman
Cosme Alberto Torrado Martínez
Member
Armando Torrado Martínez
Member

INDEPENDENT ASSETS
Federico Tejado Bárcena
Member
Fabián Gerardo Gosselín Castro
Member

INDEPENDENT
León Kraig Eskenazi
Member
Adriana María Noreña Sekulist
Member
Carlos Vicente Salazar Lomelín
Member
Alfredo Sánchez Torrado
Member
Luiz Carlos Ferezin
Member
Leticia Mariana Jáuregui Casanueva

TECHNICAL SECRETARY
Xavier Mangino Dueñas

Alsea's management is entrusted to the Board of Directors, made up of 11 members, two of which are women, three are related asset members, two are independent asset members, and six are independent, with a related asset member as chairman.

To ensure an impartial vision for strategic planning, we have incorporated the figure of independent members, who today represent more than 50% of the total number of board members, a percentage exceeding the 25% required by the Securities Market Act.

Member selection and remuneration process
The Nominations and Compensation Committee is the body in charge of the board's selection, appointment and renewal procedures. These must be aimed at achieving a composition of the entity's corporate bodies that enables the proper exercise of the functions attributed to them by law and the Corporate Bylaws and regulations in the company's best interest.

The proposals for the appointment or re-election of members that the Board of Directors makes to the company's Regular General Assembly of Shareholders and the appointments that it makes directly to fill vacancies in the exercise of its powers of co-optation are approved at the Committee's proposal, in the case of independent members, and following a report from this Committee, in the case of the remaining members.

Proposals submitted for approval to the General Assembly of Shareholders must be accompanied by a justifying report from the Committee assessing the competence, experience and merits of the candidate proposed. For these purposes, the balance of knowledge, skills and experience on the Board of Directors will be evaluated, as well as the conditions that the candidates must meet to fill the vacancies that arise, assessing the dedication of time that is considered necessary for them to properly perform their mission, based on the needs of the company's governing bodies at any given time.

The board members are individually elected and reelected annually.

Aware of our responsibilities as a public company, we have implemented a series of measures seeking institutionalization through transparent practices, satisfactorily fulfilling and exceeding the terms established in the Code of Corporate Best Practices. On this basis, Alberto Torrado Martínez left the position of Executive President to serve as Chairman of the Board of Directors on January 24, 2022.

The Nominations and Compensation Committee is the body authorized to propose to the Shareholders' Meeting the remuneration received by the board members. At Alsea, we determine that board member compensation is a fixed amount applicable according to their attendance at each meeting and the committees they belong to. We have also implemented clear and objective mechanisms to evaluate the board's management performance and, where appropriate, propose external training on relevant issues in the development of the company's business, which allows the board members to participate in all discussions and decisions effectively.

AUDIT COMMITTEE

According to the provisions established by the Securities Act and the Alsea bylaws, the Audit Committee is made up as follows:

Alfredo Sánchez Torrado
CHAIRMAN

Luiz Carlos Ferezin
MEMBER

Federico Tejado Bárcena
MEMBER

Elizabeth Estrella Garrido López
SECRETARY (NON-MEMBER)

CORPORATE GOVERNANCE COMMITTEE

León Kraig Eskenazi
CHAIRMAN

Luiz Carlos Ferezin
MEMBER

Armando Torrado Martínez
MEMBER

Alejandro Arturo Kipper Lezama
MEMBER

Elizabeth Estrella Garrido López
SECRETARY (NON-MEMBER)

FUNCTIONS AND RESPONSIBILITIES

- Recommend to the Board of Directors the candidates for external auditors of the company, the contracting terms and the scope of professional work and supervise compliance with them.
- Serve as the communication channel between the Board of Directors and the external auditors and ensure the independence and objectivity of the latter.
- Review the work program, the observation letters, and the internal and external audit reports and report the results to the Board of Directors.
- Periodically meet 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 its opinion to the Board of Directors on the policies and criteria used to prepare financial information and the process for its issuance, ensuring its reliability, quality, and transparency.
- Contribute to the definition of internal control and internal audit guidelines and evaluate their effectiveness.
- Verify to ensure the observation of the mechanisms established to control the company's risks.
- Coordinate the work done by the internal auditor.
- Contribute to the establishment of policies for operations with related parties.
- Analyze and evaluate operations with related parties to make recommendations to the Board of Directors.
- Decide on hiring third-party experts to issue their opinions on operations with related parties or any other matter that allows them to fulfill their duties.
- Verify compliance with the Code of Ethics and the mechanism for disclosing unlawful acts and protecting informants.
- Assist the Board of Directors in analyzing contingency plans and information recovery.
- Verify the implementation of the mechanisms required to ensure that the company complies with the applicable legal provisions.

CORPORATE PRACTICES COMMITTEE

It is made up mostly of independent directors as follows:

León Kraig Eskenazi
CHAIRMAN

Cosme Alberto Torrado Martínez
MEMBER

Fabián Gerardo Gosselín Castro
MEMBER

Leticia Mariana Jauregui Casanueva
MEMBER

Elizabeth Estrella Garrido López
SECRETARY (NON-MEMBER)

FUNCTIONS AND RESPONSIBILITIES

- Suggest to the Board of Directors the criteria for appointing or removing the CEO and C-Suite officers.
- Propose to the Board of Directors the evaluation and compensation criteria for the CEO and C-Suite officers.
- Recommend to the Board of Directors the criteria to determine the payments for termination of the CEO and C-Suite officers.
- Recommend the criteria for the compensation of the company's board members.
- Analyze the proposal made by the CEO regarding the structure and criteria for staff compensation.
- Analyze and present to the Board of Directors for its approval the statement to consider the company as socially responsible, the Code of Ethics, and the information system to manage unlawful acts and the protection of informants.
- Analyze and propose to the Board of Directors the approval of the formal system of succession of the CEO and C-Suite officers and verify compliance with the same.
- Study and propose to the Board of Directors the strategic vision for the company to ensure its stability and permanence over time.
- Analyze the general guidelines presented by management to determine the company's strategic plan and follow up on its implementation.
- Evaluate the company's investment and financing policies proposed by management and give its opinion to the Board of Directors.
- Give an opinion on the premises of the annual budget presented by the BEO and follow up on its application and control system.
- Evaluate the mechanisms presented by management to identify, analyze, manage and corporate risks and give its opinion to the Board of Directors.
- Evaluate the criteria presented by the General Director for the disclosure of the risks to which the company is subject and give its opinion to the Board of Directors.

ABOUT THIS REPORT

The purpose of this report is to share with our stakeholders' compliance with the Alsea, S.A.B. de C.V. operation through our achievements and progress guided by our Business and Sustainability Strategy.

This integrated annual report contains the global results of Alsea in economic, social, environmental, corporate governance and financial matters for the period beginning January 1 and ending December 31, 2021. It has been prepared in accordance with the GRI Standards for the preparation of Sustainability reports in their "essential" version, with the information requested by the Mexican Stock Exchange through S&P Global to be part of the Sustainable Index and with information obtained from the requests of our topics and material stakeholder. It is aligned with the 10 principles of the Global Compact and the 17 UN Sustainable Development Goals.

The last reported report was prepared for the same period corresponding to 2020.

As part of our environmental care strategy, we have produced the document in digital format. We report the results of the activities conducted in Mexico, Latin America and Europe.

The information was obtained from the areas specialized in the GRI indicators in the different geographies where we have a presence. The financial information is subject to an external audit process.

During this last period, there are no restatements of information or significant changes concerning the previous periods reported both in terms of materiality and coverage.

DETAIL OF MATERIAL ISSUES

GROWTH

1. BUSINESS STRATEGY
Financial results, resource management and strategic investment plans; supply chain management and review of priority issues, such as differentiation and competitiveness, innovation, operational efficiency, research and development of new products; capacity building and entry into new markets.

2. PREFERENCES, VALUE AND BRAND LOYALTY
Strategies to improve the customer experience and maintain their loyalty to the different brands, management of reputational crises, monitoring the evolution of preferences and consumption habits, and actions to preserve the brand's value and customer relations.

3. RESPONSIBLE DIGITALIZATION
The implementation of recent technologies, and digitization of operations or activities of the value chain, to benefit customer, employee and supplier relations.

4. RESPONSIBLE SOURCING
The implementation of good supply and supplier selection practices; sustainable sources of inputs for animal welfare and biodiversity conservation; sustainable agriculture, and community improvement.

5. FOOD WASTE
Actions to prevent food waste in its preparation and consumption and surplus donations.

6. CUSTOMER'S WELL-BEING
The development of nutritious, balanced and sustainable dishes and the promotion of healthy habits; hygiene and safety in consumption, transparency in communication with customers and reduction of digital inequality in the shopping experience.

7. FOOD QUALITY & SAFETY
Implementation of evaluation processes and food quality and hygiene assurance. Promotion of the use of real ingredients, best biotechnology and labeling practices, and food and feed safety.

DEVELOPMENT

8. TALENT MANAGEMENT
The promotion of policies, processes and procedures to attract, hire and retain talent. Procurement of health, safety and the well-being of employees; monitoring of accidents, illness and absenteeism, and implementation of initiatives for the prevention and management of accidents and work-related diseases.

9. EQUALITY, DIVERSITY AND INCLUSION
The promotion of inclusive employment, equal pay, and equal employment opportunities, without discrimination based on gender, sexual orientation, race, age, disabilities, beliefs, or any other reason.

10. CULTURE AND ORGANIZATIONAL CLIMATE
Job offers in a safe, respectful, and pleasant environment, allowing employees to experience the organization's values with fair remuneration and work-life balance.

11. EMPLOYEE TRAINING
Practices and programs aimed at the teams' development of skills and competencies that give them access to evaluations, promotions and opportunities to create a career plan.

12. HUMAN RIGHTS
Ensure respect for the Human Rights of all the people with whom we are linked, promoting fair economic, labor and commercial relations, which put the dignity of the human being above any unilateral benefit.

13. HEALTH & SAFETY
Procurement of customers' hygiene, health, safety, and well-being at all levels of our value chain, from the acquisition of raw materials to the consumption experience in our establishments and products delivered to their homes.

14. COMMUNITY AND PHILANTHROPY
The creation and implementation of community support programs, such as social investment, volunteering, donations, financial or in-kind donations, and support in the event of natural disasters. Promotion of initiatives such as the generation of employment, promotion of family farming, food security, reduction of hunger, support for education, and rural employment.

15. CULTURE AND SOCIAL COMMITMENT
Practices and programs to encourage the participation of our employees in corporate volunteering activities that promote a culture of social support.

16. LOCAL IMPACT OF OPERATIONS
Projects and programs aimed at the communities on which our operations have an impact, promoting job creation and reducing our environmental footprint.

BALANCE

17. WATER
Measurement and monitoring of water consumption and discharge through responsible use programs, identifying areas of high water stress, reuse, treatment and recycling of water.

18. ENERGY AND EMISSIONS
Programs, policies and measures to encourage energy efficiency and reduce consumption in our operations. Use of energy and sustainable fuels, measurement and management of Greenhouse Gas (GHG) emissions, and participation in initiatives to reduce emissions.

19. WASTE AND POLLUTION
Promotion of adequate waste management, acquisition of sustainable materials, installation of eco-friendly stores and promotion of the circular economy to reduce, reuse, and recycle post-consumer materials.

20. CLIMATE STRATEGY
Definition of strategies to address the impacts of climate change through programs established to prevent, reduce and mitigate its effects.

CORPORATE GOVERNANCE

21. ETHICS AND COMPLIANCE
Promotion of ethical principles and values, adherence to the legal frameworks of the geographies where we have a presence, promotion of healthy competition and adherence to our conduct standards and corporate policies.

22. CORPORATE GOVERNANCE
Establishment of good governance practices to regulate the structure and operation of the company's governing bodies and favor credibility, stability, growth and generation of long-term value.

23. POLICIES AND REGULATION
Creation and adherence to compliance with economic, social, environmental and operational regulations applicable to the company and alignment with future regulations that arise in response to global standards.

24. RISK ADMINISTRATION AND SOCIAL RESPONSIBILITY MANAGEMENT
Activities to identify, prevent, and manage the risks inherent to the operation; promotion of sustainability, partnerships to achieve sustainable development goals, crisis management, and strategies to mitigate risks that could affect business continuity.

25. COMMUNICATION AND TRANSPARENCY
Report and disclosure of our environmental, social and Corporate Governance actions, with audited information to attest to its reliability. Responsible marketing, clarity in the labeling of products and our menus, transparent communication with suppliers and customers, and transparency on tax issues.

26. STAKEHOLDER RELATIONS
Activities to encourage and strengthen trust and commitment to stakeholders include dialogue with the government, participation in industrial chambers or associations, alliances with institutions and civil society organizations, and ongoing communications to understand our stakeholders' expectations and concerns to update our material issues.

27. INFORMATION SECURITY AND PRIVACY
Protect the integrity of sensitive data through actions supported by our system infrastructures to prevent cyber risks.

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

Consolidated Financial Statements for the Years Ended December 31, 2021, 2020 and 2019, and Independent Auditors’ Report Dated April 12, 2022

Annual Corporate Practices Committee Report

TO THE BOARD OF DIRECTORS OF ALSEA, S.A.B. DE C.V.:

Mexico City, February 28, 2022

In compliance with the terms established by Articles 42 and 43 of the Securities Market Act, and on behalf of the Corporate Practices Committee, I present my report on the main activities carried out during the year ended December 31, 2021. In developing our work, we have taken into account the recommendations contained in the Code of Principles and Corporate Governance Best Practices of the Mexican Business Coordinating Council (CCE).

In order to analyze the company's results, the Committee met to ensure proper follow-up of the agreements established in executing its duties, inviting the company officers deemed appropriate.

We carried out the following activities to fulfill our duties:

1. During this period, we did not receive any requests for exemptions in accordance with the provisions established by Article 28, section III, subparagraph f) of the Securities Market Act; hence, there is no need to make any recommendations in this regard.
2. We presented the quarterly and Accrued income of the 2021 Securitization Plan.
3. We received an update of the Shareholder Cost applicable at the end of each quarter of 2021, using the methodology authorized by the Board of Directors.
4. We received quarterly reports summarizing the forward exchange rate (peso-dollar) risk managed throughout the year.
5. With the management team, we reviewed the bank financing strategy, the corresponding long-term credit coverage, and compliance with the Covenants.
6. The 2021 Budget forecast was presented to us, and we asked that certain changes be made to present it to the Board.
7. During the period covered by this report, the Audit Committee analyzed the issuer's related-party transactions and their characteristics described therein, with no significant unusual transactions to report.
8. We supervised the relevant executives' Compensation Plan addressed in Article 28, Section III, subsection d) of the Securities Market Act and recommended presenting it to the Board for approval.
9. We were informed of the main executives' Succession and Talent Development Plans.
10. We were presented with the results of the Performance Evaluation of relevant management team members for 2021, which this Committee used to verify the mechanism implemented by the company to identify the performance of said directors, with no significant observations to report in this regard.
11. The Corporate Human Resources Department presented the 2021 Executive Compensation Strategy. This Committee recommended that the board approve the strategy.
12. Management informed us about the adjustments to be made to the company's organizational structure.
13. In every Board Meeting, the Corporate Practices Committee presented a report on its activities for the Board's consideration, recommending that the Board ratify and/or approve it as appropriate.

Lastly, I would like to mention that as part of our activities, which include preparing this report, we always listened and took into account the viewpoints expressed by the relevant directors, and have no significant observations to report in this regard.

Corporate Practices Committee

León Kraig Eskenazi
Chairman

Audit Committee Annual Report

TO THE BOARD OF DIRECTORS OF ALSEA, S.A.B. DE C.V.:

Mexico City, February 28, 2022.

In compliance with the provisions established by Articles 42 and 43 of the Securities Market Act and the Audit Committee's Regulations, I hereby inform you of the activities we carried out during the year ended December 31, 2021. In developing our work, we have taken into account the recommendations provided by the Code of Best Practice of Corporate Governance. In accordance with the work program prepared according to the Committee's Regulations, we meet at least once every quarter to carry out the activities described as follows:

I. RISK EVALUATION

We reviewed with Management and the External and Internal Auditors the critical risk factors that could affect the company's operations, determining that they have been properly identified and managed.

II. INTERNAL CONTROL

We ensured that Management had established the appropriate processes and policies in compliance with its responsibilities related to internal controls. In addition, we followed up on the comments and observations that the External and Internal Auditors have made in this regard in the performance of their duties.

III. EXTERNAL AUDIT

We recommended to the Board of Directors the external auditor's appointment for the Group and subsidiaries for FY 2021. To this end, we ensured their independence and compliance with the requirements established by law. We analyzed their approach and work program with them.

We maintained constant and direct communication with them to ask for status reports and observations they might have and to take note of the comments on their annual financial statements review. We were duly informed of their conclusions and reports on the annual financial statements, including the communication referred to in Article 35 of the general provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that hire external audit services for basic financial statements (Sole Circular for External Auditors) and we followed up on the implementation of the observations and recommendations they presented in the course of their work. We reviewed the reports issued by the External Auditors referred to in the Single Circular for External Auditors.

We authorized the fees paid to the external auditors for their auditing services and other permitted additional or complementary services, ensuring that they did not interfere with their independence from the company. Considering the viewpoints expressed by management, we evaluated the external auditor's services corresponding to the prior year and began the evaluation process corresponding to FY 2021.

IV. INTERNAL AUDIT

In order to maintain its independence and objectivity, the Internal Audit area functionally reports to the Audit Committee.

We reviewed and approved its annual program of activities in due course. In order to prepare its program, Internal Audit participated in the risk identification process, the establishment of controls and their verification.

We received quarterly reports regarding the progress of the approved work program, its variations, and the causes that originated them.

We followed up on the observations and suggestions they prepared and their timely implementation.

We received and analyzed the annual report regarding existing related-party transactions to confirm that they were carried out in accordance with existing policies and market values. Therefore, the opinions were requested, and the corresponding valuations made.

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

We reviewed with the persons responsible for the process used to prepare the company's quarterly and annual financial statements and recommend its approval and authorization to be published to the Board of Directors. As part of this process, we considered the opinion and observations made by the external auditors and verified that the criteria, accounting and information policies used by management to prepare the financial information were adequate and sufficient and were consistently applied in the prior year. Consequently, the information presented by management reasonably reflects the company's financial position, the results of its operation and its cash flows and the changes in financial position for the year ended December 31, 2021.

We also reviewed the quarterly reports by management to be presented to the shareholders and the general public, verifying that they were prepared according to the International Financial Reporting Standards (IFRS) and with the same accounting criteria used to prepare the annual report. We verified the existence of a comprehensive process that provides reasonable assurance about its content. In conclusion, we recommend that the Board authorize its publication.

We reviewed with the External Auditor and management the registration and disclosure of the economic effects caused by COVID-19 and the actions taken to contain it.

We also accompanied and reviewed the restructuring of the long-term debt and the adequate fulfillment of the contractual obligations acquired with the financial institutions, as well as the issuance and placement of bonds to liquidate short-term obligations, reviewing with the external auditor the new debt conditions, accounting treatment and disclosures about this transaction.

VI. COMPLIANCE WITH REGULATIONS, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established by the company to ensure compliance with the different legal provisions to which it is subject, ensuring that they were properly disclosed in the financial information.

We periodically reviewed the company's fiscal, legal and labor contingencies and monitored the effectiveness of the procedure established for their identification and monitoring, as well as their proper disclosure and registration. The following tax issues stood out, some of which began and were reported as early as 2014 and were promptly followed up on this year:

a) In 2014, the Mexico City Secretariat of Finance informed Italcafé S.A. de C.V. (ITALCAFÉ) of its tax assessment for fiscal year 2010, ascertaining taxable income for deposits made to its bank accounts derived from the transaction regarding various restaurants owned by Grupo Amigos de San Ángel, S.A. de C.V. (GASA), even though said income was accrued by the latter for all corresponding fiscal effects. On November 28, 2018, the Mexico City Attorney General's Office issued a partial favorable resolution of the appeal of revocation filed against the assessment issued by the Secretary of Finance and requested that the supervening evidence provided be considered and a new resolution be issued. In January 2019, the company filed the corresponding means of defense against the resolution issued by the Mexico City Attorney General's Office. It is still a pending matter.

b) In March 2016, the Tax Administration Service (SAT) began the search of the Grupo Amigos de San Ángel, S.A. de C.V. (GASA) and ITALCAFÉ S.A. de C.V. (ITALCAFÉ) premises pursuant to a warrant for investigating compliance with tax laws in 2010 and 2011, respectively. In November, it issued the last partial certificates with its assessment of the observations derived from unidentified deposits according to the authorities. In December 2017, additional information was presented to clarify and refute said observations. Additionally, a request for a Conclusive Agreement was submitted to the Taxpayer Defense Attorney (PRODECON). The instances filed with PRODECON were resolved in January 2019, without reaching a consensus with the SAT, so the companies ultimately filed the means of defense with the courts for GASA in August 2019 and ITALCAFÉ in November of the same year. It is still a pending matter.

c) In September 2017, the SAT began a review process for Operadora Alsea de Restaurantes Mexicanos S.A. de C.V. (OARM) with respect to FY 2014. The foregoing derived from the sequential review that began with the public accountant who audited the acquisition of the Vips business for tax purposes that year.

In fiscal year 2018, the information requested by the tax authorities was presented, which issued an audit report for OARM considering certain objections regarding the acquisition of the Vips business. In October 2018, additional information was presented to the tax authorities and a request for a conclusive agreement before PRODECON. On July 30, 2019, PRODECON terminated the definitive agreement procedure due to a lack of consensus with the SAT. Due to the foregoing, in February 2021, the SAT issued an official letter requesting the liquidation of the MXN 99.9M tax credit. On March 23, 2021, the company filed an Appeal of Revocation against said request for liquidation with the tax authorities. The company and its external lawyers believe that there are sufficient elements to demonstrate that the SAT's request for liquidation is inadmissible and that OARM met its tax obligations regarding the sale transaction mentioned above on time. Hence, it has not created a provision in this regard. It is still a pending matter.

d) In the case of Alsea, S.A.B. de C.V. (ALSEA), the SAT began a review process in December 2017 and, in December 2018, issued an audit report with certain objections regarding the acquisition of the Vips brand. In response, Alsea presented additional information to refute the objections made and a request for a Conclusive Agreement with PRODECON. On July 30, 2019, PRODECON terminated the Conclusive Agreement procedure due to a lack of consensus with the SAT. Due to the foregoing, in February 2021, the SAT issued an official letter requesting liquidation of the tax credit totaling MXN 3.781 billion. On March 23, 2021, the company filed an Appeal of Revocation against the request for liquidation with the tax authorities. The company and its external lawyers believe that there are sufficient elements to demonstrate that the SAT's request for liquidation is inadmissible and that Alsea met its tax obligations regarding the transaction of the sale mentioned above in a timely manner. Hence, it has not created a provision in this regard. It is still a pending matter.

VII. CODE OF CONDUCT

With the support of Internal Audit, we ensured the staff's compliance with the Alsea Code of Business Conduct and the existence of adequate processes to update and disseminate it among all staff members. We also ensured the application of the corresponding penalties to the breaches identified.

The complaints received in the company's System were reviewed with a follow-up on their correct and timely resolution.

VIII. ADMINISTRATIVE MATTERS

We held regular meetings with management to stay informed about the progress made by the company and relevant and unusual activities and events. We also met with the external and internal auditors to discuss their work and the limitations they might have faced and to facilitate any private communication they wished to have with the Committee.

When deemed appropriate, we asked independent experts for their support and opinions. We did not learn of any potential significant breaches of the operating policies, internal control system and accounting record policies.

We held executive meetings with the exclusive participation of the Committee members, establishing agreements and recommendations for management at these meetings.

The Chairman of the Audit Committee submitted a quarterly report about our activities to the Board of Directors.

The work we carried out was duly documented in the minutes prepared for each meeting, which was reviewed and approved on time by the members of the Committee.

Sincerely yours,

CPA. Alfredo Sanchez Torrado
Chairman of the Audit Committee

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, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, 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 1e to the accompanying consolidated financial statements, the Entity's management discloses the main actions related to its business plan to offset the effects derived from the COVID-19 pandemic, which arose in 2020 and had a highly significant effect on the restaurant industry and the Entity's operations. These actions included the issuance and placement of senior bonds in Mexico and Spain, thereby permitting the settlement of the Entity's short-term obligations, together with its long-term debt restructuring. These matters have not modified our audit opinion detailed in the second paragraph of this report.

Furthermore, the Entity has implemented a series of internal measures to ensure the feasibility of its operations, the success of which will depend on the duration of the pandemic and the measures employed by different governments as regards restaurant operation, as well as Management's ability to generate revenues and liquidity. Our audit 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 4o to the consolidated financial statements, the Entity has recorded an amount of $184,430, $220,000 and $32,469 (thousands of Mexican pesos) for impairment as of December 31, 2021, 2020 and 2019, respectively.

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; included in the Note 17 to the consolidated financial statement, 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.

ACQUISITION OF NON-CONTROLLING INTEREST

We assume the risk of material misstatement related to the recognition and valuation of call options derived from the acquisitions made by Alsea and which give rise to these risks.

In October 2014, the Entity acquired Grupo Zena. Based on this transaction, Grupo Zena obtained the right to sell its non-controlling interest, with a sale commitment date in October 2018, which was terminated and formalized through a new agreement to perform the sale in April 2019 and, subsequently, in June 2022.

In September 2021, the Entity, jointly with Alia Capital Partners and Bain Capital Credit agreed to acquire the 21.1% related to the noncontrolling interest of Food Service Project, S.A. (Alsea Europa). As a result of this investment, Alsea will hold the 76.8% of the total equity of Alsea Europa (formerly 66.2%), whilst Alia Capital Partners and Bain Capital Credit will indirectly hold the 10.6%, with the remaining minority shareholders representing 12.7%. The Entity paid 55 million euros (equal to $1,205,703), which represents 10.5% of the noncontrolling interest. Furthermore, reimbursements of $92.4 million pesos were obtained. In conformity with IFRS 9, Financial instruments, the present value of the estimated debt that will be settled when exercising the call option according to the clauses of the new contract, shall be recorded.

In addition, as a result of the Acquisition of Sigla in 2018, the minority partners of Grupo Zena obtained the right to sell their noncontrolling interest, with a final sale commitment date in 2025 and 2026, which will take place based on the delivery of a variable number of shares in Alsea. In conformity with IFRS 9, Financial instruments, this transaction must be recorded as a derivative financial instrument.

The audit procedures applied to the risk associated with the acquisition of the noncontrolling interest included the following, among others:

Our internal specialists assisted us with the review of the new agreements executed between the investors, which included examining acquisition support documentation; reviewing the transaction cash flows; verifying the appropriate recording of the transaction to recognize the remeasurement of the financial liability and derivative financial instrument, as well as the reviewing of the disclosures included in Note 19 to the consolidated financial statements as regards the transactions arising from these acquisitions. The results of our audit tests were reasonable.

DEBT RENEGOTIATION

Given the importance of the recognition and valuation of the renegotiations performed by Alsea, compliance with its short-term obligations and the restructuring of its long-term debt must be ensured.

As explained in Notes 1a and 18 to the consolidated financial statements, on December 14, 2021, the Entity concluded the issuance of a senior bond for the amount of US$500 million, with interest payable semi-annually with the option of a partial or total settlement from December 14, 2023. This placement allows the Entity the settlement of its short-term obligations, together with the restructuring of its long-term debt.

Furthermore, on January 21, 2022, the Entity placed a senior bond for the amount of €300 million, with interest payable semi-annually, which was issued through its subsidiary Food Service Project, S.A. and underwritten by Alsea with the option of partial or total settlement as of January 21, 2024.

The audit procedures applied to this key matter included the following, among others:

Obtain an understanding of the bank debt renegotiation process by reviewing contracts, legal and other supporting documentation. Similarly, the new debt conditions were reviewed, as well as the accounting treatment resulting from the renegotiation and the disclosures included in Note 19 to the consolidated financial statements, and, finally the Entity's compliance with its agreements as of December 31, 2021.

We obtained confirmation replies from the financial institutions which confirm the outstanding balances at year-end, the maturity date and interest rate. Likewise, we involved our specialists to evaluate the Entity's compliance with IFRS 9, Financial instruments. The results of our audit tests were reasonable.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

The Entity's management is responsible for the other information presented. The other information encompasses: the information included in: numeral i) of the Annual Report; ii) the information that will be included in the Annual Report which the Entity must prepare according to the article 33, section I, numeral b) of Title Fourth, Chapter First of the General Provisions Applicable to Issuers and other Stock Market Participants in Mexico, and the Guidelines accompanying these provisions (the "Provisions").

The Annual Reports are expected to be available to our reading after the date of this audit report; and iii) additional other information, which is not actually required by IFRS, but has been included to provide an additional explanation to the Entity's investors and the main readers of its consolidated financial statements to enable them to evaluate the performance of each operating segment and other indicators associated with the Entity's ability to satisfy its obligations as regards Earnings before Interest, Taxes, Depreciation and Amortization (adjusted "EBITDA"); this information is presented in Note 31.

Our opinion on the consolidated financial statements will not be extended to the other information and we do not express any opinion on this regard.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the other information when it becomes available and, when doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements, the knowledge we obtained during the audit or whether it appears to contain material misstatement. If, based on our work performed, we conclude that the other information contains material misstatement, we would have to report this situation. When reading the Annual Report, we will issue a declaration on this regard, as required by Article 33 Section I, paragraph b) numeral 1.2. of the Provisions. In addition, with regards to our audit of the consolidated financial statements, our responsibility is to read and recalculate the other information which, in this case, is not required by IFRS and, when doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements, the knowledge we obtained during our audit or whether it appears to contain material misstatement. If, based on the work performed, we conclude that the other information contains material misstatement, we would have to report this situation in our declaration related to the Annual Report required by the National Banking and Securities Commission, and those charged with governance of the Entity. As of the date of this report, we have nothing to report in this regard.

OTHER MATTER

As mentioned in Note 2 to the accompanying consolidated financial statements have been translated into English for the convenience of readers.

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 12, 2022

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

Consolidated statements of financial position

At December 31, 2021, 2020 and 2019
(Figures in thousands of Mexican pesos)

Assets	Notes	2021	2020	2019
Current assets:				
Cash and cash equivalents	6	$ 6,893,433	$ 3,932,409	$ 2,568,771
Customers, net	7	1,070,153	890,484	764,902
Value-added tax and other recoverable taxes		355,293	1,274,055	338,597
Other accounts receivable		681,374	730,291	682,319
Inventories	8	2,009,258	1,617,570	1,779,646
Non-current assets classified as held for sale		-	-	52,546
Advance payments	9	641,421	328,034	289,885
Total current assets		11,650,932	8,772,843	6,476,666
Long-term assets:				
Guarantee deposits		877,016	1,789,833	753,850
Investment in shares of associated companies	15	131,867	90,110	85,471
Store equipment, leasehold improvements and proprty, net	12	15,277,931	15,879,778	16,692,801
Right of use assets	10	22,274,256	23,423,275	21,192,657
Intangible assets, net	13 and 17	27,796,564	28,816,687	27,375,209
Deferred income taxes	21	4,968,996	4,665,412	3,835,593
Total long-term assets		71,326,630	74,665,095	69,935,581
Total assets		$ 82,977,562	$ 83,437,938	$ 76,412,247

Liabilities and stockholders' equity	Notes	2021	2020	2019
Current liabilities:				
Current maturities of long-term debt	18	$ 1,638,000	$ 24,233,053	$ 305,668
Current obligation under finance leases	11	4,415,950	4,207,633	3,915,338
Debt instruments	19	1,000,000	7,979,149	-
Suppliers		2,971,439	2,949,829	2,327,048
Factoring of suppliers		1,007,798	654,115	889,046
Accounts payable to creditors		4,446,604	2,834,150	2,234,461
Accrued expenses and employee benefits		4,160,150	4,279,180	3,278,798
Option to sell the non-controlling interest	20	-	2,701,407	2,304,864
Total current liabilities		19,639,941	49,838,516	15,255,223
Long-term liabilities:				
Long-term debt, not including current maturities	18	12,012,739	-	17,102,448
Obligation under finance leases	11	19,347,324	21,092,417	19,542,694
Debt instruments	19	17,078,340	-	7,973,765
Option to sell the non-controlling interest	20	1,272,474	-	-
Other liabilities		894,135	265,050	416,663
Deferred income taxes	20	3,710,272	4,364,054	4,365,095
Employee retirement benefits	21	348,250	244,056	213,797
Total long-term liabilities		54,663,534	25,965,577	49,614,462
Total liabilities		74,303,475	75,804,093	64,869,685
Stockholders' equity:	24			
Capital stock		478,749	478,749	478,749
Premium on share issue		8,676,827	8,676,827	8,670,873
Retained earnings		(1,054,274)	(683,700)	2,551,874
Reserve for repurchase of shares		660,000	660,000	660,000
Reserve for obligation under put option of non-controlling interest	20 and 25	(808,098)	(2,013,801)	(2,013,801)
Other comprehensive income items		(314,040)	(814,676)	(766,696)
Stockholders' equity attributable to the controlling interest		7,639,164	6,303,399	9,580,999
Non-controlling interest	25	1,034,923	1,330,446	1,961,563
Total stockholders' equity		8,674,087	7,633,845	11,542,562
Total liabilities and stockholders' equity		$ 82,977,562	$ 83,437,938	$ 76,412,247

See accompanying notes to the consolidated financial statements.

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

Consolidated statements of income

For the years ended December 31, 2021, 2020 and 2019
(Figures in thousands of Mexican pesos)

	Notes	2021	2020	2019
Continuing operations				
Net sales	27	$ 53,379,469	$ 38,495,420	$ 58,154,617
Cost of sales	28	15,591,274	11,454,884	17,164,021
Cost of distribution		1,161,787	1,034,682	1,269,185
Depreciation and amortization	10, 12 and 13	8,178,329	8,435,190	8,046,665
Employee benefits		13,759,593	12,003,552	15,882,694
Services		2,414,136	1,951,278	2,811,219
Advertising		1,719,398	1,398,352	2,026,539
Royalties		1,685,022	1,124,108	1,779,165
Repair and maintenance		1,090,474	843,613	1,056,296
Supplies		1,037,100	756,147	912,487
Distribution		109,363	521,046	613,309
Other operating expenses	29	2,500,054	490,077	2,022,146
Income (loss) operating		4,132,939	(1,517,509)	4,570,891
Comprehensive financing result:				
Interest income		(141,707)	(118,987)	(101,168)
Interest expenses		3,508,158	3,225,511	3,123,023
Changes in the fair value of financial instruments	20	(120,340)	456,548	(201,142)
Exchange (gain) loss, net		(110,747)	11,318	29,083
		3,135,364	3,574,390	2,849,796
Equity in results of associated companies	15	1,840	(2,647)	(942)
Income (loss) before income taxes		999,415	(5,094,546)	1,720,153
Income (profit) taxes	21	214,946	(1,199,088)	635,420
Consolidated net income (loss) from continuing operations		$ 784,469	$ (3,895,458)	$ 1,084,733
Net income (loss) for the year attributable to:				
Controlling interest		$ 835,129	$ (3,235,574)	$ 926,669
Non-controlling interest		$ (50,660)	$ (659,884)	$ 158,064
Earnings per share:				
Basic and diluted net earnings per share from continuing operations (cents per share)	26	$ 1.00	$ (3.86)	$ 1.11

See accompanying notes to the consolidated financial statements.

Consolidated statements of other comprehensive income

For the years ended December 31, 2021, 2020 and 2019

(Figures in thousands of Mexican pesos)

	2021	2020	2019
Consolidated net income (loss)	$ 784,469	$ (3,895,458)	$ 1,084,733
Items that may be reclassified subsequently to income:			
Valuation of financial instruments, net of income taxes	41,560	(202,333)	12,686
Remeasurement of defined benefit obligation, net of income taxes	3,044	21,894	(48,782)
Inflation effect, net of income taxes	620,457	263,736	313,132
Cumulative translation adjustment, net of income taxes	(164,425)	(131,277)	(1,141,069)
	500,636	(47,980)	(864,033)
Total comprehensive income (loss), net of income taxes	$ 1,285,105	$ (3,943,438)	$ 220,700
Comprehensive income (loss) for the year attributable to:			
Controlling interest	$ 1,335,765	$ (3,283,554)	$ 62,636
Non-controlling interest	$ (50,660)	$ (659,884)	$ 158,064

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, 2021, 2020 and 2019

(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 stockholders' equity
Balances at January 1, 2019	$ 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 24a)	-	226,453	-	-	-	-	-	-	-	-	226,453	-	226,453
Other movements (Note 25)	-	-	-	-	-	-	-	-	-	-	-	(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 24a)	-	5,954	-	-	-	-	-	-	-	-	5,954	-	5,954
Other movements (Note 25)	-	-	-	-	-	-	-	-	-	-	-	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
Other movements (Note 25)	-	-	-	1,205,703	-	(1,205,703)	-	-	-	-	-	(244,863	(244,863)
Comprehensive income	-	-	-	-	-	835,129	620,457	41,560	(164,425)	3,044	1,335,765	(50,660)	1,285,105
Balances at December 31, 2021	$ 478,749	$ 8,676,827	$ 660,000	$ (808,098)	$ 100,736	$ (1,155,010)	$ 1,743,091	$ (210,744)	$ (1,785,217)	$ (61,170)	$ 7,639,164	$ 1,034,923	$ 8,674,087

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, 2021, 2020 and 2019
(Figures in thousands of Mexican pesos)

	Notes	2021	2020	2019
Cash flows from operating activities:				
Consolidated net income		$ 784,469	$ (3,895,458)	$ 1,084,733
Adjustment for:				
Income taxes		214,946	(1,199,088)	635,420
Equity in results of associated companies		(1,840)	2,647	942
Interest expense		3,508,158	3,225,511	3,123,023
Interest income		(141,707)	(118,987)	(101,168)
Disposal of store equipment, leasehold improvements and property		(111,713)	324,877	1,362,947
Impairment goodwill	13	184,430	220,000	32,469
Profit on sale of fixed assets		70,986	(178,774)	10,994
Changes in the fair value of financial instruments		(120,340)	456,548	(201,142)
Depreciation and amortization	10, 12 and 13	8,178,329	8,212,474	8,046,665
		12,565,718	7,049,750	13,994,883
Changes in working capital:				
Customers		(252,500)	(125,582)	(4,299)
Other accounts receivable		36,665	(47,972)	(261,948)
Inventories		(461,157)	162,076	356,210
Advance payments		576,613	(1,074,132)	398,617
Suppliers		265,064	622,781	(645,479)
Factoring of suppliers		353,683	(234,931)	131,070
Accrued expenses and employee benefits		1,131,299	1,251,019	(1,209,205)
Income taxes paid		(101,859)	(546,667)	(588,322)
Other liabilities		434,048	(326,440)	(482,203)
Labor obligations		108,543	61,536	(7,880)
Net cash flows provided by operating activities		14,656,117	6,791,438	11,681,444

	Notes	2021	2020	2019
Cash flows from investing activities:				
Proceeds from equipment and property		142,796	231,320	82,668
Interest collected		141,707	118,987	101,168
Store equipment, leasehold improvements and property	12	(2,740,920)	(1,778,242)	(3,087,269)
Intangible assets	13	(140,968)	(403,916)	(425,573)
Acquisition in investment in shares of associated companies		(39,917)	(7,286)	(72,117)
Acquisitions of business, net of cash acquired	20	(1,113,251)	-	-
Non-controlling interest put option payments	1 and 20	-	-	(1,109,933)
Net cash flows used in investing activities		(3,750,553)	(1,839,137)	(4,511,056)
Cash flows from financing activities:				
Bank loans		179,210	10,045,269	1,633,890
Repayments of loans		(10,161,796)	(4,703,310)	(2,797,076)
Issuance of debt instruments	19	10,257,850	-	4,000,000
Payments for debt instruments		-	-	(3,000,000)
Interest paid		(2,457,826)	(3,225,511)	(3,123,023)
Cash received non-controlling stake		(244,863)	28,767	(75,243)
Payments for financial leasing		(5,738,455)	(4,186,643)	(4,139,136)
Repurchase of shares		-	5,954	221,400
Sales of shares		-	-	5,053
Net cash flows used in financing activities		(8,165,880)	(2,035,474)	(7,274,135)
Net increase (decrease) in cash and cash equivalents		2,739,684	2,916,827	(103,747)
Exchange effects on value of cash		221,340	(1,553,189)	684,661
Cash and cash equivalents:				
At the beginning of the year		3,932,409	2,568,771	1,987,857
At end of year		$ 6,893,433	$ 3,932,409	$ 2,568,771

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

For the years ended December 31, 2021, 2020 and 2019
(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, reference made to dollars is for US dollars and reference made to euros is for of the European Union.

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 La Finca. 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, Archie's and until December 2021 P.F. Chang'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, Starbucks, Ginos, Fridays, Ole Mole and until mid-2020 Wagamama and Cañas y Tapas, and from January and February 2020, Alsea operates the Starbucks brand in France, Netherlands, Belgium and Luxembourg.

Significant events

a. **Alsea announces the successful pricing of senior bonds with maturity in 2026 for the amount of US$ 500 million on international markets –** On December 14, 2021, the placement of senior bonds was concluded for the amount of US$ 500 million, with an annual interest rate of 7.75% payable semi-annually and with the option of partial or full settlement from December 14, 2023.

b. **Alsea increased its equity in Alsea Europa, incorporating Bain Capital Credit as an investor -** In October 2021, the Entity, jointly with Alia Capital Partners and Bain Capital Credit agreed to acquire the 21.1% of the noncontrolling interest of Food Service Project, S.A. (Alsea Europa). As a result of this investment, Alsea holds the 76.8% of the Equity of Alsea Europa (formerly 66.2%), while Alia Capital Partners and Bain Capital Credit will indirectly hold equity of 10.6%, and the remaining minority shareholders represent 12.7%. The Entity paid 55 million euros (equal to $1,205,703). Similarly, reimbursements of $92.4 million pesos were also obtained. Based on this agreement, the Entity renegotiated its PUT - CALL options in the following manner:

   a) Deadline of December 31, 2026.
   b) The Entity has an enforceable and optional "Call Option" as of the third year.
   c) Half-yearly payment of a coupon with annual interest payable annually at the 4.6% rate on principal of €55 million until the date on which the "Put Option" is exercised.
   d) The Entity has the possibility of settling the obligation through the exchange of shares or cash.

c. **Development of the Domino's Pizza brand in Uruguay -** In December 2021, Alsea executed a contract for a 10-year period (with a conditional renewal right) with Domino's Pizza International Franchising Inc. to exclusively operate and develop the Domino's Pizza brand in Uruguay. This agreement represents the expansion of Alsea to a new South American market with this brand, together with the plan of opening at least 24 units within the next 10 years.

d. **Closure of stores pertaining to the PF Chang's brand in Colombia -** In December 2021, Alsea ceased to exclusively operate and develop establishments under the PF Chang's brand in Colombia.

e. **Implications resulted from COVID-19 -** Net sales in 2021 increase by 27.9% to $ 53,379 million pesos, compared to $38,495 million pesos the previous year. This increase is mainly due to the recovery in the consumption trend.

   As a result of the several initiatives that the Entity had been working on prior to the pandemic, they were able to count on the necessary processes, agreements and platforms to achieve the highest possible sales through the new distance sales channels. In this way, they achieved 15% growth in the home delivery segment compared to fiscal year 2020, which represents an amount greater than $78.3 million pesos.

Profit before taxes plus/minus participation in the results of associated entities, interest, exchange rate fluctuations, changes in the fair value of financial instruments, depreciation and amortization (EBITDA) in 2021 increased 77.97% to reach $12,311 million pesos, compared to the $6,918 million pesos of the previous year. The increase in EBITDA of $5,394 million pesos was mainly due to related to the significant recovery in the consumption trend. In all the geographies where Alsea has a presence reported positive EBITDA at the end of the 2021 financial year.

f. **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. As of March 23, 2020, Alsea filed an Administrative Appeal with the tax authorities, which is under review as of the date of issuance of these consolidated financial statements.

g. **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 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'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.

On December 14, 2021, the Entity refinanced its bank loans until 2026 with increasing annual repayments. Leaving without effect the waiver that expired in June 2022.

h. **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.

i. **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.

j. **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 Franquicias 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 Franquicias 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.

k. **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.

2. BASIS OF PRESENTATION

a. **Explanation for translation into English**
   The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS). Certain accounting practices applied by the Entity that conform to IFRS may not conform to accounting principles generally accepted in the country of use.

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**

   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.

The Entity implemented a series of new and modified IFRS, issued by the International Accounting Standards Board ("IASB") which are mandatory and came into force as of fiscal years beginning on or after 1 January 2021.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 after June 30, 2021, amendment to IFRS 16
In the prior year, the Entity early adopted *Rent Concessions under IFRS 16 due to issues related to COVID-19* (amendment to IFRS 16) which provides practical expedients for the accounting of concessions for lessees as a direct consequence of COVID-19, introducing a practical expedient to IFRS 16.

In March 2021, the IASB issued *Lease Concessions related to COVID-19 after June 30, 2021 (amendment to IFRS 16).* When the IASB issued amendments to IFRS 16 in May 2020, the lessor was allowed to apply the practical expedient of the rent concession for any reduction in lease payments affecting the original payments before or at June 30, 2021. Due to the nature of the COVID-19 pandemic, the amendment extended a practical expedient to apply those original payments on or before June 30, 2022.

In the current financial year, the Entity has applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date in the consolidated statement of income under other operating expenses.

The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rental is a lease modification. A lessee that makes this election must account for any change in rental payments resulting from the COVID-19 related rental concession by applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rental awards that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

a) The change in lease payments results in consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change.
b) Any reduction in lease payments only affects payments due on or before June 30, 2022 (a rental award meets this condition if it results in a reduction in payments before June 30, 2022 or increases lease payments that extend beyond June 30, 2022); and
c) There is no substantive change in any other term or condition of the lease.

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 $840,873 and $1,596,496 has been accounted for as a negative variable lease payment in profit or loss at December 31, 2021 and 2020, respectively. 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 recognize interest expense on the lease liability.

New and amended IFRS Standards that 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*
Amendments to IAS 16	*Property, Plant and Equipment - before being used*
Annual Improvements to IFRS Standards 2018-2020	*IFRS 9 Financial Instruments and IFRS 16 Leases*
Amendments to IAS 1 and to IFRS 2 practice statements	*Disclosure of accounting policies*
Amendments to IAS 8	*Definition of accounting estimates*
Amendments to IAS 12	*Deferred taxes related to assets and liabilities arising from a single transaction*

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.

Amendments to IAS 16 - Property, Plant and Equipment - Before use
The amendments prohibit the deduction from the cost of an asset of property, plant or equipment of any revenue from selling the asset after it is ready for use, for example, revenue while the asset is being brought to the location and the necessary refurbishment is being carried out to make it operable in the manner intended by management. Accordingly, an entity should recognize such sales revenue and costs in profit or loss.

An entity measures the costs of these items in accordance with IAS 2 Inventories.
The amendments clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as an assessment of whether the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other or administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of revenues and costs in profit or loss related to items that are not an outflow from the entity's ordinary activities, in the line item(s) in the statement of comprehensive income where revenues and costs are included.

The modifications are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating as management intends on or after the beginning of the period in which the entity's financial statements in which the modifications are first applied.
An entity shall recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance in retained earnings (or an appropriate component of equity) at the beginning of the earliest period presented.

The amendments are effective for annual periods beginning on January 1, 2022 with an option for earlier application.

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 amendments eliminate the reimbursement for leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The amendments are effective for annual periods beginning on or after January 1, 2022, with an initial adoption option.

Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies
The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the terms "significant accounting policies" with "disclosures of material accounting policies". Accounting policy disclosures are material when they are considered, in conjunction with other information included in an entity's financial statements, to influence the decision-making of primary users of general purpose financial statements and are made on the basis of those financial statements.

The supporting paragraphs in IAS 1 are amended to clarify the disclosure of accounting policies that relate to immaterial transactions, other events or conditions that are themselves material.

To support these amendments, the IASB has developed guidance and examples to explain and demonstrate the application of the "4 steps of the materiality process" described in IFRS Practice Statement 2.

The amendments to IAS 1 will be effective for annual periods beginning on January 1, 2021, with an option for early application and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Definition of accounting estimates.
The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurable uncertainty".

The definition of a change in accounting estimates was eliminated. However, the IASB retained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development is not a correction of an error.

- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The IASB added two examples (example 4-5) to the accompanying IAS 8 Implementation Guide. The IASB has removed one example (example 3) as it could cause confusion because of the amendments.

The amendments will be effective for annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period with an option for early application.

Amendments to IAS 12 Deferred Taxes related to assets and liabilities arising from a single transaction
The amendments introduced an additional exception other than the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting and taxable income. For example, it may occur with a recognition of a lease liability and a corresponding right-of-use asset applying IFRS 16 Leases at the inception date of a lease.

Following the amendments to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax asset being subject to the recoverability criterion.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions occurring on or after the first comparative period of the reporting period. Additionally, at the beginning of the first comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:

  - Right-of-use assets and lease liabilities.
  - Decommissioning restoration and similar liabilities corresponding to amounts recognized as part of the asset-related costs.

- The cumulative effect at the beginning of the application of the amendments as an adjustment to the opening balances of retained earnings (or some other component of equity, as appropriate) as of the date.

The amendments will be effective for annual periods beginning on January 1, 2023, with an option for earlier application.

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.

All assets, liabilities, equity, income, expenses and cash flows relating to transactions between related parties have been fully eliminated in consolidation.

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 intercompany balances, transactions and cash flows have been eliminated in 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. Liquidity - As disclosed in the financial statements as of December 31, 2021, 2020 and 2019, its current liabilities exceed its current assets by $9,817,002, $41,065,673 and $8,778,557, respectively. The accompanying consolidated financial statements do not include those adjustments related to the valuation and classification of assets and liabilities, which may be necessary in the event that the Entity is unable to continue its operations.

f. Previous fiscal year reclassifications

The financial statements for the year ended December 31, 2020 and 2019 have been reclassified in certain items for the adequate presentation of distribution costs and that the information can be presented in a comparative way with that used in 2021.

Concept		Figures previously reported 2020		Reclassifications		Reclassified balance 2020
Cost of distribution	$	-	$	1,034,682	$	1,034,682
Employee benefits		12,138,673		(135,121)		12,003,552
Services		2,004,405		(53,127)		1,951,278
Repair and maintenance		866,926		(23,313)		843,613
Supplies		765,373		(9,226)		756,147
Other costs and operating expenses		1,303,972		(813,895)		490,077

Concept		Figures previously reported 2019		Reclassifications		Reclassified balance 2019
Cost of distribution	$	-	$	1,269,185	$	1,269,185
Employee benefits		16,044,061		(161,367)		15,882,694
Services		2,872,443		(61,224)		2,811,219
Repair and maintenance		1,080,830		(24,534)		1,056,296
Supplies		928,544		(16,057)		912,487
Other costs and operating expenses		3,028,150		(1,006,003)		2,022,147

The balance of distribution costs was reclassified from other operating costs and expenses to show the costs related to the distribution of merchandise as a line item in the consolidated statement of income, such reclassification does not modify the consolidated operating income.

g. 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.

h. 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 (credit losses) 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. Store equipment, leasehold improvements and property

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

Depreciation of store equipment, leasehold improvements and property is calculated by the straight- line method, based on the useful lives estimated by the Entity's management.

Annual depreciation rates of the main groups of assets are as follows:

	Rates
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.

n. 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.

o. 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
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
Foster's Hollywood	Spain	Own brand

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, Starbucks Coffee, Burger King, Italianni´s y Vips brands for an amount of $220,000.

During 2021, the Entity has identified impairment effects on its El Portón, Burger King Argentina and Starbucks Coffee Argentina brands for an amount of $184,430.

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	2031
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] [a]	-
The Cheesecake Factory	Depending on opening dates	-	-	-	-
Italianni's	2031[1]	-	-	-	-

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	-	-	-
Burger King	Depending on opening dates [4]	-	-	-	-	-	-

(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.
(4) Term of 20 years with from the date of opening.

a. PF Chang's brand in Colombia operated until December 2021.

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, 2021 and 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, 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.

p. 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, 2021, 2020 and 2019, the Entity recorded an amount of $184,430, $220,000 and $32,469, 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.

q. 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.

r. Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss.

An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

s. 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.

t. Leasing

- The Entity as lessor

  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.

u. 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 51%, 50% and 53% of consolidated net income and 40%, 39% and 36% of the total consolidated assets at December 31, 2021, 2020 and 2019, 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.

v. 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, 2021, 2020 and 2019, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

w. 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.

x. 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.

y. 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 4, 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 20 mentions that Grupo Zena is a subsidiary of Alsea, over which it owns 76.8%. 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 (10.6% put option). The sale option may be exercised no later than December 31, 2026. The Entity has an enforceable and optional "Call Option" as of the third year, as well as the payment of a coupon with annual interest payable annually at the 4.6% rate on principal until the date on which the "Put Option" is exercised. The Entity has the possibility of settling the obligation through the exchange of shares or cash.

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 20.

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

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 23 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. 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, 2021, 2020 and 2019 is comprised as follows:

	2021	2020	2019
Cash	$ 3,381,941	$ 2,614,467	$ 1,864,521
Investments with original maturities of under three months	3,511,492	1,317,942	704,250
Total cash and cash equivalents	$ 6,893,433	$ 3,932,409	$ 2,568,771

The Entity maintains its cash and cash equivalents with accepted financial entities and it has not historically experienced losses due to credit risk concentration.

7. CUSTOMERS, 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, 2021, 2020 and 2019, the customer balance is comprised as follows:

	2021	2020	2019
Franchises	$ 1,089,594	$ 917,477	$ 746,115
Other (1)	185,659	71,030	111,967
	1,275,253	988,507	858,082
Expected credit losses	(205,100)	(98,023)	(93,180)
	$ 1,070,153	$ 890,484	$ 764,902

(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. Until February 2020 rate was composed the Mexican Interbank Equilibrium Rate (TIIE) plus 5 points and is multiplied by 2, as of March 2020 rate comprises the Mexican Interbank Equilibrium Rate (TIIE) plus 7 points.

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 5g, 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:

	2021	2020	2019
15-60 days	$ 115,789	$ 59,245	$ 125,380
60-90 days	72,109	47,268	32,360
More than 90 days	273,148	171,351	71,312
Total	$ 461,046	$ 277,864	$ 229,052
Current balance	814,207	710,643	629,030
Total account receivable	$ 1,275,253	$ 988,507	$ 858,082

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

8. INVENTORIES, NET

At December 31, 2021, 2020 and 2019, inventories are as follows:

	2021	2020	2019
Food and beverages	$ 1,978,553	$ 1,599,260	$ 1,747,219
Other, mainly containers and packaging	33,540	21,481	36,875
Obsolescence allowance	(2,835)	(3,171)	(4,448)
Total	$ 2,009,258	$ 1,617,570	$ 1,779,646

(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.

9. ADVANCE PAYMENTS

Advance payments were made for the acquisition of:

	2021	2020	2019
Insurance and other services	$ 288,855	$ 138,983	$ 39,760
Inventories	324,260	160,271	224,497
Lease of locales	28,306	28,780	25,628
Total	$ 641,421	$ 328,034	$ 289,885

10. 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 2021, 2020 and 2019.

Right of use assets	Amount
Cost:	
Balance at January 1, 2019	$ 18,493,689
Additions and renovations	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
Additions and renovations	3,522,783
Balance as of December 31, 2021	$ 35,261,288

Right of use assets	Amount
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)
Charge for depreciation for the year	(4,671,802)
Balance as of December 31, 2021	$ (12,987,032)
Net cost:	
Balance as of December 31, 2019	$ 21,192,657
Balance as of December 31, 2020	$ 23,423,275
Balance as of December 31, 2021	$ 22,274,256

Amounts recognized in the consolidated statement income	2021	2020	2019
Depreciation expense of the asset for use rights	$ 4,671,802	$ 4,304,542	$ 4,010,688
Finance expense caused by lease liabilities	1,050,332	1,034,284	1,081,791
Expense related to short-term leases	131,992	199,669	216,883
Expense related to leasing of low-value assets	44,322	36,847	42,045
Expense related to variable lease payments, not included in the measurement of lease liabilities	553,419	316,173	101,069
Benefits obtained from negotiations related to COVID-19	(840,873)	(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.

		2021		2020		2019
Fixed payments	$	5,738,455	$	5,344,326	$	4,949,390
Variable payments		553,419		316,173		101,069
Total lease payments	$	6,291,874	$	5,660,499	$	5,050,459

In general, variable payments constitute 9%, 6% and 2% at December 31, 2021, 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.

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.

11. OBLIGATION UNDER FINANCE LEASES

		2021		2020		2019
Maturity analysis:						
Year 1	$	5,455,183	$	5,092,312	$	4,574,273
Year 2		4,918,822		4,640,483		3,950,863
Year 3		4,095,434		4,158,803		3,308,716
Year 4		3,403,711		3,320,533		2,846,815
Year 5		2,750,413		2,698,233		2,316,689
Later		7,765,454		8,768,258		9,657,198
		28,389,017		28,678,622		26,654,554
Less: Unearned interest		(4,625,743)		(3,378,572)		(3,196,522)
	$	23,763,274	$	25,300,050	$	23,458,032
Analyzed:						
Long term		19,347,324		21,092,417		19,542,694
Short term		4,415,950		4,207,633		3,915,338
	$	23,763,274	$	25,300,050	$	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.

12. STORE EQUIPMENT, LEASEHOLD IMPROVEMENTS AND PROPERTY, NET

Store equipment, leasehold improvements and properties are as follows:

Cost	Buildings	Store equipment	Leasehold improvements	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in processo	Total
Balance as of January 1, 2020	$ 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	-	262,901	4,869	3,006,748
Balance as of December 31, 2020	978,597	11,575,184	18,439,598	302,240	1,544,128	1,014,110	836,227	2,027,403	36,717,487
Acquisitions	-	672,788	794,503	41,750	124,033	312,665	71,094	724,087	2,740,920
Disposals	(199,277)	(380,044)	(768,010)	(41,953)	(67,283)	(19,806)	(56,763)	(22,055)	(1,555,191)
Restatement	-	379,676	557,217	1,637	24,852	-	7,961	64,316	1,035,659
Adjustment for currency conversion	(9,506)	(426,991)	(839,646)	(10,416)	(58,227)	(4,766)	(75,376)	(64,936)	(1,489,864)
Balance as of December 31, 2021	$ 769,814	$ 11,820,613	$ 18,183,662	$ 293,258	$ 1,567,503	$ 1,302,203	$ 783,143	$ 2,728,815	$ 37,449,011

Depreciation	Buildings	Store equipment	Leasehold improvements	Transportation equipment	Computer equipment	Production equipment	Office furniture and equipment	Construction in processo	Total
Balance as of January 1, 2020	$ 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	-	153,868	-	1,490,100
Balance as of December 31, 2020	217,004	7,069,837	11,185,432	187,620	1,182,505	571,797	423,514	-	20,837,709
Charge for depreciation for the year	3,304	919,414	1,738,620	36,184	157,585	70,426	161,691	-	3,087,224
Disposals	(83,398)	(389,483)	(678,432)	(36,835)	(61,331)	(18,937)	(35,706)	-	(1,304,122)
Restatement	-	252,275	424,338	1,682	22,858	-	5,730	-	706,883
Adjustment for currency conversion	(3,070)	(260,505)	(790,230)	(6,490)	(45,190)	(2,182)	(48,947)	-	(1,156,614)
Balance as of December 31, 2021	$ 133,840	$ 7,591,538	$ 11,879,728	$ 182,161	$ 1,256,427	$ 621,104	$ 506,282	$ -	$ 22,171,080

Net cost		Buildings		Store equipment		Leasehold improvements		Transportation equipment		Computer equipment		Production equipment		Office furniture and equipment		Construction in processo		Total
Balance as of January 1, 2020	$	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	$	412,713	$	2,027,403	$	15,879,778
Balance as of December 31, 2021	$	635,974	$	4,229,075	$	6,303,934	$	111,097	$	311,076	$	681,099	$	276,861	$	2,728,815	$	15,277,931

13. 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, 2020	$	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
Acquisitions		22,032		-		15,147		103,789		-		140,968
Adjustment for currency conversion		(450,831)		(19,304)		(37,863)		(67,245)		(274,435)		(849,678)
Disposals		(49,591)		(14,610)		(3,785)		(4,099)		-		(72,085)
Restatement		95,197		2,300		13,949		5,543		-		116,989
Balance as of December 31, 2021	$	15,172,171	$	638,232	$	1,846,454	$	2,019,394	$	12,775,931	$	32,452,182

Amortization		Brand rights		Commissions for store opening		Franchise and use of locale rights		Licenses and developments		Goodwill		Total
Balance as of January 1, 2020	$	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)		(3,488)		-		(41,591)
Balance as of December 31, 2020		1,439,842		563,647		763,839		1,515,020		16,953		4,299,301
Amortization		98,851		42,185		98,517		179,750		-		419,303
Adjustment for currency conversion		(94,489)		10,310		47,062		(53,768)		-		(90,885)
Disposals		(17,211)		(14,359)		(1,428)		(3,657)		-		(36,655)
Restatement		48,516		2,413		8,214		5,411		-		64,554
Balance as of December 31, 2021	$	1,475,509	$	604,196	$	916,204	$	1,642,756	$	16,953	$	4,655,618
Net cost												
Balance as of January 1, 2020	$	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
Balance as of December 31, 2021	$	13,696,662	$	34,036	$	930,250	$	376,638	$	12,758,978	$	27,796,564

As of December 31, 2021, the entity recorded a loss in its brands El Portón, Starbucks Coffee Argentina and Burger King Argentina, for an amount of $184,430, affecting $21,534 to fixed assets and $162,896 to intangible assets.

As of December 31, 2020, derived from the COVID-19 pandemic, the entity recorded a loss in its brands El Portón, Starbucks Coffee, Burger King, Italianni's and Vips, for an amount of $220,000, affecting $58,163 to fixed assets and $161,837 to intangible assets.

14. INVESTMENT IN SUBSIDIARIES

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

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	2021	2020	2019
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	100.00%	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%
Panadería y Alimentos para Food Service, S.A. de C.V.	Distribution of Alsea brand foods	100.00%	100.00%	100.00%
Servicios Múltiples Empresariales ACD, S.A. de C.V. (antes SOFOM E.N.R.)	Operator of Factoring and Financial Leasing in Mexico	100.00%	100.00%	100.00%
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%
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%
Operadora GB Sur, S.A. de C.V.	Operator of the Burger King and Domino's Pizza brand in Mexico	-	70.90%	70.90%
Fast Food Chile, S.A.	Operator of the Burger King brand in Chile	100.00%	100.00%	100.00%
Asian Food, Ltda.	Operator of the P.F. Chang's brand in Chile	100.00%	100.00%	100.00%
Starbucks Coffee Chile, S.A.	Operator of the Starbucks brand in Chile	100.00%	100.00%	100.00%
Gastrococina Sur, S.P.A.	Operator of Chili's Grill & Bar in Chile	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%
Starbucks Coffee Argentina, S.R.L.	Operator of the Starbucks brand in Argentina	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%
Operadora Alsea en Colombia, S.A.	Operator of the Burger King brand in Colombia	95.03%	95.03%	95.03%
Estrella Andina, S.A.S.	Operator of the Starbucks brand in Colombia	70.00%	70.00%	70.00%
Gastronomía Italiana en Colombia, S.A.S.	Operator of Archie´s brand in Colombia	97.60%	97.60%	97.60%
Café Sirena Uruguay, S.A.	Operator of Starbucks brand in Uruguay	100.00%	100.00%	100.00%
Food Service Project, S.L. (Grupo Zena)	Operator of Spain	76.77%	66.24%	66.24%
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%

(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. On June 28, 2021, the entity purchase shares that represent 20% of the non- controlling interest of Operadora de Franquicias Alsea, S.A.P.I. de C.V., thereby increasing its participation in that entity to 100%.

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.

15. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES

At December 31, 2021, 2020 and 2019, the investment in shares of associated companies is comprised of the Entity's direct interest in the capital stock of the companies listed below:

	(%)				Interest in associated company		
	2021	2020	2019	Main operations	31/12/2021	31/12/2020	31/12/2019
Operadora de Restaurantes AYB Polanco, S.A. de C.V. (1)	30.00%	30.00%	30.00%	Operator of restaurants of the EF Entre Fuegos brand and EF Entre Fuegos Elite Steak House that operates in Mexico	$ 14,536	$ 12,691	$ 14,932
Other investments					117,331	77,419	70,539
Total					$ 131,867	$ 90,110	$ 85,471

	(%)				Equity in results		
	2021	2020	2019	Main operations	31/12/2021	31/12/2020	31/12/2019
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	$ 1,840	$ (1,550)	$ 636
Other investments					-	(1,097)	(1,578)
Total					$ 1,840	$ (2,647)	$ (942)

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:

	2021	2020	2019
Current assets	$ 17,517	$ 15,410	$ 14,263
Non-current assets	$ 40,362	$ 38,160	$ 40,924
Current liabilities	$ 9,427	$ 11,268	$ 5,413
Income	$ 39,789	$ 19,379	$ 46,224
Net profit for the period	$ 6,133	$ (5,166)	$ 2,120

16. 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

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		477,359
and property, net		936,600
Intangible assets, net		55,927
Guarantee deposits		21,287
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).

17. 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	2021	2020	2019
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	3,496,696	3,662,326	3,374,722
Ginos	1,171,185	1,224,095	1,127,665
Starbucks Spain	878,060	917,727	845,431
Fridays	5,746	6,006	5,534
British Sandwich Factory	334,498	349,609	322,068
Clover	18,966	19,823	19,823
Cañas and Tapas	-	-	6,838
	$ 12,758,978	$ 13,033,413	$ 12,555,908

As of December 31, 2021, 2020 and 2019, the studies carried out on the impairment tests concluded that the goodwill has no impairment.

18. LONG-TERM DEBT

Long-term debt at December 31, 2021, 2020 and 2019 is comprised of unsecured loans, as shown below:

BANK	TYPE OF CREDIT	CURRENCY	RATE	MATURITY	2021	2020	2019
Santander Totta	Simple credit	Euros	Euribor + 1.50%	2026	$ 34,988	$ 36,570	$ -
BBVA Bancomer, S.A.	Bilateral	Euros	3% (Fixed rate)	2026	169,350	36,570	-
BNP CIC	Simple credit	Euros	Euribor + 2%	2025	349,897	365,704	-
BBVA Icos	Simple credit	Euros	Euribor + 2.75%	2025	233,265	243,801	-
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	Simple credit	Mexican pesos	Variable rate TIIE +1%	2025	1,586,163	1,668,413	1,668,411
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +2.15%	2025	-	993,526	-
Banco de Chile	Simple credit	Chilean pesos	29% (Fixed rate)	2024	60,375	93,888	-
Sindicado	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2023	563,059	4,432,195	4,533,800
Sindicado	Simple credit	Euros	Variable rate Euribor+ 1.25%	2023	8,255,972	10,312,875	8,969,600
Sabadel Icos	Simple credit	Euros	Euribor + 2.20%	2023	126,165	136,773	-
Ibercaja Icos	Simple credit	Euros	Euribor + 1.75%	2023	23,327	24,380	-
Abanca Icos	Simple credit	Euros	Euribor + 1.75%	2023	46,654	48,760	-
Caja rural Icos	Simple credit	Euros	Euribor + 1.60%	2023	34,989	36,571	-
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2022	-	283,594	287,500
Banco Santander, S.A.	Simple credit	Euros	Euribor + 1.35%	2022	233,264	243,802	-
Clover ING	Simple credit	Euros	Euribor + 1.95%	2022	1,096,341	1,145,869	411,072
Clover Rabobank	Simple credit	Euros	Euribor + 1.95%	2022	-	-	411,072
Bankia Icos	Simple credit	Euros	Euribor + 1.85%	2022	233,264	243,802	-

BANK	TYPE OF CREDIT	CURRENCY	RATE	MATURITY	2021	2020	2019
Santander Icos	Simple credit	Euros	Euribor + 2.10%	2022	326,569	341,323	-
Sindicado	Simple credit	Euros	Euribor + 3.25%	2021	-	2,500,000	-
Sumitomo	Simple credit	Mexican pesos	Euribor + 1.60%	2021	-	599,223	-
Banco Santander, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.85%	2021	-	155,000	113,628
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +1.1%	2021	-	-	400,000
Santander Chile, S.A.	Simple credit	Chilean pesos	Variable rate TIIE +0.41%	2021	43,834	83,182	-
Scotiabank Inverlat, S.A.	Simple credit	Mexican pesos	Variable rate TIIE +0.45%	2020	-	-	285,993
Banca March	Simple credit	Euros	Euribor + 1.50%	2020	233,265	243,802	205,536
Santander Chile, S.A.	Simple credit	Chilean pesos	3.6% (Fixed rate)	2020	-	-	121,504
					13,650,739	24,233,053	17,408,116
			Less - current portion		(1,638,000)	(24,233,053)	(305,668)
			Long-term debt maturities		$ 12,012,739	$ -	$ 17.102,448

Annual debt maturities at December 31, 2021 are as follows:

Year		Amount
2022	$	1,638,000
2023		3,651,966
2024		3,157,355
2025		3,057,287
2026		2,146,131
	$	13,650,739

The Entity as of December 31, 2020, has lines of credit contracted for 68.2 million Euros.

Bank loans include certain affirmative and negative covenants, such as maintaining certain financial ratios. At December 31, 2021, 2020 and 2019, 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 had 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.

19. DEBT INSTRUMENTS

In December 2021, the Entity placed of the senior bonds with maturity in 2026 for the amount of US$ 500 million on international markets with a term of five years from its issuance date and maturity in December 2026. Those instruments will accrue interest at a fixed rate of 7.75%.

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, 2021, 2020 and 2019 amounts to $18,078,340, $7,979,149 and $7,973,765, respectively.

Year		Amount
2022	$	1,000,000
2024		1,350,000
2025		820,490
2026		12,907,850
2027		2,000,000
	$	18,078,340

As of December 31, 2020, the entity had 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, 2020, from which only waivers were obtained by their bank creditors until June 30, 2020, 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.

On December 14, 2021, the Entity concluded the issuance and placement of a senior bond for the amount of USD $500 million (five hundred million U.S. dollars), with interest payable half-yearly and the option of partial or total settlement as of December 14, 2023. This placement permitted the settlement of the Entity's short-term obligations, together with the restructuring of its long-term debt.

As mentioned in note 34 subsequent events, on January 21, 2022, the pricing of senior bonds for the amount of €300 million (three hundred million euros) which were issued through the Entity's subsidiary Food Service Project, S.A. and guaranteed by Alsea, with the option of partial or full settlement as of January 21, 2024.

Both bond placements, together with reductions in operating restrictions imposed by authorities in each country to address the pandemic, have ensured continuity and a return to their productivity to pre-pandemic levels in 2020.

20. 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.

In September 2021, the Entity, Alia Capital Partners and Bain Capital Credit agreed to invest in a noncontrolling interest of 21.1% in Food Service Project, S.A. (Alsea Europa). Following this investment, Alsea holds equity of 76.8% (formerly 66.2%), while Alia Capital Partners and Bain Capital Credit will indirectly hold equity of 10.6%, and the remaining minority shareholders represent 12.7%. The Entity's outlay was 55 million euros (equal to $1,205,703). Similarly, reimbursements of $92.4 million pesos were also obtained. Based on this agreement, the Entity renegotiated its PUT - CALL options in the following manner:

a) Deadline of December 31, 2026.
b) The Entity has an enforceable and optional "Call Option" as of the third year.
c) The weekly payment of a coupon (4.6% per year) payable until the date on which the "Put Option" is exercised.
d) The Entity has the possibility of settling the obligation through the exchange of shares or cash.

21. INCOME TAXES

In Mexico, the Entity is subject to ISR. Under the ISR Law the rate for 2021, 2020 and 2019 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.

In Chile, the Tax Modernization Law established the Tax Regimes in effect as of January 1, 2020, the companies of the Alsea Group in Chile were placed under the general semi-integrated regime of Article 14 A), whose tax rate is 27%.

In Colombia, the applicable tax provisions stipulate that the rate applicable to income tax for taxable years 2019 is 33%, 32% for 2020, 31% for 2021 and 35% from the 2022 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: On June 16, 2021, Law N° 27.630 was published to amend income tax for fiscal years starting as of January 1, 2021 by establishing a tax payment scale based on accrued taxable net profit: up to $5,000,000 (Argentinian pesos), tax must be paid according to a 25% aliquot; from $5,000,000 (Argentinian pesos) to $50,000,000 (Argentinian pesos), tax of $1,250,000 (Argentinian pesos) must be paid, together with 30% of the amount exceeding $5,000,000 (Argentinian pesos); and, as of $50,000,000 (Argentinian pesos), tax of $14,750,000 (Argentinian pesos) must be paid, together with 35% of the amount exceeding $50,000,000 (Argentinian pesos). These amounts will be adjustable as of January 1, 2022 according to the annual variation of the Consumer Price Index (CPI).

In addition, the withholding rate for dividend payments is set at 7%.

As of December 31, 2021, the parameters established by the income tax law for the inflationary tax adjustment are met, and the effects arising from the application of this adjustment have been included in the recording of current and deferred income tax as provided by law.

In Spain, tax reforms, which include the reduction of this tax rate 25% in 2021, 2020 and 2019, and no modification is foreseen for the following fiscal years. 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.

The tax rates established for the financial year 2021, 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

	2021	2020	2019
Current	$ 1,120,853	$ 465,379	$ 988,600
Deferred	(905,907)	(1,664,467)	(353,180)
	$ 214,946	$ (1,199,088)	$ 635,420

The tax expense attributable to income before ISR differs from that arrived at by applying the 30% statutory rate in 2021, 2020 and 2019 due to the following items:

	2021	2020	2019
Statutory income tax rate	30%	(30)%	30%
Non-deductible expenses	20%	2%	6%
Effects of inflation and others	37%	3%	9%
Fixed asset update	(43%)	1%	(3)%
Lease Effects under IFRS 16	(17%)	(4%)	(3%)
Effect of tax loss carryforwards not capitalized	(6%)	1%	1%
Effect of changes in prior years' taxes	(2%)	-	-
Difference in tax rates	3%	2%	(2%)
Others	(1%)	2%	(1%)
Effective consolidated income tax rate	21%	(23)%	37%

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

	2021	2020	2019
Deferred (assets) liabilities:			
Estimation for doubtful accounts and inventory obsolescence	$ (31,692)	$ (29,897)	$ (29,048)
Liability provisions	(963,796)	(995,418)	(657,526)
Advances from customers	(20,090)	(64,507)	(121,311)
Unamortized tax losses	(1,312,947)	(969,854)	(568,505)
Store equipment, leasehold improvements and property	982,118	1,596,223	1,748,904
Temporally non-deductible interest	(88,192)	-	-
Advance payments	175,875	162,095	156,988
	$ (1,258,724)	$ (301,358)	$ 529,502

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:

	2021	2020	2019
Deferred tax assets	$ 4,968,996	$ 4,665,412	$ 3,835,593
Deferred tax liabilities	3,710,272	4,364,054	4,365,095
	$ (1,258,724)	$ (301,358)	$ 529,502

d. Deferred income tax balances

2021		Beginning balance		Recognized in profit or loss		Recognized in stockholders' equity		Acquisitions		Ending balance
Temporary differences:										
Estimation for doubtful accounts and inventory obsolescence	$	(29,897)	$	(1,795)	$	-	$	-	$	(31,692)
Liability provisions		(995,417)		31,621		-		-		(963,796)
Advances from customers		(64,507)		41,287		3,130		-		(20,090)
Store equipment, leasehold improvements and property		1,596,222		(559,215)		(54,889)		-		982,118
Temporary non-deductible interest		-		(88,192)		-		-		(88,192)
Prepaid expenses		162,095		13,871		(91)		-		175,875
		668,496		(562,423)		(51,850)		-		54,223
Tax loss carryforwards and unused tax credits:										
Tax loss carryforwards		(969,854)		(343,484)		391		-		(1,312,947)
	$	(301,358)	$	(905,907)	$	(51,459)	$	-	$	(1,258,724)

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

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, 2021, are:

	Amortizable losses					
Year of maturity	Mexico	Europe	Chile	Argentina	Colombia	Total
2022	$ -	$ -	$ -	$ 203	$ 38,910	$ 39,113
2023	10,097	-	-	34,187	56,977	101,261
2024	12,013	-	-	24,396	-	36,409
2025	275,006	-	-	267,729	-	542,735
2026	91,723	-	-	-	-	91,723
2027	129,046	-	-	-	-	129,046
2028	268,015	-	-	-	-	268,015
2029	531,506	-	-	-	-	531,506
2030	1,495,889	-	-	-	-	1,495,889
2031	748,862	-	-	-	33,603	782,465
2032	-	-	-	-	35,000	35,000
Losses of entities abroad without expiration	-	3,025,028	736,010	-	-	3,761,038
	$ 3,562,157	$ 3,025,028	$ 736,010	$ 326,515	$ 164,490	$ 7,906,415

22. 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 $(3,044), $(21,894) and $48,782 in 2021, 2020 and 2019, respectively.

The net cost for the period related to obligations derived from seniority premiums amounted to $29,062, $23,838 and $1,669 in 2021, 2020 and 2019, respectively.

23. 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 2020 and 2019.

The Entity's capital structure consists of the net debt (the loans described in Note 18, 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 24).

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, 2021, 2020 and 2019, 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.
As of December 31, 2021 and 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**

	2021	2020	2019
Financial assets			
Cash and cash equivalents	$ 6,893,433	$ 3,932,409	$ 2,568,771
Loans and accounts receivable at amortized cost	1,751,527	1,620,775	1,447,221
Financial liabilities at amortized cost			
Suppliers	2,971,439	2,949,829	2,327,048
Factoring of suppliers	1,007,798	654,115	889,046
Accounts payable to creditors	4,446,604	2,834,150	2,234,461
Current maturities of long-term debt	1,638,000	24,233,053	305,668
Current maturities of financial lease liabilities	4,415,950	4,207,633	3,915,338
Debt instruments	1,000,000	7,979,149	-
Long-term debt, not including current maturities	12,012,739	-	17,102,448
Obligation under finance leases	19,347,324	21,092,417	19,542,694
Option to sell the non-controlling interest	1,272,474	2,701,407	2,304,864
Debt instruments	17,078,340	-	7,973,765

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 34 shows foreign currency positions at December 31, 2021, 2020 and 2019. 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, 2021, 2020 and 2019.

			Underlying / reference variable			Notional amount/ face value (thousands of USD)			Fair value (thousands of USD)			Amounts of maturities
Type of derivative, security or contract	Position	Objective of the hedging	31/12/2021 current	331/12/2020 current	31/12/2019 previous	31/12/2021 current	31/12/2020 current	31/12/2019 previous	31/12/2021 current	31/12/2020 current	31/12/2019 previous	(thousands of USD)
Forwards	Long	Economic	20.9100 USDMXN	21.0200 USDMXN	19.8727 USDMXN	-	78,100	28,350	$ -	$ 1,738	$ 2,450	-
Options	Long	Economic	20.9100 USDMXN	20.9100 USDMXN	19.8727 USDMXN	16,675	11,200	31,250	$ 277	$ 2,697	$ 267	24,500

1. Foreign currency sensitivity analysis
   At December 31, 2021, 2020 and 2019, the Entity has contracted hedging in order to purchase US dollars for the next 12 months, a total of $24.5, $89.3 and $59 million dollars, respectively, at the average exchange rate of $19.97, $21.69 and $19.45 pesos per US dollar, respectively the valuation is based on an average exchange rate of $20.47, $19.94 and $19.00, pesos per US dollar, respectively, over the next 12 months as of December 31, 2021, 2020 and 2019. The initial price of currency derivatives is $78.5, ($89.3) and $(3.9) 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, 2021 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, 2021 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, 2021, 2020 and 2019, a total of 396, 539 and 603 derivative financial instrument operations (forwards and options) were carried out, respectively, for a total of 127.7, 240.3 and 329.7 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, 2021, 2020 and 2019, Alsea has contracted DFI's to purchase US dollars in the next twelve months for a total of approximately 24, 89 and 59 million USD, at the average exchange rate of $19.97, $20.69 and $19.45 pesos to the dollar, respectively.

   At December 31, 2021, 2020 and 2019, 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, 2021, the Entity has a total debt of $31,746 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 63% is fixed at a weighted rate of 8.29%, and 37% 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, 2021, 2020 and 2019.

Type of derivative, security or contract	Position	Objective of the hedging	Underlying / reference variable 31/12/2021 current	31/12/2020 current	31/12/2019 previous	Notional amount/ face value (USD) 31/12/2021 current	31/12/2020 current	31/12/2019 previous	Fair value (USD) 31/12/2021 current	31/12/2020 current	31/12/2019 previous	Amounts of expiration (thousands of USD)
IRS Plain Vanilla	Long	Coverage	5.7150% - TIIE 28 d	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	195,684	208,817	207,495	$ 14,675	$ (1,302)	$ 11,565	195,684
IRS Plain Vanilla	Long	Economic	5.7150% - TIIE 28 d	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	63,732	87,032	144,161	$ (238)	$ (906)	$ 723	63,732
Capped IRS	Long	Economic	5.7150% - TIIE 28 d	6.7376% - TIIE 28 d	7.5002% - TIIE 28 d	61,173	65,211	32,890	$ 277	$ (766)	$ 89	61,173

The following table details quantitatively the instrument contracted for the senior bond issued in dollars with a value of $500 million outstanding as of December 31, 2021:

Instrument	Rate	Notional (Thousands USD)	Notional (Thousands MXP)	Closing Date	Maturity Date
Fx Forward	7.1155%	239,000	4,955,474	17.dec.21	21.Jan.22

As mentioned in note 33 subsequent events, on January and February, 2022, the Entity pricing of senior bonds for the amount of €300 million (three hundred million euros).

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

   - The first stress scenario considered by the Entity's management is a 200 bps increase in the 28-day TIIE reference rate while the rest of the variables remain constant. With the mix in the hedging portfolio of plain vanilla interest rate swaps and the swaptions contracted at the December 31, 2021 close, the increase in financial costs is of approximately $299.41 million.

- A 150 bps increase in the 28-day TIIE rate represents an increase in the financial cost of approximately $224.5 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 $149.7 million.

The previous scenarios were carried out on the bank and stock market debt contracted in Mexican pesos with 28-day TIIE floating rate.

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, 2021 and 2020, the Entity has incurred in 13 and 28 margin calls just in 2021 and 2020, respectively. At December 31, 2019 has had no margin calls.

At December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, that risk amounts to $1,956,627, $1,718,798 and $1,540,401, 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, 2021	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%	$ 1,638,000	$ 3,651,966	$ 3,157,355	$ 3,057,287	$ 2,146,131	$ 13,650,739
Debt instruments	8.13%	1,000,000	-	1,350,000	820,490	14,907,850	18,078,340
Financial leasing	4.00%	4,415,950	3,564,491	3,326,858	2,851,593	9,604,382	23,763,274
Derivatives		4,897	-	-	-	-	4,897
Suppliers		2,971,439	-	-	-	-	2,971,439
Factoring of suppliers (1)		1,007,798	-	-	-	-	1,007,798
Sale of non-controlling interest		-	-	1,272,474	-	-	1,272,474
Total		$ 11,038,084	$ 7,216,457	$ 9,106,687	$ 6,729,370	$ 26,658,363	$ 60,748,961

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
sale of non-controlling interest		2,701,407	-	-	-	-	2,701,407
Total		$ 42,815,136	$ 3,946,443	$ 3,638,393	$ 2,936,185	$ 10,571,285	$ 63,907,442

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
sale of non-controlling interest		2,304,864	-	-	-	-	2,304,864
Total		$ 11,928,429	$ 6,245,463	$ 7,418,629	$ 17,401,331	$ 20,771,502	$ 63,765,354

(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
	12/31/2021	12/31/2020	12/31/2019	
1) Forwards and currency options agreements	$ -	$ (34,637)	$ 46,244	Nivel 2
Valuation technique(s) and main input data	Plain vanilla forwards are calculated based on discounted cash flows on forward exchange type bases. The main input data are the Spot, the risk-free rates in MXN and USD + a rate that reflects the credit risk of counterparties. In the case of options, the methods used are Black and Scholes and Montecarlo digital and/or binary algorithms.			
2) Interest rate swaps	$ 276	$ (53,771)	$ 5,041	Nivel 2
Valuation technique(s) and main input data	Discounted cash flows are estimated based on forwards interest rates (using the observable yield curves at the end of the period being reported) and the contractual rates, discounted at a rate that reflects the credit risk of the counterparties.			

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, 2021, 2020 and 2019, 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:

	12/31/2021		12/31/2020		12/31/2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities						
Pasivos financieros mantenidos al costo amortizado:						
Suppliers	$ 2,971,439	$ 2,971,439	$ 2,949,829	$ 2,949,829	$ 2,327,048	$ 2,327,048
Factoring of suppliers	1,007,798	1,007,798	654,115	654,115	889,046	889,046
Bank loans	1,638,000	1,899,197	24,233,053	25,796,432	305,668	322,187
Obligation under finance leases	4,415,950	4,415,950	4,207,633	4,207,633	3,915,338	3,915,338
Long-term bank loans	12,012,739	13,338,888	-	-	17,102,448	17,102,448
Non-current financial lease liabilities	19,347,324	19,347,324	21,092,417	21,092,417	19,542,694	19,542,694
Debt instruments	18,078,340	18,504,850	7,979,149	8,442,256	7,973,765	8,243,744
Total	$ 59,471,590	$ 61,485,446	$ 61,116,196	$ 63,142,682	$ 52,056,007	$ 52,342,505

Financial liabilities 2021	Level 2
Financial liabilities maintained at amortized cost:	
Current maturities of long-term debt	$ 1,638,000
Current obligation under finance leases	4,415,950
Debt instruments	1,000,000
Long-term debt, not including current maturities	12,012,739
Obligation under finance leases	19,347,324
Option to sell the non-controlling interest	1,272,474
Debt instruments	17,078,340
Total	$ 56,764,827

Financial liabilities 2020	Level 2
Financial liabilities maintained at amortized cost:	
Current maturities of long-term debt	$ 24,233,053
Current obligation under finance leases	`4,207,633
Obligation under finance leases	21,092,417
Debt instruments	7,979,149
Total	$ 57,512,252

Financial liabilities 2019	Level 2
Financial liabilities maintained at amortized cost:	
Current maturities of long-term debt	$ 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

Valuation

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

b) **Liquidity in derivative financial operations:**

1. The resources used to 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.

24. 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, 2020	$ 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
Placement of actions	-	-	-
Figures as of December 31, 2021	$ 838,578,725	$ 478,749	$ 8,676,827

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.

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, 2021, 2020 and 2019, 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.

25. NON-CONTROLLING INTEREST

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

		Amount
Ending balance at January 1, 2020	$	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
Equity in results for the year ended December 31, 2021		(50,660)
Other movements in capital		(244,863)
Ending balance at December 31, 2021	$	1,034,923

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

		Percentages of the non-controlling interest			Income (loss) attributable to the non-controlling interest			Accumulated non-controlling interest		
Subsidiary	Country	31/12/2021	31/12/2020	31/12/2019	31/12/2021	31/12/2020	31/12/2019	31/12/2021	31/12/2020	31/12/2019
Food Service Project, S.L. (Grupo Zena) (2)	Spain	23.23%	33.76%	33.76%	$ (51,276)	$ (617,817)	$ 169,700	$ 934,191	$ 1,179,805	$ 1,797,622
Operadora de Franquicias Alsea, S.A. de C.V. (1)	Mexico	-	20.00%	20.00%	-	(35,908)	2,530	-	30,340	66,248
Estrella Andina, S.A.S.	Colombia	30.00%	30.00%	30.00%	851	(10,757)	(12,404)	92,447	47,804	58,561

(1) On June 28, 2021, the entity purchase shares that represent 20% of the non- controlling interest of Operadora de Franquicias Alsea, S.A.P.I. de C.V., thereby increasing its participation in that entity to 100%. The amount of the transaction was for $30,254, which is equivalent to the book value, so a goodwill is not generated.

(2) In September 2021, the Entity, Alia Capital Partners and Bain Capital Credit agreed to invest in a noncontrolling interest of 21.1% in Food Service Project, S.A. (Alsea Europa). Following this investment, Alsea holds equity of 76.8% (formerly 66.2%), while Alia Capital Partners and Bain Capital Credit will indirectly hold equity of 10.6%, and the remaining minority shareholders represent 12.7%. The Entity's outlay was 55 million euros (equal to $1,205,703), which represents 10.5% of the noncontrolling interest. Similarly, reimbursements of $92.4 million pesos were also obtained. Based on this agreement, the Entity renegotiated its PUT - CALL options in the following manner:

a) Deadline of December 31, 2026.
b) The Entity has an enforceable and optional "Call Option" as of the third year.
c) The weekly payment of a coupon (4.6% per year) payable until the date on which the "Put Option" is exercised.
d) The Entity has the possibility of settling the obligation through the exchange of shares or cash.

26. 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, 2021, 2020 and 2019, 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:

	2021	2020	2019
Net profit (in thousands of Mexican pesos):			
Attributable to shareholders	$ 835,129	$ (3,235,574)	$ 926,669
Shares (in thousands of shares):			
Weighted average of shares outstanding	838,579	838,579	838,579
Basic and diluted net income per share of continuous and discontinued operations (cents per share)	$ 1.00	$ (3.86)	$ 1.11
Basic and diluted net income per share of continuous operations (cents per share)	$ 1.00	$ (3.86)	$ 1.11

27. REVENUES

	2021	2020	2019
Revenues from the sale of goods	$ 52,009,161	$ 37,403,800	$ 56,594,841
Services	804,878	676,154	850,163
Royalties	565,430	415,466	709,613
Total	$ 53,379,469	$ 38,495,420	$ 58,154,617

For the year ended December 31, 2021, operating income increased 28% compared to the year ended December 31, 2020, primarily driven by the effects of the COVID-19 pandemic.

28. COST OF SALES

The costs and expenses included in other operating costs and expenses in the consolidated statements of income are as follows:

	2021	2020	2019
Food and beverage of costs	$ 14,985,941	$ 10,873,059	$ 16,457,416
Royalties of costs	121,368	96,524	160,732
Other costs	483,965	485,301	545,873
Total	$ 15,591,274	$ 11,454,884	$ 17,164,021

29. OTHER OPERATING EXPENSES

Other operating expenses included in the consolidated statements of income are as follows:

	2021	2020	2019
Commission aggregators	$ 566,550	$ 397,682	$ 148,315
Fees	212,240	230,679	222,015
Insurance	120,617	122,785	99,817
Taxes and rights	196,234	150,325	206,255
Occupancy expenses	164,654	133,452	240,890
Other expenses	1,239,759	(544,846)	1,104,855
Total	$ 2,500,054	$ 490,077	$ 2,022,147

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Officer compensations and benefits
The total amount of compensation paid by the Entity to its main advisors and officers for the period ended December 31, 2021, 2020 and 2019 was of approximately $127,716, $137,839 and $134,000, 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.

31. 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 4.

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 (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, 2021, 2020 and 2019 is as follows: (figures in millions of pesos).

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

	Food and beverages Mexico			Food and beverages LATAM			Food and beverages Europe			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Income	$ 26,015	$ 19,067	$ 27,217	$ 8,950	$ 5,568	$ 9,732	$ 18,414	$ 13,861	$ 21,206	$ 53,379	$ 38,496	$ 58,155
Costs	9,160	6,018	8,398	3,033	1,954	3,190	4,560	3,483	5,576	16,753	11,455	17,164
Operating costs	8,723	7,750	10,066	3,800	2,749	4,710	7,947	6,830	9,834	20,511	17,329	24,610
EBITDA store	8,132	5,299	8,753	2,117	865	1,832	5,907	3,548	5,796	16,115	9,712	16,381
Depreciation and amortization	3,395	3,616	3,921	1,157	1,015	907	3,627	3,804	3,219	8,179	8,435	8,047
Non-operating expenses	1,911	1,333	1,617	373	283	664	1,561	1,178	1,482	3,804	2,724	3,763
Utility operation	2,826	350	3,215	587	(433)	261	719	(1,434)	1,095	4,132	(1,517)	4,571
Interest paid										3,508	3,226	3,123
Earned interests										(142)	(119)	(101)
Other financial expenses										(231)	468	(172)
										3,135	3,575	2,850
Participation in associates										2	(3)	(1)
Income taxes										215	(1,199)	635
Consolidated net income for the year										784	(3,895)	1,085
Noncontrolling interest										(51)	(659)	158
Majority net income										$ 835	$ (3,236)	$ 927

	Food and beverages Mexico			Food and beverages LATAM			Food and beverages Europe			Consolidated		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Assets	$ 48,707	$ 49,960	$ 46,557	$ 7,705	$ 6,570	$ 4,922	$ 23,991	$ 25,044	$ 21,077	$ 80,404	$ 81,574	$ 72,556
Investment in productive assets												
Investment in associates	(745)	(435)	85	877	525	-	-	-	-	132	90	85
Investment in Fixed Assets and Intangible	1,425	747	1,718	192	243	649	825	784	1,404	2,442	1,774	3,771
Total assets	$ 49,387	$ 50,272	$ 48,360	$ 8,774	$ 7,338	$ 5,571	$ 24,816	$ 25,828	$ 22,481	$ 82,978	$ 83,438	$ 76,412
Total liability	$ 46,512	$ 48,203	$ 39,818	$ 4,682	$ 3,792	$ 2,466	$ 23,110	$ 23,809	$ 22,586	$ 74,303	$ 75,804	$ 64,870

32. FOREIGN CURRENCY POSITION

Assets and liabilities expressed in US dollars, shown in the reporting currency at December 31, 2021, 2020 and 2019, are as follows
:

		Thousands of Mexican pesos 2021		Thousands of Mexican pesos 2020		Thousands of Mexican pesos 2019
Assets	$	5,566,171	$	4,028,843	$	3,238,135
Liabilities		(19,394,119)		(19,872,347)		(15,310,246)
Net monetary liability position	$	(13,827,948)	$	(15,843,504)	$	(12,072,111)

The exchange rate to the US dollar at December 31, 2021, 2020 and 2019 was $20.51, $19.91 and $18.87, respectively. At April 12, 2022, date of issuance of the consolidated financial statements, the exchange rate was $19.8407 to the US dollar.

The exchange rates used in the different conversions to the reporting currency at December 31, 2021, 2020 and 2019 and at the date of issuance of these consolidated financial statements are shown below:

Country of origin	Currency	Closing exchange rate	Issuance April 12, 2022
2021			
Argentina	Argentinian peso (ARP)	0.1997	0.1800
Chile	Chilean peso (CLP)	0.0241	0.024
Colombia	Colombian peso (COP)	0.0050	0.0053
Spain	Euro (EUR)	23.3264	21.8341

Country of origin	Currency	Closing exchange rate
2020		
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	Currency	Closing exchange rate
2019		
Argentina	Argentinian peso (ARP)	0.5192
Chile	Chilean peso (CLP)	0.0283
Colombia	Colombian peso (COP)	0.0061
Spain	Euro (EUR)	22.5340

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
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

33. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments:

a) The Entity leases locales to house its stores and distribution centers, as well as certain equipment further to the lease agreements entered into for defined periods (see Note 20).

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.

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.

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. 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 aforementioned 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.

34. SUBSEQUENT EVENTS

a. On January 21, 2022, the pricing of senior bonds for the amount of €300 million was concluded, with an annual interest rate of 5.500%, the senior bonds were issued through the Entity's subsidiary Food Service Project, S.A. and underwritten by Alsea (the "Euro Bonos 2027"), with the option of partial or full settlement from January 21, 2024.

The issuance of the Euro Bonos 2027 was in accordance to Rule 144A and Regulation S of the US Securities Act. The Entity used the net resources to refinance its debt through a transaction composed by the prepayment of a debt of Alsea and its subsidiaries, together with the payment of placement fees and related expenses.

During January and February 2022, the Entity contracted the following hedges for the senior bond issued in US dollars with a value of US $ 500 million:

Instrument	Rate	Spread	Notional (Thousands) USD	Close date	Main equity
Coupon Only Swap	TIIE	0.85%	214,465	10.Jan.22	50% of the coupons
Principal Only Swap	5.95%	0.00%	87,170	10.Jan.22	20.30%
Call Spread	2.40%	0.00%	257,358	14.Jan.22	60.00%
Principal Only Swap	5.43%	0.00%	84,401	14.Feb.22	19.70%

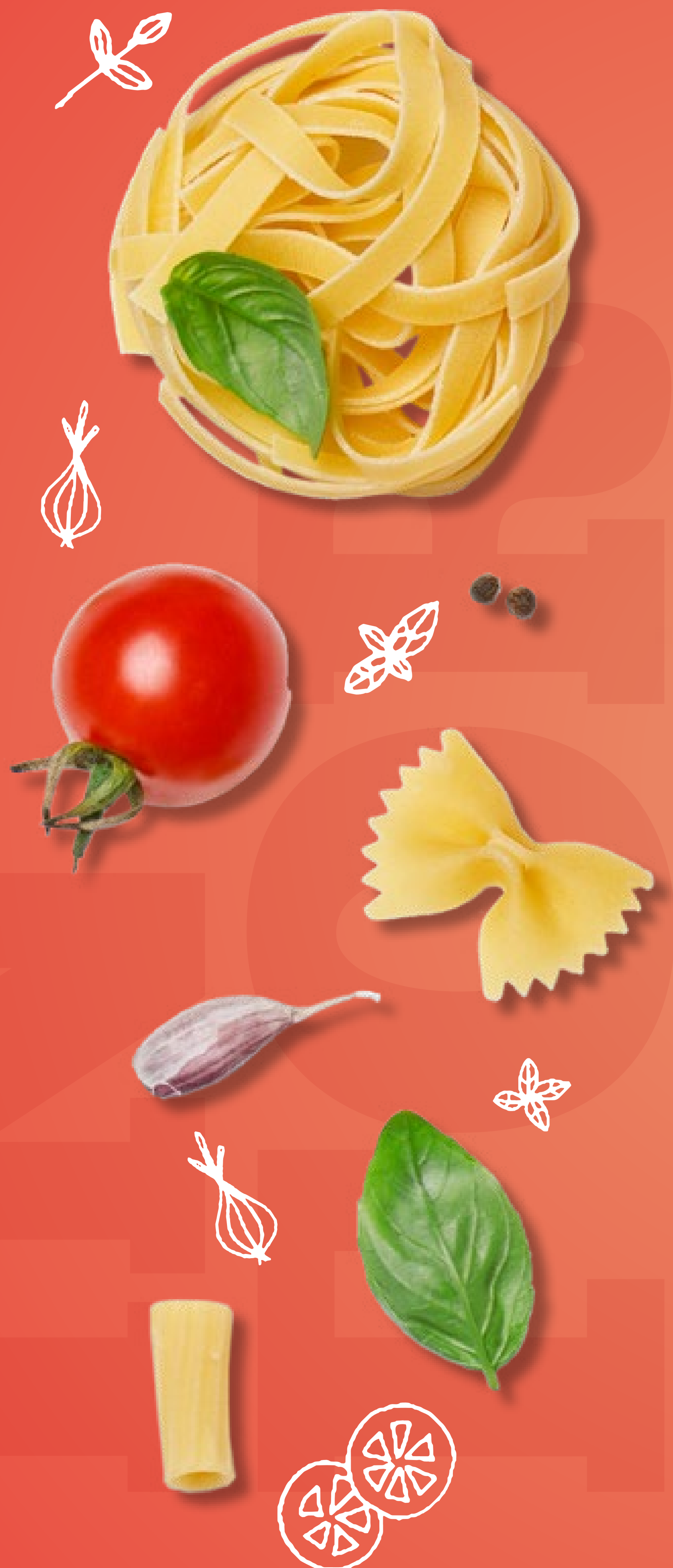
b. On March 8, 2022, Alsea announced that in relation to the 10,000,000 Securitization Certificates issued by Alsea, S.A.B. de C.V. (the "Issuer" or "Alsea"), with ticker symbol "ALSEA 17", on October 4, 2017 (the "Issuance"), in which Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, acted as the Common Representative of the Holders, investors were informed that the Early Settlement of the Issuance the following amounts were paid on March 16, 2022 due to:

1. The amount of interest accrued for the 28-day period from February 16, 2022 through March 16, 2022, at the gross annual rate of 7.13%, which was $5,546 (thousands of pesos).
2. The amount of the Early Settlement equal to $1,000,000 (thousands of pesos), which was calculated in conformity with the section entitled "Early Settlement" of the Title of the ALSEA 17 issuance.

c. Following the year-end close, the uncertainty derived from the conflict between Ukraine and Russia has increased and may generate adverse economic effects, such as currency and interest rate instability, together with liquidity pressures. Supply chain interactions and the impairment of consumer confidence may also arise. All these events and the associated uncertainty could have a significant impact on the operations and financial position of Alsea, the effect of which is hard to predict.

35. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were authorized for issuance on April, 12, 2022 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.



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ESR Empresa Socialmente Responsable
United Nations Global Compact
IPC Sustentable
Dow Jones Sustainability Indexes