ANNUAL REPORT 2016

LAND OF OPPORTUNITIES

to harvest together

CMR®

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THE HARVEST OF THE YEAR

The noble fruits of the land

HIGHLIGHTED FIGURES AND EVENTS

RELEVANT FIGURES

5,572 EMPLOYEES*

17 TRADEMARKS

134 OPERATED UNITS

23 STATES WITH PRESENCE

11 OPENINGS IN 2016

13,613,851 GUESTS

$2,676.1 MILLION PESOS *of income*

$1,242.5 MILLION PESOS *of cost of sales*

$253.4 MILLION PESOS *of EBITDA*

$285.4 MILLION PESOS *of investment*

$59.5 MILLION *of operating profit*

1,442.6 MILLION *of operating expenses*

*Staff active as of December 31.

RELEVANT EVENTS

January – March

- Opening of the second **Fly by Wings** unit, which constitutes the first one in the Mexico City International Airport.
- Opening of the fifteenth **Chili´s** unit in Nuevo Leon.
- **Annual increase** in **net sales** of **5.3%** in 2016 compared to the previous year.

April – June

- Transfer of 6 units of the Wings restaurants in metropolitan areas that are no longer a part of CMR, which is focused on the expansion plan in casual food.
- Incorporation of **LongHorn Steakhouse** to CMR´s brand portfolio, with the opening of the first unit in Monterrey.
- **Net sales growth** of **7.9%** in the 1Q16 compared to the 1Q15.

July – September

- **Net sales growth** of **9.9%** in the 2Q16 compared to the 2Q15.

October – December

- **Net sales growth** of **4.9%** in the 3Q16 compared to the 3Q15.
- **Renewal** of the agreement entered into with **Darden Restaurants Inc.** for the next six years, agreeing to the opening of **new units** under the following trademarks: Olive Garden, LongHorn Steakhouse and The Capital Grille, starting from January 1st 2017.

OUR SEEDS

Every seed knows how to become a tree

TRADEMARKS

TRADEMARKS

OUR TRADEMARKS

WINGS

CMR´s pioneer trademark that offers, through classic cafeterias located in the country´s main airports and other strategic locations, a menu inspired in home-cooked dishes. With 1,116 employees at your service, we are waiting for you in the warm and welcoming environment of our 21 restaurants across the country.

Fly by WINGS

New concept with which we introduce an express service, which allows the traveler to choose from several gastronomic offer dishes, freshly prepared with a home-style and healthy touch, with the Wings Cafeteria heritage. The 22 employees at our restaurants will show you that quality and time are not in conflict with each other.

Fonda mexicana

Our 4 restaurants and its 146 employees offer you the chance to rediscover the essence of every region through a culinary tour around Mexico, where traditional recipes are merged with innovative dishes and ingredients, in the atmosphere of the traditional sites of central Mexico.

LA DESTILERIA

Holds the concept of a Mexican canteen with a contemporary image, with traditional dishes that are ideal to be shared and paired with the best drinks, which you can enjoy surrounded by music and sports. There are 5 units to choose from, with 216 employees at your service.

- Aguascalientes
- Baja California
- Baja California Sur
- Campeche
- Mexico City
- Chiapas
- Chihuahua
- Coahuila
- Estado de Mexico
- Guanajuato
- Jalisco
- Michoacan
- Nayarit
- Nuevo Leon
- Queretaro
- Quintana Roo
- San Luis Potosí
- Sinaloa
- Sonora
- Tabasco
- Tamaulipas
- Veracruz
- Yucatan

EL LAGO

An icon of Mexico City due to its architecture and its unique location in Bosque de Chapultepec, we offer fine Mexican cuisine, whereby classic and contemporary techniques are blended, a broad wine list, personalized service and impeccable presentation. Our 97 employees seek to pamper the most demanding palates.

BISTRO CHAPULTEPEC

Restaurant with a European bistro style, inspired in a country environment, which constitutes an excellent option in Bosque de Chapultepec. With an outstanding menu, we offer meats, fishes and seafood, as well as an award-winning wine selection. From the Mexican breakfasts to the weekend brunches, going through lunch and the bistro dinner, we seek to offer a welcoming experience and a customized service, with 39 employees at your service.

OUR IMPORTED TRADEMARKS

THE CAPITAL GRILLE

Founded in 1990 in Providence, Rhode Island, USA, the restaurant offers, in Mexico City, its experience in dried cured beef, as well as the best seafood, from lobster to fresh tuna, accompanying side dishes with a wine list of more than 300 labels. With 80 employees in our restaurant, we seek to provide a meal and service that will exceed your expectations, in a club-like environment.

RED LOBSTER

Inspired in Maine´s fishing ports and considered a seafood expert, our 8 restaurants offer you from lobster to sea food dishes which are ideal for snacking, and tropicalized offer in order to please the Mexican palates. Our casual and fun environment is ideal to watch a good game in the company of friends, and let yourself be pampered by our 284 employees.

Olive Garden

Through classic and generous dishes such as lasagna and Giro de Italia, live a Tuscan inspired gastronomic experience, in which we want you to feel at a classic Italian countryside house. Our 725 employees will receive you in 16 restaurants where hospitality prevails, allowing you to discover your Italian side.

chili's

With specialties, such as the Oldtimer burger, the President Margaritas or the Chocolate Molten, and our T.V screens, which take you to your favorite stadium, we are the best place for a casual dining experience in Mexico. Our 63 restaurants and 2,113 employees offer you a relaxed environment, where you will be able to share with friends and family.

LONGHORN STEAKHOUSE

Born in 1981 in Atlanta Georgia, USA, we opened our first restaurant in the State of Nuevo Leon, Mexico in 2016. With a team of 31 employees at your service, we offer you our best selection of beef for you to enjoy the traditional meat cuts and experience our new suggestions.

PLOWING THE SOIL TOGETHER

Together, united for a good harvest

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear all,

In CMR we have been betting on Mexico for more than 50 years, our origin, our present and future are here. As we mentioned in our vision, "we want to bring the best of the world to Mexico", with local talent, generating development opportunities through job creation and supply, and delivering experiences which enrichen our guests.

This has been a complex year due to the country´s economic situation, with an increase in the price of our inputs, including the impact of the exchange rate. But the uncertainty has had an even greater impact on the trust regarding Mexico´s economic perspectives and the potential disruption of our trade relationship with the USA, in light of a political scenario, which has finally materialized.

In spite of the foregoing context, our operative and financial results were positive, with 5.3% increase in the **revenue**, which allowed us to obtain $2,676.1 million pesos for 2016. We have focused on the profitability, especially through the operational efficiency and the national supply, which have contributed to an increase of only 4.8% in the **costs of sales**, reaching $1,242.5 million pesos. It is important to point out the performance of our **Cadena CMR** logistical center, especially in the improvement of inventories and demand planning, as well as our **"Con Sabor"** commissariat, which generates inputs for the dishes in accordance with the highest quality standards.

Our country is a fertile land, in which we plant opportunities every day, creating value which we can harvest together.

Our **portfolio** has grown, with the incorporation of LongHorn Steakhouse, included in our agreement with Darden Restaurants Inc. We opened the first branch in Monterrey, to which others will follow in the next years. To that respect, it is important to point out the trust of our strategic partner, with whom we have renewed our agreement for the following six years, agreeing the opening of new units of LongHorn Steakhouse, Olive Garden and The Capital Grille. Our bet on Chili´s is also strong, with the opening of 4 new branches this year, within the framework of the agreement held with Brinker International, Inc. The new units of our portfolio compensated the closing of certain restaurants and, in particular, the handover we made of 6 Wing´s branches in the metropolitan area. This fact is framed in the divestment of non-strategical assets, since we are betting on focusing the development of such said trademark in airports, along with the recently created Fly by Wings. Our commitment is also materialized in investments which, in 2016, reached $285.4 million pesos.

Since our origins, we have a passion for hospitality, for generating experiences that exceed expectations. In 2016, more than **13.6 million guests** awarded us with their trust for our service, with which we continue to grow every year. We have a strong commitment with **quality**, in our processes and raw materials, working in a proactive way along with our suppliers. In addition to our focus in delivering the best, generating those stories, which surround a good meal, we seek to reward their visit with our fidelity program, which we strengthen this year.

Our **employees** constitute CMR´s strength, attached to a **Responsibility Oriented Culture (COR)**, which highlights the commitment and problem solving capacity, and is reinforced through feedback and acknowledgement. We are already 5,572 family members, expressing, every day, the values that make the difference, because the result is as important as the way to obtain it.

The financial strength earned through significant efforts in the last years, with an **EBITDA** of 253.4 million this year, 16 million more than in 2015, goes along with our understanding of the sustainability as the building of the future out of the present, through a harmonic economic, social and environmental performance. Our social responsibility program is a synonymous of a transversal effort of the different areas, which we complete with the contribution to Fundación CMR and its initiatives to improve child nutrition.

We look at the future with optimism, with renovated hopes. We will continue accompanying those who undertake a journey, who share moments, who surprises and is surprised. We also wish to become ambassadors of our rich gastronomy "sharing the best of Mexico with the world."

Joaquín Vargas Guajardo
Chairman of the Board of Directors

PLANTING IN FERTILE LAND

Fertile land in order to keep growing with principles, values and a unique organizational culture.

ABOUT CMR

From seed to fruit, Mexico is the land of opportunities on which we walk to harvest together.

ABOUT CMR

CMR is a company attached to its **origins**, in which we take our history as a reference. From the opening of our first cafeteria in the fuselage of an airplane next to Mexico City´s airport, we perform our activities guided by our **passion for hospitality.**

Around our philosophy and values, we have built a **unique organizational culture**, which serves as the core of who we are today and who we will be tomorrow. In a shifting environment, we become stronger through our capacity to adapt and our focus to improve continuously, a cycle in which the guest´s experience and our employees´ development prevails.

VISION:

In restaurants, bring the best of the world to Mexico and share the best of Mexico with the world.

STRATEGY:

To grow the concepts to attract more guests, developing our talent; always seeking the greater profitability of the business.

PHILOSOPHY:

In CMR we make decisions based on concrete information to generate the best experiences for our guests.

Our **strategy** is made to achieve **Key Results.** The company´s success depends on the progress made in each of the three pillars, which hold the same importance: **Profitability, Guests and Employees,** each of which has indicators for their monitoring. We put this into practice every day through our **Responsibility Oriented Culture (COR)**, which we are promoting since 2015 and is manifested in our **Cultural Beliefs**, which, likewise, reflect the values of CMR.

Our employees create, every day, experiences that reinforce these beliefs, taking steps towards the responsibility with the purpose of being outstanding. In a team that bets for focused feedback and acknowledgement, we strengthen the relationships highlighting the stories, which are worthwhile.

CULTURAL BELIEFS

- **We take responsibility:** I choose to be responsible, act, boost and achieve the Key Results.
- **Feedback is the key:** I enrich myself by giving and receiving feedback.
- **We surprise reality:** I use my creativity and intelligence in order to find the winning path.
- **United we can achieve more:** I communicate and surpass the limits in order to achieve Key Results.
- **We build trust:** They trust me thanks to my transparency.

This year marked the end of our **2013-2016 Strategic Plan.** We maintained leadership in the various sectors in which we participated. Under the premise of being the best food operator in Mexico, our growth has been founded in 4 pillars:

- To consolidate the knowledge and experience of more than five decades.
- To respect the characteristics and strategies of each trademark.
- To obtain the greatest amount of information with respect to the markets, the trends of guests behavior and our competitors.
- To have strict selection criteria regarding new businesses, such as: profitability, feasibility, complementarity and financial strength.

The implementation of this strategy has strengthened our positioning as a casual food benchmark company, destined to a broad generational scope and with an extensive coverage at a national level. Immerse in a hyperconnected world, we enhance the relationship with our guests through social networks.

Betting on the operational efficiency, we move in a prominent way in the growth of our "Cadena CMR" logistics center, which along with the development of our "Con Sabor" commissariat, is allowing us to strengthen the national supply, key in a context of financial turbulence surrounding the exchange rate. Our suppliers are essential allies in the delivery of the best quality for the guests, and we work alongside with them, contributing, in addition, to the development of the SMEs which are a part of our supply chain.

As of this date, we are immersed in the definition of our new 2017-2019 Strategic Plan, with a **calling for the future rooted in the present and the historic path which characterizes the company,** preparing ourselves for the demographic and cultural changes, and the habits of tomorrow's guests.

PROFITABILITY: WE PLANT SEEDS THAT WILL SPROUT

The actions are the seeds that will nurture the future

PROFITABILITY

In CMR we are attached to an operation that results in profitability, working in the efficiency of the operations and the satisfaction of our guests. To that respect, the following lines of work stand out:

OPENINGS AND NON-STRATEGIC DIVESTMENTS

We seek to dispose of the trademark portfolio and of the localization network, which can better meet the guests´ needs, considering the diversity of experiences, the new consumer habits and the demographical changes, which are being generated within the country.

With the launching of our Fly by Wings trademark in 2015, the company´s first incursion in the fast food segment, we added a second unit and the incorporation of the LongHorn Steakhouse, an option for casual food which is also a part of our agreement with Darden Restaurants Inc. In addition, we´ve also added the opening of new units of the Olive Garden, Red Lobster and Chili´s trademarks.

This year, in light of the divestment of non-strategical assets, we conducted the transaction of 6 Wings restaurants in the metropolitan areas, in order to concentrate the development of the trademark in airports, along with the recently created Fly by Wings.

With these movements, our network closed the year with 134 units, two more than at the end of 2015. Nevertheless, the investment in fixed assets was $285.4 million pesos.

We renewed our agreement with Darden Restaurants Inc. for the next six years, agreeing to the opening of new units starting from January 2017, corresponding to the Olive Garden, LongHorn Steakhouse and The Capital Grille trademarks.

EVOLUTION OF THE TRADEMARKS

	Units in 2016	Variation 2016-2015
Wings	22	-7 (6 transfers)
Fly by Wings	2	+1
Fonda Mexicana	4	0
La Destilería	5	0
Chilis	63	+4
Olive Garden	16	+2
Red Lobster	8	+2
LongHorn	1	+1
Others*	13	-1
TOTAL	**134**	**+2**

THE BET ON NATIONAL PROVISIONING

In a scenario of price increases and rises in the exchange rate, the bet which we have made on reinforcing the national provisioning, is becoming increasingly important, even for our imported restaurant trademarks. Therefore we are working in the identification of suppliers which are able fulfill our requirements, contributing to the development and strengthening of those that are SMEs, in order for them to contribute to a larger extent and so that we can, thereby, reduce the complexity of our supply chain.

CADENA CMR

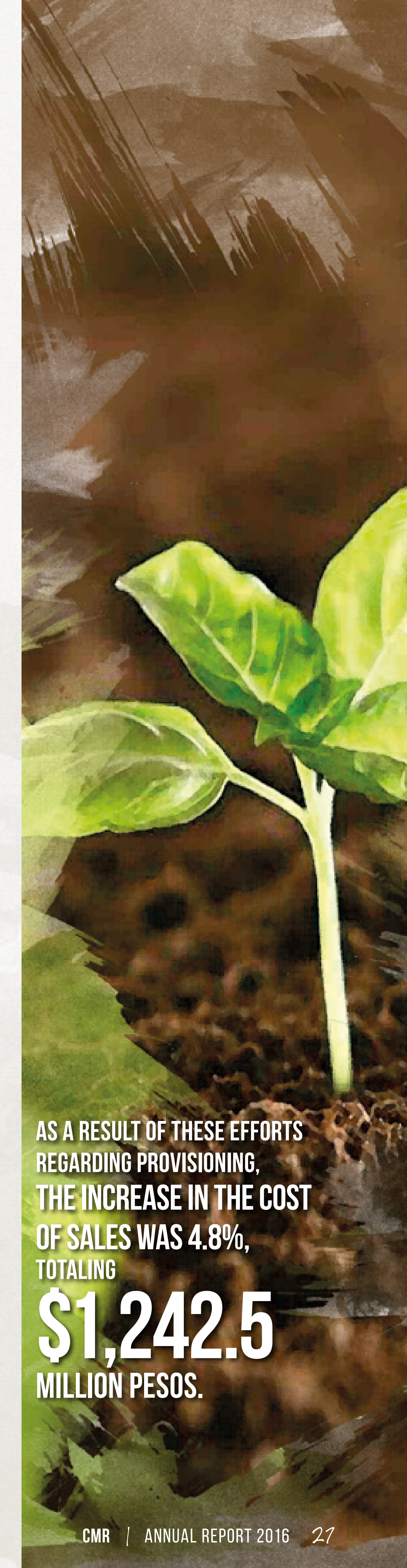
Furthermore, we reinforced our Cadena CMR logistics center, which allows us to directly supply the units. Combining our focus in national provisioning, we have managed for 85% of the expense for the supply to Cadena to be with national suppliers. Along with that, we have worked in the improvement of inventories and planning of the demand, with a highlighted role of said center, reducing shrinkage, which resulted in savings of $1.5 million pesos.

Supply management key points:

- *Development of national products and increase of the supply from local players.*
- *Increase in the volume of purchase per supplier.*
- *Improvement of the supply logistics, especially demand planning.*
- *Greater efficiency in inventory management and reduction of shrinkage.*
- *Increase the percentage of products supplied by Cadena CMR.*

Con SABOR

Our "Con Sabor" commissariat is also essential; "Con Sabor" is in charge of the preparation of some of the inputs which are required by the restaurants in order to prepare the dishes, standardizing the processes. This way, savings in time and reductions in costs are obtained, which result in benefits for our guests. During the year, we focused on the high-priced products of the imported trademarks, achieving savings of up to 30% with our solutions, which in no case result in the sacrifice of the quality delivered to the guests.



AS A RESULT OF THESE EFFORTS REGARDING PROVISIONING, **THE INCREASE IN THE COST OF SALES WAS 4.8%,** TOTALING **$1,242.5** MILLION PESOS.

GUESTS: WE CULTIVATE EXPERIENCES

To make our guests feel at home

GUESTS

With a culture of service, in CMR we seek to deliver the best experience to our guests, betting on the innovation in products or services, processes and trademarks.

In order to satisfy the variety of tastes of our guests and in order to allow them to choose in accordance to their preference at any time, we´ve added LongHorn Steakhouse to our portfolio; such trademark belongs to Darden Restaurants Inc., specialized in beef meat cuts. The opening of a new restaurant in the State of Nuevo Leon enrichens the offer within the casual food segment. Additionally, we continue strengthening our recently created Fly by Wings trademark, with which we entered for the first time in the fast food segment. In this regard, we have opened the second branch in the country and, at the same time, the first one in Mexico City.

We put
134
RESTAURANTS
throughout the country at the guests' disposal.

We added LongHorn Steakhouse to our portfolio.

The trust that the guests have deposited in us deserves to be rewarded, therefore, we launched in 2015 our loyalty program in Wings, Chili´s, Olive Garden, Red Lobster. This year, we added LongHorn Steakhouse, after its incorporation to the CMR family.

We assessed their satisfaction through the GEM *(Guest Experience Management*)* survey, in which every guest can express their comments at the end of their stay. In a complementary manner, this year we launched Spy CMR, an initiative whereby the company´s personnel assesses the service anonymously. Through these mechanisms, we can identify improvement opportunities from which actions can be suggested.

We also wish to exploit the potential of technology by offering home delivery services through the main mobile platforms.

However, none of the foregoing would make sense without **the commitment with the quality of the products and services of all those whom are part of CMR,** from the procurement of goods to the quality of service in our restaurants. Through our **Comprehensive System of Service Quality Assurance (SIACS),** internal controls and audits performed by third parties, we make sure of the conditions of the raw materials as well as of the already prepared dishes. Likewise, we constantly train the employees which are involved in the food chain.

Furthermore, we work along with our suppliers, to which we apply strict quality standards, assessing in addition, their performance. To that effect, we conducted 61 audits during the year, through external specialists.

86% OF THE TRADEMARKS
on which we conducted our GEM survey obtained results above
90%
regarding the guests´ wishes to come back.

** It was applied in Chili´s, Fonda Mexicana, La Destilería, LongHorn Steakhouse, Olive Garden, Red Lobster and Wings.*

EMPLOYEES: THE HANDS THAT WORK THE LAND

We harvest the fruits of the teamwork.

5,572
TOTAL EMPLOYEES

96.4%
INDEFINITE HIRING

41%
OF WOMEN
WITHIN THE WORKFORCE

22
EMPLOYEES
INCORPORATED THROUGH OUR INCLUSION PROGRAM

EMPLOYEES

We have a big team composed of **5,572 employees***, which are distributed amongst the corporation and the units of the different trademarks which comprise our portfolio. Women represent 41% of the workforce and it is important to specially highlight their growth in the various managing positions within the corporation, underpinning the importance of diversity.

In CMR we bet on the **conciliation** of the work life and personal life, through various benefits, and we develop initiatives regarding the **health and welfare** of our employees. Our passion for hospitality is supported in our teams´ commitment.

We work in a proactive manner for the **inclusion** of the employees with a disability, with the conviction of equal treatment as basis of every management. Our talent attraction area works together with Fundación Manpower and the different teams of the company, in the identification of positions to be filled and talent which we can incorporate. In order to facilitate the integration, we have adapted the induction materials and held awareness sessions for future colleagues. At the end of 2016 we had 22 employees that were part of the program, a number which we expect to increase year by year.

In CMR, we have a **Responsibility Oriented Culture (COR)** supported by our **Cultural Beliefs**, which reflect the way in which our employees live the company's Values.

CULTURAL BELIEFS

- **We take responsibility:** I choose to be responsible, act, boost and achieve the Key Results.
- **Feedback is the key:** I enrich myself by giving and receiving feedback.
- **We surprise reality:** I use my creativity and intelligence in order to find the winning path.
- **United we can achieve more:** I communicate and surpass the limits in order to achieve Key Results.
- **We build trust:** They trust me thanks to my transparency.

*Active staff at December 31.

Consistent with this culture, we provide tools to our people that allow them to cultivate a work culture based on personal and professional satisfaction. One example of this is our **Be Happy campaign**, which was aimed at promoting what we called the Pillars of Happiness. These Pillars of Happiness covered a wide range of issues that people care most about and which aim to foster a sense of awareness for the common good and drive proactivity among our people.

The feedback is key within our culture, and we launched **"Like por ti"**, an initiative that seeks to identify the positive impacts which we generate within our employees. The participants, 261 among the corporation and unit groups, highlighted the existing leadership within the company´s management, the concern for the person and the development opportunities. Likewise, we conducted again the **work environment** survey "Mi opinión" (MIO), whose results at the end of the year evidenced an average satisfaction of 90% for the various dimensions assessed, surpassing the goals which we had previously set.

90%
OF THE EMPLOYEES´ SATISFACTION
with respect to the climate survey.

We bet on the excellence through our teams´ training and coaching, adapted for the particularities of the performance within the corporation and the units, as well as the different trademarks that comprise our portfolio. In 2016, we delivered close to **10,000** training hours, with an average of **39.2 hours** per participant, which represents 88% more than the previous year. On the other hand, the training programs added up to a total of 377,371 hours, which represents an average of 62 hours per participant.

39.2
HOURS IN AVERAGE
of training per employee.

62.0
HOURS IN AVERAGE
of training per employee, considering the different trademarks within portfolio.

Beyond the operation, we consider essential the relationship with the environment and the communities, as part of our corporate citizenship. To that respect, 392 employees participated in voluntary activities during the year, focused on the environmental care.

PREPARING THE NEW FIELD

Tilling the land to create new challenges

CHALLENGES AND FUTURE OPPORTUNITIES

CHALLENGES AND FUTURE OPPORTUNITIES

This has been a year of changes, of balance with respect to the corporate strategy, which we have been implementing since 2014 and of developing of our new roadmap. The context of difficulties within the country, with an increase in the exchange rate, the interest rates and the slowdown of the economic growth, has proven to a greater extent our capacity to adapt. We focused in the **new corporate structure for the management of the trademarks**, which from 2017 will deliver, to a greater extent, the benefits sought, regarding a more dynamic and integral management in each case, which contributes to the three Key Results: Profitability, Guests and Employees.

Our leadership in the casual food sector is the result of our operational excellence and the attention to guests, along with the strengthening of a committed team and the efficiency of the procurement of goods and services. With a broad portfolio, to which we have added LongHorn Steakhouse on 2016, we are closely monitoring the new segments, which are developing with the guests' changes in habits. Fly by Wings constitutes an example thereof, our first incursion in the fast-food sector, with strict attachment to the objective of delivering fresh foods for a reasonable price. In the next years, we will strengthen the presence of both of them, which additionally reflect our **dual work regarding the development of our own trademarks and the incorporation of references at an international level.**

We believe in long term relationships, in the trust of a well-done job, and we renewed our agreement with Darden Restaurants Inc. for the next six years. In terms of this agreement, we strengthened our commitment with the acknowledgement and expansion of their trademarks in the Mexican market, taking into account the opening of new Olive Garden, LongHorn SteakHouse and The Capital Grille units.

From our beginnings, we have been linked with travelers and the country will be witness of a big change in the coming years with the opening of the new international airport located in Mexico City. Our experience, with the iconic Wings trademark, and the clients' trust puts us in an outstanding position to continue accompanying the experience of whom undertake a journey.

After having successfully moved forward, during the past years, on the first part of our vision "In restaurants, bringing the best of the world to Mexico", in the following years we will also emphasize the internationalization of our own trademarks, which are seen as reference of Mexican food, in order to "share the best of Mexico with the world".

In light of the increase of the exchange rate, we will continue with our bet for the **national provisioning and the development of our own products.** To that effect, we will triple in the short term the capacity of the "Con Sabor" commissariat and will continue enhancing the relationship with suppliers. The excellent evolution our Cadena CMR logistics center makes us want to keep strengthening the supply to our restaurants through it. Likewise, we have also improved our efficiency through the organization of processes and the implementation of technology, reducing shrinkage and improving demand planning.

Increasingly closer to our clients, their experience with CMR extends beyond the restaurant, we **are connected.** With our Customer Relationship Management (CRM) platform, already operational, a whole new world of opportunities opens up for a more personalized communication and service.

Mexico is, more than ever, a land of opportunities to harvest together.

We wish to deliver the offer requested at all times, through the diversity of our portfolio and the adaptation to the new consumption habits, strengthening to a greater extent our home delivery service through the digital platforms, which constitute a new consumption scenario.

We have already started to reward the trust of our guests through the fidelity programs, which we have put into place in part of our portfolio and that will continue to expand in the near future. We are also concerned for their health, which is why we strictly adhere to the best food security practices and the creation of alliances in order to promote a good diet, whereby the initiatives which have already been implemented are highlighted as well as those which are possible in light of our agreement with PROFECO.

Our success is the result of a committed team, with which we will also write the following pages of our trajectory. The efforts regarding cultural transformation made in recent years have been fruitful, with employees lined up around the Responsibility Oriented Culture (COR), which can be seen through our Cultural Beliefs. We are now faced against the opportunity to keep strengthening its integration on a day to day operational basis and to increase its value for the personal development, beyond the professional one. Our employees' happiness is a current and future goal.

KEEPING THE SEEDS OF THE FUTURE HEALTHY

We take care of the land for the new generations

SOCIAL RESPONSIBILITY MODEL

SOCIAL RESPONSIBILITY MODEL

We see **sustainability** as the ultimate goal and we strive to reach this goal through our three main lines of action: **Sustain, Protect and Reduce.** Our sustainability initiatives reflect our company's sense of social responsibility and they are all-encompassing for CMR, as they involve a cross-section of our critical processes. We have a **Social Responsibility Model**, with which we seek to sustain our business for the long term, caring for our people and reducing the impact which we have on the environment.

We materialize the Model through an **Action Plan** launched in 2014 that includes different initiatives and goals to be achieved, in which the **Social Responsibility Committee** participated, comprised by members of different areas of the company. Each one of its members is also a leader of one or more initiatives, leaving the Committee in charge of the implementation and monitoring of the established activities.

It is important to highlight, the performance of the "Al Rescate" programs: the reduction in the use of straws, electrical efficiency within the restaurants and responsible purchases.

We are now working in the update of the Model and the definition of new initiatives for a roadmap aligned with our corporate strategy, under which we will prioritize the accomplishment of the goals pending from our 2016 plan, maintaining our commitment for their achievement.

INITIATIVES

Al Rescate

Program created in alliance with Banco de Alimentos de Mexico (BAMX) and Bank of America Merrill Lynch, which consists in freezing and donating food which hasn't come out of our restaurants´ kitchens. These meals are submitted to a strict control that guarantees their quality, and are delivered to civil society´s organizations.

- 12,356 kg of collected meals, which benefited 2,509 people.
- Control processes which guarantee food safety and avoid its waste.
- Extension of the program to other companies and to our suppliers.

80%

COMPLIANCE WITH THE 2014-2016 SOCIAL RESPONSIBILITY PLAN. WE ARE ALSO COMMITTED WITH THE PENDING GOALS.

Campaign to reduce the use of straws

Initiative that is a part of our commitment regarding the promotion of responsible consumption habits and the decrease of waste. With respect to straws, it is particularly significant due to their high consumption and the impossibility, in most of the cases, to be recycled later. We launched the initiative in 2016 in the Wings, Olive Garden, Red Lobster and Chili´s trademark units.

- Contribution to a shared responsibility culture.
- Decrease of 22% regarding the consumption of straws by the guests.
- Contribute to the change towards responsible practices within the sector.

Energy efficiency

Program implemented to this date in 29 of our restaurants, with respect to the Chili´s, Olive Garden and Red Lobster trademarks. It includes the automatization of the lighting and installation of control points for the refrigeration, freezing and air conditioning equipment. With a real time monitoring of the energy consumption and of the equipment's temperature, it is possible to perform adjustments which lead to savings regarding consumed electricity.

- Contribution to the adoption of responsible practices in environmental matters.
- 17% decrease in the electricity consumption, equivalent to 1,079,885 kWh.
- Work along with external specialists in order to maximize the efficiency of our consumption.

Green purchases

Program with which we work with in different areas that allows us to **reduce our environmental impact, promote the development of local suppliers and take care of animal welfare,** through the incorporation of suppliers which stand out due to their good practices.

Incorporation of packages for Chili´s delivery service, made from certified cardboard arising from managed woods with sustainable criteria (by the ***Forest Stewardship Council, FSC).*** We acquired 150,000 packages this year.

Launching of the provisioning of eggs arising from hens raised outside of cages, for our Bistró Chapultepec, The Capital Grille and El Lago trademarks.

- Create awareness regarding the safekeeping of natural resources and animal welfare.
- Decrease our environmental impact related with our supply chain.
- Incorporation of suppliers with prominent environmental practices: FSC paper and free cage hen eggs.

See more information with respect to the programs we develop and their results in our 2016 Social Responsibility Report.

FRUITS THAT ARE SHARED

Seeds that grow and that are multiplied

FUNDACIÓN CMR

FUNDACIÓN CMR

With a track record of more than 10 years, Fundación CMR contributes to the **fight against childhood malnutrition in Mexico.** Since 2016, it focuses its efforts along two lines of work: **investment projects and a call for the civil society organizations**, adding allies through interinstitutional collaboration. The Foundation has concentrated the age range of the beneficiaries between 0 and 6 years, in the understanding that it is considered as a critical stage for the children correct physical and intellectual development.

It has CMR´s support as a donor, while it constitutes an independent entity, subject to the decisions of a board whose composition is mainly of members that are outside the company. The entity has a budget of its own, arising from donations and which totaled $30.2 million pesos in 2016.

With respect to the investment projects, Fundación CMR works with solid institutions where it assesses their management, experience and transparency regarding accountability, in order for the people to generate the largest social contribution possible. With a focus in nutrition, it **contributed to feed 7,658 kids** from the states Mexico City, Coahuila, Estado de Mexico, Nuevo Leon, Oaxaca, Sinaloa y Yucatan, in partnership with Comedor Santa María, Nutre un niño and Cáritas Lomita.

Fundación CMR contributed to feed

8,386

KIDS.

On the other hand, Fundación CMR launched its **fifth call of the "World Food Day"**, along with HSBC Mexico and Fundación Grupo Mexico. During this meeting, two main subjects were discussed: childhood malnutrition, which despite the positive tendencies continues to be a challenge for the country, and the prevention and fight against childhood anemia, sicknesses that are on the rise.

Through the call, **the professionalization of the participating organizations´ projects are driven, as well as the promotion of the measurement of the results obtained from the generated impact.**

During the year, 4 of the projects corresponding to the 2014 call have been finalized, all of which have benefited the nutrition of 728 kids. Moreover, we launched a new bid whereby 9 organizations were finally selected, all of which we will be supporting throughout 2017.

Thanks to the different initiatives, alliances and the support of donors, including employees and CMR´s guests, the Foundation managed to benefit 8,386 kids. The efforts have allowed to reduce the cases of malnutrition in 13%, achieving that 68% of the kids have a normal weight for their age and 49% to have a normal size for their age. Additionally, a 6% reduction was achieved in cases of anemia and the eradication of severe cases, allowing for 91% of the kids under the programs to have a normal iron concentration in their bloodstream.

The work which has been historically developed by the Fundación CMR along with its allies, contributes to the reduction of the nutrition and health gaps. These challenges are at an international level, and are part of the 2030 United Nations Agenda, which is materialized through the Sustainable Development Goals (SDG). The contribution made at a local and regional level adds up to this collective effort made by companies, public administrations and civil society organizations.

STRONG ROOTS

To harvest excellent fruits

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

In CMR we have a corporate governance system adhered to the applicable legal provisions and focused in guaranteeing an effective decision making.

As a public company, CMR has a **Shareholders´ Meeting**, which is responsible of approving, among others, the Board of Directors´ report regarding the company´s performance and, therefore, the management performed by it and by the managing team. It is also in charge of authorizing the most relevant projects, as well as appointing the members of the Board of Directors.

Furthermore, seven board members and one alternate member, of whom four of them are independent, comprise the **Board of Directors**. The presidency of the Board of Directors is in charge of Mr. Joaquin Vargas Guajardo, whom was appointed by the Shareholders´ Meeting, based on his wide knowledge of the company and the industry, which is extended to the rest of the members, who comply with their loyalty, diligence, confidential and informed judgement duties.

DIRECTOR	TYPE
Joaquín Vargas Guajardo	Related
Ernesto Vargas Guajardo	Related
Eduardo Berrondo Ávalos	Related
Antonio Ariza Alduncin	Independent
Óscar Fitch Gómez	Independent
Herminio Padruno Santos	Independent
Pablo González Carbonell	Related
José Vargas Santamarina (Suplente)	Independent

Additionally, Álvaro Orvañanos Márquez acts as non-member Secretary and José Antonio Abad García acts as Non-member Pro-secretory, of the Board of Directors.

With capacities provided in the By-Laws, the Board of Directors is responsible for ensuring CMR´s wellbeing, determining the strategic path and defining the business's objectives, as well as for monitoring the relevant operations in order to protect the interests of shareholders, guests, employees and suppliers.

The Board of Directors has two support committees, comprised and chaired entirely by independent directors, who meet on a quarterly basis. These committees regularly report the adopted decisions to the Board of Directors, including the presentation of an annual report regarding their performance.

AUDIT COMMITTEE

José Vargas Santamarina (Chairman)

Antonio Ariza Alduncin (Spokeperson)

Herminio Padruno Santos (Spokeperson)

The following are among their functions:

- To assess the external auditor´s performance, as well as to analyze expert opinions, opinions, reports or briefs performed by such external auditor.
- To analyze the financial statements, inform and, if applicable, make recommendations to the Board of Directors, for their approval.
- To inform the Board of Directors with respect to the situation held by the internal control and external audit systems.
- To support the Board of Directors regarding the preparation of the brief for the Shareholders´ Meeting.
- To prepare the opinion for the Board of Directors regarding the accounting policies and criteria.
- To request the relevant director reports related with the preparation of the financial information as well as of any other kind.
- To investigate the possible breaches which are made known to them.

CORPORATE PRACTICES COMMITTEE

José Vargas Santamarina (Chairman)

Antonio Ariza Alduncin (Spokeperson)

Herminio Padruno Santos (Spokeperson)

The following are amongst their functions:

- To give their opinion to the Board of Directors with respect to the performance of the corresponding directors.
- To inform the Board of Directors with respect to the relevant operation held with related parties.
- To inform the Board of Directors with respect to the compensation packages for the CEO and corresponding directors.
- To give their opinion with respect to the waivers granted by the Board of Directors.

OUR DIRECTORS

Joaquín Vargas Mier y Terán	Executive Chairman and CEO
Lisette Montefusco Urrutia	Strategic Planning Vice chairman
Mario López Aja Pineda	Expansion and Construction Vice chairman
Mauricio Grobeisen Weingersz	Information Technologies Vice chairman
Álvaro Orvañanos Márquez	Legal Vice chairman
Rubén García González	Business Executive Vice chairman
Miguel Ángel Muñoz Gutiérrez	Supply Chain Vice chairman
Rodolfo Navarijo Vicario	Business Service Vice chairman
Francisco Trejo de La Torre	Finance Vice chairman
Citlali Fontana Limón	People and Culture Director
Georgina Salazar Cabañas	Purchase and Supply Director
María Elena Cisneros Martínez	Corporate Identity Director

The managing team in charge of the company´s daily management supplies its honorability, technical quality and experience with respect to the applicable subjects. Its decisions and the results which are obtained are informed to the different committees and to the Board of Directors.

The Executive Chairman, the vice chairmen and some directors comprise the Direction and Strategy Committee, which meets on a weekly basis to implement the Board of Directors´ decisions and those issued by their support committees, as well as to monitor the performance of the operation.

In 2016, a reorganization was made with respect to the responsibilities pertaining to the management of trademarks, establishing comprehensive teams for each one of them, with the purpose of generating larger synergies amongst the employees that are a part of each team.

FERTILIZING THE LAND

Land is life if the seeds of the future are planted

ETHICS AND RISK MANAGEMENT

Strong values on which our performance is sustained.

ETHICS AND RISK MANAGEMENT

In CMR, **Integrity** is one of our values, from qualities, which define who we are and how we understand the execution of our activities. We have a **Code of Ethics**, which is applicable to all of the workforce, which includes aspects such as non-discrimination, use of information in order to make decisions and the prevention of conflicts of interest. This is complemented with a Conduct Regulation applicable within our work centers. Any breach observed can be reported through the **"Línea ResponsHable"**, which is operated by an independent third party, being analyzed in order to take the corresponding measures. We understand that the business objectives which we have envisioned are as important as the path and ways to achieve them.

Along with the promotion of good practices and the requirement to comply with our guidelines, we also perform a monitoring thereon, ensuring the correct performance within the company and with respect to our interest groups.

We are fully aware of the risks that we face from outside circumstances and as result of our own business performance and we have a fully-enabled **risk management system** in place to address these risks. We take preventive action to reduce our exposure, particularly regarding our four main types of risk: technological, operational, legal and reputational. We currently have initiatives underway aimed at strengthening our mechanisms for identifying and tracking risk and updating our risk map updates and our audit protocols.

Reinforcement of the risk control system, with a preventive focus.

HARVESTING

Our results

FINANCIAL STATEMENT ANALYSIS

FINANCIAL STATEMENT ANALYSIS

Below we present our results regarding the main financial indicators in 2016, as well as the variation compared the previous year.

MAIN FINANCIAL INDICATORS (in millions of pesos, except percentages)

	2015	2016	VAR 16-15 (%)
Net income	$2,541.6	$2,676.1	5.3
Cost of sales	$1,185.2	$1,242.5	4.8
Gross Profit	$1,356.4	$1,433.6	5.7
Gross margin (%)	53.4%	53.6%	0.4
EBITDA	$237.4	$253.4	6.7
EBITDA Margin (%)	9.3%	9.4%	1.1
EBITDA per share (pesos)	$0.950	$1.010	6.3
Bank liabilities	$451.8	$460.1	1.8
Depreciation and amortizations	$182.6	$209.2	14.6
Investment in fixed assets	$366.3	$285.4	-22.1
Operating profit	$71.2	$59.5	-16.4
Net profit	$38.4	$-21.9	-157.0
Operation expenses	$1,344.0	$1,442.6	7.3

Regarding bank liabilities, below is the breakdown between the short and long-term loans:

LIABILITIES (in millions of pesos)

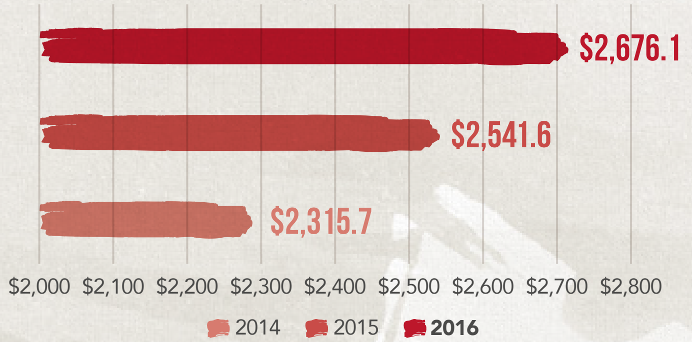
	2015	2016	VAR 16-15 (%)
Short term loans	$151.2	$273.9	81.1
Long term loans	$300.6	$186.2	-38.0

Our stock closed the year with an increase of 32.8% compared the same date of the previous year, reaching a unit price of 8.1 pesos. Below we present our relevant stock market indicators:

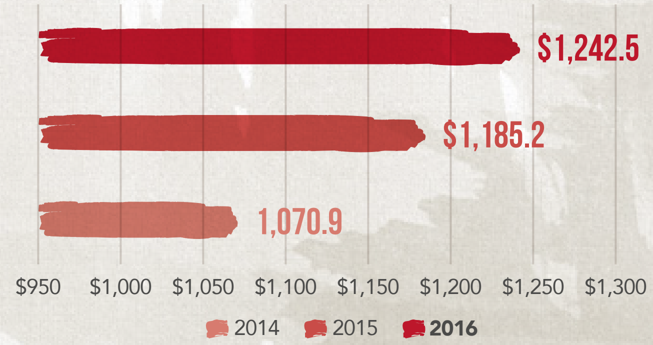
STOCK MARKET INDICATORS

	2015	2016	VAR 16-15 (%)
Stock market capitalization (millions of pesos)	$1,526.7	$2,023.9	32.8
Price of the stock at closing (pesos)	$6.1	$8.1	32.8
Number of outstanding shares	249,862,442	249,862,442	0.00
EPS (pesos)	$0.15	$-0.09	-160
Carrying value per share (pesos)	$4.37	$4.32	-1.1

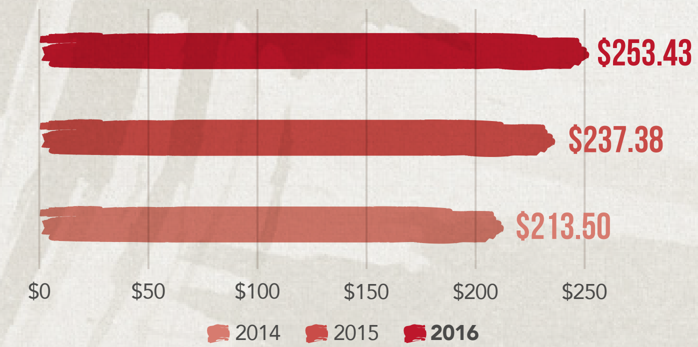
NET INCOME
(millions of pesos)
VARIATION 5.3%



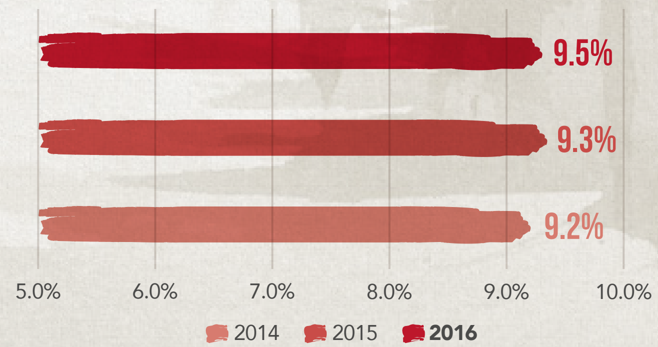
COST OF SALES
(millions of pesos)
VARIATION 4.8%



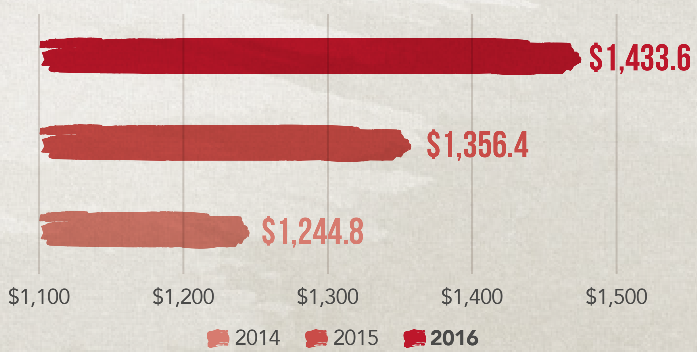
EBITDA
(millions of pesos)
VARIATION 6.7%



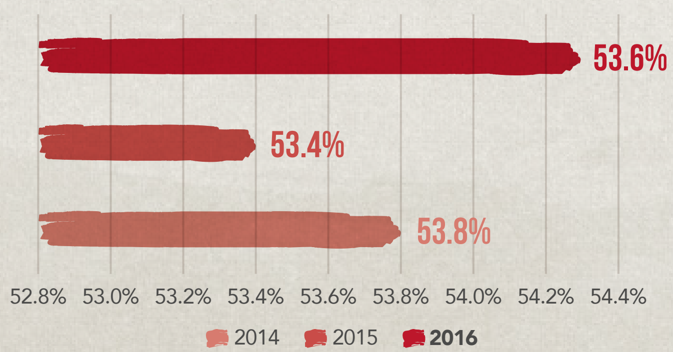
EBITDA MARGIN
(%)
VARIATION +4PB



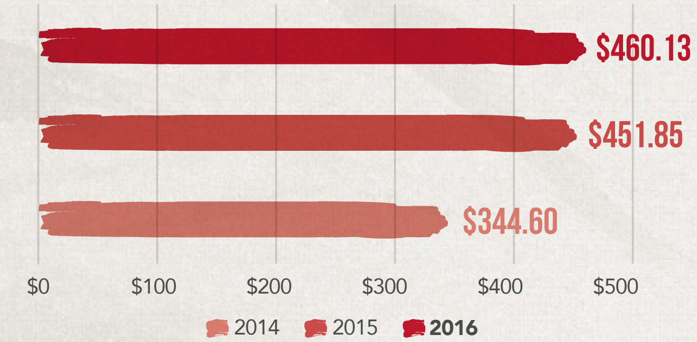
GROSS PROFIT
(millions of pesos)
VARIATION 5.7%



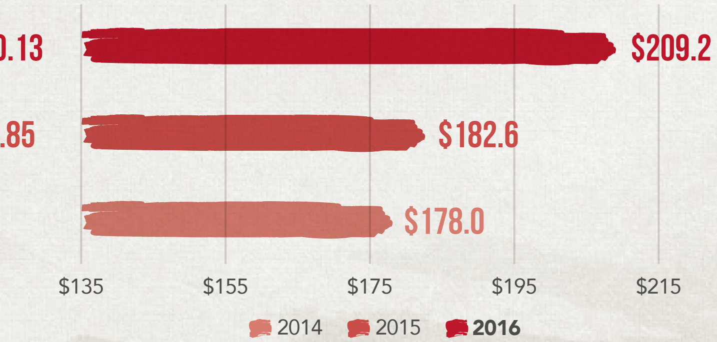
GROSS MARGIN
(%)
VARIATION +20PB



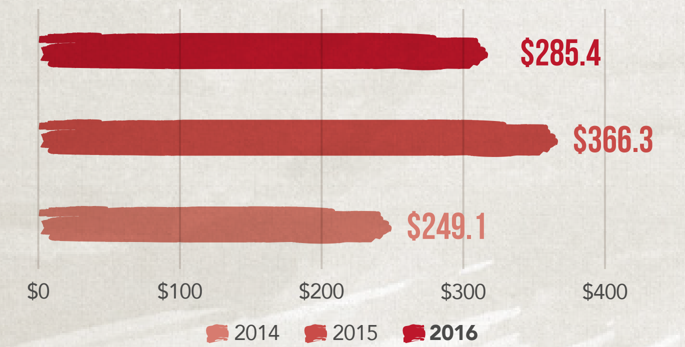
BANK LIABILITIES
(millions of pesos)
VARIATION 1.8%



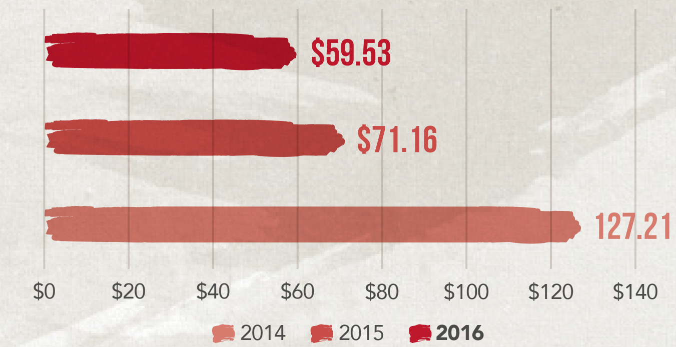
DEPRECIATION AND AMORTIZATION
(millions of pesos)
VARIATION 14.6%



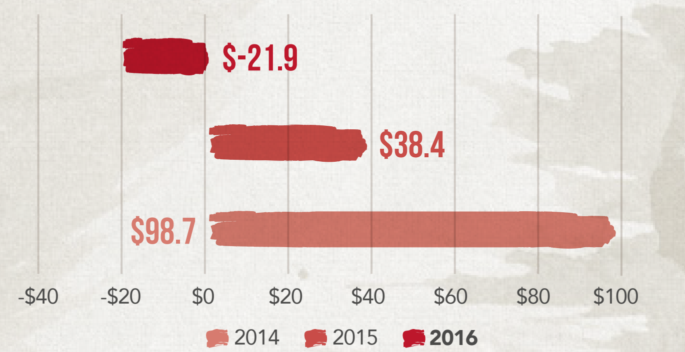
INVESTMENTS IN FIXED ASSETS
(millions of pesos)
VARIATION -22.1%



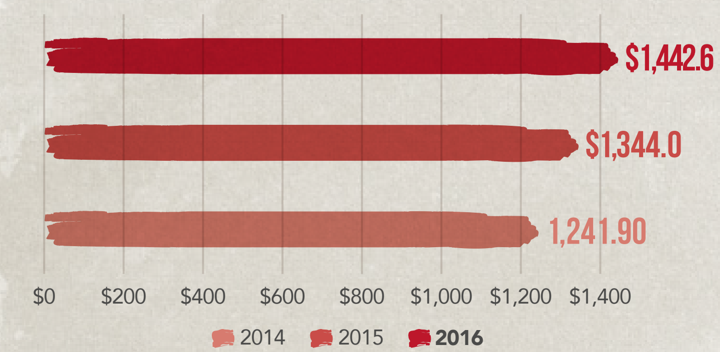
OPERATING PROFIT FOR THE PERIOD
(millions of pesos)
VARIATION -16.4%



NET PROFIT
(millions of pesos)
VARIATION -157.0%



OPERATING EXPENSES
(millions of pesos)
VARIATION 7.3%



WE HARVEST THE BEST FRUITS

We grow trust to continue harvesting together

CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated financial statements
December 31, 2015 and 2016
(with the Report of the Independent Auditors)

REPORT OF THE INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
CMR, S. A. B. de C. V. and subsidiaries:

(Thousands of pesos)

Opinion

We have audited the consolidated financial statements of CMR, S. A. B. de C.V. and subsidiaries (the Group), which include the consolidated statements of financial position as of December 31, 2016 and 2015, the statements of consolidated results, of changes in shareholders' equity and of cash flows for the years ended on such dates, and the notes which include a summary of the relevant accounting policies and other explicative information.

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the consolidated financial position of CMR, S. A. B. de C.V. and subsidiaries as at December 31, 2016 and 2015, as well as the consolidated results and consolidated cash flows for the years ended on such dates, pursuant to the International Financing Report Standards (IFRS).

Basis of the opinion

We have conducted our Audit pursuant to the International Audit Standards (IAS). Pursuant to such standards, our responsibilities are detailed below in the section Auditor's Responsibilities in the Audit of the Consolidated Financial Statements.

We are independent from the Group according to the ethical requirements applicable to our audit of the consolidated financial statements in Mexico and we have fulfilled all the other ethical responsibilities pursuant to such requirements. We consider that the audit evidence that we have obtained provides a sufficient and adequate basis for our opinion.

Key audit matters of the Audit

The Key audit matters of the Audit are those issues which, pursuant to our professional judgement, are those with the higher relevance in our Audit of the consolidated financial statements during the period. These matters have been treated within the context of our audit to the consolidated financial statements taken as a whole and in the preparation of our opinion thereof, and we do not express any separate opinion over such matters.

Impairment of the recovery value of the real property components and equipment.

See note 11 to the consolidated financial statements.

Key audit matter	How was the key audit matter addressed in our audit?
Quantitatively, the real properties, plant and equipment is the most significant account in the statement of financial position which represents 65% of the total assets with a net book value of $1,372,861 as at December 31, 2016, and support the operations of the Group's restaurants. The Group needs to evaluate the net book value of the real properties, plant, and equipment in order to determine the existence of evidence that such amounts exceed their recovery value, which involves a high level of complex and subjective assumptions in connection with the long-term increase in sales, costs and operation margins, and discount rates used to discount the future cash flows. An impairment loss is recognized if the book value of an asset or the Cash Generating Unit (UGE, for its Spanish acronym) exceeds the recovery amount. Due to the inherent uncertainty related with the forecast and discounting of future cash flows, which are the basis for the calculation for the impairment of the real properties, plant, and equipment at a UGE level, this becomes a Key audit matter.	We verified that the UGEs identification had been carried out in accordance with the International Accounting Standard (IAS 36) "Impairment of Assets"; additionally, the impairment indicators identified by the management were considered and an analysis to verify the reasonability of the assumptions used was made, which includes: • Tests to support the growth and discount rates • Analysis of the historic and estimated performance of the restaurants • Assessment of the management's plans over the profitability vs comparable restaurants • Own assessments were made, comparing similar companies, reasonability of the forecasted growth, competitors, etc. • Assessment of the capacity of the third party supporting the Company in the determination of a fair value. • Involvement of the firm's experts in the review of the calculations and assumptions used, as well as for the review of the assessment of the determined fair value.

Valuation of the recovery of the assets recognized in the determination of deferred income taxes.

See note 23 to the consolidated financial statements

Key audit matter	How was the key issue addressed in our audit?
There is an inherent uncertainty over the projection of the future tax benefits, which determines the extent to which deferred tax assets are recognized or not. The period over which it is expected to recover the deferred tax assets may be long. The recognized deferred tax asset is of $306,479 as at December 31, 2016.	Our Audit procedures included the assessment of the historical levels of tax profits, as well as a comparison of the assumptions used for the long-term tax forecasts. Our experts assessed the reasonability of the relevant tax assumptions, the reversal period of the temporary differences and the expiration of the tax losses. We also assessed whether the disclosures of the Group are appropriate in connection to the basis of the deferred income tax assets balances and the involved estimation level.

Other information

The Management is responsible for other information. The other information encompasses the information included in the Group's Annual Report corresponding to the annual fiscal year ended on December 31, 2016, which shall be submitted before the Mexican Securities and Exchange Commission (Comisión Nacional Bancaria y de Valores) and the Mexican Stock Exchange (Bolsa Mexicana de Valores) (the "Annual Report"), but it does not include the consolidated financial statements and our auditors' report on them. It is estimated that the Annual Report will be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any kind of assurance conclusion over it.

In connection with our audit to the consolidated financial statements, our responsibility is to read the other information once it is available and, when doing so, consider if the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit process, or if it seems to be materially incorrect.

When we read the Annual Report, if we conclude that there is a material error in such other information, we are required to report such fact to those responsible of the corporate governance of the entity.

Responsibilities of the Management and of the persons responsible for the corporate governance of the entity in connection with the consolidated financial statements

The Management is responsible of the preparation and fair presentation of the accompanying consolidated financial statements pursuant to the IFRS, and the internal control that the Management deems necessary for the preparation of the consolidated financial statements without any material deviation due to fraud or error.

In the preparation of the consolidated financial statements, the Management is responsible for assessing the Group's capacity to continue as an ongoing business, disclosing, as applicable, the matters related with the ongoing business and using the accounting base of the ongoing business, except if the Management has the intention to liquidate the Group or to cease its operations, or if there is no other realistic alternative.

The persons responsible for the entity's government are responsible of the surveillance of the Group's financial information process.

Auditors' repsonsibilities in the audit of the consolidated financial statements

Our objectives are to obtain a reasonable certainty of whether the consolidated financial statements, as a whole, are free from any material deviation due to fraud or error, and to issue an audit report containing our opinion. Reasonable certainty is a high level of certainty but does not guarantee that the audit conducted pursuant to the IAS (NIA) will always detect a material deviation when it exists. The deviations may be caused by fraud or error and are considered material if, either separately or jointly, they can be reasonably expected to have an influence over the economic decisions that the users take based on the consolidated financial statements.

As a part of our Audit pursuant to the IAS, we apply our professional judgement and keep a professional skepticism attitude during the entire audit. We also:

- Identified and assessed the risks of material deviation in the consolidated financial statements due to a fraud or error, design and apply audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to establish a foundation for our opinion. The risk of not detecting a material deviation due to a fraud is higher compared to the event of a material deviation caused by an error, since fraud may imply collusion, falsification, deliberate omissions, intentionally erroneous representations, or the avoidance of internal control.

- Obtained knowledge over the relevant internal control for the audit with the purpose of designing adequate audit procedures given the circumstances, and not with the purpose of expressing an opinion over the effectiveness of the internal control of the Group.

- Assessed the adequacy of the accounting policies applied, the reasonability of the accounting estimates and the corresponding information disclosed by the Management.

- Concluded over the adequacy of using, by the Management, of the accounting base of the ongoing business and, upon the audit evidence obtained, we conclude whether or not there is a material uncertainty related with the facts or with conditions which may generate significant doubts on the Group's capacity to continue as an ongoing business. If we conclude that there is a material uncertainty, we are required draw attention in our audit report to the corresponding information disclosed in the consolidated financial statements or, if such disclosures are inadequate, we are required to express a modified opinion. Our conclusions are based upon the audit evidence obtained up to the date of our audit report. However, future facts or conditions may cause the Group to stop being an ongoing business.

- Assessed the global presence, the structure and content of the consolidated financial statements, including the information disclosed, and if the consolidated financial statement represent the underlying transactions and facts in a manner that they achieve a reasonable presentation.

- Obtained sufficient and proper audit evidence with respect to the financial information of the entities and business units within the Group to express an opinion on the consolidated financial statements. We are responsible of the management, surveillance, and development of the group audit. We are exclusively responsible for our audit opinion.

We communicate with the persons responsible for the corporate governance of the Group with respect to, inter alia, the planned scope and moment of performance of the audit and the significant findings of the audit, including any significant deficiency of the internal control identified within our audit process.

We also provided the responsible persons of the corporate governance of the Group, a representation that we have complied with the ethic applicable requirements in connection with the independency and that we have communicated them all the relationships and all other matters that may be reasonable to expect to affect our independency and, if applicable, the corresponding safeguards.

Among the matters that have been subject to be discussed with the persons responsible for the entity's corporate governance, we determined those that have the greater relevance in the audit to the financial statements of the current period and which are, consequently, the key matters of the audit. We describe these matters in our audit report except if the legal or regulations provisions prohibit to publicly disclose such matter or, in extremely infrequent circumstances, if we determine that a matter should not be communicated in our report since it is reasonably expected that doing so may have adverse consequences surpassing the benefits of the public interests of its communication.

KPMG CARDENAS DOSAL, S. C.

C.P.C. Jaime Sánchez-Mejorada Fernández

Mexico City, April 7, 2017.

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

Consolidated statement of financial position
December 31, 2016 and 2015
(Thousand pesos)

Assets	2016	2015
Current assets:		
Cash and cash equivalents (note 8)	$ 95,624	141,025
Receivable accounts, net (note 9)	62,692	48,842
Inventories, net (note 10)	80,879	104,501
Advanced payments	17,071	31,566
Total current assets	256,266	325,934
Property, contents and equipment, net (note 11)	1,372,861	1,405,658
Intangible assets and goodwill (note 12)	126,994	115,740
Security deposits	50,461	47,399
Deferred tax (note 23)	306,479	221,601
	$ 2,113,061	2,116,332

See the accompanying notes to the consolidated financial statements.

Liabilities and stockholders' equity	2016	2015
Current liabilities:		
Loans from financial institutions (note 14)	$ 273,888	151,225
Suppliers	201,421	209,869
Accumulated liabilities (note 13)	32,080	44,697
Allowances (note 15)	179,707	164,926
Deferred tax for desconsolidation	25,025	29,200
Employee profit sharing	3,172	2,585
Customers advanced payments	8,182	6,416
Total current liabilities	723,475	608,918
Long-term debt, excluding Outstanding maturities (note 14)	186,237	300,623
Employee benefits (note 16)	66,044	72,819
Deferred tax for desconsolidation (note 23)	57,650	43,318
Total liabilities	1,033,406	1,025,678
Stockholders' equity (note 18)		
Capital contributions	773,560	773,560
Reserves for shares repurchase	17,978	17,978
Cumulative results	111,070	139,106
Other comprehensive results	4,557	(6,327)
Stockholders' equity- controlling interest	907,165	924,317
Non-controlling interest	172,490	166,337
Total stockholders' equity	1,079,655	1,090,654
Commitments and contingent liabilities		
	$ 2,113,061	2,116,332

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

Consolidated statements of comprehensive results
Years ended December 31, 2016 and 2015
(Thousand pesos)

	2016	2015
Income:		
Net sales	$ 2,656,427	2,520,280
Other operative income	19,717	21,326
Total income	2,676,144	2,541,606
Cost of sales (note 19)	1,242,514	1,185,195
Gross profit	1,433,630	1,356,411
Operation costs (note 20)	(1,442,636)	(1,343,997)
Other income, net (note 21)	68,532	58,747
Operating result	59,526	71,161
Financing comprehensive result		
Interest income	2,153	1,374
Interest expense	(31,266)	(24,944)
Exchange fluctuations, net	(2,107)	(1,062)
Financing comprehensive result, net	(31,220)	(24,632)
Profit before income tax	28,306	46,529
Income tax (note 23)	50,189	8,141
Net (Loss) profit	(21,883)	38,388

	2016	2015
Other comprehensive results		
Interest in comprehensive results of associates	(15,548)	9,866
Income tax of other comprehensive results	4,664	(2,960)
Comprehensive results	$ (10,999)	31,482
Consolidated comprehensive result attributable to:		
Controlling interest	$ (17,152)	10,876
Non-controlling interests	6,153	20,606
Consolidated comprehensive result	$(10,999)	31,482
(Loss) profit per share Basic and diluted (cents per share)	$ (0.0876)	0.1537
Weighted average of outstanding shares	**$249,862,442**	249,862,442

See the accompanying notes to the consolidated financial statements.

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

Consolidated statements of changes in stockholders' equity
Years ended December 31, 2016 and 2015
(Thousand pesos)

	Capital stock	Premium in underwriting of shares	Reserves for repurchase of shares	Cumulative results	Other comprehensive results	Total controlling interest	No controlling interest	Total Shareholder's equity
Balance as of December 31 2014	$ 600,281	173,279	17,978	121,324	579	913,441	145,731	1,059,172
Comprehensive profit (note 18 (b))	-	-	-	17,782	(6,906)	10,876	20,606	31,482
Balance as of December 31 2015	600,281	173,279	17,978	139,106	(6,327)	924,317	166,337	1,090,654
Comprehensive loss (note 18 (b))	-	-	-	(28,036)	10,884	(17,152)	6,153	(10,999)
Balance as of December 31 2016	$ 600,281	173,279	17,978	111,070	4,557	907,165	172,490	1,079,655

See the accompanying notes to the consolidated financial statements.

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

Consolidated statements of cash flow
Years ended December 31, 2016 and 2015
(Thousand pesos)

	2016	2015
Operation activities		
Net (Loss) profit	$ (21,883)	38,388
Items related to investment activities		
Depreciation	178,855	157,521
Amortization	30,258	25,073
Profit on sale and close of units, net	(26,480)	(24,506)
Items related to financing activities		
Interest in favor	(2,153)	(1,374)
Interest to be paid	31,266	24,944
Legal and deferred base tax	50,189	8,141
Subtotal	240,052	228,187
Accounts receivable	(13,850)	14,573
Inventories	23,622	(2,191)
Advanced payments	14,495	3,730
Suppliers	(8,448)	(151)
Accrued liabilities and allowances	2,148	34,433
Employee benefits	9,360	8,952
Desconsolidation taxes	(49,127)	(36,580)
Income tax paid	(80,429)	(42,455)
Customers advanced payments	1,766	2,662
Net cash flow of operating activities	139,589	211,160

	2016	2015
Investment activities:		
Acquisition of property, content and equipment	(285,371)	(366,308)
Sale of property, content and equipment	165,793	160,946
Lease rights payment and others, net	(41,512)	(41,707)
Interest collected	2,153	1,374
Other assets	(3,062)	(4,442)
Net cash flow of investment activities	(161,999)	(250,136)
Cash to be obtained from finance activities	(22,410)	(38,976)
Finance activities:		
Payment of short-term and long-term loans	(148,868)	(274,178)
Taking short-term and long-term loans	157,474	381,400
Paid interest	(31,597)	(24,944)
Net cash flows of finance activities	(161,999)	82,278
(Decrease) increase net of cash and cash equivalents	(21,410)	43,301
Cash and cash equivalents:		
At the start of the year	141,025	97,724
At the end of the year	**$95,624**	141,025

See the accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements
For the years ended on December 31, 2016 and 2015
(Thousands of pesos)

1. Reporting entity and relevant transactions

CMR, Sociedad Anónima Bursátil de Capital Variable (S. A. B. de C. V.) organized under the laws of the United Mexican States or Mexico with main business address located at Havre #30, Col. Juárez, Mexico City; is a holding company with main activities related to the restaurant industry through the operation of 134 units under the brands: "Wings" (26 units); "Chili's Grill & Bar" (63 units); "Fonda Mexicana" (4 units);"Destilería" (5 units); "Olive Garden" (16 units); "Fly by Wings" (2 units), "El Lago" (1 unit); "Del Bosque" (1 unit); "Meridiem" (1 unit);"Los Almendros" (2 units); "Red Lobster" (8 units); "The Capital Grille" (1 unit); "La Calle" (1 unit); "Sushi Itto" (1 unit), "Bistro" (1 unit) y "Long Horn (1 unit).

The Company operates under the Brand "Chili's Grill & Bar" pursuant to a franchise agreement and may use such brand in its branches in the Mexican Republic except in the State of Mexico, and the states of Morelos, Querétaro, Hidalgo, Puebla and Mexico City. In August 2011, the Company executed a development agreement with Darden Restaurants, Inc., (Darden) to operate the brands "Olive Garden", "Red Lobster", and "The Capital Grille" in all the Mexican territory. The agreement sets forth that, initially, the Company shall open 68 restaurants within the following 5 years [sic].

On October 28, 2016, the renewal of the agreement for the following years was announced, agreeing upon the opening of 21 new Stores as of 2017.

On November 19, 2015, the Company executed an agreement with Darden to incorporate the restaurants brand LongHorn Steakhouse ("LongHorn") to its brand portfolio. The term is 10 years as of the opening date. Such agreement was agreed in dollars.

As mentioned in note 6, on September 13, 2015, the spin-off of the companies Inmobiliaria Yedy, S. A. de C. V., Juárez 2301, S. A. de C. V., Especialistas en Alta Cocina, S. A. de C. V. and Delicias Orange, S. A. de C. V. was approved for the creation of a new company called Fly By Wings, S. A. de C. V.

As of 2015, the loyalty program "Chilis Fan Club" was implemented, which is a program through which the participants, through their consumption, will be able earn points to be used for the payment of their consumption of beverages and food in subsequent visits. The points earned in the "Chilis Fan Club" Program expire after a 12 (twelve) consecutive months period without movements in the account, counted as of the date when they are earned.

CMR, S. A. B. de C. V. was incorporated in 1965 and was registered in the Public Registry of Property and Commerce of Mexico, Federal District in 1989 for an indefinite period. The shares of CMR, S. A. B. de C. V. are listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores) ("BMV") and are quoted as Ordinary Interest Certificates (Certificados de Participación Ordinaria) ("CPOs"). Each CPO represents one "B" series share representating the capital stock.

In these notes to the consolidated financial statements, when the terms "CMR, S. A. B. de C. V." are used, the terms refer to CMR, S. A. B. de C. V. without its consolidated subsidiaries. When the term "Group" is used, reference is made to CMR, S. A. B. de C. V., jointly with its consolidated subsidiaries.

Notes to the consolidated financial statements
For the years ended on December 31, 2016 and 2015
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2. Basis of the presentation

The consolidated financial statements of the Group have been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved by the Management of the Group on April 7, 2017. Notes 6 and 7 include details of the accounting policies of the Group, including the changes during the year.

Pursuant to the General Law of Business Corporations (Ley General de Sociedades Mercantiles) (LGSM) and the bylaws of CMR, S. A. B. de C. V. and its subsidiaries, the shareholders have the power to modify the financial statements after their issuance. The financial statements will be submitted, for its approval, at the next Shareholders' Meeting.

The Company elected to present the gross result in one single statement that contains in a single document all the items conforming the net profit or loss, as well as Other Comprehensive Results (OIR) and the participation in the OIR of other companies and is denominated "Comprehensive Income Statement".

3. Measurement basis

The consolidated financial statements of the Group have been prepared on the basis of historical cost, except for the real properties, plant, and equipment, that were revaluated to their fair values as at the date of the transition to IFRS, and for the loans and accounts payable that are considered at their amortized costs, as explained in further detail below in the accounting policies.

i. **Historical Cost -** The historical cost is based upon the fair value of the consideration paid in exchange for assets.

ii. **Fair value -** fair value is defined as the Price to be received for selling an asset or the Price to be paid for transferring a liability in an orderly transaction among market participants on the date of the valuation. When calculating the fair value, the characteristics of the assets and liabilities shall be considered, as well as if the market participants will consider such characteristics when determining the price of the asset or the liability on the appraisal date. When the fair value of an asset or liability is measured, the Group uses observable market data when possible. The fair values are classified in different levels among a hierarchy of fair value based on the variables used in the valuation techniques, as mentioned below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: data, other than the quoted prices included in Level 1 that are observable for the asset or liability, whether directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: data for the asset or liability that are not based on observable market data (unobservable variables).

If the variables used to calculate the fair value of an asset or liability fall into different hierarchy levels of the fair value, then the calculation of the fair value is classified, in its entirety, in the same hierarchy level of the fair value as the lowest level variable that is significant to the overall calculation.

The Group recognizes transfers between the hierarchy fair value levels at the end of the reporting period during which such change occurred.

4. Functional and presentation currency

These consolidated financial statements are presented in Mexican pesos (pesos), which is the Group's functional currency. All the information is presented in thousands of pesos and has been rounded to the nearest unit (M$), except when otherwise indicated. When reference is made to dollars, it refers to dollars of the United States of America.

5. Use of judgments and estimates

The preparation of these consolidated financial statements pursuant to the IFRS require that for the management to conduct judgements, estimates, and assumptions affecting the application of accounting policies and amounts of assets, liabilities, revenues, and informed expenses. The real results may differ from these estimates.

The relevant forecasts and assumptions are regularly reviewed. The reviews of the accounting estimates are prospectively recognized.

- Judgements – The information of judgments over the application of accounting policies that have the most significant effect over the amounts recorded in the consolidated financial statements are related to: i) the determination of whether the Group has the control over a company, and ii) the lease classification.

- Assumptions and uncertainty in the estimates – The information of the assumptions and uncertainties of forecasts which have a significant risk of resulting in a material adjustment in the year ended on December 31, 2016, are included in the following notes:
  - Note 6(j) – evidence of the impairment in the value and key assumptions for the recovery amount;
  - Notes 9 and 10 – recognition and measurement of valuation forecasts of accounts receivables and inventories;
  - Note 23 – recognition of assets for deferred taxes; availability of future tax profits that may be used to amortize losses of previous years;
  - Note 17 – recognition and measurement of Financing instruments;
  - Note 16 – measurement of obligations for defined benefits and key actuarial assumptions; and
  - Note 15 – recognition and measurement of provisions (provisiones) and contingencies: key assumptions related with the probability and impact of the withdrawal of economic resources.

6. Significant accounting policies

The Group has consistently applied the accounting policies detailed in the following page, during all periods covered by these consolidated financial statements.

a. Consolidation bases

i. Combination of businesses

The Group accounts the combination of business using the purchase method when control is transferred to the Group. The consideration transferred in the acquisition, as well as the acquired identifiable net assets, are generally measured at fair value. Any goodwill (crédito mercantil) resulting thereof is submitted to annual impairment tests (see note 12). Any gain related with a purchase in conditions that are very advantageous is immediately recognized in profit or loss. Transaction costs are recognized as expenses when they are incurred except if they are related with the issuance of debt or equity instruments.

The transferred consideration does not include the amounts related with the liquidation of pre-existent relationships. Such amounts are generally recorded in profit or loss.

Any contingent consideration to be paid is measured upon the fair value on the acquisition date. If the contingent consideration is classified as patrimony, it shall not be measured again and its ulterior liquidation shall be accounted within the patrimony. Otherwise, the ulterior changes in the fair value of the contingent consideration are recorded in profit or loss.

ii. Subsidiaries

The subsidiaries are companies controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements as of the date when the control exists until its termination. The Group controls a company when it has, or has right to, variable yields from its participation in such subsidiary and has the ability to influence over such yields through its power over said subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements as of the date when the control is acquired until the termination thereof.

iii. Loss of Control

When the Group loses its control over a subsidiary, it derecognizes (dar de baja) the assets and liabilities of the subsidiary, as well as any non-controlling interest related and other components of equity. Any gain or loss resulting thereof, is recognized in profit or loss. If the Company withheld any interest in the former subsidiary, such will be valued pursuant to a fair value on the date when the control was lost, or is recorded with the interest-participation method in the event of holding a significant influence (influencia significativa).

iv. Eliminated transactions in consolidation

The intercompany balances and transactions and any revenue or expense not actually made arising from intercompany transactions, are eliminated. The gains not materialized arising from transactions with companies with investment is recorded pursuant to the interest-participation method, are eliminated from the investment in proportion to the participation interest held by the Group in such investment. The losses not materialized are eliminated in the same form than the non-materialized gains, to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements
For the years ended on December 31, 2016 and 2015
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Below is the list of subsidiaries and their main activity:

	Interest % 2016	Interest % 2015	Main activity
Operadora de Restaurantes CMR, S.A. de C.V.	99.99%	99.99%	Holding of companies Leasing real properties
Comercial Anvar, S.A. de C.V.	99.99%	99.99%	Lease of real properties
Inmobiliaria Yedy, S.A. de C.V. (1)	99.99%	99.99%	Lease of real properties
Delicias Orange, S.A. de C.V.	99.99%	99.99%	Restaurant operator
Especialistas en Alta Cocina, S.A. de C.V.	99.99%	99.99%	Restaurant operator
Goofy, S.A. de C.V.	99.99%	99.99%	Lease of real properties
Inmobiliaria Wings, S.A. de C.V.	99.99%	99.99%	Lease of real properties
Corporativo de Desarrollo del Bajio, S.A. de C.V.	99.99%	99.99%	Service provider
Juárez 230, S.A. de C.V. (1)	99.99%	99.99%	Restaurant operator
Mayo 13, S.A. de C.V.	99.99%	99.99%	Restaurant operator
Operadora de Restaurantes Orraca, S.C.	99.99%	99.99%	Service provider
Aquí Hay de Todo, S.A. de C.V.	99.99%	99.99%	Service provider
Inmobiliaria Orraca, S.A. de C.V.	99.99%	99.99%	Lease of real properties
Servicios CMR, S.A. de C.V.	99.99%	99.99%	Service provider
Gastronomía Especializada, S.A. de C.V.	99.99%	99.99%	Service provider
Servir es un Placer, S.A. de C.V.	99.99%	99.99%	Service provider
Operadora Wings, S. A. de C. V	99.99%	99.99%	Service provider
Personal Wings para Servicios, S. A. de C. V.	99.99%	99.99%	Service provider
Restaurantes Canvar, S. A. de C. V.	99.99%	99.99%	Lessor of real properties
Restaurantes Iyedy, S. A. de C. V	99.99%	99.99%	Lessor of real properties
Fly by Wings, S. A. de C. V. (1)	99.99%	99.99%	Restaurant operator
Delicias de Oriente, S. A. de C. V.	51.00%	51.00%	Restaurant operator
Las Nuevas Delicias Gastronómicas, S. de R. L. de C. V.	50.01%	50.01%	Restaurant operator

(1) On November 13, 2015, the General Extraordinary Shareholders' Meeting approved the spin-off of Inmobiliaria Yedy, S. A. de C. V. (original company in spin-off, escindente), Juárez 2301, S. A. de C. V. (escindente), Especialistas en Alta Cocina, S. A. de C. V. (escindente) and Delicias Orange, S. A. de C. V. (escindente), which, upon its termination, conveyed all their assets, liabilities, and capital stock to create the Company "Fly by Wings, S. A. de C. V." (spin-off company, escindida).

Notes to the consolidated financial statements
For the years ended on December 31, 2016 and 2015
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b. Transactions in foreign currency

The transactions in foreign currency are initially recorded in the functional currency pursuant to the exchange date applicable to the date when such transactions are carried out. The monetary assets and liabilities are converted into the functional currency pursuant to the applicable exchange rate on the date of the consolidated financial statements and the currency fluctuations are recorded in profit or loss of the period.

The closing exchange rates and approximate average exchange rates of the year of the accounts of the consolidated statement of financial position and the accounts of the income statement, respectively, of pesos to dollars as at December 31, 2016 and 2015, are as follows:

	2016		2015	
Currency	Closing	Average	Closing	Average
Dollar	$20.66	18.67	17.33	17.04

c. Cash and cash equivalents

The item is integrated by the amounts of cash in hand (caja) and the cash equivalents represented by short-term investments, of high liquidity, easily convertible in cash, and that are subject to low relevant risks of change in value, including demand deposits (inversions a vista), which generate yields and have maturities up to three months as of their acquisition date. The cash is presented in its nominal value and cash equivalents are presented in their fair value. The losses or gains for changes in valuation and interests earned, are included in the income statement as part of the interests' expenses/income; the fluctuations in their value are recorded in the income statement of the period.

Other investments easily convertible into cash are presented in their fair value. The losses or gains for changes in the valuation or the interests earned are included in the income statement as part of the interest expense/income.

The cash equivalents are mainly represented by daily investments in the money market. The restricted cash corresponds to cash that is in a trust to guarantee the payment of interests of long-term debt; thus, such restriction will end once the liability is liquidated. The trust receives money of the sales of the restaurants on a daily basis, such money is used, firstly, to pay the trustee fees, then to pay the bank debt and interests, and the outstanding balance is release in favor of CMR. This occurs in terms no longer than three months.

d. Financial assets and liabilities

The Group recognizes financial assets as loans and accounts receivable.

The Group classifies the non-derivative financial liabilities in the item 'other financial liabilities'.

Financial assets and liabilities – Recordation and cancellation

Accounts receivables

The loans and accounts receivables are initially recorded based on their fair value less any directly attributable cost. Then, they are measured based on their amortized cost, i.e., the net present value of the account receivable or account payable as of the transaction date by way of the effective interest rate method. Given its short-term nature, the Group initially records these accounts at its original invoicing value less a discount estimate or estimate of similar items.

Debt

The banking loans and notes payable are recorded at their amortized cost by way of the effective interest rate method. The interest accrued from financial liabilities are recorded in the statement of financial position in "Loans of financial institutions"and is debit in the financial expense (interest expense). During 2016 and 2015, the Group did not held voluntarily recorded financial liabilities at fair value or associated to fair value hedges with derivative financial instruments. The direct costs incurred in the issuance or purchase of debt are directly recorded in the income (loss) statement in the financial expense in the year in which they were incurred. These costs included commissions and professional fees.

Offset of financial assets and liabilities

A financial asset and a financial liability are subject to offset, to the extent their net amount are recorded in the statement of financial position and only when the Group is entitled -legally enforceable- to setoff the amounts recorded and has the intent to either pay the net amount or to realize the asset and pay the liability simultaneously.

Capital stock

The incremental costs directly related to the issuance of ordinary stock, net of tax effects, are recorded as a deduction of the equity.

e. Inventories-

The inventories are valuated at their cost or at net realization value, whichever is lower. The costs, as they include a portion of the indirect and variable costs, are allocated to the inventories under the most appropriate method per each particular class of inventory and valuated with the average cost method. The net realization value represents the estimated sale price less all necessary costs to execute the sale.

f. Assets for sale

The non-current assets or group of assets for their disposal comprised by assets and liabilities, are classified as assets maintained for sale or held in order to be allocated to the owners if it is highly probable they will be precisely recovered by way of their sale rather than their continuous usage.

These assets or groups maintained for their disposal are generally measured to the lowest value between their book value and their fair value less their sale cost. Any impairment loss in the value is allocated, firstly, to the goodwill, and then, on a pro rata basis, to the remaining assets and liabilities, although the loss is not allocated to the inventories, financial assets, deferred tax assets, assets for employee benefits, as the latter are measured based on other accounting policies of the Group. The impairment losses in the value in the initial classification of such the assets held for sale or for their allocation to the owners and the ulterior gains and losses arising from their remediation, are recorded in profit or loss.

When the intangible assets, real property, property, and equipment are classified as held for sale, they do not continue being amortized or depreciated.

g. Advance Payments-

Advance payments mainly consist of advances for rents, insurance, and bonds. The latter are recorded in the applicable accounting item when the risks and benefits are transferred to the Group and/or the services or benefits have been received.

h. Property, plant, and equipment-

i. Recording and measurement

The real property, property, and equipment of the operating units are recorded at their acquisition or construction cost, as applicable, less their accumulated depreciation and accumulated impairment losses. Real property include expenses of installation, civil works, finishing works, and improvements to leased commercial units.

If significant portions of real property, property, and equipment have a different useful life, they are accounted as separate elements (significant components) of property, property, and equipment.

Any profit or loss from the disposal of an element of real property, plant, and equipment, is recorded in profit or loss.

ii. Subsequent costs

Subsequent disbursements are capitalized only when Group will likely receive future economic benefits associated with the costs.

Real property, plant, and equipment in construction process are recorded at the lowest cost minus any impairment loss recorded. This cost includes professional fees and, as to qualifying assets, the costs of capitalized loans based on the Group's accounting policy. The depreciation of these assets, like other properties, begins when the assets are ready for their planned usage.

iii. Depreciation

The depreciation is recorded in order to include, in profit or loss, the value of the property, plant, and equipment minus their estimated residual values by using the straight-line depreciation method throughout their estimated useful life. The leased assets are depreciated throughout the shorter period of the lease term or the useful term, unless there is reasonable certainty that the Group will acquire the ownership upon conclusion of the lease term. Land and property under construction are not depreciated.

The average maximum useful life by category of fixed assets are as follows:

	Years
Expenses of installation, civil works, details, and improvements to leased commercial units	9-16 years
Plant and equipment	2-9 years
Other assets	9 years

The depreciation method, the useful life and residual values will be reviewed on each date of the consolidated statement of financial position and will be adjusted if necessary.

The improvements to the leased locals are amortized during a useful period of the improvement or the termination of the agreement, whichever is less.

i. Intangible assets and goodwill

i. Intangible assets

The intangible assets acquired by the Group are capitalized solely if future possible benefits are obtained and if the Group aims, and have the resources, to use and sale the assets. Otherwise, those are recorded in profit or loss when they are incurred.

The associated direct costs with the development of IT (software) apps for internal use, are capitalized and are amortized over the operation results during the useful life of the apps, which, is estimated to have an average life of 5 years.

ii. The guantes represent rights over spaces in shopping malls paid to a lessor. The amortization is calculated pursuant to a straight-line method pursuant to the lease agreement.

iii. Goodwill

The business acquisitions are recorded through the purchase method, allocating the consideration transferred to acquire the control of a company to the acquired assets and assumed liabilities pursuant to fair values on the acquisition dates. The acquired intangible assets, are identified and recorded in their fair value. The non-allocated part of the purchase price represents the goodwill, which is not amortized and is subject to periodic evaluation for impairment. The goodwill may be adjusted for any modification in the value of the acquired assets and/or assumed liabilities within the twelve months following to the purchase. Once incurred, the expenses associated to the purchase are recorded in the income statement.

iv. Subsequent costs

The subsequent disbursements to intangible assets (other than goodwill) are only capitalized when the future economic benefits included in the specific asset related with such disbursement increase. All other disbursements, including disbursements to internally create goodwill and brands, are recorded in profit or loss, when incurred.

The pre-operative expenses are recorded in profit or loss of the period when they incurred. The costs associated to research and development activities, creation of products and services, as well as to development of processes, equipment and method optimizing the operational efficiency and reducing costs, are recorded in the operation results, as they incur.

v. Amortization

The amortization is recognized to record in the income statements the value of intangible assets less their estimated residual values using the straight-line method during their estimated useful life. The goodwill is not amortized.

	Years
Licenses expenses	the less of 4 or the date of the agreement
Trademarks	Indefinite
Guantes and others	Guantes: 5 years; and others: 4 years

The other useful life, are the following:

The amortization methods, useful life, and residual values are reviewed on each date of the consolidated statement of financial position and are adjusted, if necessary.

j. Impairment of long-term assets

At the end of each reporting period the Group reviews the book value of its non-financial assets (other than inventories and deferred taxes assets) to determine if there is any indication of impairment. If such is the case, then an estimation is made of the asset recoverable amount. The goodwill and intangible assets that have indefinite useful life are tested for impairment on an annual basis.

To assess impairment, assets are grouped into the smallest group of assets generating cash inflows from their continuous use, which are, to a large extent independent from the cash inflows derived from other assets or cash generation units. The goodwill arisen from a business combination is distributed into the Cash Generation Units (CGU) or groups of CGUs expected to be benefited from synergies resulting from the combination.

The recoverable amount of an asset or cash generation unit is the higher value of its useful value and its fair value, minus the cost of sale. The value in use is based on the future cash flows at estimated at their current value using a discount rate before taxes, which reflects the current market assessments on the time value of money, and the specific risks that may it may bring on the asset or cash generation unit.

A loss for impairment is recorded recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recorded in profit or loss. These losses are distributed primarily, to reduce the carrying amount of any goodwill distributed to the cash generation unit and secondly to decrease carrying amount of the other assets of the unit, on a pro rata basis.

An impairment loss recorded in the goodwill will not be reversed. For other assets, an impairment loss is reversed only if the asset carrying value does not exceed the carrying value that would have been obtained, net of amortization or depreciation, if no impairment loss had been recorded.

k. Provisions-

The Group records provisions when it has the legal or contractual obligations resulting from prior events, which resolution may imply outflows of cash or other resources.

The Group records services provisions for the operation of its own restaurants such as: electricity, water, gas, internet, royalties, employees' benefits, and rents among others.

l. Contingencies and commitments

The obligations or losses associated with contingencies are recorded as liabilities when there is an obligation resulting from past events and is probable for the effects to be materialized, and can be reasonable quantifiable; otherwise, they are qualitatively disclosed in the consolidated financial statements.

The effects of commitments with third parties are recorded in the consolidated financial statements considering the substance of the agreements based on expenses or accruals. The relevant commitments are disclosed in the notes to the consolidated financial statements. There is no recognition of contingent revenues, profits, or assets.

m. Benefits to the retired employees

i. Short-term benefits

The short-term employee benefits are expressed as the corresponding service is rendered. A liability is recognized for the amount expected to be paid if the Group has a legal or implicit obligation to pay this amount as a result of a service rendered by the employee in the past, and the obligation can be estimated with reliably.

ii. Defined benefit plans

The Group's net obligation in relation to defined benefit plans calculated separately for each plan by estimating the amount of future benefit the employees have earned in the current and prior periods, discounting such amount.

The calculation of the obligations for defined benefits is carried out on an annual basis by a qualified actuary using the projected credit unit method.

The new measurements of net defined benefit liabilities, which comprise the actuarial gains and losses, are immediately recorded in other gross results. The net expense for interests and other expenses related with the defined benefit plans are recorded in profit or loss.

When there is a modification or decrease in the benefits of a plan, the resulting modification in the benefit related with the former service or the profits or loss for the decrease, is immediately recorded in profit or loss. The Group records profits and losses in the liquidation of a defined benefits plan when the liquidation occurs.

n. Income tax

Income tax expense comprises current and deferred taxes. It is recorded in results except to the extent it relates to a business combination or items directly recorded in the equity or in other gross results.

i. Current tax

The current tax comprises the expected payable or receivable tax on the taxable income or loss of the applicable year and any adjustment in regards to previous years payable or receivable tax, and is measured using the approved tax rates or tax rates whose approval process is close to completion at the date of the statement of financial position. The current tax also includes any tax arising from dividends.

ii. Deferred taxes

The deferred taxes are recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The deferred tax is not recognized for:

- Temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination, and that did not affect either the accounting or taxable profit or loss.
- Temporary differences related with investments in subsidiaries, associates, and joint business to the extent the Group controls the reversal timing of the temporarily differences and it is , probably, not reversed in the foreseeable future; and
- Temporary tax differences arising from the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporarily differences are recorded, to the extent it is probable that future tax profits will be available against which they can be used. Deferred taxes assets are reviewed on each date of the statement of financial position and are reduced to the extent is not probable that the benefit for related taxes will be realized.

Deferred is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using the approved or substantively approved tax rates at the date of statement of financial position.

The measurement of deferred tax liabilities shall reflect the tax consequences that would derive from the manner in which the Group expects, at the end of the reporting period, recover or pay the book value of its assets and liabilities.

The assets and liabilities for deferred taxes are offset to only if certain criteria is met.

The items recognized in capital or as part of the comprehensive profit or loss according to the IFRS, are recorded as net of taxes to the accrued and deferred profits. The effect for changes in the current tax rates are recorded in the period when such tax change becomes effective.

The effects of the uncertain income tax are recorded when it is more probable than not that the position maintained on its technical merits and assuming that the authorities will review each position, and have complete knowledge of the relevant information. These positions are valuated pursuant to an accumulated probability method. Each position is valuated individually without measuring its relation to other fiscal procedure. The most probable indicator which does not represent an assertion by the Management of the Group, has the right to the economic benefits of the tax position. If a tax position is considered more probable than not to be maintained, the benefits of the position are not recorded. The Group records the associated interest and fines in relation to non-recorded tax benefit as part of income tax expenses in the consolidated income statement.

o. Shareholders 'equity

This item represents the value of the contributions made by shareholders, and comprises increases related to the capitalization of retained earnings.

Ordinary shares

Ordinary shares are classified in the shareholders 'equity. The incremental costs directly attributed to the issuance of ordinary shares and share options are recognized as a deduction from the shareholders' equity, net of tax effects.

Accumulated results

Represents the net results accumulated of prior accounting periods, net of approved shareholders dividends, and of the capitalization of retained loss. In addition, , based on the IFRS 1, the retained loss comprises the effects generated by the initial adoption of the IFRS in the Group on January 1, 2011.

p. Revenues from ordinary activities

i. Sale of food and beverages

The revenues of ordinary activities (sale of food and beverages) shall be recorded once they have been served at restaurants and have been consumed by customers. At that moment, it is considered that a significant benefit has been transferred to the customer; the recovery of the consideration is probable, the related costs and the profitability of the food and beverages may be estimated with reliability, and the amount of revenues may be estimated with reliability. The revenue for sale of food and beverages is net from discounts or similar.

ii. Revenues from lease of investment properties

The revenues arising from the lease of investment properties are recorded as a lineal revenue during the lease term. Lease discounts granted are recognized as an integral part of the revenues arising from the lease.

iii. Other operating revenues

Originate from services such as parking, advertisement, etc., and are recorded as an income when the service is rendered.

q. Financing revenues and costs

The financing revenues and costs of the Group include:

- Interest income
- Interest expense
- Profit or loss for the conversion of financial assets and liabilities

r. Earnings per share

The Group reports on over the earnings per share (EPS) both, basic and diluted, corresponding to its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to shareholders of ordinary shares of the Group by the weighted average number of ordinary shares outstanding in the period, adjusted by the treasury shares. The diluted EPS is determined by adjusting the profit or loss attributable to shareholders of ordinary shares of the Group to the weighted average number of ordinary shares outstanding in the period, adjusted the shares they own, for the effects of the potential dilution of all ordinary shares.

s. Leases

i. Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether the arrangement is or contains a lease. The Group separates payments and other considerations required by the arrangement, at its commencement or after making a reconsideration, into those from the lease those from other elements, on the basis of their relative fair values. If the Group concludes that, for a financial lease it is unpractical to separate the payments reliably, it will record an asset and a liability for the same amount equal to the fair value of the underlying asset; subsequently, the liability will be reduced as payments are made, recording a financial cost towards such liability using an incremental borrowing rate of the purchaser.

ii. Leased assets

The assets held by the Group under leases that transfer to the group substantially all the risks and rewards of ownership, are classified as financial lease; however, as of December 31, 2016, there are no leases of this type. The leased assets are initially measured at an amount equal to the lower value between the fair value and the present value of the minimum lease payments. After the initial recognition, the assets are accounted for, in accordance to the accounting policy applicable to that applicable asset.

Assets held under other leases are classified as operating assets and are not recognized in the statement of financial position of the Group.

iii. Lease payments

The payments made under operating leases are recorded in profit or loss on a straight-line basis during the lease term. Lease incentives received are recorded as an integral part of the total lease expense over the term of lease.

7. New standards and interpretations issued but not yet effective and reclassifications

a. New standards and interpretations issued but not yet effective

A number of new standards, amendments and interpretations are effective for annual periods commencing as of January 1, 2017; however, the following new standards or amendments have not been applied by the Group in preparing these consolidated financial statements. The Group plans to adopt in advance these standards.

i. IAS 12 Recordation of deferred tax assets for unrealized losses

The amendment clarifies the accountancy of the deferred tax assets for unrealized losses in debt instruments recorded in its fair value.

The amendment is effective for annual periods as of January 1, 2017. Its early adoption is permitted.

The Group is yet to begin its initial evaluation of possible impact on its consolidated financial statements. At this time, no significant impacts are expected.

ii. IFRS 9 financial instruments

The IFRS 9, published on July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. The IFRS 9 includes revised guidance for the classification and measurement of financial instruments, a new model for expected credit losses for calculating the impairment of the financial assets, and new general hedge accounting requirements. It also has the guidance with the recordation and de-recordation of the financial instruments of IAS 39.

It is effective for the financial statements issued for periods commencing as of January 1, 2018. It allows its early adoption.

The Group will commence its initial evaluation of the possible impact on its consolidated financial statements. At this time, there are no significant impacts expected.

iii. IFRS 15 Revenues from contracts with customers

The IFRS 15 establishes a complete framework for determining whether, when and how much, revenue from ordinary activities is recognized. It replaces current revenue recognition guidance, included IAS 18 Revenue from Ordinary Activities, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

The IFRS 15 is effective for the reporting periods commencing as of January 1, 2018. Its early adoption is permitted.

Management expects that the new IFRS will not have material effects.

iv. IFRS 16 Leases

As of January 1, 2019, the IFRS 16 requires companies to account all the leases in its Financial Statements. Companies with operating leases will have more assets but will also have a higher debt. The larger the lease portfolio of a company is, the bigger the impact in the reporting metrics will be.

It is effective for the reporting periods commencing as of January 1, 2019. Its early adoption is permitted as long as it is applied jointly with IFRS 15.

CMR is currently evaluating the impact that IFRS 16 will have over the recognition of its lease agreements. Preliminarily, it is considered that with the adoption of this IFRS, the majority of the operating leases will be recognized in the statement of financial position increasing the assets and liabilities without an initial significant effect in the net assets.

v. Disclosure initiative (Amendment to the IAS 7)

This amendment requires disclosures allowing users of financial statements to evaluate the changes in the liabilities derived from the financing activities, including the changes arisen from cash flows, as well as those not arisen from cash flows. It is effective for reporting periods commencing as of January 1, 2017. Its early adoption is permitted.

The following amendments were became effective on January 1, 2016, and did not have a material impact on the financial statements:

- Equity Method in separate financial statements (amendments to IAS 27)
- Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28).
- Annual amendments to IFRS 2013-2014 Cycle – various standards
- Investment Entities: Applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure initiative (amendments to IAS 1).
- Clarification on acceptable methods of depreciation and amortization (amendments to IFRS 16 and IAS 38)

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8. Cash and cash equivalents

	2016	2015
Cash and bank deposits	$ 51,079	76,242
Cash equivalents:		
Money market	1,426	9,715
	52,505	85,957
Restricted cash	43,119	55,068
	$ 95,624	141,025

The restricted cash corresponds to cash that is held in a trust to guarantee the payment of interest of long-term debt; thus, such restriction will conclude once the liability is paid. The trust receives money of restaurants' sales on a daily basis; such money is used and allocated, firstly, to pay trustee fees, and then to pay the bank debt and interest. The remaining balance is distributed to CMR. This occurs in periods no longer than three months.

9. Accounts receivable

	2016	2015
Clients	$ 38,164	31,655
Allowance for doubtful accounts	(499)	(474)
	37,665	31,181
Refundable taxes (Income Tax and VAT mainly)	18,946	10,596
Refundable subsidy to employees (subsidio al empleo)	4,342	6,156
Officers and employees	1,647	859
Others	92	50
	$ 62,692	48,842

The accounts receivable of clients disclosed above are classified as accounts receivable, and therefore, are valuated at their amortized cost.

The account payable of clients is mainly represented by payments made with credit cards in each of the restaurants. The credit term average is 10 days. The outstanding accounts payable are related to clients for whom special events were held.

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

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10. Inventories

	2016	2015
Food	$ 68,672	82,063
Beverages	12,207	18,250
Other supplies	-	4,188
	$ 80,879	104,501

11. Property, plant, and equipment

As of December 31, 2016 and 2015, the consolidated balances for property, plant, and equipment, as well as the changes taking place during the 2014 and 2013 periods, are as follows:

Investment	January 1, 2016	Additions	Transfers & deregistration	December 31, 2016
Installation expenses*	$ 1,003,043	179,801	(144,635)	1,038,209
Plant	661,132	149,048	(53,305)	756,875
Lands	122,251	-	(23,681)	98,570
Computer equipment	55,789	22,675	(2,913)	75,551
Transportation equipment	27,908	9,995	(8,123)	29,780
Constructions in process	169,169	352,672	(428,820)	93,021
Total investment	**2,039,292**	**714,191**	**(661,477)**	**2,092,006**
Depreciation				
Installation expenses*	(341,890)	(89,846)	54,921	(376,815)
Plant	(236,368)	(74,058)	29,590	(280,836)
Computer equipment	(39,467)	(9,161)	2,545	(46,083)
Transportation equipment	(15,909)	(5,790)	6,288	(15,411)
Total accumulated depreciation	(633,634)	(178,855)	93,344	(719,145)
Net investment	**$ 1,405,658**	**535,336**	**(568,133)**	**1,372,861**

Constructions in process mainly correspond to the installations and adjustment works of the commercial units for the opening of new restaurants during 2016. Management expects to open 1 Olive Garden, 1 Capital Grille, 1 Fly By Wings, and 5 Chilis.

* Includes civil works and improvements to leased commercial units

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Investment	January 1, 2015	Additions	Transfers & deregistration	December 31, 2015
Installation expenses*	$ 861,157	172,549	(30,663)	1,003,043
Plant	553,782	116,728	(9,378)	661,132
Lands	187,887	43,006	(108,642)	122,251
Computer equipment	46,743	9,390	(344)	55,789
Transportation equipment	26,240	4,474	(2,806)	27,908
Constructions in process	149,008	351,296	(331,136)	169,168
Total investment	**1,824,817**	**697,443**	**(482,969)**	**2,039,291**
Depreciation				
Installation expenses*	(266,486)	(83,832)	8,429	(341,889)
Plant	(178,568)	(62,369)	4,569	(236,368)
Computer equipment	(33,647)	(6,150)	330	(39,467)
Transportation equipment	(12,805)	(5,170)	2,066	(15,909)
Total accumulated depreciation	(491,506)	(157,521)	15,394	(633,633)
Net investment	**$ 1,333,311**	**539,922**	**(467,575)**	**1,405,658**

On May 27, 2016, 6 coffee shops located in the metropolitan area were sold. The book value was of $59,991, although the transfer of the asset was agreed with the purchaser for the amount of $102,000, thus a profit was recorded in other operating income in profit and loss for the year for an amount of $42,109 as it was a sale of a fixed asset.

On May 27, 2015, Management executed a Sale & Lease Back agreement with respect to the Wings Lindavista unit, and such agreement allows the Company to continue operating such restaurant. When carrying out the reevaluation of such asset, the Group did not identified any impairment on the real property. The book value of the asset amounted to $10,523, although the transfer of the asset was agreed with the purchaser for $21,100, thus a profit was recorded in other operating income in profit and loss for the year for an amount of $10,577 as it was a sale of a fixed asset.

* Includes civil works and improvements to leased commercial units

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On September 17, 2015, Management executed a Sale & Lease Back agreement with respect to the Fonda Mexicana unit located at San Jerónimo 775, and such agreement allows the Company to continue operating the restaurant. When carrying out the reevaluation of such asset, the Group did not identified any impairment on the real propert. The book value of the asset amounted to $55,113, although the transfer of the asset was agreed with the purchaser for $83,800, thus a profit was recorded in other operating income in profit and loss for the year for an amount of $28,687 as it was a sale of a fixed asset.

The buildings and constructions include real property under lease, mainly to affiliates for $3,993 and $4,174 in 2016 and 2015, respectively.

a. **Impairment loss**

During 2016 and 2015, there were no adjustments for impairment.

The discount rate used to calculate the useful value in 2016 and 2015 was of 12.5% per annum.

12. Intangible assets and goodwill

i. Reconciliation of balance shown in the statement of financial position:

Investment	January 1, 2016	Additions	December 31, 2016
Licenses	$4,964	477	5,441
Trademark(s)	16,955	-	16,955
Minor kitchen tools	27,448	10,580	38,028
Lease rights	141,752	30,455	172,207
Goodwill	32,120	-	32,120
Total investment	**$223,239**	**41,512**	**264,751**
Amortization			
Lease rights	(91,580)	(22,400)	(113,980)
Minor kitchen tools	(13,371)	(6,157)	(20,328)
Licenses	(2,548)	(1,301)	(3,849)
Total accumulated amortization	(107,899)	(30,658)	(138,157)
Net investment	**$115,340**	**11,654**	**126,994**

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Investment	January 1, 2015	Additions	December 31, 2015
Licenses	$ 4,850	114	4,964
Trademark(s)	16,955	-	16,955
Minor kitchen tools	20,331	7,117	27,448
Lease rights	107,276	34,476	141,752
Goodwill	32,120	-	32,120
Total investment	**181,532**	**41,707**	**223,239**
Amortization			
Lease rights	(1,356)	(1,192)	(2,548)
Minor kitchen tools	(7,808)	(5,563)	(13,371)
Licenses	(73,262)	(18,318)	(91,580)
Total accumulated amortization	(82,426)	(25,073)	(107,499)
Net investment	**$ 99,106**	**16,634**	**115,740**

a. **The trademarks item corresponds to the "la Destilería" trademark.**

ii. Licenses

The licenses correspond to all such initial costs and expenses incurred to acquire the licenses for operating the restaurants and to commence their operation. The licenses amortization is recorded in operating profit or loss, to the extent consistent with the period during which the right to use is granted.

iii. Proof of impairment for cash units that include goodwill and trademarks.

For purposes of proof of impairment, the goodwill and trademark are assigned to the cash generation unit (CGU) of the "Restaurantes la Destilería" Group.

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The recoverable amount of this CGU was based on the fair value minus the estimated disposal costs by using the discounted cash flows. The measurement of the fair value was classified as a fair value relying on the variables in the technique of the valuation used.

The values assigned to the key assumptions represented the evaluation of management for the future trends in the corresponding industries, and were based both in external and internal sources; the discount rate used was of 12.5%

The discount rate corresponds to an after-taxes measurement which is estimated over the weighted average cost of capital of the industry with a possible debt leveraging at a market interest rate of 12.5% (real).

The cash flow forecasts included specific estimates on a 20 years basis (except for the restaurants located in Cancún and Vallarta), and a temporary growth rate 15 years afterwards.

iv. Lease rights

The lease rights represent the payments made to lessors in order to have access to the commercial units. In the "Others" item, the Group mainly holds franchise rights on Chili's and Sushi-Itto, which are amortized pursuant to the validity of their use.

13. Accumulated liabilities

	2016	2015
Accumulated service expenses	$ 16,270	17,786
Tax payable – Mainly taxes related to employees	13,356	13,777
Others	2,454	13,134
	$ 32,080	44,697

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14. Banking loans and other obligations

	2016	2015
Collateralized banking loans – at amortized cost:		
HSBC México, S. A. (i)	$ -	22,720
HSBC México, S. A. (ii)	1,852	12,963
HSBC México, S. A. (iii)	43,288	63,322
HSBC México, S. A. (iv)	100,000	-
HSBC México, S. A. (v)	199,567	263,567
HSBC México, S. A. (vi)	45,500	61,500
HSBC México, S. A. (vii)	10,416	22,917
Banco Nacional de México, S. A. (viii)	44,924	-
Others	50	-
	445,597	446,989
Accrued interest payable	2,028	2,359
MVS Capital, S. de R. L. de C. V. (x)	12,500	2,500
	$ 460,125	451,848
Short-term	$ 273,888	151,225
Long-term	186,237	300,623
	$ 460,125	451,848

Summary of loan agreements-

i. HSBC México, S. A. – Loan facility (crédito simple) in national currency payable in 20 quarterly installments.

On December 26, 2016, such loan facility was entirely repaid (capital and interest).

ii. HSBC México, S. A. – Loan facility in national currency payable in 1 installment. This loan facility was for the amount of $20,000, bearing an interest at a 28 TIIE (interbank equilibrim interest rate) rate plus 2.25 points. On February 8, 2012, the Group obtained a credit increase of $50,000 due on February 8, 2017, by way of 54 monthly installments of $926, with the same interest rates agreed upon in the original agreement; thus accruing interests at the TIIE rate plus 2.25 points, thus resulting 8.36% and 7.75% as of the 31st of December of 2016 and 2015, respectively. Such loan facility was repaid in February 2017.

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iii. HSBC México, S. A. – Loan facility in national currency for 90 million pesos, of which $43,000 and $40,000 were withdrawn in 2012, and $7,000 in 2011, payable in 25, 26, and 60 quarterly installments, respectively, bearing an interest at the TIIE rate plus 2.25 points, thus resulting 8.36% and 7.75% as of the 31st of December of 2016 and 2015.

On March 11, 2014, $30 million pesos were withdrawn, payable in 60 monthly installments bearing an interest at the TIIE rate plus 2.25 points, thus resulting 8.36% and 7.75% as of the 31st of December of 2016 and 2015.

iv. HSBC México, S. A. – Loan facility in national currency payable in 1 installment in January 2017. The loan was for the amount of $100,000, bearing an interest at a 28 TIIE rate plus 2 points, thus resulting 8.11% as of the 31st of December of 2016. Such loan facility was repaid in January 2017.

v. HSBC México, S. A. – Loan facility in national currency payable in 84 monthly installments, bearing an interest at 28 TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. The subsidiary Especialistas en Alta Cocina, S. A. de C. V. is the guarantor of the loan facility. The loan facility agreement was executed for 200 million pesos, of which 57 million pesos were withdrawn on September 12, 2013.

On January 13, 2015, $63 million pesos were withdrawn, in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. The subsidiaries Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are the guarantors of the loan facility.

On March 13, 2015, the parties executed an amendment to the Loan Facility Agreement for purposes of increasing the loan amount to $400 million pesos.

On March 17, 2015, $52 million pesos were withdrawn, payable in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are guarantors of the loan facility.

On May 22, 2015, $48 million pesos were withdrawn, payable in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are the guarantors of the loan facility.

On July 21, 2015, $25 million pesos, were withdrawn, payable in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are the guarantors of the loan facility.

(Thousands of pesos)

On September 2, 2015, $75 million pesos were withdrawn, payable in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are guarantors of the loan facility.

vi. HSBC México, S. A. – Loan facility in national currency payable in 60 monthly installments, bearing an interest at the TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2016 and 2015, respectively. The subsidiaries Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., and Inmobiliaria Orraca, S. A. de C. V. are guarantors of the loan facility. The loan facility agreement was executed for 200 million pesos, of which 50 million pesos were withdrawn on September 9, 2014.

On December 15, 2014, $30 million pesos were withdrawn, payable in 60 monthly installments, bearint an interest at a 28 TIIE rate plus 2 points, thus resulting 8.11% and 7.50% as of the 31st of December of 2014. The subsidiary CMR, S. A. B. de C. V. is the guarantor of this loan facility.

vii. HSBC México, S. A. – Loan facility in national currency payable in 24 monthly installments, bearing an interest at the TIIE rate plus 2.5 points, thus resulting 8.61% and 7.65% as of the 31st of December of 2016 and 2015, respectively. The subsidiaries Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V. and Inmobiliaria Orraca, S. A. de C. V. are the guarantors of the loan facility. The loan facility agreement was executed for 25 million pesos dated on October 13, 2015.

viii. Banco Nacional de México, S. A. – Revolving loan in national currency, payable in one installment. The $60,000 loan bears an interest at the TIIE rate plus 1.75, thus resulting 8.61% and 7.65% as of the 31st of December of 2016 and 2015, respectively. The subsidiaries Especialistas en Alta Cocina, S. A. de C. V., Mayo 13, S. A. de C. V., Delicias Orage, S.A. de C.V., and Inmobiliaria Orraca, S. A. de C. V. are co-guarantors of the loan. This loan was renewed in 2016, with a maturity date in May 2017.

ix. MVS Capital, S. de R L. – Loan facility in national currency for $50 million pesos, payable in 4 quarterly installments of $12.5 million pesos. It bears an interestt at the TIIE rate plus 2 points. The loan facility agreement was executed on May 1, 2016 and its maturity date is May 1, 2017.

15. Provisions-

The provisions are as follows:

	Operating costs	Royalties	Other employees' benefits	Rents	Others	Total
Balances as of January 1, 2015	$ 100,693	6,918	32,127	25,148	40	164,926
Increases	768,542	169,494	7,081	101,596	17,061	1,063,774
Payments	(774,232)	(169,224)	(13,872)	(82,897)	(8,768)	(1,048,993)
Balances as of January 1, 2016	$ 95,003	7,188	25,336	43,847	8,333	179,707

The operating provisions include public utilities, expenses mainly related to: water, electricity, and gas, and other expenses related to the operation of restaurants.

The increases and applications in the provisions were determined considering credits and debits of the accounting accounts, which differ from the real uses and applications in such accounts.

16. Employees' benefits

i. ***Balance of recognized liability for defined benefit obligations (DBO)***

	2016	2015
Present value of the unfunded obligations	$ 66,044	72,819
Liabilities recorded for defined benefit obligations (DBO)	66,044	72,819
Total liabilities recorded in the statement of financial position	$ 66,044	72,819

ii. ***Movements in the present value of the defined benefit obligations (DBO)***

	2016	2015
DBO as of January 1	$ 72,819	54,709
Paid benefits	(916)	-
Labor cost of current service and financing cost	9,756	8,245
Cutouts	(67)	-
Actuarial losses recorded in the net profit account/net profit OCI (equity account)	(15,548)	9,865
DBO as of December 31	$ 66,044	72,819

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iii. *Actuarial assumptions-*

The main actuarial assumptions as of the reporting date (expressed in weighted averages) are detailed below:

	2016	2015
Discount rate as of December 31	7.5%	6.50%
Increase rate in the future salaries levels	5.5%	5.5%
Increase rate in the minimum salaries levels	4%	4%

The assumptions on future mortality are based on published statistics and mortality charts. Currently, the retirement age in Mexico is 65 years.

iv. *Sensitivity analysis*

Possible reasonable modifications in the relevant actuarial assumptions as of the date of the statement of financial position -provided that the other assumptions remain constant- would have had an impact in the obligation of defined benefits, as follows:

	DBO	
	2016	2015
Discount rate (change of +-1%)	$16,651	17,549
Future salaries' increases (change of +-0.5%)	15,538	16,934
Future Mortality (change of +-10%)	14,425	17,160

17. Financial Instruments

a. Equity Management

The Group manages its equity to ensure that the companies of the Group will be able to continue operating as ongoing ventures maximizing profitability to its shareholders by way of the optimization of the debt and capital balances. The Group's general strategy has not been modified as opposed to 2015.

The capital structure of the Group consists of net debt (loans setoff regarding banking and cash balances) and the Group's equity (comprised by the capital stock issued, reserves, and retained earnings).

The Group assess its equity structure on an annual basis. As part of such assessment, Management takes into consideration the cost of equity and the risks associated with each class of equity.

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Level of debt

The level of debt during the reporting period is the following:

	2016	2015
Debt (i)	$ 460,125	451,848
Cash and banks	95,624	141,025
Net debt	$ 364,501	310,823
Shareholders' equity (ii)	$ 1,079,655	1,090,654
Level of net debt as to shareholders' equity	34%	28%

i. Debt is defined as long and short-term loans and interest, as described in note 14.

ii. The shareholders' equity includes all reserves and capital stock of the Group managed as capital.

b. Categories of financial instruments

	2016	2015
Financial assets		
Cash and banks	$ 95,624	141,025
Accounts receivable	62,692	48,842
Financial liabilities		
Amortized cost – Bank loans	$ 460,125	451,848

c. Objectives of the financial risk management

The Group's Corporate Treasury is in charge of offering services to the businesses, it handles the access to national financial markets, oversees and manages financial risks associated with the operations of the Group by issuing internal risks reports, which address and analyze risk exposures by degrees and risks magnitude. These risks include the market risk (including FX risk, risks in the fair value interest rates, and price risks), credit risk, liquidity risk, and the cash flow interest rate risk.

The Group seeks to mitigate the effects of these risks by using derivative financial instruments to hedge the risks exposures, if needed. The Group's policies approved by the Board of Directors govern how to use derivative financial instruments, as they set forth principles on the FX risk, interest rate risk, credit risk, the use of derivatives and non-derivatives financial instruments, and the investment with liquidity surplus. The Group does not execute nor negotiate financial instrument for speculation purposes. During and, as of the 31st of December of 2016 and 2015, the Group deemed that it was not necessary to execute derivative financial instruments.

d. Market risk

The Group's activities causes exposure mainly to financial risks related to changes in interest rates, which may generate an increase in the estimated cash flows, in the event of an increase in the aforementioned interest rates.

The exposure to market risk is assessed by using a sensitivity analysis.

There have not been changes in the Group's exposure towards the market risks or on how such risks are managed and assessed.

e. Foreign exchange management

The Group executes transactions in foreign currency; thus, it is exposed to fluctuations in the exchange rates. The risk exposure in exchange rates is handled within the parameters of the approved policies.

The book value of the monetary assets and liabilities in foreign currency at the end of the reporting period, is as follows:

	Liabilities		Assets	
Currency	2016	2015	2016	2015
Dollars (thousands)	460	437	718	136

The Group has considered that the effects in the amounts (assets and liabilities) as a result of reasonable changes in the exchange rates due to a 10% decrease/increase in the Mexican peso with respect to the U.S. Dollar over monetary entries pending as of the 31st of December 31 of 2016, would be an exchange gain/ loss of approximately $142.

f. Interest rate risk management

The Group is exposed to interest rate risks since the Group's companies borrow loans bearing variable interest rates. This risk is managed by the Group by way of interest rate swap agreement; however, during and as of the 31st of December of 2016 and 2015, Management deemed that these types of instruments were not needed.

The risk exposure of the Group towards the interest rates of the financial assets and liabilities are detailed below:

Sensitivity analysis for the interest rates

The following sensitivity analysis has been concluded based on the risk exposure to the interest rates for non-derivative instruments at the end of the reporting period. For variable-rate liabilities, an analysis is prepared whereby it is assumed that the amount of the liability existing at the end of the reporting period has been the existing liability throughout the year. At the time of reporting internally to the Management key personnel on the interest rates risk, an increase/decrease of 50 points is employed, which represents the Management's assessment on the possible reasonable change in the interest rates.

If the interest rate would have been 50 points above/under, and all other variables remain constant:

i. The profit or loss of the years ended on the 31st of December of 2016 and 2015, would decrease/ increase $1,704 and $116, respectively. This is mainly attributable to the Group's risk exposure to the interest rate of its loans bearing variable interest rates.

The Group's risk exposures and the debt rankings of the parties with whom the Group contracts are supervised on an ongoing basis, and the accumulated value of the consumed transactions are distributed among such parties approved. The risk credit exposure is controlled with the limitations of said parties which are reviewed and approved annually. The accounts receivable of clients mainly consist of credit card payments of each restaurant. The ongoing credit assessment is conducted on the financial condition of the accounts receivable and, when appropriate, an insurance policy is purchased as guarantee of the credit.

Guarantees undertaken and other credit improvements-

The Group neither maintains any kind of guarantee or other credit guarantees to cover its credit risks associated with the financial assets.

g. Management of liquidity risk

The Board of Directors has the final responsibility of handling liquidity risk and it has established an appropriate framework for the management of this risk and the short, mid, and long-term financing and the requirements of liquidity management. The Group manages the liquidity risk maintaining adequate reserves, banking facilities, and for obtaining loans, by continuously overseeing the projected and real cash flows, and matching the maturity profiles of the financial assets and liabilities and company investment projects. As of the 31st of December 31 of 2016 and 2015, the current liabilities are in excess than the current assets; thus, the Company is continuously searching and implementing instruments with financial institutions to help optimize the working capital and increase Company's liquidity, such as factoring and other credits (see note 28).

Liquidity risk charts

The charts contained below detail the contractual remaining expirations of the non-derivative financial instruments of the Group, with agreed payment periods. The charts have been designed based on the non-discounted cash flows of the financial liabilities based on the most recent date when the Group shall make payments. The charts only include the equity cash flows. The contractual expiration is based on the earliest date when the Group shall make the payments:

December 31, 2016	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Without interest – Suppliers, taxes, accumulated liabilities, and provisions	$ 412,188	-	-	-	412,188
Variable-rate instruments – Bank loans	87,223	186,665	186,237	-	460,125
	$ 499,411	186,665	186,237	-	872,313

December 31, 2015	Less than 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Without interest – Suppliers, taxes, accumulated liabilities, and provisions	$ 419,492	-	-	-	419,492
Variable-rate instruments – Bank loans	41,451	109,974	300,623	-	451,848
	$ 460,943	109,774	300,623	-	871,340

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The loans facilities available to Group to decrease even more the liquidity risk, correspond to two revolving credits of $60,000 each, obtained from Banco Nacional de México, S. A. in 2016 and 2015, respectively.

h. Fair value of the financial instruments

Fair value of the financial instruments recorded at amortized cost

Except for the details included in the following chart, Management considers that the book value of the financial assets and liabilities recorded at their amortized cost in the consolidated financial statements, are close to their fair value; since the latter are on short-term basis.

	2016		2015	
	Book value	Fair value	Book value	Fair value
Financial liabilities – Variable interest rate bank loan	$460,125	458,097	451,848	453,907

Valuation techniques and assumptions applied for purposes of determining the fair value

The fair value of the bank loans is determined pursuant to generally accepted price determination models, which are based on the analysis of the discounted cash flow using consumable goods observed in the market and quotations for similar instruments.

Implicit derivatives

The implicit derivatives are separated from the main agreement and separately recorded if they meet certain criteria. As of the 31st of December of 2016, the effect is not considered material.

The hierarchy used for determining the fair value is level 2.

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18. Shareholders' equity

Below is a description of the main characteristics of the accounts comprising the shareholders' equity:

a. Capital stock structure

- The capital stock is composed by nominative, ordinary shares without expressing par value. As of the 31st of December 31 of 2016, 249,862,442 Series "B" shares (only series) have been issued. The variable portion of the capital stock may not exceed 10 times the amount of the minimum fixed portion of the capital stock.

- As of the 31st of December of 2016, 4,236,700 treasury shares have been issued.

b. Comprehensive (loss) profit

The comprehensive (loss) profit shown in the statements of changes in shareholders' equity, represents the result of the total activities of the Group throughout the year.

c. Restrictions to the shareholders' equity

Pursuant to the General Law of Business Companies of Mexico (Ley General de Sociedades Mercantiles), 5% of the net profit is set aside in order create the legal reserve, until reserve is equivalent to one fifth of the capital stock. As of the 31st of December 31, 2016, the legal reserve amounts to $20,662, although such amount has not reached the legally required amount. The amount adjusted, on a tax basis, of the contributions made by the shareholders, may be reimbursed without any tax thereon, to the extent such amount is equivalent or greater than the shareholders' equity.

The profits upon which no income tax has been paid, and other accounts of the shareholders' equity, will trigger an income tax payable by the Group, should there be any distributions, at a 30-% tax rate, thus shareholders will only be entitled 70% of such amounts. The Group may not distribute dividends until the accumulated losses have not been restored.

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19. Cos of goods sold

	2016	2015
Food and beverages	$ 685,138	661,945
Salaries and remunerations	192,608	188,477
Leases	144,048	134,073
Public utilities	51,863	55,005
Depreciation and amortization	62,077	53,906
Others	106,780	91,789
	$ 1,242,514	1,185,195

20. Operating Expenses

	2016	2015
Salaries and remunerations	$ 525,687	487,140
Leases	249,409	234,181
Depreciation and amortization	147,168	128,688
Public utilities	77,191	81,715
Royalties	79,548	72,953
Maintenance	26,920	27,183
Promotions and advertising	59,375	53,696
Others	277,338	258,441
	$ 1,442,636	1,343,997

21. Other income

	2016	2015
Profits in sales and write-off of fixed assets as a result of closing of units, net	$ 26,480	24,506
Other income, net	42,052	34,241
	$ 68,532	58,747

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22. Related party transactions and balances

a. Compensation to key personnel of Management

The key members of Management received a remuneration of $88,637 and $56,756 during 2016 and 2015, respectively, which are included in the item of salaries and remuneration in the cost of goods sold and operating expenses.

Few close relatives of the Executive President and chief executive officer hold voting shares in the Group.

b. Related party transactions

The non-consolidated related party transactions for the years concluded on the 31st of December 31 of 2016 and 2015, are shown below:

	2016	2015
Income from leases:		
MVS Multivisión, S. A. de C. V.	$ 3,993	4,174
Royalty expenses:		
Brinker International, Inc.	$ 24,093	23,049
Guajardo Tijerina Elsa Gabriela	6,940	6,787
Empresas Grupo Los Almendros, S. A. de C. V.	368	167
Lease expense with Guajin, S. A. de C. V.	$ 12,900	9,211
Fees to members of the Board of Directors	$ 1,829	1,392

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23. Income Tax

The Income Tax Law (Ley de Impuesto Sobre la Renta) in force as of January 1, 2014, sets forth a 30%-tax rate for 2014 and subsequent years.

As a result of such Income Tax Law, the Group will have to pay to the tax authorities, within a 5 year period, the applicable deconsolidation tax (25% in 2015, 20% in 2016, and 15% in 2017 and 2018). Moreover, pursuant to the transitory article of the new Income Tax Law and given that, as of the 31st of December of 2013 the Group was deemed as a holding company and as of such date it was subject to the payment system contained in section VI of article four of the transitory provisions for the 2010 fiscal year, or article 71-A of the 2014 Income Tax Law, which was abrogated, the Group will have continue paying tax that was deferred as a result of the tax consolidation during the 2007 and previous years as provided in the provisions above, until completing the tax payment. During the 2016 fiscal year the authorities, assessed unpaid income taxes derived from the differences in the criteria for calculating such taxes, for an amount of $49,127, which was recorded in the profit and loss of the year. Likewise, it was agreed that the Income Tax for deconsolidation will be paid in installments, as follows:

Years	Amount
2017	$ 25,025
2018	25,025
2010	6,451
2020 a 2023	26,174
	$ 82,675

The income tax expense is integrated, as follows:

	2016	2015
Income tax based on tax base	$ 90,588	42,455
Additional income tax for deconsolidation	49,127	-
Deferred income tax	(89,526)	(34,314)
Net effect in profit and loss	$ 50,189	8,141
Deferred income tax recorded in OCI	$ 4,648	(2,960)

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The tax expense as to the ongoing operating profits before income taxes, was different to such tax expense resulting from applying the 30% income tax rate, as a result of the following items:

	2016	2015
"Projected" expense	$ 8,492	13,959
(Decrease) increase resulting from:		
Inflation tax effect, net	(1,366)	(13,297)
Non-deductible expenses	12,027	11,959
Portfolio transfer (cesión de cartera)	(5,460)	-
Additional income tax for deconsolidation	49,127	-
Unrecorded assets (activos no reconocidos)	(15,878)	(3,239)
Others, net	3,247	(1,241)
Expense for income tax	$ 50,189	8,141
Deferred assets:		
Allowance for balances of doubtful collections	$ 150	142
Provisions	53,911	49,478
Employees' profit sharing (PTU)	951	776
Accumulated liabilities	2,869	1,208
Advances to clients	2,455	1,925
Employees' benefits	19,814	21,845
Property, plant, and equipment	31,607	-
Tax losses to be amortized (net from unrecorded assets)	198,428	190,082
Net deferred assets	310,184	265,456
Deferred liabilities:		
Advance payments	5,121	9,470
Properties, plant, and equipment	-	34,385
Total deferred liabilities	5,121	43,855
Deferred assets, net	$ 306,479	221,601

To assess the recovery of deferred assets, Management takes into consideration the likelihood whether a portion therefrom or all of them will not be recovered. The final realization of the deferred assets depends on generating taxable profits in the periods where the temporarily differences are deductible. When carrying out this assessment, Management believes that the projected reversal of the deferred liabilities, the projected taxable profits, and the planning strategies.

Starting 2014, the base for calculating employees' profit sharing (PTU) is the taxable profit determined for income tax purposes with some adjustments. The current employees' profit sharing is 10%.

As of the 31st of December 31 of 2016, the tax losses to be amortized expire, as follows:

Years	Amount adjusted as of December 31, 2016 Tax losses to be amortized
2017	$ 274
2018	3,418
2019	45,876
2020	-
2021	17,794
2022	76,291
2023	156,380
2024	102,728
2025	186,764
2026	247,554
	$ 837,079

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24. Operating segments

The information per segments is recorded based on the information used by the Board of Directors for taking strategic and operating decisions. The Group's Management has decided that the best way to have an administrative and operating control of its business is through two types of operations: sale of food and income derived from leases.

Each operating segment represents a unit of the Group focused in business activities of which the Group obtains income and incurs in costs and expenses, elements for preparing periodical information and assessment so that Management may allocate funds when carrying out its decision-making process.

Below, is the condensate information for each segment as of the 31st of December of 2016 and 2015:

December 31, 2016	Sale of food	Income from leases	Total before eliminations	Eliminations	Total
Income	$ 4,806,567	120,860	4,927,427	(2,211,036)	2,716,391
Costs, expenses, and CIF	(4,349,668)	(532,289)	(4,881,957)	2,193,872	(2,688,085)
Profits (loss) before tax	456,899	(411,429)	45,470	(17,164)	28,306
Income tax	50,189	-	50,189	-	50,189
(Loss) profit for the 2016 fiscal year	$ 406,710	(411,429)	(4,719)	(17,164)	(21,883)
December 31, 2015					
Income	$ 3,085,959	1,333,461	4,419,420	(1,877,814)	2,541,606
Costs, expenses, and CIF	(3,361,816)	(999,919)	(4,361,735)	1,866,658	(2,495,077)
Profits (loss) before tax	(275,857)	333,542	57,685	(11,156)	46,529
Income tax	1,101	(9,242)	(8,141)	-	(8,141)
(Loss) profit for the 2015 fiscal year	$ (274,756)	324,300	49,544	(11,156)	38,388

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25. Operating leases

The rents from operating leases not subject to cancellation, are the following:

	2016	2015
Less than a year	$ 390,953	362,145
One to five years	1,263,436	1,163,013
More than five years	451,942	413,370
	$ 2,106,331	1,938,528

The Group leases commercial units where some of the Group's restaurants are located. For such leases, in most of the agreements, lessees agreed to pay a certain amount at the commencement of the agreement which increases such proportion the National Consumer Prices Index (Indice Nacional de Precios al Consumidor; INPC) of Mexico increases; lessees also agreed to a variable amount payable based on a fixed percentage on the total sales of the lessees. The average lease term is of 5 years, although there could be agreements of 1-year term or 15-years term. The Group does not have the option to purchase the leased property upon the expiration date of the terms of such leases.

26. Commitments-

a. Administrative contracts for occupying and using federal zone for commercial units leased to Airports and Ancillary Services (Chihuahua, Guadalajara, México, Hermosillo, Monterrey, and Los Cabos). Rents are payable based on a fixed amount at the commencement of the agreement which is increased annually based on the increase in the INPC or based on a gross revenue percentage between 12% and 23.6%. The termination date of the agreements for Chihuahua is November 15, 2018, for Guadalajara is July 15, 2020, for Mexico City is February 28, 2019, for Hermosillo is November 7, 2017, for Monterrey is August 31, 2016, and for Los Cabos is June 15, 2017.

b. Administrative (revocable) permit granted by the Mexican Social Security Institute (Instituto Mexicano del Seguro Social) for the temporary use of a space of the commercial unit located at Centro Médico Siglo XXI. Termination date of such permit is December 31, 2016. To this date, the renewal of the agreement is being discussed. The annual consideration is of $3,469, which is payable in advance on a bi-annual basis.

c. Terms and conditions (Bases) under which the Government of Mexico City, through the Ministry of Environment (Secretaría de Medio Ambiente), grants the temporary use and enjoyment (uso, goce y aprovechamiento temporal), in exchange of a consideration, of the Bistro Chapultepec restaurant, expiring on July 31, 2016. Such consideration is of $268, determined at the commencement of the agreement. To this date, the renewal of the agreement is being negotiated and discussed.

d. Administrative contracts for occupying and using federal zone for commercial units leased to the International Airport of Mexico City, Terminal II. The rents are payable based on an amount fixed at the commencement of the agreement which is increased annually based on the increase in the INPC or based on a gross revenue percentage between 23% and 25.1%. On November 15, 2015, the agreements were renewed setting forth February 28, 2019 as the new termination date.

e. Administrative permit granted by the Government of Mexico City for the commercial exploitation of the facilities located in the second section of Bosque de Chapultepec, with a termination date on December 31, 2018. The monthly rent is $420.2 plus maintenance expenses for an amount approximately of $76 on a monthly basis; and a monthly rent for receiving pro-forestry (“pro-bosque”) donations; which are determined at the commencement of the agreement and an annual increase based on the INPC. To this date, the renewal of the agreement is being negotiated and discussed.

f. Rules and conditions (Bases) under which the Government of Mexico City, through the Ministry of Environment, grants the temporary use and enjoyment (uso, goce y aprovechamiento temporal) of the Restaurante Café del Bosque with termination on June 30, 2018. The monthly consideration is $188, determined at the commencement of the agreement.

g. Lease license agreement (contrato de concesión de arrendamiento) for a five-year term executed with the National Institute of Anthropology and History (Instituto Nacional de Antropología e Historia, INAH), starting as of November 1, 1999. To this issuance date of the consolidated financial statements, the Group is in the process of renewing such agreement. The increase in the lease rent was agreed with a fixed rent and a variable rent, which is determined on 8% of the gross revenue of the restaurant under such agreement. This agreement has not been renewed since negotiations with INAH are still being discussed.

h. The Group has commitments to fulfill in connection with the joint venture and franchise agreements (contratos de asociación y franquicia) specified in note 1.

27. Contingent liabilities

a. Pursuant to the Income Tax Law, companies who execute related party transactions are subject to tax limitations and obligations as to defining the prices agreed upon, since these ought to be similar prices as such prices would have been used by unrelated parties in comparable transactions.

b. Pursuant to the current applicable tax laws, authorities are empowered to audit up to the five fiscal years prior to the last submitted income tax return.

c. There is contingent liability from the employees’ benefits mentioned in note 6(m).

d. The Company is involved in several trials and proceedings that arose as a result of the ordinary course of business; it is expected that such trials and proceedings will not have a material event in the Company’s financial position and future results.

28. Future events

On April 5, 2017, the Group acquired a loan facility for $700,000 from HSBC México, S. A. and Scotiabank Inverlat with a maturity term of 6.5 years. The aggregate amount will be withdrawn in the following 18 months. The purpose of this credit is to refinance the current debt with more competitive conditions and back-up the execution of the strategic plan for the following years.

CMR, S. A. B. DE C. V.

Quotation Market: Bolsa Mexicana de Valores

Ticker symbol: CMRB

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