Mexico City, February 26th, 2018

Annual Report by the Audit Committee to the Board of Directors of Alsea, S.A.B. de C.V.:

In keeping with Articles 42 and 43 of the Securities Market Act and the Audit Committee Regulations, I hereby present this report of this committee's activities during the year ended December 31, 2017. In carrying out our work, we have followed the recommendations of the Code of Best Corporate Practices and the work program that was drawn up based on the Committee Regulations. We met at least each quarter to carry out the following activities:

I. RISK EVALUATION.
We reviewed, in conjunction with the Board of Directors and the External Auditors, critical risk factors that could affect the Company's operations, ensuring that these risks were appropriately identified and managed.

II. INTERNAL CONTROL.
We ascertained that the Board of Directors, in accordance with its responsibilities in the area of internal control, had established all the necessary processes and policies. We also followed up on the comments and observations made by the Internal and External Auditors during the course of their work.

III. EXTERNAL AUDITS.
We recommended that the Board of Directors hire Auditors that were independent of the Group and its subsidiaries for the 2016 fiscal year. To this end, we ascertained the independence of the auditors hired as well as their compliance with all legal requirements. We analyzed, in conjunction with the Auditors, their approach and their audit program.

We maintained constant and direct communication with them in order to learn of their progress and any observations and comments they might have regarding their review of the annual financial statements. We were informed promptly of their conclusions and reports regarding the annual financial statements, and followed up on the observations and recommendations they made during the audit process.

We authorized the fees paid to the external auditors for the audit and other permitted services, ensuring that these payments did not compromise the firm's independence. Taking into account the opinion of the Board of Directors, we evaluated their services in the previous year, and we began the evaluation process corresponding to fiscal year 2017.

IV. INTERNAL AUDIT

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

At the appropriate time, we reviewed and authorized the annual work program. To draft this program, the Internal Auditing area assisted in identifying risks, setting up and verifying control measures.

We received regular reports regarding progress against the working agenda, in addition to any changes that may have been made, and the reason for said changes.

We followed up on observations and suggestions presented, and ensured they were promptly addressed.

V. FINANCIAL INFORMATION, ACCOUNTING POLICIES AND THIRD PARTY REPORTS

We reviewed the process for preparing the company's quarterly and annual financial statements together with the persons responsible for this process, and recommend that the Board of Directors approve and authorize publication of these statements. As part of this process, we took into account the opinion and observations of the independent auditors and ascertained that the accounting and reporting criteria and policies used by Management in preparing the financial formation were appropriate and sufficient and had been applied in a manner consistent with the preceding fiscal year. As a result, the information presented by Management reasonably reflects the financial position, operating results, cash flow and changes in financial position for the Company, in the year ended December 31, 2017.

We also reviewed the quarterly reports prepared by Management for presentation to shareholders and the general public, ensuring that they were prepared in accordance with International Financial Reporting Standards (IFRS) and using the same accounting criteria applied to prepare the annual information. We were able to verify that there is a comprehensive process in place that provides reasonable certainty as to their content. In each case, we concluded with a recommendation that the Board authorize these reports for publication.

VI. COMPLIANCE, LEGAL ISSUES AND CONTINGENCIES

We confirmed the existence and reliability of the control measures established by the Company in order to ensure compliance with the various legal provisions governing it, ensuring that they were adequately disclosed in the financial report.

We regularly reviewed the Company's tax, legal and labor contingencies; the efficacy of the procedure for identifying and tracking these contingencies; and their appropriate disclosure and recording. Four tax contingencies were identified, along with 2 legal matters that were initiated in and have been reported since (2014 and 2015), and one new tax issue. All of these were monitored closely and on a timely basis in fiscal year 2017:

a) In 2014, the Mexico City Ministry of Finance ruled that Italcafé S.A. de C.V. was liable for back taxes in fiscal year 2010 stemming from deposits made to its bank accounts as a result of the operation of a number of restaurants owned by Grupo Amigos de San Ángel, S.A. de C.V.; even though that income was generated by this latter company, which should assume all all corresponding fiscal obligations. This case is currently being studied by the District Attorney's Office in Mexico City.

b) In 2014, the federal tax authorities (SAT) initiated two procedures to establish onerous effect and thus repeal rulings issued in favor of Distribuidora e Importadora Alsea, S.A. de C.V. (DIA) and Café Sirena, S. de R.L. de C.V. (Café Sirena), authorizing the application of a 0% VAT rate on sandwiches (during fiscal years 2010, 2011, 2012 and 2013). The Sixth Collegiate court in Administrative Matters of the First Circuit, which was assigned the Café Sirena case for studying and drafting the proposed ruling, estimates that given the complexity of the matter, it may still take a number of months more to reach a conclusion.

   A ruling against the company in the DIA case was handed down by the Plenary Session of the Federal Court of Administrative Justice on November 15, 2017, but the Company intends to file the appropriate appeals.

c) In 2015, the federal tax authorities (SAT) began a review of the Company's 2013 tax return in order to verify the Group's Fiscal Consolidation. In October 2016, the SAT issued observations, on which the Company sought the appropriate clarifications. The applicable observations included some relating to subsidiary companies' tax losses. The necessary corrections were made in the month of May 2017 and the SAT issued its final opinion with no further observations.

d) In March 2016, the SAT conducted an on-site audit of the business addresses of Grupo Amigos de San Ángel, S.A. de C.V. (GASA) and Italcafe S.A. de C.V. (Italcafe) for information on fiscal years 2010 and 2011, respectively. In November, the last partial reports were issued, finding outstanding tax charges of MXN 55.2 million pesos, relating to unidentified deposits, in the opinion of the authorities. Additional information was submitted in December in order to clarify and refute those findings. In addition, a Conclusive Ruling was requested from the Taxpayer Advocacy Agency (PRODECON), a proceeding that is still under way.

e) In December 2017, the federal tax authorities (SAT) began a new audit of Alsea, S.A. de C.B. (Alsea) in connection with its tax returns for fiscal year 2015. This was the product of a sequential inspection begun against the Public Accountant who audited those results for tax purposes. An official notice was received from the SAT advising the company that the information presented by that Public Accountant regarding his review was insufficient to complete the review. The company promptly and fully responded to the request for additional information.

f) In October 2015, the Federal Economic Competition Commission (COFECE) imposed a fine of MXN 25,694,356.95 on Alsea, stating that it should have been notified Alsea's acquisition of 25% of Grupo Axo before that transaction was closed.

Alsea appealed this ruling, with the resolution and obtained a writ of constitutional protection (*amparo*) in December 2016. The ruling of the *amparo* judge was in turn appealed, a process which is still on-going.

g) In November 2015, COFECE imposed a fine of MXN $20,461,393.65 on Alsea, arguing non-compliance with the obligation to include a non-exclusivity clause in some lease contracts in shopping malls.

Alsea also appealed this ruling, and in December 2017 the final ruling was handed down in this case, confirming the original decision in Alsea's favor and requiring COFECE to issue a new ruling.

The new ruling issued by COFECE imposed a lower fine of MXN 13.6 million pesos. Alsea does not believe this new ruling complies with the order of the Collegiate Court, and his filed for a new writ of *amparo* against it.

VII. ADMINISTRATIVE ASPECTS.

We organized regular meetings with Management, to remain abreast of the Company's progress, its activities and all relevant and unusual events. We also met with the internal and external Auditors to discuss their progress and learn of any limitations they may have encountered and facilitate any private communication they wish to have with the Committee.

In cases where we deemed appropriate, we requested the support and opinion of independent experts. We were not made aware of any possible significant acts of non-compliance with operational policies, the internal control system or financial reporting policies.

We held executive meetings exclusively with Committee members, during which we developed agreements and recommendations for the Board of Directors.

The Chairman of the Audit Committee issued quarterly reports on the Committee's activities to the Board of Directors.

The work we carried out was duly documented in minutes prepared during each meeting, which were then promptly reviewed and authorized by the members of the Committee.

Sincerely,

Ivan Moguel Kuri, C.P.A.
Chairman of the Audit Committee