ANNUAL REPORT OF

GRUPO BIMBO, S.A.B. DE C.V.

Annual Report filed pursuant to the general provisions applicable to securities issuers and other participants in the securities' market (*disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*) for the fiscal year ended on December 31, 2017.

Name of the issuer: Grupo Bimbo, S.A.B. de C.V.

Headquarters: Prolongación Paseo de la Reforma No. 1000, Colonia Peña Blanca Santa Fe, C.P. 01210, Mexico City. The address of Grupo Bimbo, S.A.B. de C.V. on the Internet is www.grupobimbo.com, provided, however, that the information contained therein is not part of this Annual Report.

Outstanding shares: the authorized capital stock of Grupo Bimbo, S.A.B. de C.V. consists of Series "A" common shares, ordinary, nominative, with no par value, registered under the Securities Section of the National Securities Registry ("RNV") and listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.). Also, Grupo Bimbo, S.A.B. de C.V. has issued the notes ("*Certificados Bursátiles*"), which are described below.

Ticker symbol: "BIMBO".

The registration in the National Securities Registry does not constitute a certification as to the investment quality of the securities, the solvency of the issuer, or the accuracy or veracity of the information contained in this Annual Report, nor does it validate the acts, if any, that were carried out in violation of the laws.

Mexico City, April 30, 2018

KEY INFORMATION WITH RESPECT TO THE NOTES (*CERTIFICADOS BURSATILES*) ISSUED BY GRUPO BIMBO, S.A.B. DE C.V.

AS OF DECEMBER 31, 2017

Ticker Symbol	BIMBO 16	BIMBO 17
Amount	$8,000,000,000	$10,000,000,000
Number of series in which the issuance is divided	N.A.	
Issuance date	September 12, 2016	October 6, 2017
Maturity date	September 2, 2026	September 24, 2027
Issuance period	3,640 days, approximately 10 years	3,640 days, approximately 10 years
Interest rate	Fixed interest rate of 7.56%	Fixed interest rate of 8.18%
Periodicity in payment of interest	Every 182 days beginning on March 15, 2017	Every 182 days beginning on April 6, 2018
Place and manner of payment of principal and interests	The principal and interests due will be paid on their maturity date, by electronic funds transfer, at the registered office of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or at the registered office of the Issuer.	
Subordination	Lien limitations / Pari Passu status	
Maturity and acceleration	A single payment on the relevant maturity date. The Company shall have the right to prepay all (but not less) than all of the Certificados Bursátiles on any date before the Maturity Date.	
Guarantee	The *Certificados Bursátiles* will be unsecured and will be guaranteed (*avalados*) by Bimbo, S.A. de C.V., Barcel, S.A. de C.V. and Bimbo Bakeries USA, Inc.	
Trustee	N.A.	
Rating	Fitch México, S.A. de C.V. "AA+(mex)" Standard & Poor's, S.A. de C.V. "mxAA+"	Fitch México, S.A. de C.V. "AA+(mex)" S&P Global Ratings, S.A. de C.V. "mxAA+"
Common Representative	Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero	
Depositary	S.D. Indeval Institución para el Depósito de Valores S.A. de C.V.	
Tax treatment	The withholding rate of the income tax applicable, as of the date of the Supplement, to the interest paid in accordance with the *Certificados Bursátiles* is subject to: (i) for individuals and entities considered as residents of Mexico for tax purposes, to the provisions of articles 54, 134, 135 and other applicable provisions of the Income Tax Law (*Ley del Impuesto Sobre la Renta*) in effect; and (ii) for individuals and entities considered as non-Mexican residents for tax purposes, to the provisions of articles 153, 166, 175 and other applicable provisions of the Income Tax Law in effect. Potential investors shall consult their tax advisors with respect to the tax consequences of their investment in the *Certificados Bursátiles*, including the application of specific rules applicable to their particular situation. The current fiscal regime may be amended during the term of the Program and while the Issuance is in effect.	

Change of control: In accordance with the terms of the Notes, in the event of a "change of control", which means a change of control resulting in the decrease of the rating of the Notes, Grupo Bimbo will be obliged to make an offer in order to repurchase the totality of the Notes in a purchase price equal to 100% of the par value of such Notes plus the unpaid accrued ordinary interest on the principal of the Notes outstanding on the date of the repurchase.

Corporate Restructuring: In case of a corporate restructuring, Grupo Bimbo will disclose to the investors the applicable disclosure document and other information required under applicable laws. In accordance with the terms of the Notes, Grupo Bimbo shall not merge or sell its "material assets" (as such term is defined in the Notes), except under certain circumstances.

Essential Assets: In accordance with the terms of the Notes, Grupo Bimbo shall not create liens on its assets, except for "permitted liens" (as such term is defined in the Notes). In case Grupo Bimbo decides to create a lien on its essential assets in order to carry out its operations, Grupo Bimbo shall obtain the necessary corporate consents and, if so required by the applicable law, will disclose such event to investors.

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No underwriter, person appointed as an attorney-in-fact to carry out operations with the public, or any other person, has been authorized to disclose any information or make any representation that is not contained in this Annual Report. As a consequence of the above, any information or representation that is not contained in this Annual Report must be understood as not authorized by Grupo Bimbo, S.A.B. de C.V.

In addition, unless otherwise indicated, the Company's information contained in this Annual Report is shown as of December 31, 2017.

1) GENERAL INFORMATION

a) Summary of Terms and Definitions

Unless otherwise indicated by the context, for the purposes of this Annual Report, the following terms shall have the meaning attributed there to as follows, which shall apply equally to the singular and plural forms of the terms defined:

Terms	Definitions
"Adjusted EBITDA"	Operating income plus depreciation, amortization, impairments and provision of multiemployer pension plans and other non-cash items. The Group's administration uses this measure as an indicator of its operating results and of its financial status; however, it shall not be taken into consideration in isolation, as a net income alternative, as an indicator of the operating performance or as a substitute for the analysis of results reported in accordance with IFRS, because, among other things: (i) it does not reflect cash expenses, or future requirements for capital expenses or contractual undertakings, (ii) it does not reflect changes in, or cash requirements necessary, for working capital, (iii) it does not reflect interest expenses, and (iv) it does not reflect any income tax in cash to be paid by the Group. Due to the foregoing, the Group's EBITDA shall not be considered as a discretionary measure of cash available to invest in the Group's growth or as a measure of cash that will be available in order for the Group to fulfill its obligations. EBITDA is not a financial measure recognized in accordance with IFRS and may not be compared with similar official measures presented by other companies in the industry, since not all companies use the same definition. Consequently, the focus shall mainly be on results in accordance with IFRS, and EBITDA only as a supplementary measure.
"Adghal"	Groupe Adghal
"ADR's"	American Depositary Receipts
"Annual Report"	This Issuer's Annual Report, prepared in accordance with the general provisions applicable to securities issuers and other securities market participants issued by CNBV.
"Audited Financial Statements"	The Company's consolidated financial statements, audited as of December 31, 2017, 2016 and 2015, which were prepared in accordance with the IFRS, as well as the respective notes, which are attached to this Annual Report.
"Barcel"	Barcel, S.A. de C.V.
"BBU"	BBU, Inc.
"BIMBO", "Company", "Issuer", "Group", "Grupo Bimbo" or "Entity"	Grupo Bimbo, S.A.B. de C.V., and, whenever the context requires so, jointly with its consolidated subsidiaries.
"Bimbo"	Bimbo, S.A. de C.V.
"Bimbo Bakeries USA"	Bimbo Bakeries USA, Inc., an operating subsidiary of BBU.
"Bimbo Beijing"	Bimbo Beijing Food Company.
"Bimbo Foods"	Bimbo Foods, Inc.

Terms	Definitions
"Bimbo Iberia"	Bimbo, S.A.U.
"BIMBO XXI"	Project for the implementation of a system to streamline ERP (Enterprise Resource Planning) resources, database and support systems.
"BMV"	Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*).
"Board of Directors" or "Board"	Board of Directors of BIMBO.
"Cakes"	Cakes sold individually.
"Canada Bread"	Canada Bread Company, Limited.
"CDOR"	Canadian Dealer Offered Rate.
"China"	People's Republic of China.
"CNBV"	National Banking and Securities Commission.
"Corporate Bylaws"	Corporate Bylaws of BIMBO as amended from time to time.
"Dollars" or "dollars"	Currency of legal tender in the USA.
"Earthgrains"	Earthgrains Bakery Group, Inc.
"East Balt" o "Bimbo QSR"	East Balt Bakeries
"El Globo"	Gastronomía Avanzada Pastelerías, S.A. de C.V.
"ERP"	Enterprise Resource Planning.
"Europe"	Countries of the European Union where BIMBO carries out operations.
"Fast Food"	Food ready to be eaten.
"FDA"	Food and Drug Administration, a USA governmental agency.
"George Weston"	George Weston Bakeries, Inc., Entenmann's Products Inc., Entenmann's, Inc. and Entenmann's Sales Company, Inc. (TSX: WN)
"Gruma"	Mexican Company engaged in the production of corn flour, tortillas, wheat flour and similar products.
"HACCP"	Hazard Analysis and Critical Control Point.
"IASB"	International Accounting Standards Board responsible for issuing the International Financial Reporting Standards.
"IEPS"	Special tax over production and services.
"IETU"	Business Flat Tax (*Impuesto Empresarial a Tasa Única*).
"IFRS"	International Financial Reporting Standards issued by the IASB.
"Indeval"	S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.
"INPC"	National Consumer Price Index (*Índice Nacional de Precios al Consumidor).*
"IRI"	Information Resources Inc.
"ISO"	International Organization for Standardization.
"ISR"	Income Tax (*Impuesto sobre la Renta*).
"IVA"	Value Added Tax (*Impuesto al Valor Agregado*).

Terms	Definitions
"Latin America"	Central and South America; comprises the countries of this geographical area where BIMBO carries out transactions.
"LIBOR"	London Interbank Offered Rate.
"LMV"	Securities Market Law (*Ley del Mercado de Valores*).
"Mexico"	United Mexican States.
"Nielsen"	The Nielsen Company.
"NOM"	Mexican Official Standard (*Norma Oficial Mexicana*).
"Notes"	Negotiable instruments issued by the Company in accordance with the Securities Market Law, under the Notes Program (*Programa de Certificados Bursátiles*) and which are outstanding.
"Packaged Bread"	Sliced and packaged bread.
"Panrico"	Panrico S.A.U.
"Pesos", "pesos" or "$"	Currency of legal tender in Mexico.
"PTU"	Employee Profit Sharing (*Participación de los Trabajadores en las Utilidades).*
"Ready Roti"	Ready Roti India Private Limited
"RNV"	National Securities Registry (*Registro Nacional de Valores*).
"SEC"	U.S. Securities and Exchange Commission.
"Stonemill Bakehouse"	Stonemill Bakehouse Ltd.
"Supan"	Supan, S.A.
"Syndicated Revolving Credit Facility"	Multicurrency revolving credit facility for an amount of $2,000 million dollars contracted with a syndicate of banks.
"TIIE"	Interbanking Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio)*.
"USA"	United States of America.
"WFI"	Weston Foods, Inc., bakery business in the USA that was owned by George Weston Limited and which BIMBO acquired on January 21, 2009.
"WHO"	World Health Organization.

Unless otherwise specified, the financial information contained in this document is expressed in millions of Mexican pesos and was prepared in accordance with IFRS.

b) EXECUTIVE SUMMARY

This chapter contains a brief summary of the information provided for in this Annual Report. Since it is a summary, it is not intended to contain all substantial information included in the Report.

a) The Company

The global headquarters of the Company are located at Prolongación Paseo de la Reforma No. 1000, Colonia Peña Blanca Santa Fe, Delegación Álvaro Obregón, Mexico City, 01210, Mexico, and its telephone

number is +52(55) 5268-6600. The Company was incorporated under the laws of Mexico on June 15, 1966. The number of its commercial registry *(folio mercantil)* with the Public Registry of Property and Commerce of Mexico City (*Registro Público de la Propiedad y de Comercio de la Ciudad de México*), or the Mexican Registry, is 9,506, and its taxpayer identification number is GBI 810615 RI8.

Grupo Bimbo is the largest baking Company in the world and one of the largest consumer food companies in the Americas, according to IBISWorld. It operates in 32 countries, including the United States, Mexico, Canada, most of Latin America, Spain, Portugal, France, Italy, the United Kingdom, Turkey, Switzerland, China, South Korea, Russia, India, Morocco and South Africa. The Company has a diversified portfolio of over 13,000 products and more than 100 renowned brands, including Bimbo, Oroweat, Arnold, Marinela, Thomas', Barcel, Sara Lee, Entenmann's, Ricolino, Tía Rosa, Pullman, Rainbo, Nutrella, Dempster's, POM, New York Bakery Co., Supan, Vachon and Donuts, among others.

The Company produces, distributes and markets a wide range of bakery products in each of its categories, traditional packaged bread, frozen bread, cakes, muffins, bagels, prepackaged foods, tortillas, salty snacks and confectionery goods, among others. The brand portfolio of the Company includes emblematic brands with a value of over a billion dollars in retail sales, such as Bimbo, Marinela, Arnold, Brownberry, Oroweat, Barcel and Thomas', brands with a superior value of $500 million dollar such as Sara Lee and Entenmann's, brands with a superior value of $250 million dollar such as Takis, Tia Rosa, Dempster's and Artesano, and brands with a superior value of $100 million dollar such as Villaggio, Ball Park, Donuts, Pullman, Plus Vita, POM, Stroehmann, Mrs. Baird's and Vachon.

Through brand development, fresh and quality products and continuous innovation, Grupo Bimbo has established a leading position in the baking industry in most of the countries where it operates. In 2017, its flagship brand and company name, Bimbo, was named the first and eleventh strongest food brand in Latin America and the world, respectively, by Kantar World Panel.

Since its founding in 1945, Grupo Bimbo has experienced significant growth, organically as well as through acquisitions, especially in recent years. During the past ten years, it has successfully integrated more than 40 companies to its operations. From 2008 to December 31, 2017, its adjusted EBITDA increased from Ps.9,829 million to Ps.27,289 million at a CAGR of 12%. Also, during that period, net sales grew at a CAGR of 14%, fueled by a CAGR of 25.3% in North America, 5.7% in Mexico and 10.8% in Latin America. The Group became the largest packaged bread market participant in the United States following the acquisitions of Weston Foods Inc., or WFI, in 2009, and Earthgrains, Sara Lee Corporation's North American fresh bakery business, in 2011, according to information from IRi. Also in 2011, it accessed the European market with the acquisition of Sara Lee's baking business in Europe. In 2014, it entered the Canadian and United Kingdom markets with the acquisition of Canada Bread, producer of Dempster's, the leading bread brand in Canada. In July, 2014, it entered the Ecuadorian market with the acquisition of Supan, the leading Company in Ecuador. In 2017, it entered in ten new countries with the acquisition of Grupo Adghal in Morocco, Ready Roti in India and East Balt Bakeries in eleven countries. With these acquisitions, coupled with its organic growth in Mexico and Latin America that has been mainly driven by market penetration and product innovation, the Company has consolidated its position as the world's largest baking Company.

Currently, it operates 1961 plants worldwide in 32 countries. To ensure the freshness and quality of its products, the Company has developed an extensive direct-distribution network, which comprises one of the largest sales fleets in the Americas. As of December 31, 2017, its direct-distribution network consisted of more than 58,000 distribution routes, spread across more than 1,800 sales centers and reaching more than 3 million points of sale.

The following table shows certain lines of the audited consolidated financial statements of Grupo Bimbo upon closing of each of the years indicated:

	As of December 31,		
	2017	2016	2015
Net Sales	267,515	252,141	219,186
Operating Profit	17,472	18,084	14,121
Adjusted EBITDA	27,289	29,298	23,369
Majority Net Income	4,629	5,898	5,171

Note: figures in millions of Mexican pesos

b) Financial Information

In accordance with the General Provisions Applicable to Securities Issuers and to Other Participants in the Securities Market as of January 1, 2012, the Mexican corporations with securities listed in the BMV, including the Company, shall prepare and submit their financial information in accordance with IFRS. Therefore, consolidated financial statements were prepared under IFRS. Unless otherwise indicated, all information contained in the audited financial statements included in this Annual Report has been expressed in millions of pesos.

Figures corresponding to 2017, 2016 and 2015 are shown in pesos in nominal terms as of the date on which they were registered, in the understanding that the Company's consolidated financial statements were prepared with an historic base cost, except for certain financial instruments (assets and liabilities), which are measured at its fair value at the closing of each period, as explained in accounting policies.

Consolidated Income Statements

As of December 31:	2017	2016	2015
Net Sales (1)	**267,515**	**252,141**	**219,186**
Costs of goods sold	124,763	115,998	102,421
Gross Profit	**142,752**	**136,143**	**116,765**
Distribution and Sales Expenses	102,801	96,395	84,245
Administrative Expenses	18,388	17,320	14,298
General Expenses	121,189	113,715	98,543
Profit (loss) before other income and expenses, net	**21,563**	**22,428**	**18,222**
Other (Expenses) Income net	4,091	4,344	4,101
Operating income (loss)	**17,472**	**18,084**	**14,121**
Net Interests	5,558	5,237	4,364
Exchange Gain (Loss)	118	5	18
Other Financial Income (Loss)	79	(650)	(192)
Comprehensive Financial Result	**5,755**	**4,592**	**4,190**
Equity in Results of Associated Companies	234	121	47
Income before Taxes	**11,951**	**13,613**	**9,978**
Caused Taxes	4,444	4,703	3,884
Deferred Taxes	1,838	2,143	179
Income Taxes	**6,282**	**6,845**	**4,063**

Net Income	**5,669**	**6,768**	**5,915**
Net Majority Income	4,629	5,898	5,171
Net Minority Income	1,040	870	744
Basic Earnings per Share	0.98	1,25	1.10
Dividend per Share	0.29	0.24	-
Earnings before interest, taxes, depreciation and amortization	**27,289**	**29,298**	**23,369**

Notes to the Consolidated Income Statements:

(1) During 2017, 2016 and 2015, net sales of Bimbo, S.A. de C.V. and Barcel, S.A. de C.V., located in Mexico represented approximately 30%, 29% and 32%, respectively, of the consolidated net sales. During 2017, 2016 and 2015, net sales of BBU and Canada represented 52%, 54% and 53%, respectively, of the consolidated net sales.

Consolidated Balance Sheet

As of December 31:	2017	2016	2015
Cash and Cash Equivalents	7,216	6,814	3,825
Clients Accounts Receivables and other Accounts Receivables - Net	24,806	24,069	19,047
Inventory - Net	8,368	7,428	5,509
Prepayments	975	806	861
Derivative Financial Instruments	682	305	885
Deposits in guaranty accounts of derivative financial instruments	417	1,140	1,501
For-sale classified financial assets	26	148	502
Total Current Assets	42,490	40,710	32,130
Accounts receivable from independent operators	557	807	950
Net Property, Plant and Equipment	82,972	74,584	58,073
Stock Investments in Associated Companies	2,764	2,124	2,106
Derivative Financial Instruments	2,592		
		3,448	3,346
Deferred Income Taxes	6,288	9,779	10,705
Intangible Assets, Net	56,194	49,938	42,535
Goodwill - Net	63,426	62,884	49,196
Other Assets Net	1,966	891	592
Total Assets	**259,249**	**245,165**	**199,633**
Current Outstanding Long Term Debt Portion	2,766	2,150	8,282
Payable Accounts to Suppliers	18,796	16,652	13,146
Other Accounts Payable and Accrued Liabilities	23,538	19,881	14,046
Payable Accounts to Related Parties	955	853	401
Income Tax	1,073	3,851	2,845
Employee Profit Sharing	1,286	1,185	1,110
Derivative Financial Instruments	241	372	3,208
Total Outstanding Debt	48,655	44,944	43,038
Long Term Debt (1)	91,546	80,351	59,479
Employees Benefits and Social Security	0	3,352	1,707
Deferred Income Taxes (2)	30,638	30,488	25,932
Other Long Term Debt	4,682	4,952	3,359
Long Term Debt (1)	6,704	6,002	4,259

Total Liabilities	**182,225**	**170,089**	**137,774**
Controlling Stockholders	72,767	71,430	58,955
Non-controlling interests	4,257	3,646	2,904
Total Equity	**77,024**	**75,076**	**61,859**

Consolidated Balance Sheet Notes:

(1) Some financial liabilities provide certain restrictions and obligations to the Company's financial structure (see Note 12 of the Audited Financial Statements).
(2) See Note 17 of the Audited Financial Statements.

Additional Financial Information
(millions of Mexican pesos)

As of December 31:	2017	2016	2015
Depreciation and Amortization	8,761	8,436	7,050
Net Cash Flows from Operating Activities	21,117	23,077	18,116
Net Cash Flows from Investment Activities	(27,070)	(16,315)	(11,404)
Net Cash Flows from Financing Activities	6,545	(4,333)	(5,634)
Cash and Cash Equivalents at the End of the Period	7,216	6,814	3,825
Operating Margin	6.5%	7.2%	6.4%
Adjusted EBITDA Margin	10.2%	11.6%	10.7%
Net Majority Margin	1.8%	2.3%	2.4%
Asset Return	1.8%	2.4%	2.6%
Return on Invested Capital	6.4%	7.9%	8.4%
Adjusted EBITDA	27,289	29,298	23,369
Total Debt / Adjusted EBITDA	3.5	2.8	2.9
Net Debt / Adjusted EBITDA	3.2	2.6	2.7
Adjusted EBITDA / Interest Expense	4.6	5.3	5.1

c) Capital Markets

The authorized capital stock of Grupo Bimbo consists of Series "A" common shares, nominative, with no par value, registered with the RNV.

These shares are publicly traded in Mexico, listed on the BMV under the ticker symbol "BIMBO" and registered with the RNV. As of December 31, 2017, its market capitalization was approximately Ps.204 billion.

BIMBO shares started to trade on the BMV on February 1980, when the Company carried out its initial public offering. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the BMV.

The trading of BIMBO shares has not been suspended in the past three years.

As of the date of this Annual Report, the BIMBO share is classified as high trading volume, in accordance with the Trading Activity Index published by the BMV.

Since 2011, BIMBO is included in the Sustainable IPC Index of the BMV. This index allows investors to follow companies' performance on environmental, social responsibility and corporate governance matters.

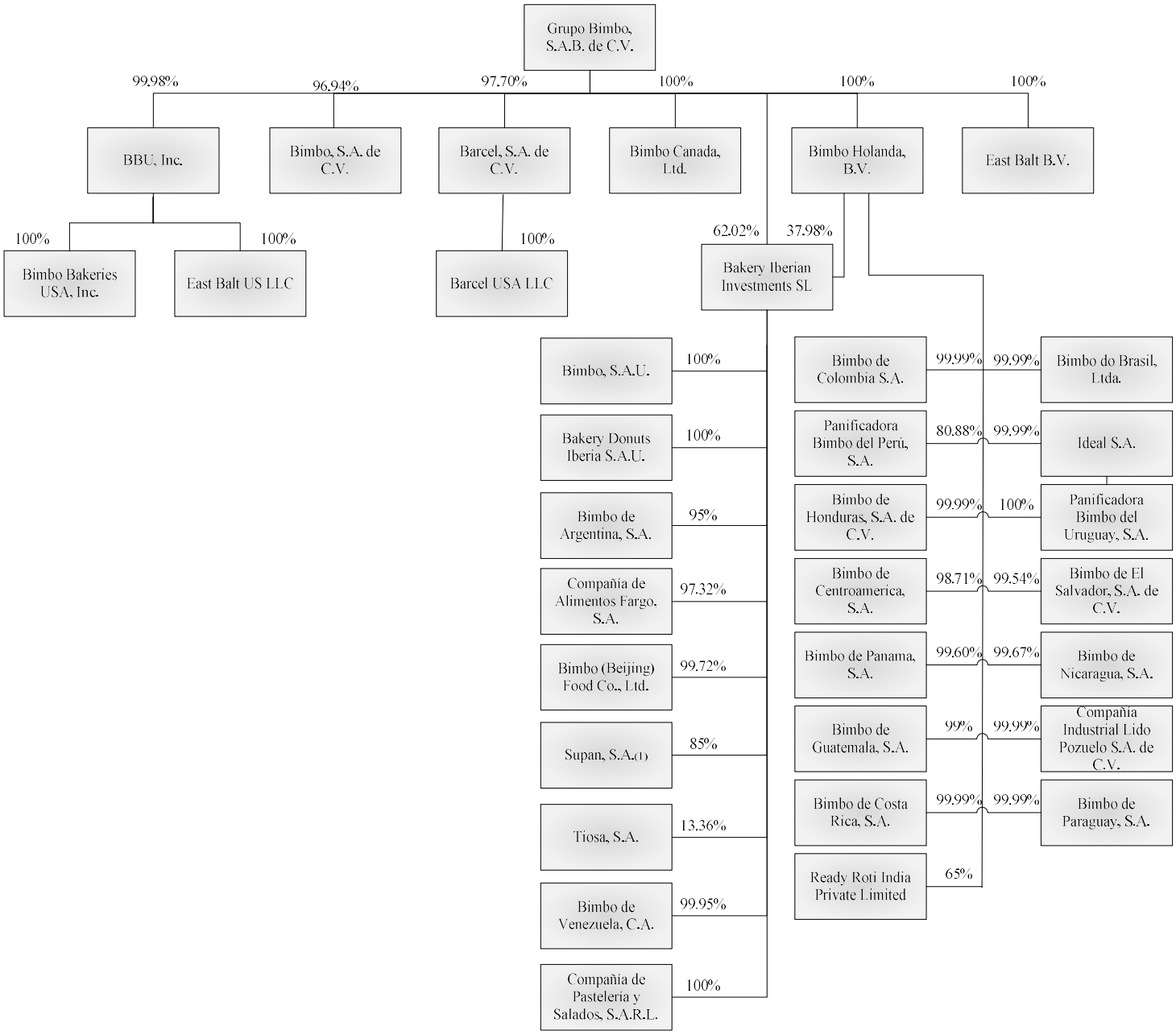
On the date of the present annual report, the Company does not have a market maker agreement.

The following table shows the maximum, minimum and closing adjusted quoted prices in nominal pesos as well as the transaction volume of BIMBO Series "A" shares in the BMV, during the indicated periods.

Year ended December 31	Mexican Pesos per Share "A"			Shares "A" Transaction Volume
	Maximum	Minimum	Closing	
2011	28.47	28.47	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532,853,721

4. Corporate Structure

The following table shows the main subsidiaries comprised in the Group's corporate structure as of December 31, 2017:



c) RISK FACTORS

The following risks factors described may adversely affect the Company's development, financial status and/or operating results, as well as affect the price of any securities of the Company.

Risks Related to the Business, Industry and Supply.

Increases in prices and shortages of raw materials, fuels and utilities could cause costs to increase.

Grupo Bimbo purchases large quantities of commodities, including wheat flour, edible oils and fats, sugar, eggs and plastic to package its products, the prices of which are volatile. The Group is also exposed to changes in oil prices, which impact both its packaging and transportation costs. Prices for commodities, other supplies and energy fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, severe weather conditions (including the effects of global climate change), consumer, industrial or commodity investment demand, changes in governmental regulation and trade, alternative energy sources and government-sponsored agricultural programs. The prices of the Group's raw materials normally fluctuate due to market conditions and currency fluctuations. Grupo Bimbo cannot assure that these fluctuations will not have an adverse effect on its financial performance or that it will be able to pass along the effect of increased costs to consumers.

The Group also relies on fuels and utilities to operate its business. For example, its bakeries and other facilities use natural gas, liquefied petroleum gas and electricity to operate. In addition, its distribution operations use gasoline and diesel fuel and electricity to deliver the products. These fuels and utilities are subject to price volatility. For these reasons, substantial future increases in prices for, or shortages of, these fuels or electricity could adversely affect Grupo Bimbo. Rising commodity, energy and other input costs could materially and adversely affect the Group's cost of operations, including the production, transportation, and distribution of its products, which could materially and adversely affect its business, financial condition, results of operations and prospects.

To ensure the supply, Grupo Bimbo enters into wheat, natural gas and other hedging arrangements to mitigate its exposure against price volatility. These contracts could cause the Group to pay higher prices for raw materials than those available in the spot markets, materially and adversely affecting it.

The Group may not achieve its targeted cost savings and efficiencies from cost reduction initiatives.

The Group's success depends in part on its ability to be a low-cost producer in a highly competitive industry. Grupo Bimbo periodically makes investments in its operations to improve its production facilities and reduce operating costs. The Group may experience operational issues when carrying out major production, procurement, or logistic changes and these, as well as any failure to achieve its planned cost savings and efficiencies, could have a material adverse effect on the business, financial condition, results of operations and prospects.

Competition could adversely affect our business, financial condition, results of operations and prospects.

The baked goods industry is highly competitive and increased competition could reduce the Group's market share or force it to reduce prices or increase promotional spending in response to competitive pressures, all of which would adversely affect its business, financial condition, results of operations and prospects. Competitive pressures may also restrict the Group's ability to increase prices, including in response to commodity and other cost increases. Competition is based on product quality, price, customer service, brand recognition and loyalty, effective promotional activities, access to retail outlets and sufficient shelf space and the ability to identify and satisfy consumer preferences.

Any reduction in sales revenue as a result of competitive pressures would negatively affect profit margins and, if the Group's sales volumes fail to offset any reduction in margins, it will be materially and adversely affected.

Grupo Bimbo competes with large national and transnational companies, local traditional bakeries, smaller regional operators, small family-owned bakeries, supermarket chains with their own bakeries and brands, grocery stores with their own in-store bakery departments or private label products and diversified food companies. To varying degrees, the Group's competitors may have strengths in particular product lines and regions as well as greater financial resources. Grupo Bimbo expects that it will continue to face strong competition in all of the markets and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope. Grupo Bimbo may not be able to successfully compete with these companies.

In particular, from time to time, the Group experiences price pressure in certain of its markets as a result of its competitors' promotional pricing practices, which could be exacerbated by excess industry capacity. As a result, the Group may need to reduce the prices for some of its products to respond to competitive and customer pressures and to maintain market share. Such pressures also may restrict its ability to increase prices in response to raw material and other cost increases. The Group's competitors may also improve their competitive position by introducing competing or new products, improving production processes or expanding the capacity of production facilities. If Grupo Bimbo is unable to maintain its pricing structure and keep pace with its competitors' initiatives, its business, financial condition, results of operations and prospects could be materially adversely affected.

The reputation of the Group's brands and its intellectual property rights are key to its business.

Most of Grupo Bimbo net sales derive from sales of products offered under brands that the Group owns. Its brand names and other intellectual property rights are key assets of its business. Maintaining the reputation of its brands is essential to the Group's ability to attract and retain retailers, consumers and associates and is critical to the Group's future success. Failure to maintain the reputation of its brands could materially and adversely affect its business, financial condition, results of operations and prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, safety conditions in the Group's operations, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its business.

Grupo Bimbo principal trademarks are registered in the countries in which the Group uses such trademarks. While Grupo Bimbo intends to enforce its trademark rights against infringement by third parties, its actions to establish and protect its trademark rights may not be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Group's products on grounds that its products violate their trademarks and proprietary rights. Furthermore, authorities in certain jurisdictions in which Grupo Bimbo operates, may not be as efficient in timely and efficiently recognizing and enforcing the Group's right (which may, in turn, affect the reputation of its brands). If a competitor were to infringe on the Group's trademarks, enforcing its rights would likely be costly and would divert resources that would otherwise be used to operate and develop the business. Although Grupo Bimbo intends to actively defend its brands and trademark rights, it may not be successful in enforcing its intellectual property rights, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group's failure to obtain or adequately protect its intellectual property rights, or any change in law or other changes that serve to lessen or remove the current legal protections of its intellectual property, may diminish the Group's competitiveness and could materially harm its business.

Grupo Bimbo must leverage its brand value to compete against lower-priced alternative brands.

In nearly all of the Group's product categories, Grupo Bimbo competes with lower-priced alternative products. The Group's products must provide higher value and/or quality to its consumers than alternatives, particularly during periods of economic uncertainty. Consumers may not buy the Group's products if relative differences in value and/or quality between its products and retailer or other economy brands change in favor of competitors' products or if consumers perceive this type of change. If consumers choose the lower-

priced brands, then Grupo Bimbo could lose market share or sales volumes, which could materially and adversely affect its product sales, financial condition, and operating results.

Inability to anticipate changes in consumer preferences or enhance the Group's product portfolio may result in decreased demand for its products.

Consumer preferences change over time and Grupo Bimbo success depends on its ability to maintain consumer demand for its products by identifying and satisfying the evolving needs, tastes, trends and health habits of consumers in order to respond in a timely manner to offer products that appeal to these needs, tastes, trends and habits. Changes in consumer preferences combined with the Group's failure to anticipate, identify or react to these changes could result in reduced demand for its products, which could in turn adversely affect its business, financial condition, results of operations and prospects. In particular, demand for the Gropu's products could be impacted by the popularity of trends such as low carbohydrate diets and by concerns regarding the health effects of transfats, sugar content and processed wheat. Furthermore, Grupo Bimbo may not be able to quickly introduce substitute products, as a means to satisfy consumer demands. Consumer preferences may shift in the future due to several factors that are difficult to predict such as changes in demographic trends, governmental regulations, weather conditions, health concerns or changes in economic conditions. While the Group's experience and expertise provide him with a solid understanding of its markets, Grupo Bimbo cannot predict the preferences and needs of current or potential consumers with absolute certainty. The Group markets its products in several different countries and the consumers in each country have their own tastes and preferences (which the Group may be unable to rapidly identify).

The Group's success also depends in part on its ability to enhance its product portfolio by adding innovative new products in fast growing, profitable categories as well as increasing market share in its existing product categories. Introduction of new products and product extensions requires significant research and development as well as marketing initiatives. If the Group's new products fail to meet consumers' preferences, the return on its investment in such new product will be less than anticipated and the Group's strategy to grow net sales and profits may not be successful, which could in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

A decrease in consumer confidence and changes in consumer habits may adversely affect the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is exposed to certain political, economic and social factors in Mexico and in the other countries where it operates that are beyond its control and could adversely impact the confidence and habits of consumers. Changes in employment and salary levels, interest rates and other economic indicators, among other factors, have a direct impact on consumers' income and their purchasing power and an indirect impact on their confidence and consumption habits, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo may be unable to drive revenue growth in its key products or add products that are faster-growing and more profitable.

The Group's future results will depend, in part, on its ability to drive revenue growth in its key products. Because a significant portion of the Group's operations are concentrated in North America, where growth in the sweet baked goods industry has been moderate in recent years, the Group's success also depends in part on its ability to enhance its portfolio by adding innovative new products and rapidly responding to new consumer demands. There can be no assurance that new products will find widespread acceptance among consumers. The Group's failure to drive revenue growth in its key products or develop innovative new products could materially and adversely affect its profitability, financial condition and operating results.

Grupo Bimbo relies on a limited number of customers for sales through certain of its distribution channels.

Sales under certain of the Group's distribution channels, in particular sales under its quick service restaurant channel, rely on a limited number of customers with whom the Group does not have written contracts in place, instead, purchases and sales are made on a purchase order basis. Usually Grupo Bimbo has long-standing relationships with such customers, however, any such customer may cease to buy the Group's products at any time. The loss of key customers could materially and adversely affect the Group's profitability, financial condition and operating results.

Grupo Bimbo would be adversely affected by any significant or prolonged disruption to its production facilities.

Any prolonged and/or significant disruption to the Group's production facilities, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error, natural disaster or otherwise, would disrupt and adversely affect the Group's operations. In particular, any major disruption to its production facilities may have an adverse impact on its ability to comply with its obligations under its contracts with its customers, which could result in sanctions or penalties under such contracts, including the termination thereof by the Group's customers. In such a circumstance, Grupo Bimbo cannot assure that it would be able to negotiate an amendment to the applicable contract, or a replacement thereof, which would have a material and adverse effect on its business, financial condition, results of operations and prospects.

Grupo Bimbo is a holding company. The Group doesn't generate revenue itself, and it depends on dividends and other financial resources from its subsidiaries to fund its operations and pay dividends, should the Group determine to do so.

Grupo Bimbo is a holding company and conduct all of its operations through its subsidiaries. Grupo Bimbo has no independent operations or material assets other than the shares of its subsidiaries. Consequently, the Group's ability to fund its operations, pay interest on its debt and, to the extent that the Group decides to do so, pay dividends, primarily depends on its subsidiaries' ability to generate revenue and pay dividends to the Group. The Group's subsidiaries are separate and distinct legal entities. Any dividend payment, distribution, credit or advance from its subsidiaries is limited by the general provisions of Mexican legislation regarding the distribution of corporate earnings, including those regarding legally required employee profit sharing payments and, in certain circumstances, contractual restrictions, such as those derived from financing contracts of its subsidiaries, which could limit the Group's capacity to obtain dividends from its subsidiaries. In addition, under Mexican law, the Group's Mexican subsidiaries may only pay dividends (i) out of retained earnings included in financial statements that have been approved by their respective shareholders' meetings, (ii) after all losses from prior fiscal years have been satisfied and (iii) if the corresponding entity has allocated 5.0% of its net profit for such fiscal year to its legal reserve, which allocation must be made on an annual basis until its legal reserve represents at least 20.0% of such entity's capital stock. If a shareholder initiates legal action against Grupo Bimbo, the enforcement of any judgment would be limited to the Group's subsidiaries' available assets. The payment of dividends by the Group's subsidiaries also depends on their earnings and business considerations. In addition, the Group's right to receive any assets from any subsidiary upon its reorganization or liquidation, in its capacity as a shareholder of such subsidiary, will be effectively subordinated to the rights of such subsidiary's creditors, including trade creditors. Any adverse change in the financial situation or in the result of operations of the Group's subsidiaries could affect its business, financial condition, results of operations and prospects.

Health and product liability risks related to the food industry could adversely affect the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the availability and expense of liability insurance and the potential cost and disruption of product recalls. The Group may also become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of its products causes injury, illness or death. A product recall or an

adverse result in any such litigation could adversely affect its business, financial condition, results of operations and prospects.

Any actual or perceived health risks associated with the Group's products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of its products. In recent years, governments in many jurisdictions have negatively referred to products in the industries in which Grupo Bimbo participates and have threatened or imposed taxes that may negatively impact demand for its products. Even if the Group's own products are not affected by contamination, its industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for the Group's products in the affected category. In addition, adverse publicity about the safety and quality of certain food products, such as the publicity about foods containing genetically modified ingredients, whether or not true, may discourage consumers from buying the Group's products or cause production and delivery disruptions.

Grupo Bimbo maintains systems and internal policies designed to monitor food safety risks throughout all stages of the production process. However, the Group's systems and internal policies may not be fully effective in mitigating risks related to food safety. Any product contamination could have a material adverse impact on the business, financial condition, results of operations and prospects of the Group.

The Group's operations are subject to extensive food quality and safety regulations.

The Group's operations, including its manufacturing facilities, transportation vehicles and products, are subject to extensive regional and national laws, rules, regulations and standards of hygiene and quality regulation in the food safety area and oversight by authorities in each of the countries where the Group operates regarding the processing, packaging, labeling, storage, distribution and advertising of its products. These authorities enact and enforce regulations with respect to the Group's operations by, among other things, licensing its plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses. Consequently, Grupo Bimbo is required to maintain various registries, licenses and permits in order to operate its business.

The Group's operations in Mexico are subject to extensive laws, rules, regulations and standards of hygiene and quality regulation and oversight by designated authorities such as the Mexican Ministry of Health (*Secretaría de Salud*), the Ministry of Agriculture, Farming, Rural Growth, Fish and Food (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*), the Federal Commission for Protection from Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios*) and the Ministry of Economy (*Secretaría de Economía*) and other authorities regarding the processing, packaging, labeling, storage, distribution and advertising of the Group's products.

The Group's U.S. products and packaging materials are regulated by the U.S. Food and Drug Administration, or FDA. This agency enacts and enforces regulations relating to the production, distribution and labeling of food products in the United States. In addition, various states regulate the Group's U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of food products and imposing their own labeling requirements on food products.

The Group's operations in Europe are subject to extensive food safety regulations and are subject to governmental food processing controls in each of the European countries in which Grupo Bimbo conducts its business. Regulation EC/178/2002, as amended, provides the framework for a unified approach to food safety in the European Union and all member states have implemented the requirements into law. Among the other major requirements of Regulation EC/178/2002 are Article 17, which imposes on food business operators a general obligation to ensure that the operations under their control satisfy the relevant food law requirements and an obligation to verify that such requirements are met, and Article 18, which imposes a mandatory traceability requirement along the food chain. In addition to the general requirements of Regulation EC/178/2002, Grupo Bimbo is subject to specific food hygiene legislation. Further, the Group is regularly inspected by various national and local regulatory authorities. In addition, Grupo Bimbo is subject to extensive consumer-protection and product liability regulations.

Grupo Bimbo is subject to comparable health, hygiene and quality-related local laws and regulations in other countries where it operates. Government policies and regulations in the United States, Mexico and its other markets may adversely affect the supply of, demand for, and prices of, its products, restrict its ability to do business in existing and target local and export markets and could adversely affect its business, financial condition, results of operations and prospects. In addition, if the Group is required to comply with future material changes in food safety or health-related regulations, it could be subject to material increases in operating costs and also be required to implement regulatory changes on schedules that cannot be met without interruptions in its operations. Increased governmental regulation of the food industry, such as proposed requirements designed to enhance food safety, impose health-related requirements or to regulate imported ingredients, could increase the Group's costs and adversely affect its business, financial condition, results of operations and prospects.

The Group relies on third parties to sell its products to its consumers, and if they perform poorly or give preference to competing products, Grupo Bimbo could be negatively affected.

Grupo Bimbo derives a significant portion of its operating revenues from sales to retailers. Grupo Bimbo sells its products to non-traditional retailers, such as supermarkets, hypermarkets and hard discounters, and to traditional retailers, such as small convenience stores and small family-owned stores. These third parties, in turn, sell the Group's products to final consumers. A portion of its revenues comes from the foodservice distribution channel which includes operators such as restaurants and the on-the-go channel including vending machines. Any significant deterioration in the business performance of the Group's customers could adversely affect the performance of its products. In addition, shelf and retail space for sweet baked goods is limited and subject to a competitive environment and other industry pressures. Therefore, traditional and non-traditional retailers also carry products that directly compete with the Group's products for consumer purchases, retail space and marketing efforts. There is a risk that such retailers may give preference to products of, or form alliances with, the Group's competitors or their own private labels other than with respect to products that Grupo Bimbo produces for such private labels, or put pressure on the Group's margins. Private label products represent an alternative for value-conscious consumers. These products allow retailers to increase their sales and margins, which incentivizes retailers to take advantage of their platform to give preference to such private label products at the expense of branded products. There can be no assurance that retailers will provide the Group sufficient shelf space for its products to enable Grupo Bimbo to meet its growth objectives. If retailers put pressure on its margins, fail to purchase its products or fail to provide its products with adequate marketing efforts, the Group's business, financial condition, results of operations and prospects could be adversely affected.

Further consolidation in the supermarket, baking and retail food industries may adversely impact the Group.

Consolidation in the supermarket industry has changed the grocery retail landscape in recent years. Originally, supermarkets rose to prominence by selling numerous types of goods under one roof, largely replacing small grocery stores and other retailers that only sold one particular type of product. In order to increase efficiency and maintain competitiveness, supermarket chains have begun consolidating, a trend that has led to a reduction in the number of retailers. Grupo Bimbo and other producers are becoming increasingly dependent on a small number of retailers for sales volume, which gives these retailers significant leverage to bargain for lower prices in their purchases of the Group's products, requires additional spending on marketing programs by producers or specifically tailored products. Sales to the Group's larger customers on terms less favorable to the Group could adversely affect its business, financial condition, results of operations and prospects.

In addition, consolidation among the Group's competitors in the baked goods and retail food industry may cause its competitors to gain in size and competitive strength, adversely affecting the Group's business, financial condition, results of operations and prospects.

Disruption of the Group's supply chain and distribution network could adversely affect its business, financial condition, results of operations and prospects.

The Group's operations depend on the continuous operation of its supply chain and distribution network. Damage or disruption to the Group's production or distribution capabilities due to weather, natural

disaster, fire, electricity shortages, terrorism, pandemics, strikes, disputes with, or the financial and/or operational instability of, key suppliers, distributors, warehousing and transportation providers, or other reasons could impair our ability to manufacture or distribute the Group's products or to timely comply with its commitments.

To the extent that Grupo Bimbo is unable, or it is not financially feasible for it, to mitigate interruptions in its supply chain, whether through insurance arrangements or otherwise, or their potential consequences, there could be an adverse effect on its business, financial condition, results of operations and prospects, and additional resources could be required to restore the Group's supply chain. These events could materially and adversely affect its business, financial condition, results of operations and prospects.

Natural disasters and other events could adversely affect the Group's operations.

Natural disasters, such as storms, hurricanes and earthquakes, could disrupt operations, damage infrastructure or adversely affect the Group's production plants and distribution processes. Any of these events could increase its expenses or investments, result in a *force majeure* event under certain of our contracts and/or impact the economies of the markets affected by such disasters or events and consequently affect the business, financial condition, results of operations and prospects of the Group.

Grupo Bimbo operations could be adversely affected if its suppliers fail to perform in a satisfactory manner.

The Group's production depends on the availability of raw materials such as wheat flour, edible oils and fats, sugar and eggs, which the Group obtains from several third party suppliers in different countries. Although Grupo Bimbo believes any of its suppliers could be replaced, if for any reason any of its major suppliers is unable or unwilling to continue providing the Group with raw materials due to production delays, increased competition for their products, failure to meet its quality or hygienic standards or any other reason, the Group may face delays in obtaining alternate suppliers, and such suppliers may be unwilling to supply its raw material needs on terms as favorable, or by satisfying the same quality, as those provided by the Group's current suppliers. In addition, in the event of severe shortages, the Group's suppliers may be directed by government agencies to supply certain consumers directly, with preference over Grupo Bimbo. Any such event could result in delays in the Group's operations, deterioration of its brands (and, as a result, reduced demand for its products) and diminished financial results.

Grupo Bimbo may be subject to unknown or contingent liabilities related to its recent and future acquisitions.

The Group's recent and future acquisitions of assets and entities may be subject to unknown or contingent liabilities (including violations to antitrust, anticorruption, anti-bribery and anti-money laundering laws) or breaches of representations and warranties for which the Group may have no recourse, or only limited recourse, against the former owners. In some of the Group's acquisitions the former owners agreed, or may agree, to indemnify the Group for certain of these matters. However, such indemnification obligations are often subject to materiality thresholds and guaranty limits, and such obligations are generally time limited. For certain acquisitions, Grupo Bimbo may not be able to successfully negotiate for such indemnification obligations. As a result, the Group may not recover any amounts with respect to losses due to unknown or contingent liabilities or breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with the acquired assets and entities may exceed the Group's expectations, and the Group may experience other unanticipated adverse effects, all of which may adversely affect its business, financial condition, results of operations and prospects.

The Group's future growth opportunities through mergers, acquisitions or joint ventures may be impacted by antitrust laws and other challenges in integrating significant acquisitions.

Grupo Bimbo may pursue further acquisitions in the future. The Group does not know if it will be able to successfully complete any such acquisitions or whether it will be able to successfully integrate any

acquired business into its business or retain key personnel, suppliers or distributors. Also, there can be no assurance that a challenge on antitrust grounds, in connection with the Group's existing operations or any acquisition that the Group may pursue in the future, will not be made. If any such challenge is made, the Group may be required to sell or divest a significant portion of its business or it may be prevented from consummating a specific acquisition. The Group's ability to successfully grow through acquisitions depends upon its ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain the required financing on terms acceptable to Grupo Bimbo. These efforts could be expensive and time consuming, disrupt its ongoing business and distract management. If Grupo Bimbo is unable to integrate any acquired businesses effectively, its business, financial condition, results of operations and prospects could be materially adversely affected.

Grupo Bimbo may be unable to successfully expand its operations into new markets.

If the opportunity arises, The Group may expand its operations into new markets. Each of the risks applicable to the Group's ability to successfully operate in its current markets is also applicable to its ability to successfully operate into new markets. In addition to these risks, the Group may not possess the same level of familiarity with the dynamics and market conditions of any new markets that it may enter, which could adversely affect its ability to expand into or operate in those markets. Grupo Bimbo may be unable to create similar demand for its products in these new markets, which could adversely affect its profitability. If Grupo Bimbo is unsuccessful in expanding its operations into new markets, its business, financial condition, results of operations and prospects could be materially and adversely affected.

Currency fluctuations may adversely affect the Group.

Grupo Bimbo generates revenues and incur operating expenses and indebtedness in local currencies in the countries where it operates. The amount of its revenues denominated in a particular currency in a particular country typically varies from the amount of expenses or indebtedness incurred by its operations in that country given that certain costs may be incurred in a currency different from the local currency of that country, such as the U.S. dollar. This situation exposes the Group to potential losses and reductions in its margins resulting from currency fluctuations, which may materially and adversely affect its business, financial condition, results of operations and prospects.

As of December 31, 2017, 60.0% of its consolidated debt and a significant portion of its income, operating costs and taxes were denominated in U.S. dollars. However, other significant portions of the Group's income, operating costs and taxes were denominated in Mexican pesos and certain other currencies. As a result, the appreciation or depreciation of the Mexican peso and such other currencies against the U.S. dollar affects the Group's results of operations and financial condition. Significant fluctuations of the Mexican peso and such other currencies relative to the U.S. dollar have occurred in the past, negatively affecting the Group's results. For example, according to the Mexican Central Bank, the Mexican peso depreciated by 17.7% in 2015, 19.2% in 2016, while the currency appreciated 4.49% in 2017, against the U.S. dollar, all in nominal terms. Banco de México may from time to time participate in the foreign exchange market to minimize volatility and support an orderly market. Banco de México and the Mexican government have also promoted market-based mechanisms for stabilizing foreign exchange rates and providing liquidity to the exchange market. However, the peso is currently subject to significant fluctuations against the U.S. dollar and may be subject to such fluctuations in the future.

Grupo Bimbo selectively hedges its exposure to the U.S. dollar with respect to the Mexican peso and other currencies, its U.S. dollar-denominated debt obligations and the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of the Mexican peso or any currency of the countries where the Group operates may result in a disruption of the international foreign exchange markets and may limit its ability to transfer or to convert Mexican pesos or such other currencies into U.S. dollars for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign people or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future. Any change in the monetary policy, policies related to the transferability of funds, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which

the Group has no control, could have an adverse effect on its business, financial condition, results of operations and prospects. Restrictions on the Group's right to convert pesos into U.S. dollars or make payments outside of Mexico could affect its ability to make timely payment of its obligations due to be paid outside Mexico or in a currency other than pesos. Furthermore, there can be no guarantee that any hedging transactions Grupo Bimbo enters into will sufficiently protect it against any such impacts.

The Group's business operations could be disrupted due to interruptions or failures in its information technology systems.

Grupo Bimbo relies on sophisticated information technology systems and infrastructure to support its business, including process control technology. Confidentiality and integrity of information may be jeopardized by deliberate or unintentional misuse, manipulation or disclosure of information; physical theft; or cybersecurity data breaches by its employees, suppliers, hackers, criminal groups, nation-state organizations, social-activist organizations or other third parties. Although the Group does not transact e-commerce directly to consumers as the merchant, it has implemented procedures, controls and technology to address cybersecurity and regulatory compliance. Grupo Bimbo currently utilizes third party e-commerce providers and request that they have the appropriate cybersecurity controls and meet regulatory requirements. However, the cybersecurity and compliance controls the Group or its third party providers implement might not be effective. In particular, continuity of business applications and services may be disrupted by errors in systems' maintenance, migration of applications to the cloud, power outages, hardware or software failures, viruses or malware, denial of service and other cyber security attacks, telecommunication failures, natural disasters, terrorist attacks and other catastrophic events.

Should any of these risks materialize, the need to coordinate with various third party service providers might complicate the Group's efforts to resolve the related issues. If the Group's controls, disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, its business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, should confidential information belonging to the Group or its employees, customers, consumers, partners, suppliers, or governmental or regulatory authorities be misused or breached, the Group may suffer financial losses relating to remediation, damage to its reputation or brands, loss of intellectual property, or penalties or litigation related to violation of data privacy laws and regulations.

Failure to maintain the Group's relationships with labor unions may have an adverse effect on its business, financial condition, results of operations and prospects.

The majority of the Group's workforce is represented by labor unions. While Gurpo Bimbo has enjoyed satisfactory relationships with all of the labor organizations that represent its associates and the Group believes its relationships with labor organizations will continue to be satisfactory, labor-related disputes may still arise. These labor disputes may be motivated by changing social and economic conditions in the countries in which the Group operates. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage the Group's relationships with its customers and adversely affect its business, financial condition, results of operations and prospects. For example, in 2017 Grupo Bimbo suffered two strikes in two of its plants located in Canada, which resulted in the interruption of its business for several weeks. Grupo Bimbo cannot assure that similar strikes will not occur in the future and any such strikes may have a material negative impact in its operations. In addition, if any significant differences arise during its negotiations with labor unions or employees, or any other significant conflicts arise, its business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, increases in labor costs may materially and adversely impact the Group's business, financial condition, results of operations and prospects. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on Grupo Bimbo.

The Group's labor costs include the cost of providing benefits for associates. Grupo Bimbo sponsors a number of defined benefit plans for associates in most of the regions where it operates, including pension,

retiree health and welfare, active health care, severance and other post-employment benefits. Grupo Bimbo also participates in a number of MEPPs for certain production facilities. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the weighted-average discount rate used to measure obligations, the rate or trend of health care cost inflation, the provisions of collectively bargained wage and benefit agreements or material adjustments in the MEPP sponsors.

The Group enters into significant transactions with affiliates and related parties, whether individuals or legal entities, and this may create potential conflicts of interest and result in less favorable terms for the Group.

Grupo Bimbo participates in transactions with individuals and legal entities affiliated with or related to it. These transactions could create potential conflicts of interest and result in less favorable terms for the Group than would be obtainable from a non-related third party.

The Group depends on the expertise of its senior management and skilled personnel, and its business may be disrupted if it loses their services.

The Group's senior management team possesses extensive operating experience and industry knowledge. Grupo Bimbo depends on its senior management to set our strategic direction and manage its business and the Group believes that their involvement in it is crucial to the Group's success. Furthermore, its continued success also depends upon its ability to attract, hire or retain experienced and talented professionals. The loss of the services of its senior management or its inability to recruit, train or retain a sufficient number of experienced and talented personnel could have an adverse effect on the Group's business, financial condition, results of operations and prospects. Grupo Bimbo does not maintain any key person insurance on any of its senior management or associates for these purposes. Its ability to retain senior management as well as experienced and talented personnel will in part depend on the Group having in place appropriate staff remuneration and incentive schemes. The remuneration and incentive schemes Grupo Bimbo has in place may not be sufficient in retaining the services of its experienced and talented personnel.

Compliance with environmental and other governmental laws and regulations could result in added expenditures or liabilities.

The Group's operations are subject to federal, state and municipal laws, rules, regulations and official standards, relating to the protection of the environment and natural resources in all the markets in which it operates. In general, environmental laws impose liability and clean-up responsibility for releases of hazardous substances into the environment and set out the requirements to obtain and maintain environmental permits for the Group's facilities.

In the United States, Gupo Bimbo is subject to federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund).

In Mexico, the Group is subject to various Mexican federal, state and municipal environmental laws and regulations that govern discharges into the environment, as well as the handling and disposal of hazardous substances and wastes. Grupo Bimbo is subject to strict regulation in Mexico by, among other agencies, the Environmental and National Resources Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*), the Labor and Social Security Ministry (*Secretaría del Trabajo y Previsión Social*), the Federal Environmental Protection Bureau (*Procuraduría Federal de Protección al Ambiente*) and the National Water Commission (*Comisión Nacional del Agua*). These agencies may initiate administrative proceedings for violations of environmental and safety ordinances and impose economic penalties on violators.

Although the Group has specific programs across its business units designed to meet applicable environmental compliance requirements, modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations in the jurisdictions in which the Group operates may result in the need for investments that are not currently provided for in its capital expenditures

program and may otherwise result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is subject to anti-trust, anti-corruption, anti-bribery and anti-money laundering laws in different countries where it has operations. Failure to comply with these laws could result in penalties, which could harm the Group's reputation and have an adverse effect on its business.

The Group operates in multiple jurisdictions and is subject to complex regulatory frameworks with increased enforcement activities worldwide. Grupo Bimbo is subject to anti-trust, anti-corruption, anti-bribery and anti-money laundering laws. Although the Group maintains policies and processes intended to comply with these laws, including a review of its internal control over financial reporting, the Group cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by its officers or employees. If the Group's officers or employees fail to comply with any applicable anti-trust, anti-corruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on the business, financial condition, results of operations and prospects of the Group. Furthermore, the entities or businesses the Group acquires may not comply with the same control standards and procedures as Grupo Bimbo. Any investigation of potential violations of anti-trust, anti-corruption, anti-bribery or anti-money laundering laws by governmental authorities in any jurisdiction where the Group operates could materially and adversely affect its business, financial condition, results of operations and prospects. This could also adversely impact the Group's reputation and ability to, when applicable, obtain contracts, assignments, permits and other government authorizations.

In addition, Grupo Bimbo is subject to economic sanctions regulations that restrict its dealings with certain sanctioned countries, individuals and entities. There can be no assurance that the Group's internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by its affiliates, employees, directors, officers, partners, agents and service providers or that any such people will not take actions in violation of Group's policies and procedures. Any violations by Grupo Bimbo of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on its reputation, business, financial condition, results of operations and prospects.

An impairment in the carrying value of goodwill or other acquired intangibles could negatively affect the Group's consolidated operating results and net worth.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trademarks, trade names, and other acquired intangibles as of the acquisition date. Goodwill and other acquired intangibles expected to contribute indefinitely to the Group's cash flows are not amortized, but must be evaluated by management at least annually for impairment. If carrying value exceeds current fair value, the intangible is considered impaired and is reduced to fair value via a charge to earnings. Events and conditions which could result in an impairment include changes in the industries in which Grupo Bimbo operates, including competition and advances in technology; a significant product liability or intellectual property claim; or other factors leading to reduction in expected sales or profitability. Should the value of one or more of the acquired intangibles become impaired, the Group's consolidated operating results and net worth may be materially and adversely affected.

Financing to meet the Group's future capital needs may not be available or sufficient on terms acceptable to it and/or at all.

Grupo Bimbo may need additional financing to build new facilities, expand existing ones, undertake mergers and acquisitions, refinance its debt or for other purposes. Some of the financing agreements entered into by the Group and by its subsidiaries contain financial ratios and other customary covenants for transactions of this type which may limit its ability to incur additional debt.

The global market and economic conditions are unpredictable and may continue to be so in the future. Debt capital markets have in the past been affected by significant losses in the international financial

services industry and economic events in certain countries, among other factors. In the future, the cost of fundraising in debt capital markets may increase significantly, while funds available from these markets may materially decrease. The Group's growth strategy may require financing by public or commercial banks and loans from other public or private financial institutions. In the event there are no funds available from public or private banks, or if such funds are provided on less favorable terms, the Group may not be able to meet its capital needs, or these needs may be limited or hampered, and the Group may not be able to (i) take advantage of certain business opportunities, (ii) respond to competitive pressures, (iii) fund needed capital expenditures or (iv) fund required margin calls or margin deposits in connection with hedging transactions, which may adversely affect its business, financial condition, results of operations and prospects.

Grupo Bimbo may incur additional indebtedness in the future that could adversely affect its financial condition and its ability to satisfy its total outstanding debt obligations from its cash flow.

In the future, the Group could incur in additional debt, situation ehich could have the following effects:

- limit its ability to pay its debt;
- limit its ability to pay dividends;
- increase its vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a portion of its cash flow from operations to servicing and repaying its indebtedness, which may place the Group at a competitive disadvantage with respect to its competitors with less debt;
- limit its flexibility in planning for or reacting to changes in its business and the industry in which it operates;
- limit, along with the financial and other restrictive covenants of its indebtedness, among other things, its ability to borrow additional funds; and
- increase the cost of additional financing.

The Group's ability to generate sufficient cash to satisfy its outstanding and future debt obligations will depend upon its future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are not controlled by the Group. If the Group is unable to service its indebtedness, it will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditure, selling assets, restructuring or refinancing its indebtedness, or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, certain of the Group's financing arrangements impose operating and financial restrictions on its business. These provisions may negatively affect its ability to react to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in its business.

In the future, the Group may from time to time incur substantial additional indebtedness. If the Group or its subsidiaries incur additional debt, the risks that it faces as a result of its existing indebtedness could further intensify.

Legal and regulatory developments may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to regulation in each of the countries where it operates. The principal areas in which Grupo Bimbo is subject to regulation are water, environment, labor, taxation, health and antitrust. The

adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries where the Group operates, including the imposition of taxes directed to products that the Group sells, may increase its operating costs or impose restrictions on its operations which, in turn, may adversely affect its business, financial condition, results of operations and prospects. In particular, environmental standards are becoming more stringent in several of the countries where the Group operates, and the Group is in the process of complying with these standards, although it cannot assure that it will be able to meet the timelines for compliance established by the relevant regulatory authorities. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on the Group's future results or financial condition.

The Group is affected by governmental regulations and guidelines imposing health, food safety and nutritional standards. The Group's compliance with such standards may require it to incur substantial costs for research and development and use more costly ingredients in its products. Grupo Bimbo may not be able to make corresponding increases in the prices it charges consumers for its products, which would adversely affect the business, financial condition, results of operations and prospects of the Group.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where the Group operates. Currently, price controls on the Group's products exist in certain of the territories in which it has operations. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on its business, financial condition, results of operations and prospects. Grupo Bimbo cannot assure that governmental authorities in any country where it operates will not impose statutory price controls or that it will not need to implement voluntary price restraints in the future.

The Group's operations are subject to the general risks of litigation.

Grupo Bimbo is involved, on an ongoing basis, in litigation arising in the ordinary course of business or otherwise, which could result in unfavorable decisions or financial penalties against it. Litigation may include class actions involving consumers, shareholders, employees or injured people, and claims related to commercial, labor, employment, antitrust, tax, administrative, intellectual property, torts, contract securities or environmental matters. Class actions were recently recognized in Mexico. Moreover, the process of litigating requires substantial time, which may distract the Group's management. Even if the Group is successful, any litigation may be costly, and may approximate the cost of damages sought. Furthermore, there may be claims or expenses which are denied insurance coverage by the Group's insurance carriers, not fully covered by its insurance, in excess of the amount of its insurance coverage or not insurable at all. Litigation trends and expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigations, trends, expenses and outcomes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's operations have from time to time been subject to investigations and proceedings by antitrust authorities and litigation relating to alleged anticompetitive practices (including related class actions and other proceedings). For example, in the last quarter of 2017, Canada's Competition Bureau commenced an investigation over allegations relating to an industry wide conspiracy among several bread suppliers (including the business we acquired from by Maple Leaf Foods in Canada) and retailers in connection with pricing conduct dating back to 2001. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved, have admitted to inappropriate conduct. Neither Grupo Bimbo nor any of its associates have been charged with any offenses as of the date of this report. The group is cooperating fully with Canada's Competition Bureau as it conducts its inquiry. In addition, shortly after the commencement of such investigation, Grupo Bimbo was notified of certain class actions initiated by groups of consumers filed against all the parties allegedly involved in Canada's Competition Bureau investigation relating to the facts and subject matter of such investigation. The Group cannot assure you that the outcomes of this investigation will not have a material adverse effect on its business, financial condition, results of operations and prospects.

Grupo Bimbo will continue to be subject to legal proceedings and investigations. The Group cannot assure you that these investigations and proceedings will not have an adverse effect on its business, financial condition, results of operations and prospects. Moreover, adverse publicity about regulatory or legal actions or investigations and allegations by other parties involved in regulatory or legal actions against

the Group could damage its reputation and brand image, undermine our customers' confidence and reduce long-term demand for its products, even if the regulatory or legal action is unfounded or not material to our operations.

The Group is subject to different disclosure and accounting standards than companies in other countries.

A principal objective of the securities laws of Mexico and other countries is to promote full and fair disclosure of all material corporate information, including the financial information of the issuers. However, it is possible that issuers of securities in Mexico do not disclose the same information or disclose different information from what would be mandatory for them to disclose in other countries.

A decrease in consumer confidence and changes in consumer habits may adversely affect the business, financial condition or results of operations of the Group.

The Group is exposed to certain political, economic and social factors in Mexico and in the other countries in which it operates that are beyond its control and could adversely impact the confidence and habits of consumers. Changes in employment and salary levels, interest rates and other economic indicators, among other factors, have a direct impact on consumers' incomes and their purchasing power and an indirect impact on their confidence and consumption habits, which could have an adverse effect on the sales and results of operations of Grupo Bimbo.

It may be difficult to enforce civil liabilities against the Group or its directors, executive officers and controlling people.

Grupo Bimbo is a listed variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, with its registered address in Mexico, and most of its directors, executive officers, and controlling people are residents in Mexico. Moreover, a significant portion of its assets and a significant portion or all of the assets of such resident people are located in Mexico.

As a result, it may be difficult for foreign investors to bring legal processes outside Mexico against such people or the Group, or to enforce judgments against them or the Group in courts of any jurisdiction outside of Mexico, including any judgment predicated upon the civil liability provisions of such people in those countries. There is doubt as to the enforceability in Mexican courts of civil liabilities arising under the federal laws of the United States, by means of judgments carried out in Mexico or enforcement processes of judgments from US courts.

Risks Related to Countries in Which the Group Operates

The Group's business and financial performance may be adversely affected by risks inherent in international operations.

Grup Bimbo currently maintains production facilities and operations in Mexico, the United States, Argentina, Brazil, Canada, Chile, China, Colombia, Costa Rica, Ecuador, El Salvador, France, Honduras, Guatemala, India, Italy, Morocco, Nicaragua, Panama, Paraguay, Peru, Portugal, Russia, Spain, South Africa, South Korea, Switzerland, Ukraine, Uruguay, Turkey, the United Kingdom and Venezuela. The Group's ability to conduct and expand its business and its financial performance is subject to the risks inherent in international operations. The Group's liquidity, results of operations and financial condition may be adversely affected by trade barriers, currency fluctuations and exchange controls, political unrest, high levels of inflation and increases in duties, taxes and governmental royalties, as well as changes in local laws and policies of the countries in which the Group conducts business, including changes to environmental laws that could affect its production facilities or to health safety laws that could affect its products. The governments of the countries where Grupo Bimbo operates, or may operate in the future, could take actions that materially adversely affect it, including the taking, expropriation or condemnation of its assets or subsidiaries.

Any limitation on foreign trade in any of the countries where the Group operates could affect its business, financial condition, results of operations and prospects. Individual governments could impose trade restrictions for a variety of reasons, either tariff or non-tariff, restricting, limiting or prohibiting international trade of goods. Such measures would adversely affect the Group's business, financial condition, results of operations and prospects since Grupo Bimbo imports a significant portion of its raw materials.

Global economic conditions may adversely affect the Group's business and financial performance.

The Group's business, financial condition, results of operations and prospects may be affected by the general conditions of the economies, rates of inflation, interest rates or exchange rates for the currencies of the countries where Grupo Bimbo operates. These conditions vary by region and may not be correlated to conditions in the Group's operations in other regions. Decreases in the growth rate of these countries' economies, periods of negative growth and/or increases in inflation or interest rates in these countries may result in lower demand for the Group's products, lower real pricing of its products or a shift to lower margin products.

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the other countries where the Group operates. When economic conditions deteriorate, the end markets for the Group's products may experience declines, and we may suffer reductions in the Group's sales and profitability. In addition, the financial stability of the Group's customers and suppliers may be affected, which could result in decreased, delayed or canceled purchases of our products, increases in uncollectable accounts receivable or non-performance by suppliers.

The global economy may continue to experience periods of slowdown and volatility which in turn may further diminish expectations and consumer spending in the economies in which the Group operates and may be adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, currency fluctuations, disruptions in the credit markets, difficulty in obtaining financing, reduced business activity, rising unemployment, uncertainty in the level of interest rates, erosion of consumer confidence and reduced consumer spending. Although the Group's strategy is targeted at offsetting or taking advantage of market trends as appropriate, worsening of the global economic downturn in general has had, and may continue to have, a negative impact on the business, financial condition, results of operations and prospects of Grupo Bimbo.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. A process of negotiation, which is expected to be completed within the next two years, will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on the Group results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by volatility and reduced growth. The uncertainty before, during and after the period of negotiation could also have a negative operational or economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the Group's business.

Political or social developments in any of the countries in which Grupo Bimbo has operations, over which it has no control, may have an adverse effect on the global market or on our business, financial condition, results of operations and prospects.

Adverse economic conditions in North America in particular may adversely affect the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is a company incorporated in Mexico, and a significant portion of its operations are conducted in Mexico, the United States and Canada. For the year ended December 31, 2017, 85.2% and 104.8% of its total net sales and Adjusted EBITDA (giving effect to the amortization of losses from its

operations in Europe), respectively, were attributable to its operations in Mexico, the United States and Canada. As a result, the Group's business, financial condition, results of operations and prospects may be affected by the general condition of the economies in the United States, Canada and Mexico, including price instability, inflation, interest rates, regulation, taxation, increasing crime rates and other political, social and economic developments over which Grupo Bimbo has no control. In addition, the Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. In the past, Mexico has also experienced prolonged periods of economic crisis caused by internal and external factors over which the Group has no control. These periods have been characterized by exchange rate instability, high inflation, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. Such conditions may return and could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers, including Grupo Bimbo.

In addition, the direct correlation between economic conditions in Mexico and the United States has sharpened in recent years as a result of the NAFTA and increased economic activity between the two countries. As a result of the slowing economy in the United States and the uncertainty it could have on the general economic conditions in Mexico and the United States, the Group's business, financial condition, results of operations and prospects could be adversely affected. In addition, due to the unpredictable dynamics of the international credit markets, capital availability and cost could be significantly affected and could restrict the Group's ability to obtain financing or refinance its existing indebtedness on favorable terms, if at all, materially adversely affecting the Group's business, financial condition, results of operations and prospects.

Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, the Group's business, financial condition, results of operations and prospects.

Political events in Mexico may significantly affect Mexican economic policy and, consequently, the Group's operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on the Group and on market conditions in Mexico. Mexico's next presidential election will be held in July 2018 and the outcome of it cannot be predicted. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect the Group's business, financial condition, results of operations and prospects. The Mexican federal government occasionally makes significant changes in policies and regulations and may do so again in the future, especially if a different political party prevails in the election in Mexico. Actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations and capital controls and limits on imports. Tax legislation, in particular, in Mexico is subject to continuous change, and Grupo Bimbo cannot assure that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on its business, financial condition, results of operations and prospects.

Further, although as of the date of report no political party holds a simple majority in either house of the Mexican Congress, Mexico's next federal legislative election will be held in July 2018, which is likely to result in a different composition of Mexican Congress. Grupo Bimbo cannot predict the impact that political developments in Mexico will have on the Mexican economy nor can provide any assurances that these events, over which we have no control, will not have an adverse effect on its business, financial condition, results of operations and prospects. In addition, government forecasts of Mexico's economic growth may affect rating agencies' perception of the country, which may have a negative effect on Mexico's credit ratings

issued by international rating agencies, which may, in turn, adversely affect the Group's business, financial condition and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation (in particular with respect to the Mexican peso-U.S. dollar exchange rate), convertibility restrictions and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect the Group's business and ability to service its debt. During 2017, Banco de México increased its reference rate by 150 basis points, from 5.75% to 7.25%. Future increases in interest rates may adversely affect the Group's results of operations by increasing its financing cost. In addition a worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, the Group's financial condition and its ability to service its debt.

High inflation rates may adversely affect the Group's financial condition, results of operations and prospects.

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the peso and the imposition of substantial government controls over exchange rates and prices. As provided and published by Mexican National Institute for Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or INEGI), the annual rate of inflation for the last three years was 2.13% in 2015, 3.44% in 2016, and 6.77% in 2017. Grupo Bimbo cannot assure that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States, any of which could increase our capital expenditures and adversely affect its ability to obtain financing in the future, adversely affecting the Group's financial condition and its ability to make payments on the notes.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm the Group's business.

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest real interest rates in the world. The Central Bank of Brazil sets the base interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. The trend of periodic reductions of the base interest rate (*Sistema Especial de Liquidação e Custódia*, or "SELIC" rate) that the Central Bank of Brazil had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.67% as of December 31, 2008, compared to 11.18% as of December 31, 2007. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank of Brazil significantly reduced the SELIC rate, which reached 8.65% as of December 31, 2009. The SELIC rate was gradually raised to 12.42% through July 2011, after which the Central Bank of Brazil lowered the SELIC rate to 7.39% in August 2012. To control inflation during 2013, the Central Bank of Brazil gradually raised the SELIC rate to 9.90% in December. As of July 2017, the SELIC rate stands at 9.15%. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank of Brazil, have had and may have significant effects on the Brazilian economy and businesses. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies of the government and the Central Bank of Brazil and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect the Group's business in Brazil.

Violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a negative effect on the Group's business, financial condition, results of operations and prospects.

Mexico has recently experienced a significant increase in violence relating to illegal drug trafficking and organized crime, particularly in Mexico's northern states near the United States border. This increase in violence has had an adverse impact on the economic activity in Mexico. In addition, social instability in Mexico and adverse social or political developments in or affecting Mexico could adversely affect the Group

and its financial performance. Also, violent crime may increase our insurance and security costs. Grupo Bimbo cannot assure that the levels of violent crime in Mexico or its expansion to a larger portion of Mexico, over which it has no control, will not increase. Corruption and links between criminal organizations and government authorities also create conditions that affect the Group's business operations, as well as extortion and other acts of intimidation, which may have the effect of limiting the level of action taken by federal and local governments in response to such criminal activity. An increase in violent crime could adversely affect the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is exposed to the risk of potential expropriation or nationalization of our assets in some of the countries where it operates.

Grupo Bimbo is exposed to the risk of potential expropriation and nationalization of its assets that are located in the various countries in which the Group operates (like Venezuela), some of the countries in which Grupo Bimbo operates have been subject to volatile political conditions in the recent past, and we cannot assure that the local governments will not impose changes retroactively that could affect the Group's business, or that would force us to renegotiate our current agreements with such governments. The occurrence of such events could materially affect its financial condition, results of operations and prospects.

The Group's operations in Venezuela are subject to risk due to political instability in Venezuela as well as recent sanctions against it by the United States.

In Venezuela, the Group continues to face adverse economic conditions, including restrictive exchange rate policies, lower per capita income, pricing elasticity, high operating costs as a percentage of revenues and scarcity of and restrictions on importing raw materials. These adverse economic conditions have had in the past and will continue to have an adverse effect on the revenues, sales volume and profitability of the Group's Venezuelan operations. Grupo Bimbo evaluates on an annual basis, or more frequently where the circumstances require, the carrying amount of its assets in Venezuela for possible impairment. Further deterioration in the economic, regulatory, business or political environment in Venezuela may result in the recognition of impairment charges in certain of the Group's assets in Venezuela.

The United States recently imposed financial sanctions against Venezuela. These sanctions could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Political conditions in the U.S. may affect Grupo Bimbo adversely.

The results of the 2016 U.S. presidential and congressional elections have generated volatility in the global capital markets and have created uncertainty about the relationship between the United States and Mexico. This volatility and uncertainty, as well as changes in policies implemented by the new administration, may affect the Mexican economy and may materially harm the Group's business, financial condition, results of operations and prospects. The current U.S. presidential administration has suggested that it is not supportive of NAFTA, which is currently undergoing renegotiation, and has suggested that it may even seek to terminate U.S. participation in NAFTA, or apply tariffs to protect U.S. manufacturing. Negotiations among the U.S., Mexico and Canada to revise and update NAFTA began on August 16, 2017. It has also suggested that it may implement changes with respect to U.S. policy regarding immigration from Mexico. It remains unclear what specifically the new administration will seek to do with respect to these matters and how the Group's business may be affected. Any material change to U.S. trade policy, particularly any modification with respect to Mexico and NAFTA, could have a material adverse effect on the Mexican economy and the Group's business, results of operations and financial condition. In addition, the recent enactment of the Tax Cuts and Jobs Act by the United States, which, among other things, reduces the maximum U.S. federal corporate income tax rate, may result in a decrease in investments by U.S. corporations in Mexico and negatively impact the Mexican economy and financial markets.

Furthermore, the plans of the new United States administration to build a wall between the United States and Mexico, as well as the implementation of a deportation plan against illegal immigrants of which the high majority are Mexicans, may have an negative impact on the relationship between the two countries and may result in increased commercial tariffs or other material consequences that may have a direct effect

on the Mexican economy and, consequently, on the results of the Group's operations, cash flows, perspectives and/or stock price.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Mexican economy.

Emerging markets such as Mexico are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. Any increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Mexico and adversely affect the Mexican economy in general.

Political and social events in Mexico and in the countries where it operates.

The social, political, economic and other developments in Mexico and in the other countries in which the Group operates may adversely impact its operations and results.

Governmental action as well as any other social or political developments in Mexico and in the other countries in which the Group operates may adversely impact the market conditions and the price of its raw materials or of its products, which may affect its financial situation.

It may be difficult to enforce civil liabilities against the Group or its directors, executive officers and controlling people

Grupo Bimbo is a listed variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Most of its directors, executive officers, controlling people and experts named in this Annual Report are residents in Mexico, and a significant portion of the assets of such people and a significant portion of all the assets of Grupo Bimbo are located in Mexico. As a result, it may be difficult for investors to bring legal processes in any other jurisdiction outside of Mexico against such people or Grupo Bimbo, or to enforce judgments against them or Grupo Bimbo in courts of any jurisdiction outside of Mexico predicated upon the laws of any such jurisdiction. It is possible that those sentences arising from the application of foreign laws may not be enforceable in Mexico.

d) OTHER SECURITIES

I. As of December 31, 2017, the following securities were registered by Grupo Bimbo in the RNV:

a. Authorized capital stock Series "A" common shares, ordinary, nominative, with no par value, listed in the BMV since 1980 under ticker symbol "BIMBO".

b. *Certificados Bursátiles*:

(i) Bimbo 17 - Issued on October 6, 2017 in the aggregate amount of Ps.10,000,000,000 maturing on September 24, 2027.

(ii) Bimbo 16 – Issued on September 12, 2016 in the aggregate amount of Ps.8,000,000,000 maturing on September 2, 2026.

II. Senior Notes:

1. On June 30, 2010, Grupo Bimbo issued Senior Notes in the international markets, in the aggregate amount of $800,000,000 US dollars maturing on June 2020, under Rule 144A and Regulation S of the U.S. Securities Act.

2. On January 25, 2012 Grupo Bimbo issued Senior Notes in international markets, in the aggregate amount of $800,000,000 US dollars maturing on 2022, according to Rule 144A and Regulation S of the U.S. Securities Act.

3. On June 27, 2014 Grupo Bimbo issued (i) Senior Notes in the international markets, in the aggregate amount of $800,000,000 US dollars maturing on 2024, and (ii) Senior Notes in the international markets, in the aggregate amount of $500,000,000 US dollars maturing on 2044, according to Rule 144A and Regulation S of the U.S. Securities Act.

4. On November 10, 2017 Grupo Bimbo issues Senior Notes in the international markets, in the aggregate amount of $650,000,000 US dollars maturing on 2047 according to Rule 144A and Regulation S of the U.S. Securities Act.

The Company has been complying on a timely basis with all of its obligations to disclose information on material events as well as the legal and financial information required by the applicable provisions.

I. <u>Annual Information</u>:

a) The third business day following the date of the annual shareholders' meeting in which the annual results are approved, which shall be held during the first four months of each year:

1. Reports and opinion referred to in article 28, paragraph IV of the Securities Market Law.

2. The annual financial statements or their equivalents, depending on the nature of the issuer, together with the opinion of the external auditor, as well as the audited annual financial statements of associated entities that contribute more than 10% of the Company's earnings or consolidated assets.

3. Letter signed by the secretary of the board of directors, stating the current status of the shareholders' meetings minutes registry, board of directors meetings minutes registry, share registry book, and, for corporations with variable capital (*sociedades anónimas de capital variable*), capital variation registry book.

4. Documents of the external auditor, referred to in Articles 84 and 84 Bis of the General Provisions Applicable to Securities Issuers and to Other Participants in the Securities Market, subscribed by the external auditor.

b) No later than April 30 of every year:

1. The annual report corresponding to the fiscal year immediately ended, prepared in accordance with the General Provisions.

c) No later than June 30 of every year:

1. Report corresponding to the fiscal year immediately ended, regarding the level of adherence to the Best Corporate Practices Code, pursuant to the format issued by the BMV.

II. Quarterly Information:

Within 20 business days following the end of the first three calendar quarters and within 40 business days following the end of the fourth calendar quarter of each fiscal year, the Company must report its financial statements and the economic, accounting and administrative information set forth in the corresponding electronic templates, comparing at minimum the results for the relevant quarter against the financial statements for the previous fiscal year according to the applicable accounting principles. The electronic documents shall include an update of the annual report (or prospectus, if as of the date of presentation of the financial information the issuer has not been required to publish such annual report) with management's comments and analysis of the results of the operations and financial situation of the issuer.

In addition, the Company shall deliver to the Commission and BMV a certificate signed by the Chief Executive Officer or the Chief Financial Officer, or any other person holding a similar title, stating, under oath, that, in the competence of their authority, they prepared the relevant information of the Company contained in the quarterly report, which, as of their knowledge, reflects in a reasonable manner the situation of the Company. Likewise, they should state that they are not aware of any material information that is missing in the quarterly report or that the report contains information that could confuse an investor.

III. Legal Information:

a) On the date of their publication, the calls for shareholders' meetings and the calls for bondholders' meetings or meetings of holders of other securities. Such calls must contain each and all of the items of the agenda to be discussed during the relevant meeting.

b) On the business day immediately following the date on which the relevant meeting is held:

1. A summary of the resolutions adopted at the shareholder's meeting held pursuant to article 181 of the General Corporations Law, including the application of profits and, as the case may be, the payment of dividends, number of coupon or coupons against which payment will be made, as well as the place and date of payment.

2. A summary of the resolutions adopted at the shareholder's meetings other than the meetings mentioned above, as well as the resolutions adopted by the meetings held by the holders of other securities.

c) Within 5 business days following the date of the shareholder's meeting or of the holders of other securities meetings, as applicable:

1. A copy, certified by the secretary of the board of directors of the Company or any person authorized thereto, of the shareholder's meetings minutes, together with the attendance list signed by the examiners appointed for such purposes, stating the number of shares that correspond to each shareholder and, as the case may be, on behalf of whom is acting, as well as the total number of shares represented at the meeting.

2. A copy, certified by the chairperson of the meeting, of the holders of the securities minutes' meetings, together with the attendance list signed by the holders of the securities or their representatives and by the examiners appointed for such purposes, stating the number of securities that correspond to each holder of the securities, as well as the total number of the securities represented at the meeting.

d) At least 6 business days before the start of the period within which it is intended to carry out the acts referred to in each of the following notices:

(i) Notice to the shareholders for the exercise of any rights of first offer derived from capital increases and the subsequent issuance of shares, whose amount is required to be paid in cash.

(ii) Notice for the delivery or exchange of shares, obligations or other securities.

(iii) Notice for the payment of dividends, which must include the corresponding amount and the proportion of such dividends or, as the case may be, the payment of interest.

(iv) Any other notice addressed to the shareholders, holders of other securities or the general public.

e) No later than June 30 of every third year, the notarization of the shareholder's meeting by means of which a restatement (*compulsa*) of the Company's by-laws has been approved.

IV. Repurchase of the Company's own shares:

The Company is required to disclose to the BMV no later than the next business day following the consummation of any transactions involving the repurchase of the Company's shares.

V. Material events:

The Company is required to disclose to the BMV all material events pursuant to the provisions set forth in the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities' Market.

e) MATERIAL CHANGES TO THE SECURITY RIGHTS REGISTERED WITH THE RNV

During 2017 there were no material changes in the capital stock of Grupo Bimbo and therefore the capital stock was represented as of December 31, 2017 by 4,703,200,000 shares.

f) USE OF PROCEEDS

On October 6, 2017, the Company issued Notes (*Certificados Bursátiles*) under the ticker symbol “BIMBO 17”. The Notes (*Certificados Bursátiles*) were registered in the RNV with number 0066-4,15-2016-010-02. As of this date, there are no unused proceeds derived from this issuance.

Also, there are no unused proceeds obtained from the issuance of securities completed in previous years (see "Section “1. GENERAL INFORMATION – d) Other Securities").

g) PUBLIC DOCUMENTS

In order to review this Annual Report, please visit the Investor Relations site:

www.grupobimbo.com/en/investors/

For any clarification, please contact the Investor Relations team at the following e-mail:

ir@grupobimbo.com

In connection with the public information that has been delivered to the BMV, please visit the following websites:
http://www.grupobimbo.com
www.bmv.com.mx

The information available on these websites is not a part of this Annual Report.

For more information and documentation regarding the corporate governance of Grupo Bimbo please visit the following address:

http://www.grupobimbo.com

2) THE COMPANY

a) COMPANY'S HISTORY AND DEVELOPMENT

i) Legal background

Incorporation

The Company was incorporated by public deed number 10,670, dated June 15, 1966, granted before Tomás O'Gorman, at the time, Public Notary number 96 of Mexico City, the first official transcript of which was filed in the Public Registry of Commerce of Mexico City, in the Commerce section, under number 299, pages 377, volume 636, 3rd book.

Corporate Name

The Company was originally incorporated under the corporate name of Promoción de Negocios, S.A. In 1978 it changed its corporate name to Grupo Industrial Bimbo, S.A. and in 1981 it adopted the form of a *sociedad anónima de capital variable*. On August 24, 1999, the Company changed its corporate name to Grupo Bimbo, S.A. de C.V., and on November 16, 2006, by public deed number 30,053, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, the first official transcript of which was filed in the Public Registry of Commerce of Mexico City in mercantile folio number 9,506. On December 6, 2006, the Company adopted the form of a *sociedad anónima bursátil de capital variable*.

Duration

The Company's duration is indefinite.

Domicile and Telephone Numbers

The Company's headquarters are located at Prolongación Paseo de la Reforma 1000, Colonia Peña Blanca Santa Fe, C.P. 01210, Mexico City. The telephone number is 5268-6600. The Company's website is: www.grupobimbo.com. The information contained in the Company's website is not part of this Annual Report.

ii) History

All figures shown in this Section correspond to historical values on the dates indicated.

1945 Taking advantage of their experience in the bakery industry, Don Lorenzo Servitje Sendra and Don Lorenzo Sendra Grimau decided to create an American style packaged bread factory, to which they invited Don Alfonso Velasco, as well as Don Jaime Jorba Sendra and Don José T. Mata to participate as industrial partners. Another founder was Don Roberto Servitje Sendra, who collaborated since the inception as sales supervisor. Even though he did not participate as a partner at the Company's inception, gradually Don Roberto Servitje acquired grater responsibilities and likewise participated in the decision making process. He later purchased BIMBO shares and, subsequently, became Chief Executive Officer, a position he left in 1994, when he was appointed chairman of the Board of Directors, replacing Don Lorenzo Servitje who held that position since its foundation.

For the creation of the packaged bread factory, the founding partners mainly addressed the needs of the market at that time; that is, timely and quality attention to the clients, and product freshness. To satisfy these needs, the products to be manufactured and the characteristics of the packing thereof were determined, in addition to putting in place direct distribution systems and the replacement of unsold products every two days. On December 2, 1945, Panificación Bimbo was formally founded in Mexico City.

1947-1952 In 1947, the outside distribution to some cities in the states of Veracruz, Morelos, Hidalgo and Puebla was initiated. By 1952, four plants were already installed in Mexico City and the rolls category was already integrated within the Company's products. Likewise, the distribution had extended to some of Mexico's central and northern states.

1956 In May 1956, the corporation Pasteles y Bizcochos, S.A. was incorporated, currently known as Productos Marinela, S.A., with which the Group ventured in the cakes category. As of this date the establishment of plants outside Mexico City began. The first of them were Bimbo de Occidente, S.A. (Guadalajara) and Bimbo del Norte, S.A. (Monterrey), which significantly broadened the geographical distribution coverage and the variety of products offered by the Company.

1963-1978 The period between 1963 and 1978 was characterized by great expansion and diversification. In addition to opening eight more plants in different states of the Mexican Republic, the existing plants were enlarged and other additional cake lines were integrated to those offered by Productos Marinela, S.A. Moreover, it ventured into the candies and chocolates industry, with the establishment of the first Ricolino plant, and into the salted snacks market, with what is currently known as Barcel. At that time practically all the states of the country were covered through the Company's direct distribution system.

In this period, the Group's vertical integration initiated with the inauguration of the first jam plant. Not only were the other Group's companies supplied with these products, but also the line of products offered to the consumers was diversified.

In connection with pastry products, in the 1970's BIMBO launched the *Suandy* line, whose products were prepared based on butter. This line was significantly enlarged in 1981.

1979 In 1979, *Tía Rosa* was introduced as a house-made bakery brand in the domestic market and some of the production lines under this brand were rapidly developed with automated systems.

1983 By this time, the Group already manufactured some equipment and parts thereof, which were used in its plants. Therefore, in 1983 the inauguration of the Maquindal, S.A. plant took place, which merged in January 2001 with the corporation Moldes y Exhibidores, S.A. de C.V.

1984 In 1984, BIMBO ventured into the export market with the distribution of *Marinela* products into the USA.

1986-1990 In 1986, after the crisis faced by Mexico for almost five years, BIMBO acquired Continental de Alimentos, S.A. de C.V., a company that produced and commercialized the products under the brand *Wonder,* which until then was BIMBO's direct competitor in the bread and cakes categories. By 1989, the Group significantly expanded further through additional acquisitions and the establishment of plants in the lines of business of final products and raw materials, material and equipment for internal consumption.

1992-1996 Regarding the transactions at an international level, in 1990 the Company acquired a bread and cake producer plant in Guatemala, which marked the beginning of the Group's coverage in Latin America. In 1992, BIMBO initiated the acquisition of production plants in other countries of the region with the acquisition of Alesa, S.A. and Cena (currently Ideal, S.A.) in Chile. Afterwards, it extended to Venezuela with the acquisition of Industrias Marinela, C.A. and Panificadora Holsum de Venezuela, C.A. in 1993, merged in 1999 under the name of Bimbo Venezuela C.A. At the same time, production plants were installed in Argentina, Colombia, Costa Rica, El Salvador and Peru, as well as distribution companies in Honduras and Nicaragua.

Additionally, the Company significantly expanded in the USA with the establishment and acquisition of several production plants in different states near the border with Mexico. The

following companies were acquired: Orbit Finer Foods, Inc., in 1993; Fabila Foods, Inc. and La Fronteriza, Inc., in 1994; C&C Bakery, Inc. and La Tapatía Tortillería, Inc., in 1995; and Pacific Pride Bakeries, with two plants (Suandy Foods Inc. and Proalsa Trading Co.), in 1996.

In 1992, the Company acquired the factory Galletas Lara, which allowed it to enter into the traditional cookie market, with "maría" type cookies and crackers, a category not covered by the *Marinela* brand.

1998 Important levels of investments characterized 1998. In that year the Company acquired Mrs. Baird's bakery company, a market leader in the state of Texas, United States, and in Mexico the production facility in La Paz, Baja California began operating. Likewise, BIMBO's expansion reached the European continent with the establishment in Germany of Park Lane Confectionery, a confectionery goods distribution company. Also during that year, in order to focus on its main businesses, BIMBO divested its participation in the business of preparation and distribution of ice creams in Mexico and its stake in the salted snacks business in Chile.

1999 In February 1999, BIMBO carried out a strategic alliance with the company Dayhoff, in the USA, and engaged in the distribution of candies, through an equity interest of 50%. In 2002, BIMBO'S interest increased to 70% and in 2004 it acquired 100% of the shares.

In March 1999, BIMBO associated with Grupo Mac'Ma by acquiring a 51% interest in the companies engaged in pastry manufacturing. In the state of California, USA, it acquired the baking company Four-S.

In 1999, a new bread production plant was built and began operations in the city of Tijuana, Baja California, with the following production lines: white, whole wheat and sweet bread, rolls, wheat tortillas and tostadas, among others.

In July 1999, BIMBO reinforced its presence in Colombia through the acquisition of different assets in the city of Cali. In September, the Company completed an agreement with the McDonald's restaurant chain, through which it became the unique supplier of all rolls for the chain in Venezuela, Colombia and Peru. The unique concession of its rolls contributed to the consolidation of the Company's position in Latin America. Further, this exclusivity has strengthened the relationship between the companies since 1985, the year when McDonald's entered Mexico.

In October 1999, BIMBO completed negotiations with Panacea, S.A., located in San Jose, Costa Rica. These negotiations allowed BIMBO to acquire some of the assets owned by the Costa Rican company and the right to use *Tulipán*, its leading brand in that country.

For an amount of $140.6 million dollars, in December 1999, BIMBO carried out the sale of its six wheat mills and the fresh and processed fruits and vegetables business to a group of investors represented by Mr. Roberto Servitje Achútegui.

In line with the strategy of taking advantage of synergies and operational consolidation, in 1999 BIMBO initiated the administrative and operational merger of its companies in the USA, consolidating the following: Mrs. Baird's Bakeries Business Trust, in Texas, and Bimbo Bakeries USA, Inc., in California.

2000 In March 2000, BIMBO, Oracle de Mexico, Sun Microsystems and Cap Gemini Ernst & Young agreed to the development of the computer program BIMBO XXI.

In April 2000, the Company, through Ricolino, inaugurated two plants in the European Union, one in Vienna, Austria, and the other in Ostrava, Czech Republic; see Section "2. THE COMPANY- b) Business Description -– i) Principal Activity".

Additionally, in November 2000, BIMBO acquired Pan Pyc, the second most important bakery company of Peru, which consolidated its leadership in that country. In December 2000 it acquired the Guatemalan bakery company La Mejor, reinforcing its presence in Guatemala, El Salvador and Honduras.

2001 2001 highlighted the intense activity to consolidate the Group's presence in the regions where it participated and increase efficiency in its operations. In March, BIMBO acquired 100% of the capital stock of Plus Vita, Ltda., one of the largest baking companies in Brazil and producer of packaged bread, sweet baked goods, cakes, rolls and toasted bread under brands considered among the most traditional and with the highest prestige in the Brazilian market, such as *Pullman*, *Plus Vita*, *Ana María*, *Muffs* and *Van Mill*, among others. Plus Vita operated three plants, located in Sao Paulo, Rio de Janeiro and Recife. See Section "2. THE COMPANY— b) Business Description—i) Principal Activity—Strategy and Strengths".

In addition, and in order to add value to BIMBO's shareholders' equity, in August 2001 a public offer to repurchase shares was completed, which achieved the expected purpose of granting to its shareholders the possibility to choose among obtaining immediate liquidity with a premium or keep their investment and participate in the Group's future results. Finally, 238,803,031 Series "A", ordinary, nominative, with no par value shares, representing its capital stock were acquired at a price of $17.25 per share.

In October, the Company concluded the sale of its shares in Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna, S.A. de C.V. to Grupo La Moderna, S.A. de C.V. The companies sold were owned by Grupo Bimbo and Grupo Mac'Ma, S.A. de C.V. Through this transaction, Grupo La Moderna, S.A. de C.V. acquired 100% of the shares of Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna S.A. de C.V., in exchange of 4,500,000 shares representing 5.8% of the capital stock of Grupo La Moderna, S.A. de C.V., of which 57.4% corresponded to Grupo Bimbo.

In November 2001, the Company acquired certain operating assets from Gruma, S.A. de C.V., related to bread manufacturing and distribution. This acquisition included the fresh and frozen bread businesses in Costa Rica, as well as equipment from the plant that Gruma closed in Escobedo, Nuevo Leon.

2002 As of January 1, 2002 the merger of all the Group's operating companies in Mexico into two big companies, Bimbo, S.A. de C.V. and Barcel, S.A. de C.V., became effective. The first one consolidated all the bakery operations, while the second involved the consolidation of the salted snacks, confectionery goods and goat milk caramel "cajeta" categories. The purpose of the merger was to optimize the operations and make its installed capacity and distribution force more effective.

On March 4, 2002, the Company acquired, through its subsidiary in the USA, the bakery operations of George Weston Limited in the western region of the US. This transaction, with a total price of $610 million dollars, provided Grupo Bimbo with access to leading brands and products in the United States market, such as Oroweat bread, Entenmann's cakes, Thomas' English muffins and bagels, as well as Boboli pizza dough.

In accordance with the agreement's terms, Grupo Bimbo acquired the Oroweat bread brand, five plants in the states of Texas, Colorado, California and Oregon, and an efficient direct distribution system, with approximately 1,300 routes, among other assets. Additionally, the Company obtained in the same region the rights related to the Entenmann's brand products, as well as the distribution rights of the Thomas' and Boboli brands.

This acquisition reflected BIMBO's strategy to build a leading bakery business in the USA. With that, the Group's position in core markets, such as the states of California and Texas, became stronger.

On December 11, 2002, BIMBO's General Extraordinary Shareholder's Meeting approved the merger of the Company with its subsidiary Central Impulsora, S.A. de C.V. As a result of the merger, the Company became holder of the Group's main trademarks.

2003 In January 2003, BIMBO completed a strategic alliance with Wrigley Sales Company ("Wrigley"), to distribute its products. With this agreement, the Company, through its subsidiary Barcel, S.A. de C.V. became the exclusive distributor in Mexico of the Wrigley chewing gum brands. This transaction incorporated a line of products of the highest quality to the Group's confectionery goods platform and granted the Company the opportunity to offer Doublemint, Juicy Fruit, Orbit, Spearmint and Winterfresh, the most successful United States chewing gum brands in the industry.

In June 2003, the Company, together with its partner Grupo Arteva, S. de R.L., carried out the sale of the company Novacel, S.A. de C.V., engaged in the manufacture of flexible packaging, to Pechiney Plastic Packaging, a subsidiary of the Canadian company Alcan, world leader in package manufacturing. Prior to this sale, BIMBO held an interest of 41.8% in the capital stock, while its partner owned the rest. In this transaction, Grupo Bimbo executed a supplier agreement in commercial terms and conditions in accordance with the industry's general practices.

In July 2003, the Company disclosed to the public its intention to participate as a minority partner in a consortium leaded by the Mexican businessman Fernando Chico Pardo. This entity acquired certain ownership and debt rights of Compañía de Alimentos Fargo, S.A., in Argentina, and would undertake its financial and operational restructuring.

2004 On March 18, 2004, Grupo Bimbo announced an agreement to acquire the confectionery companies Joyco de México, S.A. de C.V., Alimentos Duval, S.A. de C.V. and Lolimen, S.A. de C.V., held by a group of Mexican shareholders, and the Spanish company Corporación Agrolimen, S.A. After obtaining all necessary authorizations, the purchase transaction was completed in May 2004.

Grupo Bimbo invested $290 million pesos, of which approximately $27 million was used for the repayment of existing debt. With this cash investment, Grupo Bimbo acquired two production plants and rights to leading brands and products in the Mexican confectionary industry, such as Duvalín, Bocadín and Lunetas. These companies had, in aggregate, annual sales of approximately $500 million pesos.

2005 On June 9, 2005, BIMBO announced the acquisition of certain assets and trademarks owned by Empresas Chocolates La Corona, S.A. de C.V. and its subsidiaries ("La Corona"), in a transaction valued at $471 million pesos, whose purchase price was paid with Company's own funds. La Corona has presence in the Mexican candies market, mainly in the chocolate segment. After the regulatory approval, this transaction was completed on July 29, 2005.

On July 20, 2005, the Company announced the acquisition, through a cash transaction valued at $1,350 million pesos, of Controladora y Administradora de Pastelerías, S.A. de C.V., which produces and sells fine pastry products under the brand "El Globo". With this acquisition, Grupo Bimbo ventured into retail sales of fine pastries for the first time. The transaction was completed on September 23, 2005 following the corresponding regulatory approvals.

On September 30, 2005, the Company executed a distribution agreement with Arcor, S.A.I.C. ("Arcor"), of Argentina. With this agreement, BIMBO, through its subsidiary Barcel, S.A. de C.V., became the exclusive distributor in Mexico of "Bon o Bon" candy. This product was incorporated into the Company's existing candies portfolio as a line renowned for its high quality. The parties to the distribution agreement also agreed to make investments to build a plant to produce Arcor and Barcel candies in Mexico.

On January 30, 2006, BIMBO returned to the baking market in Uruguay with the acquisition of the Uruguayan companies Walter M. Doldán y Cía. S.A. and Los Sorchantes S.A., positioning itself as the market leader. This transaction was valued at $7 million dollars, of which $5.5 million was used for the purchase of 100% of the shares and the remainder for the payment of financial liabilities. These companies are engaged in the production and commercialization of baking products, mainly through *Los Sorchantes* and *Kaiser* trademarks.

2006 On March 24, 2006, BIMBO initiated operations in Asia with the agreement to acquire Beijing Panrico Food Processing Center, subsidiary of the Spanish company Panrico, S.A., located in China, in a transaction valued at 9.2 million euros for 98% of the shares, additionally assuming a net indebtedness of 1.3 million euros. With this transaction, the Company acquired a company that had 800 associates, a production plant and a distribution network with an extended portfolio of baking products, designed and developed for the local market, which have allowed it to achieve an important presence and recognition in the cities of Beijing and Tianjin.

On June 19, 2006, BIMBO announced an agreement to acquire certain assets and trademarks of the “El Molino” pastries, in a transaction valued at $42 million pesos, paid with Company’s own funds. El Molino is one of the oldest and most traditional bakeries in Mexico, in the fiscal year ended as of December 2005, its sales totaled $45 million pesos.

This transaction, in addition to the acquisition of “El Globo” pastries, carried out in July 2005, was intended to strengthen the presence of Grupo Bimbo in the retail sales of high end pastry products.

2007 On July 31, 2007, BIMBO carried out the purchase of 100% of the shares of Maestro Cubano Florentino Sande S.A. for the sum of $93 million pesos. The company is located in Uruguay, and owns industrial premises engaged in the production and commercialization of cookies, *grissines* and breadcrumbs.

On October 2, 2007, BIMBO announced the acquisition of Temis for the sum of $17 million pesos. With this acquisition, BIMBO entered the Paraguay market.

On November 5, 2007, Grupo Bimbo announced that, as included in a judicial request dated November 2, 2007, filed by the investment group The Yucaipa Companies, LLC (“Yucaipa”) before the Bankruptcy Court in the West District of Missouri, in Kansas City (the “Court”), Yucaipa, together with BBU and The International Brotherhood of Teamsters (the “Teamsters”), intended to file a collective proposal for the reorganization of Interstate Bakeries Corporation (“IBC”).

IBC is one of the largest bakeries and fresh bread and sweet bread distributor companies of the United States. Among its main trademarks are Wonder®, Merita®, Home Pride®, Baker’s Inn®, Hostess®, Drake's®, and Dolly Madison®. IBC operates more than 40 plants, 650 distribution centers, 6,400 routes and employs approximately 25,000 associates.

It was expected that the Court would consider Yucaipa’s request in a hearing scheduled for November 7. In case the Court instructed IBC to grant Yucaipa and BBU the access required to initiate due diligence, Yucaipa and BBU expected to carry out their review expeditiously in order to determine IBC’S status and, if so determined they would submit, together with the Teamsters, the terms and conditions of IBC’S reorganization plan.

Grupo Bimbo intended to use the audit to evaluate if IBC represented a feasible opportunity to strengthen and impel its position in the bakery industry in the United States, consolidating at the same time its leadership position in the global bakery industry.

Any subsequent decision that implied advancing this process would require a series of additional steps, including the satisfactory completion of the above mentioned audit, as well as the approval of the reorganization plan by the Court and IBC’S creditors.

However, on December 13, 2007, Grupo Bimbo announced that after the audit process of IBC was completed, it was not in a position to submit a proposal to acquire IBC.

On November 29, 2007, Grupo Bimbo disclosed to the public that on November 28, Compañía de Alimentos Fargo, S.A., an Argentine company in which Grupo Bimbo holds an indirect 30% equity interest, executed an agreement for its reorganization with its main creditors, which represent the majority of the verified indebtedness, the investment funds *Rainbow Global High Yield*, *The* Argo Capital Investors Fund SPC, Argo Global Special Situations Fund Segregated Portfolio and The Argo Fund Limited.

The agreement included the payment of 33.81% of the unsecured indebtedness. Likewise, the holders committed to collaborate in order for Fargo to complete its reorganization (*Concurso Preventivo*) underway since June 2002, as well as to forgo any legal actions against it.

2008 On January 2, 2008, BIMBO announced the acquisition of Laura, a company located in Brazil, for a sum of $202 million pesos. As such, BIMBO entered into the *panettone* category and enlarged the cookies portfolio through the wafers line.

On February 21, 2008, BIMBO announced the acquisition of Firenze, also in Brazil, for a sum of $185 million pesos. The integration with Firenze took advantage of the strength in the *light* segment and to continue its development through the increase of the physical distribution of Firenze and Plus Vita trademarks.

On April 1, 2008, the Company announced the acquisition of Plucky, a company located in Uruguay, for a sum of $123 million pesos. The company produces and commercializes confectionery goods products. With this acquisition, Bimbo ventured into this segment in Latin America for the the first time.

On May 7, 2008, Grupo Bimbo announced that it reached an agreement to acquire 75% of the shares of the Brazilian bakery company Nutrella Alimentos, S.A. ("Nutrella"). This acquisition allowed Grupo Bimbo to position itself as the leader of industrialized bread in Brazil, increasing its geographic scale and presence.

Nutrella is a company founded in 1972 that produces and commercializes packaged bread, rolls and cakes, through two production units in the states of Sao Paulo and Rio Grande do Sul. With the trademarks "Nutrella", "Nhamy" and "Nutrellinhas", among others, it is positioned as the leader in Brazil's South Region. In 2007, Nutrella, with more than 1,600 associates, registered sales of R$150 million and EBITDA of R$21 million.

This investment responded to Grupo Bimbo's strategy of consolidating its operations in the countries where it participates and gave it a stronger position to continue developing a profitable business in Brazil, by complementing its current operation. Likewise, it provided access to one of the regions with the greatest economic activity in the country, with more than 25 million inhabitants.

2009 On January 21, 2009, Grupo Bimbo announced the acquisition of the bakery business in the United States of WFI, owned by Dunedin Holdings S.à r.l., a subsidiary of George Weston Limited (TSX: WN), located in Toronto, as well as the acquisition of the related financial assets, having obtained the relevant regulatory approvals and permits. These transactions were appraised at $2,380 and $125 million dollars, respectively. The aggregate payment of $2,505 million dollars was made through a financing of $2,300 million dollars, as well as with the Company's own funds. The consolidated operation in the United States, known as BBU, became one of the largest bakery companies in the country, with a leading position in the bread, rolls, sweet baked goods and cakes categories. The portfolio includes premium trademarks such as ARNOLD®, BIMBO®, BOBOLI®, BROWNBERRY®, ENTENMANN'S®,

FRANCISCO®, FREIHOFER'S®, MARINELA®, MRS BAIRD'S®, OROWEAT®, STROEHMANN®, THOMAS'® and TIA ROSA®. The new operation employs more than 15,000 associates, operates 35 plants and distributes its products through more than 7,000 routes. Grupo Bimbo's consolidated results started reflecting the integration of WFI transactions as of January 21, 2009.

On November 18, 2009, the assets related to the production, distribution and sale of corn products under the trademark Sanissimo were acquired.

2010 On November 9, 2010, Grupo Bimbo announced that it reached an agreement to acquire the North American Fresh Bakery business of Sara Lee.

On December 6, 2010, Dulces Vero, a leading producer, distributor and trader in Mexico of lollipops, hard candy and marshmallows, most of them covered with spicy powder, was acquired.

Vero, founded in 1952, produces a wide variety of candy and jams, including hard candy lollipops, jellies and marshmallows, among others. The company has broad experience and its own technology for the production of hard candies and products made based on chile. Vero has 1,500 associates and in 2009 it generated sales of approximately $1,100 million pesos, as well as EBITDA of $220 million pesos.

The acquisition of these assets strengthens Grupo Bimbo's position in the Mexican confectionery market through its subsidiary Barcel, in addition to supporting the Company's strategy to reach all socio-demographic segments. Together with the sales and costs synergies, Vero's strength in the wholesale channel, combined with Barcel's broad retail distribution network, will provide a sound platform for continuous growth. Likewise, Vero products supplement Barcel's portfolio in the Hispanic market of the United States and represent an opportunity to increase the Company's presence in that country.

2011 On September 19, 2011, the Group acquired Fargo, the largest bread and baked products producer and distributor in Argentina, exercising a call option for Fargo's remaining 70% interest. Fargo's acquisition included Fargo, Lactal and All Natural brands.

On November 6, 2011, Grupo Bimbo acquired the fresh bakery business of Sara Lee, one of the largest food processing and distribution companies at a worldwide level. Earthgrains was Sara Lee's fresh bakery business in the USA, and the business value was $749 million dollars.

Derived from the transaction, the Group acquired the exclusive and perpetual license, without copyrights of the Sara Lee brand, for its use in certain fresh bakery products in America, Asia, Africa and some European countries, and other renowned brands, such as Sunbeam, Colonial, Heiners, Grandma Sycamore´s Home-Maid Bread, Rainbo and Earthgrains and it operated 41 production plants and approximately 4,700 distribution routes, and employs approximately 13,200 associates.

On December 5, 2011, the Group acquired Bimbo Iberia, Sara Lee's fresh bakery business in Spain and Portugal, for 115 million Euros.

The acquisition of Bimbo Iberia positioned the Group as the leading branded bread company in the Iberian Peninsula and boosted its international growth strategy through an established and sound baked-goods business. This acquisition included the brands Bimbo, Silueta, Ortiz, Martínez and Eagle, among others, in Spain and Portugal, which have broad name recognition and market leadership in the bread, pastries and snack categories in these countries. It had 7 production plants, around 800 distribution routes and approximately 2,000 associates.

2012 During 2012 Grupo Bimbo disclosed to the public its intention to construct its sixth production facility located in Argentina, which began operations in 2013, creating direct and indirect jobs.

Likewise, Grupo Bimbo opened a new plant in Brazilia in order to improve distribution logistics and the quantity of fresh products to consumers in local cities. Finally, Grupo Bimbo opened two sales centers in Yucatan, Mexico in order to integrate the different operations of leading brands.

During 2012 Grupo Bimbo obtained approval from the Department of Justice of the United States ("DOJ") to complete part of the divestitures required by the DOJ under the acquisition of the Sara Lee Fresh Bakery by BBU in November 2011. Transactions include: i) license over Earthgrains® and Healthy Choice® brands in Omaha, Nebraska, in favor of Pan-O-Gold Baking Company in St. Cloud, Minnesota; ii) license over Holsum® and Milano® brands in Harrisburg and Scranton, Pa., in favor of Schmidt Baking Company of Baltimore, Maryland; iii) license over the Sara Lee® and Earthgrains® brands for bread, buns and rolls categories in the state of California, in favor of Flowers Foods, Inc; iv) license over Earthgrains® brand in Oklahoma city, Oklahoma, in favor of Flowers Foods, Inc; and (v) the license of Earthgrains® and Mrs Bairds® brands in Kansas City to Tortilla King.

On October 30, 2012, Grupo Bimbo opened "Piedra Larga", the largest wind farm in the food industry worldwide, which generates almost 100% of the electricity consumed by Grupo Bimbo in Mexico. With installed capacity of 90 megawatts, the wind farm supplied the electricity consumption for 65 facilities (production plants and other operation centers) of the Company. Grupo Bimbo focused its attention on wind energy to meet its permanent commitment to the environment and the welfare of future generations.

2013 On March 22, 2013 Bimbo announced the inauguration of Barcel's West plant, a 100% sustainable plant, built in the State of Jalisco, for the manufacture and distribution of snacks and confectionery in 4 different production lines.

On April 5, 2013, Grupo Bimbo completed the acquisition of the brand "Beefsteak" for $31.9 million US dollars as part of the bankruptcy proceedings of "Hostess Brands". Beefsteak is the rye bread brand with the highest sales volume in the United States, with strong presence in parts of Midwest and Mid-Atlantic United States, which represented an important opportunity for national expansion to BBU. The transaction was completed with Company's own resources.

During 2013, Grupo Bimbo announced at the General Shareholders' Meeting the resignation of Roberto Servitje as Chairman of the Board of Directors of the Company effective as of July 1, 2013. Daniel Servitje, Chief Executive Officer, was appointed to succeed him from that date.

In October 2013, Grupo Bimbo signed an agreement with Visa Inc. of the Alliance Blue Label Mexico, with Blue Label Telecoms Limited and Nadhari, S.A. de C.V., in order to enable their retail customer channel in Mexico to accept electronic payments. This agreement allows small businesses that serve a large segment of the population in terms of the Company's sales volume nationwide, to accept electronic payments with Visa cards and other cards, and therefore, to increase sales of the Company's products in their stores. Specifically, using Blue Label and Red Qiubo Mexico, which operates a platform based on POS terminals, over 75,000 businesses at that date were able to offer their customers products and services such as airtime cell phone sale and payment of various services.

This agreement complemented the Qiubo offering, allowing clients in the traditional channel to accept electronic payments with Visa and other cards. Visa was selected due to its capacity to provide fast payment technology, safe and trustworthy in more than 200 countries.

On May 23, 2014, the Group concluded the acquisition of Canada Bread, one of the leading companies in the production and distribution of bread products in Canada, for an amount of
2014 $1,830 million Canadian dollars (equivalent to US$1,710 million dollars on May 23, 2014). The acquisition of Canada Bread was financed by means of a multicurrency revolving credit line

facility for an amount of 2,000 million US dollars, or the Syndicated Revolving Credit Facility, and equity.

With the integration of Canada Bread´s business, the Group expanded its geographical presence in North America and Europe, reaching a new customer base in Canada and the United Kingdom, growing its product portfolio to include a new line of frozen bread as a new business line.

This acquisition is one of the most important in Grupo Bimbo´s history and a further step in its growing strategy in order to consolidate its position as the largest baking company in the world and one of the most important food companies, reducing its dependence of its results in a single market. Moreover, the acquisition strengthens the geographical position of the Group, and helps to maintain solid margins, diversify cash flows and take advantage of the opportunities in the frozen bread industry. The acquisition also included the business of Canada Bread in the United Kingdom, where it is leader in the bagels category.

On June 24, 2014, the Company concluded the offer in the international markets of: (i) bonds with a maturity date in 2024, for an amount of 800 million US dollars paying an interest rate of 3.875%, and (ii) bonds with a maturity date in 2044 for an amount of 500 million US dollars, paying an interest rate of 4.875%. The Group used the resources obtained from these issuances for the refinancing of existing debt and other general corporate purposes.

On July 15, 2014, Grupo Bimbo reached an agreement to acquire Supan, the largest baking company in Ecuador. Supan participates in the categories of bread, pastries and sweet baked goods. Its brand portfolio includes Supan, Bimbo, Grille, Braun, Dulzones, King-Pan and Pansol. This transaction represents the debut of the Group in the Ecuadorian market, in line with its strategy to further strengthen its geographic coverage in the Americas.

2015 On February 2, 2015, Grupo Bimbo announced that its subsidiary, Canada Bread, completed the acquisition of Saputo Bakery Inc. Saputo Bakery, is the leading muffin Company and strengthened the position of Canada Bread in the country with the Vachon®, Jos Louis®, Ah Caramel®, Passion Flakie® and May West® brands, among others.
Bimbo Iberia inaugurated its new factory in Guadalajara, Spain, with production capacity of 15,000 pieces per hour, thus becoming the most important industrial project in the country. In December, Grupo Bimbo celebrated its 70th anniversary.

2016 On May 2016, the Company established a sponsored American Depositary Receipts Level 1 (“ADR”) program in the United States of America. These ADRs trade in the over-the-counter market under the ticker symbol “BIMBOY”.

On July 21, 2016, Grupo Bimbo acquired Panrico, one of the leading companies in the baking industry in Spain and Portugal, excluding branded packaged bread.

On September 12, 2016, the Company made a successful Notes issuance in the Mexican market for a total amount of Ps. 8,000 million pesos, with a 10-year term and a fixed annual interest rate of 7.56%.

2017 On July 20, 2017, Grupo Bimbo entered into a definitive agreement with One Equity Partners to acquire all of the shares representing the capital stock of East Balt Bakeries for an amount of US$650 million, free of cash and debt. East Balt was founded in 1955, world leader in the high-speed manufacture of bread products and serves mainly to the fast food restaurant industry (QSR). East Balt has 21 plants located in 11 countries in America, Europe, Asia and Africa, as well as 2,200 employees. East Balt has long-term business relationships with the main customers in the fast food restaurant industry in the world (including McDonald's, Wendy's, KFC, Burger King, Pizza Hut, YumChina, Subway and Nando's, among others). East Balt maintains a broad portfolio of high-quality baked goods, including fresh and frozen buns and muffins, bagels, cookies, tortillas and other artisanal products.

On May 25, 2017, Grupo Bimbo entered into a joint venture by means of which it acquired 65% of the capital stock of Ready Roti India Private Limited, or Ready Roti. Founded in 1993 and with annual sales of approximately US$48 million in 2016, Ready Roti is the leading baking company in New Delhi and its metropolitan area.

During the first quarter of 2017, Grupo Bimbo closed the acquisition of Grupo Adghal in Morocco, a company with estimated annual sales of approximately US$11 million in 2016. Adghal sells bakery products that it produces in three production plants and has more than 200 collaborators. With this acquisition, Grupo Bimbo managed to expand to the African continent.

During the first quarter of 2017, Grupo Bimbo closed the acquisition of Stonemill Bakehouse (Stonemill), a company in Canada that had estimated annual sales of approximately CD$18 million in 2016. Stonemill has a production facility in Toronto, Canada and is known for its slow-working artisanal processes. Stonemill has an excellent brand position and recognition for the use of organic ingredients. This acquisition will boost the Company's growth in the Canadian market.

On October 6, 2017, Grupo Bimbo successfully carried out an issuance of stock certificates in the Mexican market for a total amount of $10,000 million pesos, with a term of 10 years and a fixed annual interest rate of 8.18%.

On November 10, 2017, Grupo Bimbo successfully carried out a bond issuance in the international markets for a total amount of $650,000,000 million dollars, maturing in 2047 and with a fixed annual interest rate of 4.70%.

The table below is a summary of the material acquisitions carried out by the Company in the last 3 years:

Date	Company	Country	Sales*
2017			
March 2, 2017	Stonemill Bakehouse	Canada	≈CAD$18
March 30, 2017	Grupo Adghal	Morocco	≈EUA$11
May 25, 2017	Ready Roti	India	≈EUA$48
September 19, 2017	Bay Foods Inc.	US	
October 15, 2017	East Balt Bakeries	US	≈EUA$420
2016			
July 21, 2016	Panrico	Spain and Portugal	≈EUR$280
December 27, 2016	Panettiere	Colombia	
May 24, 2016	General Mills	Argentina	
2015			
February 2, 2015	Saputo Bakery	Canada	≈CAD$130

**Figures expressed in millions and taken from the announcement of the transaction.*

iii) Recent Developments

On April 5, 2017 Grupo Bimbo announced that, after 18 years in the Company, Guillermo Quiroz Abed, Director of Administration and Finance decided to opt for his retirement. As of August 1, 2017, Diego Gaxiola Cuevas is the person holding this position in the Company.

On May 25, 2017, Grupo Bimbo informed that it has executed a joint venture for 65% of the outstanding shares of Ready Roti in the Republic of India.

On October 6, 2017, the Company reported that it had successfully carried out the issuance of notes (*certificados bursátiles)* in the Mexican market for a total amount of $10,000 million Pesos. These certificates have a 10 year term and will pay a fixed annual interest of 8.18%.

On October 15, 2017, Grupo Bimbo announced that it had closed the acquisition of East Balt, leader in the foodservice industry, for a total price of $650 million Dollars, after receiving the authorizations from the corresponding authorities.

On November 10, 2017, Grupo Bimbo informed that it had carried out an offer of notes maturing in 2047 for a total amount of $650 million Dollars at a rate of 4.70%. The Company will use the proceeds obtained from the issuance for diverse corporate purposes, including the refinancing of existing debt. The transaction obtained ratings of Baa2 / BBB / BBB by Moody's, S & P and Fitch.

On December 26, 2017, Grupo Bimbo informed the investors that, as of 2018, Mancera, S.C. (Ernst & Young) will be the external auditor of the Company.

On February 12, 2018, Grupo Bimbo announced that it had reached an agreement to acquire Grupo Mankattan in China. Mankattan produces and distributes packaged bread, pastries, pastries and "yudane" (Japanese style sandwich bread), having 1,900 employees and operating four plants, which distribute their products to the markets in Bejing, Shanghai, Sichuan, Guangdong and conurbated areas. The transaction is still subject to the compliance of usual conditions for this kind of operations, including necessary regulatory approvals.

On April 2, 2018, the Company acquired International Bakery, a producer of packaged bread, pastries, nougat and panettone, among other bakery products in Peru. This acquisition strengthens the presence of Grupo Bimbo in the modern and fast food channel and its manufacturing footprint in the country.

On April 12, 2018, Grupo Bimbo issued a perpetual bond for a total amount of US $500 million at a rate of 5.95%. The Company used the resources obtained from this issuance for the prepayment of existing debt and the financing of acquisitions and capital needs, among other corporate purposes.

BBU, a subsidiary of Grupo Bimbo, initiated a Voluntary Retirement Program ("VSP"), in order to implement an effective organizational structure to improve productivity and better position the Company for profitable and sustainable growth. The program, which will be offered to certain salaried employees based on their age and seniority in BBU and / or its affiliates, will offer employees who qualify, the option to retire from the Company with better compensation and a package of health benefits with clear objectives, in order to revitalize the business, reduce complexity and design the company with a view to creating long-term value, aligned with the interests of the shareholders, as well as to better serve more consumers and customers.

b) BUSINESS DESCRIPTION

i) Main Activity

1. Strategy and Strengths

All of the Group's actions are driven by its purpose of building a sustainable, highly productive and deeply humane company. Grupo Bimbo is committed to transforming the baking industry by implementing innovative, efficient and sound business practices aimed at consolidating its position as the largest baking and snacks company in the world in terms of sales and one of the world's top food companies, while remaining passionate about delighting, nurturing and creating memorable experiences in every bite of its baked goods and snacks. To achieve its goals, Grupo Bimbo plans on executing the following key strategies:

Enduring Meaningful Brands. Grupo Bimbo strives to continue delivering sustainable and long-term growth by creating, nurturing and managing enduring and meaningful brands. While price-based competition has become more intense in many markets, The Group believes that the ability to leverage growth opportunities in its industry relies on competitive factors beyond price, such as its brand equity. Based on the Group's research, its brands have an extraordinary "top-of-mind awareness" in the market of most of its product categories. Grupo Bimbo believes its global presence, combined with its strong understanding of its local markets, uniquely positions the Group to continue developing a solid portfolio of brands, products and categories that lead megatrends. Grupo Bimbo continues to build global brands that connect with customers wherever they are. These capabilities provide a platform for the Group to enhance penetration of its branded product portfolio into new markets, and develop new product lines under its existing brands as well as entirely new categories. Through targeted marketing campaigns, Groupo Bimbo intends to increase the recognition of its strategic global brands and its powerful national and regional brands. Groupo Bimbo believes that leveraging on its brands will help the Group to further diversify its product portfolio, add more value to its sales and distribution channels, expand its consumer base and provide access to additional consumption occasions. The Group expects to continue to allocate resources and efforts to ensure that its brands are the global reference for quality and nutritious food products that meet the evolving tastes and preferences of our consumers.

Global Presence with Superior Execution. Grupo Bimbo plans to continue expanding its global reach and strengthening local execution to guaranty the quality and freshness of its products. Mature and established markets present an opportunity to consolidate its leading position and market share through actions aimed at increasing penetration while developing markets offer high growth opportunities as a result of rising income trends, reduced assortment and low penetration. The Group expects to capture opportunities from its global presence and become the preferred supplier to its customers by leveraging on its brand equity and experience in the markets where the Group operates, improving its distribution capabilities to enhance efficiency and penetration. In addition, to better anticipate the purchase decisions of our customers, the Group plans to further invest on sale intelligence and new technologies to achieve superior execution at the point of sale. Grupo Bimbo continuously studies the trends, tastes and needs of its consumers in each one of its markets using state-of-the-art tools in order to develop and implement actions to better satisfy the consumer needs and preferences. The purpose of these studies is to achieve an in-depth consumer understanding, which the Group reinforces by approaching consumers through other distribution channels. The information retrieved at the Group's points of sale and other distribution channels allows it to customize products and promotions that satisfy the diverse and changing needs of its customers at each location. Also, this information allows Grupo Bimbo to adjust its go-tomarket strategy and respond with greater precision to the needs and motivations of customers, which combined with flawless operating performance, enables the Group to deliver the right products for each point of sale at the right time and as fresh as possible. The Group's sophisticated data gathering and processing systems provide the Group's management with valuable insight of its customers' behavior and ongoing corporate performance at each point of sale. Groupo Bimbo makes significant efforts to increase localization and integration of its brand delivery experience and monitor performance across its distribution channels to achieve continued growth as the Group redefines the baking industry and build customer trust. To stay ahead of customer demands, the Group plans to continue tracking customers through every distribution channel while offering innovative

marketing programs to increase volumes and purchase frequency. Through this strategy, the Group intends to reinforce its identity as a highly efficient global company with local character.

Winning Innovation. One of the Group's key strategies is to satisfy the demand of products resulting from megatrends of the global baking and snacks industries. The Group increasing use of new digital tools and onsite actions to retrieve information from its consumers is expected to make its innovation process more robust by accelerating product development and enabling the Group to adapt more quickly to, and lead, consumer trends. The Group has seven innovation centers established in strategic locations to conduct market testing as well as one kitchen lab and one food lab aimed at testing and analyzing consumers' preferences. Furthermore, innovation in production (from automatization and line revamps using advanced engineering, to better resource utilization and packaging applications) is enhancing product freshness and quality while boosting productivity and reducing costs. Through Bimbo's QSR division the Group is able to quickly adjust its production capabilities to produce customized products and satisfy seasonal requirements from its clients. The Group intends to continue exceeding its customers' expectations and increase the recognition of its brands and frequency of consumption of its products through continuous quality improvements and innovation across its various categories. The Group also intends to continue to leverage on its portfolio of leading brands as a platform to launch innovative, value added and relevant products and develop new product lines, formats and categories. The Group commitment to the wellbeing of its consumers is a key driver of its innovation efforts and the Group intends to continue to enhance the nutritional value of its products and provide clear information to its customers. Developing innovative and differentiated products and leading the pace of change of the global baking and snacks industries remains the driving force for the Group's growth and value creation, and a key element to consolidate and increase its market position.

Culture of Continuous Improvement. Groupo Bimbo believes that a culture of continuous improvement, efficiency and effective execution is crucial to continue driving productivity and profitability, and further consolidate its leading position. A cost-efficient structure is a key element to optimize resources, creating a resilient business model that allows the Group to strengthen its brands and boost its volumes and profitability. Grupo Bimbo strives to continue providing nourishing and delighting products while reducing waste, improving and simplifying its production processes, procurement and supply chain and distribution network to become a low-cost, efficient and highly productive company operating under the highest environmental standards. Groupo Bimbo periodically invests in its plants and equipment to improve the efficiency of its production processes. For example, in 2016, as part of its multi-year asset transformation process, the Group started to invest in the construction of a new state-of-the-art sales center in Mexico City which is expected to be the largest sales center in the baking industry in Latin America. In addition, in 2017 the Group made capital expenditures of U. S$681 million, of which at least one-third was used in investments to support our growth and productivity (including investments in new plants in India, France and Russia). Groupo Bimbo intends to continue working to achieve additional efficiencies, strengthen its competitiveness and improve its profitability through continuous investments in production facilities and equipment and the implementation of its ongoing cost-reduction program, while leveraging its expertise. In addition, the Group continues implementing Zero Base Budgeting program which allows the Group to optimize costs and achieve operational efficiencies. The Group's goal is to consolidate a spending culture that supports future growth and transformation through the reallocation of relevant savings to value added initiatives. Groupo Bimbo expects to leverage its capabilities as the leader in the fast-growing quick service restaurant industry to transfer technology and know-how that will enable it to become a more flexible and faster producer. The Group strives to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls that will create value that the Group can pass to its consumers. Groupo Bimbo strives to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls that will create value that the Group can pass to its consumers.

Continue Growing While Boosting Profitability and Cash Flow Generation. Grupo Bimbo seeks to capitalize on its business strengths to continue growing organically and through strategic acquisitions. In particular, the Group plans to leverage on, and expand, its existing brand and product portfolio, solid asset base and geographic footprint to increase its market share and penetration. Groupo Bimbo believes these strengths provides it with a platform of scalable approach to take advantage of the opportunities of the industries in which the Group participates to continue growing while boosting profitability and cash flow generation. For example, the Group's global platform allows the Group to successfully implement cross

border strategies such as the introduction of its local products into international markets, which has proven successful in the case of the Artesano, Villagio and Nature's Harvest breads, Takis snacks, Salmas, and Pingüinos cupcakes. Groupo Bimbo seeks to expand its geographic reach while maintaining a strategic balance between developed markets and high-growth markets. Groupo Bimbo intends to enhance diversification and increase penetration across distribution channels to reach a broader consumer base. The Group is committed to deliver products for every lifestyle and preference, pursuing "stomach share" at every consumption occasion, in more homes and more markets every day. In addition, the Group plans to leverage on its business platform and experience in the snacks category to target on-the-go consumption. Snacking has evolved into an actual meal category as a result of consumers' active, mobile lifestyles. To satisfy on-the-go consumer's demand, the Group has introduced innovative products and adjusted the format of some of its products to make them more portable, easy/fast, value priced and shareable. As Grupo Bimbo benefits from the scale and scope of its organization, the Group believes that remaining on top of the needs of its consumers and exceeding their expectations is a key component of its strategy to achieve continued growth and build consumer trust. In the face of its recent growth, the Group plans to challenge itself every day to improve its products, its operating efficiency, profitability and cash flow generation.

Commitment to the Group's Associates. Groupo Bimbo is a deeply humane company and, since the beginning of its operations, its associates' wellbeing and safety have been and will continue to be the top priority. The Group's more than 138,000 associates every day contribute to the quality and competitiveness of each "Bimbo" product, and are of vital importance to its continued growth and success. The engagement of its associates and their commitment to the Group's culture is paramount to the organization. The Group's associates are key in the process of understanding its markets and consumer needs and preferences, to better anticipate changes and respond effectively to new trends. The Group is committed to enhance its associates' skills at all levels and offer them additional opportunities to achieve their full potential. As a result of this commitment, in 2017 Groupo Bimbo provided more than one million man-hours training to its associates. In addition, the Group invests in its associates through Grupo Bimbo University, its in-house multiplatform training and development system covering an extensive range of courses on leadership and technical skills. The Group's personnel management model is designed to transmit the Group's passion to serve its customers, suppliers, shareholders and communities, and inspire pride in its organization. Grupo Bimbo believes its efforts have resulted in a skilled, highly capable and loyal team. In 2016, the Group completed the deployment of a global digital platform to manage, develop and retain the talent, providing its associates guidance on career prospects. At Grupo Bimbo, a safety culture with measurable outcomes and accountability is of the highest importance. Safety initiatives in 2017 included the establishment of enhanced safety protocols for using machinery, equipment and vehicles and the provision of safety training through new technologies, such as developing global regulations for fire prevention based on protection levels and compliance with the NFPA standards, as well as the incorporation of biannual self-diagnosis at Grupo Bimbo work centers; (ii) adjusting Grupo Bimbo's regulations for machinery and equipment protection, with a special emphasis on wrapping machines; (iii) designing safety regulations for conveyor belts; (iv) designing risk rooms where the Group's associates are shown risks posed by different equipment, in a real and controlled environment, in their daily operation and their consequences, (v) giving associates the opportunity to know in a tangible way all the symbols displayed in our plants and sales centers; and (vi) designing online training tutorials according to risks in the Group's production processes. All this has allowed to reduce Grupo Bimbo's incident rate (incidents per 100 associates) from 2.3% in 2016 to 2.0% in 2017 and a reduction of over 400 incidents in a year. The Group believes that its associates' commitment to deliver the best possible products will continue to help it to build a sustainable, highly productive and deeply humane company.

Sound Financial Policies. As a result of the Group's proactive and responsible financial management, it holds and expect to maintain a healthy balance sheet, and a strong and resilient capital structure. As part of its financial discipline, Grupo Bimbo strives to maintain a flexible amortization profile aligned with its expected cash flow generation, strict and responsible cash and risk management and a conservative dividend payout. The Group's financial policy encompasses a long-term view and reinvestment initiatives targeting expansion, growth, profitability and cash flow generation, while advancing its low-cost production objectives. Decisions on its strategic acquisitions also follow these financial policies. The Group's balanced capital structure reflects a well-diversified funding base, reducing reliance on any single financial market. The Group believes that maintaining its capacity to generate cash flow and a range of liquidity

sources, its balanced approach to cash deployment and its discipline towards incurring indebtedness will allow the Group to continue advancing its organic and inorganic growth while remaining profitable.

The strengths of the Group

The Group has built a leading position as a result of its unrelenting focus on creating memorable experiences for its consumers in every bite of its high-quality, innovative, delicious and nutritious baked goods and snacks, the development of enduring and meaningful brands, efficient operations and investments in its production and distribution platform, strategic acquisitions and the Group's deep understanding of the baking industry, all under its deeply humane culture of innovation and continuous improvement present at every level of the organization. Grupo Bimbo believes the following strengths distinguish it from its competitors and will allow the Group to expand and further consolidate its leading position and successfully fulfill its strategy for the Group's long-term sustained and profitable growth.

Leading Global Baking and Snacks Company. According to IBISWorld (August 2016), Groupo Bimbo is a global consumer food company, the leader in the baking industry and a relevant player in the snacks industry, in terms of sales. The quality and breadth of its products allows the Group to offer its consumers a wide range of enticing and high-quality alternatives for every meal and each other consumption occasion. The Group has a leading position in most of its categories and many of its brands have a strong "top-of mind awareness" in the markets where the Group operates. The Group's enduring and meaningful brands allow it to present the company cohesively across its distribution channels and geographic markets while serving as proxies for the quality and reliability of its products. The Group believes that its geographic diversification with a balanced presence in established and developing markets, its robust asset base, and its experience and knowledge of consumer preferences and consumption patterns in the regions where it operates, combined with the Group's commitment to innovate, enhance the nutritional profile of its products, its operating efficiency and its capacity to generate cash flow, provide the Group with a significant advantage over its competitors. In addition, the scale and strength of the production platform and distribution network, along with the Group's reinvestment and long-term view business model allow the Group to respond quickly and effectively to the diverse and changing needs of the markets it serves in a cost effective manner. Grupo Bimbo believes that its leading market position is a key component for its growth.

Unique Portfolio of Top-Recognized Brands. The Group's brands are a key element for its unique positioning and differentiation. After more than 70 years in the baking industry, the Group has a strong track record of creating, nurturing and managing a range of strategic global brands and powerful national and regional brands to identify a portfolio of wholesome, indulgent, healthy and premium products. The Group's brands are leaders in the markets and categories in which it participates. For example, in Canada, the Dempster's brand is one of the leading bread brands. According to IRI figures, Thomas' is the number one brand in the English muffins and bagels categories in the United States. In Mexico, the iconic Bimbo brand is currently the market leader in the bread category, and Marinela is currently the market leader in the sweet baked goods category, while in Spain Donuts is an iconic brand for sweet baked goods. In the 2017 Brand Footprint study (full 2016 data) published by Kantar Worldpanel, Bimbo brand appears in the first and eleventh position as the most chosen consumer brand within the food sector in Latin America and the world respectively. The Group strives to maintain an emotional bond with its consumer and to develop customer loyalty through its brands. As the Group has expanded its operations internationally, it has acquired local brands while introducing products with local features marketed under its global brand names. The Group has a strong brand equity that enables it to innovate and launch line extensions and new products. Each of the Group's brands is targeted to a specific consumer segment and supported by a comprehensive marketing plan.

Extensive Direct-Distribution Network and State-of-the Art Production Facilities. Groupo Bimbo has an extensive world-class direct-distribution network and strategically located state-of-the-art automated production facilities. The Group's global reach combined with its strong local execution allows it to guarantee the quality and freshness of its products. The Group's distribution network has one of the largest fleets in the Americas and approximately 58,000 distribution routes worldwide. Grupo Bimbo maintains what he believes is a highly efficient and sophisticated logistics operation to address distribution requirements across the markets it serves. The Group's network allows it to distribute every day its products to more than three million points of sale to meet the needs of every type of customer from hypermarkets to family-owned

businesses, and to the food-service distribution channel. The Group's fleet travels in the aggregate the equivalent to 95 trips around the world every day. In addition, the Group has state-of-the-art and sustainable production facilities that allow it to operate efficiently, reduce waste and optimize energy and water usage. Its sound and reliable production platform includes 196 plants located in 32 countries, enabling the Group to produce more than 46 million packages of products every day. The Group's extensive distribution network combined with its highly efficient productive assets ensure product availability anytime and everywhere where the Group operates and enables it to tailor its approach and response to the diverse and changing needs of our customers, including with respect to demand and frequency of delivery, in a cost-effective manner, which the Group believes results in strong customer loyalty. To respond quickly and effectively to changes in demand and consumer preferences, the Group uses flexible, top-notch technology that can shift production among products in different price-point categories and formats in a short time frame. Grupo Bimbo continuously invests in the improvement of its distribution network and production facilities. In 2016, such investments exceeded Ps.13,153 million. We believe that the Group's efficient production platform and extensive distribution network will continue to support its profitable growth and market penetration.

Strategic Product, Channel and Geographic Diversification with Balanced Presence in Established and Developing Markets. Groupo Bimbo believes that its diversified and balanced portfolio of products provides value to its distribution channels, allows it to reach a broad consumer base and gives us access to a wide range of consumption occasions. Since 2000, the Group evolved from a strong local leader to a global participant. The Group's disciplined approach to acquisitions and organic growth is centered on expanding its geographic footprint across developed and emerging markets (which represented 58.0% and 42.0% of its net sales for the year ended December 31, 2017, respectively), strengthen the Group's presence in its different distribution channels, adapting its product portfolio and strategies to the regions where the Group operates, achieving economies of scale and realizing important revenue and cost synergies. The Group's global character is reflected in the geographic diversification of our revenue stream that reduces reliance on any single geographic region and currency to drive performance. In the last five years the Group has increased its exposure to international markets primarily through acquisitions. In 2012, 40.0% of the Group's revenue derived from its operations in Mexico, while its operations in Mexico accounted for 34.0% of its revenue for the year ended December 31, 2017. The Group believes that its strategic geographic footprint, in addition to its global scale and global marketing, positions the Group ahead of its competitors to take advantage of the highly fragmented baking industry. The Group's presence in developed and emerging markets allows it to tackle the diversity of growth opportunities and the pace of change in the industries in which the Group participates. The breath of its capabilities allows it to serve the traditional, modern, foodservice and other channels. Grupo Bimbo leverages its global presence to share innovative products, processes and technologies. For example, under our brands The Rustik Bakery and Stonemill Bakehouse, Grupo Bimbo markets artisanal bread produced using innovative technologies.

Innovative Product Development. The Group offers its consumers a variety of baked goods and snacks under a broad range of categories, pricing levels, flavors and presentations to cover every meal, consumption occasion and consumer profile. The Group continuously invests in market and consumer research, ethnographic research, product innovation and development, analysis of the nutritional value of our products and food safety and quality control. Groupo Bimbo has gained a deep understanding of its consumers and markets as a result of its experience and research, the investment in technology and the input from its sales force that allows it to retrieve and analyze key information of its consumers and identify the elements customers consider priorities in order to recognize the Group as their preferred supplier. The quality of the Group's market intelligence allows it to both track and create new market trends and place the right products for each point of sale at the right time. Access to this information, combined with the Group's consumer knowledge, expertise, flexible production capabilities and distribution network allows the Group to satisfy changing consumer demand and anticipate trends, such as "on-the-go" and "healthy" trends that have recently emerged. In addition, consumers are increasingly developing responsible and informed consumption habits and demand for transparency from food companies. In line with this trend, the Group regularly reformulates its products to improve their nutritional profile and provide clean labels. From 2011 to 2016 the Group improved the nutritional profile of 37.0% of its products, as part of its continued focus on quality and the importance of offering nutritious and delicious products to the consumers. Through the Group's seven innovation centers and its strategic alliances with institutions, doctors and experts, as well as with food and health regulatory authorities and research centers, the Group aims to continue offering value-added, differentiated and relevant products to maintain and grow its leadership in the baking and

snacks industry. Innovative products successfully introduced across its markets include Artesano and The Rustik Bakery bread brands, the latter was recognized as the most innovative product in Europe in 2016 by Kantar, Takis in the snack category and Salmas in the Group's health and wellness portfolio.

Efficient Production Capabilities and Low-Cost Business Model. The Group believes that its capacity to operate efficiently and at low cost is a fundamental advantage that will allow it to continue growing and place its products in the hands of all people. The Group's commitment to operate efficiently increases its ability to provide consumers with high-quality products at the lowest possible cost. The Group dynamically manages and revises its supply, production and distribution processes to achieve cost reductions throughout the supply chain. The Group's initiatives aimed at becoming a low-cost producer include obtaining cost savings from waste reduction and generating economies of scale along the production chain. In 2016, Grupo Bimbo introduced the "Zero Based Budgeting" initiative which continues to allow it to identify additional areas of cost optimization and capture and sustain savings across every function of the organization. In line with the Group's global procurement initiative, the Group selects the most competitive suppliers of raw materials based on a number of factors, including price competitiveness, timely delivery, response time, quantity, quality and innovation. Grupo Bimbo uses state-of-the-art technology to increase efficiency, reduce waste and optimize the use of energy and water in its production plants and sales centers. In addition, Grupo Bimbo frequently reviews the location of its production facilities and sales centers based on the demographics, needs and trends in each market to optimize resources. In order to better position the Group within the competitive environment and optimize its production facilities and footprint, since 2017 Grupo Bimbo has closed ten facilities, reallocated some production lines and opened a new plant in Córdoba, Argentina, Tenjo and Colombia. In 2016, the Group had additional savings resulting from improvements in logistics and supply chain productivity. The Group believes that its focus on cost control allows it to improve our supply and distribution chains, transfer value to the customers and consumers, and increase the Group's profitability, competitiveness and quality.

Experienced Management Team and Strong Commitment of the Group's Associates. The Group's strong senior management team has successfully developed and consolidated its market leadership by focusing on effective and rapid response to the constantly changing consumer demands and competitive environment in the markets in which the Group operates. The Group's management team has implemented innovative ideas and best practices in production and distribution across the organization and has successfully identified, completed and integrated over 40 acquisitions during the past ten years which have resulted in significant synergies and growth. The Group's management team is committed to maintaining transparency and accountability with respect to its shareholders and the market and has implemented corporate governance practices beyond those required by applicable law. The focus on profitability, reinvestments and consistent cash flow generation has historically provided Groupp Bimbo with a resilient balance sheet to grow organically and through its acquisitions. While the Group believes that its management team has the depth, leadership, expertise and motivation to execute the growth strategy, the Group is conscious that an experienced management team is not enough to ensure consumer satisfaction and loyalty. Every day, the Group's more than 138,000 associates contribute to the quality and competitiveness of each "Bimbo" product and are one of our core competitive advantages. Grupo Bimbo associates are part of its brand delivery experience and a crucial element to maintain its brand-customer relationship, which distinguishes the Group from its competitors as a deeply humane company.

Sustainability Commitment and Distinctive Corporate Culture. The Group's commitment to actions that benefit its associates and communities, and its culture of passion, dedication and unwavering commitment to customer service are grounded in the Group's way of doing business. The Group's sustainability efforts are focused on its consumers, the planet, the communities where the Group operates and its associates. Groupo Bimbo strives to provide its consumers with memorable experiences at every consumption occasion and support their overall wellbeing by offering products with high nutritional value through responsible marketing campaigns, providing transparent information, and promoting sports, healthy eating habits and healthy lifestyles. Initiatives on community development include donations to, and sponsorship of, educational institutions, sports institutions and reforestation programs, as well as investments to support urban infrastructure, recreational facilities, green areas, schools and natural disaster relief. The Group's efforts to preserve the planet are focused on promoting environmental care and reducing its carbon footprint, water consumption and waste production. The Group's associates are part of its brand-delivery experience, continued growth and superior products. As a result, their safety, wellbeing and

professional growth are paramount to the organization. Actions aimed at improving the safety and wellbeing of the Group's associates and consumers include the launching of healthcare-related campaigns, conducting medical checkups and promoting sporting activities, such as our Global Energy race which had more than 103,000 participants in 2017. Groupo Bimbo sustainable business model has allowed it to be part of the Sustainability Index of the Mexican Stock Exchange since its inception in 2011 and the FTSE4Good Emerging Index since 2017. The Group believes its commitment to sustainability provides its customers with additional reasons to trust the Group's brands and strengthen their loyalty while continue offering career plans that enable it to adapt the development of its associates to its corporate growth needs.

	Net sales for the periods ended December 31,		
Region	**2017**	**2016**	**2015**
	(in millions of Mexican pesos)		
North America	137,662	135,219	116,399
Mexico	90,367	81,455	75,597
Latin America	28,602	29,100	24,272
EAA	18,658	12,607	8,258
Consolidated	**267,515**	**252,141**	**219,186**

Region	Number of production plants*
North America	83
Mexico	38
Latin America	32
EAA	43

Business Units

USA

In the United States, the Group conducts operations primarily through BBU and Barcel USA.

BBU was the largest baking company in the United States according to IBISWorld (2016). The Group consolidated its leading position through several major acquisitions, such as Weston Foods US Inc. (2009) and Earthgrains Bakery Group Inc. (2011), followed by significant integration and restructuring work across the entire supply chain.

BBU has the most extensive geographic presence of any baking company in the United States, where the Group has renowned brands in every market segment of the industry, with a portfolio that serves a variety of price points and consumption occasions, from breakfast to dinner, festive meals and snack times. According to information from IRI, BBU holds a leading position in several categories, including sales of premium and mainstream bread, buns and rolls, sweet baked goods, English muffins and bagels, and snacks. Currently, BBU operates 64 production plants across the United States and has a nationwide distribution network. Groupo Bimbo maintains strong relationships with large retailers and small convenience stores across the United States, which enhances its ability to market its products.

BBU has an attractive brand portfolio comprised of leading national brands, such as Thomas' English muffins and bagels, Sara Lee and Nature's Harvest for packaged bread, Artesano by Sara Lee for artisanal bread, Ball Park's buns, Entenmann's snack cakes, and brands of healthy wide-pan bread, such as Arnold, Brownberry and Oroweat; and regional brands, such as Mrs. Baird's, Freihofer's, Stroehmann, Rainbo, Heiners, Colonial and Beefsteak. BBU also produces and distributes some of Grupo Bimbo's Mexican brands, such as Bimbo and Marinela, in the United States. BBU holds brands in the United States, covering 50 states, and is present in 84.6% of American households, according to IRI. In addition to selling

under its own brands, BBU participates in several categories in the private label segment. In particular, BBU sells fresh packaged bread under private labels to our strategic customers.

In the United States, Groupo Bimbo also produces, distributes and markets frozen bread, buns and rolls. The Group currently operates three production plants for the frozen bakery business in the United States. Grupo Bimbo sells our frozen products under the leading brands Wholesome Harvest, California Gold Sourdough, Grace Baking and Tenderflake.

BBU's extensive distribution network has allowed the Group to significantly expand its market share in the United States. The Group's main distribution channels are large retailers, convenience stores and the food service industry, the latter has recently been reinforced with Bimbo QSR enabling it to strengthen its presence within a high-growth channel.

As a result of the East Balt acquisition, the Group consolidated its presence within the quick service restaurant distribution channel in the United States and the rest of the world to become a leading participant in such channel.

BBU is headquartered in Horsham, Pennsylvania.

Barcel USA

Barcel USA is the Group's U.S. based salty snacks and confectionery division. At Barcel USA, the Group produces, imports (both locally and through our manufacturing facilities located in Mexico), distributes and markets a great selection of products that ranges from unique, sweet and spicy confectionery products as well as te Group's fast-growing salty snacks portfolio.

Barcel USA portfolio includes the Group's most popular brand Takis (one of the fastest growing salty snacks in the U.S.), as well as Potato Chips, ready-to-eat popcorn as well as our Hispanic Heritage candy brands Ricolino and Vero the No. 1 Hispanic confectionery brands in the U.S.

Barcel USA is headquartered in Coppell, Texas and employs over 250 associates across the U.S. and currently has a local manufacturing plant with three production lines.

BBU is headquartered in Horsham, Pennsylvania.

Canada

On May 23, 2014, the Group completed the acquisition of Canada Bread, now Bimbo Canada, one of Canada's largest baking companies, which represented the Group's entrance to the Canadian market.

Grupo Bimbo currently operates 19 production plants in Canada and maintain Canada's largest direct store distribution networks, which is primarily operated by independent franchisees and distributors.

Bimbo Canada produces fresh and frozen bread, buns and rolls, muffins, bagels and pastries, frozen pie crust and tortillas under a brand portfolio that includes the Dempster's brand, the leading Canadian fresh bread brand according to Nielsen. Grupo Bimbo also produces, distributes and markets frozen bread, buns and rolls, the Group currently operate four production plants for the frozen bakery business in Canada. Brands for frozen bread and pie crust include Tenderflake, Grace Baking and California Sour Dough. Leading brands for fresh bread include Dempster's, POM, Bon Matin, Ben's, McGavin's and Villaggio.

Bimbo Canada's brands hold the number one or number two position in all major fresh bakery categories in the Canadian market, according to Nielsen. In addition to selling under its own brands, Bimbo Canada participates in several categories in the private label segment. The Group maintain strong relationships with large retailers across Canada, which enhances its ability to market its products.

As a result of the acquisition of Bimbo Canada, the Group has increased its geographic footprint in North America, have reached Canada's customer base and have expanded its product portfolio in that region. In addition, to further strengthen its presence in the sweet baked goods category in Canada; in 2015 the Group acquired Vachon Bakery Inc., the leading producer of snack cakes in Canada, in 2016 the acquired Italian Home Bakery and in 2017 the Group acquired Stonemill Bakehouse.

The main offices are located in Toronto, Canada.

Mexico

Currently, the Group operates 38 production plants across the country, with a proprietary nationwide distribution network. Its distribution goes from small convenience stores to big retailers, hypermarkets, price clubs, convenience stores and other institutional clients with whom it maintains strong relationships.

Bimbo

Bimbo started operations in Mexico in 1945. Bimbo produces, distributes and sells packaged bread, sweet baked goods, buns, cakes, pastries, salty cookies, crackers, cereal bars, packaged wheat tortillas, and *tostadas*, among others. Bimbo has a strong presence in Mexico where some of its products are considered staples, such as the packaged bread. These products are marketed under the Bimbo, Oroweat, Marinela, Tía Rosa, Wonder, Milpa Real, Lara, Del Hogar, Gabi, Saníssimo, Lonchibon and Suandy brands, among others. Additionally, Bimbo produces, distributes and markets high-end pastry and artisan bread marketed under the Group´s brands El Globo, La Balance and El Molino, through direct points of sale.

The Group´s brands have high consumer recognition in the Mexican market and are supported by the country's most extensive distribution network, making Grupo Bimbo the leader in the packaged bread market in the country, with continued gains in market share as consumer preferences evolve and it introduces innovative products.

Bimbo is also the Mexican snack cake market leader and the number two cookie and cracker producer in terms of sales, according to information from Nielsen. However, the Mexican baked goods market remains highly competitive and fragmented. Furthermore, according to Nielsen, Bimbo has quickly established market leadership in the cereal bars category through its brands Branfrut, Multigrano, Doble Fibra and Plus Vita, demonstrating its ability to identify new consumer trends and satisfy them with innovative products. Also, according to information from Nielsen, Bimbo has steadily maintained its high market share in the packaged wheat tortillas market, as more Mexicans look for convenient, packaged wheat tortillas with longer shelf life. In addition, the Group´s brands Milpa Real and Saníssimo lead the *tostadas* market, according to information from Nielsen.

Bimbo's main offices are headquartered in Mexico City.

Barcel

Barcel produces, distributes and markets salted snacks and confectionery goods including fried chips, peanuts, corn-based salted snacks, lollipops, marshmallows, chocolates, chocolate-covered marshmallows, chewing gum and gummy candies. Among its main brands are Barcel, the second-ranked salted snack brand in Mexico according to Nielsen, and Ricolino, Mexico's second-ranked candy and chocolate brand according to Nielsen, as well as Vero, La Corona and Coronado. Barcel has consolidated its position as a key player in the market offering innovative and well-differentiated products, such as snacks and confectionery goods.

Barcel has increased its reach and customer base with an expanding presence and a complementary product portfolio in the U.S. as well as through exporting its products to 16 countries across the world. In addition, organic growth combined with several acquisitions, Barcel has strengthened its position in the Mexican salted snacks and confectionery goods market.

Barcel is headquartered in Lerma, in the State of Mexico.

Latin America

The Group has been present in Latin America since 1995. Through a series of acquisitions and organic growth, as well as the implementation of innovative ideas and best practices in production and distribution, Groupo Bimbo has become the market leader across the region. The Group operates in 15 Central and South American countries, including Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru and Uruguay.

Grupo Bimbo also operates in Venezuela; however, pursuant to IFRS, as a result of Venezuela's hyperinflationary economic environment and current exchange control regime, the Group has changed the accounting method for reporting the financial results of our operations in Venezuela. Effective as of June 1, 2017, the Group's operation in Venezuela started reporting on a fair value basis.

Its main products in the region include packaged bread, sweet baked goods, toasted bread, tortillas, pita, bread, pizza crust, cakes, snack cakes and muffins, cookies, *alfajores*, snacks, pasta and *empanada* wrappers, frozen bread and patisserie, all of which are sold under the brands Bimbo, Marinela, Ana María, Barcel, Braun, Breddy, Cena, Crocantíssimo, Fargo, Fuchs, Grillé, Holsum, Ideal, Lactal, Los Sorchantes, El Maestro Cubano, Mamá Inés, Crocantíssimo, Marinela, Monarca, Nutrella, Oroweat, Plus Vita, Pullman, PYC, Rap 10, Ricolino, Saníssimo, Supan and Tía Rosa, among others. The innovation in connection with these brands is a product of the processes and deep understanding of the consumer and the market and of the identification and insight of their needs.

The Group has 32 plants with an extensive distribution network tailored to each of the markets in the countries in which it participates. In addition, Grupo Bimbo adapts its business model, distribution systems, brands, marketing plans, flavors, and other product characteristics to meet the local, social, geographic, economic and political conditions, while managing the operation in line with its global standards for logistics, information technology and market intelligence, thereby maintaining the quality of its products and remaining close to the customer. To support these business processes, the Company continuously teaches and trains its managers and associates with a mix of local and foreign talent through a professional development program.

In recent years, the Company has continuously increased its market penetration in the traditional channel and maintains strong relationships with retailers across Latin America, which enhances its ability to market its products.

The Group´s Latin American operations has its headquarters in Bogotá, Colombia, Santiago de Chile, Chile and Sao Paulo, Brazil.

Europe

The Group has been present in Spain, Portugal, the United Kingdom, France, Switzerland, Turkey and Ukraine after its acquisitions of Sara Lee, Canada Bread, Panrico and East Balt in 2011, 2014, 2016 and 2017, respectively.

Grupo Bimbo the leading branded bread seller in Spain and Portugal, and the leading producer of bagels in the United Kingdom according to Nielsen. Since 2017, the Group also serves the quick service restaurant distribution channel in France, Italy, Russia, Switzerland, Turkey and Ukraine.

It operates 24 production plants in Europe and an extensive distribution network served by independent operators, which delivers to supermarket chains and other institutional clients.

In Spain and Portugal specifically, the Company has a strong presence in the bread, pastries and snacks categories, with brands such as Bimbo, which is a household name in Spain, Donuts, Silueta, Ortiz, Martínez and Eagle, among others.

Bread is a staple food in Spain, where the Group's Bimbo packaged bread brand is a household name.

In 2016, the Group acquired Panrico, now Donuts Iberia, excluding its packaged bread category. Donuts Iberia was founded in 1962 and currently is one of the leading players in the baking industry in Spain and Portugal in terms of sales, and participates in the sweet baked goods and buns and rolls categories. This acquisition allowed Grupo Bimbo to include well-positioned brands to its portfolio, such as Donuts, Qé!, Bollycao, La Bella Easo and Donettes, among others. This transaction further strengthened the Group's profile in Spain and Portugal through enhanced synergies, as well as complementing its distribution network and production facilities with 13 facilities in Spain and two in Portugal, as a result the Group is becoming the leader in the branded sweet baked goods market.

In the United Kingdom the Company participates in the fresh and frozen baking business through the bagels, croissants, viennoiserie, Italian ciabatta and other artisan bakery products categories. The Group markets its products through the New York Bakery Co. brand.

The Group also holds a leading position in terms of sales of buns and rolls, muffins, bagels, among other products to big QSR clients through our Bimbo QSR business in France, Italy, Russia, Switzerland, Turkey and Ukraine such as McDonald's, KFC, Burger King, among others.

Asia

The Group has been operating in Asia since 2006 through its subsidiary Bimbo China. Bimbo China's production plant in Beijing produces and distributes packaged bread, pastries, cookies and ready-to-eat food, among others, mainly under the Bimbo brand. Grupo Bimbo maintains a continuously-growing distribution network which is tailored to the local market. The Group operations in Asia have grown organically and through acquisitions. As pioneers in the packaged bread market, the Group has developed new products, including rolls filled with sweet beans and bread filled with spicy meat, to satisfy region-specific tastes. Groupo Bimbo also produces western-style products, which it expects to meet the growing Asian demand for international products and changes in dietary trends. The Group's principal Asian markets are the cities of Beijing, Tianjin and Hebei in China. As a result of the development of its distribution network and products with longer shelf lives, the Group is also able to sell its products in more distant regions in the heartland of China.

Bimbo China is headquartered in Beijing.

On May 25, 2017, the Group entered into an agreement with the then existing equity holders of Ready Roti India Private Limited, or Ready Roti, pursuant to which we acquired a 65.0% stake in Ready Roti. Established in 1993, Ready Roti is the leading baking company in New Delhi and its metropolitan area. Ready Roti produces packaged bread, pizza dough, and sweet and salted buns through four production plants. Its leading brands include Harvest Gold® and Harvest Selects®. With this acquisition, the Group expanded its geographic footprint by entering into a new market, further increased its presence in, and exposure to, emerging markets, and supported its geographic and product diversification, in line with its strategy to become one of the world's top food companies.

On February 12, 2018, the Group entered into a binding agreement for the acquisition of Mankattan Group, one of the most relevant players in the baking industry in China. If this acquisition is consummated, the Group expects to have ten plants in China, together with its existing Beijing plant and the plants acquired with the QSR business of East Balt.

Furthermore, the Group participates in China, Russia and South Korea offering buns and rolls, muffins, bagels, among other products to big QSR clients through our Bimbo QSR business. This recent operation enabled the Group to participate in a new high-growth channel within the region.

Africa

In 2017 the Group entered into Morocco through the acquisition of Adghal Group. The company produces and distributes baked goods in Morocco through three production plants. Its brand portfolio includes well-positioned brands, such as Belle, among others. This transaction provides Grupo Bimbo with an entry point to a new continent through an established baked goods business that will benefit from the Group's global expertise.

Also, through Bimbo QSR we have operations in South Africa and Morocco.

2. Products

During more than 70 years we have developed a diversified portfolio of over 13,000 products under more than 100 renowned brands to cover every meal, consumption occasion and segment.

The Group's portfolio of renowned brands includes five brands under which retail sales for 2017 accounted above a billion dollar, two brands that sold more than U.S.$500 million, four with more than U.S.$250 million and ten brands that sell more than U.S.$100 million.

The Group's business has always focused on producing and distributing a large portfolio of products tailored to the local markets, such as bread, sweet baked goods, cookies and crackers, salty snacks, confectionery goods, pre-packaged food, consumer food solutions and other products enjoyed around the world by millions of people every day.

a. Innovation

As one of the largest food companies in the world in terms of sales, Grupo Bimbo has always focused on offering delicious and nutritious products to its consumers. The Group's success is based on constantly adapting to consumer needs and preferences. Groupo Bimbo believes that its experience and knowledge of consumer preferences and consumption patterns in the regions where it operates, combined with its commitment to innovate, improve the quality of its products and its operating efficiency, provides it with a significant advantage over its competitors. The Group strives to offer innovative products in line with industry trends and its commitment to offer healthy options, creating innovative product lines, formats, line extensions and seasonal specialties based on a deep understanding of our final consumers and its ability to anticipate their specific needs and preferences in each market. As a result of the Group's continuous investments in research and technology, it has improved the nutritional value of its existing products, introduced new and healthy options and continued to extend the shelf life of its products to further benefit the consumers. Through its innovations, the Group intends to reinforce its identity as a global company with a local character through a constant pipeline of new products that seek to address its diverse consumers' needs and preferences and enhance its consumer base.

The Group has had a strong track record of creating innovative products, which it believes reflects a deep understanding of consumer preferences, its commitment to promoting health and wellness and the rigor of its ongoing market research and testing programs. Innovation provides an informed consumer a choice of alternative products, particularly those that should be included in a healthy diet where bread has a predominant place. The Group strives to ensure that its products suit the tastes of its consumer's base and are mindful of their needs in the countries where the Group operates. Groupo Bimbo aims to continue to be one of the leading innovators within its product categories and to continue introducing new products that benefit from its strong brand franchise.

Grupo Bimbo maintains its commitment to work continuously in actions that foster the adoption of healthy lifestyles through the improvement of its products, promotion of adequate diets and frequent practice of physical activity, in order to become a local and global benchmark regarding health and wellbeing initiatives. Globally, the issues of health, nutrition and wellbeing are not only relevant, but a priority. Therefore, as the leading baking company in the world in term of sales, the Group works to harness all the factors that have a positive impact on the wellbeing of its consumers and associates.

Improvement of nutritional profiles of the Group's product portfolio innovations in technology, processes and ingredients, continues to be one of the most relevant action lines of the Group's health and wellbeing

strategy management. Grupo Bimbo strives to find the proper balance between nutrition and taste in its products. Therefore, in 2008, the Group became a member of International Food and Beverage Alliance to implement the Global Strategy of the World Health Organization on Diet, Physical Activity and Health, with five fundamental commitments:

- Developing healthier products with improved nutritional value;
- Adopting responsible publicity and marketing for children under the age of 12 years;
- Providing nutritional information to consumers through clear and user-friendly labeling;
- Promoting physical activity and healthy lifestyles; and
- Making alliances with health organizations and research institutions.

Additionally, Grupo Bimbo has agreed to comply with self-regulation programs in Mexico, setting health and nutritional advertising standards, to instill positive nutritional values in children in the Group's markets, discourage over-consumption and avoid deceptive marketing.

As part of the transformation of this strategy, the Group reconsidered specific guidelines for nutritional quality assessment of its product portfolio and the reformulation goals the Group wants to achieve in the medium-term.

The Group continues to have three key lines of action:

1. Increase of positive-perception nutrients;
2. Elimination of negative-perception nutrients and ingredients; and
3. Increase in launch of newly-developed products with better nutritional characteristics.

To promote the competitiveness of the Group's products, Grupo Bimbo formes strategic alliances with universities and research centers to develop new technologies for its product development program. The work with institutions, doctors and experts, as well as with food and health regulatory authorities is important to achieve continuous improvement of the nutrient profile of the Group's products. Grupo Bimbo maintains strategic alliances with research centers, such as the International Maize and Wheat Improvement Center (CIMMYT) and recognized institutes like the Whole Grains Council, Consumer Goods Forum and the International Food and Beverage Alliance (IFBA). In addition, the Health and Welfare action platforms remain aligned to those defined by the World Health Organization (WHO) in order to adopt internationally-recognized strategies and best practices. The Group participates in the Access to Nutrition Index (ATNI), which evaluates the strategy of the world's major food and beverage producers regarding their nutrition-related commitments, practices and performance. Through the Group's innovative products, it continues to implement and consolidate strategies focused on diversifying its brands and products in the regions in which it operates, to satisfy and anticipate changing consumer preferences. The Group's goal is to take advantage of trends and opportunities in its markets. Grupo Bimbo has developed innovative products with unique nutritional features such as lowering cholesterol, fat, salt and sugar to address the needs of different demographics. In 2017, as a result of 6 years of improvements in its products (including through the reduction of fat, salt and sugar and the elimination of transfats), 47.0% have improved their nutritional profile, as Group aims to increase its participation in the health and wellness product categories.

Additionally, Grupo Bimbo has laboratories and facilities engaged in the production of prototypes and the testing and validation of new ingredients, as well as conducting functionality studies and evaluating new products. Newly developed products are approved by committees and evaluated through market testing. Significant results from our innovation and nutrition centers include:

- The launch of biodegradable packaging technology which, unlike normal polyethylene, is broken down up to ten times faster than conventional polyethylene packaging; and
- The development of products with healthy ingredients and no artificial preservatives such as Bimbo Vital Apple & Nuts and Cranberry & Nuts in Mexico, to provide consumers products with full nutritional benefits, aligned to new market trends.

b. Seasonality

In most categories, the Company's products show seasonal behavior, with greater levels of consumption during holidays, rainy seasons, and cooler temperatures. In order to stabilize the demand for its products, Bimbo has developed various promotions and advertising campaigns and new products that are launched during lower consumption periods in the different regions, which do not overlap due to the Group's geographical coverage.

3. Production Processes

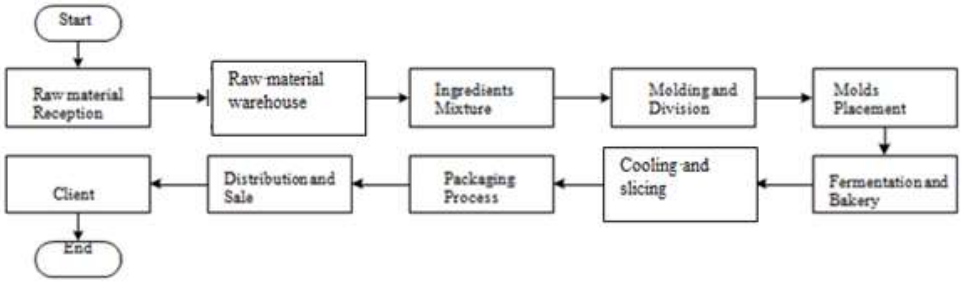
a. Production Processes

The Group makes ongoing investments to implement state-of-the-art technology and equipment in order to increase efficiency, reduce waste and optimize energy and water usage in its production facilities. The Group has been adopting and implementing modern automated production processes for each of its lines of business and maintain strict operation and control systems, resulting in efficiencies throughout its production processes within a competitive cost structure. The Group manages its production process in order to promote the quality production of its products at the lowest cost. Grupo Bimbo believes its focus on cost control, sustainability and transparency allows it to pass value along to its customers and increase its profitability. The Group's production process has slight variations among products, but generally includes the mixing of ingredients, baking, slicing, packaging and distribution of the products. Some of the Group's plants may be programmed to produce a variety of products also contributing to operating efficiencies.

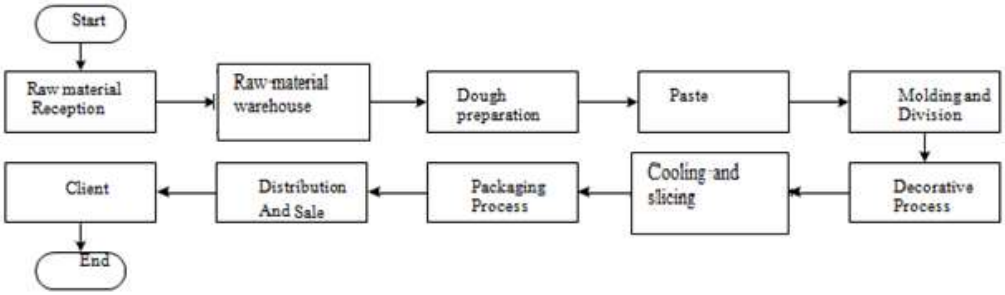
As part of the Group's strategy to respond to the changing needs of the market, it has implemented and continuously updates innovative systems to increase the capacity, quality, and production potential of its facilities. Grupo Bimbo aims to locate its production plants and sales centers optimally in their markets with relation to warehousing and population centers. The Group's production process constantly evolves, as it shares global best practices from recently acquired companies and from its existing operations. To that end, the Group constantly redesigns its facilities and incorporates new technology (either developed by the Group or acquired from third parties), significantly optimizing capacity and reducing production costs as a result of process redesign in plants, automatization and better productivity.

The diagrams below show the Group's primary production processes for sweet baked goods, packaged bread and snacks.

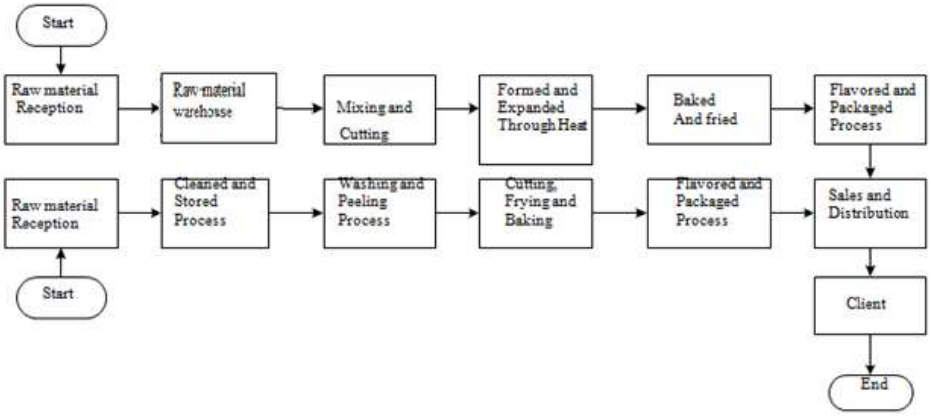
PACKAGED BREAD



SWEET BAKED GOODS



SALTED SNACKS



b. Water footprint / carbon footprint

Water footprint

Grupo Bimbo promotes technologies to reduce water consumption in its cleaning and manufacturing processes. The Group guarantees water treatment and reuse of water and it seeks to reduce its consumption by increasing 10% efficiency by 2020.

Consumption

Reduction of 18% in water consumption per ton in production processes since 2009.

Main initiatives:

- Elimination of cooling towers in Mexico and Central America operations.
- Installation of rainwater collection systems. Today we have more than 24 (10 in Costa Rica, 9 in Guatemala, 3 in Honduras, 1 in El Salvador and 1 in Mexico) to provide water for washing vehicles.
- Reduction in the consumption of sanitary services in the operations: reusing treated wastewater in toilets and water-free urinals.
- Reuse of water treated in services and irrigation in Argentina, Central America and Mexico.

Treatment

- In recent years, the technology of all the water treatment systems of Grupo Bimbo has been modernized and the replication of several best practices to reduce the use of water in all plants has been made.

- The Group increased wastewater treatment from factories by 19% with respect to 2016, achieving a cumulative increase of 25% in the last 3 years equivalent to 106,557 m3, 43 Olympic Pools or 10,656 Water Pipes.

Shortages Risks and Water Quality

To identify how many of the Group's plants are located in areas that could eventually experience water stress and to prepare the Company to face future scenarios related to water, during 2017, the Group carried out a water risk mapping, using Aqueduct's global water risk mapping tool developed by World's Resources Institute. The next step will be to design a plan for critical facilities that involves new technologies.

Carbon Footprint

Grupo Bimbo has set the goal of mitigating climate change according to the Paris Understanding, improving and consolidating technologies related to renewable energy, energy efficiency, and energy and fuel resource reduction, transitioning toward an energy system based on renewable technologies, to achieve the following:

- A reduction of 10% to 2020 in its carbon footprint, and 80% electricity from renewable sources, through energy efficiency measures.

- Adherence to global actions such as:

• The Paris Action Commitment on Climate Change, which aims to reduce polluting emissions and reduce the growing global temperature below 2 degrees;

• The New York Declaration on Forests (United Nations), and

• The Declaration of Support to the Manifesto of the Cerrado, in Brazil, to stop deforestation in the region.

Some results that were obtained in 2017 were:

Energy efficiency

- 3% decrease of the Company's total energy consumption from non-renewable fuels (natural gas, LP gas, diesel, gasoline) compared to 2016, equivalent to 515,574 GJ, the energy consumed by 784,740 lamps of 100 watts in a year (lit 5 hours per day).

- 1% reduction of carbon dioxide (CO2e) emission per product ton (efficiency) manufactured with respect to 2016, due mainly to the results obtained in primary distribution, equivalent to 7,095 ton CO2e, the CO2e absorption capacity of 1,419 Encino trees.

- The most replicated LED lighting practice with> 95% implementation: Colombia, Argentina, Canada, BBU, Mexico, China, in addition to the installation of high efficiency engines and equipment upgrades.

Renewable Energy

Through "Piedra Larga" wind farm, which supplies clean energy to Grupo Bimbo, the Group continues to supply wind power to 52 of its plants, 131 sales centers, 57 El Globo stores, and 2 distribution centers, as well as its corporate headquarters building.

"Bimbo Solar" is the Group's self-sufficiency system in Mexico City. In its first stage it will consolidate 33 systems that together will generate 3.7 MW to 24 sales centers, 7 El Globo Stores, the Corporate building and the Metropolitan Distribution Center, which is currently in construction. "Bimbo Solar" will be the largest solar energy system in Mexico on rooftops, and the second largest in Latin America, with 2.2 MW power generation. This system will avoid annual 2,500 tons CO2e emissions, equivalent to reducing oil use by 3,115 barrels or planting 120,000 trees.

Primary Distribution

- 3% reduction of the the emission of Tons of Carbon Dioxide (CO2e) from the combustion of Diesel in primary transportation with respect to 2016, achieving a cumulative reduction of 31% vs. 2010, equivalent to 139,358 Ton CO2e. The CO2e absorption capacity of 27,872 Encino trees.

- In US operations, the Group has 191 LP Gas vehicles and 59 Natural Gas tractors.

- In secondary distribution, the Group has 350 electric vehicles in circulation and the plan to acquire 80 new vehicles during 2018 in Mexico, 185 Natural Gas vehicles (in Mexico and the United States).

- In Mexico, double trailer trailers from 35 feet to 42 feet were replaced and with these modifications the Group is able to transport 17% more pallets per trip.

- As of the moment of its construction, the distribution center of Tenjo, Colombia (Cedis) was designed to reach an adequate level of use of non-renewable natural resources, becoming one of the first new facilities in the country to obtain LEED GOLD (Leadership in Energy) & environmental design recognitions.

Secondary Distribution

- Clean Transportation Program: In Mexico, the Group obtained the environmental ministry certification for a seventh consecutive year.

- Self-regulation Program: The Group has units certified under a voluntary covenant with the governments of Mexico

- City and the State of Mexico to voluntarily lower CO2e emissions.

- Acquisition of equipment with Euro 3 (4%), Euro 4 (15%) and Euro 5 (5%) technology, expanding to 13 the number of specialized units for logistics.

- 350 electric vehicles in circulation + 80 new 2018 plan in Mexico.

- Bimbo Colombia, consolidated as the first Colombian company to acquire 3 Euro 4 technology transport vehicles, with selective catalytic reduction, and the entire fleet in Spain rates Euro 5.

- In China, the Group is developing an electric vehicle with a battery that only requires 10 hours to fully recharge, and an operating range of 120 km in summer and 80 km in winter.

- Bimbo Bakeries USA was chosen as the company with the best fleet in the first edition of Fleet Owner 500 Award in recognition of our commitment to alternative fuels, particularly propane, having acquired 84 such vehicles just this past year.

c. Waste Management

The Group improved its products performance, reducing waste and developing better packaging, allowing these to be valued. The Group also promoted reduction and recycling actions throughout its value chain, to

achieve at least 90% recycling in its operations, post-consumption programs in the different organizations in partnerships with other companies, as well as 30% food waste reduction in the company.

Packaging Design

- The company has been a pioneer in the implementation of technology for the manufacture of degradable packaging in Latin America, and is the first company to include this technology in metallized packaging.

- Million kg reduction of plastic since 2010 thanks to new technologies and reduce the thickness of the Group's packaging.

- In Grupo Bimbo, packaging optimization projects are considered a priority and are included in the Company's Packaging Management Strategy, being an example the study carried out in collaboration with a Research Center in Spain, where a development of an active package is taking place and in which the protective function of the package is improved to preserve Bread Quality and offer a healthier product to our customers.

- Another example is the study on the post consumption recyclability of packaging, that demonstrated it is possible to recycle printed and metalized plastic films and wrap, and containing an Oxo degradable additive, as well as the ability to reintegrate them into the Group's processes in the form of trays, distribution truck racks, trash bags or cans, speed bumps, road signs, etc., thereby generating an example of a circular economy.

Recycling

- 30 plants with 0 waste to landfill.

- 92% of the total waste of the inmanufacturing processes is reused/recycled.

Post-Consumption

- The Group participates in post-consumption recycling programs in different countries, such as Mexico, Brazil, Spain, United Kingdom and Canada.

d. Water Footprint:

The Group has been achieving a reduction of almost 18% in water consumption per ton in manufacturing processes since 2009. In recent years, the technology of all water treatment systems has been modernized and a replication of certain best practices to reduce the use of water in all the plants has been implemented, increasing by 19% the Treatment of Residual Water from Factories vs 2016, achieving an accumulated increase of 25% in the last 3 years equivalent to 106,557 m3, 43 Olympic swimming pools or 10,656 water pipes.

e. Natural Capital:

This year the Group carried out planning efforts for each of the global functional areas of its chain, which projected clear actions to reduce the company's environmental risks in the coming years, as well as to measure its impacts along the entire chain.

Agriculture

- Agriculture Policy. Launch of the Group's Sustainable Agriculture policy for suppliers.

- As part of the Group's commitment to work towards a sustainable path, and based on the Global Agriculture Policy, in 2017 the Group signed a collaboration agreement with the International Maize and Wheat Improvement Center (CIMMYT), to promote sustainable agricultural practices, seeking

food security for Mexico and Latin America. This can be achieved through technological development and innovation, which helps small producers to increase their income and become part of agrifood chains, with greater competitiveness. This through two pilot projects of responsible supply. The first one was for corn with Cargill and the second for wheat with Bunge.

Global Palm Oil Policy

- The Group has 95% traceability achieved for palm oil top suppliers.

Animal wellness in egg production

- The Group has created the Global Egg Policy to be socialized with its main vendors and to be able to define minimum requirements for ensuring its vendors worldwide abide by global animal welfare standards.

Signatory of the Cerrado Manifesto in Brazil

- Grupo Bimbo became a signatory of the Cerrado Manifesto initiative to halt deforestation in Brazil's Cerrado Tropical Savannah.

- The Cerrado region of Brazil extends over 2 million km2. As part of the Group's commitment to sustainability and the environment, Grupo Bimbo has joined those signing the Statement of Support for the Objectives of the Cerrado Manifesto, a call for halting the deforestation of this region. This initiative promotes a more resilient agriculture and land use, planning practices with which to protect this ecosystem.

DESEO Program

- In Mexico, 466 PYME suppliers out of 948 within the DESEO program with an accumulated advance of 49%.

Green Shopping

In accordance with the Group's 2020 strategy, Grupo Bimbo continues with the exercise in Mexico to identify potential risks in its suppliers, through a survey on specific issues including environmental and social terms.

Biodiversity

- Through Reforestamos México in the country, there are 195 restored hectares, 947 hectares conserved and 13,807 volunteers.

f. Inventory

Production Inputs

The quality and continuous supply of the Group's raw materials are critical factors in its production process. The Group has adopted stringent supply policies whereby it requires its suppliers to comply with the detailed specifications of the raw materials and to provide quality control certificates for their products. The Group also performs laboratory tests with raw materials supplied by third parties and routinely inspect the production plants and facilities of the Group's suppliers.

The Group has developed an integrated and efficient supply chain of raw materials and packaging, and it works continuously to improve its efficiency, creating lasting relationships with suppliers that meet the Group's high quality standards. Grupo Bimbo seeks to maintain low supply costs without sacrificing the quality of raw materials. Cost savings are achieved through waste reductions, economies of scale in procurement, production and distribution, among other initiatives focused on becoming a low-cost producer.

For example, the Group had significant savings in 2017 as a result of the centralization of its global adquisition processes.

Wheat flour is the Group's main raw material and the Group reviews its relationship with its main suppliers continuously. Wheat is generally traded in dollars and is subject to price fluctuations according to factors such as climate, crop production and supply and demand in the world market, among others. The Group continuously enters into hedging agreements to manage its exposure to price fluctuations and ensure the timely supply of its main raw materials.

Other important raw materials for the Group's business lines are sugar, edible oils, fats and eggs, as well as the plastics used to package its products. The Group has minority interests in some of its main suppliers of eggs and sugar. In addition to said raw materials, the Group also buys plastic containers from various suppliers. The Group currently does not depend on any supplier in the market in which the Group operates.

The Group's raw materials are administered using the first-in, first-out method to preserve the freshness of its products. Due to the nature of the Group's products, its inventories of raw materials, mainly perishable products, have a high turnover rate. Grupo Bimbo receives most of its supplies continuously, in some cases, with daily deliveries. The Group's corporate offices lead the negotiations of its main raw materials with the suppliers, while its inventories are managed directly by each plant and storage plant. Local plants and storage facilities also manage and directly place orders for raw materials that can be obtained locally.

Finished Products

Grupo Bimbo has strategically located production plants, distribution centers and sales centers, which allows it to consolidate its operations in each region and to efficiently distribute its products. In addition, Grupo Bimbo has successfully implemented an information system that allows it to synchronize its production capabilities with consumer demands based on information retrieved several times a day from its sales force, resulting in optimal levels of customer order management and thus, very low inventories of its finished products.

Due to the nature of some of its products and their commitment to freshness, inventory has a high turnover rate. Its inventories of dried products, such as toasted bread and breadcrumbs, cookies, candies and chocolates, have a lower turnover rate.

g. Quality System

The safety and quality of the food is essential for Grupo Bimbo. In recent years, the Group has strengthened its quality and hygiene control systems to ensure food safety and the consistency of its products in the various regions where the Group operates. The Group has a quality control area totally dedicated to monitoring compliance with sanitary regulations and other sanitary policies and applicable internal policies.

The Company continuously implements quality control systems adapted to the individual needs of each product line and we have adopted the highest international standards, driven by its commitment to guarantee the satisfaction of its customers. This system implies guarantee of quality control and food safety, providing a better service to the client, promoting and preserving a healthy work environment and respecting the environment to contribute to the general development of the community. Given the importance of food quality and safety, part of the Group's quality control system aims to continuously control and improve the quality of consumables, processes and finished products. With the implementation of the Group's quality control system, it has won several awards over the years, which is why Grupo Bimbo is recognized as one of the most ethical companies in the world 2017.

The Group has earned the loyalty of its customers by meeting the most stringent international standards in the food industry, certified by independent organizations and agencies with a recognized international reputation. Its plants were certified as Hazard Analysis and Critical Control Points, or HACCP, and more than 100 of its plants obtained the Global Food Safety Initiative or BRC Standard. HACCP is a management system that addresses the safety of food through the analysis and control of biological, chemical and physical hazards from the acquisition and handling of raw materials to the production, distribution and

consumption of finished products. The BRC Standard is awarded by the British Retail Consortium and seeks to establish a standard for due diligence and supplier approval for food producers around the world.

4. Prices

The Group's pricing strategy is closely related to the general conditions of the market and the cost of its inputs and operations. The Group seeks to maintain a low cost production to offer its customers the most competitive prices, guaranteeing the best quality. Our comprehensive pricing strategy also considers competition, sensitivity and product potential, market research and other factors to determine the price of the Group's products.

5. Marketing and Promotion

Brands need to be on social networks to create a relationship with their consumers. To respond to this virtual reality, Grupo Bimbo has implemented a robust platform for digital marketing on social networks and websites that promote the creation of communities of like-minded consumers related to its brands and categories, as well as the creation of relevant content to generate commitment by these users.

Apart from using open television as the means of communication to the greatest extent, the Company also uses other means, such as pay television, external advertising, radio, press, mobile advertisement (through signage on vehicles where its products are transported) and digital media.

Grupo Bimbo initiated the execution of new commitments regarding adveritsing and marketing to children, following the World Health Organization's (WHO) recommendations. Therefore, the focus of its marketing encourages the adoption of healthy lifestyles, advertising only those products addressed to children under 12 years old that comply with established nutritional profiles, based on scientific evidence and worldwide standards.

Grupo Bimbo continues to carry out massive advertisement and promotion campaigns aimed at maintaining the image and growth of its leading products, and supporting new products that have been launched to the market. Additionally, through its advertising agencies and media centers, the Company has made a great effort to communicate specific products and new launches to its consumers.

6. Technology and Information Systems

a. Technology and Information Systems

Grupo Bimbo uses automatized information systems for both operational and management levels, which have been developed in various stages. The operational information systems link processes that include planning and receipt of materials, production control, sales process and integration with clients. As a result, this provides greater control and operational efficiency.

Furthermore, management information systems synthesize the operational, financial, commercial and accounting information that has been concentrated in the various plants and agencies in all the business sectors.

One of the main objectives of the above-mentioned systems integration is that inside the organizational structure of Grupo Bimbo the maximum responsibility may be delegated to each of its members, including the lower levels of the organization chart.

Grupo Bimbo has a policy of continuous technological modernization that helps meet the needs of the operations, of the business, and of regulatory compliance in the locations where it operates. The Group is currently upgrading all of its ERP and Business Intelligence platforms throughout a world-class Software as a Service strategy. This is a strategic and multi-year work program whereby analysis and administration of the accounting, financial, procurement, manufacturing and human resources transactions are faster. Additionally, platforms supporting logistics, transportation and supply chain are being upgraded.

Currently the operations in China, Iberia, Latin Centro, Latin Sur, United Kingdom, Frozen and Canada are working through an outsourcing system for both infrastructure and applications. Likewise, the Group has advanced planning solutions for supply and distribution, using a similar on demand platform.

b. Environmental Administration

Planet

Grupo Bimbo is committed to the application of good environmental practices in all stages of the life cycle of its products, the Group has adopted a broad and long-term commitment to efficiently use its resources on issues related to carbon footprint, water footprint, integral management of waste, the use of renewable resources and improvement in all these aspects of our value chain.

Main Initiatives:

- Carbon Footprint: energy efficiency, renewable energy
- Water Footprint: water consumption and reuse, wastewater quality, risk analysis due to scarcity and water quality
- Waste Management: recycling, post-consumer strategy
- Natural Capital: value chain actions

2017 Results

Management

Awards and Certifications

The company has received certificates around the world for its environmental actions:

- 14 plants with Energy Star certification in the USA UU
- 34 plants in Mexico with "Clean Industry"
- 1 plant in Mexico with the recognition "Environmental Excellence"
- 1 plant in Costa Rica with the "Blue Flag" recognition
- 3 plants in Europe with ISO 14001 certification
- 1 plant in the United Kingdom with the "Energy Award Winner" award

ii) Distribution Channels

Grupo Bimbo uses direct distribution channels to deliver its product in more than 3 million points of sale. It is believed that this has been key to its success. For example, one of the largest fleets in America has been developed with approximately 58,000 distribution routes around the world, with an average life of 7 years.

The Group has more than 1,800 sales centers, each of which depends on the operations of one or more plants. Every day the products are distributed from the plants, agencies and warehouses. Plants, agencies and warehouses can produce more than one brand.

Delivery	Transportation	Trailer	Others	Third parties	Total
43,197	1,408	6,711	5,802	14,114	71,232

The Group's sales force distributes its products to its customers from its distribution centers according to predetermined itineraries. Currently, all routes can deliver and collect products returned from consumers at

each visit. The products can be returned by consumers if they were not sold, and replaced by fresh products at no cost. The products collected are not considered fresh, although they can still be consumed, they are collected a few days before their expiration date.

The returned products are sent to sales centers that sell "cold bread", where the product is offered for sale for two to four days at a lower price.

Each product is shown for sale according to its useful life, which varies 7 days in the case of bread, months in the case of chocolates, cookies and snacks.

Based on production and sales levels, visits to each consumer can be daily, every three days, twice a week or weekly. Consumers are classified according to their purchase volume, type of distribution channel and individual characteristics. Group customers include hypermarkets, supermarkets, price clubs, family businesses, food services, which includes institutional customers, fast food chains, schools, vending machines and traditional customers. It has the ability to adapt the approach and response to the diverse and changing needs of consumers, including the frequency of delivery, in a cost-effective manner.

Grupo Bimbo operates directly all routes in Mexico and most routes in Latin America. While more than half of the routes in the United States and most of the routes in Canada and Europe are operated by independents. Generally long-term contracts are entered into with these independent distributors by virtue of which they agree to sell the Group's products exclusively. The terms of these contracts also specify which territories the independent distributors will cover and their compensation, based on the sales performance. There is strict control over the management of the brand, advertising strategies, prices and the right to purchase from each of the independent distributors under certain circumstances. The Group's distribution model is adapted to each country in which it operates, for example, it is believed that the use of independent distributors reduces distribution costs and increases the flexibility to add points of sale in an efficient manner, maintaining the quality of the services

iii) Main Customers

Grupo Bimbo has more than 3 million points of sale in the markets where it operates. It also has a strong relationship with its consumers and an interest in understanding and fulfilling its specific needs. The Group has a broad base of consumers in the countries in which it operates, ranging from large customers to small convenience stores (most relevant in emerging markets), as well as institutional customers (fast food restaurants, schools, vending machines, among others) and e-commerce platforms, such as Amazon, Freshdirect, Peadpod and ShopRite, among others.

Region	Type of Client	Relevant Client
Northamerica		
United States	Supermarket chains, price clubs, food service chains, institutional clients and small convenience stores.	Wal-Mart, Kroger, Albertsons and Ahold.
Canada	Retail, food service chains and other large institutional clients.	Sobey’s, Metro, Costco, and Wal-Mart.
Mexico	Small convenience stores, large retail stores, supermarkets, warehouses, price clubs, convenience stores and government-owned supermarkets.	Wal-Mart, Oxxo, Soriana, and Costco. We also serve large fast food chains and other institutional clients, such as 3G Capital (Burger King), KFC and McDonald's.

Latin America	Small convenience stores, supermarket chains and hypermarkets.	Wal-Mart, Grupo Casino, Cencosud and 3G Capital.
Europe, Asia, Africa		
Europe	Supermarkets, hypermarkets and food service chains.	Carrefour, DIA, 3G Capital, Tesco and Sainsbury's.
Asia	Retail and food service chains.	Burger King, KFC and McDonald's.
África	Retail and food service chains.	Burger King, KFC and McDonald's.

iv) Patents, Trademarks, Licenses and Other Contracts

1. Brands and Logos

Grupo Bimbo's most important brands, slogans and logos are protected by trademarks in the countries in which the Group operates and in many other countries. The Company manufactures or commercializes more than 13,000 products with more than 100 well-known brands, including, Bimbo®, Oroweat®, Arnold®, Brownberry®, Barcel®, Dempster's®, Thomas'®, New York Bakery Co. ®, Milpa Real®, Supan®, Marinela®, Fargo®, Ricolino®, Tia Rosa®, Monarca®, Entenmann's®, Ideal®, Ana Maria®, Pullman®, Los Sorchantes® Donuts®, Harvest Gold®, among others.

Currently, the Company has approximately 7,300 brand files and registries in Mexico and more than 20,500 abroad. The Group has brands registries in Africa, North and South America, Asia, Europe and Middle East. However, the trademark for Bimbo is held by others in Chile, Puerto Rico and certain European countries, and the trademark for Marinela has been registered by third parties in El Salvador and Honduras. Therefore, the Company's products in those countries are sold under the brands Ideal and Marisela, respectively, however the Company's designs and packages are used in those countries. In addition, the Company has several has several domain names registries addressed to the customers in the geographical areas it operates.

2. Patents and Copyrights

Patents

The protection of the Company's inventions through patents is very important for Grupo Bimbo. The Company operates mainly with technology developed by its Research and Development Department, which regularly requests patent protection of such inventions in Mexico and abroad.

To date, Grupo Bimbo has 191 patents (including industrial designs and utility models) in Mexico and 314 abroad, mainly in the United States of America, Canada, Argentina, Chile, China, Colombia, Korea, Costa Rica, El Salvador, the Philippines, Guatemala, India, Peru, the Czech Republic, Taiwan, Turkey, Venezuela and the European Union.

Copyrights

The major characters, publications, computer systems, logos and package designs used by the Group in its products are protected by copyrights in the countries where it operates and in other countries.

Litigation

Up to December 31, 2017, Grupo Bimbo was not a party, in Mexico or abroad, of any judicial, administrative or arbitration proceeding in connection with the intellectual property out of the ordinary course of business or which may have a significant adverse effect in its operations. See Section “2. THE COMPANY— b) Business Description— xi) Judicial, Administrative or Arbitration Processes”.

3. Contracts

Grupo Bimbo executes and maintains several contracts within the ordinary course of business, such as leases, bailments, supply agreements, raw materials and machinery purchase agreements, manufacturing agreements, distribution and commercialization agreements, sponsorship, license and all of service agreements necessary for its operations, which may be short, medium or long term agreements, depending on the needs and strategies of the Group.

v) Applicable Legislation and Tax Status

The development of the Group’s business is regulated by laws, rules, regulations and generally applicable provisions issued by governmental authorities, as the federal, state and municipal authorities. Laws and regulations relating to environmental protection, health, marketing and intellectual property are particularly important for the results of the Company.

In Mexico, the principal laws applicable to Grupo Bimbo are laws relating to trade, taxes, intellectual property, corporate governance, securities and environmental protection, such as the Commerce Code (*Código de Comercio*), the General Law of Business Entities (*Ley General de Sociedades Mercantiles*), the General Ecologic Equilibrium and Environmental Protection Law (*Ley General del Equilibrio Ecológico y Protección al Ambiente*), the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Intellectual Property Law (*Ley de la Propiedad Industrial*), the Mexican Securities Market Law (*Ley del Mercado de Valores*), the National Waters Law (*Ley de Aguas Nacionales*) and the General Law on Waste Prevention and Comprehensive Management (*Ley General para la Prevención y Gestión Integral de los Residuos*). In addition, Grupo Bimbo is governed in particular by the provisions included in its by-laws.

The Group is subject to the General Health Law (*Ley General de Salud*), the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), the Metrology and Standardization Federal Law (*Ley Federal sobre Metrología y Normalización*), the Federal Labor Law (*Ley Federal del Trabajo*), the Federal Duties Law (*Ley Federal de Derechos*), the Customs Law (*Ley Aduanera*), the Federal Law for Administrative Procedures (*Ley Federal del Procedimiento Administrativo*), the Federal Law for the Protection of Personal Data in Possession of Private Sector People (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), the Federal Antitrust Law (*Ley Federal de Competencia Económica*) and the Social Security Law (*Ley del Seguro Social*), as well as to several of their regulations.

Additionally, the Group is also required to comply with several regulations and Mexican Official Standards, (known in Spanish as “NOMs”), related to labeling and packaging, sanitary specifications, nutritional specifications, hygiene standards for food processing, beverages or dietary supplements, foods based on grains, edible seeds, flour, semolina or mixtures thereof, test methods, information for collectibles promotions or promotions through sweepstakes and contests, and net contents, among others.

Regarding the production plants of the Group, they must obtain operating licenses, file statements as a company generating hazardous waste, register the Company as a company generating hazardous and non-hazardous waste, prepare a management plan for hazardous and non-hazardous waste, obtain environmental licenses, obtain wastewater discharge permits, obtain permits to separate trash, obtain concession agreements for the use and exploitation of national waters, among others. In addition, for the construction of new plants, facilities or its expansion, the Group must obtain environmental impact assessments and risk analysis, construction licenses and licenses for land use, among others.

In the other countries in which Grupo Bimbo operates, it is subject to equivalent laws and regulations.

As a result of the dynamism of the laws, Grupo Bimbo schedules periodic revisions to its plants and operations to keep pace with the regulatory changes. In addition, the Group is subject to internal requirements and policies that represent standards above the minimum required by the applicable laws.

Amendments to, or enactment of, environmental laws, including laws related to climate change, could require Grupo Bimbo to make significant investments to comply with such laws, which could affect its operating results.

Failure to comply with its obligations under applicable laws and regulations could result in the imposition of administrative sanctions or other penalties to the Company.

Tax Status

Grupo Bimbo is required to comply with tax laws and regulations in the countries in which operates.

In Mexico, the Group is subject to Income Tax. The tax rate of Income Tax in 2017 applicable to the Group was 30% pursuant to the Income Tax Law of 2014 which shall remain the same for 2018 and the subsequent years. Regarding income taxes in other countries, which the Company's subsidiaries must assess, this calculation is performed individually pursuant to the specific regimes of each country. Specifically, the U.S. is authorized to file a consolidated income tax return, and Spain to file a consolidated income tax return staring from the 2013 fiscal year.

Each of the subsidiaries of the Group outside Mexico is required to determine and pay its taxes under the individual legal entities regime. The annual tax return is filed within the six months following the end of the fiscal year; additionally, companies must perform provisional monthly payments during said fiscal year.

vi) Human Resources

From its foundation the Group has a personnel policy aimed at harmonizing the Company's interest with those of its associates; this has led to the consolidation of an excellent labor relationship. The Company has sought to extend this philosophy to the companies that has acquired.

The Company pays special attention to hiring personnel, conducts periodic assessments, and provides continuous guidance and training to its associates. The company works to meet the concerns of its associates and to promote their personal and professional development.

The following table shows the number of associates in the Group over the past three years:

	As of December 31		
	2017	**2016**	**2015**
Unionized	86,729	85,951	85,325
Non-unionized	51,442	44,962	41,827
Total	**138,171**	**130,913**	**127,152**

Grupo Bimbo has developed a number of internal guidelines that allow it to maintain a positive relationship with unionized staff. Most of the Group's operations have collective bargaining agreements, which are negotiated in accordance with the applicable labor provisions in each of the countries where the Group operates.

Grupo Bimbo currently has labor relationships with several unions, including in the United States, the International Brotherhood of Teamsters and Bakery, Confectionery, Tobacco and Grain Millers International Union; in Mexico, the *Sindicato Nacional de Trabajadores Harineros, Panificadores de Alimentos, del Transporte, Similares y Conexos de la República Mexicana* and the *Sindicato Nacional de Trabajadores de*

la Industria Alimenticia, Similares y Conexos de la República Mexicana; and in Canada, the International Brotherhood of Teamsters, CSN, UFCW, Unifor and IUOE.

Since Grupo Bimbo´s foundation, it has worked to promote and preserve a healthy labor environment. The Group has been recognized for its day-to-day commitment to the safety and health of its associates and customers and a preventive approach to well-being. For this reason, in every country in which it operates it has a transparent and respectful relationship policy with the legitimate representatives of the associates' interests, whether syndicates, unions, cooperatives or any other collective form of association of its personnel. For this it has earned acknowledgment as an exemplary company from the Mexican Employees Confederation (*Confederación de Trabajadores de Mexico*) and by labor authorities in Mexico.

The Group strives to live its philosophy as a sustainable, highly productive and deeply humane Company.

vii) Environmental Performance

103k+ people from 37 cities and 21 countries participated in the Global Energy Race.	7 innovation centers, 1 food lab and 1 kitchen lab work on improving the nutritional profiles and developing new products	Our carbon footprint remained stable at 1,569,252 tons of CO_2. Reducing by 1% the direct emission of Carbon Dioxide (CO2e) per Ton of Manufactured Product compared to 2016 thanks in large part to the results obtained in primary distribution		Ps. 123 million donated to social development nonprofits in Grupo Bimbo.
1.3m+ slices of bread were donated to local food banks in line with the commitment to give 1 slice of bread per covered kilometer in the race	In 2017, after 6 years of continuous improvements, 37% of our products have improved their nutritional profile	92% of the waste generated in our production processes was recycled	30 plants successfully implemented waste management processes to entirely eliminate landfill deliveries	131 Good Neighbor projects took place across our plants, to improve the quality of life for thousands of people
48k+ boys and girls participated in the *Futbolito Bimbo* tournament	Grupo Bimbo has manufactured 350 electric vehicles that are part of our distribution fleet, 80 new vehicles for 2018 and 184 natural gas vehicles.	4,886, 204 m3 of water consumption in our productive processes during 2017 with an accumulated reduction of 18% vs 2009	22k+ people, among associates, relatives and friends participated in volunteer programs of Grupo Bimbo	18% reduction in consumption of water in the processes of production vs. 2009
95% traceability in top suppliers of palm oil 2.2 million kg of plastic less since	The wind farm Piedra Long generated 596,495 GJ The damage suffered by the	Increase of 19% in wastewater treatment in our production processes vs 2016	1.96% index of accident reduction of 15% vs. 2016 400 accidents less	+47 thousand hours of training at the Inclusion and Diversity Seminar

2010 thanks to the decrease in sizes in our packaging	wind farm in relation to the earthquake of September 19, 2017 led to a reduction of 28% in our production of clean energy.			

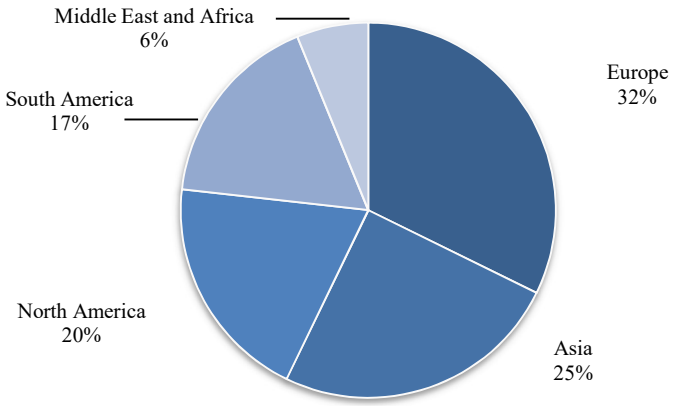
viii) Market Information

1. Baking Industry General Overview

Bread is a staple product in many regions throughout the world according to IBISWorld, and is generally affordable in all market segments. According to IBISWorld (2016), the global baking industry consists of a wide variety of products, generally divided into four different categories (i) fresh and frozen breads and rolls, (ii) cookies, crackers and pretzels, (iii) fresh and frozen cakes, pies and other pastries, and (iv) tortillas and flatbreads. According to IBISWorld, growth in the baked goods industry will be higher between 2016-2021, with industry revenue expected to increase at an average annual rate of 2.4% to U.S.$471.5 billion over the five years to 2022. Emerging markets such as Latin America, Asia and Eastern Europe have experienced the most significant growth over the past five years and, and according to IBISWorld, are expected to continue driving the industry's growth. Growth in emerging markets primarily results from changing consumer diets that incorporate a greater range of wheat-based products, as well as rising discretionary income and lifestyle's shift toward more convenient products. According to IBISWorld, consumption of baked goods in mature markets, such as Europe and the United States, has remained stable over the past five years. Certain markets, including the United States and Europe, have shown a shift towards functional bread products, which include healthy ingredients such as organic grains, calcium, vitamins and minerals, fruit infusions, and cleaner labels.

Products change greatly depending on geographic location. Health concerns have triggered the recent trend around health-centered products. This is closely related to the rise in premium products, which tend to focus on health-centered and more artisanal takes on traditional products. We believe that rising consumer awareness of nutritional issues represents an opportunity for continued growth in both emerging and mature markets through the launching of innovative, specialty and free-from products.

The following graph shows the revenue breakdown by region of the global baking industry as of August 2016.



Source: IBISWorld, "Global Bakery Goods Manufacturing" August 2016. Asia includes North Asia, South East Asia, and India and Central Asia

Market Concentration

The industry remains highly competitive and fragmented. Because of the perishable nature of bakery products, most players consist of small local bakeries. In addition, the manufacturing process of baked goods in small volumes is fairly unsophisticated and utilizes only commodity raw materials, which are generally available to the public, such as wheat, edible oils, eggs, sugar, milk and chocolate, allowing small producers to easily access regional or local markets. The market captured by regional family-owned bakeries, supermarkets and grocery stores with bakeries, has a large number of market participants with private-label offerings. The four major global players are estimated to account for less than 10.0% of the market, with no single player controlling more than 5.0% of the global market. Industry leaders, including Grupo Bimbo, Mondelez, and Yamazaki, are currently driving the industry's consolidation attempt through their aggressive acquisition strategies.

The table below shows the estimated market share of the major global players in the baked goods industry as of 2016 according to IBISWorld:

Participant	Estimated market share
Grupo Bimbo, S.A.B. de C.V.	3.6%
Mondelez International	2.2%
Yamazaki Baking Company, Limited	1.5%

The industry's low barriers to entry have historically kept concentration low. Quality and price continue to be two major factors for competition in the industry. Consumers are highly sensitive to prices and the perceived quality of products. This has driven large players to expand their markets beyond their recognized brands and into more local names, which are generally able to offer lower prices. While price is important, value is the underlying game-changer, as the perceived quality of a particular product or brand determines the price that consumers are willing to pay for it. Competition among the industry's largest companies is driven mainly by brand recognition, product differentiation and the ability to deliver high-quality products that appeal to the needs and tastes of the consumer base.

Sales Channels and Distribution Network

We categorize the industry's sales channels into four major categories: traditional ("Mom & Pops"), modern (supermarkets, convenience stores, and others), foodservice (quick service restaurants, hospitals, restaurants and others), and others (wholesale, vending machines, and others). The sale of products is carried out by sales forces that in some cases are outsourced to third parties. Due to the perishable nature of bread and bakery products, difficulties associated with the transportation of products and customers' expectations to restock shelves several times a day, most industry participants are focused on local markets. Recent advancement in technology and packaging have increased the durability of bakery products, increasing their ability to be delivered over longer distances.

As for sales channels, supermarkets continue to account for most of the industry's global sales, although convenience stores and other channels follow closely. In markets like North America and Western Europe, supermarkets remain the most important point of purchase for consumers. Emerging markets, such as South America, North Asia, and Eastern Europe, tend to rely more on traditional channels such as grocers for products such as freshly baked bread.

Industry Outlook

According to IBISWorld (August 2016), the key external drivers for the global industry moving forward include:

- Downstream demand: An increase in supermarket activity in certain countries will raise the demand for goods from manufacturers,

- GDP of BRIC countries: The increase is expected to bring an increase in the demand for bread and other bakery products,

- Global consumer spending: As consumer spending increases, emerging from an overall increase in disposable income, the demand for bakery discretionary items will rise as well, and

- World price of sugar and wheat: The rise or fall of two of the major inputs in bakery products are likely to affect the producers' margins, although any additional costs will probably be passed on to consumers.

These drivers are expected to help the industry grow more aggressively in the next five years than has been the case in the years leading up to 2017. Most of this growth is expected to originate from rising demand in emerging markets, specifically Latin America, Asia, and Eastern Europe. Meanwhile, growth in mature markets will depend highly on the successful introduction and traction of organic, gluten-free options in line with the recent trend.

The Baking Industry by Country/Region

North America

North America is the second largest producer of baked goods after Europe, Asia and Africa (EAA), according to IBISWorld, accounting for 20.0% or U.S.$82 billion of the global industry's revenue as of 2016. According to the American Bakers' Association, the amount bakers in the United States contributed to the share of the country's GDP during that same time period was 2.3%. This is in part because the country hosts some of the major global competitors.

The North American baked products market is considered to be a mature market with established brands. Growth in upcoming years is expected to mainly come from the traction that healthier baked goods is able to generate. Thus, differentiated products, solid cost controls and distribution density and efficiency are key performance drivers in this market. Bread products tend to be homogenous, so manufacturers must distinguish themselves with new products or marketing initiatives to promote demand and gain market share. In addition, revenue growth has been supported by production of healthy breads and product innovation that addresses changing consumer tastes.

We operate in the U.S. market through Bimbo Bakeries USA, Inc., or BBU, and Bimbo Frozen. Our major competitors in the U.S. include: Flower Foods, Pepperidge Farm and private label brands.

The principal participants in the Canadian fresh bakery market are Bimbo Canada, and George Weston Limited. We also participate in the frozen category through Bimbo Frozen. Bimbo Canada is the leading baking company in eastern Canadian provinces of Quebec and Ontario. Weston is the market leader in central Canada.

Mexico

The baking goods industry in Mexico has been traditionally comprised of multiple family-owned, local businesses. According to Canadean, the Mexican bakery market (including cereals) reached an all-time high growth during 2015. The industry is expected to register a compound annual growth rate of 3.4% from 2015 to 2020. As of 2016, the size of the Mexican bakery industry was estimated at Ps.318 billion (U.S.$17 billion). In terms of products, tortillas and packaged bread remain staple products in the country and are expected to continue to do well.

The packaged bread industry is competitive at a national and regional level. At a national level, some of the major competitors include other large international market participants, such as Flowers Foods, Walmart and other supermarkets, which compete through their private labels. At a regional level, the strongest competition are the significant number of artisanal bakeries, small family-owned bakeries and in-store bakeries in supermarkets, in addition to regional packaged bread competitors such as Dulcipán, El Panqué,

Pan Filler, Industrializadora de Alimentos del Sureste, La Superior, Pan Panamá, Hill Country, produced by H.E.B. supermarkets, Bontri, Pantry Select and Sweet Baker Goods.

Traditionally, white bread has been the most popular type of packaged bread in Mexico, with strong presence among households of all income levels. However, consumers' changing diets are hindering growth of white bread sales as sales of other substitute products such as multigrain bread increase. The share of private label baked goods is small and has reported a stable market share.

We lead the packaged bread market in Mexico, with our iconic Bimbo and Marinela brands, as well as other leading brands such as Tía Rosa.

The major competitors in the cookies category include global market participants such as our company, Gamesa, a PepsiCo. brand, Nabisco, Mondelez International, and local market participants such as Cuétara, and Dondé, among others. As of 2016, we were also the Mexican snack cake market leader and the number two cookie and cracker producer in terms of sales under our brands Marinela, Lara, Gabi, Bimbo, Tia Rosa and Suandy, according to information from Nielsen. We are a leading participant in this category and our main competitors are the Kellogg Company, Quaker, General Mills and other imported bars.

We also participate in the packaged tortilla market with our Tía Rosa, Milpa Real, Del Hogar and Wonder brands, which compete mainly with products from Gruma and Maseca, among others.

Latin America

Global growth in the baking industry is expected to be driven substantially by increasing demand from emerging markets, including Latin America. The Latin American baking industry is primarily composed of a significant number of regional and traditional bakeries which are, in most cases, family-owned businesses, with a limited geographical reach. Market penetration of packaged bread in Latin America remains notably low.

South America is the third largest segment in terms of industry revenue, accounting for an estimated 17.1%, according to IBISWorld (2016). The region has experienced strong growth over the past five years, driven mainly by Brazil, Argentina and Chile. This is in part due to the rising discretionary income in the region, which has allowed consumers to increase spending on bread and baked goods. This is particularly relevant in South America, where the per capita consumption of bread and sweet baked goods is higher than that in other regions. However, despite the high levels of per capita consumption, the market penetration of packaged bread remains relatively low.

The packaged bread industry is competitive at local levels. Local competitors include, for example, Panco, Wickbold and Seven Boys and private label product lines in Brazil. The strongest competition comes from the significant number of artisanal bakeries, small family-owned bakeries and in-store bakeries in supermarkets.

Traditionally, white bread has been the most popular type of packaged bread in Latin America, with increasing penetration over recent years, as larger players reach more points of sale and more consumers join the workforce and lifestyles shift toward convenience products. In certain markets, consumers are slowly adopting healthier diets and shifting toward more premium products. We believe these trends represent a major growth opportunity for us.

We lead the packaged bread market in every Latin American country in which we operate, in the categories of sliced bread, buns and rolls, cookies, cakes, pastries, tortillas, salty snacks and confectionery, with strong local brands such as Pullman, Plus Vita, Nutrella, Fargo, Ana Maria and Lactal, as well as regional brands such as Bimbo.

Europe, Asia and Africa

Europe, Asia and Africa, together represent 61.7% of the global baking goods market according to IBISWorld (2016).

Western Europe is the largest global market for bakery products. It is considered a mature and stable market, with a high level of penetration of packaged bread. The participation of private labels and artisanal bakeries is significant in the region. Additionally, and although current contribution to industry revenues is relatively low, Eastern Europe has provided producers with an emerging market where to grow in the coming years.

As is the case globally, the industry remains highly fragmented in the continent with more than 16,000 companies competing in the European bread and bakery products industry, according to IBISWorld (2016). The vast majority of these players are small artisanal bakeries, adding to the fragmentation. This is in part due to the longstanding tradition in many European countries of buying freshly baked bread daily; artisanal bakeries are estimated to account for 61.0% of all the bread consumed in Europe. Meanwhile, markets like the U.K. and Ireland represent interesting opportunities for larger players; IBISWorld estimates that nearly 80.0% of the total bread consumption there is produced industrially. Industrial bakers represent the remaining 39.0% of the bread market in the continent.

In the United Kingdom we are a leading producer in the bagel, ambient croissants and pain au-chocolat markets, with our brand New York Bakery Co., and our principal competitors in such market are Weight Watchers, Kings Mill and other private label players. We also hold a leading position in the United Kingdom in the vienoisserie category.

In Europe, we operate primarily through Bimbo Iberia, Bimbo UK and Donuts (formerly Panrico). We lead the branded packaged bread market in Spain and Portugal, with participation in the packaged bread, sweet baked goods and snacks categories with our brands Bimbo, Silueta, Martínez, Donuts, Eagle and Bollycao. According to IBISWorld, Asia accounted for a little less than 20.0% of the global baked goods industry during 2016. North Asia is estimated to account for 12.2% of the global industry revenue and is currently one of the fastest growing regions, driven by Japan, South Korea, China and Hong Kong. As Western cuisine becomes increasingly adopted in the region, producers have begun to expand mainly through acquisitions. Central Asia and India, where bread-related items such as naan and roti are pivotal in everyday meals, represented approximately 7.5% of global industry revenues. This is expected to keep growing as the demand for Western-style baked goods increases. According to MarketLine, the value of the Asia-Pacific bakery and cereals market is expected to have a CAGR of 5.4% from 2016 to 2021, reaching approximately U.S.$124 billion in 2021.

Industry growth in China has been driven by sustained economic prosperity, increased urbanization, more working women and the growing influence of Western cultures and diets. This has transformed bread into an even more common part of the Chinese diet, resulting in a significant increase in the number of new producers in the region. The bakery manufacturing market in China is extremely fragmented; however, international manufacturers are expected to increasingly expand their operations in the region due to rising bread consumption.

During the past decade, Chinese bakery consumption nearly doubled; this trend is expected to continue as more people adopt Western-style diets. As a result, growth is expected to rise through a shift from sweet bread varieties toward healthier whole grain bread varieties. Additionally, China has experienced significant growth in the private-label market.

We have been pioneers in developing the packaged bread market in China, in the categories of packaged baked goods, cakes and tortillas, by adapting our products to local preferences such as bread filled with sweet beans, green tea and spicy meat. We participate in the Chinese market principally through our brand Bimbo.

We are also a baking leader in New Delhi and its surroundings. Currently, brands in the region include Harvest Gold and Ready Roti, among others.

As for Asia and Africa, we expect to face increasing demand for our products given the rising discretionary incomes and, perhaps more importantly, the changes in consumer behavior. We also manufacture snacks cakes in Morocco through our brand Belle.

The Global Foodservice and Quick Service Restaurant Channels

A significant portion of the baking industry sales are made to operators in the foodservice (including the quick service restaurant industry) and hospitality industries, which are estimated to account for U.S.$91 billion or 21.7% of the market for baked goods in 2017, according to IBISWorld. According to MarketLine, the global foodservice industry had total revenues of U.S.$2,850 billion in 2015, representing a CAGR of 5.1% between 2011 and 2015. In comparison, the Asia-Pacific and U.S. foodservice industries grew with CAGRs of 7.5% and 3.4% respectively, over the same period, to U.S.$1,342 billion and U.S.$606 billion in 2015.

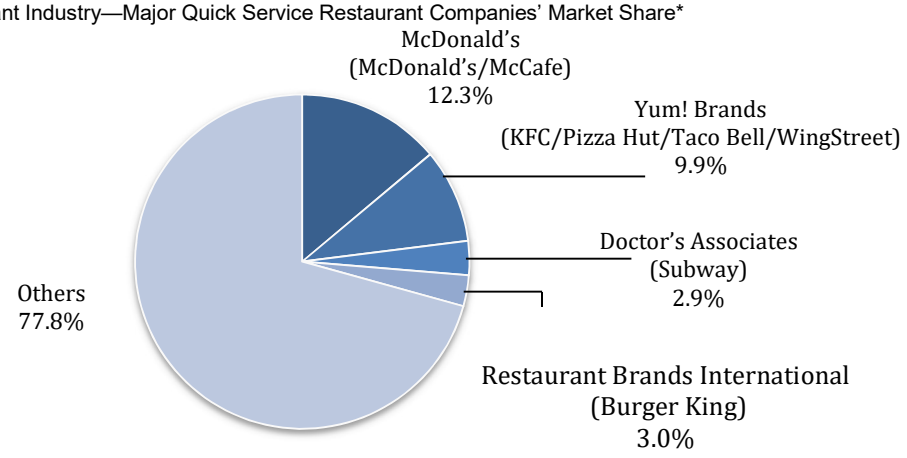
In particular, the quick service restaurant industry has shown steady growth over the past five years, outperforming the growth of the full-service restaurant industry during the same period according to IBISWorld. The quick service restaurant and fast food segment contributed revenues of U.S.$633 billion in 2015, equating to 22.2% of the industry's aggregate value according to MarketLine. Recent growth of the quick service restaurants industry has been driven by increasing consumer disposable income, the increasing prevalence of Western-style food as well as growing demand from emerging economies.

MarketLine expects the global foodservice industry performance to accelerate, with an anticipated CAGR of 5.9% for the five-year period 2015 - 2020, which is expected to drive the industry to U.S.$3,795 billion by the end of 2020.

In addition, technological innovation and online engagement are changing the foodservice industry. Online ordering as a portion of total dining out spending has been growing rapidly for many years, but a surge of innovation in online and mobile applications, and payment platforms in recent years has caused this trend to accelerate.

Among the product categories of the global quick service restaurants industry, burgers account for the top product categories with 46.7% market share, followed by chicken (13.5%), sandwiches (10.8%), pizza and pasta (9.6%) and snack food (11.8%) based on IBISWorld research. While the global quick service restaurants market remains fragmented, major U.S. based operators including McDonald's, Yum! Brands, Doctor's Associates (Subway), and Restaurant Brands International (Burger King) represent the largest operators by market share.

Global Quick Service Restaurant Industry—Major Quick Service Restaurant Companies' Market Share*



*Source: IBISWorld, "Global Bakery Goods Manufacturing" December 2017. *This analysis does not measure revenue of owner-operated fast food restaurants.*

North America represents the largest and most mature market for global quick service restaurants operators. Given its size, the North American industry remains the largest market for the leading global quick service restaurants operators, including McDonald's, Yum! Brands, Doctor's Associates, and Restaurant Brands International.

We operate throughout the United States and Canada, including through our operations acquired from East Balt Bakeries (now Bimbo QSR). Through these operations we have established longstanding relationships with, are a leading supplier of baked goods to, the leading quick service restaurants in the market.

The other major market of the quick service restaurants industry is Asia. The growth of quick service restaurants industry in the region is expected be driven by developing countries such as China, India and Central Asia nations as their populations and average incomes are expected to rise faster than the developed countries.

Quick service restaurants operators are adapting the food served in the Asian market in accordance with the taste and preferences of consumers in the region, introducing new offerings in their food menu that cater to local consumers. Growth of the quick service restaurants industry in Asia is also largely driven by the youth population who remain relatively unaffected by on-going health and wellness awareness trends which has been the new gateways for quick service restaurants to introduce Western fast food products.
Major U.S. quick service restaurants operators are continuing to penetrate into Asia by taking advantage of increasing income levels in the region. According to IBISWorld, the industry's ability to expand and profit from Asia is dependent on the performance of the region's economy, which is expected to grow throughout the next five years. We believe we are well positioned to benefit from the future potential growth in the quick service restaurants industry in Asia based on East Balt Bakeries' (now Bimbo QSR) existing presence through established operations in China and South Korea.

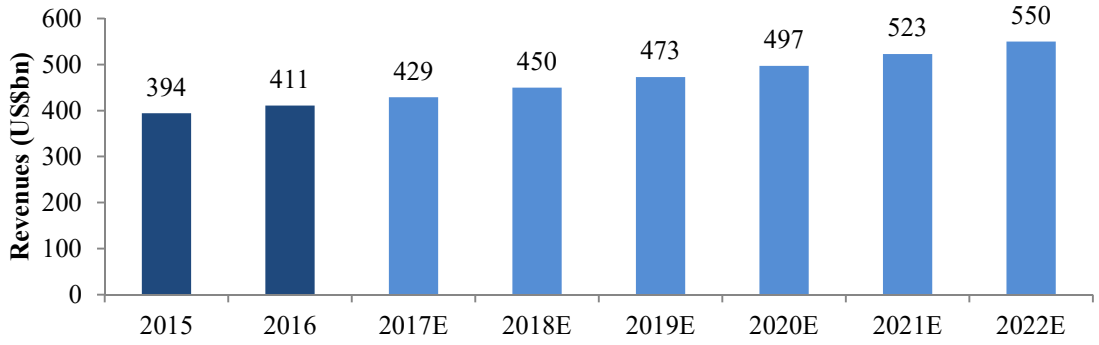
In Europe, Africa and the Middle East, a high concentration of industry sales are derived from developed countries. We operate in several markets throughout EMEA, including France, Spain, Italy, Portugal, Switzerland, the United Kingdom, Russia, Turkey and South Africa.

We also participate in Latin America, including Mexico, by serving major foodservice clients.

The Snacks Industry

Snack and confectionery products (collectively snacks), represent a large and diverse segment of the broader packaged food market, with estimated global sales of U.S.$429 billion in 2017 according to Euromonitor. Globally, busy lifestyles, changing eating habits, and rising disposable income have contributed to snacks market growth. With urbanization and longer working hours, consumers eat snacks for convenience, increasingly replacing meals. Additionally, a growing demand for healthier food is driving the volume and value growth of the snacks market. Global snacks sales grew at an annual rate of 4.8% from 2012-2017 and are forecasted to grow 5.1% annually through 2022. Savory (5.5%) and sweet (5.6%) snacks are poised to grow at a higher rate than confectionery goods (4.6%) for the forecasted period, according to Euromonitor.

Global Snacks Industry – Market size, by revenues (U.S.$bn) 2015-2022E



Source: Euromonitor as of October 26, 2017. Note: Values reflected in nominal terms

Snacks are segmented into the following main categories:

- confectionery: chocolate, gum and sugar confectionery,
- savory snacks: nuts, seeds, trail mixes, salty snacks, savory biscuits, popcorn, pretzels and other savory snacks, and
- sweet snacks: sweet biscuits, snack bars and fruit snacks.

Global Total Snacks Market Overview – Market Size and Main Players (U.S.$bn) 2017 (estimated)

	Market Category			
	Confectionery	Savory Snacks	Sweet Snacks	Total
Market Size (% of Total)	U.S. $185.3 billion (43.2%)	U.S. $151.4 billion (35.3%)	U.S. $92.0 billion (21.5%)	U.S. $428.8 billion (100%)
Top 5 Players				
	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share
1	MARS incorporated 12.8%	PEPSICO 23.2%	Mondelēz International 11.5%	Mondelēz International 9.0%
2	Mondelēz International 12.3%	Mondelēz International 3.3%	Kellogg's 2.8%	PEPSICO 8.8%
3	Nestlé 6.4%	Kellogg's 3.2%	GENERAL MILLS 2.5%	MARS incorporated 5.6%
4	FERRERO 5.8%	Intersnack 1.9%	PEPSICO 2.5%	Nestlé 3.3%
5	HERSHEY THE HERSHEY COMPANY 4.9%	Snyder's Lance 1.9%	pladis 2.0%	FERRERO 2.6%
	Top 5 Companies 42.2%	Top 5 Companies 33.5%	Top 5 Companies 21.3%	Top 5 Companies 29.2%
	Others 57.8%	Others 66.5%	Others 78.7%	Others 70.8%
	Total 100%	Total 100%	Total 100%	Total 100%

Source: Euromonitor as of October 26, 2017

The global snacks segment is highly fragmented, with top five players accounting for 29.2% market share according to Euromonitor.

Particularly in the emerging markets, the main growth drivers of the snacks segment are a growing population, an emerging middle class, and increasing rates of urbanization. As urban consumers work longer hours with irregular schedules, they are increasingly eating snacks to satisfy their desire for convenience, indulgence and variety.

Additionally, in the developed markets of North America and Europe, millennial consumers (those born from 1981-2002) maintain more active lifestyles and turn to snacks as healthy, on-the-go meal replacements. Consequently, snacks companies are adapting their products to meet changing consumer preferences for creating permissible indulgence ("better for you" snacks) as follows: (i) reducing the number of ingredients

in product formulations and marketing “gluten-free,” “natural,” and “organic,” (ii) indicating the local origin of ingredients as a way of promoting food quality and differentiation, (iii) incorporating higher protein content – both plant and animal, and (iv) introducing smaller package formats to support portion control given growing concerns over obesity and related health issues. Demand is also increasing for new and ethnic flavor profiles such as Mexican and Asian. In addition to the growing “better for you” snacking trend, consumers are becoming increasingly aware of the ecological impact of packaged food, leading to more eco-friendly package design. Further, consumers are mindful of the social values packaged food companies promote.

We believe that there is a perception that snacks are intended for more in-between for meals than for actual meal replacements, but busy, on-the-go lifestyles often dictate a need for quick meals, and many opt for fast food options that can be high in calories and low in health benefits. We believe that there is an opportunity to gain market share in the nutritious, portable and easy-to-eat meal alternative market.

Relevant Markets

We participate in the snack industry in North America, Latin America and Europe.

North America
The North American market is comprised of the United States and Canada. The top five players in the North American Market capture 47.6% of the snacks market. The confectionery and savory snacks categories are both substantially larger and more concentrated than the sweet snacks category, with the top five players capturing 63.4% and 58.7% of their markets, respectively. Private label accounts for 7.3% of the North America snacks market.

We participate in the North American snacks market mainly through the Takis and Barcel brands. Takis has 4.1% market share within the tortilla chips subcategory in North America and is the fourth global leading tortilla chips brand according to Euromonitor.

Mexico

Mexico accounts for 2.3% of the global snacks market and is expected to generate U.S.$10 billion in sales by the end of 2017. Sales are forecasted to grow at an annual rate of 6.1%, reaching U.S.$13 billion by 2022. Mexico is an important market within Latin America, representing approximately 20.2% of the total snacks market in Latin America. Confectionery and savory snacks are the two largest snacks categories, accounting for 73.2% of sales in Mexico.

The total snacks market in Mexico is highly concentrated, with the top five players capturing 67.7% of the market.

Mexico Total Snacks Market Overview – Market Size and Main Players (US$bn) 2017(estimated)

	Market Category			
	Confectionery	Savory Snacks	Sweet Snacks	Total
Market Size (% of Total)	U.S. $3.6 billion (36.7%)	U.S. $3.6 billion (36.5%)	U.S. $2.6 billion (26.8%)	U.S. $9.8 billion (100%)
Top 5 Players				
	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share
1	Mondelēz International 24.6%	PEPSICO 60.6%	PEPSICO 35.3%	PEPSICO 32.7%
2	MARS incorporated 11.1%	BIMBO 21.9%	BIMBO 24.4%	BIMBO 18.3%
3	BIMBO 10.2%	ARCACONTINENTAL 2.7%	Mondelēz International 3.8%	Mondelēz International 10.3%
4	Nestlé 6.5%	CONAGRA 1.6%	Kellogg's 3.2%	MARS incorporated 4.1%
5	FERRERO 6.3%	BYDSA 1.3%	Adam Foods 2.5%	Nestlé 2.4%
Top 5 Companies	58.7%	88.1%	69.2%	67.7%
Others	41.3%	11.9%	30.8%	32.3%
Total	100%	100%	100%	100%

Source: Euromonitor as of October 26, 2017

Bulk and variety packs are particularly popular in Mexico given a consumer preference to share snacks with friends and family.

We are present across each of the three major snacks segments. According to Euromonitor we have a market share of 18.3% in the snack industry, the second largest position. The Ricolino brand is the second largest within the confectionery category, capturing 8.4% of the market, while the Barcel brand has a 4.5% share of the savory snacks category. Within sweet snacks, the Marinela brand also holds a number two position with a market share of 15.4%.

Latin America

Latin America represents 11.3% of the global snacks market and is expected to generate U.S.$48 billion in sales in 2017 (estimated). Sales are forecasted to grow at an annual rate of 7.2%, reaching U.S.$68 billion by 2022.

The top five players capture 48.0% of the Latin American Snacks market. The confectionery category represents 39.2% of Latin American snacks, with savory and sweet snacks account for 31.2% and 29.6%, respectively. Confectionery and savory snacks categories are more concentrated, with the top five players capturing 54.9% and 55.2% of their respective markets.

Latin America Total Snacks Market Overview – Market Size and Main Players (US$bn) 2017(estimated)

	Market Category			
	Confectionery	Savory Snacks	Sweet Snacks	Total
Market Size (% of Total)	U.S. $18.9 billion (39.2%)	U.S. $15.1 billion (31.2%)	U.S. $14.3 billion (29.6%)	U.S. $48.3 billion (100%)
Top 5 Players				
	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share	Top 5 Companies / Market Share
1	Mondelēz International 24.2%	PEPSICO 36.5%	PEPSICO 10.5%	PEPSICO 14.7%
2	ARCOR 12.1%	BIMBO 5.9%	ARCOR 10.0%	Mondelēz International 13.6%
3	Nestlé 10.9%	Mondelēz International 5.1%	Mondelēz International 8.4%	ARCOR 9.1%
4	FERRERO 3.9%	ARCOR 4.5%	Nestlé 6.4%	Nestlé 6.6%
5	MARS incorporated 3.8%	Diaz Banco 3.2%	Diaz Banco 6.1%	BIMBO 4.0%
	Top 5 Companies 54.9%	Top 5 Companies 55.2%	Top 5 Companies 41.4%	Top 5 Companies 48.0%
	Others 45.1%	Others 44.8%	Others 58.6%	Others 52.0%
	Total 100%	Total 100%	Total 100%	Total 100%

Source: Euromonitor as of October 26, 2017

Latin American consumers have focused on value given recent economic challenges rather than seeking premium and healthy snack options as in developed markets. As a result, Latin American consumers have less brand and product loyalty and affordability is one of the most critical purchasing drivers.

We are the fifth largest market player in the snacks market in Latin America, with an especially strong presence in savory snacks. The Ricolino brand is the seventh largest at 1.6% market share in the confectionery category. Barcel brand has a market share of 1.1% in savory snacks and is the fourth nuts brand in Latin America according to Euromonitor.

Europe

Europe accounts for 30.5% of the global total snacks market, with 2017 (estimated) sales of U.S.$131 billion. Sales are forecasted to grow at an annual rate of 3.5%, reaching U.S.$156 billion by 2022. The European market is comprised of the Western Europe and Eastern Europe, which account for 73.8% and 26.2% of sales, respectively.

The top five players capture 32.0% of the European snacks market. The confectionery category is substantially larger than the savory and sweet snacks categories and is more concentrated, with the top five players capturing 47.0% of the market. European snacks consumers prefer artisanal & premium products. Private label accounts for 16.0% of the European snacks market compared to 7.7% of the overall global snacks market. We operate in Europe mostly with Ortiz, Bimbo and Donuts brands in savory snacks category.

ix) Corporate Structure

Grupo Bimbo is a holding company that, as of December 31, 2017 was a direct or indirect owner of shares in its 7 primary operational subsidiaries. The table shown below lists the most important companies, their main activity and the equity holding percentage held by Grupo Bimbo in each one of them.

Subsidiary Companies	Main Activity	Shareholding
Bimbo, S.A. de C.V.	Baking	96.94%
Barcel, S.A. de C.V.	Candies and Snacks	97.70%
Canada Bread, Ltd.	Baking	100%
Bimbo Bakeries USA, Inc.	Baking	100%
Bimbo do Brazil, Ltda.	Baking	100%

Subsidiary Companies	Main Activity	Shareholding
Bimbo S.A.U. (Iberia)	Baking	100%
Bakery Donuts Iberia, S.A.U.	Baking	100%
East Balt (Bimbo QSR)**	Baking	100%

**Bakery Donuts was acquired on July 21, 2016. ** East Balt (Bimbo QRS) was acquired on October 15, 2017, same date in which the Company gained control through BBU Bimbo, S.A. de C.V. and Grupo Bimbo.*

x) Main Assets Description

a. Facilities

i. Production Plants

As of December 31, 2017, Grupo Bimbo had 196 production plants distributed as follows:

- 64 in the USA; in Alabama, Arizona, California, North Carolina, South Carolina, Colorado, Connecticut, Florida, South Dakota, Georgia, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Nebraska, New Mexico, New York, Oklahoma, Oregon, Ohio, Pennsylvania, Tennessee, Texas, Utah, Washington, West Virginia and Wisconsin.

- 38 in Mexico; in Baja California, the City of Mexico, Chihuahua, Durango, Estado de México, Guanajuato, Hidalgo, Jalisco, Nuevo León, Puebla, San Luis Potosí, Sinaloa, Sonora, Tabasco, Veracruz and Yucatán.

- 32 in Latin America; in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru, Uruguay and Venezuela.

- 19 in Canada; in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Toronto and Nova Scotia, Ontario and Québec;

- 24 in Europe, in Spain, Portugal, Italy, France, Switzerland, Ukraine, Russia and the United Kingdom.

- 14 in Asia, in China, India, South Korea and Turkey.

- 5 in Africa, Morocco and South Africa.

These plants produce traditional sliced bread, premium bread, buns & rolls, breakfast (English muffins and bagels), frozen bread, cakes, pastries, cookies, crackers, snacks, tortillas, pita, wraps, pizza base, tostadas, totopos, prepackaged foods and confectionary goods, among others. The Group owns approximately 90% of the production plants it operates and leases the remaining from third parties.

Generally speaking, the Group has all insurances needed for the industry in order to transfer all risks through specific provisioning.

In 2017, the Group made capital expenditures in the amount of approximately $681 million US dollars, which were financed with own resources.

The location of the Company's main plants per geographic area is shown below.

MEXICO

	Number of plants
Bimbo S.A.	27
Organización Barcel	10

Moldes y Exhibidores, S.A. de C.V.	1
TOTAL	**38**

US & CANADA

	Number of plants
Bimbo Bakeries USA	58
Organización Barcel	1
Bimbo Frozen	7
Bimbo Canada	17
TOTAL	**83**

LATIN AMERICA

South	Number of plants
Argentina	7
Brazil	6
Peru	1
Paraguay	1
Uruguay	2
Chile	1
TOTAL	**18**

Central	Number of plants
Guatemala	1
El Salvador	1
Honduras	1
Costa Rica	1
Panama	1
Colombia	6
Venezuela	1
Ecuador	2
TOTAL	**14**

EUROPE

	Number of plants
Spain	14
Portugal	1
Switzerland	1
France	2
Italy	2
Ukraine	1
Russia	1
United Kingdom	2
TOTAL	**24**

ASIA

	Number of plants
China	7
India	5
South Korea	1
Turkey	1
TOTAL	**14**

AFRICA

	Number of plants
South Africa	2
Morocco	3
TOTAL	**5**

The following table shows the capacity utilization percentage of the production in all the Company's operations as of December 31, 2017:

Organization and type of product	
Bimbo, S.A. de C.V. Bread, rolls, doughnuts, cakes, toasts, cookies, cakes, suavicremas, tortillas	56%
Bimbo Bakeries USA Bread, rolls, doughnuts, cakes, pies, tortillas, *tostadas*, muffins and cakes	64%
Latin South Organization Bread, rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	35%
Latin Central Organization Bread, rolls, doughnuts, toasts, cookies, pastries and tortillas	47%
Barcel, S.A. de C.V. Snacks, sweets, confectionery and chocolates	57%
Bimbo Iberia Bread, buns, doughnuts, thins, toasts and cereal bars	48%
Bimbo Canada Bread, cakes, rolls, tortillas, muffins and cereal bars	52%
Bimbo Frozen Baguettes, artisan bread, bagels, Danish bread and pie	40%
Bimbo Brazil Bread, rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	43%
Bimbo United Kingdom Bagels, croissants	60%
Bimbo China Bread, pastries, cakes, tortillas and cookies.	32%

Capacity utilization was calculated based on 168 productive hours per week. Hours are used as a parameter because the product mix of each line implies the utilization of different volumes and weight, which prevents the direct comparison of all products and line capacities.

ii. Agencies

As an important part of its distribution process, the Company has approximately 1,700 sales centers, each of which is supplied by one or more production plants. These centers may be exclusive for some of its brands or may handle several brands making use of the same infrastructure.

2. Asset Maintenance

The Group has a policy to have preventive predictive maintenance programs applied to all its assets, including various equipment and vehicular fleets in order for operations not to be suddenly affected. The purpose is that all the Group's premises and equipment present optimal operational and appearance conditions, and that they not only comply with the governmental rules and regulations, but that they provide for the wellbeing and a safe environment for the personnel.

When the situation requires so, corrective maintenance is used. However, such situations occur eventually and, therefore, they do not represent a habit of the Company.

In this regard, the Company allocates approximately 2% of the net sales to preventive, predictive and corrective maintenance previously described. Likewise, it is important to mention that during the last year, the Company has allocated nearly 1% of its sales in investments to support the growth, equipment modernization and productivity of its lines. All these resources have been financed with the Company's own resources.

b. Guarantees on Assets

On the date of this Annual Report, the Company has only created liens on its assets as ordinary course of business. None are material.

c. Insurance

The Group also has solutions that protect cybersecurity against intrusions that alter the operation of the Group, as well as its Board of Directors or any other position of command that is exposed to obligations and responsibilities in the performance of its position, with respect to errors and omissions derived from the daily functions of such position.

In the case of the vehicular fleet for distribution, Grupo Bimbo's policy is not to rely on conventional insurance for its own damages; it has created a "self-insurance" program, based both on available cash flows and its maintenance policy, as well as its strong discipline for driving its vehicle, although the Group complies with the local regulations by having coverage for third party liability in every region.

In accordance with the above, the Company has auto shops to repair its vehicles. A study indicates that given the infrequency of vehicular incidents, these repairs are less expensive than paying a traditional insurance policy.

xi) Judicial, Administrative or Arbitration Processes

Currently, Grupo Bimbo is involved in several legal proceedings, which are considered part of the ordinary course of business and incidental to its operations. Except as described in this Annual Report, Grupo Bimbo has no judicial, governmental or arbitration proceedings against it (including proceedings pending or that may be reported) of which it has knowledge for twelve months prior to the date of this Annual Report, that may have or have had in the recent past, a material adverse effect on its financial position or its operation results. Moreover, at the date of this Annual Report, the Company does not fall within the circumstances

established in Articles 9 and 10 of the Bankruptcy Act (Ley de Concursos Mercantiles) and has not been declared or may be declared in bankruptcy.

xii) Shares Representing the Capital Stock

At the date of this Annual Report, the theoretical value of Bimbo's share capital totaled $4,227 million pesos, represented by 4,703,200,000 outstanding Series "A" common nominative shares, with no par value, fully subscribed and paid, all of them representing the minimum fixed portion without right of withdrawal of the capital stock. See Note 16 to the Audited Financial Statements.

Grupo Bimbo was incorporated on June 15, 1966 with a minimum fixed capital stock of $50,000,000.00 pesos, represented by 50,000 shares, with a nominal value of $1,000.00 each one.

Since its incorporation, Grupo Bimbo has had several modifications to its capital stock structure. As of 1998, the modifications are as follows:

In accordance with the corporate bylaws, the capital stock is variable. The capital stock shall be represented with Series "A" common nominative without nominal value expression shares. Additionally, the Company may issue non-voting and/or limited-voting, nominative, without nominal value expression shares, which shall be denominated with the series name determined by the Meeting that approves the issuance thereof. In no case shall the non-voting and/or limited voting shares represent more than twenty-five percent (25%) of the total capital stock placed among the investing public or of the total shares placed therein. However, the National Banking and Securities Commission (known in Spanish as "CNBV") or, otherwise, the competent authority, may extend the above-mentioned limit up to an additional twenty-five percent (25%), provided that this percentage is represented by non-voting shares, with the limitation of other corporate rights, or by restricted voting shares, which shall be convertible into common shares within a term not exceeding five (5) years, computed as of their placement (See Section "4. ADMINISTRATION— d) Corporate Bylaws and Other Agreements").

On July 30, 1998, Bimbo made a capital increase and issued 60,000,000 shares, resulting in fixed capital of 2,299,288,054 common, nominative shares with no par value.

On May 7, 2002, Bimbo approved a total modification of the company's bylaws and a capital reduction for a total amount of $397,555,574 pesos and the cancellation of 245,800,000 common, nominative treasury shares.

On April 15, 2011, Bimbo carried out a split of the shares representing its capital stock, making outstanding Issuance 2011-I, through which the Company's capital stock was not modified and remained represented by 4,703,200,000 shares.

xiii) Dividends

The information set forth herein below refers to the Company's outstanding shares as of the date of this Annual Report see Section "2. THE COMPANY – b) Business Description – xii) Shares Representing the Capital Stock").

The declaration, amount and payment of dividends to the holders of BIMBO's Series "A" shares is proposed by the Board of Directors and approved by the General Shareholders' Meeting.

During 2017, dividends were paid on a basis of 0.29 pesos per share.

Historically, the Company has paid dividends resulting from profits generated during each period. The Company's management considers that this situation will continue in the future; however, it cannot assure that this will happen.

An additional income tax of 10% is applicable to dividends paid when they are distributed to individuals and foreign residents. The Income Tax is paid via a withholding of such tax, resulting in a final payment by the shareholder. In the case of foreigners, treaties to avoid double taxation may apply. This tax will apply for the distribution of profits generated since 2014.

Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2017, 2016 and 2015, the legal reserve, in historical Mexican pesos, was $500.

The distribution of shareholders' equity, except for the updated amounts of corporate capital stock contributed and of the retained taxable profits, shall cause the income tax on dividends to be discharged by the Company at the rate in effect upon the distribution. Taxes paid for such distribution may be credited against the income tax of the fiscal year in which the tax on dividends is paid and in the two immediately subsequent fiscal years, against the fiscal year tax and the provisional tax payments thereof.

The balances of the shareholders' equity tax accounts as of December 31 were:

		2017	2016		2015
Paid-in-Capital	$	32,573	$30,515	$	29,338
Net after-tax income		60,416	51,480		43,329
Total	$	92,989	$81,995	$	72,667

Dividends on shares that are held through Indeval shall be distributed by Bimbo as well as through Indeval. Dividends on shares represented by certificates or physical certificates shall be paid upon presentation of the relevant coupon. In case provisional certificates exist at the time when the dividend is decreed, and if such provisional certificates have no coupons attached, the dividend shall be paid against the relevant receipt.

3) FINANCIAL INFORMATION

a) Selected Financial Information

	As of December 31,		
	2017	2016	2015
Net Sales	267,515	252,141	219,186
Operating Income	17,472	18,084	14,121
EBITDA	27,289	29,298	23,369
Majority Net Income	4,629	5,898	5,171
Basic and diluted earnings per common share	0.98	1.25	1.1
Dividends per share	0.29	0.24	NA
Total Assets	259,249	245,165	199,633
Current Outstanding Long Term Debt Portion	2,766	2,150	8,282
Long term debt	91,546	80,351	59,479
Shareholders' Equity	77,024	75,076	61,859

Note: amounts in millions of Pesos.

b) Financial Information per Business, Geographic Zone and Export Sales

Grupo Bimbo, through its main subsidiaries, is mainly engaged in the production, distribution and commercialization of bread, bakery, premium bread, breakfast bread (muffins and bagels), frozen bread, cakes, snack cakes, cookies and crackers, tortillas, pita, pizza crisp, *tostadas, totopos*, snack, and packaged foods among others. The Company manufactures more than 13,000 products. The sale of such products constitutes Grupo Bimbo's only line of business. The division between bakery products, and salted snacks and confectionery goods referred to in this Annual Report is an organizational division, the only purpose of which is to achieve administrative efficiencies and which derive from historical reasons. In some cases, such division is shown exclusively in order to differentiate the market for such products. Grupo Bimbo has no significant export sales.

The following table shows certain financial information of Grupo Bimbo per geographic zone for the three preceding fiscal years:

	As of December 31:		
	2017	2016	2015
	Total Sales		
Mexico	90,367	81,455	75,597
North America	137,662	135,219	116,399
Latin America	28,602	29,100	24,272
Europe	18,658	12,607	8,258
	Operating Income		
Mexico	13,753	13,141	11,236
North America	7,701	7,161	5,024
Latin America	(1,284)	(2,453)	(1,310)
Europe	(2,395)	(351)	(917)
	Adjusted EBITDA		
Mexico	15,951	15,520	13,530
North America	12,642	12,733	9,665
Latin America	551	280	519
Europa	(1,572)	179	(433)
	Total Assets		
Mexico	60,640	47,837	42,528
North America	145,155	154,417	130,148
Latin America	23,265	27,080	19,332
Europe	31,822	17,188	8,745

c) Report on Significant Debt

The Company's relevant financing facilities are described below.

At the date of this Annual Report, the Group is current in the payment of principal and interest of all its relevant loans.

The Company has complied with all the negative and affirmative covenants, including several financial ratios established in credit facilities entered into and executed by the Company and its subsidiaries.

1. International Bonds (Senior Notes) and Local Notes (*Certificados Bursátiles*)

(a) International Senior Notes:

1. Issued on June 30, 2010 under Rule 144 A and Regulation S for $800,000,000 dollars, with maturity on June 30, 2020.

2. Issued on January 25, 2012, for $800,000,000 dollars, with maturity in 2022. Issued under Rule 144 A and Regulation S.

3. Issued on June 27, 2014, for $800,000,000 dollars, with maturity in 2024 and for $500,000,000 dollars, maturing in 2044, under Rule 144 A and Regulation S.

4. On November 10, 2017, the Group issued senior notes in the international markets for $350,000,000 dollars with maturity on 2047, under Rule 144 A and Regulation S.

(b) Domestic Notes (*Certificados Bursátiles*)

1. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such notes accure a fixed annual interest rate of 8.18% with a biannual payment The proceeds from this issuance were used for the advanced payment of notes Bimbo 12, the parcial payment of a revolving line of credit hired by Canada Bread and the partial payment of East Balt's acquisition.

2. Bimbo 16 – Issued on September 12, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such notes accure a fixed annual interest rate of 7.56% with a biannual payment. The proceeds from this issuance are for debt refinancing.

All the notes are guaranteed by the Company's main subsidiaries.

2. Committed revolving multicurrency line-of-credit

In October 2016, the Company renewed and modified some of the terms and conditions of its committed revolving multicurrency facility opened originally on April 26, 2010 and amended in 2013.

According to the new terms and conditions, there are nine financial institutions committed. The total amount of this credit facility is up to $2,000 million dollars, with maturity on October 7, 2021 and accruing an interest rate of LIBOR plus 0.95% for disbursements in dollars, CDOR plus 0.95% for disbursements in Canadian dollars and TIIE plus 0.725% for disbursements in Pesos. As at December 2017, this credit facility is fully available.

In November 2016, the Company amended some of their terms and conditions of a Euro-denominated credit facility, originally executed on November 6, 2015.

According to the new terms and conditions, there are now 3 committed credit institutions. The credit facility represents a total amount of €350 million euros, with maturity on February 6, 2021 and with an applicable interest rate equal to EUROLIBOR plus 1.00%. As of December 31, 2017, € 100 million of the credit facility has been drawn.

The Company has an uncommitted revolving credit facility executed on January 18, 2017 with The Bank of Tokyo-Mitsubishi UFJ, LTD.

3. Other Loans

Some of the Group's subsidiaries have entered into and executed loans mainly to cover their working capital needs, with maturity dates ranging between 2017 and 2025, which accrue interest at different rates.

Summary of Affirmative and Negative Covenants and Acceleration Causes

The aforementioned credit facilities or bank loans, international bonds and Domestic Notes (*Certificados Bursátiles*) of the Company provide affirmative and negative covenants, as well as events of default. The main covenants, and events of default to which the Company is subject are the following, with the understanding that this summary is indicative and does not include definitions, nor the scope or exceptions to these covenants and events of default:

Affirmative Covenants	Negative Covenants	Events of Default
Provide periodic financial information and information on material events	Do not modify its main business activity	Non-payment of interest
Preserve its legal standing and incorporation and the necessary permits to perform its operations	Do not merge, liquidate or sell its "material assets"	Disclose false or inaccurate relevant information
Use the proceeds for the agreed purpose	Do not engage in transactions with "related parties" unless they are in arm's length or in case of certain exceptions	Failure to comply with any affirmative or negative covenants of the credit facilities
In the case of the Domestic Notes (Certificados Bursátiles), maintain registration with the RNV	Do not allow its "key subsidiaries" to be restricted in the payment of dividends to its shareholders	Failure to pay the principal or interest on debt of more than U.S.$100 million, or if any "material debt" is accelerated and requires the Company to pay an amount greater than U.S.$100 million.
Comply with tax and labor obligations	Do not create "liens" except for any "permitted liens"	If the Company or any of its "material subsidiaries" is declared insolvent or in bankruptcy
Maintain a *pari passu* payment priority amongst the corporate creditors		If a judgment is passed against the Company, requiring the payment of an amount greater than U.S.$150 million.
In the case of some credit facilities, to maintain ratios of interest coverage and leverage within certain levels		If the Company fails to pay any social security or housing fees (IMSS, INFONAVIT or SAR)
		If assets or important assets" of Grupo Bimbo are expropriated.
		If the Company rejects the validity of the Domestic Notes (Certificados Bursátiles)
		If there is a "change of control"

The negative and affirmative covenants and events of default in credit facilities or bank loans of the Company described in this Section are, with some particular differences of the banking market, similar to those contained in the Domestic Notes (*Certificados Bursátiles*).

g) Management's Discussion and Analysis of the Company's Financial Status and Results of Operations Status

The following discussion and analysis should be read together with the Audited Financial Statements, including the notes thereto. Unless otherwise stated, all amounts herein are expressed in million Mexican

Pesos and were prepared according to IFRS. Consolidated figures include the effects of inter-region eliminations.

The following analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the comments in the forward-looking statements as a result of various factors, including, but not limited to, those set forth in "Forward-Looking Statements" and "Risk Factors" and the matters set forth in this annual report.

Our audited consolidated financial statements are expressed in Mexican pesos. The financial information that concerns us as of the end of year (December 31st, 2017) is included in this annual report and is presented in US dollars solely for the convenience of the reader.

Factors that affect our results of operations and financial condition

The main factors that affect our results of operations are:

Prices of raw materials. We use a variety of basic products in the preparation of our products, which include wheat flour, edible oils and fats, sugar, eggs as well as plastics to package our products. As a result, our consolidated operating results are affected by changes in the prices of these basic products, among others.

Sales volume. Our consolidated sales volume is affected by the general economic conditions, the prices of the products, the launch of new products and the scope and effectiveness of our advertising and promotion.

Cost of advertising and promotion. We support our brands and products, as well as the new launches of product through extensive advertising and promotions adapted to our brands and aimed at consumers in the specific markets in which we operate. In general, we increase advertising and promotional expenses during the periods in which we are experiencing pressure on sales volume.

Prices of products. The prices of our products are affected by the cost of raw materials and distribution, as well as the special tax (IEPS) imposed in Mexico on our products and the price sensitivity of consumers in the various food categories and markets in Mexico that we operate.

Distribution efficiencies. We constantly review our distribution processes to reduce costs and increase efficiency throughout our organization. For example, we recently implemented initiatives that have improved our sales execution and leveraged our distribution, including customizing sales execution by customer type.

Exchange rates. Our consolidated financial statements are expressed in Mexican pesos. We generate income mainly in Mexican pesos and US dollars and, to a lesser extent, in other local currencies in the countries where we operate. As a result, differences in the exchange rate may affect our financial statements, particularly with respect to our results of operations in the United States and Canada.

Factors affecting the comparability of recent results of operations and financial conditions

Acquisitions

The following table shows the main acquisitions we have completed in the last three years:

Year	Company acquired / Assets	Country
2017		
October 16	East Balt	11 countries in North America, Europe, the Middle East, Africa and Asia
September 19	Bay Foods Inc.	United States of AMerica

May 25	Ready Roti	India
March 31st	Adghal	Marroco
March 3	Stonemill	Canada
2016		
July 21	Panrico	Spain and Portugal
Feburary 27	Panettiere	Colombia
January 24	General Mills	Argentina
2015		
Febuary 2	Saputo Bakery (Vachon)	Canada

Critical Accounting Policies

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the carrying amounts of assets and liabilities that are not evident from other sources.

Estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed continuously. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if it affects only that period or in the period of the revision and future periods if it affects both the current and future periods.

The critical accounting policies used in the preparation of our audited consolidated financial statements included in this annual report are those that are important both for the presentation of the financial situation and the results of operations and for those that require significant judgments regarding the estimates used in reaching the recognition of amounts in the financial statements.

We disclose our significant accounting policies in the accompanying notes to our audited consolidated financial statements included in this annual report.

The following policies affect the most important estimates and judgments used in preparation of our financial statements differ with these judgments and estimates may affect our future results of operations and financial condition.

The use of critical judgment for accounting policies.

Consolidation of structured entities. We have entered into contracts with external contractors or independent operators in which they have no direct or indirect interests, but which qualify as structured entities. We have concluded that we have control over certain independent operators, mainly in relation with the financing rights or obligations to secure or grant them, as well as the maintenance obligation related to the distribution routes. In other cases, we have concluded that we do not exercise control over such independent operators.

Main sources of uncertainty in relation to the estimates

Service lives, fair value and methods of depreciation and amortization of long-lived assets. We periodically review estimated services lives, fair values and long-term depreciation and amortization methods of assets, including property, facilities and equipment and other intangibles. In addition, for intangibles, we determine if their service lives are finite or infinite.

Deterioration of the merits fund. To determine whether the good will deteriorates, an estimate of the value in use of the cash generating units to which the good will has been assigned is required. The calculation of the value in use requires estimating the future cash flows that are expected to arise from the cash generating unit and an adequate discount rate to calculate the present value. The fair value is determined based on multiples of EBITDA. For the determination of an appropriate multiple, we identify comparable entities.

Fair value. Derivative financial instruments are recognized at fair value on the date of the consolidation of the statement of the financial situation. In addition, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes to our audited consolidated financial statements included in other parts of this annual report, although there is no risk of adjustment to the book value related. A detailed description of the methodologies to determine the fair values of the derivative instruments, as well as to determine the fair value disclosures for the long-term debt are included in note 3 of our audited consolidated financial statements. Finally, we have acquired businesses that require a fair value that will be determined at the acquisition date, for monetary compensation, identifiable assets acquired and liabilities assumed and non-controlling interest, as described in note 1 to our audited consolidated financial statements.

The fair values described above are estimated, using evaluation techniques that may include inputs that are not based on observable market data. The main assumptions used by management are described in the respective notes of our consolidated financial statements. Management considers the evaluation techniques and selected appropriate assumptions.

Benefits for employees. The cost of defined benefits plans and MEPPs provided to employees is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, turnover personnel rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in assumptions.

Determination of income taxes. In order to determine whether an asset for deferred income tax related to the tax losses to be amortized is impaired, we prepare tax projections to determine its recovery.

Employee benefits, insurance and other responsibilities. There are insurance risks in the United States with respect to liability for general damages to third parties, automobile insurance and benefits of employees who are self-insured by us with coverage subject to specific limits agreed in an insurance program. Provisions for claims are recorded based on a claim. The insurable risk liabilities are determined using historical data. Net liabilities as of December 31, 2017, 2016 and 2015 amounted to $ 4,929 million, $ 5,085 million and $ 3,288 million, respectively.

i) Results of Operations

Comparative analysis of fiscal years ended on December 31, 2017 and 2016

Net Sales

Net sales for 2017 registered an increase of 6.1%, mainly reflecting organic growth in Mexico and the acquisitions made, including Bimbo QSR, Ready Roti, Grupo Adghal and Donuts Iberia.

Net Sales	2017	2016	% Difference
North America	137,662	135,219	1.8
Mexico	90,367	81,455	10.9
Latin America	28,602	29,100	(1.7)
Europe, Asia Africa	18,658	12,607	48.0
Consolidated	**267,515**	**252,141**	**6.1**

North America: Net sales increased 1.8%, as a result of the good performance of the snack category, the strategic brands in the United States and the bread category in Canada, as well as the benefits of the exchange rate and a 0.4 contribution % due to the integration of Bimbo QSR. The previous was offset by the continuous pressure on the private brand and the premium and frozen category.

Mexico: During the year, net sales in Mexico grew 10.9% driven by a continuous increase in volumes in all channels, especially in opportuneness and traditional channels, as well as by price increases below inflation and by a favorable price mix. The categories of sweet bread, snacks and confectionery had an outstanding

performance, backed by a greater outcome in market and the good performance of the Vital and Panditas brands, as well as the launch of new products, such as chocolate Kracao, under the brand Ricolino.

Latin America: Net sales decreased 1.7%. The results were negatively affected by the change in the accounting method of the Venezuelan operation, which was implemented on June 1, 2017. Excluding Venezuela, sales increased, registering a good performance of the volumes in the Latin South divisions. and Latin Centro, particularly in Argentina and Colombia; the latter benefited from the new plant that boosted sales for the pastry category. The good results of the traditional channel, as a result of a greater market penetration, contributed to this growth.

EAA (Europe, Asia and Africa): Sales increased 48% in 2017, driven by acquisitions completed during the last twelve months, including Bimbo QSR, Ready Roti, Grupo Adghal and Donuts Iberia. However, organic growth was affected by the delays related to the integration in Iberia, together with production difficulties in a line in the United Kingdom and the plant in China.

Gross Profit

Consolidated gross profit grew 4.9% in the year, while the margin contracted 60 basis points. This was due to the increase in the costs of raw materials in Mexico due to a stronger US dollar, due to the hedges implemented whose effect is expected to decrease gradually in 2018, as well as the impact on sales in Iberia, combined with a different business mix by incorporating the results into Bimbo QSR. These effects were offset to some extent by lower costs of raw materials in North America and Latin America.

	Year terminated on December 31, (in millions of pesos)		
Region	**2017**	**2016**	**%**
Mexico	74,129	72,025	2.9
North America	49,994	46,428	7.7
Latin America	13,201	13,264	(0.5)
EAA	6,932	5,576	24.3
Consolidated	**142,752**	**136,143**	**4.9**

Profit before Other Income and Expenses

Profit before other income and expenses decreased 3.9% in the year, while the margin contracted 80 basis points. This is due to the following factors:

I. The impact of higher costs in Mexico mentioned above, which was partially offset by the solid performance of the volumes and efficiencies derived from the initiatives to reduce costs, such as the zero-based budget;

II. Higher distribution costs in Canada, related to the weak performance in the frozen category and with two workers interruptions in Canada, which have already been solved; and

III. The increase in general expenses in Latin America, due to the change in the accounting method in Venezuela, an operation that had previously contributed to profitability.

Operating Profit

Operating profit decreased 3.4% compared to the previous year, with a contraction of 60 basis points in the margin. This was derived from the aforementioned operating pressures, together with higher integration expenses as a result of the acquisition of Donuts Iberia, as expected, with an expense of approximately US $ 70 million. These factors were partially offset by:

I. A non-monetary benefit in North America, as a result of the valuation of obligations for multipatronal pension plans ("MEPPs");

II. Lower restructuring expenses in North America; and

III. A reduction in non-monetary charges compared to the previous year.

In 2017, a charge was recorded that did not generate cash flows of $545 million of pesos corresponding to the impairment of long-lived assets.

	Year terminated on December 31, (in millions of pesos)		
Region	**2017**	**2016**	**%**
Mexico	7,701	7,161	7.5
North America	13,753	13,141	4.7
Latin America	(1,284)	(2,453)	(47.7)
EAA	(2,395)	(351)	582.3
Consolidated	**17,472**	**18,084**	**(3.4)**

Comprehensive Result of Financing

In 2017, the Company recorded a cost of $ 5,755 million, compared to $ 4,592 million in the previous year. This increase of $ 1,163 million reflects the impact of the depreciation of the bolivar and a greater loss on the result of the monetary position in Venezuela, which compares with a profit in this item during the same period of the previous year. Likewise, there was an increase in the level of debt due to acquisitions concluded during the period.

Taxes

In 2017, taxes registered a decrease of 8.2%, for a total of $ 6,282 million, while the effective tax rate was 52.6%, compared to 50.3% in 2016.

This increase in the rate is a consequence of:
I. A non-monetary charge of $ 706 million pesos derived from the tax reform in the United States (known as "Tax Cuts and Jobs Act");
II. The inflationary effects of monetary balance and results accounts, as well as non-deductible expenses in Mexico;
III. The impact of not recognizing deferred tax benefits in some countries; Y
IV. Higher rates in some countries, mainly due to better results in the United States.

Preponderant Net Income

The preponderant net income decreased 21.5%, with a contraction of 60 basis points in the margin, attributable to the pressure on operating income, higher financing costs and a higher effective rate of 52.6%.

Earnings per share totaled $ 1.0, against $ 1.3 in 2016.

Operating Profit before Depreciation and Amortization and other non-monetary charges (Adjusted EBITDA)

EBITDA Adjusted	2016	2015	%
Mexico	15,386	13,431	14.6
Nort America	12,733	9,665	31.7
Latin America	280	519	(46.1)
Europe	313	(334)	>-100
Consolidated	29,298	23,369	**25.4**

Adjusted EBITDA registered an increase of 25.4%, while the margin expanded 90 basis points. As mentioned above, this result is attributed, above all, to improvements in operating performance in most regions, including a turnaround in European profitability, as well as the consequent growth in sales and initiatives for the control of expenses in Mexico.

Financial Structure

As of December 31, 2016, the total debt was $ 82,501 million, compared to $ 67,761 million as of December 31, 2015. This 22% increase was mainly the result of a 20% revaluation of the US dollar, which increased the debt denominated in said currency.

The average maturity of the debt is 8.3 years, with an average cost of 4.5%. Long-term debt represents 97% of the total debt. Likewise, 63% of the debt is denominated in US dollars, 23% in Canadian dollars, 10% in Mexican pesos and 4% in euros.

Despite the impact of the exchange rate on debt, leverage multiples improved during the year. The ratio of total debt to adjusted EBITDA was 2.8 times, compared to 2.9 times as of December 31, 2015; while the adjusted net debt to EBITDA ratio was 2.6 times as of December 31, 2016.

Comparative analysis of fiscal years ended on December 31, 2016 and 2015

Net Sales

Net sales rose 15.0% reflecting an FX rate benefit in North America, Latin America and Europe, as well as organic growth in Mexico and the acquisition of Donuts Iberia.

Net Sales	2016	2015	% Change
Mexico	82,386	76,295	8.0
North America	135,219	116,399	16.2
Latin America	29,100	24,272	19.9
Europe	11,676	7,560	54.4
Consolidated	**252,141**	**219,186**	**15.0**

Mexico: Net sales rose 8.0% over 2015, mainly driven by solid volume performance in most categories and every channel. Of particular note, the positive trend and volume recovery in sweet baked goods continued, in part driven by promotional strategy. Higher volumes were also supported by portfolio innovations such as Latte snack cake.

North America: Net sales in peso terms grew 16.2%, primarily reflecting the exchange rate benefit, while dollar-denominated sales declined 1.1% and volumes remained unchanged. Performance in the frozen, snacks and sweet baked goods categories, as well as growth in strategic brands, helped offset the overall challenges in bread consumption. Artisanal products performed well in Canada, as did bread alternatives such as bagels, english muffins and tortillas.

Latin America: The 19.9% rise in net sales was primarily due to the revaluation of almost all currencies versus the Mexican peso, as well as solid volume progress in most countries, notably Peru, Chile and the Latin Centro division, reflecting more efficient routes and broader distribution. However, Brazil and Argentina faced a difficult economic environment that put pressure on consumption and volumes.

Europe: Net sales rose a strong 54.4% during the year, mainly as a result of the Panrico acquisition, FX rate benefit, and healthy sequential volume growth in Iberia, in part due to good performance in the traditional channel, the Oroweat and The Rustik Bakery bread brands, as well as the snacks category.

Gross Profit

Lower raw material costs in North America, Latin America and Europe helped drive the 16.6% increase in the consolidated gross profit, and the 70 basis point margin expansion, to 54.0%.

In Mexico, the effect of a stronger US dollar on raw material costs put pressure on the margin, in both the quarter and year, notwithstanding underlying efficiency improvements and cost control initiatives. In Latin America, the fourth quarter margin contraction reflected soft volume performance in some markets and higher indirect costs arising from the inflationary environment.

Profit before other Incomes and Expenses

Profit before other income and expenses increased 23.1% in the period, with a 60 basis point expansion in the margin to 8.9%. This reflected the positive benefit coming from supply chain efficiencies and cost control initiatives on marketing and distribution expenses in Mexico, as well as lower distribution expenses in North America and Europe.

The abovementioned was offset by higher administrative expenses and increased marketing to drive growth in strategic brands in North America and higher general expenses in Latin America, in part due to the opening of the Cordoba plant in Argentina.

Operating Income

Operating Income	2016	2015	% Change
Mexico	12,949	10,920	18.6
North America	7,161	5,024	42.5
Latin America	(2,453)	(1,310)	87.3
Europe	(159)	(601)	(73.5)
Consolidated	**18,084**	**14,121**	**28.1**

Operating income rose 28.1% over the prior year, with an 80 basis point expansion in the margin to 7.2%, mainly reflecting the abovementioned gross margin benefit, lower restructuring expenses in the US and Europe, and lower “other expenses” in Mexico, North America and Europe.

These factors were partially offset by:
i. Higher integration and restructuring expenses in:
»» Canada and the frozen business, related to the ERP migration and investments in manufacturing efficiency;
»» Argentina, primarily arising from the new plant and the frozen business acquisition; and
»» Europe, following the Donuts Iberia acquisition.

ii. The following non-cash charges:
»» around Ps. 1.7 billion in Latin America due to certain brand impairments, goodwill, fiscal provisions and the disposal of assets, among others; and
»» a net Ps. 473 million (US$21 million) charge for multi-employer pension plans (“MEPPs”) liabilities in North America, which included the actual or expected restructuring of three plans, partially offset by the impact of higher discount rates.

Comprehensive Financial Result

Comprehensive financing resulted in a Ps. 4,592 million cost in the period, compared to Ps. 4,190 million in 2015, Ps. 402 million higher. This increase is the reflection of the incremental interest expense related to the change in the Mexican peso/US dollar FX rate. It should be noted that because of the Company’s strict and effective hedging policy, no significant FX loss was recorded in the period.

Taxes

In 2016, the taxes registered an increase of 68.5%, for a total of $6,845 million, while the effective tax rate was 50.3% compared to 40.7% in 2015.

This rate increase is a result from:
i. the cancellation of deferred income taxes due to accumulated losses in Brazil and no longer carrying deferred income tax benefit in some countries;
ii. better earnings in the US, naturally subject to a higher rate;
iii. a higher taxable base due to inflationary gains related to the financial debt; and
iv. the partial deductibility of certain fringe benefits in Mexico.

Net Majority Income

The net majority income grew 14.1% while the margin registered a slight 10 basis points decrease to finish at 2.3%. The latter, due to the aforementioned non-monetary charges and the increase in the effective tax rate.

Earnings per share for the period totaled Ps. 1.25, compared to Ps. 1.10 in the prior year.

Earnings Before Interest, Taxes, Depreciation, and Amortization and other non-cash items (Adjusted EBITDA)

Adjusted EBITDA	2016	2015	% Change
Mexico	15,386	13,431	14.6
North America	12,733	9,665	31.7
Latin America	280	519	(46.1)
Europe	313	(334)	>-100
Consolidated	**29,298**	**23,369**	**25.4**

Adjusted EBITDA increased 25.4%, while the margin improved by 90 basis points to 11.6%. This was primarily due to good operating performance in most regions, including a swing to profitability in Europe and underlying sales growth and cost control initiatives in Mexico.

Financial Structure

Total debt at December 31, 2016 was Ps. 82.5 billion, compared to Ps. 67.8 billion at December 31, 2015. The 22% increase was primarily due to a 20% US dollar revaluation that increased the Mexican peso value of US dollar-denominated debt.

Average debt maturity was 8.3 years with an average cost of 4.5%. Long-term debt comprised 97% of the total; 63% of the debt was denominated in US dollars, 23% in Canadian dollars, 10% in Mexican pesos and 4% in Euros.

Notwithstanding the FX rate impact, leverage ratios improved in the year; total debt to adjusted EBITDA was 2.8 times compared to 2.9 times at December 31, 2015, and net debt to adjusted EBITDA was 2.6 times.

ii) Financial position, liquidity and capital resources

a. Internal and external liquidity sources

BIMBO has internal and external sources of traditional liquidity available, which have been already used in the past. The Company's liquidity is based on its own operations and it has had sufficient levels of its own

capital historically. In the past the Group has also had access to bank financings and to the domestic and international capital and debt markets.

Likewise, BIMBO has obtained various credit lines from several financial institutions. Notwithstanding the foregoing, the Company cannot assure that it will have access to the sources of capital mentioned above. BIMBO has not had any cyclical credit requirements and generally, financing needs are associated with growth operations and not with working capital.

b. Debt level

The table contained in "Selected Financial Information" contains information on the Company's debt at the end of the last three fiscal years. See Section "3. FINANCIAL INFORMATION - Selected Financial Information". There is no cyclicality in the Company's financing requirements.

Significant Indebtedness

(a) International Senior Notes:

1. Issued on June 30, 2010 under Rule 144 A and Regulation S for $800,000,000 dollars, with maturity on June 30, 2020.

2. Issued on January 25, 2012, for $800,000,000 dollars, with maturity in 2022. Issued under Rule 144 A and Regulation S.

3. Issued on June 27, 2014, for $800,000,000 dollars, with maturity in 2024 and for $500,000,000 dollars, maturing in 2044, under Rule 144 A and Regulation S.

4. On November 10, 2017, the Group issued senior notes in the international markets for $350,000,000 dollars with maturity on 2047, under Rule 144 A and Regulation S.

(b) Domestic Notes (*Certificados Bursátiles*)

1. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such notes accure a fixed annual interest rate of 8.18% with a biannual payment The proceeds from this issuance were used for the advanced payment of notes Bimbo 12, the parcial payment of a revolving line of credit hired by Canada Bread and the partial payment of East Balt's acquisition.

2. Bimbo 16 – Issued on September 12, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such notes accure a fixed annual interest rate of 7.56% with a biannual payment. The proceeds from this issuance are for debt refinancing.

Both domestic notes are guaranteed by the Company's main subsidiaries.

Credit facilities

The Company has a committed multicurrency revolving credit line and in which nine financial institutions are involved, obtained on April 26, 2010 and renewed and first amended in December 2013, and amended on October 7, 2016 totaling $2,000 million dollars, with a maturity date on October 7, 2021 and a rate of LIBOR + 0.95% for the disbursements in Dollars, TIE + 0.725% for disbursements in pesos and CDOR + 0.95% for disbursements in Canadian Dollars. This credit line is guaranteed by the Company's main subsidiaries.

The Company has a committed revolving line in which three financial institutions participate, which was obtained on November 6, 2015 and first amended on August 26, 2016 and renegotiated on November 8, 2016, totaling $300 million Euros, with a maturity date on February 6, 2021 and an interest rate of EURIBOR + 1.00% for the used facilities. This revolving credit line has the corporate guaranty of the main subsidiaries of the Group.

See Section “3. FINANCIAL INFORMATION – c) Report on Significant Debt”.

Other loans

East Balt IS, LLC and East Balt BV, subsidiaries of the Company in the US and Netherlands, respectively, have a revolving credit line committed with the participation of 4 financial institutions, which was obtained on October 24, 2017 for an amount of up to $120 million dollars, with a maturity date on October 24, 2022 and an interest rate of LIBOR + .95% and EURIBOR +.95% for facilities used in dollars ane euros, respectively. This revolving credit line has the corporate guaranty of Grupo Bimbo S.A.B. de C.V.

Some of the Group’s subsidiaries have contracted direct loans to mainly finance their own working capital needs. Such loans accrue interest at different rates and mature between 2018 and 2022.

Events of Default

For a description of the events of default contained in the material financings of the Company, see “See Section “3. FINANCIAL INFORMATION – c) Report on Significant Debt”.

Liquidity

Liquidity represents the ability of the Group to generate sufficient cash flows from operating activities to meet its obligations as well as its ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from capital resources that consist primarily of current and potentially available funds for use in achieving its objectives.

Currently, the Group’s liquidity needs arise primarily from working capital requirements, debt payments, capital expenditures and dividends. In order to satisfy its liquidity and capital requirements, the Group primarily relies on its own capital, including cash generated from operations, and committed credit facilities. The Group believes that its cash from operations, its existing credit facilities and its long-term financing will provide sufficient liquidity to meet its working capital needs, capital expenditures, debt payments and future dividends.

Commitments

Grupo Bimbo S.A.B. de C.V., along with some of its subsidiaries, through credit letters, has insured certain labor obligations and contingent risks related to labor risks of some of its subsidiaries. The value of these letters as of December 31, 2017 and 2016, totaled $301 million and $366 million US dollars, respectively. In addition, the company mantains collateral securities related to its subsidiaries for $4.9 million dollars.

The Company has signed self-supply energy agreements in which it commits to purchase certain amounts of energy for a renewable period of 18 years at an agreed price, updated in accordance with the Mexican Consumer Price Index (INPC) during the first 15 years. Although these agreements have the characteristics of a derivative financial instrument, they can be qualified as an exception, as they are for self consumption; therefore, they are recorded in the financial statements as energy consumption is incurred. The energy purchase commitment for 2018 is estimated in $319, same amount that adjusted with inflation corresponds to the annual commitment of the 13 years term of the agreement.

c. Treasury Policies

The Company maintains treasury policies consistent with its financial obligations and operating requirements and maintains its financial resources invested in highly liquid, non-speculative and low-risk instruments. Grupo Bimbo’s treasury maintains several currencies, especially currencies of countries in which the Company operates.

d. Material committed capital expenditures

At the date of this Annual Report, the Company had no material committed capital expenditures.

Both issues are guaranteed by the Group's main subsidiaries.

e. Changes in the Balance Sheet

Below is information on the cash flows generated by the operations, investments and financing activities during 2017, 2016 and 2015. The table contained in the Section "3. FINANCIAL INFORMATION - a) Selected Financial Information" includes certain financial ratios that show changes in the financial status of the Company during these years.

Cash Flows from Operating Activities

For fiscal year ended December 31, 2017 and 2016

For the fiscal year ended December 31, 2017, net cash flow from operations decreased by $1,960 million to $ 21,117 million compared to $ 23,077 million in 2016, primarily as a result of higher costs of raw materials in Mexico, higher distribution expenses in Canada and higher general expenses in Latin America.

For fiscal year ended December 31, 2016 and 2015

For the fiscal year ended December 31, 2016, net cash flow from operations increased by $4,961 million pesos to reach $23,077 million, compared to $18,116 million in 2015, primarily due to the sales increase, lower raw material costs, lower restructuring costs, distribution in North America and Europe and efficiency in the supply chain.

Net Cash Flows from Investing Activities

For fiscal year ended December 31, 2017 and 2016

For the fiscal year ended December 31, 2016, net cash used in investing activities increased by $10,755 million Pesos to reach $27,070 million pesos, compared to $16,315 million pesos in 2016, primarily as a result of the acquisition of East Balt Bakeries, or Bimbo QSR in October 2017.

For fiscal year ended December 31, 2016 and 2015

For the fiscal year ended December 31, 2016, net cash used in investing activities increased by $4,911 million Pesos to reach $16,315 million pesos, compared to $11,404 million pesos in 2015, primarily as a result of major investments and the acquisition of Panrico.

Net Cash Flows from Financing Activities

For the year ended December 31, 2017 and 2016

For the year ended December 31, 2016, net cash provided by financing activities increased by $10,878 million pesos to reach $6,545 million pesos, compared to $(4,333) million pesos in 2016, primarily due to the acquisition of Bimbo QSR.

For the year ended December 31, 2016 and 2015

For the year ended December 31, 2016, net cash provided by financing activities decreased by $1,301 million pesos to reach $4,333 million pesos, compared to $5,634 million pesos in 2015, primarily due to the payment of the dividend in the total amount of $1,129 million pesos during the year ended on December 31, 2016.

Borrowings from Banks and Other Financial Institutions

Our total consolidated indebtedness increased to Ps.94,312 million as of December 31, 2017, from Ps.82,501 million as of December 31, 2016, primarily as a result of the issuance of the 8.18% Notes due 2027 and the 4.700% Notes due 2047.

On November 10, 2017, we obtained U.S.$650 million through our offering of the 4.700% Notes due 2047, issued to refinance our indebtedness and for other general corporate purposes.

On June 27, 2014, we obtained U.S.$800 million through our offering of 3.875% Notes due 2024, or the 3.875% Notes due 2024, issued to refinance our indebtedness and for other corporate purposes. Also on June 27, 2014, we obtained U.S.$500 million through our offering of 4.875% Notes due 2044, or the 4.875% Notes due 2044, issued to refinance our indebtedness and for other corporate purposes.

On January 25, 2012, we obtained U.S.$800 million through our offering of 4.50% Notes due 2022, or the 4.50% Notes due 2022, issued to refinance our indebtedness and for other corporate purposes.

On June 30, 2010, we obtained U.S.$800 million through our offering of 4.875% Notes due 2020, or the 4.875% Notes due 2020, issued to refinance our indebtedness and for other corporate purposes.

We also maintain a U.S.$2 billion committed multi-currency syndicated revolving credit facility, or the Syndicated Revolving Credit Facility, with a syndicate of banks, which currently bears interest at a rate of LIBOR plus 0.95%, in the case of U.S. dollar loans, Mexican Equilibrium Interbanking Interest Rate (Tasa de Interés Interbancaria de Equilibrio), or TIIE, plus 0.725%, in the case of Mexican peso loans, CDOR plus 0.95%, in the case of Canadian dollar loans and EURIBOR plus 0.95% in the case of Euro loans. The Syndicated Revolving Credit Facility matures on October 7, 2021. On March 2, 2018 we received a disbursement under this facility, the proceeds of the borrowing were used to prepay in full the then aggregate outstanding principal amount of the loans under the euro-denominated revolving credit agreement, dated as of November 6, 2015 among Grupo Bimbo, S.A.B. de C.V., as borrower, the lenders party thereto and Banco Bilbao Vizcaya Argentaria, S.A., as administrative agent (as amended, supplemented or otherwise modified from time to time, or the Syndicated Revolving Euro Credit Facility). As of the date of this offering memorandum, the aggregate outstanding principal amount under the Syndicated Revolving Credit Facility is €100 million. We intend to use the net proceeds of this offering to prepay a portion of our indebtedness under the Syndicated Revolving Credit Facility. See “Use of Proceeds.”

In addition, we have issued and outstanding the following notes (certificados bursátiles) in the Mexican capital markets, which were issued under issuing programs authorized by the CNBV:

- Notes (certificados bursátiles) issued on September 12, 2016 in the aggregate principal amount of Ps.8,000 million, maturing in September 2026 and bearing interest at a rate of 7.56%, or the 7.56% Notes due 2026; and

- Notes (certificados bursátiles) issued on October 3, 2017 in the aggregate amount of Ps.10,000 million, maturing in October 2027 and bearing interest at a rate of 8.18%, or the 8.18% Notes due 2027.

The following table sets forth our outstanding financial indebtedness as of the dates indicated below:

	As of December 31,			
	2017		2016	2015
	(in millions of U.S.$)[1]	(in millions of Ps.)[2]		
4.875% Notes due 2044	500	9,868	10,332	8,603
3.875% Notes due 2024	800	15,788	16,531	13,765
4.50% Notes due 2022	800	15,788	16,531	13,765
4.875% Notes due 2020	800	15,788	16,531	13,765
4.700% Notes due 2047	650	12,828	---	---
Syndicated Revolving Euro Credit Facility[5]	119	2,356	3,457	---
Syndicated Revolving Credit Facility	---	---	---	1,854
7.56% Notes due 2026	405	8,000	8,000	---
6.83% Notes due 2018	---	---	5,000	5,000

8.18% Notes due 2027	507	10,000		
Issued June 15, 2009, matured June 2016, and bore interest at a rate of 10.60%	---	---	---	2,000
UDI denominated, Issued June 15, 2009, matured June 2016, and bore interest at a rate of 6.05%(3)	---	---	---	3,801
Short-term working capital facilities	---	---	---	---
Other loans(4)	219	4,331	6,515	5,585
Less current portion of long-term debt	(140)	(2,766)	(2,150)	(8,282)
Less debt issuance costs	(22)	(435)	(396)	(377)
Long-term debt	**4,639**	**91,546**	**80,351**	**59,479**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.19.74 per U.S.$1.00, the exchange rate published by the Mexican Central Bank on December 29, 2017 in the Mexican Federal Official Gazette. See "Exchange Rates."

(2) The U.S. dollar amount for debt denominated in U.S. dollars represents the outstanding balance in U.S. dollars of such debt as of the relevant date, and are not translations of the respective Mexican peso amount using the convenience translation exchange rate used throughout this offering memorandum. However, the total long-term debt in the U.S. dollar columns represents a translation of the respective amount in Mexican pesos using the convenience translation exchange rate used throughout this offering memorandum and, therefore, does not constitute the sum of the individual debt amounts listed on the U.S. dollar columns.

(3) Converted to Mexican pesos for convenience only at the rate of: (i) Ps.5.38 per 1.00 UDI, the rate reported on December 31, 2015 by the Mexican Central Bank.

(4) Certain of our subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2017 to 2025, with a weighted average interest proportional to their respective currencies.

(5) We repaid in full the Syndicated Revolving Euro Credit Facility on March 2, 2018 with funds borrowed under the Syndicated Revolving Credit Facility. As of the date of this offering memorandum, there is outstanding amount under this facility.

We also maintain certain facilities under which letters of credit are issued by financial institutions from time to time at our request, primarily in support of our workers, compensation obligations. The value of such letters of credit at December 31, 2017, 2016 and 2015 are U.S.$301 million, U.S.$366 million and U.S.$344 million, respectively.

Our credit facilities and instruments governing our outstanding debt securities contain certain customary restrictions, affirmative covenants and negative covenants, which up to the present date have been complied with.

We continuously explore financing alternatives, which in the future may include, among others, issuances of additional securities in the Mexican and the international capital markets, additional credit facilities, leases and securitization of all or any portion of our assets.

Contractual Obligations

We, along with certain of our subsidiaries have issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain of our subsidiaries. The value of such letters of credit at December 31, 2017, 2016 and 2015 are U.S.$301 million, U.S.$366 million and U.S.$344 million, respectively.

We also have entered into contracts which require us to purchase certain amounts of renewable energy for an 18-year period at a fixed price adjusted every year for the first 15 years of the contracts in accordance with the Mexican National Consumer Price Index. Such contracts are recognized in the consolidated financial statements as the consumption of energy occurs. The aggregate estimated commitment to purchase energy in 2018 amounts to Ps.319 million, and is to be updated annually based on inflation, for the remaining 13 years of the contract.

We have entered into long term commitments under operating leases, related to the facilities we use to produce, distribute and sell our products. These commitments vary from three to 14 years, with a renewal option of between one and five years. Certain leases require us to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. Lease expense were Ps.5,754 million, Ps.4,861 million and Ps.4,136 million for the years ended December 31, 2017, 2016 and 2015, respectively. The aggregate amount of future minimum lease commitments as of December 31, 2017, is as follows:

	As of December 31, 2017	
	Operating Leases	Financing Leases Non-controlling Interest
Years	(in millions of Ps.)	

2018	3,467	881
2019	2,880	754
2020	2,270	600
2021	1,751	421
2022	1,308	270
2023 and thereafter	4,854	115
Total minimum lease payments	16,530	3,041
Amounts representing interest	0	(550)
Present value of net minimum lease payments	16,530	2,491

Other long-term commitments as of December 31, 2017, include our obligations resulting from financial instruments, accounts payable and debt amortization as follows:

	Less than 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
	(in millions of Ps.)			
Debt	7,880	25,435	26,304	89,629
Trade accounts payable	18,796	---	---	---
Total	**26,676**	**25,435**	**26,304**	**89,629**

Quantitative and Qualitative Disclosure about Market Risk

During the normal course of our operations we are exposed to risks inherent with variables related to financing as well as variations in the prices of some of our raw materials that are traded in international markets. We have established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks. Main financial risks to which we are exposed are: interest rate risk, foreign currency risk, price risk, liquidity risk, credit risk and capital risk.

Our corporate treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and the credit risk that results from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of fluctuations in commodity prices and reviews the consistency of our open positions in the derivatives markets with our corporate risk strategy. Both departments report their activities to our Risk Management Department.

As a result of the dynamism of the variables to which we are exposed, hedging strategies are evaluated and monitored on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within our organization. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

The table below shows the integration of our financial derivatives portfolio for the periods indicated:

	As of December 31,	
	2017	2016
	(in millions of Ps.)	
Assets		
Current:		
Forwards on currency exchange	33	---
Forwards on raw materials.....	189	169
Options – FX.....	114	---
Options – premium paid.....	45	---
Swaps	---	---
Futures contracts:		
Fair value of wheat, corn, soybean oil, natural gas and diesel.....	301	136

Total asset derivatives – current	682	305
Long-term swaps	2,592	3,448
Liabilities		
Current:		
Swap	(13)	---
Forwards on currency exchange	---	(9)
Forwards on raw material.....	---	---
Forwards on interest rate	---	---
Futures contracts:		
Fair value of wheat, corn, soybean oil, natural gas and diesel	(228)	(363)
Total liabilities derivatives – current	(241)	(372)
Long-term liabilities derivatives (swaps).....	---	(3,352)
Stockholders' equity:		
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	144	(692)
Closed contracts for unused futures	(24)	(165)
Deferred income tax, net.....	(30)	267
Accumulated other comprehensive income related to derivative financial instruments	90	(590)

For further information on our risk management policies, our derivative financial instruments and a sensitivity analysis on interest rates and currencies, see note 13 to our audited consolidated financial statements.

Off-Balance Sheet Arrangements

We do not currently have transactions involving off-balance sheet arrangements.

f. Unregistered transactions

As of December 31, 2017 and 2016 there were no material transactions resulting in cash flows.

iii) Internal Control

The Company has an Audit & Corporate Practices Committee that performs audit activities, as well as other such corporate practices activities set forth therein and in the bylaws by the Company's Board of Directors. The Audit & Corporate Practices Committee is comprised by at least three independent members appointed by the Board of Directors or the Shareholders' Meeting. The chairman of the committee is appointed by the General Shareholders' Meeting.

e) ESTIMATIONS, PROVISIONS AND CRITICAL ACCOUTING RESERVES

The Audited Financial Statements that form a part of this Annual Report comply with IFRS. Their preparation requires that the Company's management make estimates and assumptions to assess some of the financial statement entries and to carry out disclosures required therein. However, actual results may differ from such estimates. The Company's management believes that such estimates and assumptions were appropriate considering the circumstances under which they were made.

The notes to the Audited Financial Statements contain a description of the most significant accounting policies of the Company, including the following:

a. *Statement of compliance*

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

b. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities (derivative financial instruments assets and debits (financial derivatives) valued at fair market value, at the end of each period, as explained in the accounting policies below.

***a)* Historical cost**

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

***b)* Fair value**

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

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

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

c)* *Basis of consolidation

As of December 2017, 2016 and 2015, the consolidated financial statements incorporate the financial statements of the Entity and those entities over which it exercises control, including structured entities ("SE"). Control is achieved when the Entity:

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

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

An SE is consolidated when the Entity concludes that it controls the SE based on the evaluation of the substance of the relationship with the Entity and the risks and benefits of the SE. The most significant subsidiaries are shown below:

Subsidiary	% of ownership	Country	Segment	Main Activity
Bimbo, S. A. de C. V.	97	Mexico	Mexico	Baking
Barcel, S. A. de C. V.	98	Mexico	Mexico	Candies and Snacks
BBU	100	U.S.	United States	Baking
Canada Bread Corporation, LLC	100	Canada	United States	Baking
Bimbo do Brazil, Ltda.	100	Brazil	Latin America	Baking
Bimbo, S.A.U.	100	Spain and Portugal	EAA	Baking
Bakery Donuts Iberia, S.A.U. [1]	100	Spain and Portugal	EAA	Baking
East Balt (Bimbo QRS)[2]	100	Europe and Asia	United States and EAA	Baking

[1] *Bakery Donuts was acquired on July 21, 2016.
[2] East Balt Bakeries was acquired on October 15, 2017, same date in which the company took control through BBU, Bimbo, S.A. de C.V. and Grupo Bimbo.

Subsidiaries are consolidated from the date on which control is transferred to the Entity and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired during the year are included in the consolidated statements of income and other comprehensive income results from the acquisition date, as applicable.

Since 2003 in Venezuela, there have been various exchange control provisions, which have restricted the free acquisition of foreign currency. This situation has made impossible for companies to pay dividends and obligations denominated in foreign currency (purchase of raw materials, packaging, fixed assets, services, among others). Exchange regulations, together with other recently published regulations, has significantly limited the ability of the Entity's subsidiaries in Venezuela to maintain their production process under normal conditions, which has resulted in severe restrictions to operate continuously production, distribution and sale processes. Derived from the foregoing, and considering Grupo Bimbo will continue with its operations in Venezuela, effective as of June 1, 2017, the Entity changed the method under which it integrated the financial situation and the results of its operation in Venezuela in the consolidated figures, so as of this date it values its investment in Venezuela at its fair value. This change generated a net expense for impairment of the investment indicated by $ 54 and this effect was recognized in the income statement for the reporting period, in the other income (expense) caption.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All relevant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated on consolidation.

Changes in the Entity’s ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions.

d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by this same entity to the former owners

of the acquired and the equity interests issued by the Entity in exchange for control of the acquired. Acquisition-related costs are generally recognized in profit or loss as incurred.

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

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquired or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share based payments at the acquisition date (as of December 31, 2016, 2015 and 2014 the Entity does not have share-based payments); and

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

e) Assets available for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The long-lived asset (and asset disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value of assets less costs to sell.

f) Recognition of the effects of inflation

Inflationary effects are recognized in the financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS"), and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2017, 2016 and 2015, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity.

g) Leasing

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

- The Entity as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

h) Foreign currency transactions

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 13), and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

i) Cash and cash equivalents

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, readily convertible into cash, maturing within three months from the date of purchase and are subject to insignificant risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value, fluctuations in value are recognized in income (see financial assets below). Cash equivalents consist primarily of investments in government debt instruments with daily maturities.

j) Financial assets

Financial assets are acknowledged whenever the Entity becomes part of the contractual provisions of the instruments.

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

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

2. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period, which is reported.

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

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

k) Inventories and cost of sales

Inventories are stated at the lower of cost and net realizable value. Cost is comprised of acquisition cost, import duties, transport, handling, loading, and storage cost at the customs and distribution centers; returns on purchases are deducted from cost. Net realizable value represents the estimated selling price for inventories in the normal course of operations less all estimated costs of completion and costs necessary to make the sale. Cost is determined by using the average cost method.

l) Property, plant and equipment

Property, plant and equipment records are recognized at their cost minus net of accumulated depreciation and accumulated impairment losses. Balances from certain acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date, which became the deemed cost of such assets as of January 1, 2011 upon adoption of IFRS.

Cost include those costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost for expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss. Repairs and maintenance costs are recognized in profit and loss of the period they are incurred.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is determined using the straight-line method to distribute the cost of the asset down to its residual value during the estimated useful lives are as follows:

	Years
Infrastructure	15
Building foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Office furniture and fixtures	10
Computer equipment	3
Leasehold improvements	Term of the related lease

The Entity allocates the amount initially recognized in respect of an item of buildings and manufacturing equipment to its various significant parts (components) and depreciates each of such components separately.

The carrying value of an asset is reduced to its recoverable value, when the carrying amount exceeds its recoverable value.

An item of property, plant and equipment is derecognized when sold or when no future economic benefits arising from the continued use of the asset are expected. The gain or loss arising from the sale of assets results from the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in 'other expenses, net', in general expenses.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation based on useful lives on the same basis as owned assets.

m) Investments in associates

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

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

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

The Entity discontinues the use of the equity method from the date the investment ceases to be an associate or when the investment is classified as held for sale.

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

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

n) Intangible assets

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses in the USA, Canada, Spain and Argentina and certain trademarks in South America, and are recorded at their fair value on acquisition date. The intangible asset costs acquired through an acquisition are their fair value as of the acquisition date. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

Intangible assets are classified as having either finite or indefinite useful lives. Amortization of intangible assets with finite useful lives is recognized on a straight-line method over their estimated useful lives. Such assets are reviewed for impairment when there is an indicator of impairment. The amortization methods and useful lives of the assets are reviewed and adjusted, if necessary, annually, at the end of each reporting period. Amortization is recognized in profit and loss, within selling, distribution and administrative expenses. Intangible assets with indefinite useful lives are not amortized, but are at least tested annually for impairment.

o) Impairment of tangible and intangible assets, excluding goodwill

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

Intangible assets with indefinite useful lives or not yet available for use, are subjected to tests for effects of impairment at least every year, or more often if there is evidence that such assets could have been impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

p) Goodwill

Goodwill arising on acquisition of a business is carried at cost, which is determined as explained in the business acquisitions policy note above, less accumulated impairment losses, if any (see note 12).

For purposes of impairment testing, goodwill is allocated to each cash-generating unit (or group of cash generating units) that is expected to benefit from the synergies of the business combination.

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

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

The Entity's policy for goodwill arising on the acquisition of an associate is described at note 3m.

q) Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the issuance of financial liabilities (except for those financial liabilities classified as at fair value through profit and loss) are deducted from the fair value of the financial liability; transaction costs directly attributable to the issuance of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Subsequent measurement depends on the category in which the financial liability is classified.

Financial liabilities are classified as either “Financial liabilities at fair value through profit or loss” or “Other financial liabilities”. Note 14 provides further detail regarding financial liabilities.

r) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Presentation of the related gain or loss from changes in fair value of the derivative financial instrument depends on whether they are designated as hedging instruments, and if so, the nature of the hedging relationship. The Entity only holds derivative financial instruments classified as cash flow hedges and hedges of net investment in foreign operations.

The Entity documents all hedging relationships at the beginning of the transaction, including their objectives and risk management strategies for undertaking derivative transactions. Periodically, the Entity documents whether the derivative financial instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under “Valuation effects of cash flow hedges”. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of “Translation effects of foreign subsidiaries”. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “Exchange loss (gain), net” line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated other comprehensive income are reclassified to profit or loss on the disposal of the foreign operation.

s) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount which is recognized as a provision is the best estimation of the required disbursement to liquidate are the present liability, at the end of the information related period, taking into account the risks and uncertainties surrounding the liability. When a provision is valuated using the estimated cash flows to pay for the present obligation its value in books represents the present value of said cash flows (when the effect of the value of money is material).

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

t) Income taxes

Income tax expense comprises current tax and deferred tax.

1. Current income taxes

Current income taxes are calculated in accordance with rates that have been enacted or substantively enacted as of the end of the reporting period for the countries in which the Entity operates and taxable profit is determined, and the related income tax expense is recorded in the results of the year in which it is incurred. In Mexico, the income tax determined related to the Impuesto sobre la renta ("ISR").

2. Deferred income taxes

Deferred tax liabilities and assets are measured according to the tax rates and tax laws that have been enacted or substantively enacted as of the date of the report and that are expected to be applicable when the temporary differences reverse.

The deferred income tax is recognized on temporary differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities used for determining taxable income by applying the rate corresponding to these differences, including benefits from tax loss carryforwards and certain tax credits, if applicable. The liability for deferred income taxes are generally recognized for all temporary tax differences. An asset is recognized deferred tax for all deductible temporary differences to the extent that it is probable that the Entity will have future taxable income against which to apply those deductible temporary differences.

Deferred income tax is not recognized on the following temporary differences: i) amounts that arise from the initial recognition of assets or liabilities resulting from transactions other than in a business combination, that affects neither the accounting profit nor the taxable profit; ii) those related to investments in subsidiaries and associates, to the extent that it is not likely they will reverse in the foreseeable future and the reversal in within the control of the Entity, and, iii) those that result from the initial recognition of goodwill. The deferred income tax asset is recognized only to the extent that it is likely there will be future taxable profits against which it can be used.

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

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

Assets and deferred tax liabilities are offset when a legal right to offset assets with liabilities exists and when they relate to income taxes relating to the same tax authorities and the Entity intends to liquidate its assets and liabilities on a net basis.

3. Current and deferred tax for the year

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

u) Employee benefits from termination, retirement and statutory employee profit sharing ("PTU")

i. Pensions and seniority premiums

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity or a fund and will have no legal or constructive obligation to pay further contributions. The obligation is recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The amount recognized in the consolidated statement of financial position as a liability or asset for defined benefit plan represents the present value of the net defined benefit obligation (defined benefit obligation minus the fair value of plan assets). The present value of the net defined benefit obligation is determined based on the discounted value of estimated net cash flows, using interest rates tied to government bonds denominated in the same currency in which the benefits are to be paid and whose terms are similar to those of the obligation.

The Entity provides a bonus in cash to certain executives, which is calculated using performance metrics, the bonus is paid 30 months after the date on which it was granted.

ii. Statutory employee profit sharing

In Mexico, Venezuela and Brazil, there is an obligation to recognize a provision for the statutory employee profit sharing when the Entity has a legal or constructive obligation, as a result of past events and the amount can be reliably estimated. PTU is recorded in profit or loss of the year in which it is incurred.

Short-term employee benefits

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

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

iii. Termination benefits

The Entity recognizes a liability for termination benefits only when the Entity is without realistic possibility of withdrawal from an offer to provide termination benefit to employees, or before, if it complies with the criteria

for recognition of a liability related to a restructuring.

iv. Multi-employer pension plans ("MEPP")

The Entity classifies the multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If the MEPP is classified as a defined benefit plan, the Entity accounts for its proportionate share of the defined benefit obligation, plan assets and costs associated with the plan in the same manner as for any other defined benefit plan. When sufficient information is not available to use defined benefit accounting for a MEPP, the Entity accounts for such plan as a defined contribution plan.

Liabilities related to the wind-up or the Entity's withdrawal from a multi-employer plan is recognized and measured in conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

v. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances.

- Sale of products

Revenue from the sale of products is recognized when the goods are delivered, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods. The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- The amount of revenue can be measured reliably.

- It is probable that the economic benefits associated with the transaction will flow to the Entity.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

w). Reclassifications

Some of the amounts contained in the consolidated financial statements for the years ended December 31, 2016 and 2015 have been reclassified so that certain accounts are adjusted for the presentation used in 2017.

Until December 31, 2016, the entity included all taxes in the same item. However, it was decided to separate the income tax from the other relevant taxes. Additionally, the benefits to identified short-term employees were reclassified in the long term. The effects on said reclassifications were applied retroactively to the balance sheet as of December 31, 2016 and 2015 in accordance with IAS 8 Accounting Policies Changes in Accounting Estimates and Errors.

	Saldos originalmente presentados 31 de diciembre 2016	Reclasificaciones	Saldos reclasificados 31 de diciembre 2016
Otras cuentas por pagar y pasivos acumulados	$ 19,881	$ 2,379	$ 22,260
Impuesto sobre la renta	3,851	(2,808)	1,043
Beneficios empleados y previsión social	30,488	429	30,917

	Saldos originalmente presentados 31 de diciembre 2015	Reclasificaciones	Saldos reclasificados 31 de diciembre 2015
Otras cuentas por pagar y pasivos acumulados	$ 14,046	$ 2,199	$ 16,245
Impuesto sobre la renta	2,845	(2,199)	646

4) GOVERNANCE

a) EXTERNAL AUDITORS

The external auditor selection is entrusted to the Audit & Corporate Practices Committee, which recommends hiring to the Board of Directors. The Board of Directors is the body that approves the hiring of the external audit firm and, if applicable, the additional or ancillary services to the external audit.

The Audit & Corporate Practices Committee conducts a tender for external audit services every 5 years, regardless of considering the possibility of doing so within a shorter period. The Committee selects from among the firms whose background, reputation, partners, international coverage, methodology and technology meet the expectations and needs of the Board of Directors, the Committee and the Company's Management.

In some cases, given the results of an evaluation of the services of the appointed firm, the Audit & Corporate Practices Committee may consider it necessary to change the partner of the relevant firm, for which it requests a slate of three candidates and chooses the one who will be in charge of auditing the Company's Financial Statements, in which case the relevant bidding process will not be carried out.

Since 2002, Galaz, Yamazaki, Ruiz Urquiza, S.C. (member of Deloitte Touche Tohmatsu), has been in charge of auditing the Company's consolidated financial statements. Until 2007, it supported its opinion through other independent auditors' reports. Since 2008, Galaz, Yamazaki, Ruiz Urquiza, S.C. carries out the audit of the Financial Statements without being based in other firms´ opinions.

In the different reviews and reports which have been periodically made to the Group's Financial Statements, this audit firm has not issued an opinion with observations, notes or a negative opinion, nor has refrained from issuing an opinion in connection thereto.

During 2017, Galaz, Yamazaki, Ruiz Urquiza, S.C. rendered to the Company services other than audit, consisting of surveys on transfer prices, preparation of statements for the VAT (*IVA*) return and tax advisory services regarding the notes issuance. For the rendering of such services, the Company paid $13,521 million pesos to Galaz, Yamazaki, Ruiz Urquiza, S.C., a figure representing 15.97% of the total disbursements made to the firm and the network of Deloitte.

b) TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTERESTS

In the ordinary course of business, Grupo Bimbo enters into commercial transactions with some of its affiliates, including in connection with the supply of raw materials, office supplies and uniforms for its associates.

These transactions are approved by the Board of Directors of the Company, except for transactions that (i) are not material, or (ii) are entered into in the ordinary course of business and on an arm's length basis. The transactions with related parties are reviewed by the Audit & Corporate Practices Committee prior to their approval or confirmation by the Board of Directors except for cases in which waivers represent less than 5% of Grupo Bimbo consolidated assets.

Grupo Bimbo shall continue to carry out transactions with its associate and affiliate companies in the future. Transactions with related companies are entered into on an arm's length basis; therefore, the Group considers that the terms are not less favorable than those which may be obtained in a comparable transaction with an unrelated company (see Note 17 of the Audited Financial Statements).

From January 1, 2018 and up to April 30, 2018, Bimbo has not engaged in any relevant transactions with related parties.

a. Transactions with related parties performed in the Group's ordinary course of business were the following ones:

	2017	2016	2015
Disbursements for:			
Purchase of raw materials	$3,263	$2,771	$2,017
Finished products	$1,653	$1,581	$1,301
Office supplies, uniforms and others	$434	$360	$397
Financial services	$697	$634	$464

Sales and purchases were made at market value, discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current period or prior periods regarding irrecoverable debts or doubtful accounts related to amounts owed by related parties.

b. Net balances payable to related parties are:

	2017	2016	2015
Beta San Miguel, S. A. de C. V.	$ 615	$ 479	$ 190
Efform, S. A. de C. V.	49	33	31
Fábrica de Galletas La Moderna, S. A. de C. V.	118	67	53
Frexport, S. A. de C. V.	10	128	13
Industrial Molinera Montserrat, S. A. de C. V.	4	11	6
Makymat, S. A. de C. V.	12	13	-
Mundo Dulce, S.A. de C.V.	48	63	48
Ovoplus del Centro, S. A. de C. V.		-	-
Pan-Glo de México, S. de R. L. de C. V.	22	11	10
Proarce, S. A. de C. V.	40	22	9
Fin Común Servicios Financieros, S.A. de C.V.		-	8
Uniformes y Equipo Industrial, S. A. de C. V.	37	25	22
Others		1	11
Total	$ 955	$ 853	$ 401

c) MAIN OFFICERS AND SHAREHOLDERS

Board of Directors

In accordance with the corporate bylaws, the Company's management is entrusted to a Board of Directors and a Chief Executive Officer who performs the duties established by the LMV. The members of the Board of Directors are elected, as a general rule, by the shareholders of the Company at the annual ordinary general Shareholders' Meeting, except when the Board of Directors appoints temporary directors without the intervention of a shareholders' meeting in the event of a resignation of a director or the lack of a designated alternate director. The Board of Directors shall be comprised by a minimum of five (5) and a maximum of twenty-one (21) directors, of which at least twenty-five percent (25%) shall be independent directors.

Each shareholder or group of shareholders holding at least 10% or more of the capital stock is entitled to designate or revoke one director. The Board of Directors meets at least once every quarter but at minimum once a year. The bylaws of Grupo Bimbo provide that the shareholders may elect an alternate director for

each director. The alternate directors for the independent directors shall also have the independent character.

Independent Directors shall be those people who are not impeded to perform their duties free from conflicts of interest and that satisfy the requirements set forth in the LMV to be considered as such, the provisions derived there rom, and in the laws and regulations, stock exchanges or markets in the jurisdictions where the Company's securities are traded, as the case may be.

The Board of Directors appointed and ratified during the Ordinary General Shareholders' Meeting held on April 24, 2018 is comprised of seventeen (17) directors, who will remain in their positions until the people appointed to substitute them take possession; they may be reelected indefinitely and will receive the remuneration determined by the Ordinary General Shareholders´ Meeting. The following table includes the name of the members of the Board of Directors and the period during which they have acted as directors:

Board Members	Position	Gender*
Daniel Javier Servitje Montull	Member / President	Male
José Ignacio Mariscal Torroella	Member	Male
Raúl Carlos Obregón del Corral	Member	Male
Mauricio Jorba Servitje	Member	Male
María Luisa Jorda Castro	Member (I)	Female
Ricardo Guajardo Touché	Member (I)	Male
Arturo Manuel Fernández Pérez	Member (I)	Male
Luis Jorba Servitje	Member	Male
María Isabel Mata Torrallardona	Member	Female
Nicolás Mariscal Servitje	Member	Male
Javier de Pedro Espínola	Member	Male
Ignacio Pérez Lizaur	Member (I)	Male
Edmundo Miguel Vallejo Venegas	Member (I)	Male
Jorge Pedro Jaime Sendra Mata	Member	Male
Jaime Chico Pardo	Member	Male
Estibalitz Laresgoiti Servitje	Member	Female
Mr. Jaime A. El Koury	Member (I)	Male
Rogelio M. Rebolledo Rojas	Member (I)	Male
Luis Miguel Briola Clement(1)	Secretary	Male

(1) Secretary and alternate secretary of Bimbo are not members of the Board of Directors.
(I): Independent member of the Board of Directors. 35% of the members are independent.
* 13.04% of the members of the Board of Directors are women and 86.95% are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull is a member of the Board of Directors of Grupo Financiero Banamex, S.A. de C.V., Coca-Cola Femsa, S.A.B de C.V., Instituto Mexicano para la Competitividad, A.C., The Global Consumer Goods Forum, Latin America Conservation Council (The Nature Conservancy), Stanford GSB Advisory Council and Aura Solar.

José Ignacio Mariscal Torroella

Mr. Mariscal Torroella is President of Grupo Marhnos and Chairman of the Committee of Una Sola Economía of the Mexican Business Coordination Council (*Consejo Coordinador Empresarial*). Mr. Mariscal Torroella is a member of the Board, Executive Committee, Chairman of the Human Development Committee and Vice President for International Affairs of COPARMEX. Mr. Mariscal Torroella is a member of the Board of Directors of Grupo Calidra, Grupo Financiero Aserta, City Express, Aura Solar, a Member of BIAC, Comité de Asesores de Comercio e Industria de la OECD and a member of the advisory board of the Executive Commission of the Confederación USEM. He is also Chairman of the Fundación León XIII, Vice President of Fincomún Servicios Financieros Comunitarios and the former President and Member of the Board of UNIAPAC International and of the Foundation, and of the Monitoring Committee of IMDOSOC.

Mr. Mariscal Torroella is a brother-in-law of Daniel Javier Servitje Montull and uncle of Nicolás Mariscal Servitje.

Raúl Carlos Obregón del Corral

Mr. Obregón del Corral is the Managing Partner of Alianzas, Estrategia y Gobierno Corporativo, S.C. and is affiliated with Proxy Gobernanza Corporativa, S.C. Mr. Obregón del Corral is a member of the Board of Invermat, S.A. de C.V., Altamira Unión de Crédito, S.A. de C.V., Activos Turísticos de México, S.A.P.I. de C.V., Fondo Nacional de Infraestructura, as well as an independent member of the Evaluation and Finance Sub-committee and member of the Governing Board of the Instituto Tecnológico Autónomo de México. He is also an alternate Board Member and member of the Audit and Corporate Governance Committee of Industrias Peñoles, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V. and Grupo Palacio de Hierro, S.A.B. de C.V., and alternate Board Member of Valores Mexicanos Casa de Bolsa, S.A. de C.V. and Crédito Afianzador, S.A.

Mr. Obregón del Corral is a brother-in-law of Daniel Javier Servitje Montull and uncle of Nicolás Mariscal Servitje.

Mauricio Jorba Servitje

Mr. Jorba Servitje is a Member of the Board of Directors of VIDAX and the Board of Directors and Management of Promociones Monser, S.A. de C.V.

Mr. Mauricio Jorba Servitje is a brother of Luis Jorba Servitje and cousin of Daniel Javier Servitje Montull.

Maria Luisa Jorda Castro

Ms. Jorda Castro is a member of the Board of Directors of Orange Espagna and a member of the Audit Committee of Orange. She is a member of the Board of Directors of Merlin Properties and Chair of its Audit Committee. She is also member of the Board of Directors and member to the Audit and Control Committee of Tubos Reunidos, S.A. Member of the Board of Governors and Audit Committee of the Instituto de Consejeros y Administradores (ICA). She was a member of Jazztel's board and a member of its Audit Committee. She has been chair of Jazztel's Audit Committee.

In addition, Mrs. Jorda Castro has served in several executive positions throughout her 30-year career, in various Management, Investment and Audit Committees. She was CFO of Grupo Deoleo, Internal Audit Director of SOS Corporación Alimentaria (now Deoleo, S.A.), and Internal Audit and Corporate Governance Director at Metrovacesa, CFO at the Corporación Empresarial ONCE, CFO at Grupo Alimentos y Aceites SA, and CFO at Testa (previously Prima Inmobiliaria) and Grupo Ayco (previously Inmobiliaria Alcázar).

Ricardo Guajardo Touché

Mr. Guajardo Touché is member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A. de C.V., Instituto Tecnológico y de Estudios Superiores de Monterrey, Grupo Fomento Económico Mexicano, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Alfa, S.A.B. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Grupo Aeroportuario del Sureste, S.A.B. de C.V., Grupo Coppel, S.A. de C.V. and Vitro, S.A.B. de

C.V., as well as Vice-Chairman of Fondo para la Paz and Chairman of SOLFI and President of SOLOFI, Corporación de Microfinanzas.

Arturo Manuel Fernández Pérez

Mr. Fernández Pérez is the Dean of Instituto Tecnológico Autónomo de México or ITAM, and a member of the Board of Directors of Industrias Peñoles, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Valores Mexicanos, Casa de Bolsa, S.A.B. de C.V., Grupo Financiero BBVA Bancomer, S.A. de C.V., Grupo Profuturo, S.A.B. de C.V., and Fresnillo, plc.

Luis Jorba Servitje

Mr. Jorba Servitje is Chief Executive Officer of Frialsa Frigoríficos, Chairman the Board of Efform, S.A. de C.V. and of Texas Mexico Frozen Food Council, International Association of Refrigerated Warehouses, World Food Logistics Organization and World Group of Warehouses.

Mr. Jorba Servitje is a brother of Mauricio Jorba Servitje and cousin of Daniel Javier Servitje Montull.

María Isabel Mata Torrallardona

Ms. Mata Torrallardona is the Chief Executive Officer of Fundación José T. Mata, A.C. and a member of the Board of Directors of Tepeyac, A.C.

Ms. Mata Torrallardona is the wife of Mr. Javier de Pedro Espínola.

Nicolás Mariscal Servitje

Mr. Mariscal Servitje is Chief Executive Officer of Grupo Marhnos and a member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural, A.C.

Mr. Mariscal Servitje is a nephew of Daniel Javier Servitje Montull, José Ignacio Mariscal Torroella, Raúl Obregón del Corral and Fernando Francisco Lerdo de Tejada Luna.

Estibalitz Laresgoiti Servitje

Mrs. Laresgoiti Servitje has a medical degree from Universidad Anáhuac, a Master's Degree in Immunology from the Instituto Politécnico Nacional, a Master's Degree in Neuroscience from the Oberta University of Catalonia and a Doctorate in Health Psychology from the Walden University of Minneapolis, MN. She is a speaker and a member of the Counseling Council of Mead Johnson Nutrition. Clinical She practices Immunology at the ABC Medical Center. She is a researcher and professor of Immunology and Psychology at ITESM. She is Professor of Basic and Advanced Statistics at the UNAM. She is Professor of Immunology in the Master of Science at the IPN. She is Professor of Immunology at the Universidad Panamericana. She is a member of the National System of Researchers at CONACYT.

Mrs. Laresgoiti Servitje is the niece of Daniel Javier Servitje Montull

Javier de Pedro Espínola

Mr. de Pedro Espínola is the Manager and Chief Financial Officer of MXO Trade S.A. de C.V. and member of the Board of Directors MXO Trade, S.A. de C.V., Global Biotherapeutics, Fundación José T. Mata and Grupo Colchones Restonic, S.A. de C.V.

Mr. de Pedro Espínola is the husband of Ms. Mata Torrallardona.

Ignacio Pérez Lizaur

Mr. Pérez Lizaur is a Partner of Consultores Pérez Lizaur, S.C. He is a Member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural A.C. and Chair of the Corporate Practices Committee at Newell Rubbermaid Inc. He is also President of the Trustees and member of the Social Investment Committee and President of the Credit and Financial Risks Committee at Nacional Monte de Piedad (Mexico City).

Edmundo Miguel Vallejo Venegas

Mr. Vallejo Venegas is a professor of Business Policy at the Instituto Panamericano de Alta Dirección de Empresas (known in Spanish as "IPADE"), in Mexico City, and the former President and Chief Executive Officer of GE Latin America.

Jorge Pedro Jaime Sendra Mata

Mr. Sendra Mata is Manager of JJ Textiles, S.A. and Member of the Board of Directors of db Homes S.A. and JRPVJ, Inc.

Jaime Chico Pardo

Jaime Chico Pardo is founding partner and President of ENESA, S.A. de C.V. and a member of the Board of Directors of Honeywell International Inc and Chicago Booth GSB.

Jaime A. El Koury

Jaime A. El Koury was partner of Cleary Gottlieb Steen & Hamilton LLP from 1986 until 2014. He is an alternate member in the Board of Directors of Coca Cola FEMSA, S.A.B. de C.V. since 2015. He graduated from Yale University as a Bachelor in Arts and Economics, and Juris Doctor and is authorized to practice law in New York and Puerto Rico.

Rogelio M. Rebolledo Rojas

Mr. Rogelio M. Rebolledo Rojas has a degree in Chemical Engineering from the UNAM and an MBA from the University of Iowa. He is member of the Board since July 2008, Chairman of the Audit Committee and Member of the Compensation Committee of Kellogg Company's. For 27 years, he held various key positions as CEO of the Mexican operations of Sabritas and Gamesa. Subsequently, as President of Frito Lay Latin America and Asia Pacific was a key element for the growth and expansion of the company. As President of the Board and CEO of Frito Lay International division, in the year 2000, Mr. Rebolledo assumed responsibilities for the European, Middle Eastern and South African markets. After his retirement from Frito Lay, he was CEO and Chairman of the Board of the Pepsi Cola bottling group in Mexico from 2004 to mid 2007. He is currently a member of the Board of Directors of Clorox Company and José Cuervo Internacional.

Luis Miguel Briola Clément

Mr. Briola joined Grupo Bimbo in 2004 and serves as the General Counsel and Secretary of the Board of Directors since April 2005. Mr. Briola holds a law degree from Escuela Libre de Derecho and a Master Degree of Laws from Columbia University.

In the ordinary course of business, the Company has executed transactions with some of the companies, in which the members of its Board of Directors work or in which its key officers worked. Such transactions have been carried out on an arms-length basis and the Company considers that none of them is relevant.

Board of Directors' Powers

The Board of Directors establishes guidelines and general strategies to conduct the business and supervises its fulfillment accordingly.

The Board of Directors is the Company's legal representative, and has the broadest powers for the administration of the Company's businesses, with general power of attorney for lawsuits and collections, administrate properties and to exercise acts of ownership, without any limitation, in order to appoint and remove the Chief Executive Officer, executives, managers, officers and attorneys-in-fact, and to determine their attributions, working conditions, compensations and guaranties and, in particular, to grant powers and faculties to managers, officers, lawyers and any other people in charge of the Company's labor relationship in accordance with the provisions of the by-laws.

The Company's Board of Directors also has the power to approve any transfer of the Company's shares, when such transfer represents more than 3% of the voting shares in one or more transactions.

Likewise, for the performance of its duties, the Board of Directors shall be aided by an Audit & Corporate Practices Committee, a Results Evaluation Committee and a Finance & Planning Committee, whose duties and integration are described herein below. See Section "4. GOVERNANCE – c) Administration and Shareholders".

Board of Directors' Resolutions

Each director is entitled to one vote at any meeting of the Board of Directors. Meetings of the Board of Directors are legally convened when at least the majority of the members are present. Resolutions at Board of Directors' meetings are valid when approved by the majority of directors present at the meeting. The Chairman of the Board of Directors has a deciding vote in the event of a draw. The resolutions taken outside a meeting of the Board of Directors, by unanimous vote, will be for all legal purposes as valid as if they had been adopted at the meeting of the Board of Directors, provided that they are confirmed in writing.

Pursuant to the Mexican Securities Market Law, any director who has a conflict of interest to vote in any transaction must disclose such fact to the chairman of the Board of Directors and should abstain from voting on such transaction. Any director who violates this provision will be liable to the Company for any resulting damages or losses. In addition, directors must keep confidential all acts, facts or events that have not been disclosed to the public generally, and must keep confidential any discussions held at each meeting.

Intermediate Administration Bodies

The Board of Directors in order to perform its duties has the support of the following committees, which assist the Board of Directors in the administration of the Company.

Audit & Corporate Practices Committee

In accordance with the Mexican Securities Market Law and the bylaws, the Company has an Audit & Corporate Practices Committee, comprised of at least three members who must all be independent, including its chairman. The chairman of the Audit a&nd Corporate Practices Committee shall be appointed and/or removed from his position, exclusively, by the General Ordinary Shareholders´ Meeting and shall not be able to be the chairman of the Board of Directors. This Committee performs the audit activities, as well as those corporate practices activities established by the Securities Market Law, the bylaws, and as determined by the Board of Directors.

The General Ordinary Shareholders Meeting held on April 24, 2018 ratified Edmundo Miguel Vallejo Venega as chairman of the Committee, and ratified Arturo Manuel Fernández Pérez, Ignacio Pérez Lizaur, Maria Luisa Jorda Castro and Jaime A. El Koury as members of the Audit & Corporate Practices Committee. All members are independent within the meaning of the Mexican Securities Market Law.

The main duties of the Audit & Corporate Practices Committee include to (i) supervise and assess the external auditors, as well as all the reports issued by them (including their opinion with respect to the financial statements), (ii) review and supervise the preparation of the financial statements for their approval by the Board of Directors, (iii) inform the Board of Directors of the status of the internal controls and procedures and the internal audit function of the Company, (iv) supervise and draft opinions required under the Mexican Securities Market Law with respect to transactions with related parties and transactions

representing 20% or more of the consolidated assets, (v) draft the opinions and request the directors and independent experts to prepare the reports required under the Mexican Securities Market Law, (vi) research and to inform the Board of Directors of any significant finding out of the ordinary course of business, (vii) review and analyze recommendations for improvements by the shareholders, directors, executive officers or third parties and take the corresponding actions to perform such recommendations, (viii) call for shareholders' meetings, (ix) supervise the performance of the instructions issued by the Board of Directors and shareholders to the chief executive officer, (x) supervise the mechanisms and internal controls performance that allow the controlled companies operations to comply with the applicable laws, (xi) such other responsibilities provided for in the Mexican Securities Market Law.

The Audit and Corporate Practices Committee may meet at any time. The meetings of this committee are regarded as legally convened when the majority of its members are present and its resolutions will be valid when approved by a majority of the present members at the meeting. The Chairman of the Audit and Corporate Practices Committee has a deciding vote in the event of a draw.

Based on the professional profiles of the members of the Audit & Corporate Practices Committee, the Company considers that such members may be deemed financial experts.

The Chairman of the Audit & Corporate Practices Committee must prepare an annual report on the activities corresponding to the committee and submit it for the approval of the Board of Directors.

Evaluation & Results Committee

The Evaluation and Results Committee is comprised of members of the Board of Directors who are appointed by the Board of Directors or the Shareholders´ Meeting.

On February 15, 2018, by means of the board meeting the members of the Results & Evaluation Committee were ratified as follows: Raúl Carlos Obregón del Corral, who serves as Chairman of the committee, Edmundo Miguel Vallejo Venegas, Daniel Javier Servitje Montull, Luis Jorba Servitje and Nicolás Mariscal Servitje, appointed by the Board of Directors.

The Results & Evaluation Committee is in charge of (i) analyzing and approving the general compensation structure for the executive officers and associates, and the general compensation policies, which include policies for increasing, decreasing and changing in general and individual compensation, except for the compensation of the Chief Executive Officer and other senior executive officers which is determined by the Board of Directors with the opinion of the Audit & Corporate Practices Committee, (ii) evaluating the results of operations of the Company and their impact on the compensation of the executive officers and employees, (iii) analyzing and revising the salary levels applicable to the executive officers and employees, including annual compensation plans and promotions and criteria for pension plans, (iv) requesting the opinion of an independent expert, if necessary, to appropriately comply with its duties, (v) requesting the executive officers and employees to prepare and provide the committee with the reports required to comply with its duties, (vi) acting as a consultation body for the Board of Directors in all aspects related to the associates, and (vii) coordinating all the activities related to other committees, as the case may be.

The Committee also works as advisory and evaluation body for the possible candidates for the Board of Directors, proposed by the shareholders or directors.

Based on the professional profiles of the members of the Evaluation and Results Committee, the Company considers that several of its members may be deemed financial experts.

Finance & Planning Committee

The Finance and Planning Committee is comprised of members of the Board of Directors, who are appointed by the Board of Directors or by the Shareholders' Meeting.

The Finance & Planning Committee is in charge of analyzing and presenting for the approval of the Board of Directors, the long-term strategies, and the investment and risk management policies.

The Finance & Planning Committee has the following powers: (a) to analyze and submit to the Board of Directors' approval, the evaluation of the long-term and budget strategies, as well as the Company's main investment and finance policies; (b) by the Board of Directors' express delegation, it may approve: (i) transactions which imply the acquisition or conveyance of properties with a value equal to, or lower than, three percent of the Company's consolidated assets; (ii) the granting of guaranties or the assumption of liabilities in an amount equal to, or less than, three percent of the Company's consolidated assets; (iii) investments in debt securities or in banking instruments, exceeding three percent of the Company's consolidated assets; provided, however, that these are made in conformity with the policies approved to that effect by the Board; c) to propose and, as the case may be, evaluate and periodically review policies for the performance of the Company's and its subsidiaries' treasury; d) request an opinion from independent experts in the cases it deems necessary, for the appropriate performance of its duties; e) to request from the Company's or its subsidiaries´ relevant executive officers and other employees, reports regarding the preparation of the financial information and of any other kind deemed necessary for the performance of its duties; f) to act as a consultation body for the Board of Directors in everything pertaining to the above mentioned duties, including financial matters, as well as in connection with the review and recommendation of investment projects and/or diversification of the Company and its subsidiaries, observing their congruence and profitability. Likewise, it shall coordinate activities related to the Company's other committees, when so required.

On February 15, 2018, by means of the board meeting, the members of the Finance and Planning Committee were ratified, who are Messrs. José Ignacio Mariscal Torroella, who serves as Chairman of the Committee, Daniel Javier Servitje Montull, Javier De Pedro Espínola, Luis Jorba Servitje, Raúl Obregón del Corral, Ricardo Guajardo Touché, and Messrs. Rogelio Rebolledo and Jaime Chico Pardo were appointed as new members of the Finance and Planning Committee, by the Board of Directors.

Based on the professional profiles of the members of the Finance & Planning Committee, the Company considers that several of its members may be deemed financial experts.

Self-assessment of the Board of Directors and other management bodies

Starting in 2017, Directors and their Committees implemented a self-assessment regarding Board and Committee performance as collegiate bodies in order to maintain Bimbo at the forefront of best corporate governance practices on a global level, as well as in the search for improvements and value creation for the Company, which will have an impact on the business results.

The benefits of the Board and Committees' self-assessment:

1. Transparency and continuous improvement regarding the tasks of the Directors and Committees.
2. Improve the Board's knowledge and understanding regarding the perspective that stakeholders have in the strategy and governance of the company.
3. Identify Governance processes in order to strengthen the experience of the Board, communications and meetings.
4. Strengthen the alignment between Grupo Bimbo's mission and vision, facilitating the prioritization of certain matters.

The matters in which the self-assessment focuses are: structure, composition, agenda development, responsibilities, tasks and duties, effectiveness (if such information has added value), communication, relationship with management, the long-term shareholders, reporting and follow up.

The self-assessment will take place annually in March starting in 2017, and may be updated as a result of global trends and results of previous self-assessments.

Code of Ethics and Compliance

Grupo Bimbo relies on self-regulated measures that govern its business practices. Its Code of Ethics covers general aspects such as policies for its interaction with society, government and competitors, as well as its associates, suppliers, consumers, customers, board members, partners and shareholders.

In 2013, the Group created an Ethics & Regulatory Compliance Committee, a collegiate body in charge of monitoring the compliance of Global Integrity Policies, and appointed, as of 2014, a General Counsel and Compliance Director, who will implement and monitor, and enforce the compliance program at Grupo Bimbo.

During 2014 the Board of Directors approved the Global Integrity Policies of Grupo Bimbo, updated on December 2016, which are binding to all board members, executives, associates, suppliers and third parties of the Group, who are instructed in the same periodicity and who are monitored regarding their compliance; this includes guidelines based on best practices and international standards on integrity and anti-corruption laws to ensure that individuals and entities acting on behalf of the Group do so with integrity and in compliance with the law; likewise it establishes a Code of Conduct for Third Parties designed to ensure that parties who have business with Grupo Bimbo act with integrity and comply with the policies and the applicable laws.

The Ethics & Regulatory Compliance Committee is responsible for promoting the values contained in the Code of Ethics and its Global Integrity Policies and strengthening compliance with the regulatory framework of the countries in which Grupo Bimbo operates. The Ethics $ Regulatory Compliance Committee is in charge of (i) developing and recommending policies and guidelines for the appropriate compliance with applicable law, (ii) reviewing and recommending improvements to the internal controls and procedures, (iii) checking internal audit programs and legal compliance enformcement programs, (iv) instructing and performing internal and external research, (v) sanctioning actions or behaviors against internal and external rules, laws and regulations, and (vi) enforcing compliance with the Code of Ethics, Code of Conduct, as well as compliance with policies and laws, and analyzes complaints related to any breach thereof.

Additionally, the Ethics & Regulatory Compliance Committee monitors anonymous claims made to the internal hotline by associates or third parties, which is accessed by e-mail: comenta@grupobimbo.com.

The main compliance issues that are overseen by the Ethics Committee and the General Counsel and Regulatory Compliance are: anti-corruption, restricted party transactions, money laundering, and data protection.

Additionally, the Executive Committee approved a new Economic Competition Policy in Mexico, which will strengthen internal practices and procedures in order to ensure a fair and competitive market.

In early 2015, the Board of Directors also approved the guidelines, policies and control mechanisms for the trading of securities made by the directors, officers and associates of Grupo Bimbo that have privileged and confidential information according to LMV.

Key Executive Officers

The following table shows the names of the Group's key executive officers as of the date of this Annual Report, their current position and their seniority in the Company. The CEO of the Group is appointed by the Board of Directors and maintains its position at the discretion of said board.

Nombre	Position	Age	Years with the Group	Gender*
Daniel Javier Servitje Montull	Chief Executive Officer and Chairman of the Board of Directors of Grupo Bimbo	59	34	Male
Diego Gaxiola Cuevas	Chief Global Financial Officer	46	<1	Male
Javier Augusto González Franco	Senior Executive VP Grupo Bimbo	61	39	Male
Pablo Elizondo Huerta	Senior Executive VP Grupo Bimbo	63	39	Male

Raúl Ignacio Obregón Servitje	Chief Global of Transformation	44	15	Male
Gabino Miguel Gómez Carbajal	Director General Adjunto Grupo Bimbo	57	35	Male
Rafael Pamias Romero	Senior Executive VP	54	1	Male
Raúl Argüelles Díaz González	Chief Global Human Relations Officer	53	5	Male
José Gabriel Calderón	Chief Global Auditing Officer	49	7	Male
Miguel Ángel Espinoza Ramírez	President of Bimbo	59	35	Male
Alfred Penny	President of BBU	61	36	Male
Ricardo Padilla Anguiano	President of Barcel	64	35	Male

- 100% of the key officers of the Company are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull has served as Chief Executive Officer of Grupo Bimbo since 1997, and as Chairman of the Board of Directors since 2013. He holds a degree in Business Administration from Universidad Iberoamericana, in Mexico. In 1987 he obtained an MBA degree from Stanford University. He joined Grupo Bimbo in February 1982, where he has been responsible for different positions, including VP of Bimbo, Chief Executive of Marinela and VP of Grupo Bimbo.

Diego Gaxiola Cuevas

Mr. Gaxiola Cuevas has served as our Chief Global Finance Officer since August 2017. Mr. Gaxiola Cuevas has more than 20 years of experience in similar positions, including, most recently, having served as Chief Financial Officer of Alsea, a leading operator of quick service restaurants, coffee shops, and casual dining establishments in Latin America and Spain. Before Alsea, Mr. Gaxiola Cuevas worked for Grupo Desc. S.A.B. de C.V. in corporate finance and in Grupo Televisa, S.A.B. de C.V. he had various positions in finance. Mr. Gaxiola Cuevas holds a master's degree in finance from Universidad Anahuac and a bachelor's degree in business administration from Newport University and Universidad Iberoamericana.

Javier Augusto González Franco

Mr. González Franco has served as Executive VP of Grupo Bimbo since February 2014. He holds a degree in Chemical Engineering from Universidad Nacional Autónoma de México ("UNAM"), an MBA from Universidad Diego Portales, in Chile, an Advanced Management degree from Harvard University and a degree from the IMD in Switzerland. Mr. González Franco joined Grupo Bimbo in 1977 and has served as Assistant General Manager of Latin America, Deputy General Manager of Bimbo, President of Barcel and President of Bimbo.

Pablo Elizondo Huerta

Mr. Elizondo Huerta has served as Executive VP of Grupo Bimbo since January 2008. Mr. Elizondo is also Vice Chairman of the Board of ConMéxico (Consejo Mexicano de la Industria de Productos de Consumo A.C.). Mr. Elizondo holds a degree in Chemical Engineering from UNAM and an Advanced Management degree from Harvard University. Mr. Elizondo Huerta joined Grupo Bimbo in 1977 and has served as General Manager of Wonder in Mexico City, General Manager of Bimbo in Hermosillo, Director of Latin America, General Corporate Manager and Commercial Director of Bimbo and Director of Bimbo.

Raúl Ignacio Obregón Servitje

Mr. Obregón Servitje has served as Global Chief Transformation since 2016. He joined the Company in 1998 and has since served as President of Bimbo South America, Corporate Director of Sales, Director of Big Customers at Bimbo, General Manager of Bimbo Peru and also worked in Bimbo Bakeries. Prior to joining the Company, he worked at Citibank Mexico. Mr. Obregón Servitje holds a degree in chemical

engineering from Universidad Iberoamericana, an MBA from Boston University and specialization courses from Harvard Business School.

Gabino Miguel Gómez Carbajal

Mr. Gómez Carbajal has served as Senior Executive VP since early 2016. Mr. Gómez Carbajal holds a degree in marketing from ITESM, an MBA from Miami University and studies at IPADE. Mr. Gómez Carbajal joined the Company in 1981. Mr. Gómez Carbajal served as Vice President of Business Development, Vice President of Bimbo and Vice President of Latin America at the Company.
Pablo Elizondo Huerta.

Rafael Pamias Romero

Mr. Pamias has served as Executive Vice President since 2017. Mr. Pamias holds a degree in business administration from ESADE (Barcelona), and a Master in International Management from the American Graduate School of International Management, Phoenix (Arizona). Mr. Pamias joined the Company in 2017. He has previously served as director and Brand Manager of Bonafont, Danone, Waters Division, among others.

Raúl Argüelles Díaz González

Mr. Argüelles Díaz González has served as Chief Human Relations Officer of Grupo Bimbo since January 2013. Mr. Argüelles Díaz González studied Industrial Engineering at UNAM and he holds a Master's degree in Administrative Engineering from Stanford University. Additionally, he has completed various seminars at Stanford, Harvard and Michigan Universities. His professional experience includes acting as manager of various private companies in the areas of Human Resources, Corporate Affairs and Institutional Relations. Mr. Argüelles Díaz González joined Grupo Bimbo in 2011 as Chief Human Global Relations Officer of Grupo Bimbo.

José Gabriel Calderón Goyenaga

Mr. José Gabriel Calderón has served as the Internal Audit Global Director since June 2016. Mr. Calderón is a public accountant with a master degree in corporate finance from the Costa Rica University. He is also a Public Accountant authorized by the Public Accountant's College of Costa Rica. He served previously as the Finance and Administration Director of the Latin Centro Organization. Before joining Grupo Bimbo, Mr. Calderón worked in Danish APMoller Maerks, world leader in the maritime cargo transport in the positions of Global Business Controller and Regional Finance Manager for Latin America.

Miguel Ángel Espinoza Ramírez

Mr. Espinoza Ramírez has served as President of Bimbo since February 2014. He holds a degree in Industrial Engineering from Instituto Tecnológico de Chihuahua and has completed various programs at the IPADE and the Advanced Management Program in Harvard University. Mr. Espinoza Ramírez joined Grupo Bimbo in 1981 and among his previous positions, he has served as General Manager of Dulces y Chocolates Ricolino, Vice President of Barcel del Norte, Administrative Manager of Organización Barcel, President of Barcel, Commercial Manager of Bimbo, and later, President of South America Operations.

Alfred Penny

Mr. Penny has served as President of BBU since April 2013. From 1987 to 1997 he served as Controller in the Northeast of the U.S., as Director of Strategic Planning and Productivity and as General Manager of the Intermountain region for Kraft Baking. Mr. Penny was appointed as Vice President and General Manager of Entenmann's in 1997. Mr. Penny was appointed as Executive Vice President of George Weston Bakeries Inc., in 2007. Mr. Penny was appointed as Executive Vice President after the acquisition of Weston Foods Inc. by Grupo Bimbo in January 2009.

Ricardo Padilla Anguiano

Mr. Padilla Anguiano serves as General Director of Barcel as of 2016, after being President of Bimbo Brazil since December 2012. Mr. Padilla Anguiano holds a degree in Accounting from Universidad de Guadalajara and an MBA degree from IPADE. He joined Grupo Bimbo in 1981 and has served as General Manager of Bimbo Noreste, Bimbo Golfo and Bimbo San Luis and as Services Director of Bimbo.

Except as indicated above, there are no potential material conflicts of interest between the duties of the key officers and their private interests. The key officers can be reached at the principal executive offices. See "Section 1. GENERAL INFORMATION – b) Summary — Company Information".

Compensation

Compensation to the Directors and members of the Company's Committees is determined by the General Ordinary Shareholders´ Meeting. Such compensation, as of the General Ordinary Shareholders´ Meeting held on April 24, 2018, is as follows: Directors receive $115,000 pesos per meeting attended in Mexico and $245,000 pesos per meeting attended abroad. The members of the Audit and Corporate Practices Committee receive $108,000 pesos per meeting attended, the members of the Finance and Planning Committee and the members of the Results and Evaluation Committee receive $54,000. The Company's officers who are also Directors and/or members of any of the Committees shall not be entitled to receive any compensation. In 2017, the total amount corresponding to the compensation mentioned in this paragraph totaled approximately $18.3 million pesos.

Compensation paid to key officers for the fiscal year ended as of December 31, 2017 totaled approximately $1,476 million pesos, which represented 1.18% of the Company's total consolidated general expenses. This figure includes payments for bonuses and retirement bonuses. Additionally, as of December 31, 2017, the amount accrued by the Company and its subsidiaries for the key officers´ pension plans is $266 million pesos.

Executives and Directors Virtual Shares Plan

As of 2013, the Virtual Share Plan (known is Spanish as "Plan Acciones por VEAB - *Valor Económico Agregado BIMBO*") for executive officers and directive officers is in effect. This plan allocates an annual number of Virtual Shares in accordance with the level, the salary of the officer and the results obtained by the Business Unit to which it is associated and the average share price of Bimbo in the BMV, in January of the following year. The number of Virtual Shares is paid 30 months after the average share price of Bimbo in the BMV in June through a taxable bonus.

Principal Shareholders

As of the date of this Annual Report 4,703,200,000 Series "A", ordinary, nominative shares with no par value, representing the capital stock are authorized, and registered in the RNV (National Securities Registry) and have been listed on the BMV (Mexican Stock Exchange) since 1980 under the ticker symbol "BIMBO".

The companies mentioned herein below hold an interest of approximately 67% in BIMBO's capital stock. The following table shows the information referring to the Principal Shareholders' interest, in accordance with the Company's Stock Transfer Book until April 27, 2017:

Name	No. of shares	% Capital Stock
Normaciel, S.A. de C.V.	1,763,123,500	37.5
Promociones Monser, S.A. de C.V.	550,268,544	11.7
Banco Nacional de México, S.A. as fiduciary	296,265,488	6.3
Philae, S.A. de C.V.	232,692,104	5.0
Marlupag, S.A. de C.V.	161,213,536	3.4
Sendamos, S.A.P.I. de C.V.	150,000,000	3.2
Other	1,549,636,828	32.9

Name	No. of shares	% Capital Stock
Total	**4,703,200,000**	**100%**

Regarding the above shareholders, Normaciel, S.A. de C.V. holds significant influence.

Moreover, the Company believes that Mr. Daniel Javier Servitje Montull, as Chief Executive Officer and Chairman of the Board, has a significant influence on the management, conduct and execution of the business. Therefore, it could be considered that he has power of command.

To the best knowledge of the Company, no member of the Board of Directors or other key officer of Grupo Bimbo, individually, hold shares representing more than 1% and less than 10% of the outstanding shares of Grupo Bimbo.

Description of the labor inclusion policy or program

As of this date, Grupo Bimbo has gender diversity and inclusion policies that are aimed to ensure an environment of inclusion and non-discrimination in the operations of the Group worldwide. The policies apply to all temporary and permanent personnel of Grupo Bimbo, as well as to the interaction with shareholders, customers and suppliers in their relationship with the Company. The Company's Global Personnel and Relations Division is in charge of preparing and updating these policies, which are approved by the Global Management of Internal Control and Risk Management, the Board of Directors and the General Management of Grupo Bimbo. In general terms, every employee of the Company must (i) reject the discrimination of any person and for any reason, establish and promote an environment of respect, avoiding the use of inappropriate, discriminatory, sexist or disqualifying language, (ii) avoid at all times discrimination in access to employment, working conditions, professional development, training and participation in decision-making processes, (iii) encourage the formation of diverse work teams and assignment of responsibilities equitable and not abuse the authority and use of the hierarchical position, (iv) promote an environment free of isolation, ridicule and jokes that denigrate people, promote harmony and good coexistence, (v) respect cultural differences and of opinion, and (vi) not conduct discriminatory behaviors by personal characteristics protected by law, including by reason of race, sex , religion, color, nationality, age, disability or marital status. Likewise, the employees of Grupo Bimbo must not ignore an act or condition of harassment, abuse, discrimination and another that goes against the foundations of diversity and inclusion. All employees who witness or are victims of these behaviors should report them to their direct manager, to the personnel area and / or in an internal hot line of Grupo Bimbo.

e) Bylaws and other Agreements

As of December 30, 2005 the new Securities Market Law was published in the Official Gazette of the Federation (*Diario Oficial de la Federación*), which became effective on June 28, 2006, and in accordance with that BIMBO's Corporate Bylaws were amended by virtue of an Extraordinary Shareholders´ Meeting held on November 14, 2006. In that meeting, among other things, the total amendment to the Corporate Bylaws was approved, and was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of this city under mercantile folio No. 9,506, dated December 6, 2006. With the amendment to the Corporate Bylaws, the Company adjusted to the securities laws in effect.

Among the most relevant amendments are the ones regarding the creation of a regime applicable to the *sociedades anónimas bursátiles* (the shares of which are traded in the BMV) to improve their organization and functioning, as well as their responsibilities regime.

The Company is a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) incorporated under Mexican law. On November 16, 2006, at the general extraordinary shareholders' meeting, the shareholders resolved to amend the bylaws entirely to comply with the provisions of the Mexican Securities Market Law applicable to publicly traded corporations and to adopt the form of a publicly traded stock corporation. Such amendment to the bylaws was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of this city under mercantile folio No. 9,506, dated

December 6, 2006. A copy of the current bylaws has been filed with the CNBV and the BMV on June 10, 2014, and is available for review at the following websites: www.gob.mx/cnbv, www.bmv.com.mx and www.grupobimbo.com.

f) Rights Granted by Shares

Holders of Series "A" shares are entitled to one vote in the General Ordinary and Extraordinary Shareholders' Meetings. With no shares of this kind existing as of this date, the Company may issue, under the Securities Market Law, non-voting and/or limited voting shares. As the case may be, holders of Series "A" shares may not attend the Special Meetings held by the holders of non-voting and/or limited voting shares and neither have they voting rights in the Special Meetings held by the holders of non-voting and/or limited voting shares.

The holders of limited voting shares shall be entitled to attend and vote at a rate of one vote per each share, only and exclusively in the Special Meetings held by the holders of such shares and in the General Extraordinary Shareholders' Meetings held to discuss any of the following matters: a) transformation of the Company; b) merger with another company or companies, when the Company is the merged party; c) cancellation of the limited voting shares filing in the RNV and in domestic and foreign stock exchanges in which the same are registered, except in quoting systems or other markets not organized as stock exchanges; and d) any other matter provided for in the Securities Market Law.

Holders of limited voting shares may not attend General Ordinary Meetings, except in the events expressly provided for in the Securities Market Law. Neither may they attend the General Extraordinary Shareholders´ Meetings held to discuss matters in which they have no voting rights.

Additionally, shareholders holding limited or restricted voting shares, for each ten percent (10%) of the Company's capital stock that they individually or collectively hold, shall have the rights conferred in the Corporate Bylaws and the General Commercial Corporations Law.

Shareholders holding non-voting shares shall have the rights granted by the Securities Market Law.

g) Shareholders' Meetings and Voting Rights

Under the bylaws of the Group, two types of shareholders' meetings may be held: ordinary and extraordinary. Ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings.

An annual ordinary shareholders' meeting must be convened and held at least once a year within the first four months following the end of each fiscal year to discuss the following, pursuant to the bylaws or the Mexican Securities Market Law, (i) the approval of the financial statements for the previous fiscal year, (ii) the annual reports prepared by the Audit & Corporate Practices Committee and the allocation of the profits for the previous year (including, if applicable, the payment of dividends), (iii) the appointment of members of the Board of Directors, (iv) the appointment of the chairman of the Audit & Corporate Practices Committee, (v) the increase or decrease of the variable capital and the issuance or cancellation of the corresponding shares, (vi) the determination of the amount that may be allocated to repurchase the shares, and (vii) the approval of any transaction representing 20% or more of the consolidated assets, during any fiscal year.

Extraordinary shareholders' meetings are those called at any time to consider any of the following matters (i) the extension of the duration or the dissolution of the Company, (ii) any increase or decrease in the fixed capital and the issuance of the corresponding shares, (iii) any public offering of the shares, (iv) any change in the corporate purpose or nationality, (v) any transformation, merger or spin-off involving the Company, (vi) any issuance of preferred stock, (vii) any redemption of the shares with retained net profits, (viii) any amendments to the bylaws, including amendments to change in control provisions, and (ix) any other matters for which applicable Mexican law or the bylaws specifically require a general extraordinary shareholders' meeting (x) the cancellation of the registry of the shares with the RNV.

All of the shareholders of Grupo Bimbo, duly registered in the shareholders' registry book, will be able to propose topics to be discussed in the Shareholders Meetings. The shareholders must send the proposals to the secretary of the Board of Directors, who will check them and if applicable, will submit them for the consideration of the Board of Directors in their following meeting, previous to the next ordinary or extraordinary shareholders meeting.

In the next Board of Directors ordinary meeting, the Board will analyze the proposals and will determine the suitability of including them in the agenda for the next ordinary or extraordinary shareholders meeting.

a) In case of approval, such topics would be included in the agenda for the next ordinary or extraordinary shareholders meeting.

b) In case of dismissal, the board would give notice to the respective shareholder.

The contact information of the secretary of the board is: secretaria.gb@grupobimbo.com

Shareholders' meetings may be called at any time by the chairman of the Board of Directors, the chairman of the Audit & Corporate Practices Committee or the secretary and alternate secretary of the Board of Directors. Any shareholder or group of shareholders representing at least 10% of the capital stock of Grupo Bimbo, including shares with limited or non-voting rights, has the right to request publication of a call to a shareholders' meeting. In addition, according to the bylaws, any holder of one share is entitled to request that the Board of Directors or the chairman of the Audit & Corporate Practices Committee to call a general shareholders' meeting in the event that no such general shareholders' meeting has been convened and held within two consecutive fiscal years or if the following matters have not been discussed at the general shareholders' meetings convened and held during such period (i) discuss, approve or modify the report prepared by the Board of Directors, (ii) the appointment of members of the Board of Directors, and (iii) the determination of the compensation for the directors.

Shareholders' meetings are required to be held in the corporate domicile of Grupo Bimbo, which is Mexico City. Calls for shareholders' meetings must be published in the Electronic System established by the Ministry of Economy or in one newspaper of general circulation in Mexico City at least 15 calendar days prior to the date of the meeting. Each call must set forth the place, date and time of the meeting and agenda for the meeting. Calls must be signed by whoever calls them. From the date on which a call is published until the date of the corresponding meeting, all material information regarding the meeting must be available to shareholders at the corporate headquarters of the Company.

To be admitted to any shareholders' meeting, shareholders must submit their stock certificates or evidence of their shares deposited in the Indeval or any other institution authorized to act as securities depositary in accordance with the Mexican Securities Market Law, with at least 48 hours (computed in terms of business days) prior to the shareholders' meeting. Such stock certificates or evidence of their deposit must be exchanged for a certificate issued by the Company for that purpose, stating the name of the corresponding shareholder and the number of shares held. Such certificates shall serve as admission tickets for the shareholders' meeting. The members of the Board of Directors, the Chief Executive Officer and the external auditor may attend the shareholders' meetings.

Shareholders may be represented at shareholders' meetings through proxies' fact appointed by means of a form prepared by Grupo Bimbo and made available to shareholders through broker-dealers or at the offices of the Company, at least 15 calendar days prior to the shareholders' meeting. Such forms must comply with the requirements of the Mexican Securities Market Law and its ancillary provisions.

Ordinary meetings are regarded as legally convened pursuant to a first call when at least 50% of the common shares representing the capital are present or duly represented. Any number of common shares represented at an ordinary meeting of shareholders convened pursuant to a second or subsequent call constitutes a quorum.

Resolutions at ordinary meetings of shareholders are valid when approved by a majority of the shares present at the meeting.

Extraordinary shareholders' meetings are regarded as legally convened pursuant to a first call when at least 75% of the shares representing the capital are present or duly represented. On a second or subsequent call, extraordinary shareholders' meetings are legally convened when at least 50% of the shares representing the outstanding capital are present or duly represented.

Resolutions at an extraordinary meeting of shareholders are valid when adopted by the holders of shares representing at least 50% of the capital stock.

h) Minority Shareholders' Rights

Pursuant to the Mexican Securities Market Law, the bylaws include minority right shareholder protections, some of which have already been described above. These minority protections include provisions that allow:

- Holders of at least 10% of the outstanding voting capital stock have the right to:

  - request a call for a shareholders' meeting;

  - request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and

  - appoint one member of the Board of Directors and one alternate member of the Board of Directors.

- Shareholders of 20% of the outstanding voting capital stock may oppose judicially to any resolution adopted at a shareholders' meeting and to request a court order to suspend the resolution temporarily, if the request is made within the following 15 days of the adjournment of the meeting where the resolution was made, provided that (i) the challenged resolution violates Mexican law or the bylaws, (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that the Company may suffer as a result of suspending the resolution, in the event that the court ultimately rules against the opposing shareholders.

- Shareholders of 5% or more of the outstanding capital stock may initiate a liability action against some or all of the directors (for the benefit of the Company and not their personal benefit), for violations of their duty of care or duty of loyalty, in an amount equal to the damages or losses caused to the Company. Actions initiated on these grounds have a five-year statute of limitations.

Since 2016, contact information for the shareholders and/or members of the board was included in Grupo Bimbo's webpage.

Email: secretaria.gb@grupobimbo.com
Phone: +52 (55) 5268 6600
Address: Prolongación Paseo de la Reforma 1000, Col. Peña Blanca Santa Fe, Del. Álvaro Obregón, Ciudad de México, C.P. 01210, México.

5) CAPITAL MARKETS

a) SHAREHOLDING STRUCTURE

As of the date of this Annual Report, shares representing the Company's capital stock are Series "A" common, ordinary, nominative, with no par value shares, which are filed in the RNV. Such shares began being quoted in the BMV in February 1980, when the Company carried out its initial public offer. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the Mexican Stock Exchange (BMV).

As of the date of this Annual Report, BIMBO share is classified as high trading volume, in accordance with the Trading Activity Index published by the Mexican Stock Exchange (BMV).

b) SHARE BEHAVIOR IN THE SECURITIES MARKETS

The Following tables show the maximum, minimum and closing adjusted quoting prices in nominal pesos, as well as the volume of BIMBO's Series "A" shares in the BMV, during the indicated periods.

Annual	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Closing	
2011	28.47	23.07	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532'853,721

Quarterly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
4T13	44.14	38.00	40.20	156,556,062
1T14	40.20	32.53	35.24	162,076,946
2T14	39.88	35.18	38.07	132,364,415
3T14	43.17	38.29	38.94	129,206,788
4T14	40.90	35.60	40.70	97,381,271
1T15	44.49	37.81	43.26	137,895,407
2T15	44.33	40.26	40.66	124,190,771
3T15	43.87	39.12	42.81	110,934,043
4T15	49.04	42.54	45.95	108,253,348
1T16	53.91	45.02	51.07	127,121,339
2T16	57.84	47.80	57.22	188,060,532
3T16	59.86	50.49	51.11	152,784,422
4T16	53.41	44.43	47.01	153,629,314
1T17	48.51	45.45	46.59	113,411,734
2T17	47.12	44.79	45.60	155,633,455
3T17	44.47	42.61	43.97	129,533,839
4T17	44.14	42.19	43.51	134,274,693

Monthly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
January 2017	48.38	45.31	46.23	42,915,138

February 2017	48.44	45.85	47.42	30,199,786
March 2017	48.51	45.45	46.59	40,296,810
April 2017	47.80	45.17	46.08	38,056,824
May 2017	46.75	43.03	43.03	48,227,746
June 2017	47.12	44.79	45.60	69,348,885
July 2017	47.67	44.49	45.01	43,067,794
August 2017	45.02	42.80	43.34	48,794,396
September 2017	44.47	42.61	43.97	37,671,649
October 2017	45.88	43.97	44.32	37,415,786
November 2017	46.09	43.10	43.45	46,113,755
December 2017	44.14	42.19	43.51	50,745,152
January 2018	46.56	43.07	45.40	57,521,549
February 2018	46.31	43.73	44.11	44,966,055
March 2018	44.08	39.78	39.78	41,929,408

c) MARKET MAKER

As of this date and during the fiscal year ended on December 31st, 2017, the Company does not have a market maker.

6) RESPONSIBLE PEOPLE

Los suscritos manifestamos bajo protesta de decir verdad que, en el ámbito de nuestras respectivas funciones, preparamos la información relativa a la Emisora contenida en el presente Reporte Anual, la cual a nuestro leal saber y entender, refleja razonablemente su situación. Asimismo, manifestamos que no tenemos conocimiento de información relevante que haya sido omitida o falseada en este Reporte Anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

Daniel Javier Servitje Montull
Director General y Presidente del Consejo de Administración

Diego Gaxiola Cuevas
Director de Administración y Finanzas

Luis Miguel Briola Clément
Director Jurídico

Al Consejo de Administración de
Grupo Bimbo, S. A. B. de C. V.
Prolongación Paseo de la Reforma No. 1000
Col. Peña Blanca Santa Fe
Del. Álvaro Obregón
01210 Ciudad de México

El suscrito manifiesta, bajo protesta de decir verdad, que los estados financieros consolidados de Grupo Bimbo, S. A. B. de C. V., (la "Emisora") y Subsidiarias al 31 de diciembre de 2017, 2016 y 2015 y por los años que terminaron en esas fechas, que contiene el presente reporte anual, fueron dictaminados con fecha 12 de marzo de 2018 de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifiesto que he leído el presente reporte anual y basado en mi lectura y dentro del alcance del trabajo de auditoría realizado, no tengo conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros dictaminados señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual, o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, no fui contratado y no realicé, procedimientos adicionales con el objeto de expresar mi opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros por mi dictaminados.

Atentamente

C. P. C. Jorge Alejandro González Anaya
Representante legal y Auditor externo
Socio de Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

7) EXHIBITS

a) Audit Committee's opinion corresponding to the year ended as of December 31, 2017

b) Independent Auditor's Report to the Board of Directors and Shareholders of Grupo Bimbo, S.A.B. de C.V., corresponding to the year ended as of December 31, 2017

c) Audited Financial Statements for the years ended as of December 31, 2017, 2016 and 2015

d) Audit Committee's Report corresponding to the years ended as of December 31, 2017, 2016 and 2015

e) Audited Financial Statements for the years ended as of December 31, 2016, 2015 and 2014

Ciudad de México, a 22 de marzo de 2018

Al Consejo de Administración de Grupo Bimbo, S.A.B. de C.V.

En mi carácter de presidente del Comité de Auditoría y Prácticas Societarias (el "Comité") de Grupo Bimbo, S.A.B. de C.V. (la "Sociedad"), y en cumplimiento a lo dispuesto en el inciso e), fracción II del artículo 42 de la Ley del Mercado de Valores, rindo a ustedes la opinión del Comité respecto al contenido del informe del Director General en relación con la situación financiera y los resultados de la Sociedad por el año terminado el 31 de diciembre de 2017.

En la opinión del Comité, las políticas y criterios contables y de información seguidos por la Sociedad y considerada en la preparación de la información financiera consolidada, son adecuados y suficientes y acordes a las normas internacionales de información financiera. Por lo tanto, la información financiera consolidada presentada por el Director General refleja en forma razonable la situación financiera y los resultados de la Sociedad al 31 de diciembre de 2017 y por el año terminado en esa fecha.

Atentamente

Edmundo Vallejo Venegas
Presidente del Comité de Auditoría y Prácticas Societarias
de Grupo Bimbo, S. A. B. de C. V.

Grupo Bimbo,
S. A. B. de C.V. and
Subsidiaries

Consolidated Financial Statements for the years ended December 31, 2017, 2016 and 2015, and Independent Auditors' Report Dated March 12, 2018

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2017, 2016 and 2015.

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Index to the notes to the consolidated financial statements

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

Opinion

We have audited the consolidated financial statements of Grupo Bimbo, S. A. B. de C .V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2017, 2016 and 2015, and the consolidated statements of income, consolidated statements of income and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2017, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for professional Accountants (IESBA Code)* and with the Ethics Code issued by the Mexican Institute of Public Accountants *(IMCP Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

Goodwill and intangible assets

Goodwill of $63,426 and intangible assets of $56,194 (millions of pesos), represent 46% of total consolidated assets as of December 31, 2017.

The Entity has determined the recoverable value of its cash generating units (CGU), based on the methods established in International Accounting Standard (IAS) 36 "Impairment in the value of the assets". If the recoverable value is lower than the book value, goodwill and intangible assets could require an impairment to their value.

Management used the methods allowed under IAS 36, for making estimates regarding future cash flows, discount rates and growth rates based on management's perspective of the business future outlook, and alternatively considered prices from an active market (multiples of comparable companies) and recent transactions for a similar asset (multiples of previous transactions), adjusting the fair value obtained for such CGU´s through a related disposal or sale cost. The valuation of these assets were considered a significant risk in our audit.

Audit response

Due to the significant judgments used in the valuation models for the determination of the recoverable values, with the assistance of our valuation experts we questioned the premises and criteria used by management in such models by performing, among others, the following procedures:

- We conducted an independent assessment of the discount rates, growth trends and methodology used in the preparation of the impairment test model.
- We tested the integrity and accuracy of the impairment models.
- We performed sensitivity tests of the impairment model for changes in the assumptions.
- We considered the adequacy of the Entity's disclosures in relation to its impairment tests, sensitivity analyses and the variations in the key assumptions used.

The results of our audit procedures were satisfactory.

Information different from the consolidated financial statements and the auditor's report

Management is responsible for the other information, which will include the information included in the annual report (but does not include the consolidated financial statements or our audit report). The annual report is expected to be available to us after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance thereon.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the other information, when it is available, and when we do so, to assess whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or appears to contain a material misstatement. If based on the work performed we conclude that there is a material misstatement in the other information, we would have to report such event.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

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

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

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

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

We also provide those charged with governance of the Group with a statement that we have complied with relevant ethical requirements regarding independence, and we have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance of the Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro de Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Alejandro González Anaya
12 de marzo de 2018

Grupo Bimbo, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

Assets	Notes	2017	2016	2015
Current assets:				
Cash and cash equivalents		$ 7,216	$ 6,814	$ 3,825
Accounts and notes receivable- net	5	24,806	24,069	19,047
Inventories- net	6	8,368	7,428	5,509
Prepaid expenses		975	806	861
Derivative financial instruments	13	682	305	885
Guarantee deposits for derivative financial instruments	13	417	1,140	1,501
Assets available for sale	8	26	148	502
Total current assets		42,490	40,710	32,130
Non-current assets:				
Notes receivable from independent operators		557	807	950
Property, plant and equipment- net	8	82,972	74,584	58,073
Investment in shares of associated companies	9	2,764	2,124	2,106
Derivative financial instruments	13	2,592	3,448	3,346
Deferred income taxes	17	6,288	9,779	10,705
Intangible assets- net	10	56,194	49,938	42,535
Goodwill	11	63,426	62,884	49,196
Other assets- net		1,966	891	592
Total assets		$ 259,249	$ 245,165	$ 199,633

Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	12	$ 2,766	$ 2,150	$ 8,282
Trade accounts payable		18,796	16,652	13,146
Other accounts payable and accrued liabilities	18	23,538	22,260	16,245
Due to related parties	16	955	853	401
Income tax	17	1,073	1,043	646
Statutory employee profit sharing payable		1,286	1,185	1,110
Derivative financial instruments	13	241	372	3,208
Total current liabilities		48,655	44,515	43,038
Non-current liabilities:				
Long-term debt	12	91,546	80,351	59,479
Derivative financial instruments	13		3,352	1,707
Employee labor obligations and workers' compensation	14	30,638	30,917	25,932
Deferred income taxes	17	4,682	4,952	3,359
Other liabilities		6,704	6,002	4,259
Total liabilities		182,225	170,089	137,774

	Notes	2017	2016	2015
Stockholders' equity:	15			
Capital stock		4,227	4,227	4,227
Reserve for repurchase of shares		667	720	770
Retained earnings		60,180	56,915	52,146
Accumulated translation effects of foreign subsidiaries		7,144	10,259	2,107
Remeasurement effects of employee benefits		459	(101)	669
Valuation effects of cash flow hedges	13	90	(590)	(964)
Equity attributable to owners of the Entity		72,767	71,430	58,955
Non-controlling interests in consolidated subsidiaries		4,257	3,646	2,904
Total stockholders' equity		77,024	75,076	61,859
Total liabilities and stockholders' equity		$ 259,249	$ 245,165	$ 199,633

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos, except earnings per common share)

	Notes	2017	2016	2015
Net sales		$ 267,515	$ 252,141	$ 219,186
Cost of sales	19	124,763	115,998	102,421
Gross profit		142,752	136,143	116,765
General expenses:				
Distribution and selling		102,801	96,395	84,245
Administrative		18,388	17,320	14,298
Integration costs		2,929	2,108	1,933
Other general expenses	20	1,162	2,236	2,168
	19	125,280	118,059	102,644
Operating income		17,472	18,084	14,121
Net financing costs				
Interest expense		5,872	5,486	4,576
Interest income		(314)	(249)	(212)
Exchange gain, net		118	5	18
Monetary position (gain) loss		79	(650)	(192)
		5,755	4,592	4,190
Equity in income of associated companies		234	121	47
Income before income taxes		11,951	13,613	9,978
Income tax expense	17	6,282	6,845	4,063
Consolidated net income		$ 5,669	$ 6,768	$ 5,915
Net income attributable to owners of the Entity		$ 4,629	$ 5,898	$ 5,171
Net income attributable to non-controlling interests		$ 1,040	$ 870	$ 744
Basic and diluted earnings per common share		$ 0.98	$ 1.25	$ 1.10
Weighted average number of shares outstanding (000's)		4,703,200	4,703,200	4,703,200

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

	2017	2016	2015
Consolidated net income	$ 5,669	$ 6,768	$ 5,915
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in actuarial gain (loss) on defined benefit plans of labor obligations	571	(1,032)	877
Income taxes relating to these items	(11)	263	(315)
	560	(769)	562
Items that may be reclassified subsequently to profit or loss:			
Hedges of net investments in foreign operations, net	2,492	(10,853)	(7,109)
Exchange differences on translating foreign operations	(4,685)	18,763	8,121
Net fair value loss on hedging instruments entered into for cash flow hedges	977	602	(1,105)
Income taxes related to these items	(1,330)	(115)	2,466
	(2,546)	8,397	2,373
Other comprehensive income for the year	(1,986)	7,628	2,935
Total comprehensive income for the year	$ 3,683	$ 14,396	$ 8,850
Comprehensive income attributable to owners of the Entity	$ 2,754	$ 13,654	$ 8,126
Comprehensive income attributable to non-controlling interests	$ 929	$ 742	$ 724

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

	Capital stock	Reserve for Repurchase of shares	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to owners of the Entity	Non-controlling interests in consolidated subsidiaries	Total stockholders' equity
Balances as of January 1, 2015	$ 4,227	$ 916	$ 46,975	$ (1,143)	$ 50,975	$ 2,627	$ 53,602
Consolidation effect of structured entities	-	-	-	-	-	(447)	(447)
Decrease in reserve for repurchase of shares	-	(146)	-	-	(146)	-	(146)
Balances before comprehensive income	4,227	770	46,975	(1,143)	50,829	2,180	53,009
Consolidated net income for the year	-	-	5,171	-	5,171	744	5,915
Other comprehensive income	-	-	-	2,955	2,955	(20)	2,935
Total comprehensive income	-	-	5,171	2,955	8,126	724	8,850
Balances as of December 31, 2015	4,227	770	52,146	1,812	58,955	2,904	61,859
Distribution of dividends	-	-	(1,129)	-	(1,129)	-	(1,129)
Decrease in reserve for repurchase of shares	-	(50)	-	-	(50)	-	(50)
Balances before comprehensive income	4,227	720	51,017	1,812	57,776	2,904	60,680
Consolidated net income for the year	-	-	5,898	-	5,898	870	6,768
Other comprehensive income	-	-	-	7,756	7,756	(128)	7,628
Total comprehensive income	-	-	5,898	7,756	13,654	742	14,396
Balances as of December 31, 2016	4,227	720	56,915	9,568	71,430	3,646	75,076
Consolidation effect of structured entities	-	-	-	-	-	(530)	(530)
Increase in non-controlling interest	-	-	-	-	-	212	212
Distribution of dividends	-	-	(1,364)	-	(1,364)	-	(1,364)
Decrease in reserve for repurchase of shares	-	(53)	-	-	(53)	-	(53)
Balances before comprehensive income	4,227	667	55,551	9,568	70,013	3,328	73,341
Consolidated net income for the year	-	-	4,629	-	4,629	1,040	5,669
Other comprehensive income	-	-	-	(1,875)	(1,875)	(111)	(1,986)
Total comprehensive income	-	-	4,629	(1,875)	2,754	929	3,683
Balances as of December 31, 2017	$ 4,227	$ 667	$ 60,180	$ 7,693	$ 72,767	$ 4,257	$ 77,024

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

	2017	2016	2015
Cash flows from operating activities:			
Income before income taxes	$ 11,951	$ 13,613	$ 9,978
Adjustments for:			
Depreciation and amortization	8,761	8,436	7,050
Loss (profit) on sale of property, plant and equipment	702	(219)	132
Equity in income of associated companies	(234)	(121)	(47)
Impairment of long-lived assets	545	1,246	1,839
Multi-employer pension plan provision	89	473	359
Interest expense	5,872	5,486	4,576
Interest income	(314)	(249)	(212)
Changes in assets and liabilities:			
Accounts and notes receivable	(591)	(1,020)	1,373
Inventories	(898)	(1,097)	(297)
Prepaid expenses	(205)	159	(183)
Trade accounts payable	2,041	518	735
Other accounts payable and accrued liabilities	(3,645)	4	(317)
Due to related parties	140	452	(388)
Income tax paid	(4,420)	(4,703)	(3,884)
Derivative financial instruments	331	309	(2,161)
Statutory employee profit sharing	154	65	(2)
Employee labor obligations and workers' compensation	949	(735)	(446)
Assets available for sale	(111)	460	11
Net cash flows generated by operating activities	21,117	23,077	18,116
Investing activities:			
Acquisition of property, plant and equipment	(13,446)	(13,153)	(9,604)
Acquisition of businesses, net of cash received	(12,482)	(3,966)	(1,641)
Proceeds from sale of property, plant and equipment	333	1,033	726
Increase of distribution rights in structured entities	(523)	(45)	(1,060)
Other assets	(1,281)	(379)	8
Dividends Received	24	24	-
Investments in shares of associated companies	(9)	(78)	(45)
Interest collected	314	249	212
Net cash flows used in investing activities	(27,070)	(16,315)	(11,404)

	2017	2016	2015
Financing activities:			
Proceeds from long-term debt	40,772	34,687	13,954
Payment of long-term debt	(26,904)	(31,888)	(15,928)
Payment of financial derivative instruments related to long-term debt	(2,117)	(1,707)	-
Interest paid	(4,429)	(4,465)	(3,899)
Distribution of dividends	(1,364)	(1,129)	-
Payments of interest rate swaps	(1,401)	(1,288)	(1,384)
Collections of interest rate swaps	1,596	1,405	1,623
Deposits in guarantee accounts of derivative financial instruments	392	52	-
Net cash flows obtained (used in) from financing activities	6,545	(4,333)	(5,634)
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects	(190)	560	175
Net increase in cash and cash equivalents	402	2,989	1,253
Cash and cash equivalents at the beginning of the year	6,814	3,825	2,572
Cash and cash equivalents at the end of the year	$ 7,216	$ 6,814	$ 3,825

As of December 31, 2017, 2016 and 2015, there were no material non-monetary transactions.

See accompanying notes to consolidated financial statements.

1. Activities and significant events

Activities - Grupo Bimbo, S. A. B. de C. V. and Subsidiaries ("Grupo Bimbo" or "the Entity") is mainly engaged in the production, distribution and sale of fresh and frozen bread, buns, cookies, pastries, muffins, bagels, packaged products, tortillas, salted snacks and confectionery, among others.

The Entity operates in different geographical areas that represent the reporting segments used by the Entity that are Mexico, USA and Canada ("North America"), Organization Latin America ("Latin America") and Europe, Asia and Africa ("EAA").

Corporate offices are in 1000 Prolongación Paseo de la Reforma, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Zip Code 01210, Mexico City, Mexico.

During 2017, 2016 and 2015, net sales of Bimbo S. A. de C. V. and Barcel, S. A. de C. V, classified in the Mexico segment, represented approximately 30%, 29% and 32%, respectively, of consolidated net sales. During 2017, 2016 and 2015, net sales of subsidiaries Bimbo Bakeries USA, Inc. ("BBU"), and Canada Bread Company Limited ("Canada Bread" or "CB"), which are classified in the "North America" segment represented approximately 52%, 54% and 53%, respectively, of consolidated net sales.

Significant events –

Acquisitions 2017

Acquisition of the East Balt Bakeries ("Bimbo QSR")

On October 15, 2017, through its subsidiaries Bimbo Bakeries USA, Inc. and Bimbo S.A. de C.V., the Entity acquired 100% of the stock of East Balt Bakeries ("Bimbo QSR") for US$650 million that were paid as follows:

	Million US Dollar	Mexican pesos
Transaction amount	650	12,196
Economic rights payment	(60)	(1,126)
Amount paid for stock	590	11,070
Liabilities assumed from former owners	(76)	(1,429)
Total amount paid	514	9,641

Bimbo QSR is a Company leader in foodservice. It produces bread rolls, english muffins, tortillas, bagels, artisan bread and other baked products mainly for Quick Service Restaurants along the world. Established in 1955 on Chicago, IL, East Balt employs 2,200 associates approximately around the world and operates 21 plants on 11 countries in United States of America, Europe, Asia, Mid East and Africa, including two related parties. The Company produces near to 13 million of baked products to serve more than 10,000 locations. This acquisition promotes Grupo Bimbo's global strategy growth in segments and markets with high growth.

Financing sources

To finance this acquisition, it was used financing resources available under long-term lines of credit and the issuance of local bond Bimbo 17. Subsequently, the balance drawn of the line of credit was refinanced with resources obtained in the issuance of the Bimbo International Bond 47.

Accounting effects of the acquisition of Bimbo QSR

The valuation and recording of the acquisition was performed in accordance with IFRS 3, *Business Combination*s. The allocation of definitive fair values are preliminary in these consolidated financial statements, so the information presented below is subject to change; the definitive amounts will be concluded during the twelve months subsequent to the date of acquisition. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed, which were recognized for the acquisition performed on October 15, 2017, at the exchange rate in effect on the transaction date:

Amount paid on the transaction		$ 9,641
Recognized amounts of identifiable assets and liabilities assumed:		
Cash and cash equivalents	746	
Accounts receivable	908	
Inventories	323	
Property, plant and equipment	3,577	
Intangible assets	4,690	
Other assets	2,374	
Deferred taxes	152	
Total identifiable assets		12,770
Goodwill		3,095
Total assets acquired:		15,865
Short-term liabilities	1,274	
Long-term liabilities	4,950	
Total liabilities assumed		6,224
Acquired investment value		$ 9,641

Consolidated figures

The following table presents the amounts that Bimbo QSR contributes to the consolidated figures of Grupo Bimbo for the 77 days elapsed from October 15, 2017 to December 31, 2017:

	Consolidated January 1 to December 31, 2017	**Bimbo QSR October 15 to December 31, 2017**
Net sales	$ 267,515	$ 2,175
Income from operations	$ 17,472	$ 61
Controlling interest	$ 4,629	$ (22)

	As of December 31, 2016	
	Consolidated	**Bimbo QSR**
Total assets	$ 259,249	$ 15,373
Total liabilities	$ 182,225	$ 2,557

Consolidated net sales and consolidated net income, if Bimbo QSR had been consolidated from January 1, 2017, would have been $275,939 and $4,666, respectively.

Acquisition of Ready Roti India Private Limited

On May 25, 2017, the Entity acquired, through its subsidiary Bimbo Holanda B.V., 65% of the shares of Ready Roti India Private Limited, in the Republic of India. This company is leader in New Delhi and surrounding rural areas. Produces packaged bread, pizza bases and salty and sweets pastries; with leading brands such as Harvest Gold® and Harvest Select®. It generates annual sales of around 48 million US dollars, has four plants and more than 500 employees.

Acquisition of Bay Foods, Inc.

On September 19, 2017, the Entity acquired, through its subsidiary Bimbo Bakeries USA, Inc., ("BBU") 100% of the shares of Bay Foods, Inc., in the United States of America. Bays is a producer of refrigerated English muffins in the country, complementing the presence of the Company in a new channel.

Acquisition of Stonemill Bake house Limited

On March 2, 2017, the Entity acquired, through its subsidiary Canada Bread, 100% of the shares of Stonemill Bakehouse Limited. This company is leader in the production of artisan baking products using natural ingredients, no genetically modified foods and certified organic ingredients; this acquisition strengthens presence in the Canadian market.

Acquisition of Compañía Pastelería y Salados, "COPASA"

On March 30, 2017, the Entity acquired, through its subsidiary Bakery Iberian Investments, S.L.U., 100% of the shares of Compañía Pastelería y Salados, "COPASA" in Morocco. Such company produces and distributes bread products and has three plants.

Accounting effects of the acquisitions

The valuation and recording of the acquisition of Bay Foods and Stonemill, were performed in accordance with IFRS 3.

The valuation and recording of the acquisition of Ready Roti and COPASA were performed in accordance with IFRS 3. The allocation of definitive fair values will conclude over the 12 months following the acquisition.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed, which were recognized for the acquisitions performed at the exchange rate in effect on the transactions date:

	Ready Roti	**Bay Foods**	**Stonemill**	**Copasa**
Acquired date	**May 25**	**Sep 19**	**March 2**	**March 30**
Amount paid on the transaction	$ 1,305	$ 1,210	$ 401	$ 60
Recognized amounts of identifiable assets and liabilities assumed:				
Cash and cash equivalents	603	13	-	41
Accounts receivable	20	45	38	3
Inventories	37	12	16	11
Property, plant and equipment	189	66	133	115
Identifiable intangible assets	5	822	227	53
Other assets	9	8	5	-
Total identifiable assets	863	966	419	223

	Ready Roti	Bay Foods	Stonemill	Copasa
Acquired date	May 25	Sep 19	March 2	March 30
Goodwill	911	717	131	111
Total assets acquired:	1,774	1,683	550	334
Short-term liabilities	254	60	32	274
Long-term liabilities	3	413	117	-
Total liabilities assumed	257	473	149	274
Non-controlling interest	212	-	-	-
Value of the investment acquired	$ 1,305	$ 1,210	$ 401	$ 60

2016 Acquisitions

Acquisition of Panrico

On July 21, 2016, through its subsidiary Bakery Iberian Investment, S.L.U., the Entity acquired 100% of the stock of Panrico S.A.U: ("Bakery Donuts Iberia").

The sales agreement, signed in July 2015, was for €190 million. After one year, with the authorization of the Spanish National Commission for Markets and Competition and the Portuguese Competition Authority, as well as the Spanish Supreme Court's ruling on the validity of the Employment Regulatory File (ERE) signed by Panrico in the year 2013, the transaction was concluded. As the payment was made on a deferred basis, the final figure paid was €214 million, equivalent to $4,418 million. Such amount includes the part of the brand loaves business, which was sold immediately afterwards.

The bread brands of Panrico, as well as other bread-related assets and derivatives in Spain, Portugal and Andorra, were sold simultaneously, together with the plants at Gulpilhares (Portugal) and Teror (the Canary Islands), to Adam Foods S.L.

Donuts Iberia is one of the leading companies in the bread industry in Spain and Portugal; it operates in the categories of loaves, sweet breads and bread rolls. The acquisition includes leading brands such as Donuts®, Qé!®, Bollycao®, La Bella Easo® and Donettes®, among others.

Financing sources

To finance the transaction, Bakery Iberian Investment used financing available under long-term lines of credit denominated in euros.

Accounting effects of the acquisition of Bakery Donuts Iberia.

The valuation and recording of the acquisition was performed in accordance with IFRS 3, *Business Combinations*. The allocation of definitive fair value concluded in 2017. The following table summarizes the fair value of the assets acquired and liabilities assumed, which were recognized for the acquisition performed on July 21, 2016, at the exchange rate in effect on the transaction date:

Amount paid on the transaction		$ 4,418
Recognized amounts of identifiable assets and liabilities assumed:		
Cash and cash equivalents	670	
Accounts receivable	249	
Inventories	194	
Property, plant and equipment	3,388	
Identifiable intangible assets	1,553	
Other assets	408	
Total identifiable assets		6,462
Goodwill		1,370
Total assets acquired:		7,832
Current liabilities	2,023	
Deferred income tax	724	
Long-term liabilities	667	
Total liabilities assumed		3,414
Value of the investment acquired		$ 4,418

Goodwill determined as a result of the valuation of this acquisition was $1,370, which is justified mainly due to expected synergies.

Consolidated figures

The following table presents the amounts that Donuts Iberia contributes to the consolidated figures of Grupo Bimbo for the 163 days elapsed from July 21, 2016 to December 31, 2016.

	Consolidated January 1 to December 31, 2016	**Donuts Iberia July 21 to December 31, 2016**
Net sales	$ 252,141	$ 3,056
Income from operations	$ 18,084	$ 17
Controlling interest	$ 5,898	$ (3)
Consolidated net income	$ 6,768	$ (3)

	As of December 31, 2016	
	Consolidated	**Donuts Iberia**
Total assets	$ 245,165	$ 7,446
Total liabilities	$ 170,089	$ 2,354

Consolidated net sales and consolidated net income, if the acquisitions of Donuts were included, as of January 1, 2016, would have been $255,769 and $6,556, respectively.

In May and December 2016, two frozen bread companies were acquired in Argentina and Colombia, for the amount of $68 million and $151 million, respectively. At the close of 2017, the valuation and recording of the acquisitions were performed in accordance with IFRS 3, *Business Combinations*.

2015 Acquisitions

Acquisition of Saputo

On February 2, 2015, the Entity acquired, through its subsidiary Canada Bread, 100% of the shares of Saputo Bakery, Inc., which on the same day, changed names to Vachon Bakery, Inc. ("Vachon"). Such company is leader in the production and sale of bakery products in Canada and strengthens the Entity's position in the country. The acquisition includes leading brands such as Vachon®, Jos Louis®, Ah Caramel®, Passion, Flakie® and May West®, among others. The acquisition cost was $1,369.

Funding sources

To finance the transaction, Canada Bread used financing resources available under existing long-term committed credit lines.

Accounting effects of the acquisition of Vachon

The valuation process and the acquisition were performed in accordance with International Financial Reporting Standard ("IFRS") 3, *Business Combinations*. The following table presents the fair value of the assets acquired and liabilities assumed that were recognized for the acquisition on February 2, 2015 using the exchange rate as of the date of the transaction:

Consideration transferred		$ 1,369
Fair value of identifiable assets acquired and assumed liabilities:		
Accounts receivable	84	
Inventories	60	
Property, plant and equipment	778	
Intangible assets	431	
Other assets	10	
Total identifiable assets		1,363
Goodwill		604
Total acquired assets		1,967
Current liabilities	136	
Deferred tax liability	179	
Long-term liabilities	283	
Total assumed liabilities		598
Acquired investment value		$ 1,369

Goodwill recorded in 2015 as result of this transaction totaled $604, which is representative of the expected synergies from the acquisition.

Asset acquisition

During 2015, the Entity acquired, through its subsidiary Canada Bread, certain assets of Sobey's West, Inc. and Italian Home Bakery, for a total amount of $272. The acquisitions were comprised mainly of property, plant, equipment, and intangible assets.

2. Basis of preparation

Application of new and revised International Financial Reporting Standards

a. ***Amendments of new and revised International Financial Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity had no impact on its consolidated financial statements for the application of new or amended IFRSs, issued by the International Accounting Standards Board ("IASB") that are mandatorily effective on or after January 1, 2017.

Amendments to IAS 7: Provide disclosures

The Entity had applied the amendments for the first time on current year. Amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes on cash flows.

The Entity's liabilities arising from financing activities consist of borrowings (note 12) and certain other financial liabilities (note 13). A reconciliation between the opening and closing balances of these items is provided in note 12. Consistent with the transition provisions of the amendments, the Entity has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 12, the application of these amendments has had no impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

The Entity had applied the amendments to IFRS 12 included on the Annual Improvements for 2014-2016 Cycle for the first time on current year. The rest of amendments are not mandatory yet and have not been early adopted by the Entity.

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has no effect on the Entity's consolidated financial statements, as none of the Entity's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. **New and revised IFRSs in issue but not yet effective**

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and measurement of share-based payments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 40	Transfers of Investment Property[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[3]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after a specific date to be defined.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2015 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Entity anticipates that the application of IFRS 9 in the future may have not a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review, which is expected to conclude during first quarter of 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances. (see note 3 v).

The management of the Entity anticipates that the application of IFRS 15 in the future may have not a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review, which is expected to conclude during the first quarter of 2018.

IFRS 16, Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2016 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of –use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, IFRS 16 requires extensive disclosures.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity administration is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although given the nature of its operations it would expect significant impacts. However, it is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Entity administration do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements. This is because the Entity already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

c. ***Consolidated Statements of Income and Other Comprehensive Income***

The Entity presents the statement of income in two statements: i) the consolidated statement of income, and ii) the consolidated statement of income and other comprehensive income and loss. The expenses in the statement of income are presented based on their function, because this is the practice of the sector to which the Entity belongs; the nature of these expenses is presented in Note 19. Additionally, the Entity presents the subtotal of income from operations, which, even though it is not required under IFRS, is included because it helps to better understand the economic and financial performance of the Entity.

d. ***Cash flow statement***

The Entity presents the cash flow statement in accordance with the indirect method. It classifies the interest and dividends collected in investing activities, whereas the interest and dividends paid are presented in financing activities.

3. Summary of significant accounting policies

a. ***Statement of compliance***

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

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities (derivative financial instruments) that are measured at fair value at the end of each period, as explained in the accounting policies below.

i. Historical cost

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

ii. Fair value

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

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

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

c. ***Basis of consolidation***

As of December 31, 2017, 2016 and 2015, the consolidated financial statements incorporate the financial statements of the Entity and those entities over which it exercises control, including structured entities ("SE"). Control is achieved when the Entity:

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

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

An SE is consolidated when the Entity concludes that it controls the SE based on the evaluation of the substance of the relationship with the Entity and the risks and benefits of the SE. The most significant subsidiaries are shown below:

Subsidiary	% of ownership	Country	Segment	Main activity
Bimbo, S. A. de C. V.	97	Mexico	Mexico	Baking
Barcel, S. A. de C. V.	98	Mexico	Mexico	Sweets and snacks
BBU	100	United States	North America	Baking
Canada Bread Corporation, LLC	100	Canada	North America	Baking
Bimbo do Brasil, Ltda.	100	Brazil	Latin America	Baking
Bimbo, S.A.U.	100	Spain and Portugal	EAA	Baking
Bakery Donuts Iberia, S.A.U.[1]	100	Spain and Portugal	EAA	Baking[1]
East Balt (Bimbo QSR) [2]	100	USA, Europe and Asia	North America and EAA	Baking[2]

[1]Bakery Donuts was acquired on July 21, 2016, date in which the Entity took control over it.
[2]East Balt (Bimbo QSR) was acquired on October 15, 2017, date in which the Entity took control over it, consolidated through BBU, Bimbo, S.A. de C.V. and Grupo Bimbo.

Subsidiaries are consolidated from the date on which control is transferred to the Entity and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired during the year are included in the consolidated statements of income and other comprehensive income results from the acquisition date, as applicable.

Since 2003, in Venezuela, there have been various exchange rate control provisions, which have restricted the free acquisition of foreign currency. This situation has made it impossible for companies to pay dividends and obligations denominated in foreign currency (purchase of raw materials, packaging, fixed assets, services, among others). Exchange regulations, together with others recently published, have significantly limited the capacity of the Group's subsidiaries in Venezuela to maintain their production process under normal conditions, which has resulted in severe restrictions to operate on a continuous basis the production, distribution and sale processes. As a result of the above, since Grupo Bimbo will continue its operations in Venezuela, with effect from June 1, 2017, the Entity changed the method under which it integrated the financial situation and the results of its operation in Venezuela in the consolidated figures of the Group, and as of this date values its investment in Venezuela at its fair value. This change resulted in a net impairment expense of $54, that was recognized in the statement of income for the period reported under other expenses.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All relevant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated on consolidation.

Changes in the Entity’s ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions.

d. ***Business combinations***

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

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

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payments at the acquisition date (as of December 31, 2017, 2016 and 2015 the Entity does not have share-based payments);

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

e. ***Assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The long-lived asset (and asset disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value of assets less costs to sell.

f. ***Recognition of the effects of inflation***

Inflationary effects are recognized in the consolidated financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS") and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2017, 2016 and 2015, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity. As of June 1, 2017, the Entity changed the valuation method of its investment in Venezuela, therefore, the effects of inflation were recognized until May 2017.

g. ***Leasing***

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

- <u>The Entity as lessee</u>

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

  Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

h. ***Foreign currency transactions***

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 13).

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

i. ***Cash and cash equivalents***

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, readily convertible into cash, maturing within three months from the date of purchase and are subject to insignificant risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value, fluctuations in value are recognized in income (see financial assets below). Cash equivalents consist primarily of investments in government debt instruments with daily maturities.

j. ***Financial assets***

Financial assets are recognized when the Entity becomes part of the contractual arrangements of the instruments.

1. <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

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

2. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

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

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

k. ***Inventories and cost of sales***

Inventories are stated at the lower of cost and net realizable value. Cost is comprised of acquisition cost, import duties, transport, handling, loading, and storage cost at the customs and distribution centers; returns on purchases are deducted from cost. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Cost is determined by using the average cost method.

l. ***Property, plant and equipment***

Property, plant and equipment are carried at acquisition cost, net of accumulated depreciation and accumulated impairment losses. Balances from certain acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date, which became the deemed cost of such assets as of January 1, 2011 upon adoption of IFRS.

Cost include those costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost for expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss. Repairs and maintenance costs are recognized in profit and loss of the period they are incurred.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is determined using the straight-line method to distribute the cost of the asset down to its residual value during the estimated useful lives are as follows:

	Years
Infrastructure	15
Building foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Office furniture and fixtures	10
Computer equipment	3
Leasehold improvements	Term of the related lease

The Entity allocates the amount initially recognized in respect of an item of buildings and manufacturing equipment to its various significant parts (components) and depreciates each of such components separately.

The carrying value of an asset is reduced to its recoverable value, when the carrying amount exceeds its recoverable value.

An item of property, plant and equipment is derecognized when sold or when no future economic benefits arising from the continued use of the asset are expected. The gain or loss arising from the sale of assets results from the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in 'other expenses, net', in general expenses.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation.

m. ***Investments in associates***

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

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

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

The entity discontinues the use of the equity method from the date the investment ceases to be an associate or when the investment is classified as held for sale.

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

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

n. ***Intangible assets***

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses in the USA, Canada, Spain, Argentina and certain trademarks in South America. Intangible assets are recognized at cost. Intangible assets acquired through an acquisition are recognized at fair value as of the acquisition date, separately from goodwill. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

Intangible assets are classified as having either finite or indefinite useful lives. Amortization of intangible assets with finite useful lives is recognized on a straight-line method over their estimated useful lives. Such assets are reviewed for impairment when there is an indicator of impairment. The amortization methods and useful lives of the assets are reviewed and adjusted, if necessary, annually, at the end of each reporting period. Amortization is recognized in profit and loss, within selling, distribution and administrative expenses. Intangible assets with indefinite useful lives are not amortized, but are at least tested annually for impairment.

o. ***Impairment of tangible and intangible assets, other than goodwill***

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

Intangible assets with indefinite useful lives or not yet available for use, are subjected to tests for effects of impairment at least every year, or more often if there is evidence that such assets could have been impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

p. ***Goodwill***

Goodwill arising on acquisition of a business is carried at cost, which is determined as explained in the business acquisitions policy note above, less accumulated impairment losses, if any (see Note 11).

For purposes of impairment testing, goodwill is allocated to each cash-generating unit (or group of cash generating units) that is expected to benefit from the synergies of the business combination.

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

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

The Entity's policy for goodwill arising on the acquisition of an associate is described at note 3m.

q. ***Financial liabilities***

Financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the issuance of financial liabilities (except for those financial liabilities classified as at fair value with changes through profit and loss) are deducted from the fair value of the financial liability. Subsequent measurement depends on the category in which the financial liability is classified.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Note 13 describes the category of each financial liability of the Entity.

r. ***Derivative financial instruments and hedging activities***

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Presentation of the related gain or loss from changes in fair value of the derivative financial instrument depends on whether they are designated as hedging instruments, and if so, the nature of the hedging relationship. The Entity only holds derivative financial instruments classified as cash flow hedges and hedges of net investment in foreign operations.

The Entity documents all hedging relationships at the beginning of the transaction, including their objectives and risk management strategies for undertaking derivative transactions. Periodically, the Entity documents whether the derivative financial instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

<u>Cash flow hedges</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under "Valuation effects of cash flow hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of "Translation effects of foreign subsidiaries". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the "Exchange gain (loss), net" line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated other comprehensive income are reclassified to profit or loss on the disposal of the foreign operation.

s. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the needed disbursement to settle the present obligation, keeping in mind risks and uncertainties that surround the obligation. When a provision is valued using estimated cash flows to settle the present obligation, its carrying value represents the present value of such cash flows (when the effect of money´s value in time is material).

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

t. ***Income taxes***

Income tax expense comprises current tax and deferred tax.

1. Current income taxes

Current income taxes are calculated in accordance with rates that have been enacted or substantively enacted as of the end of the reporting period for the countries in which the Entity operates and taxable profit is determined, and the related income tax expense is recorded in the results of the year in which it is incurred. In Mexico, the income tax determined related to the Impuesto sobre la renta ("ISR").

2. Deferred income taxes

Deferred tax liabilities and assets are measured according to the tax rates and tax laws that have been enacted or substantively enacted as of the date of the report and that are expected to be applicable when the temporary differences reverse.

The deferred income tax is recognized on temporary differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities used for determining taxable income by applying the rate corresponding to these differences, including benefits from tax loss carryforwards and certain tax credits, if applicable. The liability for deferred income taxes are generally recognized for all temporary tax differences. An asset is recognized deferred tax for all deductible temporary differences to the extent that it is probable that the Entity will have future taxable income against which to apply those deductible temporary differences.

Deferred income tax is not recognized on the following temporary differences: i) amounts that arise from the initial recognition of assets or liabilities resulting from transactions other than in a business combination, that affects neither the accounting profit nor the taxable profit; ii) those related to investments in subsidiaries and associates, to the extent that it is not likely they will reverse in the foreseeable future and the reversal in within the control of the Entity, and, iii) those that result from the initial recognition of goodwill. The deferred income tax asset is recognized only to the extent that it is likely there will be future taxable profits against which it can be used.

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

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

Assets and deferred tax liabilities are offset when a legal right to offset assets with liabilities exists and when they relate to income taxes relating to the same tax authorities and the Entity intends to liquidate its assets and liabilities on a net basis.

3. Current and deferred tax for the year

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

u. ***Employee benefits from termination, retirement and statutory employee profit sharing ("PTU")***

i. ***Pensions and seniority premiums***

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity or a fund and will have no legal or constructive obligation to pay further contributions. The obligation is recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The amount recognized in the consolidated statement of financial position as a liability or asset for defined benefit plan represents the present value of the net defined benefit obligation (defined benefit obligation minus the fair value of plan assets). The present value of the net defined benefit obligation is determined based on the discounted value of estimated net cash flows, using interest rates tied to government bonds denominated in the same currency in which the benefits are to be paid and whose terms are similar to those of the obligation.

The Entity provides a bonus in cash to certain executives, which is calculated using performance metrics. The bonus is paid 30 months after being granted.

ii. ***Statutory employee profit sharing***

In Mexico and Brazil, there is an obligation to recognize a provision for the statutory employee profit sharing when the Entity has a legal or constructive obligation, as a result of past events and the amount can be reliably estimated. PTU is recorded in profit or loss of the year in which it is incurred.

Short-term employee benefits

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

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

iii. ***Termination benefits***

The Entity recognizes a liability for termination benefits only when the Entity is without realistic possibility of withdrawal from an offer to provide termination benefit to employees, or before, if it complies with the criteria for recognition of a liability related to a restructuring.

iv. ***Multi-employer pension plans ("MEPP")***

The Entity classifies the multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If the MEPP is classified as a defined benefit plan, the Entity accounts for its proportionate share of the defined benefit obligation, plan assets and costs associated with the plan in the same manner as for any other defined benefit plan. When sufficient information is not available to use defined benefit accounting for a MEPP, the Entity accounts for such plan as a defined contribution plan.

Liabilities related to the wind-up or the Entity's withdrawal from a multi-employer plan is recognized and measured in conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

v. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances.

- Sale of products

Revenue from the sale of products is recognized when the goods are delivered, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods. The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Interest income

  Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

w. ***Reclassifications***

Certain amounts within the consolidated financial statements at and for the year ended December 31, 2016 and 2015 have been reclassified for certain accounts to agree with the presentation used in 2017. Until December 31, 2016, the entity grouped in the same item all taxes payable. However it was decided to separate the income tax from the rest due to its relevance. Additionally, employee benefits identified as short-term were reclassified to long-term. The effects of these reclassifications were applied retrospectively in the balance sheet as of December 31, 2016 and 2015, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

	Balances as reported at December 31, 2016	Reclassifications	Balances reclassified at December 31, 2016
Other accounts payable and accrued expenses	$ 19,881	$ 2,379	$ 22,260
Income taxes payable	3,851	(2,808)	1,043
Employee benefits	30,488	429	30,917

	Balances as reported at December 31, 2015	Reclassifications	Balances reclassified at December 31, 2015
Other accounts payable and accrued expenses	$ 14,046	$ 2,199	$ 16,245
Income taxes payable	2,845	(2,199)	646

4. Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgment in applying accounting policies

Consolidation of structured entities

As described in more detail in Note 7, BBU has entered into agreements with third party contractors ("Independent Operators"), in which they hold no direct or indirect interest but that qualify as structured entities ("SE"). The Entity has concluded that they have control with respect to certain independent operators, primarily with respect to rights or obligations to secure or grant financing, as well as the maintenance obligation related to distribution routes. In other cases, the Entity has concluded it does not exercise control over such independent operators.

b) Key sources of estimation uncertainty

1. Useful lives, residual values and depreciation and amortization methods of long-lived assets

As described in Note 3, the Entity periodically reviews the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and intangibles. Additionally, for intangibles, the Entity determines whether their useful lives are finite or infinite. During the periods presented in the accompanying consolidated financial statements, there were no modifications to such estimates.

2. Goodwill impairment

Determining whether goodwill is impaired involves calculating the greater of its value in use and fair value of the cash generating unit to which goodwill has been allocated. The calculation of value in use requires the Entity to determine the expected future cash flows from the cash generating units, using an appropriate discount rate to calculate the present value. Fair value is determined based on multiples of earnings before interest, depreciation and amortization and other non-cash items ("EBITDA"). For the determination of an appropriate multiple, the Entity identifies comparable entities.

3. Fair value measurements

Derivative financial instruments are recognized at fair value as of the date of the consolidated statement of financial position. Additionally, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes, although there is no risk of adjustment to the related carrying amount. A detailed description of the methodologies to determine fair values of derivative instruments as well as to determine fair value disclosures for long-term debt is included in Note 13. Finally, the Entity has acquired business that require fair value to be determined, at the date of acquisition, for consideration paid, identifiable assets acquired and liabilities assumed and non-controlling interest, as noted in Note 1.

The fair values described above are estimated using valuation techniques that may include inputs that are not based on observable market data. The main assumptions, used by management are described in the respective notes. Management considers the valuation techniques and selected assumptions are appropriate to determine fair values.

4. Employee benefits

Cost of defined benefit plans and MEPP provided to employees is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in assumptions.

5. Determination of income taxes

To determine whether a deferred income tax asset related to tax losses carryforwards is impaired, the Entity prepares tax projections to determine its recoverability.

6. Employee benefits, insurance and other liabilities

Insurance risks exists in the USA which respect to the liability for general damages to other parties, car insurance and employee benefits that are self-insured by the Entity with coverage subjected to specific limits agreed in an insurance program. Provisions for claims are recorded on a claim-incurred basis. Insurable risk liabilities are determined using historical data of the Entity. The net liabilities at December 31, 2017, 2016 and 2015 amounted to $5,085 $3,288 and $3,204, respectively.

5. Accounts and notes receivable

	2017	2016	2015
Trade receivables	$ 18,135	$ 17,249	$ 13,882
Allowance for doubtful accounts	(782)	(633)	(515)
	17,353	16,616	13,367
Notes receivable	146	56	170
Notes receivable from independent operators	430	386	468
Income, value –added and other recoverable taxes	5,907	5,605	4,206
Other receivables	970	1,406	836
	$ 24,806	$ 24,069	$ 19,047

The average credit terms on sales of goods in Mexico are 30 days, in the USA and EAA is 60 days, Canada is 21 days and Latin America, which includes the countries of Central and South America, is 30 days. Amounts past due but not impaired are not significant as of the dates of the consolidated statement of financial position. Amounts due over 90 days are 50% reserved and amount due over 180 days are 100% reserved.

6. Inventories

	2017	2016	2015
Finished products	$ 3,231	$ 2,883	$ 2,159
Orders in-process	160	116	79
Raw materials, containers and wrapping	3,703	3,465	2,784
Other	963	760	317
	8,057	7,224	5,339
Raw materials in-transit	311	204	170
	$ 8,368	$ 7,428	$ 5,509

7. Structured entities

The Entity, through BBU, enters into distribution agreements with independent operators that own distribution rights to sell and distribute the Entity's products via direct-store-delivery to retail outlets in defined sales territories. The Entity does not hold equity interest in any of the independent operator entities. Independent operators generally finance the purchase of distribution rights through note agreements with the Entity or a financial institution. Note agreements with a financial institution are, in the aggregate, partially guaranteed by the Entity. To maintain working routes and ensure the delivery of products to customers, the Entity, through BBU, assumes explicit and implicit commitments. The Entity has concluded that all the independent operators established as legal entities qualify as structured entities ("SE"), which in substance are controlled by BBU, principally through their guarantee of or providing actual financing, as well as the obligation that such subsidiaries have assumed to keep the routes operating. Based on this conclusion, SE's are consolidated by the Entity.

As of December 31, 2017, 2016 and 2015, the assets and liabilities of independent operators included in the accompanying consolidated financial statements are as follows:

	2017	2016	2015
Property – vehicles	$ 3,188	$ 3,118	$ 2,415
Intangible distribution rights	6,927	6,792	5,097
Total assets	$ 10,115	$ 9,910	$ 7,512

	2017	2016	2015
Current maturities of long-term debt:			
Obligations under finance leases	$ 658	$ 633	$ 481
Independent operator loans	42	49	38
Long-term debt:			
Obligations under finance leases	1,798	1,807	1,462
Independent operator loans	42	41	43
Due to affiliates (net of receivables)	5,139	5,135	3,905
Total liabilities	$ 7,679	$ 7,665	$ 5,929
Non-controlling interest	$ 2,436	$ 2,245	$ 1,583

Financing provided by BBU to independent operators that have been classified as SE's and consolidated, are eliminated in the accompanying consolidated financial statements.

Lease obligations presented within long-term debt on the consolidated statements of financial position are secured by the vehicles subject to leases and do not represent additional claims on the Entity's general assets. The Entity's maximum exposure for loss associated with independent operator's entities is limited to $84 of long-term debt of the independent operators as of December 31, 2017.

In addition, the Entity has sold certain equipment and distribution rights in the USA to the Entity's former employees and individuals, also considered as independent operators, but have not been classified as consolidated SE's. Such amount equals as of December 31, 2017, 2016 and 2015 $987, $1,193 and $1,418, respectively, which are presented in the statement of financial position as receivables from independent operators short and long term.

The Entity funds 90% of the distribution rights sold to certain independent operators at rates between 5% and 11%, with 120 months installments. Independent operators make an initial payment to the Entity for the remaining 10% of the purchase price. In most cases, an independent third party lender finances the down payment. Both the Entity and the financing of independent third parties are insured by the distribution rights, equipment, customer lists, and other assets. The independent third party lender has priority over the collateral.

8. Property, plant and equipment

Reconciliation of beginning and ending carrying values in 2017, 2016 and 2015 is as follows:

	Balances as of January 1, 2017	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2017
Investment:									
Building	$ 25,572	$	$ 1,080	$ 1,362	$ (1,904)	$ (148)	$	$ 552	$ 26,514
Industrial machinery and equipment	74,817	-	(307)	7,243	(2,833)	(3,342)	-	612	76,190
Vehicles	17,303	259	135	1,532	(899)	(918)	-	232	17,644
Office furniture	1,015	-	7	131	(6)	(63)	-	-	1,084
Computer equipment	5,003	-	(38)	930	(99)	(171)	-	1	5,626
Total investments	123,710	259	877	11,198	(5,741)	(4,642)	-	1,397	127,058
Depreciation:									
Building	(10,354)	(905)	(645)	(5)	286	(30)	(27)	(35)	(11,715)
Industrial machinery and equipment	(42,629)	(4,845)	4,887	21	1,431	2,994	(63)	(235)	(38,439)
Vehicles	(7,243)	(1,019)	(29)	1	410	753	(1)	(119)	(7,247)
Office furniture	(595)	(105)	42	(16)	6	59	-	-	(609)
Computer equipment	(3,913)	(632)	64	(1)	93	169	-	-	(4,220)
Total accumulated depreciation	(64,734)	(7,506)	4,319	-	2,226	3,945	(91)	(389)	(62,230)
	58,976	(7,247)	5,196	11,198	(3,515)	(697)	(91)	1,008	64,828
Land	7,701	-	897	49	(195)	(115)	(4)	71	8,404
Projects-in-progress and machinery in transit	8,055	13,187	386	(11,247)	(869)	(1)	-	255	9,766
Reclassified as assets available for sale	(148)	-	-	-	11	111	-	-	(26)
Net investment	$ 74,584	$ 5,940	$ 6,479	$ -	$ (4,568)	$ (702)	$ (95)	$ 1,334	$ 82,972

	Balances as of January 1, 2016	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2016
Investment:									
Building	$ 19,157	$ -	$ 1,302	$ 2,254	$ 2,695	$ (516)	$ -	$ 680	$ 25,572
Industrial machinery and equipment	55,462	-	6,219	6,168	8,057	(2,251)	-	1,162	74,817
Vehicles	13,868	285	60	2,477	871	(697)	-	439	17,303
Office furniture	713	-	124	137	68	(27)	-	-	1,015
Computer equipment	3,719	-	129	657	578	(80)	-	-	5,003
Total investments	92,919	285	7,834	11,693	12,269	(3,571)	-	2,281	123,710
Depreciation:									
Building	(8,264)	(1,256)	(924)	892	(1,129)	397	(5)	(65)	(10,354)
Industrial machinery and equipment	(28,800)	(4,353)	(5,778)	(900)	(3,912)	1,715	(160)	(441)	(42,629)
Vehicles	(6,295)	(956)	(51)	2	(318)	577	-	(202)	(7,243)
Office furniture	(385)	(80)	(113)	(1)	(48)	32	-	-	(595)
Computer equipment	(2,909)	(523)	(103)	6	(459)	75	-	-	(3,913)
Total accumulated depreciation	(46,653)	(7,168)	(6,969)	(1)	(5,866)	2,796	(165)	(708)	(64,734)
	46,266	(6,883)	865	11,692	6,403	(775)	(165)	1,573	58,976
Land	6,673	-	341	199	808	(454)	-	134	7,701
Projects-in-progress and machinery in transit	5,647	12,868	37	(11,891)	541	(125)	-	978	8,055
Reclassified as assets available for sale	(513)	(5)	-	-	(50)	420	-	-	(148)
Net investment	$ 58,073	$ 5,980	$ 1,243	$ -	$ 7,702	$ (934)	$ (165)	$ 2,685	$ 74,584

	Balances as of January 1, 2015	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2015
Investment:									
Building	$ 16,971	$ -	$ 214	$ 1,350	$ 821	$ (326)	$ -	$ 127	$ 19,157
Industrial machinery and equipment	47,703	-	754	6,062	2,509	(1,784)	-	218	55,462
Vehicles	12,582	577	13	783	489	(628)	-	52	13,868
Office furniture	662	-	16	35	29	(29)	-	-	713
Computer equipment	3,267	-	7	409	256	(220)	-	-	3,719
Total investments	81,185	577	1,004	8,639	4,104	(2,987)	-	397	92,919
Depreciation:									
Building	(7,080)	(901)	-	(1)	(445)	224	(43)	(18)	(8,264)
Industrial machinery and equipment	(24,155)	(3,992)	-	(343)	(1,247)	1,361	(335)	(89)	(28,800)
Vehicles	(5,691)	(1,011)	-	65	(168)	542	(1)	(31)	(6,295)
Office furniture	(376)	(76)	-	87	(18)	25	(27)	-	(385)
Computer equipment	(2,441)	(458)	-	-	(221)	213	(2)	-	(2,909)
Total accumulated depreciation	(39,743)	(6,438)	-	(192)	(2,099)	2,365	(408)	(138)	(46,653)
	41,442	(5,861)	1,004	8,447	2,005	(622)	(408)	259	46,266
Land	6,093	-	272	251	263	(236)	(10)	40	6,673
Projects-in-progress and machinery in transit	5,128	9,027	143	(8,698)	47	-	-	-	5,647
Reclassified as assets available for sale	(188)	(294)	-	-	(31)	-	-	-	(513)
Net investment	$ 52,475	$ 2,872	$ 1,419	$ -	$ 2,284	$ (858)	$ (418)	$ 299	$ 58,073

(1) This column includes: i) acquisition of Stonemill, ii) Compañía de Pastelería y Salados, iii) Ready Roti, iv) Bays, v) Bimbo QSR and vi) adjustments in purchased price allocation of Donuts Iberia, Panettiere and General Mills, booked in 2017; vii) acquisition of Bakery Donuts Iberia, viii) General Mills (Frozen Argentina), ix) Panettiere and x) acquisition of Vachon in 2015; and xi)adjustment in purchased price allocation of Canada Bread and Supan, booked in 2015.

Impairment losses recognized in the year

In 2017, 2016 and 2015, the Entity performed a review of unused buildings and industrial machinery and equipment, resulting in an impairment of $95, $165 and $418, respectively, recorded in profit and loss of the year. Impairment per segment: Mexico $20, USA and Canada $27, Latin America $25 and EAA $23 in 2017; Mexico $116, USA and Canada $26, Latin America $21 and Europe $2 in 2016; and Mexico $166, USA and Canada $33, Latin America $175 and Europe $44 in 2015.

9. Investment in shares of associated companies

The investments in associated companies are as follows:

Associated companies	% of ownership	2017	2016	2015
Beta San Miguel, S. A. de C. V.	8	$ 773	$ 625	$ 570
Mundo Dulce, S. A. de C. V.	50	342	332	349
Fábrica de Galletas La Moderna, S. A. de C. V.	50	277	259	232
Blue Label de México, S. A. de C. V. [1]	48	45	124	274
Grupo La Moderna, S. A. de C. V.	3	236	223	207
Congelación y Almacenaje del Centro, S. A. de C. V.	15	180	164	137
Productos Rich, S. A. de C. V.	18	145	142	133
Fin Común, S. A. de C. V.	40	167	103	90
Solex Vintel Alimentos S. A.P.I. de C. V.[2]	49		33	25
B37 Venture, LLC	17	25	23	22
Bimbo de Venezuela, C.A.[3]	100	446		
Others	Various	128	96	67
		$ 2,764	$ 2,124	$ 2,106

All associated companies are incorporated and operate mainly in Mexico and are recognized using the equity method in the consolidated financial statements. Equity investments in Beta San Miguel, S.A. de C.V., Grupo La Moderna, S.A. de C.V., Congelación y Almacenaje del Centro, S.A. de C.V. and Rich Products, S.A. de C.V., are considered to be associated entities over which the Entity exercises significant influence, based on its representation in the Board of Directors.

(1) In 2017, 2016 and 2015, the Entity recorded an impairment of $50, related to goodwill recorded in the investment of associate Blue Label, S.A. de C.V.

(2) Solex Vintel Alimentos, S.A.P.I. de C.V. during 2017 became an Entity's subsidiary.

(3) On June 1, 2017, investment in Bimbo Venezuela, C.A. is recognized at its fair value.

10. Intangible assets

Following is an analysis of the balance of intangible assets by segment as of December 31 are:

	2017	2016	2015
Mexico	$ 2,704	$ 1,576	$ 1,613
North America	44,399	42,953	36,766
Europe	6,498	2,867	1,871
Latin America	2,593	2,542	2,285
	$ 56,194	$ 49,938	$ 42,535

As of December 31, 2017, 2016 and 2015, the detail of intangible assets is as follows:

	Average useful life	2017	2016	2015
Trademarks	Indefinite	$ 35,224	$ 35,289	$ 29,799
Use and distribution rights	Indefinite	7,619	7,330	5,508
		42,843	42,619	35,307
Trademarks	4 and 9 years	340	332	263
Customer relationships	18, 21 and 22 years	17,116	11,864	9,828
Licenses and software	8 and 2 years	2,162	1,661	1,108
Non-compete agreements	5 years	148	130	111
Others		1,167	38	38
		20,933	14,025	11,348
Accumulated amortization and impairment		(7,582)	(6,706)	(4,120)
		$ 56,194	$ 49,938	$ 42,535

The carrying amount of trademarks with indefinite life as of December 31, 2017, 2016 and 2015 was $1,730, $1,802 and $1,273, respectively.

The main customer relationships resulting from the acquisitions are:

	Acquisition year	Remaining useful life	Net value 2017	Net value 2016	Net value 2015
Weston Foods, Inc.	2009	9	$ 3,048	$ 3,548	$ 3,243
Sara Lee Bakery Group, Inc	2011	12	1,219	1,384	1,242
Canada Bread	2014	18	2,652	2,642	2,228
Bimbo QSR	2017	18	4,838	-	-
			$ 11,757	$ 7,574	$ 6,713

The intangible assets by geographical segment correspond to the following:

	2017	2016	2015
Mexico:			
Barcel	$ 931	$ 930	$ 930
El Globo	310	310	357
Bimbo	1,417	299	299
Others	46	37	27
North America:			
USA	32,694	33,078	28,682
Canada	10,036	9,875	8,084
Bimbo QSR - USA	1,669	-	-
EAA:			
Bimbo QSR - EAA	3,169	-	-
Spain	2,385	2,000	1,038
United Kingdom	890	867	833
Others	54	3	47
Latin America:			
Argentina	1,194	1,125	975
Brazil	526	495	432
Ecuador	405	424	459
Others	468	495	372
	$ 56,194	$ 49,938	$ 42,535

Reconciliation of beginning and ending carrying values in 2017, 2016 and 2015 is as follows:

Cost

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Others	Total
Balances as of January 1, 2015	$ 27,151	$ 4,061	$ 8,650	$ 471	$ 104	$ 38	$ 40,475
Additions	-	-	-	360	-	-	360
Structured entities	-	700	-	-	-	-	700
Acquisitions through business combinations	559	-	219	206	-	-	984
Effect of exchange rate differences on foreign currency	2,352	747	959	71	7	-	4,136
Balances as of December 31, 2015	30,062	5,508	9,828	1,108	111	38	46,655
Additions	10	-	-	-	-	-	10
Structured entities	-	714	-	277	-	-	991
Acquisitions through business combinations	802	-	-	-	-	-	802
Effect of exchange rate differences on foreign currency	4,747	1,108	2,036	276	19	-	8,186
Balances as of December 31, 2016	35,621	7,330	11,864	1,661	130	38	56,644
Structured entities		596	-	-	-	-	596
Acquisitions through business combinations	382		5,472	418	15	1,129	7,416
Effect of exchange rate differences on foreign currency	(439)	(307)	(220)	83	3	-	(880)
Balances as of December 31, 2017	$ 35,564	$ 7,619	$ 17,116	$ 2,162	$ 148	$ 1,167	$ 63,776

Accumulated amortization and impairment

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Others	Total
Balances as of January 1, 2015	$ (210)	$ (146)	$ (1,851)	$ (247)	$ (35)	$ (26)	$ (2,515)
Structured entities	-	8	-	-	-	-	8
Amortization expenses	(17)	-	(503)	(76)	(16)	-	(612)
Impairment	(356)	(74)	-	-	-	-	(430)
Effect of exchange rate differences on foreign currency	(165)	(35)	(315)	(51)	(5)	-	(571)
Balances as of December 31, 2015	(748)	(247)	(2,669)	(374)	(56)	(26)	(4,120)
Structured entities	-	35	-	-	-	-	35
Amortization expenses	-	(3)	(578)	(386)	(1)	-	(968)
Impairment	(440)	-	-	-	-	-	(440)
Effect of exchange rate differences on foreign currency	(553)	(51)	(544)	(59)	(6)	-	(1,213)
Balances as of December 31, 2016	(1,741)	(266)	(3,791)	(819)	(63)	(26)	(6,706)
Structured entities		(73)					(73)
Amortization expenses	(17)	(3)	(698)	(383)	(15)		(1,116)
Impairment	(61)						(61)
Effect of exchange rate differences on foreign currency	131	5	201	35	2		374
Balances as of December 31, 2017	$ (1,688)	$ (337)	$ (4,288)	$ (1,167)	$ (76)	$ (26)	$ (7,582)
Net balances as of December 31, 2015	$ 29,314	$ 5,261	$ 7,159	$ 734	$ 55	$ 12	$ 42,535
Net balances as of December 31, 2016	$ 33,880	$ 7,064	$ 8,073	$ 842	$ 67	$ 12	$ 49,938
Net balances as of December 31, 2017	$ 33,876	$ 7,282	$ 12,828	$ 995	$ 72	$ 1,141	$ 56,194

In 2017 impairment was recognized in the Dutch Country brand in the Mexico segment for $28, in the Dutch Country and Stroehmann brands in the North America segment for $33, in other expenses, net in the consolidated statement of income, and were the result of reduced sales of such brands.

In 2016 impairment was recognized in the Dutch Country brand in the Mexico segment for $93, in the Firenze, Grille, Maestro Cubano and Pan Catalán brands in the Latin America segment for $302, in the Ortiz brand in the Europe segment for $8 and in the Iron Kids and Colonial brands in the North America segment for $37, in other expenses, net in the consolidated statement of income, and were the result of reduced sales of such brands.

In 2015, the Entity recognized an impairment loss in the value of the trademarks Iron Kids and Beef Steak, in the North America segment for $168, and the trademarks Jinhongwei and Million Land in the Mexico segment for $120 and Fargo, Pasa Bimbo Bere in the Latin America segment for $68. In the aforementioned cases, the loss resulted from a decrease in sales of these brands.

The impairment of distribution and use rights refers totally to the USA operation, for the three years.

For the purpose of impairment tests, the fair value of trademarks was estimated using the relief from royalty valuation technique, using a range of royalty rates between 2% and 5%, being 3% the rate used for most trademarks.

11. Goodwill

Following is an analysis of the balance of goodwill by geographical segment:

	2017	2016	2015
Goodwill:			
Mexico	$ 1,334	$ 1,287	$ 1,268
North America	63,305	62,995	52,093
EAA	8,063	3,971	254
Latin America	3,038	3,107	2,434
	75,740	71,360	56,049
Accumulated impairment:			
Mexico	(560)	(577)	(500)
North America	(6,229)	(6,391)	(5,321)
EAA	(3,467)	-	-
Latin America	(2,058)	(1,508)	(1,032)
	(12,314)	(8,476)	(6,853)
	$ 63,426	$ 62,884	$ 49,196

Movements in goodwill during the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Balance as of January 1	$ 62,884	$ 49,196	$ 45,257
Acquisitions	4,518	3,793	336
Impairment	(389)	(204)	(941)
Reclassifications due to adjustments on acquisition values	(3,216)	-	-
Adjustments due to variations in exchange rates	(371)	10,099	4,544
Balance as of December 31	$ 63,426	$ 62,884	$ 49,196

Movement in accumulated impairment losses as of December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Balance as of January 1	$ 8,476	$ 6,853	$ 5,157
Impairment	389	204	941
Reclassifications due to adjustments on acquisition values	3,216	-	-
Adjustment due to variations in exchange rates	233	1,419	755
Balance as of December 31	$ 12,314	$ 8,476	$ 6,853

Allocation of goodwill to cash generating unit

When analyzing impairment, goodwill is allocated to cash-generating units ("CGU"), which are represented mainly by USA, Canada, Spain, and others.

Balances of goodwill assigned to each cash-generating unit, after impairment losses, are as follows:

	2017	2016	2015
USA	$ 41,609	$ 42,102	$ 35,164
Canada	14,663	14,243	11,510
Spain	4,071	3,852	134
Other CGUs	3,083	2,687	2,388
	$ 63,426	$ 62,884	$ 49,196

USA

The recoverable amount of the UGE in the USA is estimated based on the greater of the value in use ("VU") and fair value less cost to sell ("FVLCTS"). This year the VRMCD was greater, and the Market Comparable methodology (GPC) was applied to estimate it, using EBITDA multiples from comparable companies.

To determine the recoverable amount through the GPC methodology, the average of the EBITDA multiples for the last 12 months and at the valuation date is used, from a selection of comparable companies. After applying the EBITDA of the last 12 months and at the valuation date of the USA cash generating unit (CGU), a Business Value (BV) is obtained. Subsequently each value is decreased by the net debt (debt with banks, net of cash and cash equivalents) and a similar weighting is applied to both values to reach a market value for stockholders' equity.

As such value represents the value of the minority interest, because it derives from using the price per share, a control premium of 20% is applied. Finally, the net debt is added and the value for working capital deficit (excluding cash and cash equivalents) is adjusted for the present value of the accumulated losses and disposal costs, to reach the VRMCD.

By applying the aforementioned methodology, the Entity concluded that there is no impairment in the goodwill of this CGU.

Honduras and Bimbo Frozen

The recoverable amount of the CGU of Honduras and Bimbo Frozen was determined for the higher of the value in use (VU) and FVLCTS). This year the VU was higher and to estimate it, the Cash Flow Discounted (CFD) methodology was applied.

To determine the value in use with the cash flow discounted model, management uses projections based on the two previous years and nine months in progress, and considers the 3 month expected cash flows, plus the next year budget and the long-term perspective. The main premises consist in the growth of sales (prices increases and volume increases in relation to its market share) and EBITDA, which are developed bases upon past years' trends and gradual expected productivity improvements, as well as operating efficiencies and volume absorption.

The annual cash flow is determined with the above mentioned elements, to which and appropriate discount rate that considers the weighted average cost of capital is applied. A terminal value is also included that represents a stable cash flow with inflationary growth. This value is compared to the carrying value of the CGU to determine if the investment is impaired.

By using this methodology, the Entity determined and impairment to the goodwill of the CGU Honduras. For Bimbo Frozen, a study performed by and independent expert determined no impairment, but based on a sensibility analysis at different discount rates. The Entity impaired the goodwill related to this CGU.

Rest of operations

For the rest of the CGU's the recoverable amount in UV was determined without any indicators of impairment. The methodology used was that of discounted flows, considering a discount rate and projections provided by the operations. The forecasted period considered was five years with a perpetual terminal value of the normalized flow with growth in line with the inflation of each of the countries in which they operate.

After applying this methodology, the Entity concludes that there are no indicators of impairment in the rest of the CGU's.

12. Long-term debt

	Fair Value	2017	2016	2015
International bonds				
On November 10, 2017 the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$650 million maturing on November 10, 2047. Such bonds pay a fixed interest rate of 4.70% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity.	12,873	12,828	-	-
On June 27, 2014, the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$800 million maturing on June 27, 2024. Such bonds pay a fixed interest rate of 3.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 13.2.3 (b).	16,220	15,788	16,531	13,765

	Fair Value	2017	2016	2015
On June 27, 2014 the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$500 million maturing on June 27, 2044. Such bonds pay a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 13.2.3 (c).	10,129	9,868	10,332	8,603
On January 25, 2012, the Entity issued a bond under U.S. SEC Rule 144 A Regulation S for US$800 million maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50%, with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt, extending the maturity date.	16,631	15,788	16,531	13,765
On June 30, 2010, the Entity issued a bond under U.S. Securities and Exchange Commission ("SEC") Rule 144 A Regulation S for US$800 million maturing on June 30, 2020. Such bond pays a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt, extending the maturity date.	$ 16,680	$ 15,788	$ 16,531	$ 13,765
Local bonds –				
As of December 31, 2017, the Entity holds the following local bonds due as follows:				
Bimbo 17- Issued on October 6, 2017, maturing in September 2027, with a fixed interest rate of 8.18%.	9,462	10,000	-	-
Bimbo 16- Issued on September 12, 2016, maturing in September 2026, with a fixed interest rate of 7.56%.	7,415	8,000	8,000	-
Bimbo 12- Issued on February 10, 2012, maturing in August 2018, with a fixed interest rate of 6.83%. On October 18, 2017, the Entity prepaid this bond.	-	-	5,000	5,000

	Fair Value	2017	2016	2015
Bimbo 09-2- Issued June 15, 2009, maturing in June 2016, with a fixed interest rate of 10.60%. This bond was fully paid at maturity. See note 13.2.3 (d)	-	-	-	2,000
Bimbo 09U- Issued June 15, 2009 for the amount of 706,302,200 UDIs, maturing in June 2016, with a fixed interest rate of 6.05%. The UDI value at June 30, 2016 and at December 31, 2015 and 2015 was $5.4152, $5.3812 and $5.2704, Mexican pesos per UDI, respectively. This bond was fully paid at maturity. See note 13.2.3 (a and e)	-	-	-	3,801
Committed Revolving Credit Line (Multicurrency) - In October 2016, the Entity renewed and amended the terms and conditions of the committed multicurrency credit line, originally issued on April 26, 2010. According to the new terms and conditions the financial institutions engaged in this credit line are BBVA Bancomer S.A., Banco Nacional de México S.A., HSBC Bank USA N.A., HSBC Mexico S.A., Banco Santander (Mexico) S.A., JPMorgan Chase Bank N.A., Bank of America N.A., ING Bank N.V., the Bank of Tokyo-Mitsubishi UFJ Ltd., Mizuho Bank Ltd. The total amount is up to 2,000 million US dollars, maturing on October 7, 2021 and with an applicable interest rate of London Interbank Offered Rate ("LIBOR") plus 0.95% for the provisions in US dollars, Canadian Dealer Offered Rate ("CDOR") plus 0.95% for provisions in Canadian dollars, and Interbank Equilibrium rate ("TIIE") plus 0.725% for provisions in Mexican pesos.	-	-	-	-
There was withdraws from this credit line during 2015, primarily for the acquisition of Canada Bread and Supan. Withdrawals were made in US dollars, Canadian dollars and Mexican pesos. During 2017 and 2016, dispositions and prepayments were made. As of December 31, 2017 there is no outstanding balance.	-	-	-	1,854

Committed Revolving Credit Line *(Euros)*	Fair Value	2017	2016	2015
On November 6, 2015, The Entity contracted a committed credit line in Euros. The total amount is up to 350 million Euros, maturing on February 6, 2021 at a rate based on Euribor plus 1% The participating financial institutions are BBVA Bancomer S.A., ING Capital LLC y Bank of America N.A. As of December 31, 2017, the amount withdrew was 100 million euros and was used to cover working capital needs and to finance the acquisition of Donuts Iberia.	2,356	2,356	3,457	-
Secured working capital loans – The Entity occasionally enters into unsecured short-term loans to cover working capital needs.	-	-	-	-
Others - Certain subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2018 to 2022.	4,331	4,331	6,515	5,585
Debt issuance cost	(435)	(435)	(396)	(377)
	95,662	94,312	82,501	67,761
Less – Current portion of long–term debt	(2,766)	(2,766)	(2,150)	(8,282)
Long–term debt	$ 92,896	$ 91,546	$ 80,351	$ 59,479

At December 31, 2017, long–term debt matures as follows:

Year	Amount
2019	$ 550
2020	15,795
2021	2,733
2022	16,053
2023 and thereafter	56,415
	$ 91,546

The reconciliation between the debt values at the beginning and at the end of the 2017 fiscal year is as follows:

Financing	2017
Beginning balance	$ 82,897
Loans obtained	40,772
Payment of loans	(26,904)
Exchange fluctuations	(2,018)
Ending balance	$ 94,747

The committed dual–currency revolving credit facility, local bonds, international bond and syndicate bank loan are guaranteed by the principal subsidiaries of Grupo Bimbo. At December 31, 2017, 2016 and 2015, the Entity has complied with all the obligations, including financial ratios established in the loan agreements for the Entity and its subsidiaries.

13. Financial instruments

1. *Categories of financial instruments as of December 31, 2017, 2016 and 2015:*

	2017	2016	2015
Assets			
Financial assets:			
Cash and cash equivalents	$ 7,216	$ 6,814	$ 3,825
Accounts and note receivables, net	18,899	18,463	14,841
Derivative financial instruments	682	305	885
Guarantee deposits for derivative financial instruments	417	1,140	1,501
Total current assets	27,214	26,722	21,052
Non-current assets:			
Notes receivable from independent operators	557	807	950
Derivative financial instruments	2,592	3,448	3,346
Total financial assets	$ 30,363	$ 30,977	$ 25,348
Liabilities			
Financial liabilities:			
Bank loans	$ 2,766	$ 2,150	$ 8,282
Trade accounts payable	18,796	16,652	13,146
Other accounts payable	1,651	1,521	1,401
Due to related parties	955	853	401
Derivative financial instruments	241	372	3,208
Total current liabilities	24,409	21,548	26,438
Long-term debt	91,546	80,351	59,479
Derivative financial instruments		3,352	1,707
Total financial liabilities	$ 115,955	$ 105,251	$ 87,624

2. *Risk management*

During the normal course of its operations, the Entity is exposed to risks inherent with variables related to financing as well as variations in the prices of some of its raw materials that are traded in international markets. The Entity has established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks.

Main financial risks the Entity is exposed to are:

- Market risk
- Interest rate risk
- Foreign currency risk
- Price risk
- Liquidity risk
- Credit risk
- Capital risk

The Entity's Corporate Treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and credit risk that result from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of purchase prices of commodities and reviews the consistency of Entity´s open positions in the futures markets with the Entity's corporate risk strategy. Both departments report their activities to the Risk Management Department. The main objectives of the Risk Management Department are as follows:

- Identify, evaluate and monitor external and internal risks that could significantly impact the Entity;
- Prioritize risks;
- Secure the assignment and monitoring of risk;
- Validate the functions and/or those responsible for risk management;
- Validate the progress in each of the prioritized risks; and
- Recommend future action to take.

Given that the variables the Entity is exposed are dynamic in behavior, hedging strategies are evaluated and monitored formally on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within the Entity. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

2.1 Market risks

The Entity is exposed to the financial risks associated with fluctuations in foreign currency and interest rates, which are managed by Purchases department. The Entity is also exposed to price risk related to certain commodities purchased in its operation, which is managed by commodities subcommittees. The Entity occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its results. The Entity considers that the derivative financial instruments it enters into provide flexibility that allows for greater financial stability, better earnings visibility and certainty regarding costs and expenses to be paid in the future.

The Entity determines the amounts and objective parameters of the primary positions for which the derivative financial instruments are entered into, with the objective of minimizing one or more of the risk exposures in a transaction or group of transactions associated with the primary position.

The Entity only enters into derivative financial instrument contracts with recognized financial institutions of well-known solvency and within the limits set for each institution.

The principal types of derivative financial instruments used by the Entity are:

a) Contracts that establish a mutual obligation to exchange cash flows on specific future dates, at the nominal or reference value (swaps):

   1. Interest rate swaps to balance the mix of fixed and variable interest rates used for financial liabilities.
   2. Cross currency swaps, to change the currency in which both the principal and interest of a financial liability are expressed.

b) Foreign currency exchange forwards;

c) Foreign currency exchange calls;

d) Commodity futures;

e) Options on commodities futures; and

f) Inputs swaps

Market risk exposure is monitored and reported on an ongoing basis to the responsible governing area within the Entity.

The Entity has established a policy that derivative financial instruments are entered into exclusively to hedge a risk. Accordingly, in order to enter into a derivative financial instrument contract, it must necessarily be associated with a primary position that exposes the Entity to a specific risk. Consequently, the notional amounts of the Entity's derivative financial instruments will be consistent with the amounts of the primary positions that are being hedged. The Entity does not enter into derivative financial instruments for speculative purposes. If the Entity decides to enter into a hedging strategy whereby options are combined, the net premiums paid/collected must represent a cash outflow, meaning the Entity should not enter into derivative financial instrument transactions for speculative purposes.

Derivative financial instruments are comprised as follows:

	2017	2016	2015
Assets:			
Current -			
Forwards on exchange rate	$ 33	$ -	$ 22
Forwards on raw materials	189	169	69
Swaps	-	-	794
Options exchange rate	114	-	-
Options premium	45	-	-
Futures contracts:			
Fair value of natural gas, diesel and soy oil	301	136	-
Total asset derivatives – current	$ 682	$ 305	$ 885
Long-term swaps	$ 2,592	$ 3,448	$ 3,346
Liabilities:			
Current -			
Swap	$ (13)	$ -	$ (1,989)
Forwards on exchange rate	-	(9)	-
Futures contracts:			
Fair value of natural gas, diesel and soy oil	(228)	(363)	(1,219)
Total derivatives liabilities current	$ (241)	$ (372)	$ (3,208)
Long term swaps	$ -	$ (3,352)	$ (1,707)

	2017	2016	2015
Stockholders' equity:			
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	$ 144	$ (692)	$ (1,411)
Closed contracts for unused futures	(24)	(165)	(73)
	120	(857)	(1,484)
Deferred income tax, net	(30)	267	504
Accumulated other comprehensive income related to derivative financial instruments	$ 90	$ (590)	$ (980)

2.2 Interest rate risk management

The Entity is exposed to interest rate risk, mainly with respect to its financial liabilities. The risk is managed through an adequate mix of fixed and variable rates, which on occasion, is achieved by entering into derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they comply with the all criteria to be classified as such.

Management considers that its interest rate risk related to its financial assets is limited as their maturities are generally current.

The Entity held long-term debt that accrues interest at variable rates referenced to December 31,2017 a Euro Interbank Offered Rate ("EURIBOR"); as of December 31, 2016 the Canadian Dealer Offered Rate ("CDOR") and EURIBOR, and 2015 to Interbank Equilibrium Rate ("TIIE" for its acronym in Spanish), Units of investment ("UDIs" for its acronym in Spanish), CDOR and London Interbank Offered Rate ("LIBOR"), and entered into interest rate swaps to fix such interest rates. The swaps have been designated as cash flow hedges.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on balances exposed to interest rate risk, considering both derivative and non-derivative instruments at the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the interest rate risk during the period due to variances in the balances exposed to such risk. For floating rate instruments, for which the Entity has not contracted a hedge to fix the rate, the sensitivity analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 20 basis points in the one-month LIBOR, CDOR and EURIBOR and a change of 100 basis points in the 28 days TIIE represents management´s best estimate of a reasonable potential change with respect to those rates. The Entity has fully mitigated interest rate risks related to fluctuations in the value of TIIE and UDI through interest rate swaps.

An increase/decrease of 20 basis points in LIBOR, would result in a decrease/increase in profit or loss of approximately $2.7 for the years ended December 31, 2015. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017 and 2016, the Entity did not maintain debt with this rate.

An increase/decrease of 20 basis points in CDOR would result in a decrease/increase in profit or loss of approximately $4.9 and $6.2 for the years ended December 31, 2016 and 2015, respectively. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017, the Entity did not maintain debt with this rate.

An increase/decrease of 100 basis points in TIIE, would result in a decrease/increase in the Entity's profit or loss of approximately $0.8, for the years ended December 31, 2015, respectively. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017 and 2016, the Entity did not maintain debt with this rate.

An increase/decrease of 20 basis points in the EURIBOR rate would result in a decrease/increase in the Entity's results for approximately $4.7, $6.9 and $0 for the years ended December 31, 2017, 2016 and 2015, respectively.

2.3 Foreign currency risk management

The Entity undertakes transactions denominated in a variety of foreign currencies and presents its consolidated financial statements in Mexican pesos; it also has investments in foreign operations whose currencies differ from the Mexican peso. Accordingly, it is exposed to foreign currency risk (i.e., the forecasted purchase of inputs, contracts and monetary assets and liabilities) and foreign currency translation risk (i.e. net investments is foreign subsidiaries). The main risk is with respect to the parity of Mexican pesos to US dollars, Mexican pesos to Canada dollars, and Canada dollars to US dollars.

Management of translation of foreign currency risk

The Entity has investments in foreign subsidiaries whose functional currency is other than the Mexican peso, which exposes it to the risk of foreign currency translation. Also, the Entity has contracted intercompany financial assets and liabilities with those foreign subsidiaries, in various currencies, therefore representing a foreign currency risk.

The risk is mitigated through the issuance of one or more loans denominated in currencies other than the functional currency to naturally hedge exposure to foreign currency and presented as a net investment in foreign subsidiaries within other comprehensive income.

As of December 31, 2017, 2016 and 2015, loans that have been designated as hedges on the net investment in foreign subsidiaries amounted to USD$2,650, $2,392 and $2,876 million, respectively.

As of December 31, 2017, 2016 and 2015, the amounts of loans that have been designated as hedges for net investment in foreign subsidiaries totaled CAD$965, $965 and $998 million, respectively.

As of December 31, 2017, 2016 and 2015 the amounts that have been designated as a hedge for long term intercompany asset positions are CAD$650 million for those years.

As of December 31, 2016 and 2015, the amount that has been designated as a hedge for long term intercompany liability positions are USD$2 and $8 million, respectively.

As of December 31, 2017 and 2016 the amount of the bank loan designated as a hedge for the investment in subsidiaries abroad is €100 and €160 million, respectively.

As of December 31, 2015, the amounts that have been designated as hedges for long-term intercompany loans are $2,017.

As of December 31, 2015, amounts that have been designated as hedges of intercompany long-term debt are €30 million for both years.

Management of foreign currency transactional risk

Risk management policy regarding foreign currency also contemplates hedging expected foreign currency cash flows, mainly related to future purchases of inputs. Such purchases qualify as hedged items, represented by “highly probable” forecasted transactions for purposes of hedge accounting. At the time the purchase occurs, the Entity adjusts the non-financial asset that is considered the hedged item for the gain or loss previously recognized in other comprehensive income.

Foreign currency sensitivity analysis

The sensitivity analyses below have been determined based on the balances exposed to foreign currency exchange rate risk for both derivative and non-derivative instruments as of the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the foreign currency exchange rate risk that existed during the year due to variances in the balances exposed to such risk.

A depreciation/appreciation of 1 peso per US dollar, represents management´s estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $38, $12 and $54 in profit or loss for the years ended December 31, 2017, 2016 and 2015, respectively.

A depreciation/appreciation of 1 peso per Canadian dollar, represents management´s estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $1, $0 y $0 in profit or loss for the years ended December 31, 2017, 2016 and 2015, respectively.

Detail of derivative financial instruments that hedge interest rate and foreign currency risk

Detail of the derivatives utilized to hedge the aforementioned risks and the fair value of such derivatives as of December 31 are as follows:

		2017	2016	2015
Swaps that modify the Bimbo 09U local bond currency and interest rate, current portion.	(a)	$	$ -	$ 794
Swaps that convert the 144A bond with maturity date June, 27, 2024 from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(b)	2,285	3,037	2,932
Swaps that convert the 144A bond with maturity date June 27, 2044, from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(c)	307	411	414
Total long term assets		$ 2,592	$ 3,448	$ 3,346
Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed, current portion.	(d)	$ -	$ -	$ (677)
Swaps that convert the Bimbo 09U local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(e)	-	-	(1,312)
Total current liabilities		$ -	$ -	$ (1,989)
Swaps long term that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(f)	$ -	$ (3,352)	$ (1,707)

(a) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Entity entered into two foreign currency swaps for $1,000 and $2,000 that together hedge the entire Bimbo 09U issue and converts the debt from 6.05% in UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

(b) In order to convert the total amount of the 2024 International 144A Bond, in the amount of 800 USD million, from US to Canadian dollars, issued between June 30 and July 21, 2014, cross currency swaps were contracted for a notional amount of $240, $290, $110, $10.73, $108.34 and $99.3 Canadian dollars. All with an expiration date of June 27, 2024. These instruments receive 3.875% interest in USD and pay 4.1175%, 4.1125%, 4.1558%, 4.1498%, 4.1246% and 4.0415% interest in Canadian dollars, respectively.

(c) In order to convert a portion of the 2044 International 144A Bond, that amounts USD$500 million, from US to Canadian dollars, on July 21, 2014, a cross currency swaps was contracted in a notional amount of $107.4 million Canadian dollars, and its expiration date is June 27, 2044. This instrument receives 4.875% interest in US dollars and pays 5.0455%.

(d) In connection with the issuance of the Bimbo 09–2 local bonds, for a notional amount of $2,000 (equivalent to 155.3 USD million), in 2010 the Entity entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. Maturity is June 6, 2016. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fixed interest rate to be paid is 6.35%. This bond was fully paid at maturity.

(e) In order to convert the liability positions of instruments related to the issuance of the Bimbo 09-U bonds from Mexican pesos to US dollars, on February 17, 2011, the Entity entered into two foreign currency and interest rate swaps, with a notional amount, one for $1,000 (equivalent to 83.1 USD million) and the second for $2,000 (equivalent to 166.3 USD million), respectively. Maturity date is June 6, 2016. The exchange rates applicable to these instruments were set at $12.03 Mexican pesos per US dollar and interest was fixed at 6.47% and 6.53%, respectively. This bond was fully paid at maturity.

(f) In order to convert all the Bimbo 12 local bonds from Mexican pesos to US dollars, between February 14 and 17, 2012 the Entity entered into 6 cross currency swaps for a notional amount of $50, $50, $50, $72.1, $70 and 100 USD million respectively. All the instruments have a maturity date of August 3, 2018 and earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.33%, 3.27% and 3.25% respectively and were prepaid on October 18, 2017, with funds from the issuance of bond Bimbo17.

Foreign Currency Hedge

Based on its projections of expense, Corporate treasury has diverse obligations in USD, for which reason, at December 31, 2017, 2016 and 2015, it maintains a portfolio of options and forwards that result in a long-term position in forwards with monthly maturities of $115, $75 and $35 million USD, respectively, at an average exchange rate of $19.55 $20.49 and $16.71 Mexican pesos per USD.

In order to cover the needs in US dollars linked to various forecasted expenses, the Entity maintains in France a portfolio of forwards as of December 31, 2017 that resulted in a long dollar position with monthly maturities for a total of 2 million US dollars, an average exchange rate of 1.14 euros per US dollar.

As of December 31, 2017, 2016 and 2015, these aforementioned instruments have a net market value of $33, $(9) and $22, respectively.

In order to meet the needs of corporate treasury in US dollars tied to various forecasted transactions, the Entity held as of December 31, 2017, a portfolio of calls options that result in a long position, with quarter's maturity and notional amount of $120 million USD, at an average exchange rate of $21.00 pesos per USD.

As of December 31, 2017, these operations have a net fair value of $114.

As of December 31, 2017, 2016 and 2015, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Mexico. These instruments hedged a notional amount of $327.8, $132.9 and $131.25 million US dollars, respectively, fixing the exchange rate for the purchase of currency at a price of $19.55, $19.77 and $16.84 Mexican pesos per US Dollar.

As of December 31, 2016, the Entity contracted forwards to hedge exchange risk for capital investments related to the Mexico operation. These instruments hedged a notional amount of US $3.2 million, fixing the exchange rate for the purchase of foreign currency at an average exchange rate of $18.92 Mexican pesos per US Dollar.

As of December 31, 2017, 2016 and 2015, the Entity entered into a forward to hedge the exchange risks related to the purchase of commodities in Uruguay. This instrument hedges a notional amount of $3.9, $3.1 and $1.9 million USD and fixed the exchange rate at $29.84, $30.12 and $30.63 Uruguayan pesos per USD, respectively.

As of December 31, 2017 and 2016, the Entity had forwards to hedge currency risks of raw materials associated with the operation of Canada. Such instruments hedge a notional amount of $43.5 and $44.8 million USD and fixed the exchange rate at $1.27 and $1.32 CAD per USD, respectively.

As of December 31, 2017 and 2016, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Chile. These instruments cover a notional amount of US$10.9 and $3.4 million, fixing the exchange rate for the currency purchase at a price of $651.63 and $674.97 Chilean pesos per USD, respectively.

As of December 31, 2016, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Colombia. These instruments cover a notional amount of US$3 million fixing the exchange rate for the currency purchase at a price of $3,123.35 Colombian pesos per USD.

As of December 31, 2015, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Argentina. These instruments cover a notional amount of US$12.8 million, fixing the exchange rate at a price of $11.98 Argentinean pesos per USD.

As of December 31, 2017, the Entity has forwards to hedge currency risk of raw materials associated with the operations in Russia. These instruments cover a notional amount of 1.8 million euros and 1.4 million US dollars, setting the average exchange rate for the purchase of foreign currency of 71.22 rubles per euro and 64.65 rubles per US dollar respectively.

As of December 31, 2017, the Entity has forwards to hedge currency risk of raw material and forecasted expenses associated with the operation in France. These instruments cover a notional amount of 4 million euros, setting the average exchange rate for the purchase of foreign currency 1.14 euro per US dollar.

As of December 31, 2017, 2016 and 2015, these operations have a net fair value of $189, $169 and $69, respectively.

As of December 31, 2017, the Entity has interest rate swaps to hedge cash flows related to bank loans of the operation in Italy. These instruments cover a notional amount of 19.2 million euros.

As of December 31, 2017, these operations have a net market value of $ (13).

2.4 Commodities price risk management

In accordance with the Entity´s risk management policies, it enters into wheat, natural gas, and other commodities futures contracts to minimize the risk of variation in international prices of such inputs.

Wheat, the main input used by the Entity, together with natural gas, are some of the commodities hedged. The transactions are carried out in recognized commodity markets, and through their formal documentation are designated as cash flow hedges of forecasted transactions. The Entity performs prospective and retrospective effectiveness tests of the instruments to ensure they mitigate the variability of cash flows from fluctuations in the price of such inputs.

As of December 31, 2017, 2016 and 2015, the Entity has recognized, in other comprehensive income, closed contracts that have not yet been transferred to cost of sales due to the fact that the wheat under these contracts has not been used for flour consumption.

Detail of derivative transactions that hedge commodities price risk

As of December 31, 2017, 2016 and 2015, the contracted futures and their main characteristics were as follows:

	2017			2016			2015		
	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value
Diesel	2,538	Jan18 to Jan19	$ 202	3,191	Various	$ 38	-	-	$ -
Gasoline	1,285	Jan18 to Dec18	99	1,063	Various	35	-	-	-
Natural gas				384	Dec-17	45	-	-	-
Polyethylene				6,000	Mar-17	7	-	-	-
Soybean oil				600	Sep-17	11	-	-	-
Total current assets			$ 301			$ 136			$ -
Wheat	21,319	Mar18 to Dec18	(201)	15,052	Mar17 to May18	$ (361)	15,766	Mar17 to Dec17	$ (594)
Corn	169	Mar18 to-Jul18	(2)	321	Mar17 to May18	(2)	308	Mar17 to Dec17	(5)
Soybean oil	489	Mar18 to-Sep18	(1)	-	-	-	1,320	Mar17 to Dec17	7
Diesel	-	-	-	-	-	-	1,539	Various	(186)
Gasoline	-	-	-	-	-	-	3,347	Various	(391)
Natural gas	829	Dec 18	(24)	-	-	-	1,143	Various	(39)
Polyethylene	-	-	-	-	-	-	23,700	Jan17 to Sep17	(10)
Aluminum	-	-	-	-	-	-	360	Jan17 to Sep17	(1)
			$ (228)			$ (363)			$ (1,219)

The fair values of these financial instruments to cover the price risk in the raw materials are considered within level 1 of the fair value hierarchy.

Embedded derivative instruments - As of December 31, 2017, 2016 and 2015, the Entity has not identified any embedded derivative financial instruments that require bifurcation.

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

The fair value of financial assets and liabilities is determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active, liquid markets are determined with reference to their quoted market prices. Derivative financial instruments fall in this category, therefore, these instruments are considered as hierarchy level 1 according to the classification of fair value hierarchy described below.

The fair value of other financial assets and liabilities carried at fair value are determined in accordance with accepted pricing models, generally based on discounted cash flow analysis.

As of December 31, 2017, 2016 and 2015, the carrying value of financial assets and liabilities, does not vary significantly from their fair value.

Fair value of derivative financial instruments, is considered as level 2.

The fair value of market long-term debt, such as bonds, was determined based on the prices provided by Valuación Operativa y Referencias de Mercado S. A. de C. V. (“VALMER”) which is an entity supervised by the Mexican National Securities and Banking Commission (Comisión Nacional Bancaria y de Valores), that provides prices for financial instruments. Such valuation is considered as Level 1, according to the hierarchy described as follows.

Fair value hierarchy

The amount of assets and liabilities in the consolidated statements of financial position, measured at fair value, are grouped into one of the following three hierarchy levels. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.5 Liquidity risk management

Corporate treasury is responsible for managing liquidity risk. Risk management allows the Entity to determine its short-, medium- and long-term cash flow needs, while seeking financial flexibility. The Entity maintains sufficient liquidity through an orderly management of its resources and permanently monitoring of cash flows, as well as maintaining a variety of credit lines (some of them committed) with bank institutions and proper management of working capital. These actions ensure the payment of future obligations. The Entity believes that due to the nature of its business, liquidity risk is low.

Obligations resulting from accounts payables, financial instruments and debt amortization are as follows:

	<1 year	< 1 year < 3 years	< 3 years < 5 years	> 5years
Debt	$ 7,880	$ 25,435	$ 26,304	$ 89,629
Trade accounts payable	18,796	-	-	-
Total	$ 26,676	$ 25,435	$ 26,304	$ 89,629

2.6 Credit risk management

Credit risk arises from the possible loss if a customer is unable to pay its obligations, loss on investments and principally the risk related to derivative financial instruments.

When accounts receivable to customers is impaired, the Entity recognizes an allowance for doubtful accounts. The allowance is increased for those accounts beyond 90 days past due, for fifty percent of the account and for the total when it reaches 180 days past due. The methodology used to determine the allowance has been applied consistently and the allowance has been historically sufficient to cover impaired unrecoverable accounts.

With respect to operations with derivative financial instruments related to interest rate and exchange rate hedges, and some commodities like natural gas, these instruments are entered into bilaterally with counterparties of high repute that meet certain criteria mentioned below, and who maintain a significant and continuous commercial relationship with the Entity.

These counterparties are deemed of high repute, as they are sufficiently solvent -based on their "counterparty risk" rating from Standard & Poor´s - for short- and long-term obligations in local and foreign currency. The principal counterparties with whom the Entity has contracts with respect to derivative financial instruments are:

Banco Nacional de México, S. A., BBVA Bancomer, S. A., Barclays Bank, PLC W. London, Bank of America México, S. A., Citibank N.A., Merrill Lynch Capital Services, Inc., HSBC Bank, ING. Capital Markets, JP Morgan Chase Bank, N. A., Banco Santander, S. A., Mizuho Corporate Bank, Ltd, Mizuho Capital Markets Corporation and The Bank of Tokyo Mitsubishi ufj, Ltd, The Bank of Nova Scotia; Macquarie Bank Limited and Cargill, Incorporated.

Principal commodities derivatives financial instruments are contracted in the following recognized markets:

a. Minneapolis Grain Exchange (MGE)
b. Kansas City Board of Trade (KCBOT)
c. Chicago Board of Trade (CBOT)
d. New York Mercantile Exchange (NYMEX)

The entity monitors counterparty credit risks in a monthly basis and performs the related evaluations.

All derivative financial instrument transactions are performed under a standardized contract and duly executed by the legal representatives of the Entity and those of the counterparties.

Appendix and annexes to the contract, establish the settlement and other relevant terms in accordance with the manners and practices of the Mexican market.

Some derivative financial instrument contracts include the establishment of a security deposit or other securities to guarantee payment of obligations arising from such contracts. Credit limits that the Entity has with its counterparties are large enough to support its current operations; however, the Entity maintains cash deposits as collateral for payment of derivative financial instruments.

For those commodities future contracts executed in recognized, international markets, the Entity is subject to the regulation of those markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Entity.

2.7 Equity structure management

The Entity maintains a healthy relation between debt and equity, to maximize the shareholders' return.

As of December 31, 2017, 2016 and 2015, the equity structure and leverage ratio at the end of each period is as follows:

	2017	2016	2015
Debt (i)	$ 94,312	$ 82,501	$ 67,761
Cash and cash equivalents	(7,216)	(6,814)	(3,825)
Net debt	87,096	75,687	63,936
Stockholders' equity	77,024	75,076	61,859
Net debt to stockholders' equity	1.13 times	1.01 times	1.03 times

(i) Debt is comprised of bank loans and short- and long-term bonds, net of issuance costs pending amortization.

The Entity is not subject to any externally imposed capital requirements.

14. Employee benefits and workers' compensation

The net liabilities generated by employee benefits and long-term social security benefits by geographical segment, is comprised at December 31, 2017, 2016 and 2015 as follows:

	2017	2016	2015
Retirement and post- retirement benefits			
Mexico	$ 5,220	$ 4,929	$ 3,466
USA	2,341	3,232	3,707
Canada	1,078	984	758
EAA and Latin America	244	120	63
Total retirement and post-retirement benefits	8,883	9,265	7,994
Workers' compensation – USA	3,315	3,469	2,598
Multi- Employer Pension Plan – USA	17,474	17,394	14,851
Bonuses to employees, long term	966	789	489
Total net liability	$ 30,638	$ 30,917	$ 25,932

a. ***Mexico***

The Entity has a defined benefit pension and seniority premium plan. The Entity is also required to pay termination benefit obligations, which do not qualify as post-retirement benefit plans under IFRS, for which reason a liability for the benefits is not recognized until the obligation occurs, generally upon payment. The Entity´s funding policy is to make discretionary contributions. During 2017, 2016 and 2015, the Entity has not contributed to the plans.

Seniority premiums payment consist of a one–time payment of 12 days for each year worked based on the final salary, not exceeding twice the minimum wage, applicable at the payment date, established by law for all its personnel, as stipulated in the respective employment contracts. Such benefits vest for employees with 15 or more years of service.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2017, 2016 and 2015 by Bufete Matemático Actuarial, S.C., member of Colegio Nacional de Actuarios, A. C. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

b. ***USA***

The Entity has established a defined benefit pension plan that covers eligible employees. Some of the benefits of the plan were frozen. The Entity´s funding policy is to make discretionary contributions. As of December 31, 2017, 2016 and 2015, the Entity contributed to such plan $908, $1,240 and $826, respectively.

The Entity also has established post-retirement employee welfare plans, which covers the medical insurance of certain eligible employees. The Entity has insurance and pays these expenses as they occur.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2017, 2016 and 2015 by Mercer, Inc., member of the Institute of actuaries in the U.S. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

c. ***Canada***

The Entity has established a defined benefit plan for covering pension payments to eligible employees. Some of the benefits of unionized personnel plans were frozen. The funding policy of the Entity is to make discretionary contributions. The contributions made during 2017, 2016 and 2015 amounted to $198, $177 and $121, respectively.

The most recent of the plan assets and the present value of the defined benefit obligation actuarial valuations were performed as of December 31, 2017, 2016 and 2015 by Mercer (Canada), Inc. The present value of the defined benefit obligation, the labor cost of current service and past service cost were calculated using the method of projected unit credit.

The company also has established a defined contribution plan in which contributions are paid as incurred.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016	2015
Mexico			
Discount rate	7.94%	7.68%	7.50%
Expected rate of salary increase	4.50%	4.50%	4.50%
Inflation rate	3.50%	3.50%	3.50%
Expected weighted return	7.68%	7.50%	7.50%
Real weighted return	7.80%	2.96%	1.19%
USA			
Discount rate	4.04%	4.04%	4.25%
Expected rate of salary increase	3.50%	3.75%	3.75%
Inflation rate	2.50%	2.75%	2.75%
Expected weighted return	4.04%	4.25%	4.25%
Real weighted return	13.00%	7.90%	(2.50%)
Canada			
Discount rate	3.40%	3.80%	3.90%
Expected rate of salary increase	3.50%	3.03%	3.00%
Inflation rate	2.00%	2.00%	2.00%
Expected weighted return	3.80%	3.90%	3.90%
Real weighted return	10.30%	6.10%	3.70%

The amounts recognized in profit or loss with respect to defined benefit pension plans and post-retirement benefits:

	2017	2016	2015
Current service cost	$ 826	$ 706	$ 757
Interest cost	1,720	1,775	1,565
Interest income on plan assets	(1,319)	(1,300)	(1,134)
	$ 1,227	$ 1,181	$ 1,188

The net cost of the period was allocated $634, $668 and $212 in 2017, 2016 and 2015, respectively, in the consolidated statements of income as cost of sales and the remainder as general expenses. The interest on the obligation and the expected return on the plan assets are recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

	2017	2016	2015
Present value of defined benefit obligation	$ 35,566	$ 35,784	$ 32,253
Less - fair value of plan assets	26,762	26,453	24,149
	8,804	9,331	8,104
Add: retirement benefit Latin America	244	120	63
Less: current portion of retirement benefit	(165)	(186)	(173)
Present value of unfunded defined benefits	$ 8,883	$ 9,265	$ 7,994

Movements in the present value of the defined benefit obligation:

	2017	2016	2015
Present value of the defined obligation as of January 1	$ 35,784	$ 32,253	$ 30,086
Service cost	826	706	757
Interest cost	1,720	1,775	1,565
Actuarial loss on estimate of obligation	(41)	6	60
Effect of experience adjustments	(584)	624	(453)
Effect of changes in demographic assumptions	535	1,181	(675)
Effect of changes in financial assumptions	1,045	(407)	(1,359)
ABA Plan (1)	-	-	809
Assumed liabilities in business acquisition	-	-	2,083
Adjustment for fluctuation in currency exchange	(805)	4,790	3,330
Benefits paid	(2,914)	(5,144)	(3,950)
Present value of the defined benefit obligation as of December 31	$ 35,566	$ 35,784	$ 32,253

Movements in fair value of plan assets:

	2017	2016	2015
Plan assets at fair value as of January 1	$ 26,453	$ 24,149	$ 21,723
Interest income, and others	1,319	1,300	1,134
Actuarial (loss) gain	(88)	277	(1,402)
Employer contributions	1,106	1,416	947
ABA Plan (1)	-	-	660
Assets on business acquisition	-	-	1,783
Adjustment for fluctuation in currency exchange	(646)	3,831	2,520
Benefits paid	(1,382)	(4,520)	(3,216)
Plan assets at fair value as of December 31	$ 26,762	$ 26,453	$ 24,149

(1) In 2015, the Entity determined that the American Bakers' Association ("ABA Plan") pension plan, that had been determined to be a multi-employer pension plan, qualified as another defined benefit plan for retirement. Therefore, in 2015, this plan is presented as such.

Categories of plan assets:

	Fair Value of plan assets		
	2017	2016	2015
Equity instruments	$ 7,097	$ 8,200	$ 9,123
Debt instruments	16,939	14,020	11,384
Others	2,726	4,233	3,642
Total	$ 26,762	$ 26,453	$ 24,149

Fair value of the assets of the plan are measured using valuation techniques that include inputs that are not based on observable market data.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected wage increase. The sensitivity analysis presented below were determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

In Mexico, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $1,577 and $2,306, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $1,268 and $778, respectively.

In USA, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $2,540 and $2,566, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $102.

In Canada, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $652 and $775, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $93 and 90, respectively.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Investment strategies in the actuarial and technical policy document of the Fund are:

- Asset mix on December 31, 2017 is 27% equity instruments, 63% debt instruments and 10% other instruments or alternative. The mix of assets as of December 31, 2016, is 31% equity instruments, 53% debt instruments and 16% other instruments or alternative and the mix of assets as of December 31, 2015 is 33% equity instruments, 54% debt instruments and 13% other instruments or alternative.

The technical committee of the Entity has the responsibility to define and monitor quarterly, strategy and investment policies in order to optimize the risk / return over the long term.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. Also, there has been no change to the process followed by the Entity to manage the plan assets compared to previous years

In Mexico, the average duration of the benefit obligation as of December 31, 2017 is 25.3 years. This number can be analyzed as follows:

- Active members: 31.12 years (2016: 26.9 years and 2015: 20 years)
- Retired members: 9.55 years (2016: 9.9 years and 2015: 11 years).

In USA, the average duration of the benefit obligation as of December 31, 2017 is 10.16 years. This number can be analyzed as follows:

- Active members: 15.93 years (2016: 9.12 years and 2015: 15 years);
- Deferred members: 17.25 years (2016: 9.16 years and 2015: 16 years), and
- Retired members: 9.24 years (2016: 10.14 years and 2015: 9 years).

In Canada the average duration of the benefit obligation as of December 31, 2017 is 13.4 years. This number can be analyzed as follows:

- Active members: 16.9 years (2016: 18.1 years and 2015: 16.2 years);
- Deferred members: 17.4 years (2016: 15 years and 2015: 18 years), and
- Retired members: 9 years (2016: 9.4 years and 2015: 8.7 years).

The amounts of experience adjustments are as follows:

	2017	2016	2015
Present value of defined benefits obligation	$ 35,566	$ 35,784	$ 32,253
Less – Fair value of plan assets	26,762	26,453	24,149
Underfunded status	$ 8,804	$ 9,331	$ 8,104
Experience adjustments on plan obligation and actuarial loss	$ (625)	$ 630	$ (393)
Experience adjustments on plan assets	$ (88)	$ 277	$ (1,402)

Multi-employer pension plans ("MEPP")

The Entity participates in benefit plans known as MEPPs. A MEPP is a fund in which several unrelated employers, in the same or similar industry, make payments to fund retirement benefits for unionized employees enrolled in the plan. Originally, it was set to facilitate the mobility of employees between companies in the same industry preserving pension benefits. Usually they are managed by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 30 MEPPs.

Unless the Entity determines that exit of the MEPP is highly probable, they are measured as a defined contribution plan, as the Entity does not have sufficient information to calculate the liability, due to the collective nature of the plan, and that the participation of the Entity is limited. The responsibility of the Entity is to provide contributions as set forth in the collective contracts.

Contributions to MEPPs for the years ended December 31, 2017, 2016 and 2015 amounted to $2,169, $2,308 and $1,663, respectively. The estimated contributions for 2018 are approximately $2,479. Annual contributions are charged to profit or loss of the year.

In the event that another employer(s) exits the MEPP without satisfying its obligation related to its exit, the non-covered amount is distributed to the other active employers. Generally, the distribution of the liability for the exit of the plan is based on the Entity's contributions to the plan compared to the contributions of the other employers in the plan.

When the exit of a MEPP is highly probable, a provision is recognized for the present value of the estimated future cash outflows, discounted at the accrual rate. The Entity recognizes the withdrawal liability related to two MEPPs for which a contract exits. The total liability related to MEPPs is included in the employee labor obligations line.

The provision for the MEPP mainly corresponds to the Entity´s intention of exiting the plan.

During 2017, 2016 and 2015, the Entity recorded a charge to results for $301, $500 and $419 respectively, as result of update and restructure some MEPPs, of which $376, $382 and $301 respectively, affected financial integral cost and $75, $(118) and $(118) respectively, affected other income (expenses) net.

Liabilities recognized with respect to MEPPs are updated each year derived from changes in wages, aging and the mix of employees in the plan, which are recorded in results of the income year, in addition to amounts that are contributed regularly to different MEPPs.

The Entity has provisioned $17,474, that represent the withdraw estimation of some plans. The Entity has not provisioned for the MEPPs for which it has no intention to exit.

Welfare benefit plans USA

The Entity maintains a welfare benefit plan that covers certain eligible employees' postretirement medical expenses. Amounts correspond to expenses that are recorded in profit or loss as incurred. These obligations are classified as current or long-term welfare benefit plans and the amounts are included in the income statement. As of December 31, 2017, 2016 and 2015, these liabilities were:

	2017	2016	2015
Welfare benefit plans			
Current (a)	$ 498	$ 552	$ 505
Long-term	3,315	3,469	2,598
	$ 3,813	$ 4,021	$ 3,103

(a) Included in other accounts payable and accrued expenses.

15. Stockholders' equity

At December 31, 2017, 2016 and 2015, stockholders' equity consists of the following:

	Number of shares	Amount
Fixed capital		
Series A	4,703,200,000	$ 4,227
Total	4,703,200,000	$ 4,227

Capital stock is fully subscribed and paid–in and represents fixed capital. Variable capital cannot exceed 10 times the amount of minimum fixed capital without right of withdrawal and must be represented by Series "B", ordinary, nominative, no–par shares and/or limited voting, nominative, no–par shares of the Series to be named when they are issued. Limited voting shares cannot represent more than 25% of non–voting capital stock.

i. In the Ordinary General Assembly of Shareholders held on April 18, 2017, payment of dividends was declared for $1,364 meaning $0.29 cents per each of the shares representing the capital stock, from net tax income account, which were paid in cash on April 27 and 28, 2017.

ii. In the Ordinary General Assembly of Shareholders held on April 15, 2016, payment of dividends was declared for $1,129 meaning $0.24 cents per each of the shares representing the capital stock, from net tax income account, which were paid in cash on April 27, 2016.

iii. An additional income tax, in Mexico, Income Tax on dividends was enacted in 2016 of 10% when such dividends are distributed to individuals and persons residing outside the country. The income tax is paid via withholding and is considered a final payment by the shareholder. For foreigners, treaties to avoid double taxation may apply. This tax will apply to the distribution of profits generated beginning 2014.

iv. Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2017, 2016 and 2015, the legal reserve, in historical Mexican pesos, was $500.

v. Stockholders' equity, except restated paid–in capital and tax-retained earnings, will be subject to income taxes payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

vi. The balances in the stockholders' equity tax accounts at December 31 are:

	2017	2016	2015
Paid-in capital	$ 32,573	$ 30,515	$ 29,338
Net after-tax income as of 2013	60,416	51,474	43,329
Net after-tax income after 2014	-	-	-
Total	$ 92,989	$ 81,989	$ 72,667

16. Transactions and balances with related parties

Balances and transactions between the Grupo Bimbo and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note. Transactions between the Entity and other related parties are detailed further.

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2017	2016	2015
Expenditures for purchases of:			
Raw material			
Beta San Miguel, S.A. de C.V.	$ 1,982	$ 1,619	$ 1,030
Frexport, S.A. de C.V.	902	798	661
Industrial Molinera Monserrat, S.A. de C.V.	336	313	300
Ovoplus del Centro, S.A. de C.V.	-	-	26
Makymat, S.A. de C.V.	43	41	-

	2017	2016	2015
Finished inventory			
Fábrica de Galletas La Moderna, S.A. de C.V.	$ 634	$ 629	$ 537
Mundo Dulce, S.A. de C.V.	852	814	716
Pan-Glo de México, S. de R.L. de C.V.	167	138	48
Stationary, uniforms and others			
Efform, S.A. de C.V.	195	159	163
Galerias Louis C Morton, S.A. de C.V.	9	9	8
Proarce, S.A. de C.V.	101	60	123
Uniformes y Equipo Industrial, S.A. de C.V.	129	132	103
Financial services			
Fin Común Servicios Financieros, S.A. de C.V.	697	634	464

Transactions with related parties are carried out at market prices expected between independent parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful accounts in respect of the amounts owed by related parties.

b. ***Accounts payable to related parties***

Net balances due to related parties are:

	2017	2016	2015
Beta San Miguel, S. A. de C. V.	$ 615	$ 479	$ 190
Efform, S. A. de C. V.	49	33	31
Fábrica de Galletas La Moderna, S. A. de C. V.	118	67	53
Frexport, S. A. de C. V.	10	128	13
Industrial Molinera Montserrat, S. A. de C. V.	4	11	6
Makymat, S. A. de C. V.	12	13	-
Mundo Dulce, S.A. de C.V.	48	63	48
Pan-Glo de México, S. de R. L. de C. V.	22	11	10
Proarce, S. A. de C. V.	40	22	9
Fin Común Servicios Financieros, S.A. de C.V.	-	-	8
Uniformes y Equipo Industrial, S. A. de C. V.	37	25	22
Others		1	11
	$ 955	$ 853	$ 401

c. **Compensation of key management personnel**

Compensation management and other key members of management during the year was as follows

	2017	2016	2015
Short-term direct benefits	$ 659	$ 783	$ 601
Post-retirement benefits	817	607	653
	$ 1,476	$ 1,390	$ 1,254

The compensation of management and key executives is determined by the Compensation Committee based on the performance of individuals and market trends.

17. Income taxes

Income taxes in México -

Mexican entities are subject to income tax ("ISR")

ISR -The rate was 30% in 2017, 2016 and 2015 and thereafter.

Income taxes in other countries -

Subsidiaries established abroad calculate the income tax on the individual results of each subsidiary and in accordance with the regulations of each country. USA has an authorization to file a consolidated income tax return. Spain has authorization to file a consolidated income tax beginning from the year 2013.

Each company calculates and pays under the assumption of individual legal entities. The annual tax return is submitted within six months following the end of the fiscal year; companies must make monthly payments during the fiscal year.

The tax rates applicable in other countries where the Entity mainly operates and the period in which tax losses may be applied, are as follows:

	Legal tax rate (%)					Due date tax loss
	2017		2016		2015	Carryforward
Argentina	30	(a)	35		35	5 (b)
Brazil	34		34		34	(c)
Canada	15	(d)	15	(d)	15	20
Spain	25	(e)	25	(e)	28	(f)
USA	21	(g)	35	(g)	35	(h)
Mexico	30		30		30	10

Tax losses caused by the Entity are mainly in the USA, Mexico, Brazil and Spain.

a) In December 2017, a fiscal reform was approved in Argentina, which reduced the federal corporate rate from 35% to 30% applicable for 2018 and 2019. In 2020, tax rate will be 25%.

b) Losses on sales of shares or other equity investments may only be offset against income of the same nature. The same applies to losses on derivatives. Foreign source tax losses may only be amortized with income from foreign sources.

c) Tax losses may be applied indefinitely, but may only be offset each year up to an amount equivalent to 30% of the net taxable profit for each year.

d) The general corporate income tax rate is a combination of the federal corporate income tax rate, of 15%, and relevant state (provincial) corporate income tax rates, where the Entity has a permanent establishment. State tax rates vary from 10% to 16%. Therefore, the combined tax rate may vary from 25% to 31%.

e) In November 2014, the tax rate was reduced to 28% for 2015, and 25% for the following years.

f) Tax losses have no expiration date, however but its application is limited to 25% of the net fiscal profit of the year.

g) In December 2017, a fiscal reform was approved in the USA, which reduced the federal corporate rate from 35% to 21% applicable from 2018.

h) Derived from the fiscal reform, the tax losses do not expire, however, its amortization was limited to 80% of the tax profit generated in the period.

Operations in the USA, Canada Argentina, Colombia, Guatemala, Panama, Honduras, Nicaragua and Ecuador are subject to minimum payments of income tax.

Details of provisions, effective tax rate and deferred effects

a. Income tax in profit and loss:

	2017	2016	2015
Income tax:			
Current	$ 4,444	$ 4,703	$ 3,884
Deferred	1,838	2,142	179
	$ 6,282	$ 6,845	$ 4,063

b. The reconciliation of the statutory and effective ISR rates in Mexico expressed as a percentage of income before taxes on income for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Income before taxes	$ 11,951	$ 13,613	$ 9,978
Statutory rate in Mexico	30%	30%	30%
ISR at statutory tax rate	3,585	4,084	2,993
Add (less) tax effects of the following items:			
Effects of fiscal reform in USA	706		
Inflationary effects on the monetary financial position	772	209	246
Nondeductible expenses, nontaxable revenues and other	237	967	575

	2017	2016	2015
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	310	156	(106)
Effects on the tax base values of property, plant and equipment	(243)	(130)	(137)
Participation in the results of associates	(70)	(37)	(14)
Change in unrecognized tax benefits	985	1,596	506
Income tax recognized in profit or loss	$ 6,282	$ 6,845	$ 4,063
Effective tax rate	52.6%	50.3%	40.7%

For the calculation of the deferred tax of the United States, the recognition of the active and passive positions as of December 31, 2017, was prepared considering the rate change from 35% to 21% in accordance with the provisions of IAS 12.

The impact of the change in rate resulted in an accounting register in results (without effect on cash flow) of $ 706 related to the operations of the United States

To determine deferred ISR at December 31, 2017, 2016 and 2015, entities applied the tax rates expected to be in effect to temporary differences, based on the estimated reversal date of the temporary difference.

Certain companies that have tax losses have not recognized the deferred benefit as they do not believe they have projections of sufficient taxable income in order to recover the benefit of such losses. Unrecognized benefits were $11,237 in 2017, $8,301 in 2016 and $3,007 in 2015.

The main items originating a deferred income tax asset as of December 31, 2017, 2016 and 2015 are:

	December 31, 2016	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2017
Allowance for doubtful accounts	$ (402)	$ 200	$	$ -	$ -	$ (202)
Inventories and payments in advance	(62)	(25)	-	-	(5)	(92)
Property, plant and equipment	6,260	(1,968)	-	-	399	4,691
Intangible and other assets	12,491	(4,168)	-	-	752	9,075
Other reserves	(15,450)	5,775	11	-	(154)	(9,818)
Employee profit sharing	(335)	(35)	-	-	-	(370)
Tax loss carry forwards	(7,648)	3,346	-	-	(71)	(4,373)
Derivative financial instruments	-	(1,033)	1,033	-	-	-
Other items	319	(254)	297	(879)	-	(517)
Total (assets) liability, net	$ (4,827)	$ 1,838	$ 1,341	$ (879)	$ 921	$ (1,606)

	December 31, 2015	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2016
Allowance for doubtful accounts	$ (335)	$ (67)	$ -	$ -	$ -	$ (402)
Inventories and payments in advance	(33)	(29)	-	-	-	(62)
Property, plant and equipment	4,367	1,893	-	-	-	6,260
Intangible and other assets	9,928	2,563	-	-	-	12,491
Other reserves	(13,396)	(1,791)	(263)	-	-	(15,450)
Employee profit sharing	(313)	(22)	-	-	-	(335)
Tax loss carry forwards	(7,962)	314	-	-	-	(7,648)
Derivative financial instruments	-	(230)	230	-	-	-
Other items	398	(489)	(115)	525	-	319
Total (assets) liability, net	$ (7,346)	$ 2,142	$ (148)	$ 525	$ -	$ (4,827)

	December 31, 2014	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2015
Allowance for doubtful accounts	$ (321)	$ (14)	$ -	$ -	$ -	$ (335)
Inventories and payments in advance	(12)	(21)	-	-	-	(33)
Property, plant and equipment	4,460	(349)	-	-	256	4,367
Intangible and other assets	8,317	1,436	-	-	175	9,928
Other reserves	(12,614)	(1,033)	315	-	(64)	(13,396)
Employee profit sharing	(318)	5	-	-	-	(313)
Tax loss carry forwards	(5,444)	(2,518)	-	-	-	(7,962)
Derivative financial instruments	-	2,121	(2,121)	-	-	-
Other items	603	552	(345)	(412)	-	398
Total (assets) liability, net	$ (5,329)	$ 179	$ (2,151)	$ (412)	$ 367	$ (7,346)

The deferred income tax assets and liabilities have not been offset in the accompanying consolidated statements of financial position as they result from different taxable entities and tax authorities. Gross amounts are as follows:

	2017	2016	2015
Deferred income tax asset	$ (6,288)	$ (9,779)	$ (10,705)
Deferred income tax liability	4,682	$4,952	3,359
Total asset, net	$ (1,606)	$ (4,827)	$ (7,346)

c. As of December 31, 2017, tax loss carried forwards, pending amortization against future income taxes, expire as follows:

Years	Amount
2018	$ 293
2019	362
2020	1,000
2021	1,537
2022	1,038
2023	274
2024	109
2025	7,802
2026	9,832
2027	149
2028 and thereafter	33,328
	55,724
Unrecognized tax losses	(39,293)
Total	$ 16,431

18. Other accounts payable and accrued liabilities

	2017	2016	2015
Other payables:			
Other payables taxes	$ 3,074	$ 2,808	$ 2,199
Other accounts payable	1,702	1,597	1,456
	$ 4,776	$ 4,405	$ 3,655
Accrued liabilities:			
Staff remunerations and bonuses	$ 9,392	$ 9,989	$ 7,354
Fees and consulting	1,983	1,265	1,273
Advertising and promotions	1,973	1,740	1,228
Contingencies	1,738	883	378
Interest and bank fees	1,254	706	481
Supplies and fuels	1,109	1,302	907
Insurance and bonds	553	570	524
Miscellaneous taxes	191	884	71
Others	569	516	374
	$ 23,538	$ 22,260	$ 16,245

19. Cost and expenses by nature

Cost of sales and distribution, selling, administrative, and other general expenses presented on the consolidated statements of income, are comprised as follows:

	2017	2016	2015
Cost of sales			
Raw materials and manufacturing expenses	$ 116,635	$ 107,238	$ 95,008
Freight, fuel and maintenance	3,019	3,800	3,053
Depreciation	5,109	4,960	4,360
	$ 124,763	$ 115,998	$ 102,421

	2017	2016	2015
Distribution, selling, administrative and other expenses			
Wages and salaries	$ 56,834	$ 54,363	$ 41,229
Depreciation	2,523	2,330	2,078
Freight, fuel and maintenance	20,355	8,627	5,660
Professional services and consulting	8,211	18,324	13,358
Advertising and promotional expenses	10,365	9,738	7,935
Other	26,992	24,677	32,384
	$ 125,280	$ 118,059	$ 102,644

20. Other general expenses

a. Other general expenses are comprised as follows:

	2017	2016	2015
Tax incentives	$ (24)	$ (26)	$ (78)
Loss on sale of property, plant and equipment	389	(302)	124
Impairment of goodwill	389	575	991
Impairment of brand and distribution rights	61	613	430
Impairment fixed assets	95	-	418
Recovery on claims	(198)	(111)	-
Provision for updating MEPPs	89	473	359
Others	361	1,014	(76)
	$ 1,162	$ 2,236	$ 2,168

21. Commitments

Guarantees and/or guarantors

a. Grupo Bimbo, S.A.B. de C.V. along with certain subsidiary companies have issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain subsidiaries. The value of such letters of credit at December 31, 2017, 2016 and 2015 are US$301, US$366 and US$344 million, respectively. Additionally, the Entity maintains collateral guarantees associated with its subsidiaries for US $ 4.9 million.

b. The Entity entered into contracts, which requires it to acquire certain amounts of renewable energy for an 18-year period at a fixed price that will be updated according to changes in the INPC factors for the first 15 years. Even though the contracts have derivative financial instruments characteristics, they fall within the exception of "own-use"; therefore, they are recognized in the consolidated financial statements as the consumption of energy occurs. The estimated commitment to purchase energy in 2018 amounts to $319, and is to be updated annually based on inflation, for the remaining 13 years of the contract.

Lease commitments

The Entity has long–term commitments under operating leases, related to the facilities used to produce, distribute and sell its products. These commitments vary from 3 to 15 years, with a renewal option of between one and five years. Certain leases require the Entity to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. The Entity incurred on lease expense for $5,754, $4,861 and $4,136 for the years ended December 31, 2017, 2016 and 2015, respectively. The total amount of future minimum lease commitments is as follows:

Years	Operating leases	Finance leases Non-controlling Interest
2018	$ 3,467	$ 881
2019	2,880	754
2020	2,270	600
2021	1,751	421
2022	1,308	270
2023 and thereafter	4,854	115
Total minimum lease payments	16,530	3,041
Amounts representing interest	-	(550)
Present value of net minimum lease payments	$ 16,530	$ 2,491

22. Contingencies

Certain contingencies exist, of varying nature, that have arisen in the normal course of business of the Entity, for which management has evaluated the likelihood of loss as remote, probable or possible. Based on such evaluation, for those contingencies for which the Entity believes it is probable it will be required to use future resources to settle its obligation, the Entity has accrued the following amounts generated mainly in Latin America:

Type	Amount
Labor-related	$ 485
Tax-related	890
Civil-related	42
Other	321
Total	$ 1,738

Those contingencies for which management does not believe it is probable that it will be required to use future resources to settle its obligations and that are not expected to have a material adverse effect are not accrued until other information becomes available to support the recognition of a liability.

The Entity has restricted cash of $284 and pledged certain assets in Brazil amounting to an additional $676 as a guarantee of certain tax contingencies, which are presented in other long–term assets.

Derived from the purchase of property, plant and equipment elements and intangible assets in Brazil related to the Firenze brand in 2008, the Entity is subject to tax liens as a presumed successor to companies that participate in these actions. The court issued, inter alia, a precautionary measure ordering the restriction of part of the accounts receivable for the sale of brand products "Firenze". The Entity has guaranteed the ongoing tax litigation, through cash deposits and assets for $284 and $512, respectively. Collateral deposits are presented within other long-term assets. As of December 31, 2017, $53 has been provisioned from the fees accrued by the legal advisors for the monitoring and control of litigation related to the indicated brand. It is expected that these legal issues will be resolved in the medium term. The legal advisors estimate that the resolution of said litigation is favorable to Bimbo do Brasil.

23. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four geographical zones: Mexico, North America, Latin America and Europe. Segment revenue is comprised of bread (for all segments) and confectionery products (Mexico and USA only)

The following presents the condensed financial information by reportable segment based on the geographical areas in which the Entity operates for the years ended December 31, 2017, 2016 and 2015:

	2017					
	Mexico	North America	Latin America	EAA	Consolidation eliminations	Total
Net sales	$ 90,367	$ 137,662	$ 28,602	$ 18,658	$ (7,774)	$ 267,515
Operating income (loss) (*)	$ 13,753	$ 7,701	$ (1,284)	$ (2,395)	$ (303)	$ 17,472
Depreciation, amortization, impairment and other non-cash	$ 2,198	$ 4,941	$ 1,835	$ 823	$ 20	$ 9,817
EBITDA (*)(**)	$ 15,951	$ 12,642	$ 551	$ (1,572)	$ (283)	$ 27,289
Net income of controlling stockholders	$ 7,284	$ 1,946	$ (3,001)	$ (3,025)	$ 1,425	$ 4,629
Interest income	$ (550)	$ (169)	$ (39)	$ (16)	$ 460	$ (314)
Interest expense	$ 4,449	$ 1,459	$ 377	$ 47	$ (460)	$ 5,872
Total assets	$ 60,640	$ 145,155	$ 23,265	$ 31,822	$ (1,633)	$ 259,249
Total liabilities	$ 111,896	$ 52,016	$ 9,409	$ 9,723	$ (819)	$ 182,225

	2016					
	Mexico	North America	Latin America	EAA	Consolidation eliminations	Total
Net sales	$ 81,455	$ 135,219	$ 29,100	$ 12,607	$ (6,240)	$ 252,141
Operating income (loss) (*)	$ 13,141	$ 7,161	$ (2,453)	$ (351)	$ 586	$ 18,084
Depreciation, amortization, impairment and other non-cash	$ 2,379	$ 5,572	$ 2,733	$ 530	$ -	$ 11,214
EBITDA (*)(**)	$ 15,520	$ 12,733	$ 280	$ 179	$ 586	$ 29,298
Net income of controlling stockholders	$ 6,606	$ 2,370	$ (3,596)	$ (940)	$ 1,458	$ 5,898
Interest income	$ (459)	$ (162)	$ (70)	$ (133)	$ 575	$ (249)
Interest expense	$ 4,096	$ 1,463	$ 439	$ 63	$ (575)	$ 5,486
Total assets	$ 47,837	$ 154,417	$ 27,080	$ 17,188	$ (1,356)	$ 245,165
Total liabilities	$ 98,880	$ 56,398	$ 10,535	$ 5,757	$ (1,511)	$ 170,089

	2015					
	Mexico	North America	Latin America	EAA	Consolidation eliminations	Total
Net sales	$ 75,597	$ 116,399	$ 24,272	$ 8,258	$ (5,340)	$ 219,186
Operating income (loss) (*)	$ 111,236	$ 5,024	$ (1,310)	$ (917)	$ 88	$ 14,121
Depreciation, amortization, impairment and other non-cash	$ 2,294	$ 4,641	$ 1,829	$ 484	$ -	$ 9,248
EBITDA (*)(**)	$ 13,530	$ 9,665	$ 519	$ (433)	$ 88	$ 23,369
Net income of controlling stockholders	$ 5,827	$ 1,462	$ (1,662)	$ (1,222)	$ 766	$ 5,171
Interest income	$ (372)	$ (190)	$ (30)	$ (181)	$ 561	$ (212)
Interest expense	$ 3,527	$ 1,221	$ 361	$ 15	$ (548)	$ 4,576
Total assets	$ 42,528	$ 130,148	$ 19,332	$ 8,745	$ (1,120)	$ 199,633
Total liabilities	$ 82,525	$ 45,890	$ 6,690	$ 3,224	$ (555)	$ 137,774

(*) Amount does not include intercompany royalties.
(**) The Entity determines EBITDA as operating income plus depreciation, amortization, impairment and other cash items.

For the years ended December 31, 2017, 2016 and 2015 the sales to its largest customer represented 12%, 13% and 11.8% respectively of consolidated net sales of the Entity, which corresponds mainly to the regions of Mexico and the US and Canada. There are no other customers whose sales exceed 10% of total consolidated sales.

24. Subsequent event

In February 12, 2018 Grupo Bimbo announced an agreement to acquire Mankattan Group ("Mankattan"), a key participant in the baking industry in China.

Mankattan employs 1,900 associates and operates four plants that serve the thriving urban markets of Beijing, Shanghai, Sichuan, and Guangdong, along with their surrounding areas. Its portfolio includes bread, pastries and yudane (a Japanese style sandwich bread), as well as other bakery products that are distributed through the traditional and modern channel and fast food restaurants.

This transaction is still subject to the satisfaction of customary closing conditions, including regulatory approvals.

25. Consolidated Financial statements issuance authorization

On March 12, 2018 the issuance of the accompanying consolidated financial statements was authorized by Lic. Daniel Servitje Montull, Chief Executive Officer, and the Board of Directors of the Entity. Consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the Entity stockholders' approval at the General Stockholders' meeting, where they may be modified, based on provisions set forth by Mexican General Corporate Law.

* * * * * *

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
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Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

12 de marzo de 2018

Al Consejo de Administración de
Grupo Bimbo, S. A. B. de C. V.
Prolongación Paseo de la Reforma No. 1000
Col. Peña Blanca Santa Fe
Del. Álvaro Obregón
01210 Ciudad de México

Estimados señores:

En relación con lo dispuesto en el artículo 84 Bis de las Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores, publicadas en el Diario Oficial de la Federación el 19 de marzo de 2003, y sus modificaciones al 11 de agosto de 2017 (la "Circular Única de Emisoras"), y de acuerdo al contrato de prestación de servicios profesionales que celebré el 19 de julio de 2017 con el Lic. Daniel Servitje Montull en representación de la administración de Grupo Bimbo, S. A. B. de C. V. y Subsidiarias (la Emisora) para realizar la auditoría de los estados financieros consolidados al 31 de diciembre de 2017, 2016 y 2015 y por los años que terminaron en esas fechas, manifiesto lo siguiente:

Mi consentimiento para que la Emisora incluya en la información anual a que hacen referencia el artículo 33, fracción I, inciso b), numeral 1, y el artículo 36, fracción I, inciso c), de la Circular Única de Emisoras, el dictamen sobre los estados financieros que al efecto emití. Lo anterior, en el entendido de que previamente deberé cerciorarme de que la información contenida en los estados financieros incluidos en el reporte anual de que se trate, así como cualquier otra información financiera incluida en dicho documento cuya fuente provenga de los mencionados estados financieros o del dictamen que al efecto presente, coincida con la dictaminada, con el fin de que dicha información sea hecha del conocimiento público.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro de Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Alejandro González Anaya
12 de marzo de 2018

Ciudad de México, a 22 de marzo de 2018

Al Consejo de Administración de Grupo Bimbo, S.A.B. de C.V.

Muy señores míos.

Para dar cumplimiento a lo dispuesto en la Ley del Mercado de Valores, los estatutos de la Sociedad y el Reglamento del Comité de Auditoría y Prácticas Societarias de Grupo Bimbo, S.A.B. de C.V. (el "Grupo", la "sociedad", la "compañía"), rindo a ustedes el informe de las actividades que llevó a cabo el Comité de Auditoría y Prácticas Societarias (el "Comité") en el transcurso del año terminado el 31 de diciembre de 2017. Durante el desarrollo de nuestro trabajo tuvimos presentes las recomendaciones establecidas en el Código de Mejores Prácticas Corporativas.

Con base en el programa de trabajo previamente aprobado, el Comité se reunió en ocho ocasiones en el año, y desahogamos los temas que por disposición legal estamos obligados y llevamos a cabo las actividades que describo enseguida:

Control Interno

Nos cercioramos que la Administración haya establecido los lineamientos generales en materia de control interno así como los procesos necesarios para su aplicación y cumplimiento, con la ayuda tanto de los Auditores Internos como Externos. Adicionalmente, dimos seguimiento a las observaciones que al respecto desarrollaron ambos cuerpos de auditoría en cumplimiento de su trabajo.

Los responsables por parte de la Administración nos presentaron los planes de acción correspondientes a las observaciones derivadas de las auditorías internas, de tal manera que el contacto con ellos fue frecuente y sus respuestas satisfactorias.

Código de Ética

Con el apoyo tanto de Auditoría Interna como de otras instancias de la compañía, nos cercioramos del grado de cumplimiento, por parte de su personal, del Código de Ética vigente del Grupo.

Conocimos los resultados y temas sobresalientes en la línea de contacto para los colaboradores del Grupo. La Administración nos hizo saber de las acciones que tomaron en tales casos.

Auditoría Externa

La firma de auditores externos que presta los servicios relativos, es la misma que en años anteriores y de igual forma, es una sola en todos los países en los que la compañía opera, excepto por las recientes adquisiciones durante 2017 en India y el negocio denominado Bimbo QSR, en donde se apoyaron del trabajo de otras firmas, quienes reportaron resultados de sus auditorías a la firma Deloitte para la consolidación de sus cifras en los estados financieros de Grupo Bimbo, S.A.B. de C.V. y Subsidiarias.

Aprobamos los honorarios correspondientes de estos servicios, incluyendo los relativos a los adicionales por el crecimiento del Grupo y otros servicios permitidos. Nos aseguramos que dichos pagos no interfirieran con su independencia.

Los auditores externos nos expusieron, y el Comité aprobó, su enfoque y programa de trabajo y las áreas de interacción con la Dirección de Auditoría Interna del Grupo.

Mantuvimos comunicación directa y estrecha con los auditores externos y trimestralmente nos dio a conocer los avances de su trabajo, las observaciones que tuvieron y tomamos nota de sus comentarios sobre los estados financieros trimestrales y anuales. Conocimos oportunamente sus conclusiones e informes sobre los estados financieros anuales.

Adicionalmente, evaluamos los servicios que prestó la firma de auditores externo, correspondientes al año 2017 y conocimos oportunamente los estados financieros preliminares.

Por último, durante el 2017 se llevó a cabo el concurso para elegir al auditor externo por el quinquenio 2018 – 2022, así como la elección del asesor en materia de Precios de Transferencia, en el cual participaron las firmas Big 4: Deloitte, KPMG, EY y PwC, siendo EY el elegido para ser el auditor externo, y PwC el asesor en materia de Precios de Transferencia.

Auditoría Interna

Revisamos y aprobamos el programa anual de trabajo para el año 2017, así como el presupuesto para llevar a cabo las actividades del área.

En cada una de las sesiones de este Comité, recibimos y aprobamos los informes periódicos relativos al avance del programa de trabajo aprobado.

Dimos seguimiento a las observaciones y sugerencias que hizo Auditoría Interna y nos cercioramos que la Administración solucionara las desviaciones de control interno señaladas, por lo que consideramos que el estado que guarda dicho sistema es razonablemente correcto.

Autorizamos el plan anual de capacitación para el personal del área y nos cercioramos de su efectividad. En dicho plan participan activamente diversas firmas de profesionales especializados, de tal manera que los temas cubiertos mantienen actualizados a los integrantes de esta función.

Revisamos y dimos seguimiento al programa de transformación de la función de Auditoría Interna, que fue puesto en marcha para lograr su fortalecimiento.

Información Financiera y Políticas Contables

En conjunto con las personas responsables de la preparación de los estados financieros trimestrales y anuales de la sociedad, los conocimos, revisamos y recomendamos al Consejo de Administración su aprobación y otorgamos la autorización para ser publicados. Para llevar a cabo este proceso tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con apoyo de los auditores internos y externos y para opinar sobre los estados financieros nos cercioramos que los criterios, políticas contables y la información financiera fueran adecuados y suficientes y se hayan aplicado en forma consistente con el ejercicio anterior, considerando los cambios aplicables tanto en el año como para el año anterior, relacionados con las Normas Internacionales de Información Financiera. En consecuencia, la información presentada por la Administración refleja en forma razonable la situación financiera, los resultados de la operación, las variaciones en el capital contable y los flujos de efectivo de la Sociedad.

Cumplimiento de la Normatividad y Leyes Aplicables. Contingencias

Nos aseguramos de la existencia y confiabilidad de los controles internos establecidos por la empresa para dar cabal cumplimiento con las diferentes disposiciones legales a que está sujeta, cerciorándonos que estuviese adecuadamente reveladas en la información financiera. Todo lo anterior con el apoyo de los auditores internos y externos.

Al cierre de cada trimestre revisamos las diversas contingencias fiscales, legales y laborales existentes en la empresa y nos cercioramos que el procedimiento establecido para identificarlas fuera integral y se siguiera consistentemente, para que la Administración tuviera los elementos para su oportuno y adecuado seguimiento. El Comité de Riesgos de la Administración nos informó que la metodología que sigue para determinar y evaluar los riesgos relevantes que enfrenta el Grupo y nos cercioramos que estuvieran siendo

monitoreados y gestionados en su caso, así como que estuvieran considerados en los planes de trabajo de los auditores internos.

La Administración nos expuso los lineamientos principales que rigen la política de anticorrupción, así como los planes de difusión y validación de su cumplimiento, los cuales encontramos adecuados.

Cumplimiento de otras Obligaciones

Llevamos a cabo reuniones con los directivos y funcionarios de la Administración que consideramos necesarias para mantenernos informados de la marcha de la Sociedad y las actividades y eventos relevantes y poco usuales.

Tuvimos conocimiento de los asuntos significativos que pudieran implicar posibles incumplimientos a las políticas de operación, sistema de control interno y políticas de registro contable, asimismo, fuimos informados sobre las medidas correctivas tomadas en cada uno de ellos, encontrándolas satisfactorias.

No juzgamos necesario solicitar el apoyo y opinión de expertos independientes pues los asuntos tratados en cada sesión fueron debidamente sustentados por la información relativa y por tanto las conclusiones a las que llegamos fueron satisfactorias para los consejeros miembros del Comité.

Operaciones con Partes Relacionadas

Revisamos y recomendamos al Consejo para su aprobación, de todas y cada una de las operaciones con partes relacionadas que requieren de aprobación por el Consejo de Administración por el ejercicio 2017, así como las operaciones recurrentes que se proyectan celebrar durante el ejercicio de 2018 y que requieren de aprobación por el Consejo de Administración.

Evaluación de la Administración

Revisamos y recomendamos al Consejo para su aprobación la designación, evaluación y retribución del Director General, así como de los directivos que conforman el Comité Ejecutivo para el ejercicio de 2017.

En mi calidad de Presidente del Comité de Auditoría y Prácticas Societarias, reporté al Consejo de Administración las actividades que desarrollamos colegiadamente al interior de dicho órgano.

Los trabajos que llevamos a cabo, quedaron debidamente documentados en actas preparadas en cada reunión, las cuales fueron revisadas y aprobadas oportunamente por los integrantes del Comité.

Atentamente,

Edmundo Vallejo Venegas
Presidente del Comité de Auditoría y Prácticas Societarias
de Grupo Bimbo, S. A. B. de C. V.

México, D. F., a 18 de abril de 2017

Al Consejo de Administración de
Grupo Bimbo, S. A. B. de C. V.

Muy señores míos:

Para dar cumplimiento a lo dispuesto en la Ley del Mercado de Valores, los estatutos de la Sociedad y el Reglamento del Comité de Auditoría y de Prácticas Societarias de Grupo Bimbo, S. A. B. de C. V. ("el Grupo", "la compañía", "la sociedad"), rindo a ustedes el informe de las actividades que llevó a cabo el Comité de Auditoría y Prácticas Societarias ("el Comité") en el transcurso del año terminado el 31 de diciembre de 2016. Durante el desarrollo de nuestro trabajo tuvimos presentes las recomendaciones establecidas en el Código de Mejores Prácticas Corporativas.

Con base en el programa de trabajo previamente aprobado, el Comité se reunió en cinco ocasiones en el año, y desahogamos los temas que por disposición legal estamos obligados y llevamos a cabo las actividades que describo enseguida:

CONTROL INTERNO

Nos cercioramos que la Administración haya establecido los lineamientos generales en materia de control interno así como los procesos necesarios para su aplicación y cumplimiento, con la ayuda tanto de los Auditores Internos como Externos. Adicionalmente, dimos seguimiento a las observaciones que al respecto desarrollaron ambos cuerpos de auditoría en el cumplimiento de su trabajo.

Los responsables por parte de la Administración nos presentaron los planes de acción correspondientes a las observaciones derivadas de las auditorías internas, de tal manera que el contacto con ellos fue frecuente y sus respuestas satisfactorias.

CÓDIGO DE ÉTICA

Con el apoyo tanto de Auditoría Interna como de otras instancias de la compañía, nos cercioramos del grado de cumplimiento, por parte de su personal, del Código de Ética vigente en el Grupo.

Conocimos los resultados y temas sobresalientes en la línea de contacto para los colaboradores del Grupo. La Administración nos hizo saber de las acciones que tomaron en tales casos.

AUDITORÍA EXTERNA

La firma de auditores externos que presta los servicios relativos, es la misma que en años anteriores y de igual forma, es una sola en todos los países en los que la compañía opera.

Aprobamos los honorarios correspondientes a estos servicios, incluyendo los relativos a los adicionales por el crecimiento del Grupo y otros servicios permitidos. Nos aseguramos que dichos pagos no interfirieran con su independencia.

Los auditores externos nos expusieron, y el Comité aprobó, su enfoque y programa de trabajo y las áreas de interacción con la Dirección de Auditoría Interna del Grupo.

Mantuvimos comunicación directa y estrecha con los auditores externos y trimestralmente nos dieron a conocer los avances de su trabajo, las observaciones que tuvieran y tomamos nota de sus comentarios sobre los estados financieros trimestrales y anuales. Conocimos oportunamente sus conclusiones e informes sobre los estados financieros anuales.

Por último, evaluamos los servicios que prestó la firma de auditores externos, correspondientes al año 2016 y conocimos oportunamente los estados financieros preliminares.

AUDITORÍA INTERNA

Revisamos y aprobamos el programa anual de trabajo para el año 2016 así como el presupuesto para llevar a cabo las actividades del área.

En cada una de las sesiones de este Comité, recibimos y aprobamos los informes periódicos relativos al avance del programa de trabajo aprobado.

Dimos seguimiento a las observaciones y sugerencias que hizo Auditoría Interna y nos cercioramos que la Administración solucionara las desviaciones de control interno señaladas, por lo que consideramos que el estado que guarda dicho sistema es razonablemente correcto.

Autorizamos el plan anual de capacitación para el personal del área y nos cercioramos de su efectividad. En dicho plan participan activamente diversas firmas de profesionales especializados, de tal manera que los temas cubiertos mantienen actualizados a los integrantes de esta función.

Revisamos y dimos seguimiento al programa de transformación de la función de Auditoría Interna, que fue puesto en marcha para lograr su fortalecimiento.

INFORMACIÓN FINANCIERA Y POLÍTICAS CONTABLES

En conjunto con las personas responsables de la preparación de los estados financieros trimestrales y anuales de la sociedad, los conocimos, revisamos y recomendamos al Consejo de Administración su aprobación y otorgamos la autorización para ser publicados. Para llevar a cabo este proceso tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con apoyo de los auditores internos y externos y para opinar sobre los estados financieros nos cercioramos que los criterios, políticas contables y la información utilizados por la Administración para preparar la información financiera fueran adecuados y suficientes y se hayan aplicado en forma consistente con el ejercicio anterior, considerando los cambios aplicables tanto en el año como para el año anterior, relacionados con las Normas Internacionales de Información Financiera. En consecuencia, la información presentada por la Administración refleja en forma razonable la situación financiera, los resultados de la operación, las variaciones en el capital contable y los flujos de efectivo de la Sociedad.

CUMPLIMIENTO DE LA NORMATIVIDAD Y LEYES APLICABLES, CONTINGENCIAS

Nos aseguramos de la existencia y confiabilidad de los controles internos establecidos por la empresa para dar cabal cumplimiento de las diferentes disposiciones legales a que está sujeta, cerciorándonos que estuviesen adecuadamente reveladas en la información financiera. Todo lo anterior con el apoyo de los auditores internos y externos.

Al cierre de cada trimestre revisamos las diversas contingencias fiscales, legales y laborales existentes en la empresa y nos cercioramos que el procedimiento establecido para identificarlas fuera integral y se siguiera consistentemente, para que la Administración tuviera los elementos para su oportuno y adecuado seguimiento.

El Comité de Riesgos de la Administración nos informó de la metodología que sigue para determinar y evaluar los riesgos relevantes que enfrenta el Grupo y nos cercioramos que estuvieran siendo monitoreados y gestionados en su caso, así como que estuvieran considerados en los planes de trabajo de los auditores internos.

La Administración nos expuso los lineamientos principales que rigen la política de anticorrupción, así como los planes de difusión y validación de su cumplimiento, los cuales encontramos adecuados.

CUMPLIMIENTO DE OTRAS OBLIGACIONES

Llevamos a cabo las reuniones con los directivos y funcionarios de la Administración que consideramos necesarias para mantenernos informados de la marcha de la Sociedad y las actividades y eventos relevantes y poco usuales.

Tuvimos conocimiento de los asuntos significativos que pudieron implicar posibles incumplimientos a las políticas de operación, sistema de control interno y políticas de registro contable, así mismo, fuimos informados sobre las medidas correctivas tomadas en cada uno de ellos, encontrándolas satisfactorias.

No juzgamos necesario solicitar el apoyo y opinión de expertos independientes pues los asuntos tratados en cada sesión fueron debidamente sustentados por la información relativa y por tanto las conclusiones a las que llegamos fueron satisfactorias para los consejeros miembros del Comité.

OPERACIONES CON PARTES RELACIONADAS

Revisamos y recomendamos al Consejo para su aprobación, todas y cada una de las operaciones con partes relacionadas que requieren de aprobación por el Consejo de Administración por el ejercicio de 2016, así como las operaciones recurrentes que se proyectan celebrar durante el ejercicio de 2017 y que requieren de aprobación por el Consejo de Administración.

EVALUACIÓN DE LA ADMINISTRACIÓN

Revisamos y recomendamos al Consejo para su aprobación la designación, evaluación y retribución del Director General, así como de los directivos que conforman el Comité Ejecutivo para el ejercicio de 2016.

En mi calidad de Presidente del Comité de Auditoría y Prácticas Societarias, reporté al Consejo de Administración las actividades que desarrollamos colegiadamente al interior de dicho órgano.

Los trabajos que llevamos a cabo, quedaron debidamente documentados en actas preparadas de cada reunión las cuales, fueron revisadas y aprobadas oportunamente por los integrantes del Comité.

A t e n t a m e n t e,

Edmundo Vallejo Venegas
Presidente del Comité de Auditoría y Prácticas Societarias de
Grupo Bimbo, S. A. B. de C. V.

México, D. F., a 11 de abril de 2016.

Al Consejo de Administración de
Grupo Bimbo, S. A. B. de C. V.

Muy señores míos,

Para dar cumplimiento a lo dispuesto en la Ley del Mercado de Valores, los estatutos de la Sociedad y el Reglamento del Comité de Auditoría y de Prácticas Societarias de Grupo Bimbo, S. A. B. de C. V. ("el Grupo", "la compañía", "la sociedad"), rindo a ustedes el informe de las actividades que llevó a cabo el Comité de Auditoría y Prácticas Societarias ("el Comité") en el transcurso del año terminado el 31 de diciembre de 2015. Durante el desarrollo de nuestro trabajo tuvimos presentes las recomendaciones establecidas en el Código de Mejores Prácticas Corporativas.

Con base en el programa de trabajo previamente aprobado, el Comité se reunió en cinco ocasiones en el año, y desahogamos los temas que por disposición legal estamos obligados y llevamos a cabo las actividades que describo enseguida:

CONTROL INTERNO

Nos cercioramos que la Administración haya establecido los lineamientos generales en materia de control interno así como los procesos necesarios para su aplicación y cumplimiento, con la ayuda tanto de los Auditores Internos como Externos. Adicionalmente, dimos seguimiento a las observaciones que al respecto desarrollaron ambos cuerpos de auditoría en el cumplimiento de su trabajo.

Los responsables por parte de la Administración nos presentaron los planes de acción correspondientes a las observaciones derivadas de las auditorías internas, de tal manera que el contacto con ellos fue frecuente y sus respuestas satisfactorias.

CÓDIGO DE ÉTICA

Con el apoyo tanto de Auditoría Interna como de otras instancias de la compañía, nos cercioramos del grado de cumplimiento, por parte de su personal, del Código de Ética vigente en el Grupo.

Conocimos los resultados y temas sobresalientes en la línea de contacto para los colaboradores del Grupo. La Administración nos hizo saber de las acciones que tomaron en tales casos.

AUDITORÍA EXTERNA

La firma de auditores externos que presta los servicios relativos, es la misma que en años anteriores y de igual forma, es una sola en todos los países en los que la compañía opera.

Aprobamos los honorarios correspondientes a estos servicios, incluyendo los relativos a los adicionales por el crecimiento del Grupo y otros servicios permitidos. Nos aseguramos que dichos pagos no interfirieran con su independencia.

Los auditores externos nos expusieron, y el Comité aprobó, su enfoque y programa de trabajo y las áreas de interacción con la Dirección de Auditoría Interna del Grupo.

Mantuvimos comunicación directa y estrecha con los auditores externos y trimestralmente nos dieron a conocer los avances de su trabajo, las observaciones que tuvieran y tomamos nota de sus comentarios sobre los estados financieros trimestrales y anuales. Conocimos oportunamente sus conclusiones e informes sobre los estados financieros anuales.

Por último, evaluamos los servicios que prestó la firma de auditores externos, correspondientes al año 2015 y conocimos oportunamente los estados financieros preliminares.

AUDITORÍA INTERNA

Revisamos y aprobamos el programa anual de trabajo para el año 2016 así como el presupuesto para llevar a cabo las actividades del área.

En cada una de las sesiones de este Comité, recibimos y aprobamos los informes periódicos relativos al avance del programa de trabajo aprobado.

Dimos seguimiento a las observaciones y sugerencias que hizo Auditoría Interna y nos cercioramos que la Administración solucionara las desviaciones de control interno señaladas, por lo que consideramos que el estado que guarda dicho sistema es razonablemente correcto.

Autorizamos el plan anual de capacitación para el personal del área y nos cercioramos de su efectividad. En dicho plan participan activamente diversas firmas de profesionales especializados, de tal manera que los temas cubiertos mantienen actualizados a los integrantes de esta función.

Revisamos y dimos seguimiento al programa de transformación de la función de Auditoría Interna, que fue puesto en marcha para lograr su fortalecimiento.

INFORMACIÓN FINANCIERA Y POLÍTICAS CONTABLES

En conjunto con las personas responsables de la preparación de los estados financieros trimestrales y anuales de la sociedad, los conocimos, revisamos y recomendamos al Consejo de Administración su aprobación y otorgamos la autorización para ser publicados. Para llevar a cabo este proceso tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con apoyo de los auditores internos y externos y para opinar sobre los estados financieros nos cercioramos que los criterios, políticas contables y la información utilizados por la Administración para preparar la información financiera fueran adecuados y suficientes y se hayan aplicado en forma consistente con el ejercicio anterior, considerando los cambios aplicables tanto en el año como para el año anterior, relacionados con las Normas Internacionales de Información Financiera. En consecuencia, la información presentada por la Administración refleja en forma razonable la

situación financiera, los resultados de la operación, las variaciones en el capital contable y los flujos de efectivo de la Sociedad.

CUMPLIMIENTO DE LA NORMATIVIDAD Y LEYES APLICABLES. CONTINGENCIAS

Nos aseguramos de la existencia y confiabilidad de los controles internos establecidos por la empresa para dar cabal cumplimiento de las diferentes disposiciones legales a que está sujeta, cerciorándonos que estuviesen adecuadamente reveladas en la información financiera. Todo lo anterior con el apoyo de los auditores internos y externos.

Al cierre de cada trimestre revisamos las diversas contingencias fiscales, legales y laborales existentes en la empresa y nos cercioramos que el procedimiento establecido para identificarlas fuera integral y se siguiera consistentemente, para que la Administración tuviera los elementos para su oportuno y adecuado seguimiento.

El Comité de Riesgos de la Administración nos informó de la metodología que sigue para determinar y evaluar los riesgos relevantes que enfrenta el Grupo y nos cercioramos que estuvieran siendo monitoreados y gestionados en su caso, así como que estuvieran considerados en los planes de trabajo de los auditores internos.

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EVALUACIÓN DE LA ADMINISTRACIÓN

Revisamos y recomendamos al Consejo para su aprobación la designación, evaluación y retribución del Director General, así como de los directivos que conforman el Comité Ejecutivo para el ejercicio de 2015.

En mi calidad de Presidente del Comité de Auditoría y Prácticas Societarias, reporté al Consejo de Administración las actividades que desarrollamos colegiadamente al interior de dicho órgano.

Los trabajos que llevamos a cabo, quedaron debidamente documentados en actas preparadas de cada reunión las cuales, fueron revisadas y aprobadas oportunamente por los integrantes del Comité.

A t e n t a m e n t e,

Henry David Sighoret
Presidente del Comité de Auditoría y Prácticas Societarias de
Grupo Bimbo, S. A. B. de C. V.

Grupo Bimbo, S. A. B. de C.V. and Subsidiaries

Consolidated Financial Statements for the years ended December 31, 2016, 2015 and 2014, and Independent Auditors' Report Dated March 20, 2017

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2016, 2015 and 2014.

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

Opinion

We have audited the consolidated financial statements of Grupo Bimbo, S. A. B. de C .V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2016, 2015 and 2014, and the consolidated statements of income, consolidated statements of income and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2016, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Basis for Opinion

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

Other matter

The consolidated financial statements have been translated into English for the convenience of readers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

Goodwill and intangible assets

Given the materiality of the balance of goodwill and the intangible assets which represent 46% of total assets as of December 31, 2016, we focused on the assumptions that the Entity considered to assess the recoverability of those amounts in light of any indicator of impairment in their value, inquiring and challenging the tests performed by management to determine the possible loss from impairment.

The Entity has determined the recoverable value of its cash generating units (UGE), based on the methods established in International Accounting Standard (IAS) 36 "Impairment in the value of the assets". If the recoverable value is lower than the book value of the assets, the assets would require an adjustment for impairment in value.

Management used the methods permitted under IAS 36, making estimates regarding future cash flows, discounted rates and growth rates based on management's viewpoint of the business's future outlook, and alternatively considered prices from an active market (Multiples of Comparable Companies) and recent transactions for a similar asset (Multiples of Previous Transactions), adjusting the fair value obtained for such UGE's through a related disposal or sale cost. The valuation of these assets is considered a key audit matter.

Audit response

Due to the significant judgments used in the valuation models for the determination of the recovery values, with the assistance of our valuation experts we questioned the premises and criteria used by management in such models by performing, among others, the following procedures:

- We conducted an independent assessment of the discount rates, growth trends and methodology used in the preparation of the impairment test model, and in the calculations of the market prices for similar assets.
- We tested the integrity and accuracy of the impairment models.
- We performed sensitivity tests of the impairment model for changes in the assumptions.
- We compared the real results of the budgeted figures to consider whether any assumption included in the projections might be viewed as overly optimistic.
- We considered the adequacy of the Entity's disclosures in relation to its impairment tests, sensitivity analyses and the variations in the key assumptions reflecting the risks of such assumptions.

The results of our audit tests, as well as the assumptions used by management to conduct this assessment, were satisfactory.

Deferred income tax asset

The Entity estimates the probability of generating a taxable basis for income tax in the future so as to utilize the deferred assets generated on the tax losses recognized in accordance with International Accounting Standard IAS 12 "Income taxes". There is a risk that the assumptions used by management to calculate the future cash flows will not be fulfilled, because this requires high-level judgment by management based on current and foreseeable conditions.

Audit response

Our audit procedures to cover the risk related to the assessment of the recoverability of deferred taxes were as follows:

We tested the fairness of the assumptions used by management in each of the countries where the Entity operates, which have deferred tax assets generated from tax losses, making comparisons with evidence obtained in our audit areas, including cash flow projections, business plans, meetings with management and our understanding of the business, to determine the recoverability of the tax losses.

The results of our audit tests, as well as the assumptions used by management to assess the recoverability of the deferred tax asset, were satisfactory.

Provisions and contingent liabilities for lawsuits and claims

Exposure to lawsuits and claims is greater in certain countries, apart from uncertainty in the outcome of lawsuits, which might have a significant impact if they were adverse rulings.

Management recognizes a provision based on the best estimate at the date of the consolidated financial statements, of the disbursement or outlay of economic resources necessary to discharge the present obligation, with the support of both internal and outside specialists.

Audit response

Given the significant judgments used by management to assess the best estimate in the provision for lawsuits and claims, we carried out the following procedures, among others:

- We met with the Entity's legal director, particularly at the end of the year, to discuss the nature of the current claims and to understand the origin of the provisions recorded and the disclosures made.
- We obtained from the auditors of the components the status of the claims in order to assess the estimate for the current lawsuits.
- We obtained confirmations from the Entity's outside lawyers.
- We reviewed the Entity's disclosures related to contingent liabilities.

The results of our audit tests were satisfactory.

Information different from the consolidated financial statements and the auditor's report

Management is responsible for the other information, which will include the information included in the annual report (but does not include the consolidated financial statements or our audit report). The annual report is expected to be available for consultation after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance thereon.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the other information, when it is available, and when we do so, to assess whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material misstatement. If based on the work performed we conclude that there is a material misstatement in the other information, we would have to report such event. We do not have anything to report in this matter.

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

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

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

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

Auditors´ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

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

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

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

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

We also provide those charged with governance of the Group with a statement that we have complied with relevant ethical requirements regarding independence, and we have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance of the Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C.P.C. Octavio Aguilar Hernández
March 20, 2017

Grupo Bimbo, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2016, 2015 and 2014
(In millions of Mexican pesos)

Assets	Notes	2016	2015	2014
Current assets:				
Cash and cash equivalents		$ 6,814	$ 3,825	$ 2,572
Accounts and notes receivable- net	6	24,069	19,047	19,028
Inventories- net	7	7,428	5,509	4,978
Prepaid expenses		806	861	695
Derivative financial instruments	14	305	885	386
Guarantee deposits for derivative financial instruments	14	1,140	1,501	18
Assets available for sale	9	148	502	188
Total current assets		40,710	32,130	27,865
Non-current assets:				
Notes receivable from independent operators		807	950	1,109
Property, plant and equipment- net	9	74,584	58,073	52,475
Investment in shares of associated companies	10	2,124	2,106	2,031
Derivative financial instruments	14	3,448	3,346	1,653
Deferred income taxes	18	9,779	10,705	8,709
Intangible assets- net	11	49,938	42,535	37,960
Goodwill	12	62,884	49,196	45,257
Other assets- net		891	592	702
Total assets		$ 245,165	$ 199,633	$ 177,761
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	13	$ 2,150	$ 8,282	$ 1,789
Trade accounts payable		16,652	13,146	11,867
Other accounts payable and accrued liabilities		19,881	14,046	12,432
Due to related parties	17	853	401	789
Income tax	18	3,851	2,845	3,232
Statutory employee profit sharing payable		1,185	1,110	1,114
Derivative financial instruments	14	372	3,208	673
Total current liabilities		44,944	43,038	31,896
Non-current liabilities:				
Long-term debt	13	80,351	59,479	60,415
Derivative financial instruments	14	3,352	1,707	1,540
Employee labor obligations and workers' compensation	15	30,488	25,932	23,292
Deferred income taxes	18	4,952	3,359	3,380
Other liabilities		6,002	4,259	3,636
Total liabilities		170,089	137,774	124,159
Stockholders' equity:	16			
Capital stock		4,227	4,227	4,227
Reserve for repurchase of shares		720	770	916
Retained earnings		56,915	52,146	46,975
Accumulated translation effects of foreign subsidiaries		10,259	2,107	(1,026)
Remeasurement effects of employee benefits		(101)	669	103
Valuation effects of cash flow hedges	14	(590)	(964)	(220)
Equity attributable to owners of the Entity		71,430	58,955	50,975
Non-controlling interests in consolidated subsidiaries		3,646	2,904	2,627
Total stockholders' equity		75,076	61,859	53,602
Total liabilities and stockholders' equity		$ 245,165	$ 199,633	$ 177,761

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2016, 2015 and 2014
(In millions of Mexican pesos, except earnings per common share)

	Notes	2016	2015	2014
Net sales		$ 252,141	$ 219,186	$ 187,053
Cost of sales	19	115,998	102,421	88,298
Gross profit		136,143	116,765	98,755
General expenses:				
Distribution and selling		96,395	84,245	71,862
Administrative		17,320	14,298	11,215
Integration costs		2,108	1,933	2,489
Other general expenses	20	2,236	2,168	2,877
	19	118,059	102,644	88,443
Operating income		18,084	14,121	10,312
Net financing costs				
Interest expense		5,486	4,576	3,692
Interest income		(249)	(212)	(271)
Exchange gain, net		5	18	(90)
Monetary position gain		(650)	(192)	(66)
		4,592	4,190	3,265
Equity in loss of associated companies		121	47	(61)
Income before income taxes		13,613	9,978	6,986
Income tax expense	18	6,845	4,063	2,955
Consolidated net income		$ 6,768	$ 5,915	$ 4,031
Net income attributable to owners of the Entity		$ 5,898	$ 5,171	$ 3,518
Net income attributable to non-controlling interests		$ 870	$ 744	$ 513
Basic and diluted earnings per common share		$ 1.25	$ 1.10	$ 0.75
Weighted average number of shares outstanding (000's)		4,703,200	4,703,200	4,703,200

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2016, 2015 and 2014
(In millions of Mexican pesos)

	2016	2015	2014
Consolidated net income	$ 6,768	$ 5,915	$ 4,031
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in actuarial gain (loss) on defined benefit plans of labor obligations	(1,032)	877	(1,411)
Income taxes relating to items that will not be reclassified	263	(315)	430
	(769)	562	(981)
Items that may be reclassified subsequently to profit or loss:			
Hedges of net investments in foreign operations, net	(10,853)	(7,109)	(5,463)
Exchange differences on translating foreign operations	18,763	8,121	6,974
Net fair value loss on hedging instruments entered into for cash flow hedges	602	(1,105)	(19)
Income taxes related to items that will be reclassified in the future	(115)	2,466	1,682
	8,397	2,373	3,174
Other comprehensive income for the year	7,628	2,935	2,193
Total comprehensive income for the year	$ 14,396	$ 8,850	$ 6,224
Comprehensive income attributable to owners of the Entity	$ 13,654	$ 8,126	$ 5,517
Comprehensive income attributable to non-controlling interests	$ 742	$ 724	$ 707

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2016, 2015 and 2014
(In millions of Mexican pesos)

	Capital stock	Reserve for repurchase of shares	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to owners of the Entity	Non-controlling interests in consolidated subsidiaries	Total stockholders' equity
Balances as of January 1, 2014	$ 4,227	$ 917	$ 43,617	$ (3,142)	$ 45,619	$ 2,164	$ 47,783
Consolidation effect of structured entities	-	-	-	-	-	(244)	(244)
Loss on investment of associate	-	-	(160)	-	(160)	-	(160)
Decrease in reserve for repurchase of shares	-	(1)	-	-	(1)	-	(1)
Balances before comprehensive income	4,227	916	43,457	(3,142)	45,458	1,920	47,378
Consolidated net income for the year	-	-	3,518	-	3,518	513	4,031
Other comprehensive income	-	-	-	1,999	1,999	194	2,193
Total comprehensive income	-	-	3,518	1,999	5,517	707	6,224
Balances as of December 31, 2014	4,227	916	46,975	(1,143)	50,975	2,627	53,602
Consolidation effect of structured entities	-	-	-	-	-	(447)	(447)
Decrease in reserve for repurchase of shares	-	(146)	-	-	(146)	-	(146)
Balances before comprehensive income	4,227	770	46,975	(1,143)	50,829	2,180	53,009
Consolidated net income for the year	-	-	5,171	-	5,171	744	5,915
Other comprehensive income	-	-	-	2,955	2,955	(20)	2,935
Total comprehensive income	-	-	5,171	2,955	8,126	724	8,850
Balances as of December 31, 2015	4,227	770	52,146	1,812	58,955	2,904	61,859
Distribution of dividends	-	-	(1,129)	-	(1,129)	-	(1,129)
Decrease in reserve for repurchase of shares	-	(50)	-	-	(50)	-	(50)
Balances before comprehensive income	4,227	720	51,017	1,812	57,776	2,904	60,680
Consolidated net income for the year	-	-	5,898	-	5,898	870	6,768
Other comprehensive income	-	-	-	7,756	7,756	(128)	7,628
Total comprehensive income	-	-	5,898	7,756	13,654	742	14,396
Balances as of December 31, 2016	$ 4,227	$ 720	$ 56,915	$ 9,568	$ 71,430	$ 3,646	$ 75,076

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014
(In millions of Mexican pesos)

	2016	2015	2014
Cash flows from operating activities:			
Income before income taxes	$ 13,613	$ 9,978	$ 6,986
Adjustments for:			
Depreciation and amortization	8,436	7,050	5,831
(Profit) Loss on sale of property, plant and equipment	(219)	132	330
Equity in loss of associated companies	(121)	(47)	61
Impairment of long-lived assets	1,246	1,839	166
Multi-employer pension plan provision	473	359	1,990
Interest expense	5,486	4,576	3,692
Interest income	(249)	(212)	(271)
Changes in assets and liabilities:			
Accounts and notes receivable	(1,020)	1,373	(881)
Inventories	(1,097)	(297)	630
Prepaid expenses	159	(183)	789
Trade accounts payable	518	735	84
Other accounts payable and accrued liabilities	4	(317)	2,280
Due to related parties	452	(388)	266
Income tax paid	(4,703)	(3,884)	(3,921)
Derivative financial instruments	309	(2,161)	260
Statutory employee profit sharing	65	(2)	238
Employee labor obligations and workers' compensation	(735)	(446)	(211)
Assets available for sale	460	11	-
Net cash flows generated by operating activities	23,077	18,116	18,319
Investing activities:			
Acquisition of property, plant and equipment	(13,153)	(9,604)	(6,829)
Acquisition of businesses, net of cash received	(3,966)	(1,641)	(22,351)
Proceeds from sale of property, plant and equipment	1,033	726	85
Increase of distribution rights in structured entities	(45)	(1,060)	(1,415)
Other assets	(379)	8	(672)
Dividends Received	24	-	-
Investments in shares of associated companies	(78)	(45)	(120)
Interest collected	249	212	270
Net cash flows used in investing activities	(16,315)	(11,404)	(31,032)
Financing activities:			
Proceeds from long-term debt	34,687	13,954	46,476
Payment of long-term debt	(31,888)	(15,928)	(29,747)
Payment of financial derivative instruments related to long-term debt	(1,707)	-	(484)
Interest paid	(4,465)	(3,899)	(3,128)
Distribution of dividends	(1,129)	-	-
Payments of interest rate swaps	(1,288)	(1,384)	(1,277)
Interest rate swaps collected	1,405	1,623	1,478
Deposits in guarantee accounts of financial derivative instruments	52	-	-
Net cash flows (used) obtained from financing activities	(4,333)	(5,634)	13,318

	2016	2015	2014
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects	560	175	(537)
Net increase in cash and cash equivalents	2,989	1,253	68
Cash and cash equivalents at the beginning of the year	3,825	2,572	2,504
Cash and cash equivalents at the end of the year	$ 6,814	$ 3,825	$ 2,572

See accompanying notes to consolidated financial statements.

1. Activities and significant events

Activities - Grupo Bimbo, S. A. B. de C. V. and Subsidiaries ("Grupo Bimbo" or the "the Entity") is engaged in the manufacture, distribution and sale of bread, premium bread, breakfast bread "muffins and bagels), frozen bread, cakes and smaller cakes, sweet and non-sweet cookies, tortillas, pita bread, pizza bread, tostadas and tortillas, snacks, salads, candies and processed foods, among others.

The Entity operates in the following geographical areas: Mexico, the United States of America ("USA"), Canada, Central and South America, Spain, Portugal, United Kingdom, and China. Due to its minimal significance, the financial information of China is aggregated with Mexico in the disclosures that follow. Reporting segments are grouped based on the geographical areas as follow: Mexico, USA and Canada, referred to as "North America", Organization Latin-American ("OLA"), and Europe.

Corporate offices are in Santa Fe, Mexico City, Mexico, 1000 Prolongación Paseo de la Reforma, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Zip Code 01210, Distrito Federal, Mexico.

During 2016, 2015 and 2014, net sales of Bimbo S. A. de C. V. and Barcel, S. A. de C. V, classified in the Mexico segment, represented approximately 29%, 32% and 36%, respectively, of consolidated net sales. During 2016, 2015 and 2014, net sales of subsidiaries Bimbo Bakeries USA, Inc. ("BBU"), and Canada Bread Company Limited ("Canada Bread" or "CB"), which are classified in the "North America" segment represented approximately 54%, 53% and 48%, respectively, of consolidated net sales.

Significant events –

2016 Acquisitions

Acquisition of Panrico

On July 21, 2016, through its subsidiary Bakery Iberian Investment, S.L.U., the Entity acquired 100% of the stock of Panrico S.A.U: ("Bakery Donuts Iberia").

The sales agreement, signed in July 2015, was for €190 million. After one year, with the authorization of the Spanish National Commission for Markets and Competition and the Portuguese Competition Authority, as well as the Spanish Supreme Court's ruling on the validity of the Employment Regulatory File (ERE) signed by Panrico in the year 2013, the transaction was concluded. As the payment was made on a deferred basis, the final figure paid was €214 million, equivalent to MX$ 4,418 million. Such amount includes the part of the brand loaves business, which was sold immediately afterwards.

The bread brands of Panrico, as well as other bread-related assets and derivatives in Spain, Portugal and Andorra, were sold simultaneously, together with the plants at Gulpilhares (Portugal) and Teror (the Canary Islands), to Adam Foods S.L.

Donuts Iberia is one of the leading companies in the bread industry in Spain and Portugal; it operates in the categories of loaves, sweet breads and bread rolls. The acquisition includes leading brands such as Donuts®, Qé!®, Bollycao®, La Bella Easo® and Donettes®, among others.

Financing sources

To finance the transaction, Bakery Iberian Investment used financing available under long-term lines of credit denominated in euros.

Accounting effects of the acquisition of Bakery Donuts Iberia.

The valuation and recording of the acquisition was performed in accordance with IFRS 3, *Business Combination*. The allocation of definitive fair values will conclude over the 12 months following the acquisition. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed, which were recognized for the acquisition performed on July 21, 2016, at the exchange rate in effect on the transaction date:

Amount paid on the transaction		$ 4,418
Recognized amounts of identifiable assets and liabilities assumed:		
Cash and cash equivalents	671	
Accounts receivable	249	
Inventories	195	
Property, plant and equipment	3,233	
Identifiable intangible assets	1,548	
Other assets	94	
Total identifiable assets		5,990
Goodwill		1,850
Total assets acquired:		7,840
Current liabilities	2,031	
Deferred income tax	724	
Long-term liabilities	667	
Total liabilities assumed		3,422
Value of the investment acquired		$ 4,418

Goodwill determined as a result of the valuation of this acquisition was $1,850, which is justified mainly due to expected synergies.

Consolidated figures

The following table presents the amounts that Donuts Iberia contributes to the consolidated figures of Grupo Bimbo for the 163 days elapsed from July 21, 2016 to December 31, 2016.

	Consolidated January 1 to December 31, 2016	Donuts Iberia July 21 to December 31, 2016
Net sales	$ 252,141	$ 3,056
Income from operations	$ 18,084	$ 17
Controlling interest	$ 5,898	$ (3)
Consolidated net income	$ 6,768	$ (3)

	As of December 31, 2016	
	Consolidated	Donuts Iberia
Total assets	$ 245,165	$ 7,446
Total liabilities	$ 170,089	$ 2,354

Consolidated net sales and consolidated net income, if the acquisitions of Donuts were included, as of January 1, 2016, would have been $255,769 and $6,556, respectively.

In May and December 2016, two frozen bread companies were acquired in Argentina and Colombia, for the amount of $68 million and $151 million, respectively. At the close of 2016, the fair values of these acquisitions are still being determined.

2015 Acquisitions

Acquisition of Saputo

On February 2, 2015, the Entity acquired, through its subsidiary Canada Bread, 100% of the shares of Saputo Bakery, Inc., which on the same day, changed names to Vachon Bakery, Inc. ("Vachon"). Such company is leader in the production and sale of bakery products in Canada and strengthens the Entity's position in the country. The acquisition includes leading brands such as Vachon®, Jos Louis®, Ah Caramel®, Passion, Flakie® and May West®, among others. The acquisition cost was $1,369.

Funding sources

To finance the transaction, Canada Bread used financing resources available under existing long-term committed credit lines.

Accounting effects of the acquisition of Vachon

The valuation process and the acquisition were performed in accordance with International Financial Reporting Standard ("IFRS") 3, *Business Combinations*. The following table presents the fair values of the assets acquired and liabilities assumed that were recognized for the acquisition on February 2, 2015 using the exchange rate as of the date of the transaction:

Consideration transferred		$ 1,369
Fair value of identifiable assets acquired and assumed liabilities:		
Accounts receivable	84	
Inventories	60	
Property, plant and equipment	778	
Intangible assets	431	
Other assets	10	
Total identifiable assets		1,363
Goodwill		604
Total acquired assets		1,967
Current liabilities	136	
Deferred tax liability	179	
Long-term liabilities	283	
Total assumed liabilities		598
Acquired investment value		$ 1,369

Goodwill recorded in 2015 as result of this transaction totaled $604, which is representative of the expected synergies from the acquisition.

Asset acquisition

During 2015, the Entity acquired, through its subsidiary Canada Bread, certain assets of Sobey's West, Inc. and Italian Home Bakery, for a total amount of $272. The acquisitions were comprised mainly of property, plant and equipment and intangible assets.

2014 Acquisitions

During 2014, the Entity purchased 100% of several businesses in Canada, United States and United Kingdom, referred to as Canada Bread and in Ecuador, referred to as Supan, SA ("Supan") as described below:

Entity	Country	Transaction Amount	Date
Canada Bread	Canada, USA and United Kingdom	$ 21,731	May 23, 2014
Supan	Ecuador	858	July 15, 2014
		$ 22,589	

Canada Bread

Canada Bread is one of the leading companies in the production and sale of bakery products, including the categories of bread, buns, bagels, English muffins and tortillas in Canada, frozen bread in North America and specialized bakery in the UK.

This acquisition impulses the global growth strategy of Grupo Bimbo and enables its foray into the attractive Canadian market through recognized brands, such as DEMPSTER'S®, POM®, VILLAGGIO®, BEN'S®, BON MATIN® and MCGAVIN'S®. Canada Bread has a strong relationship with major supermarkets and institutional channels in Canada and is recognized for its strong market position in all baking categories.

Funding sources

To finance the transaction, Grupo Bimbo used its own resources as well as financing resources available under long-term committed credit lines and the issuance of international bonds.

Accounting effects of the acquisition of Canada Bread and Subsidiaries

The valuation process and the acquisition were performed in accordance with IFRS 3. The following table presents the fair values of the assets acquired and liabilities assumed that were recognized for the acquisition on May 23, 2014 using the exchange rate as of the date of the transaction:

Consideration transferred		$ 21,731
Fair value of identifiable assets acquired and assumed liabilities		
Cash and cash equivalents	200	
Accounts receivable	1,359	
Inventories	719	
Property, plant and equipment	6,334	
Intangible assets	7,746	
Other assets	122	
Total identifiable assets		16,480
Goodwill		10,624
Total acquired assets		27,104
Current liabilities	2,274	
Deferred taxes	1,974	
Long-term liabilities	1,125	
Total assumed liabilities		5,373
Acquired investment value		$ 21,731

Purchase accounting was concluded in January 2015, within the 12 months subsequent to the acquisition, resulting in an increase of property plant and equipment and deferred tax liability of $303 and $91, respectively, as well as the decrease of goodwill of $212.

Supan

On July 15, 2014, the Entity acquired 100% of the fresh bakery business in Ecuador "Supan". With this purchase, the Entity enters the market in Ecuador and strengthens its operation in Latin America with brands such as Supan, Guile, Braun, Dulzones and Rey Pan

Accounting effects of the acquisition of Supan

The valuation process and the acquisition were performed in accordance with IFRS 3. The following table shows the fair values of the assets acquired and liabilities assumed that were recognized for the acquisition on July 15, 2014 using the exchange rate as of the date of the transaction.

Consideration transferred		$ 858
Fair value of identifiable assets acquired and assumed liabilities		
Cash and cash equivalents	38	
Accounts receivable	27	
Inventories	33	
Property, plant and equipment	500	
Identifiable intangible assets	347	
Other assets	10	
Total identifiable assets		955
Goodwill		232
Total acquired assets		1,187
Current liabilities	174	
Long-term liabilities	58	
Deferred tax	97	
Total assumed liabilities		329
Acquired investment value		$ 858

Purchase accounting was concluded during the 12 months following the purchase of Supan, resulting in an increase of property, plant and equipment, intangible assets and the deferred tax liability of $91, $347 and $97 respectively, as well as the decrease of goodwill of $341.

Funding sources

To complete the acquisition of Supan in 2014, the Entity obtained funding for an amount equivalent to the amount of these transactions.

Consolidated amounts

The following table presents the amounts contributed by CB and Supan to the consolidated figures of Grupo Bimbo for the 222 and 169 days from the date of each acquisition, respectively, through December 31, 2014:

		December 31, 2014	
	Consolidated January 1st to December 31, 2014	**Canada Bread May 23 to December 31, 2014**	**Supan July 15 to December 31, 2014**
Net sales	$ 187,053	$ 10,735	$ 438
Operating income	$ 10,312	$ 684	$ 20
Net income attributable to controlling interest	$ 3,518	$ 406	$ 12
		As of December 31, 2014	
	Consolidated	**Canada Bread**	**Supan**
Total assets	$ 177,761	$ 34,873	$ 852
Total liabilities	$ 124,159	$ 5,925	$ 153

Consolidated net sales and consolidated net income, if Canada Bread and Supan had been consolidated from January 1, 2015, would have been $193,821 and $4,293, respectively.

The contributions of Vachon to total assets and liabilities, net sales, operating and net profit, are not considered material for the consolidated financial statements of the Entity for the year ended December 31, 2015.

Goodwill recorded in 2014 as result of these acquisitions totaled $11,409, which is representative of the expected synergies in both acquisitions. This amount was adjusted in 2015 to $10,856, once the purchase accounting was concluded.

In 2016, 2015 and 2014, the Entity incurred $152 $19 and $124, respectively, in fees and expenses to carry out these acquisitions, which are included in general expenses.

2. Basis of preparation

Application of new and revised International Financial Reporting Standards

a. ***Amendments of new and revised International Financial Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity had no impact on its consolidated financial statements for the application of new or amended IFRSs, issued by the International Accounting Standards Board ("IASB") that are mandatorily effective on or after January 1, 2016.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead

b. **New and revised IFRSs in issue but not yet effective**

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

Amendments to IAS 12	Income taxes[1]
Amendments to IAS 7	Statements of Cash Flows [1]
Amendments to IFRS 2	Classification and measurement of share-based payments[1]

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Entity is in the process of determining the potential impacts on its consolidated financial statements, from the adoption of these new IFRSs and amendments.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Entity anticipates that the application of IFRS 9 in the future may have not a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Entity anticipates that the application of IFRS 15 in the future may have not a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

IFRS 16, Leases

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although given the nature of its operations it would expect significant impacts.

Amendments to IAS 12 Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The management of the Entity does not expect significant impacts a result of these amendments.

Amendments to IAS 7 Statements of Cash Flows: Provide disclosures.

The amendments in disclosure initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The management of the Entity does not expect that there may be some impacts a result of these amendments.

c. ***Consolidated Statements of Income and Other Comprehensive Income***

The Entity presents the statement of income in two statements: i) the consolidated statement of income, and ii) the consolidated statement of income and other comprehensive income and loss. The expenses in the statement of income are presented based on their function, because this is the practice of the sector to which the Entity belongs; the nature of these expenses is presented in Note 19. Additionally, the Entity presents the subtotal of income from operations, which, even though it is not required under IFRS, is included because it helps to better understand the economic and financial performance of the Entity.

d. ***Cash flow statement***

The Entity presents the cash flow statement in accordance with the indirect method. It classifies the interest and dividends collected in investing activities, whereas the interest and dividends paid are presented in financing activities.

3. Summary of significant accounting policies

a. ***Statement of compliance***

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

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities (derivative financial instruments) that are measured at fair value at the end of each period, as explained in the accounting policies below.

i. Historical cost

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

ii. Fair value

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

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

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

c. ***Basis of consolidation***

As of December 31, 2016, 2015 and 2014, the consolidated financial statements incorporate the financial statements of the Entity and those entities over which it exercise control, including structured entities ("SE"). Control is achieved when the Entity:

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

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

An SE is consolidated when the Entity concludes that it controls the SE based on the evaluation of the substance of the relationship with the Entity and the risks and benefits of the SE. The most significant subsidiaries are shown below:

Subsidiary	% of ownership	Country	Segment	Main activity
Bimbo, S. A. de C. V.	97	Mexico	Mexico	Baking
Barcel, S. A. de C. V.	98	Mexico	Mexico	Sweets and snacks
Bimbo Bakeries USA, Inc.	100	United States	North America	Baking
Canada Bread Corporation, LLC	100	Canada	North America	Baking
Bimbo do Brasil, Ltda.	100	Brazil	OLA	Baking
Bimbo, S.A.U.	100	Spain and Portugal	Europe	Baking
Bakery Donuts Iberia, S.A.U.	100	Spain and Portugal	Europe	Baking[1]

[1]Bakery Donuts was acquired on July 21, 2016, date in which the Entity took control over it.

Subsidiaries are consolidated from the date on which control is transferred to the Entity and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired during the year are included in the consolidated statements of income and other comprehensive income results from the acquisition date, as applicable.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All relevant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated on consolidation.

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions.

d. ***Business combinations***

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

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

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share based payments* at the acquisition date (as of December 31, 2016, 2015 and 2014 the Entity does not have share-based payments);

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

e. ***Assets available for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The long-lived asset (and asset disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value of assets less costs to sell.

f. ***Recognition of the effects of inflation***

Inflationary effects are recognized in the consolidated financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS"), and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2016, 2015 and 2014, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity.

g. ***Leasing***

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

- The Entity as lessee

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

  Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

h. ***Foreign currency transactions***

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 14).

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

i. ***Cash and cash equivalents***

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, readily convertible into cash, maturing within three months from the date of purchase and are subject to insignificant risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value, fluctuations in value are recognized in income (see financial assets below). Cash equivalents consist primarily of investments in government debt instruments with daily maturities.

j. ***Financial assets***

Financial assets are recognized when the Entity becomes part of the contractual arrangements of the instruments.

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

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

2. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

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

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

k. ***Inventories and cost of sales***

Inventories are stated at the lower of cost and net realizable value. Cost is comprised of acquisition cost, import duties, transport, handling, loading, and storage cost at the customs and distribution centers; returns on purchases are deducted from cost. Net realizable value represents the estimated selling price for inventories in the normal course of operations less all estimated costs of completion and costs necessary to make the sale. Cost is determined by using the average cost method.

l. ***Property, plant and equipment***

Property, plant and equipment are carried at acquisition cost, net of accumulated depreciation and accumulated impairment losses. Balances from certain acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date, which became the deemed cost of such assets as of January 1, 2011 upon adoption of IFRS.

Cost include those costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost for expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss. Repairs and maintenance costs are recognized in profit and loss of the period they are incurred.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is determined using the straight-line method to distribute the cost of the asset down to its residual value during the estimated useful lives are as follows:

	Years
Infrastructure	15
Building foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Office furniture and fixtures	10
Computer equipment	3
Leasehold improvements	Term of the related lease

The Entity allocates the amount initially recognized in respect of an item of buildings and manufacturing equipment to its various significant parts (components) and depreciates each of such components separately.

The carrying value of an asset is reduced to its recoverable value, when the carrying amount exceeds its recoverable value.

An item of property, plant and equipment is derecognized when sold or when no future economic benefits arising from the continued use of the asset are expected. The gain or loss arising from the sale of assets results from the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in 'other expenses, net', in general expenses.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation.

m. ***Investments in associates***

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

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

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

The entity discontinues the use of the equity method from the date the investment ceases to be an associate or when the investment is classified as held for sale.

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

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

n. ***Intangible assets***

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses in the USA, Canada, Iberia, Argentina and certain trademarks in South America. Intangible assets are recognized at cost. Intangible assets acquired through an acquisition are recognized at fair value as of the acquisition date, separately from goodwill. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

Intangible assets are classified as having either finite or indefinite useful lives. Amortization of intangible assets with finite useful lives is recognized on a straight-line method over their estimated useful lives. Such assets are reviewed for impairment when there is an indicator of impairment. The amortization methods and useful lives of the assets are reviewed and adjusted, if necessary, annually, at the end of each reporting period. Amortization is recognized in profit and loss, within selling, distribution and administrative expenses. Intangible assets with indefinite useful lives are not amortized, but are at least tested annually for impairment.

o. ***Impairment of tangible and intangible assets, other than goodwill***

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

Intangible assets with indefinite useful lives or not yet available for use, are subjected to tests for effects of impairment at least every year, or more often if there is evidence that such assets could have been impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

p. ***Goodwill***

Goodwill arising on acquisition of a business is carried at cost, which is determined as explained in the business acquisitions policy note above, less accumulated impairment losses, if any (see Note 12).

For purposes of impairment testing, goodwill is allocated to each cash-generating unit (or group of cash generating units) that is expected to benefit from the synergies of the business combination.

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

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

The Entity's policy for goodwill arising on the acquisition of an associate is described at note 3m.

q. ***Financial liabilities***

Financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the issuance of financial liabilities (except for those financial liabilities classified as at fair value with changes through profit and loss) are deducted from the fair value of the financial liability. Subsequent measurement depends on the category in which the financial liability is classified.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Note 14 describes the category of each financial liability of the Entity.

r. ***Derivative financial instruments and hedging activities***

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Presentation of the related gain or loss from changes in fair value of the derivative financial instrument depends on whether they are designated as hedging instruments, and if so, the nature of the hedging relationship. The Entity only holds derivative financial instruments classified as cash flow hedges and hedges of net investment in foreign operations.

The Entity documents all hedging relationships at the beginning of the transaction, including their objectives and risk management strategies for undertaking derivative transactions. Periodically, the Entity documents whether the derivative financial instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under "Valuation effects of cash flow hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of "Translation effects of foreign subsidiaries". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "Exchange gain (loss), net" line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated other comprehensive income are reclassified to profit or loss on the disposal of the foreign operation.

s. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the needed disbursement to settle the present obligation, keeping in mind risks and uncertainties that surround the obligation. When a provision is valued using estimated cash flows to settle the present obligation, its carrying value represents the present value of such cash flows (when the effect of money's value in time is material).

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

t. ***Income taxes***

Income tax expense comprises current tax and deferred tax.

1. Current income taxes

Current income taxes are calculated in accordance with rates that have been enacted or substantively enacted as of the end of the reporting period for the countries in which the Entity operates and taxable profit is determined, and the related income tax expense is recorded in the results of the year in which it is incurred. In Mexico, the income tax determined related to the Impuesto sobre la renta ("ISR").

2. Deferred income taxes

Deferred tax liabilities and assets are measured according to the tax rates and tax laws that have been enacted or substantively enacted as of the date of the report and that are expected to be applicable when the temporary differences reverse.

The deferred income tax is recognized on temporary differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities used for determining taxable income by applying the rate corresponding to these differences, including benefits from tax loss carryforwards and certain tax credits, if applicable. The liability for deferred income taxes are generally recognized for all temporary tax differences. An asset is recognized deferred tax for all deductible temporary differences to the extent that it is probable that the Entity will have future taxable income against which to apply those deductible temporary differences.

Deferred income tax is not recognized on the following temporary differences: i) amounts that arise from the initial recognition of assets or liabilities resulting from transactions other than in a business combination, that affects neither the accounting profit nor the taxable profit; ii) those related to investments in subsidiaries and associates, to the extent that it is not likely they will reverse in the foreseeable future and the reversal in within the control of the Entity, and, iii) those that result from the initial recognition of goodwill. The deferred income tax asset is recognized only to the extent that it is likely there will be future taxable profits against which it can be used.

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

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

Assets and deferred tax liabilities are offset when a legal right to offset assets with liabilities exists and when they relate to income taxes relating to the same tax authorities and the Entity intends to liquidate its assets and liabilities on a net basis.

3. Current and deferred tax for the year

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

u. ***Employee benefits from termination, retirement and statutory employee profit sharing ("PTU")***

i. ***Pensions and seniority premiums***

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity or a fund and will have no legal or constructive obligation to pay further contributions. The obligation is recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The amount recognized in the consolidated statement of financial position as a liability or asset for defined benefit plan represents the present value of the net defined benefit obligation (defined benefit obligation minus the fair value of plan assets). The present value of the net defined benefit obligation is determined based on the discounted value of estimated net cash flows, using interest rates tied to government bonds denominated in the same currency in which the benefits are to be paid and whose terms are similar to those of the obligation.

The Entity provides a bonus in cash to certain executives, which is calculated using performance metrics. The bonus is paid 30 months after being granted.

ii. ***Statutory employee profit sharing***

In Mexico, Venezuela and Brazil, there is an obligation to recognize a provision for the statutory employee profit sharing when the Entity has a legal or constructive obligation, as a result of past events and the amount can be reliably estimated. PTU is recorded in profit or loss of the year in which it is incurred.

Short-term employee benefits

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

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

iii. ***Termination benefits***

The Entity recognizes a liability for termination benefits only when the Entity is without realistic possibility of withdrawal from an offer to provide termination benefit to employees, or before, if it complies with the criteria for recognition of a liability related to a restructuring.

iv. ***Multi-employer pension plans ("MEPP")***

The Entity classifies the multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If the MEPP is classified as a defined benefit plan, the Entity accounts for its proportionate share of the defined benefit obligation, plan assets and costs associated with the plan in the same manner as for any other defined benefit plan. When sufficient information is not available to use defined benefit accounting for a MEPP, the Entity accounts for such plan as a defined contribution plan.

Liabilities related to the wind-up or the Entity's withdrawal from a multi-employer plan is recognized and measured in conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

v. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances.

– Sale of products

Revenue from the sale of products is recognized when the goods are delivered, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods. The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

– Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

w. *Reclassifications*

Certain amounts within the consolidated financial statements at and for the year ended December 31, 2015 and 2014 have been reclassified for certain accounts to agree with the presentation used in 2016.

4. Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgment in applying accounting policies

Consolidation of structured entities

As described in more detail in Note 8, BBU and Sara Lee have entered into agreements with third party contractors ("Independent Operators"), in which they hold no direct or indirect interest but that qualify as structured entities ("SE"). The Entity has concluded that they have control with respect to certain independent operators, primarily with respect to rights or obligations to secure or grant financing, as well as the maintenance obligation related to distribution routes. In other cases, the Entity has concluded it does not exercise control over such independent operators.

b) Key sources of estimation uncertainty

1. Useful lives, residual values and depreciation and amortization methods of long-lived assets

As described in Note 3, the Entity periodically reviews the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and intangibles. Additionally, for intangibles, the Entity determines whether their useful lives are finite or infinite. During the periods presented in the accompanying consolidated financial statements, there were no modifications to such estimates.

2. Goodwill impairment

Determining whether goodwill is impaired involves calculating the greater of its value in use and fair value of the cash generating unit to which goodwill has been allocated. The calculation of value in use requires the Entity to determine the expected future cash flows from the cash generating units, using an appropriate discount rate to calculate the present value. Fair value is determined based on multiples of earnings before interest, depreciation and amortization and other non-cash items ("EBITDA"). For the determination of an appropriate multiple, the Entity identifies comparable entities.

3. Fair value measurements

Derivative financial instruments are recognized at fair value as of the date of the consolidated statement of financial position. Additionally, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes, although there is no risk of adjustment to the related carrying amount. A detailed description of the methodologies to determine fair values of derivative instruments as well as to determine fair value disclosures for long-term debt is included in Note 14. Finally, the Entity has acquired business that require fair value to be determined, at the date of acquisition, for consideration paid, identifiable assets acquired and liabilities assumed and non-controlling interest, as noted in Note 1.

The fair values described above are estimated using valuation techniques that may include inputs that are not based on observable market data. The main assumptions, used by management are described in the respective notes. Management considers the valuation techniques and selected assumptions appropriate.

4. ***Employee benefits***

Cost of defined benefit plans and MEPP provided to employees is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in assumptions.

5. ***Determination of income taxes***

To determine whether a deferred income tax asset related to tax losses carryforwards is impaired, the Entity prepares tax projections to determine its recoverability.

6. ***Employee benefits, insurance and other liabilities***

Insurance risks exists in the USA which respect to the liability for general damages to other parties, car insurance and employee benefits that are self-insured by the Entity with coverage subjected to specific limits agreed in an insurance program. Provisions for claims are recorded on a claim-incurred basis. Insurable risk liabilities are determined using historical data of the Entity. The net liabilities at December 31, 2016, 2015 and 2014 amounted to $5,085 $3,288 and $3,204, respectively.

5. *Transactions that did not result in cash flows*

In 2014, the Entity acquired $315 of equipment under financial leases, which represents a non-cash financing activity and investment that is not reflected in the consolidated statements of cash flows. In 2016 and 2015, there were no transactions that did not result in cash flows.

6. Accounts and notes receivable

	2016	2015	2014
Trade receivables	$ 17,249	$ 13,882	$ 13,596
Allowance for doubtful accounts	(633)	(515)	(498)
	16,616	13,367	13,098
Notes receivable	56	170	151
Notes receivable from independent operators	386	468	468
Income, value –added and other recoverable taxes	5,605	4,206	4,782
Other receivables	1,406	836	529
	$ 24,069	$ 19,047	$ 19,028

The average credit terms on sales of goods in Mexico are 30 days, in the USA is 60 days, Canada is 21 days and OLA, which includes the countries of Central and South America, is 30 days. Amounts past due but not impaired are not significant as of the dates of the consolidated statement of financial position. Amounts due over 90 days are 50% reserved and amount due over 180 days are 100% reserved.

7. Inventories

	2016	2015	2014
Finished products	$ 2,883	$ 2,159	$ 1,891
Orders in-process	116	79	100
Raw materials, containers and wrapping	3,719	3,019	2,644
Other	760	317	282
Allowance for slow-moving inventories	(254)	(235)	(84)
	7,224	5,339	4,833
Raw materials in-transit	204	170	145
	$ 7,428	$ 5,509	$ 4,978

8. Structured entities

The Entity, through BBU mainly Sara Lee, enters into distribution agreements with independent operators that own distribution rights to sell and distribute the Entity's products via direct-store-delivery to retail outlets in defined sales territories. The Entity does not hold equity interest in any of the independent operator entities. Independent operators generally finance the purchase of distribution rights through note agreements with the Entity or a financial institution. Note agreements with a financial institution are, in the aggregate, partially guaranteed by the Entity. To maintain working routes and ensure the delivery of products to customers, the Entity, through BBU, assumes explicit and implicit commitments. The Entity has concluded that all the independent operators established as legal entities qualify as structured entities ("SE"), which in substance are controlled by such subsidiaries, principally through their guarantee of or providing actual financing, as well as the obligation that such subsidiaries have assumed to keep the routes operating. Based on this conclusion, SE's are consolidated by the Entity.

As of December 31, 2016, 2015 and 2014, the assets and liabilities of independent operators included in the accompanying consolidated financial statements are as follows:

	2016	2015	2014
Property – vehicles	$ 3,118	$ 2,415	$ 1,687
Intangible distribution rights	6,792	5,097	3,767
Total assets	$ 9,910	$ 7,512	$ 5,454

	2016	2015	2014
Current maturities of long-term debt:			
Obligations under finance leases	$ 633	$ 481	$ 367
Independent operator loans	49	38	32
Long-term debt:			
Obligations under finance leases	1,807	1,462	965
Independent operator loans	41	43	65
Due to affiliates (net of receivables)	5,135	3,905	2,781
Total liabilities	$ 7,665	$ 5,929	$ 4,210
Noncontrolling interest	$ 2,245	$ 1,583	$ 1,244

Financing provided by BBU to independent operators that have been classified as SE's and consolidated, are eliminated in the accompanying consolidated financial statements.

Lease obligations presented within long-term debt on the consolidated statements of financial position are secured by the vehicles subject to leases and do not represent additional claims on the Entity's general assets. The Entity's maximum exposure for loss associated with independent operators entities is limited to $90 of long-term debt of the independent operators as of December 31, 2016.

In addition, the Entity has sold certain equipment and distribution rights in the US to the Entity's former employees and individuals, also considered as independent operators, but have not been classified as consolidated SE's. Such amount equals in 2016, 2015 and 2014 $1,193, $1,418 and $1,577, respectively, which are presented in the statement of financial position as receivables from independent operators.

BBU funds 90% of the distribution rights sold to certain independent operators at rates between 5% and 11%, with 120 months installments. Independent operators make an initial payment to the Entity for the remaining 10% of the purchase price. In most cases, an independent third party lender finances the down payment. Both the Entity and the financing of independent third parties are insured by the distribution rights, equipment, customer lists, and other assets. The independent third party lender has priority over the collateral.

9. Property, plant and equipment

Reconciliation of beginning and ending carrying values in 2016, 2015 and 2014 is as follows:

	Balances as of January 1, 2016	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2016
Investment:									
Building	$ 19,157	$ -	$ 1,302	$ 2,254	$ 2,695	$ (516)	$ -	$ 680	$ 25,572
Industrial machinery and equipment	55,462	-	6,219	6,168	8,057	(2,251)	-	1,162	74,817
Vehicles	13,868	285	60	2,477	871	(697)	-	439	17,303
Office furniture	713	-	124	137	68	(27)	-	-	1,015
Computer equipment	3,719	-	129	657	578	(80)	-	-	5,003
Total investments	92,919	285	7,834	11,693	12,269	(3,571)	-	2,281	123,710
Depreciation:									
Building	(8,264)	(1,256)	(924)	892	(1,129)	397	(5)	(65)	(10,354)
Industrial machinery and equipment	(28,800)	(4,353)	(5,778)	(900)	(3,912)	1,715	(160)	(441)	(42,629)
Vehicles	(6,295)	(956)	(51)	2	(318)	577	-	(202)	(7,243)
Office furniture	(385)	(80)	(113)	(1)	(48)	32	-	-	(595)
Computer equipment	(2,909)	(523)	(103)	6	(459)	75	-	-	(3,913)
Total accumulated depreciation	(46,653)	(7,168)	(6,969)	(1)	(5,866)	2,796	(165)	(708)	(64,734)
	46,266	(6,883)	865	11,692	6,403	(775)	(165)	1,573	58,976
Land	6,673	-	341	199	808	(454)	-	134	7,701
Projects-in-progress and machinery in transit	5,647	12,868	37	(11,891)	541	(125)	-	978	8,055
Reclassified as assets available for sale	(513)	(5)	-	-	(50)	420	-	-	(148)
Net investment	$ 58,073	$ 5,980	$ 1,243	$ -	$ 7,702	$ (934)	$ (165)	$ 2,685	$ 74,584

	Balances as of January 1, 2015	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2015
Investment:									
Building	$ 16,971	$ -	$ 214	$ 1,350	$ 821	$ (326)	$ -	$ 127	$ 19,157
Industrial machinery and equipment	47,703	-	754	6,062	2,509	(1,784)	-	218	55,462
Vehicles	12,582	577	13	783	489	(628)	-	52	13,868
Office furniture	662	-	16	35	29	(29)	-	-	713
Computer equipment	3,267	-	7	409	256	(220)	-	-	3,719
Total investments	81,185	577	1,004	8,639	4,104	(2,987)	-	397	92,919
Depreciation:									
Building	(7,080)	(901)	-	(1)	(445)	224	(43)	(18)	(8,264)
Industrial machinery and equipment	(24,155)	(3,992)	-	(343)	(1,247)	1,361	(335)	(89)	(28,800)
Vehicles	(5,691)	(1,011)	-	65	(168)	542	(1)	(31)	(6,295)
Office furniture	(376)	(76)	-	87	(18)	25	(27)	-	(385)
Computer equipment	(2,441)	(458)	-	-	(221)	213	(2)	-	(2,909)
Total accumulated depreciation	(39,743)	(6,438)	-	(192)	(2,099)	2,365	(408)	(138)	(46,653)
	41,442	(5,861)	1,004	8,447	2,005	(622)	(408)	259	46,266
Land	6,093	-	272	251	263	(236)	(10)	40	6,673
Projects-in-progress and machinery in transit	5,128	9,027	143	(8,698)	47	-	-	-	5,647
Reclassified as assets available for sale	(188)	(294)	-	-	(31)	-	-	-	(513)
Net investment	$ 52,475	$ 2,872	$ 1,419	$ -	$ 2,284	$ (858)	$ (418)	$ 299	$ 58,073

	Balances as of January 1, 2014	Additions	Additions from business acquisitions	Transfers	Translation effect	Retirements	Revaluation for inflation	Balance as of December 31, 2014
Investment:								
Building	$ 14,273	$ -	$ 1,673	$ 704	$ 406	$ (418)	$ 333	$ 16,971
Industrial machinery and equipment	39,772	-	3,589	3,543	1,286	(1,225)	738	47,703
Vehicles	11,291	-	60	1,423	136	(416)	88	12,582
Office furniture	544	-	92	269	17	(260)	-	662
Computer equipment	3,159	-	25	388	156	(472)	11	3,267
Total investments	69,039	-	5,439	6,327	2,001	(2,791)	1,170	81,185
Depreciation:								
Building	(6,519)	(522)	(16)	-	(202)	240	(61)	(7,080)
Industrial machinery and equipment	(21,073)	(3,495)	(46)	-	(621)	1,158	(78)	(24,155)
Vehicles	(5,198)	(864)	(14)	-	(18)	416	(13)	(5,691)
Office furniture	(456)	(41)	(5)	-	(13)	139	-	(376)
Computer equipment	(2,344)	(486)	(9)	-	(74)	472	-	(2,441)
Total accumulated depreciation	(35,590)	(5,408)	(90)	-	(928)	2,425	(152)	(39,743)
	33,449	(5,408)	5,349	6,327	1,073	(366)	1,018	41,442
Land	5,280	111	586	-	141	(45)	20	6,093
Projects-in-progress and machinery in transit	4,008	7,033	505	(6,327)	(87)	(4)	-	5,128
Reclassified as assets available for sale	(54)	(127)	-	-	(7)	-	-	(188)
Net investment	$ 42,683	$ 1,609	$ 6,440	$ -	$ 1,120	$ (415)	$ 1,038	$ 52,475

(1) This column includes: i) acquisition of Bakery Donuts Iberia, ii) General Mills (Frozen Argentina) and iii) Panettiere in 2016 iv) acquisition of Vachon in 2015, v) adjustment to purchase price of Canada Bread and Supan recorded in 2015 and vi) acquisition of assets through Canada Bread.

Impairment losses recognized in the year

In 2016 and 2015, the Entity performed a review of unused buildings and industrial machinery and equipment, resulting in an impairment of $165 and $418, recorded in profit and loss of the year. Impairment per segment Mexico $116, North America $26, OLA $21 and Europe $2 in 2016 and Mexico $166, North America $33, OLA $175 and Europe $44 in 2015.

10. Investment in shares of associated companies

The investments in associated companies are as follows:

Associated companies	% of ownership	2016	2015	2014
Beta San Miguel, S. A. de C. V.	8	$ 625	$ 570	$ 528
Mundo Dulce, S. A. de C. V.	50	332	349	271
Fábrica de Galletas La Moderna, S. A. de C. V.	50	259	232	247
Blue Label de México, S. A. de C. V.	48	124	274	376
Grupo La Moderna, S. A. de C. V.	3	223	207	156
Congelación y Almacenaje del Centro, S. A. de C. V.	15	164	137	126
Productos Rich, S. A. de C. V.	18	142	133	118
Fin Común, S. A. de C. V.	36	103	90	96
Solex Alimentos S. A. de C. V.	49	33	25	-
B37 Venture, LLC	17	23	22	-
Others	Various	96	67	113
		$ 2,124	$ 2,106	$ 2,031

All associated companies are incorporated and operate mainly in Mexico and are recognized using the equity method in the consolidated financial statements. Equity investments in Beta San Miguel, S.A. de C.V., Grupo La Moderna, S.A. de C.V., Congelación y Almacenaje del Centro, S.A. de C.V. and Rich Products, S.A. de C.V., are considered to be associated entities over which the Entity exercises significant influence, based on its representation in the Board of Directors.

In 2016 and 2015, the Entity recorded an impairment of $50, related to goodwill recorded in the investment of associate Blue Label, S.A. de C.V.

11. Intangible assets

Following is an analysis of the balance of intangible assets by segment as of December 31 are:

	2016	2015	2014
Mexico	$ 1,576	$ 1,613	$ 1,654
North America	42,953	36,766	32,488
Europe	2,867	1,871	1,743
OLA	2,542	2,285	2,075
	$ 49,938	$ 42,535	$ 37,960

As of December 31, 2016, 2015 and 2014, the detail of intangible assets is as follows:

	Average useful life	2016	2015	2014
Trademarks	Indefinite	$ 35,289	$ 29,799	$ 27,116
Use and distribution rights	Indefinite	7,330	5,508	4,061
		42,619	35,307	31,177
Trademarks	4 and 9 years	332	263	35
Customer relationships	18, 21 and 22 years	11,864	9,828	8,650
Licenses and software	8 and 2 years	1,661	1,108	471
Non-compete agreements	5 years	130	111	104
Others		38	38	38
		14,025	11,348	9,298
Accumulated amortization and impairment		(6,706)	(4,120)	(2,515)
		$ 49,938	$ 42,535	$ 37,960

The carrying amount of trademarks with indefinite life as of December 31, 2016, 2015 and 2014 was $33,487, $29,072 and $26,910, respectively. The Entity owns intangible assets related to customer relationships, resulting from the acquisition of Weston Foods, Inc. in 2009, Sara Lee Bakery Group, Inc. in 2011 and Canada Bread in 2014. The carrying value of the assets related to these acquisitions at December 31, 2016 and remaining useful lives are $3,548, $1,384 and $2,642 and 10, 13 and 19 years, respectively, and at December 31, 2015, $3,243, $1,242 and $2,228, and 11, 14 and 20 years, respectively, and at December 31, 2014, $3,029, $1,141 and $2,350, and 12, 15 and 21 years, respectively.

The intangible assets by geographical segment correspond to the following:

	2016	2015	2014
Mexico:			
Barcel	$ 930	$ 930	$ 930
El Globo	310	357	357
Bimbo	299	299	299
Others	37	27	68
North America:			
USA	33,078	28,682	25,082
Canada	9,875	8,084	7,406
Iberia:			
Spain	2,000	1,038	991
United Kingdom	867	833	752
OLA:			
Argentina	1,125	975	1,058
Brazil	495	432	540
Ecuador	424	459	-
Others	498	419	477
	$ 49,938	$ 42,535	$ 37,960

Cost

	Trademarks	Use and distribution rights	Clients relationships	Licenses and software	Non-compete agreements	Others	Total
Balances at beginning of 2014	$ 20,139	$ 2,514	$ 5,664	$ 336	$ 92	$ 34	$ 28,779
Additions	-	6	-	-	-	-	6
Structured entities	-	1,226	-	-	-	-	1,226
Acquisitions through business combinations	5,473	-	2,186	87	-	-	7,746
Effect of exchange rate differences on foreign currency	1,539	315	800	48	12	4	2,718
Balances as of December 31, 2014	27,151	4,061	8,650	471	104	38	40,475
Additions	-	-	-	360	-	-	360
Structured entities	-	700	-	-	-	-	700
Acquisitions through business combinations	559	-	219	206	-	-	984
Effect of exchange rate differences on foreign currency	2,352	747	959	71	7	-	4,136
Balances as of December 31, 2015	$ 30,062	$ 5,508	$ 9,828	$ 1,108	$ 111	$ 38	$ 46,655
Additions	10	-	-	-	-	-	10
Structured entities	-	714	-	277	-	-	991
Acquisitions through business combinations	802	-	-	-	-	-	802
Effect of exchange rate differences on foreign currency	4,747	1,108	2,036	276	19	-	8,186
Balances as of December 31, 2016	$ 35,621	$ 7,330	$ 11,864	$ 1,661	$ 130	$ 38	$ 56,644

Accumulated amortization and impairment

	Trademarks	Use and distribution rights	Clients relationships	Licenses and software	Non-compete agreements	Others	Total
Balances at beginning of 2014	$ (118)	$ (194)	$ (1,267)	$ (177)	$ (20)	$ (26)	$ (1,802)
Structured entities	-	183	-	-	-	-	183
Amortization expenses	(4)	-	(362)	(42)	(15)	-	(423)
Impairment	(69)	(97)	-	-	-	-	(166)
Effect of exchange rate differences on foreign currency	(19)	(38)	(222)	(28)	-	-	(307)
Balances as of December 31, 2014	(210)	(146)	(1,851)	(247)	(35)	(26)	(2,515)
Structured entities	-	8	-	-	-	-	8
Amortization expenses	(17)	-	(503)	(76)	(16)	-	(612)
Impairment	(356)	(74)	-	-	-	-	(430)
Effect of exchange rate differences on foreign currency	(165)	(35)	(315)	(51)	(5)	-	(571)
Balances as of December 31, 2015	(748)	(247)	(2,669)	(374)	(56)	(26)	(4,120)
Structured entities	-	35	-	-	-	-	35
Amortization expenses	-	(3)	(578)	(386)	(1)	-	(968)
Impairment	(440)	-	-	-	-	-	(440)
Effect of exchange rate differences on foreign currency	(553)	(51)	(544)	(59)	(6)	-	(1,213)
Balances as of December 31, 2016	$ (1,741)	$ (266)	$ (3,791)	$ (819)	$ (63)	$ (26)	$ (6,706)
Net balances as of December 31, 2014	$ 26,941	$ 3,915	$ 6,799	$ 224	$ 69	$ 12	$ 37,960
Net balances as of December 31, 2015	$ 29,314	$ 5,261	$ 7,159	$ 734	$ 55	$ 12	$ 42,535
Net balances as of December 31, 2016	$ 33,880	$ 7,064	$ 8,073	$ 842	$ 67	$ 12	$ 49,938

In 2016 impairment was recognized in the Dutch Country brand in the Mexico segment for $93, in the Firenze, Grille, Maestro Cubano and Pan Catalán brands in the OLA segment for $302, in the Ortiz brand in the Europe segment for $8 and in the Iron Kids and Colonial brands in the USA and Canada segment for $37, in other expenses, net in the consolidated statement of income, and were the result of reduced sales of such brands.

In 2015, the Entity recognized an impairment loss in the value of the trademarks Iron LKids and Beef Steak, in the North America segment for $168, and the trademarks Jinhongwei and Million Land in the Mexico segment for $120 and Fargo, Pasa Bimbo Bere in the OLA segment for $68. In the aforementioned cases, the loss resulted from a decrease in sales of these brands.

In 2014, the Entity recognized an impairment loss in the value of the trademarks Earth Grains, Iron Kids and Various Interstate brands, assigned to the USA segment, for $37. In the Mexico segment recognized an impairment related to the trademarks of el Molino, Beijing Jinhongwei, Rutti-Mania and Veggi-Mania for a total of $32 Such impairments were recognized in other expenses, net in the consolidated statement of income and were the result of a decrease in sales of such brands.

The impairment of distribution and use rights refers totally to the USA operation, for the three years.

For the purpose of impairment tests, the fair value of trademarks was estimated using the relief from royalty valuation technique, using a range of royalty rates between 2% and 5%, being 3% the rate used for most trademarks.

12. Goodwill

Following is an analysis of the balance of goodwill by geographical segment:

	2016	2015	2014
Goodwill:			
Mexico	$ 1,287	$ 1,268	$ 1,264
North America	62,995	52,093	46,292
Europe	3,971	254	220
OLA	3,107	2,434	2,638
	71,360	56,049	50,414
Accumulated impairment:			
Mexico	(577)	(500)	(383)
North America	(6,391)	(5,321)	(4,532)
OLA	(1,508)	(1,032)	(242)
	(8,476)	(6,853)	(5,157)
	$ 62,884	$ 49,196	$ 45,257

Movements in goodwill during the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Balance as of January 1	$ 49,196	$ 45,257	$ 29,822
Acquisitions	3,793	336	11,409
Impairment	(204)	(941)	-
Adjustments due to variations in exchange rates	10,099	4,544	4,026
Balance as of December 31	$ 62,884	$ 49,196	$ 45,257

Movement in accumulated impairment losses as of December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance as of January 1	$ 6,853	$ 5,157	$ 4,671
Impairment	204	941	-
Adjustment due to variations in exchange rates	1,419	755	486
Balance as of December 31	$ 8,476	$ 6,853	$ 5,157

Allocation of goodwill to cash generating unit

When analyzing impairment, goodwill is allocated to cash-generating units ("CGU"), which are represented mainly by Mexico (Bimbo, Barcel and El Globo), USA, Canada, Brazil, and others (Iberia and Argentina).

Balances of goodwill assigned to each cash-generating unit, after impairment losses, are as follows:

	2016	2015	2014
USA	$ 42,102	$ 35,164	$ 30,059
Brazil	-	-	668
Argentina	310	266	541
Canada	14,243	11,510	11,342
Spain	3,852	134	128
Other CGUs	2,377	2,122	2,519
	$ 62,884	$ 49,196	$ 45,257

USA

The recoverable amount of the UGE in the USA is estimated based on the greater of the value in use ("VU") and fair value less cost to sell ("FVLCTS"). This year the VRMCD was greater, and the Market Comparable methodology (GPC) was applied to estimate it, using UAFIDA multiples from comparable companies.

To determine the recoverable amount through the GPC methodology, the average of the UAFIDA multiples for the last 12 months and at the valuation date is used, from a selection of comparable companies. After applying the UAFIDA of the last 12 months and at the valuation date of the USA cash generating unit (UGE), a Business Value (BV) is obtained. Subsequently each value is decreased by the net debt (debt with banks, net of cash and cash equivalents) and a similar weighting is applied to both values to reach a market value for stockholders' equity.

As such value represents the value of the minority interest, because it derives from using the price per share, a control premium of 20% is applied. Finally, the net debt is added and the value for working capital deficit (excluding cash and cash equivalents) is adjusted for the present value of the accumulated losses and disposal costs, to reach the VRMCD.

By applying the aforementioned methodology, the Entity concluded that there is no impairment in the goodwill of this UGE.

Argentina, Brazil, Ecuador and Paraguay

The recoverable amount of these UGE's is determined for the higher of the Use Value (UV) and Fair Value Less Disposal Costs (VRMCD). Firstly, the UV is determined and only when there are indicators of impairment under this methodology, the VRMCD is subsequently determined to select the higher of the two. This year the VRMCD was higher and the Market Comparable Methodology (GPC) was applied to estimate it, using the sales multiples of transactions of comparable companies.

To determine the recoverable amount through the Market Comparable methodology, the average of the sales multiples of a selection of transactions of comparable companies is used. Once this average is applied to the Net Sale on the valuation date of these UGE's, the respective Business Values (BV) are obtained.

Given that such value already represents the value of the majority interest because it derives from a change of control for a transaction, no control premium is applied. Finally, the adjustment for working capital deficit (excluding cash and cash equivalents) is adjusted for the present value of the accumulated losses and for the disposal costs, to reach the VRMCD.

After applying the methodology described above, the four entities concluded that there is impairment in the goodwill of these UGE's.

Rest of operations

For the rest of the UGE's the recoverable amount in UV was determined without any indicators of impairment, so it was not necessary to determine the VRMCD. The methodology used was that of discounted flows, considering a discount rate and projections provided by the operations, and applying an adjustment factor for previous results. The planning horizon considered was five years with a perpetual terminal value of the normalized flow with growth in line with the inflation of each of the countries in which they operate.

After applying this methodology, the Entity concludes that there are no indicators of impairment in the rest of the UGE's.

13. Long-term debt

	Fair Value	2016	2015	2014
International bonds – On June 30, 2010, the Entity issued a bond under U.S. Securities and Exchange Commission ("SEC") Rule 144 A Regulation S for US$800 million maturing on January 30, 2020. Such bond pays a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt, extending the maturity date.	$ 17,639	$ 16,531	$ 13,765	$ 11,774
On January 25, 2012, the Entity issued a bond under U.S. SEC Rule 144 A Regulation S for US$800 million maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50%, with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt.	17,334	16,531	13,765	11,774

	Fair Value	2016	2015	2014
On June 27, 2014, the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US 800 million maturing on June 27, 2024. Such bonds pay a fixed interest rate of 3.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 14.2.3 (B).	16,458	16,531	13,765	11,774
On June 27, 2014, the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US 500 million maturing on June 27, 2044. Such bonds pay a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 14.2.3 (C).	9,475	10,332	8,603	7,359
Local bonds –				
As of December 31, 2016, the Entity holds the following local bonds due as follows:				
Bimbo 12- Issued on February 10, 2013, maturing in August 2018, with a fixed interest rate of 6.83%. See note 14.2.3 (F)	5,002	5,000	5,000	5,000
Bimbo 16- Issued on September 12, 2016, maturing in September 2026, with a fixed interest rate of 7.56%.	7,223	8,000	-	-
Bimbo 09-2- Issued June 15, 2009, maturing in June 2016, with a fixed interest rate of 10.60%. See note 14.2.3 (D)	-	-	2,000	2,000
Bimbo 09U- Issued June 15, 2009 in the amount of 706,302,200 UDIs, maturing in June 2016, with a fixed interest rate of 6.05%. The UDI value at June 30, 2016 and at December 31, 2015 and 2014 was $5.4152, $5.3812 and $5.2704, Mexican pesos per UDI, respectively. This bond was fully paid at maturity. See note 14.2.3 (A and E)	-	-	3,801	3,722

	Fair Value	2016	2015	2014
Committed Revolving Credit Line (Multicurrency)- In October 2016, the Entity renewed and amended the terms and conditions of the committed multicurrency credit line, originally issued on April 26, 2010.				
According to the new terms and conditions the financial institutions engaged in this credit line are BBVA Bancomer S.A., Banco Nacional de México S.A., HSBC Bank USA N.A., HSBC Mexico S.A., Banco Santander (Mexico) S.A., JPMorgan Chase Bank N.A., Bank of America N.A., ING Bank N.V., the Bank of Tokyo-Mitsubishi UFJ Ltd., Mizuho Bank Ltd. The total amount is up to 2,000 million US dollars, maturing on October 7, 2021 and with an applicable interest rate of London Interbank Offered Rate ("LIBOR") plus 0.95% for the provisions in US dollars, Canadian Dealer Offered Rate ("CDOR") plus 0.95% for provisions in Canadian dollars, and Interbank Equilibrium rate ("TIIE") plus 0.725% for provisions in Mexican pesos.	-	-	-	-
There was withdraws from this credit line during 2014, primarily for the acquisition of Canada Bread and Supan. Withdrawals were made in US dollars, Canadian dollars and Mexican pesos. During 2016 and 2015, payments were made to the credit line. As of December 31, 2016 there is no outstanding balance	-	-	1,854	6,656

Committed Revolving Credit Line *(Euros)*	Fair Value	2016	2015	2014
On November 6, 2015, The Entity contracted a committed credit line in Euros. The total amount is up to 350 million Euros, maturing on February 6, 2021 at a rate based on Euribor plus 1% The participating financial institutions are BBVA Bancomer S.A., ING Capital LLC y Bank of America N.A. As of December 31, 2016, the outstanding balance was 160 million euros and was used to cover working capital needs and to finance the acquisition of Donuts Iberia.	3,457	3,457	-	-
Secured working capital loans – The Entity occasionally enters into unsecured short-term loans to cover working capital needs.	-	-	-	280
Others - Certain subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2017 to 2020. Loans have a weighted interest rate of 4.8%.	6,515	6,515	5,585	2,295
Debt issuance cost	(396)	(396)	(377)	(430)
	82,707	82,501	67,761	62,204
Less – Current portion of long–term debt	(2,150)	(2,150)	(8,282)	(1,789)
Long–term debt	$ 80,557	$ 80,351	$ 59,479	$ 60,415

At December 31, 2016, long–term debt matures as follows:

Year	Amount
2018	$ 5,584
2019	407
2020	19,533
2021	3,520
2022	16,458
2023 and thereafter	34,849
	$ 80,351

The committed dual–currency revolving credit facility, local bonds, international bond and syndicate bank loan 2009 are guaranteed by the principal subsidiaries of Grupo Bimbo. At December 31, 2016, 2015 and 2014, the Entity has complied with all the obligations, including financial ratios established in the loan agreements for the Entity and its subsidiaries.

14. Financial instruments

1. *Categories of financial instruments as of December 31, 2016, 2015 and 2014:*

	2016	2015	2014
Assets			
Financial assets:			
Cash and cash equivalents	$ 6,814	$ 3,825	$ 2,572
Accounts and note receivables, net	18,463	14,841	14,246
Derivative financial instruments	305	885	386
Guarantee deposits for derivative financial instruments	1,140	1,501	18
Total current assets	26,722	21,052	17,222
Non-current assets:			
Notes receivable from independent operators	807	950	1,109
Derivative financial instruments	3,448	3,346	1,653
Total financial assets	$ 30,977	$ 25,348	$ 19,984
Liabilities			
Financial liabilities:			
Bank loans	$ 2,150	$ 8,282	$ 1,789
Trade accounts payable	16,652	13,146	11,867
Other accounts payable	1,521	1,401	1,414
Due to related parties	853	401	789
Derivative financial instruments	372	3,208	673
Total current liabilities	21,548	26,438	16,532
Long-term debt	80,351	59,479	60,415
Derivative financial instruments	3,352	1,707	1,540
Total financial liabilities	$ 105,251	$ 87,624	$ 78,487

2. *Risk management*

During the normal course of its operations, the Entity is exposed to risks inherent with variables related to financing as well as variations in the prices of some of its raw materials that are traded in international markets. The Entity has established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks.

Main financial risks the Entity is exposed to are:

- Market risk
- Interest rate risk
- Foreign currency risk
- Price risk
- Liquidity risk
- Credit risk
- Capital risk

The Entity's Corporate Treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and credit risk that result from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of purchase prices of commodities and reviews the consistency of Entity's open positions in the futures markets with the Entity's corporate risk strategy. Both departments report their activities to the Risk Management Department. The main objectives of the Risk Management Department are as follows:

- Identify, evaluate and monitor external and internal risks that could significantly impact the Entity;
- Prioritize risks;
- Secure the assignment and monitoring of risk;
- Validate the functions and/or those responsible for risk management;
- Validate the progress in each of the prioritized risks; and
- Recommend future action to take.

Given that the variables the Entity is exposed are dynamic in behavior, hedging strategies are evaluated and monitored formally on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within the Entity. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

2.1 Market risks

The Entity is exposed to the financial risks associated with fluctuations in foreign currency and interest rates, which are managed by Purchases department. The Entity is also exposed to price risk related to certain commodities purchased in its operation, which is managed by commodities subcommittees. The Entity occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its results. The Entity considers that the derivative financial instruments it enters into provide flexibility that allows for greater financial stability, better earnings visibility and certainty regarding costs and expenses to be paid in the future.

The Entity determines the amounts and objective parameters of the primary positions for which the derivative financial instruments are entered into, with the objective of minimizing one or more of the risk exposures in a transaction or group of transactions associated with the primary position.

The Entity only enters into derivative financial instrument contracts with recognized financial institutions of well-known solvency and within the limits set for each institution.

The principal types of derivative financial instruments used by the Entity are:

a) Contracts that establish a mutual obligation to exchange cash flows on specific future dates, at the nominal or reference value (swaps):

   1. Interest rate swaps to balance the mix of fixed and variable interest rates used for financial liabilities.

2. Cross currency swaps, to change the currency in which both the principal and interest of a financial liability are expressed.

b) Foreign currency exchange forwards;

c) Foreign currency exchange calls;

d) Commodity futures;

e) Options on commodities futures; and

f) Inputs swaps

Market risk exposure is monitored and reported on an ongoing basis to the responsible governing area within the Entity.

The Entity has established a policy that derivative financial instruments are entered into exclusively to hedge a risk. Accordingly, in order to enter into a derivative financial instrument contract, it must necessarily be associated with a primary position that exposes the Entity to a specific risk. Consequently, the notional amounts of the Entity's derivative financial instruments will be consistent with the amounts of the primary positions that are being hedged. The Entity does not enter into derivative financial instruments for speculative purposes. If the Entity decides to enter into a hedging strategy whereby options are combined, the net premiums paid/collected must represent a cash outflow, meaning the Entity should not enter into derivative financial instrument transactions for speculative purposes.

Derivative financial instruments are comprised as follows:

	2016	2015	2014
Assets:			
Current -			
Forwards	$ -	$ 22	$ 16
Forwards on raw materials	169	69	146
Swaps	-	794	-
Futures contracts:			
Fair value of natural gas, diesel and soy oil	136	-	224
Total asset derivatives – current	$ 305	$ 885	$ 386
Long-term swaps	$ 3,448	$ 3,346	$ 1,653
Liabilities:			
Current -			
Swaps	$ -	$ (1,989)	$ -
Forwards	(9)	-	(8)
Forwards on raw material	-	-	(1)
Guarantee deposit	-	-	(76)
Futures contracts:			
Fair value of natural gas, diesel and soy oil	(363)	(1,219)	(588)
Total derivatives liabilities current	$ (372)	$ (3,208)	$ (673)
Long term swaps	$ (3,352)	$ (1,707)	$ (1,540)

	2016	2015	2014
Stockholders' equity:			
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	$ (692)	$ (1,411)	$ (362)
Closed contracts for unused futures	(165)	(73)	(17)
	(857)	(1,484)	(379)
Deferred income tax, net	267	504	159
Accumulated other comprehensive income related to derivative financial instruments	$ (590)	$ (980)	$ (220)

2.2 *Interest rate risk management*

The Entity is exposed to interest rate risk, mainly with respect to its financial liabilities. The risk is managed through an adequate mix of fixed and variable rates, which on occasion, is achieved by entering into derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they comply with the all criteria to be classified as such.

Management considers that its interest rate risk related to its financial assets is limited as their maturities are generally current.

As of December 31, 2016 the Entity held long-term debt that accrues interest at variable rates referenced to the Canadian Dealer Offered Rate ("CDOR") and Euro Interbank Offered Rate ("EURIBOR"). As of December 2015 and 2014 to "TIIE", "UDI", Canadian Dealer Offered Rate ("CDOR") and London Interbank Offered Rate ("LIBOR"), and entered into interest rate swaps to fix such interest rates. The swaps have been designated as cash flow hedges.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on balances exposed to interest rate risk, considering both derivative and non-derivative instruments at the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the interest rate risk during the period due to variances in the balances exposed to such risk. For floating rate instruments, for which the Entity has not contracted a hedge to fix the rate, the sensitivity analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 20 basis points in the one-month LIBOR and 20 basis points in the one-month CDOR and a change of 100 basis points in the 28 days TIIE represents management's best estimate of a reasonable potential change with respect to those rates. The Entity has fully mitigated interest rate risks related to fluctuations in the value of UDI through interest rate swaps.

An increase/decrease of 20 basis points in LIBOR, would result in a decrease/increase in profit or loss of approximately $0, $2.7 and $2.5 for the years ended December 31, 2016, 2015 and 2014, respectively. Such amounts are not deemed significant to the results of the operations of the Entity.

An increase/decrease of 20 basis points in CDOR would result in a decrease/increase in profit or loss of approximately $4.9, $6.2 and $7.4 for the years ended December 31, 2016, 2015 and 2014, respectively. Such amounts are not deemed significant to the results of the operations of the Entity.

An increase/decrease of 100 basis points in TIIE, would result in a decrease/increase in the Entity's profit or loss of approximately $0, $0.8 and $9.7, for the years ended December 31, 2016, 2015 and 2014, respectively.
An increase/decrease of 20 basis points in the EURIBOR rate would result in a decrease/increase in the Entity's results for approximately $6.9 and $0 for the years ended December 31, 2016 and 2015, respectively.

2.3 *Foreign currency risk management*

The Entity undertakes transactions denominated in a variety of foreign currencies and presents its consolidated financial statements in Mexican pesos; it also has investments in foreign operations whose currencies differ from the Mexican peso. Accordingly, it is exposed to foreign currency risk (i.e., the forecasted purchase of inputs, contracts and monetary assets and liabilities) and foreign currency translation risk (i.e. net investments is foreign subsidiaries). The main risk is with respect to the parity of Mexican pesos to US dollars, Mexican pesos to Canada dollars, and Canada dollars to US dollars.

Management of translation of foreign currency risk

The Entity has investments in foreign subsidiaries whose functional currency is other than the Mexican peso, which exposes it to the risk of foreign currency translation. Also, the Entity has contracted intercompany financial assets and liabilities with those foreign subsidiaries, in various currencies, therefore representing a foreign currency risk.

The risk is mitigated through the issuance of one or more loans denominated in currencies other than the functional currency to naturally hedge exposure to foreign currency, and presented as a net investment in foreign subsidiaries within other comprehensive income.

As of December 31, 2016, 2015 and 2014, loans that have been designated as hedges on the net investment in foreign subsidiaries amounted to USD 2,392, 2,876 and USD 2,867 million, respectively.

As of December 31, 2016, 2015 and 2014, the amounts of loans that have been designated as hedges for net investment in foreign subsidiaries totaled CAD 965, 998 and 1,393 million, respectively.

As of December 31, 2016, 2015 and 2014 the amounts that have been designated as a hedge for intercompany asset positions are CAD 650 million for those years.

As of December 31, 2016, 2015 and 2014, the amount that has been designated as a hedge for intercompany liability positions are USD 2, USD 8 and USD 24 million, respectively.

As of December 31, 2016, the amount of the bank loan designated as a hedge for the investment in subsidiaries abroad is €160 million.

As of December 31, 2015 and 2014, the amounts that have been designated as hedges for long-term intercompany loans are $2,017 and $2,811 million, respectively.

As of December 31, 2015 and 2014, amounts that have been designated as hedges of intercompany long-term debt are EUR 30 for both years.

Management of foreign currency transactional risk

Risk management policy regarding foreign currency also contemplates hedging expected foreign currency cash flows, mainly related to future purchases of inputs. Such purchases qualify as hedged items, represented by "highly probable" forecasted transactions for purposes of hedge accounting. At the time the purchase occurs, the Entity adjusts the non-financial asset that is considered the hedged item for the gain or loss previously recognized in other comprehensive income.

Foreign currency sensitivity analysis

The sensitivity analyses below have been determined based on the balances exposed to foreign currency exchange rate risk for both derivative and non-derivative instruments as of the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the foreign currency exchange rate risk that existed during the year due to variances in the balances exposed to such risk.

A depreciation/appreciation of 1 peso per US dollar, represents management's estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $12, $54 and $19 in profit or loss for the years ended December 31, 2016, 2015 and 2014, respectively.

Detail of derivative financial instruments that hedge interest rate and foreign currency risk

Detail of the derivatives utilized to hedge the aforementioned risks and the fair value of such derivatives as of December 31 are as follows:

		2016	2015	2014
Swaps that modify the Bimbo 09U local bond currency and interest rate, current portion.	(A)	$ -	$ 794	$ -
Swaps that modify the Bimbo 09U local bond currency and interest rate.	(A)	-	-	738
Swaps that convert the 2024 144A bond from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(B)	3,037	2,932	794
Swaps that convert the 2044 144A bond from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(C)	411	414	121
Total long term assets		$ 3,448	$ 3,346	$ 1,653
Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed, current portion.	(D)	$ -	$ (677)	$ -
Swaps that convert the Bimbo 09U local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(E)	-	(1,312)	-
Total current liabilities		$ -	$ (1,989)	$ -

		2016	2015	2014
Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(D)	$ -	$ -	$ (257)
Swaps that convert the Bimbo 09U local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(E)	-	-	(663)
Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed	(F)	(3,352)	(1,707)	(620)
Total long-term liabilities		$ (3,352)	$ (1,707)	$ (1,540)

(A) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Entity entered into two foreign currency swaps for $1,000 and $2,000 that together hedge the entire Bimbo 09U issue and converts the debt from 6.05% in UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

(B) In order to convert the total amount of the 2024 International 144A Bond, in the amount of USD 800 million, from US to Canadian dollars, issued between June 30 and July 21, 2014, cross currency swaps were contracted for a notional amount of 240, 290, 110, 10.73, 108.34 and 99.3 Canadian dollars. These instruments receive 3.875% interest in USD and pay 4.1175%, 4.1125%, 4.1558%, 4.1498%, 4.1246% and 4.0415% interest in Canadian dollars, respectively.

(C) In order to convert a portion of the 2044 International 144A Bond, that amounts USD 500 million, from US to Canadian dollars, on July 21, 2014, a cross currency swaps was contracted in a notional amount of $107.4 million Canadian dollars. This instrument receives 4.875% interest in US dollars and pays 5.0455%.

(D) In connection with the issuance of the Bimbo 09–2 local bonds, for a notional amount of $2,000 (equivalent to US$155.3 million), in 2010 the Entity entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. Maturity is June 6, 2016. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fixed interest rate to be paid is 6.35%.

(E) In order to convert the liability positions of instruments related to the issuance of the Bimbo 09-U bonds from Mexican pesos to US dollars, on February 17, 2011, the Entity entered into two foreign currency and interest rate swaps, with a notional amount, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. Maturity date is June 6, 2016. The exchange rates applicable to these instruments were set at $12.03 Mexican pesos per US dollar and interest was fixed at 6.47% and 6.53%, respectively.

(F) In order to convert all the Bimbo 12 local bonds from Mexican pesos to US dollars, between February 14 and 17, 2012 the Entity entered into 6 cross currency swaps for a notional amount of 50, 50, 50, 72.1, 70 and 100 USD respectively. All the instruments have a maturity date of August 3, 2018 and earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.33%, 3.27% and 3.25% respectively.

Foreign Currency Hedge

Based on its projections of expense, Corporate treasury has diverse obligations in USD, for which reason, at December 31, 2016, 2015 and 2014, it maintains a portfolio of options and forwards that result in a long-term position in forwards with monthly maturities of $75, $35 and $8 million USD, respectively, at an average exchange rate of $20.49 $16.71 and $13.90 Mexican pesos per USD.

In addition to hedge a portion of the debt in US dollars and convert it into Canadian dollars, the Entity keeps as of December 31, 2014 a portfolio in forwards that result in a short position for a total of 85 million Canadian dollars at an average exchange rate of 1.17 Canadian dollars per USD.

In order to meet the needs of corporate treasury in euros tied to various forecasted transactions, the Entity held as of December 31, 2014, a portfolio of options and forwards that result in a long position for a total of EUR$9 million, at an exchange rate of $17.85 pesos per euro.

As of December 31, 2016 2015 and 2014, these aforementioned instruments have a net market value (asset) of $(9), $22 and $(8), respectively.

As of December 31, 2016, 2015 and 2014, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Mexico. These instruments hedged a notional amount of 132.9, 131.25 and 137.7 million US dollars, respectively, fixing the exchange rate for the purchase of currency at a price of $19.77, $16.84 and $13.73 Mexican pesos per US Dollar.

As of December 31, 2016, the Entity contracted forwards to hedge exchange risk for capital investments related to the Mexico operation. These instruments hedged a notional amount of US $3.2 million, fixing the exchange rate for the purchase of foreign currency at an average exchange rate of $18.92 Mexican pesos per US Dollar.

In 2016, 2015 and 2014, the Entity entered into a forward to hedge the exchange risks related to the purchase of commodities in Uruguay. This instrument hedges a notional amount of 3.1, 1.9 and 3.9 million USD and fixed the exchange rate at 30.12, 30.63 and 25.26 Uruguayan pesos per USD, respectively.

As of December 31, 2016 and 2015, the Entity had forwards to hedge currency risks of raw materials associated with the operation of Canada. Such instruments hedge a notional amount of 44.8 and 5.8 million USD, and fixed the exchange rate at 1.32 and 1.34 CAD per USD, respectively.

As of December 31, 2016 and 2014, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Chile. These instruments cover a notional amount of US 3.4 and 6 million, fixing the exchange rate for the currency purchase at a price of 674.97 and 609.8 Chilean pesos per USD.

As of December 31, 2016 the Entity had forwards to hedge currency risk of raw materials associated with the operation of Colombia. These instruments cover a notional amount of US 3 million fixing the exchange rate for the currency purchase at a price of 3,123.35 Colombian pesos per USD.

As of December 31, 2015, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Argentina. These instruments cover a notional amount of US 12.8 million, fixing the exchange rate at a price of 11.98 Argentinean pesos per USD.

As of December 31, 2016, 2015 and 2014, these operations have a net fair value of $169, $69 and $146, respectively.

2.4 *Commodities price risk management*

In accordance with the Entity's risk management policies, it enters into wheat, natural gas, and other commodities futures contracts to minimize the risk of variation in international prices of such inputs.

Wheat, the main input used by the Entity, together with natural gas, are some of the commodities hedged. The transactions are carried out in recognized commodity markets, and through their formal documentation are designated as cash flow hedges of forecasted transactions. The Entity performs prospective and retrospective effectiveness tests of the instruments to ensure they mitigate the variability of cash flows from fluctuations in the price of such inputs.

As of December 31, 2016, 2015 and 2014, the Entity has recognized, in other comprehensive income, closed contracts that have not yet been transferred to cost of sales due to the fact that the wheat under these contracts has not been used for flour consumption.

Detail of derivative transactions that hedge commodities price risk

As of December 31, 2016, 2015 and 2014, the contracted futures and their main characteristics were as follows:

	2016			2015			2014		
	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value
Wheat	-	-	$ -	-	-	$ -	8,427	Mar-Dec 2015	$ 218
Corn	-	-	-	-	-	-	219	Mar-May	10
Diesel	3,191	Various	38	-	-	-	-	-	-
Gasoline	1,063	Various	35	-	-	-	-	-	-
Natural gas	384	Dec- 17	45	-	-	-	-	-	-
Poliethylene	6,000	Mar-17	7	-	-	-	-	-	-
Soybean oil	600	Sep-17	11	-	-	-	779	Mar-Dec 2015	(4)
Total current assets			$ 136			$ -			$ 224
Wheat	15,052	Mar17 to May-18	$ (361)	15,766	Mar-Dec 2016	$ (594)	-	-	$ -
Corn	321	Mar-17 to May-18	(2)	308	Mar-Dec 2016	(5)	-	-	-
Soybean oil	-	-	-	1,320	Mar-Dec 2016	7	-	-	-
Diesel	-	-	-	1,539	Various	(186)	2,486	Various	(112)
Gasoline	-	-	-	3,347	Various	(391)	5,687	Various	(421)
Natural gas	-	-	-	1,143	Various	(39)	1,495	Various	(55)
Polyethylene	-	-	-	23,700	Jan-Sep 2016	(10)	-	-	-
Aluminum	-	-	-	360	Jan-Sep 2016	(1)	-	-	-
			$ (363)			$ (1,219)			$ (588)

Embedded derivative instruments - As of December 31, 2016, 2015 and 2014, the Entity has not identified any embedded derivative financial instruments that require bifurcation.

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

The fair value of financial assets and liabilities is determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active, liquid markets are determined with reference to their quoted market prices. Derivative financial instruments fall in this category, therefore, these instruments are considered as hierarchy level 1 according to the classification of fair value hierarchy described below.

The fair value of other financial assets and liabilities carried at fair value are determined in accordance with accepted pricing models, generally based on discounted cash flow analysis.

As of December 31, 2016, 2015 and 2014, the carrying value of financial assets and liabilities, does not vary significantly from their fair value.

Fair value of derivative financial instruments, is considered as level 1.

The fair value of market long-term debt, such as bonds, was determined based on the prices provided by Valuación Operativa y Referencias de Mercado S. A. de C. V. ("VALMER") which is an entity supervised by the Mexican National Securities and Banking Commission (Comisión Nacional Bancaria y de Valores), that provides prices for financial instruments. Such valuation is considered as Level 1, according to the hierarchy described as follows.

Fair value hierarchy

The amount of assets and liabilities in the consolidated statements of financial position, measured at fair value, are grouped into one of the following three hierarchy levels. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.5 *Liquidity risk management*

Corporate treasury is responsible for managing liquidity risk. Risk management allows the Entity to determine its short-, medium- and long-term cash flow needs, while seeking financial flexibility. The Entity maintains sufficient liquidity through an orderly management of its resources and permanently monitoring of cash flows, as well as maintaining a variety of credit lines (some of them committed) with bank institutions and proper management of working capital. These actions ensure the payment of future obligations. The Entity believes that due to the nature of its business, liquidity risk is low.

Obligations resulting from accounts payables, financial instruments and debt amortization are as follows:

	<1 year	< 1 year < 3 years	< 3 years < 5 years	> 5years
Debt	$ 5,915	$ 13,468	$ 29,134	$ 67,942
Trade accounts payable	16,652	-	-	-
Derivative instruments	-	2,808	-	-
Total	$ 22,567	$ 16,276	$ 29,134	$ 67,942

2.6 *Credit risk management*

Credit risk arises from the possible loss if a customer is unable to pay its obligations, loss on investments and principally the risk related to derivative financial instruments.

When accounts receivable to customers is impaired, the Entity recognizes an allowance for doubtful accounts. The allowance is increased for those accounts beyond 90 days past due, for fifty percent of the account and for the total when it reaches 180 days past due. The methodology used to determine the allowance has been applied consistently and the allowance has been historically sufficient to cover impaired unrecoverable accounts.

With respect to operations with derivative financial instruments related to interest rate and exchange rate hedges, and some commodities like natural gas, these instruments are entered into bilaterally with counterparties of high repute that meet certain criteria mentioned below, and who maintain a significant and continuous commercial relationship with the Entity.

These counterparties are deemed of high repute, as they are sufficiently solvent -based on their "counterparty risk" rating from Standard & Poor's- for short- and long-term obligations in local and foreign currency. The principal counterparties with whom the Entity has contracts with respect to derivative financial instruments are:

Banco Nacional de México, S. A., BBVA Bancomer, S. A., Barclays Bank, PLC W. London, Bank of America México, S. A., Citibank N.A., Merrill Lynch Capital Services, Inc., HSBC Bank, ING. Capital Markets, JP Morgan Chase Bank, N. A., Banco Santander, S. A., Mizuho Corporate Bank, Ltd, Mizuho Capital Markets Corporation and The Bank of Tokyo Mitsubishi ufj, Ltd, The Bank of Nova Scotia; Macquarie Bank Limited and Cargill, Incorporated.

Principal commodities derivatives financial instruments are contracted in the following recognized markets:

a. Minneapolis Grain Exchange (MGE)
b. Kansas City Board of Trade (KCBOT)
c. Chicago Board of Trade (CBOT)
d. New York Mercantile Exchange (NYMEX)

Exposure to each counterparty is monitored on a monthly basis.

All derivative financial instrument transactions are performed under a standardized contract and duly executed by the legal representatives of the Entity and those of the counterparties.

Appendix and annexes to the contract, establish the settlement and other relevant terms in accordance with the manners and practices of the Mexican market.

Some derivative financial instrument contracts include the establishment of a security deposit or other securities to guarantee payment of obligations arising from such contracts. Credit limits that the Entity has with its counterparties are large enough to support its current operations; however, the Entity maintains cash deposits as collateral for payment of derivative financial instruments.

For those commodities future contracts executed in recognized, international markets, the Entity is subject to the regulation of those markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Entity.

2.7 *Equity structure management*

The Entity maintains a healthy relation between debt and equity, to maximize the shareholders' return.

The leverage ratio at the end of each period is as follows:

	2016	2015	2014
Debt (i)	$ 82,501	$ 67,761	$ 62,204
Cash and cash equivalents	(6,814)	3,825	2,572
Net debt	75,687	63,936	59,632
Stockholders' equity	75,076	61,859	53,602
Net debt to stockholders' equity	1.01 times	1.03 times	1.11 times

(i) Debt is comprised of bank loans and short- and long-term bonds, net of issuance costs pending amortization.

The Entity is not subject to any externally imposed capital requirements.

15. Employee benefits and workers' compensation

The net liabilities generated by employee benefits and long-term social security benefits by geographical segment, is integrated at December 31, 2016, 2015 and 2014 as follows:

	2016	2015	2014
Retirement and post- retirement benefits			
Mexico	$ 4,929	$ 3,466	$ 2,922
EUA	3,232	3,707	4,899
Canada	984	758	542
OLA	120	63	136
Total retirement and post-retirement benefits	9,265	7,994	8,499
Workers' compensation - USA	3,469	2,598	2,104
Multi- Employer Pension Plan – USA	17,394	14,851	12,345
Bonuses to employees, long term	360	489	344
Total net liability	$ 30,488	$ 25,932	$ 23,292

a. ***Mexico***

The Entity has a defined benefit pension and seniority premium plan. The Entity is also required to pay termination benefit obligations, which do not qualify as post-retirement benefit plans under IFRS, for which reason a liability for the benefits is not recognized until the obligation occurs, generally upon payment. The Entity´s funding policy is to make discretionary contributions. During 2016, 2015 and 2014, the Entity has not contributed to the plans.

Seniority premiums payment consist of a one-time payment of 12 days for each year worked based on the final salary, not exceeding twice the minimum wage, applicable at the payment date, established by law for all its personnel, as stipulated in the respective employment contracts. Such benefits vest for employees with 15 or more years of service.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2016, 2015 and 2014 by Bufete Matemático Actuarial, S.C., member of Colegio Nacional de Actuarios, A. C. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

b. *USA*

The Entity has established a defined benefit pension plan that covers eligible employees. Some of the benefits of the plan were frozen. The Entity's funding policy is to make discretionary contributions. As of December 31, 2016, 2015 and 2014, the Entity contributed to such plan $1,240, $826 and $641, respectively.

The Entity also has established post-retirement employee welfare plans, which covers the medical insurance of certain eligible employees. The Entity has insurance and pays these expenses as they occur.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2016, 2015 and 2014 by Mercer (US), Inc., member of the Institute of actuaries in the U.S. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

c. ***Canada***

The Entity has established a defined benefit plan for covering pension payments to eligible employees. Some of the benefits of unionized personnel plans were frozen. The funding policy of the Entity is to make discretionary contributions. The contributions made during 2016, 2015 and 2014 amounted to $177, $121 and $43, respectively.

The most recent of the plan assets and the present value of the defined benefit obligation actuarial valuations were performed as of December 31, 2016, 2015 and 2014 by Mercer (Canada), Inc. The present value of the defined benefit obligation, the labor cost of current service and past service cost were calculated using the method of projected unit credit.

The company also has established a defined contribution plan in which contributions are paid as incurred.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015	2014
Mexico			
Discount rate	7.68%	7.50%	7.50%
Expected rate of salary increase	4.50%	4.50%	4.50%
Inflation rate	3.50%	3.50%	3.50%
Expected weighted return	7.50%	7.50%	7.50%
Real weighted return	2.96%	1.19%	6.40%
EUA			
Discount rate	4.04%	4.25%	3.80%
Expected rate of salary increase	3.75%	3.75%	3.75%
Inflation rate	2.75%	2.75%	2.75%
Expected weighted return	4.25%	4.25%	3.80%
Real weighted return	7.90%	(2.50%)	15.19%
Canada			
Discount rate	3.80%	3.90%	3.90%
Expected rate of salary increase	3.03%	3.00%	3.00%
Inflation rate	2.00%	2.00%	2.00%
Expected weighted return	3.90%	3.90%	3.90%
Real weighted return	6.10%	3.70%	0.20%

The amounts recognized in profit or loss with respect to defined benefit pension plans and post-retirement benefits:

	2016	2015	2014
Current service cost	$ 706	$ 757	$ 523
Interest cost	1,775	1,565	1,378
Interest income on plan assets	(1,300)	(1,134)	(1,048)
	$ 1,181	$ 1,188	$ 853

The net cost of the period was allocated $668, $212 and $216 in 2016, 2015 and 2014, respectively, in the consolidated statements of income as cost of sales and the remainder as general expenses. The interest on the obligation and the expected return on the plan assets are recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

	2016	2015	2014
Present value of defined benefit obligation	$ 35,784	$ 32,253	$ 30,086
Less - fair value of plan assets	26,453	24,149	21,723
	9,331	8,104	8,363
Add: retirement benefit OLA	120	63	136
Less: current portion of retirement benefit	(186)	(173)	-
Present value of unfunded defined benefits	$ 9,265	$ 7,994	$ 8,499

Movements in the present value of the defined benefit obligation:

	2016	2015	2014
Present value of the defined obligation as of January 1	$ 32,253	$ 30,086	$ 22,425
Service cost	706	757	523
Interest cost	1,775	1,565	1,378
Actuarial loss on estimate of obligation	6	60	735
Effect of experience adjustments	624	(453)	(236)
Effect of changes in demographic assumptions	1,181	(675)	563
Effect of changes in financial assumptions	(407)	(1,359)	1,846
ABA Plan (1)	-	809	-
Assumed liabilities in business acquisition	-	2,083	2,194
Adjustment for fluctuation in currency exchange	4,790	3,330	1,893
Benefits paid	(5,144)	(3,950)	(1,235)
Present value of the defined benefit obligation as of December 31	$ 35,784	$ 32,253	$ 30,086

Movements in fair value of plan assets:

	2016	2015	2014
Plan assets at fair value as of January 1	$ 24,149	$ 21,723	$ 16,675
Interest income, and others	1,300	1,134	1,047
Actuarial (loss) gain	277	(1,402)	1,316
Employer and employee contributions	1,416	947	749
ABA Plan (1)	-	660	-
Assets on business acquisition	-	1,783	1,570
Adjustment for fluctuation in currency exchange	3,831	2,520	1,473
Benefits paid	(4,520)	(3,216)	(1,107)
Plan assets at fair value as of December 31	$ 26,453	$ 24,149	$ 21,723

(1) In 2015, the Entity determined that the American Bakers´Association ("ABA Plan") pension plan, that had been determined to be a multi-employer pension plan, qualified as another defined benefit plan for retirement. Therefore, in 2015, this plan is presented as such.

Categories of plan assets:

	Fair Value of plan assets		
	2016	2015	2014
Equity instruments	$ 8,200	$ 9,123	$ 12,362
Debt instruments	14,020	11,384	6,871
Others	4,233	3,642	2,490
Total	$ 26,453	$ 24,149	$ 21,723

Fair value of the assets of the plan are measured using valuation techniques that include inputs that are not based on observable market data.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected wage increase. The sensitivity analysis presented below were determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

In Mexico, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $8,379 and $12,389, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $11,184 and $9,240, respectively.

In USA, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $(2,109) and $2,108, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $15.

In Canada, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $(425) and $430, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $58.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Investment strategies in the actuarial and technical policy document of the Fund are:

- Asset mix on December 31, 2016 is 31% equity instruments, 53% debt instruments and 16% other instruments or alternative. The mix of assets as of December 31, 2015, is 33% equity instruments, 54% debt instruments and 13% other instruments or alternative and the mix of assets as of December 31, 2014 is 31% equity instruments, 56% debt instruments and 13% other instruments or alternative.

The technical committee of the Entity has the responsibility to define and monitor quarterly, strategy and investment policies in order to optimize the risk / return over the long term.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. Also, there has been no change to the process followed by the Entity to manage the plan assets compared to previous years

In Mexico the average duration of the benefit obligation as of December 31, 2016 is 27 years. This number can be analyzed as follows:

- Active members: 26.9 years (2015: 20 years and 2014: 21 years)
- Retired members: 9.9 years (2015: 11 years and 2014: 12 years).

In USA the average duration of the benefit obligation as of December 31, 2016 is 10.16 years. This number can be analyzed as follows:

- Active members: 9.12 years (2015: 15 years and 2014: 16 years);
- Deferred members: 9.16 years (2015: 16 years and 2014: 18 years), and
- Retired members: 10.14 years (2015: 9 years and 2014: 9 years).

In Canada the average duration of the benefit obligation as of December 31, 2016 is 13.4 years. This number can be analyzed as follows:

- Active members: 18.1 years (2015: 16.2 years and 2014: 16.2 years);
- Deferred members: 15 years (2015: 18 years and 2014: 18.2 years), and
- Retired members: 9.4 years (2015: 8.7 years and 2014: 8.6 years).

The amounts of experience adjustments are as follows:

	2016	2015	2014
Present value of defined benefits obligation	$ 35,784	$ 32,253	$ 30,086
Less – Fair value of plan assets	26,453	24,149	21,723
Underfunded status	$ 9,331	$ 8,104	$ 8,363
Experience adjustments on plan obligation	$ 630	$ (393)	$ 499
Experience adjustments on plan assets	$ 277	$ (1,402)	$ 1,316

Multi-employer pension plans ("MEPP")

The Entity participates in benefit plans known as MEPPs. A MEPP is a fund in which several unrelated employers, in the same or similar industry, make payments to fund retirement benefits for unionized employees enrolled in the plan. Originally, it was set to facilitate the mobility of employees between companies in the same industry preserving pension benefits. Usually they are managed by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 32 MEPPs.

Unless the Entity determines that exit of the MEPP is highly probable, they are measured as a defined contribution plan, as the Entity does not have sufficient information to calculate the liability, due to the collective nature of the plan, and that the participation of the Entity is limited. The responsibility of the Entity is to provide contributions as set forth in the collective contracts.

Contributions to MEPPs for the years ended December 31, 2016, 2015 and 2014 amounted to $2,308, $1,663 and $1,640, respectively. The estimated contributions for 2017 are approximately $2,399. Annual contributions are charged to profit or loss of the year.

In the event that another employer(s) exits the MEPP without satisfying its obligation related to its exit, the non-covered amount is distributed to the other active employers. Generally, the distribution of the liability for the exit of the plan is based on the Entity's contributions to the plan compared to the contributions of the other employers in the plan.

When the exit of a MEPP is highly probable, a provision is recognized for the present value of the estimated future cash outflows, discounted at the accrual rate. The Entity recognizes the withdrawal liability related to two MEPPs for which a contract exits. The total liability related to MEPPs is included in the employee labor obligations line.

The provision for the MEPP mainly corresponds to the Entity's intention of exiting the plan.

During 2016, 2015 and 2014, the Entity recorded a charge to results with respect to the liability for MEPPs of $118, $359 and $2,022, respectively.

Liabilities recognized with respect to MEPPs are updated each year derived from changes in wages, aging and the mix of employees in the plan, which are recorded in results of the income year, in addition to amounts that are contributed regularly to different MEPPs.

The Entity has provisioned $17,394, that represent the withdraw estimation of some plans. The Entity has not provisioned for the MEPPs for which it has no intention to exit.

Welfare benefit plans USA

The Entity maintains a welfare benefit plan that covers certain eligible employees' postretirement medical expenses. Amounts correspond to expenses that are recorded in profit or loss as incurred. These obligations are classified as current or long-term welfare benefit plans and the amounts are included in the income statement. As of December 31, 2016, 2015 and 2014, these liabilities were:

	2016	2015	2014
Welfare benefit plans			
Current (a)	$ 552	$ 505	$ 471
Long-term	3,469	2,598	2,104
	$ 4,021	$ 3,103	$ 2,575

(a) Included in other accounts payable and accrued expenses.

16. Stockholders' equity

At December 31, 2016, 2015 and 2014, stockholders' equity consists of the following:

	Number of shares	Amount
Fixed capital Series A	4,703,200,000	$ 4,227
Total	4,703,200,000	$ 4,227

Capital stock is fully subscribed and paid–in and represents fixed capital. Variable capital cannot exceed 10 times the amount of minimum fixed capital without right of withdrawal and must be represented by Series "B", ordinary, nominative, no–par shares and/or limited voting, nominative, no–par shares of the Series to be named when they are issued. Limited voting shares cannot represent more than 25% of non–voting capital stock.

i. In the Ordinary General Assembly of Shareholders held on April 15, 2016, payment of dividends was declared for $1,129 meaning $0.24 cents per each of the shares representing the capital stock, from net tax income account, which were paid in cash on April 27, 2016

ii. An additional income tax, in Mexico, Income Tax on dividends was enacted in 2015 of 10% when such dividends are distributed to individuals and persons residing outside the country The income tax is paid via withholding and is considered a final payment by the shareholder. For foreigners, treaties to avoid double taxation may apply. This tax will apply to the distribution of profits generated beginning 2015.

iii. Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2016, 2015 and 2014, the legal reserve, in historical Mexican pesos, was $500.

iv. Stockholders' equity, except restated paid–in capital and tax-retained earnings, will be subject to income taxes payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

v. The balances in the stockholders' equity tax accounts at December 31 are:

	2016	2015	2014
Paid-in capital	$ 30,515	$ 29,338	$ 28,464
Net after-tax income	51,480	42,372	37,174
Total	$ 81,995	$ 71,710	$ 65,638

17. Transactions and balances with related parties

Balances and transactions between the Grupo Bimbo and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note. Transactions between the Entity and other related parties are detailed further.

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2016	2015	2014
Expenditures for purchases of:			
Raw material			
Beta San Miguel, S.A. de C.V.	$ 1,619	$ 1,030	$ 429
Frexport, S.A. de C.V.	798	661	592
Industrial Molinera Monserrat, S.A. de C.V.	313	300	385
Ovoplus del Centro, S.A. de C.V.	-	26	320
Makymat, S.A. de C.V.	41	-	-
Paniplus, S.A. de C.V.	-	-	57
Finished inventory			
Fábrica de Galletas La Moderna, S.A. de C.V.	$ 629	$ 537	$ 517
Mundo Dulce, S.A. de C.V.	814	716	624
Pan-Glo de México, S. de R.L. de C.V.	138	48	48
Stationary, uniforms and others			
Efform, S.A. de C.V.	159	163	156
Galerias Louis C Morton, S.A. de C.V.	9	8	4
Marhnos Inmobiliaria, S.A.	-	-	29
Proarce, S.A. de C.V.	60	123	123
Uniformes y Equipo Industrial, S.A. de C.V.	132	103	69
Financial services			
Fin Común Servicios Financieros, S.A. de C.V.	634	464	456

Transactions with related parties are carried out at market prices expected between independent parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful accounts in respect of the amounts owed by related parties.

b. ***Accounts payable to related parties***

Net balances due to related parties are:

	2016	2015	2014
Beta San Miguel, S. A. de C. V.	$ 479	$ 190	$ 326
Efform, S. A. de C. V.	33	31	41
Fábrica de Galletas La Moderna, S. A. de C. V.	67	53	65
Frexport, S. A. de C. V.	128	13	116
Industrial Molinera Montserrat, S. A. de C. V.	11	6	34
Makymat, S. A. de C. V.	13	-	4

	2016	2015	2014
Mundo Dulce, S.A. de C.V.	63	48	48
Ovoplus del Centro, S. A. de C. V.	-	-	7
Pan-Glo de México, S. de R. L. de C. V.	11	10	14
Proarce, S. A. de C. V.	22	9	47
Fin Común Servicios Financieros, S.A. de C.V.	-	8	8
Uniformes y Equipo Industrial, S. A. de C. V.	25	22	21
Otros	1	11	58
	$ 853	$ 401	$ 789

c. **Compensation of key management personnel**

Compensation management and other key members of management during the year was as follows

	2016	2015	2014
Short- and long –term direct benefits	$ 783	$ 601	$ 409
Severance benefits	607	653	576
Bonus	-	-	103
	$ 1,390	$ 1,254	$ 1,088

The compensation of management and key executives is determined by the Compensation Committee based on the performance of individuals and market trends.

18. Income taxes

Income taxes in México -

Mexican entities are subject to income tax ("ISR")

ISR -The rate was 30% in 2016, 2015 and 2014 and thereafter.

Income taxes in other countries -

Subsidiaries established abroad calculate the income tax on the individual results of each subsidiary and in accordance with the regulations of each country. USA has an authorization to file a consolidated income tax return. Spain has authorization to file a consolidated income tax beginning from the year 2013.

Each company calculates and pays under the assumption of individual legal entities. The annual tax return is submitted within six months following the end of the fiscal year; companies must make monthly payments during the fiscal year.

The tax rates applicable in other countries where the Entity mainly operates and the period in which tax losses may be applied, are as follows:

	Legal tax rate (%)					Due date tax loss
	2016		2015		2014	Carryforward
Argentina	35		35		35	5 (a)
Brazil	34		34		34	(b)
Canada	15	(c)	15	(c)	15	20
Spain	25	(d)	28	(d)	30	(e)
USA	35	(f)	35	(f)	35	20
Mexico	30		30		30	10

Tax losses caused by the Entity are mainly in the USA, Mexico, Brazil and Spain.

a) Losses on sales of shares or other equity investments may only be offset against income of the same nature. The same applies to losses on derivatives. Foreign source tax losses may only be amortized with income from foreign sources.

b) Tax losses may be applied indefinitely, but may only be offset each year up to an amount equivalent to 30% of the net taxable profit for each year.

c) The general corporate income tax rate is a combination of the federal corporate income tax rate, of 15%, and relevant state (provincial) corporate income tax rates, where the Entity has a permanent establishment. State tax rates vary from 10% to 16%. Therefore, the combined tax rate may vary from 25% to 31%.

d) The tax rate was reduced to 28% in 2015, and will be 25% for the following years.

e) Tax losses have no expiration date, however they can only be offset to a portion of the net taxable profit for each year as follows: 50-25% in 2015, 60% in 2016 and 70% from 2017 and thereafter.

f) A state tax in each state must be added to the federal rate. The weighted statutory tax rate for the Entity for the years 2016, 2015 and 2014 was 33.4%, 37.75% and 38.8%, respectively.

Operations in the USA, Canada Argentina, Colombia, Guatemala, Panamá, Honduras, Nicaragua and Ecuador are subject to minimum payments of income tax.

Details of provisions, effective tax rate and deferred effects

a. Income tax in profit and loss:

	2016	2015	2014
Income tax:			
Current	$ 4,703	$ 3,884	$ 3,921
Deferred	2.142	179	(966)
	$ 6.845	$ 4.063	$ 2.955

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income for the years ended December 31, 2015 and 2014:

	2016	2015	2014
Income before taxes	$ 13,613	$ 9,978	$ 6,986
Statutory rate in Mexico	30%	30%	30%
ISR at statutory tax rate	4,084	2,993	2,096
Add (less) tax effects of the following items:			
Inflationary effects on the monetary financial position	209	246	524
Nondeductible expenses, nontaxable revenues and other	967	575	390
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	156	(106)	(286)
Effects on the tax base values of property, plant and equipment	(130)	(137)	(131)
Participation in the results of associates	(37)	(14)	18
Change in unrecognized tax benefits	1,596	506	344
Income tax recognized in profit or loss	$ 6,845	$ 4,063	$ 2,955
Effective tax rate	50.3%	40.7%	42.3%

To determine deferred ISR at December 31, 2016, 2015 and 2014, entities applied the tax rates expected to be in effect to temporary differences, based on the estimated reversal date of the temporary difference.

Certain companies that have tax losses have not recognized the deferred benefit as they do not believe they have projections of sufficient taxable income in order to recover the benefit of such losses. Unrecognized benefits were $8,301 in 2016, $3,007 in 2015 and $3,524 in 2014.

The main items originating a deferred income tax asset as of December 31, 2016, 2015 and 2014 are:

	December 31, 2015	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2016
Allowance for doubtful accounts	$ (335)	$ (67)	$ -	$ -	$ -	$ (402)
Inventories and payments in advance	(33)	(29)	-	-	-	(62)
Property, plant and equipment	4,367	1,893	-	-	-	6,260
Intangible and other assets	9,928	2,563	-	-	-	12,491
Other reserves	(13,396)	(1,791)	(263)	-	-	(15,450)
Employee profit sharing	(313)	(22)	-	-	-	(335)
Tax loss carry forwards	(7,962)	314	-	-	-	(7,648)
Derivative financial instruments	-	115	(115)	-	-	-
Other items	398	(834)	230	525	-	319
Total (assets) liability, net	$ (7,346)	$ 2,142	$ (148)	$ 525	$ -	$ (4,827)

	December 31, 2014	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2015
Allowance for doubtful accounts	$ (321)	$ (14)	$ -	$ -	$ -	$ (335)
Inventories and payments in advance	(12)	(21)	-	-	-	(33)
Property, plant and equipment	4,460	(349)	-	-	256	4,367
Intangible and other assets	8,317	1,436	-	-	175	9,928
Other reserves	(12,614)	(1,033)	315	-	(64)	(13,396)
Employee profit sharing	(318)	5	-	-	-	(313)
Tax loss carry forwards	(5,444)	(2,518)	-	-	-	(7,962)
Derivative financial instruments	-	2,121	(2,121)	-	-	-
Other items	603	552	(345)	(412)	-	398
Total (assets) liability, net	$ (5,329)	$ 179	$ (2,151)	$ (412)	$ 367	$ (7,346)

	December 31, 2013	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2014
Allowance for doubtful accounts	$ (317)	$ (4)	$ -	$ -	$ -	$ (321)
Inventories and payments in advance	230	(241)	-	-	(1)	(12)
Property, plant and equipment	3,627	328	-	-	505	4,460
Intangible and other assets	5,493	969	-	-	1,855	8,317
Other reserves	(9,999)	(1,992)	(430)	-	(193)	(12,614)
Employee profit sharing	(246)	(72)	-	-	-	(318)
Tax loss carry forwards	(3,152)	(2,009)	-	-	(283)	(5,444)
Derivative financial instruments	-	1,649	(1,649)	-	-	-
Other items	519	406	(33)	(289)	-	603
Total (assets) liability, net	$ (3,845)	$ (966)	$ (2,112)	$ (289)	$ 1,883	$ (5,329)

The deferred income tax asset and liability have not been offset in the accompanying consolidated statements of financial position as they result from different taxable entities and tax authorities. Gross amounts are as follows:

	2016	2015	2014
Deferred income tax asset	$ (9,779)	$ (10,705)	$ (8,709)
Deferred income tax liability	$4,952	3,359	3,380
Total asset, net	$ (4,827)	$ (7,346)	$ (5,329)

c. As of December 31, 2015, tax loss carried forwards, pending amortization against future income taxes, expire as follows:

Years	Amount
2017	$ 378
2018	413
2019	412
2020	559
2021	1,662
2022	103
2023	296
2024	5,918
2025	8,302
2026	11,106
2026 and thereafter	22,187
	51,336
Unrecognized tax losses	(27,203)
Total	$ 24,133

19. Costs and expenses by nature

Cost of sales and distribution, selling, administrative, and other general expenses presented on the consolidated statements of income, are comprised as follows:

	2016	2015	2014
Cost of sales			
Raw materials and manufacturing expenses	$ 107,238	$ 95,008	$ 82,391
Freight, fuel and maintenance	3,800	3,053	2,527
Depreciation	4,960	4,360	3,380
	$ 115,998	$ 102,421	$ 88,298

	2016	2015	2014
Distribution, selling, administrative and other expenses			
Wages and salaries	$ 54,363	$ 41,229	$ 36,674
Depreciation	2,330	2,078	2,028
Freight, fuel and maintenance	8,627	5,660	4,415
Professional services and consulting	18,324	13,358	10,098
Advertising and promotional expenses	9,738	7,935	6,951
Other	24,677	32,384	28,277
	$ 118,059	$ 102,644	$ 88,443

20. Other general expenses

a. Other general expenses are comprised as follows:

	2016	2015	2014
Tax incentives	$ (26)	$ (78)	$ (3)
Loss on sale of property, plant and equipment	(302)	124	330
Impairment of goodwill	575	991	-
Impairment of brand and distribution rights	613	430	166
Impairment fixed assets	-	418	-
Recovery on claims	(111)	-	(8)
Provision for updating MEPPs	473	359	2,022
Others	1,014	(76)	370
	$ 2,236	$ 2,168	$ 2,877

21. Commitments

Guarantees and/or guarantors

a. Grupo Bimbo, S.A.B. de C.V. along with certain subsidiary companies have issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain subsidiaries. The value of such letters of credit at December 31, 2016, 2015 and 2014 are US 366, US 344 and US 270 million, respectively.

b. The Entity entered into contracts, which requires it to acquire certain amounts of renewable energy for an 18-year period at a fixed price, that will be updated according to changes in the INPC factors for the first 15 years. Even though the contracts have derivative financial instruments characteristics, they fall within the exception of "own-use"; therefore, they are recognized in the consolidated financial statements as the consumption of energy occurs. The estimated commitment to purchase energy in 2017 amounts to $313, and is to be updated annually based on inflation, for the remaining 14 years of the contract.

Lease commitments

a. The Entity has long–term commitments under operating leases, related to the facilities used to produce, distribute and sell its products. These commitments vary from 3 to 14 years, with a renewal option of between one and five years. Certain leases require the Entity to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. Lease expense was $4,861, $4,136 and $3,485 for the years ended December 31, 2016, 2015 and 2014, respectively. The total amount of future minimum lease commitments is as follows:

Years	Operating leases	Finance leases Non-controlling Interest
2017	$ 3,613	$ 855
2018	2,808	745
2019	2,254	618
2020	1,731	443
2021	1,337	249
2022 and thereafter	3,304	93
Total minimum lease payments	15,047	3,003
Amounts representing interest	-	562
Present value of net minimum lease payments	$ 15,047	$ 2,441

22. Contingencies

Certain contingencies exist, of varying nature, that have arisen in the normal course of business of the Entity, for which management has evaluated the likelihood of loss as remote, probable or possible. Based on such evaluation, for those contingencies for which the Entity believes it is probable it will be required to use future resources to settle its obligation, the Entity has accrued the following amounts:

Type	Amount
Labor-related	$ 402
Tax-related	735
Civil-related	40
Other	365
Total	$ 1,542

Those contingencies for which management does not believe it is probable that it will be required to use future resources to settle its obligations and that are not expected to have a material adverse effect are not accrued until other information becomes available to support the recognition of a liability.

The Entity has restricted cash of $316 and pledged certain assets in Brazil amounting to an additional $ million as a guarantee of certain tax contingencies, which are presented in other long-term assets.

Derived from the purchase of items of property, plant and equipment and intangible assets in Brazil concerning the Firenze brand, made in 2008, the Entity is subject to tax liens and presumed successor of companies involved in these actions. The court issued an injunction, ordering the restriction of the accounts receivable of the Entity from the sale of branded products "Firenze". The Entity continues to defend itself regarding this claim, which is expected to be resolved in the long-term. There is a provision recorded for $55.

23. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four geographical zones: Mexico, North America, OLA and Europe. Segment revenue is comprised of bread (for all segments) and confectionery products (Mexico and USA only)

The following presents the condensed financial information by reportable segment based on the geographical areas in which the Entity operates for the years ended December 31, 2016, 2015 and 2014:

	2016					
	Mexico	North America	OLA	Europe	Consolidation eliminations	Total
Net sales	$ 82,386	$ 135,219	$ 29,100	$ 11,676	$ (6,240)	$ 252,141
Operating income (loss) (*)	$ 12,949	$ 7,161	$ (2,453)	$ (159)	$ 586	$ 18,084
Depreciation, amortization, impairment and other non-cash	$ 2,437	$ 5,572	$ 2,733	$ 472	$ -	$ 11,214
EBITDA (*)(**)	$ 15,386	$ 12,733	$ 280	$ 313	$ 586	$ 29,298
Net income of controlling stockholders	$ 6,398	$ 2,370	$ (3,596)	$ (732)	$ 1,458	$ 5,898
Interest income	$ (459)	$ (162)	$ (70)	$ (133)	$ 575	$ (249)
Interest expense	$ 4,109	$ 1,463	$ 439	$ 50	$ (575)	$ 5,486
Total assets	$ 48,371	$ 154,417	$ 27,080	$ 16,653	$ (1,356)	$ 245,165
Total liabilities	$ 99,496	$ 56,398	$ 10,535	$ 5,171	$ (1,511)	$ 170,089

	2015					
	Mexico	North America	OLA	Europe	Consolidation eliminations	Total
Net sales	$ 76,295	$ 116,399	$ 24,272	$ 7,560	$ (5,340)	$ 219,186
Operating income (loss) (*)	$ 10,920	$ 5,024	$ (1,310)	$ (601)	$ 88	$ 14,121
Depreciation, amortization, impairment and other non-cash	$ 2,511	$ 4,641	$ 1,829	$ 267	$ -	$ 9,248
EBITDA (*)(**)	$ 13,431	$ 9,665	$ 519	$ (334)	$ 88	$ 23,369
Net income of controlling stockholders	$ 5,497	$ 1,462	$ (1,662)	$ (892)	$ 766	$ 5,171
Interest income	$ (372)	$ (190)	$ (30)	$ (181)	$ 561	$ (212)
Interest expense	$ 3,541	$ 1,221	$ 361	$ 1	$ (548)	$ 4,576
Total assets	$ 43,020	$ 130,148	$ 19,332	$ 8,253	$ (1,120)	$ 199,633
Total liabilities	$ 82,868	$ 45,890	$ 6,690	$ 2,881	$ (555)	$ 137,774

	2014					
	Mexico	North America	OLA	Europe	Consolidation eliminations	Total
Net sales	$ 72,098	$ 90,375	$ 21,931	$ 6,897	$ (4,248)	$ 187,053
Operating income (loss) (*)	$ 10,132	$ 392	$ 7	$ (209)	$ (10)	$ 10,312
Depreciation, amortization, impairment and other non-cash	$ 1,917	$ 5,196	$ 849	$ 146	$ -	$ 8,108
EBITDA (*)(**)	$ 12,049	$ 5,588	$ 856	$ (63)	$ (10)	$ 18,420
Net income of controlling stockholders	$ 4,977	$ (1,011)	$ (492)	$ (53)	$ 97	$ 3,518
Interest income	$ (303)	$ (309)	$ (34)	$ (324)	$ 699	$ (271)
Interest expense	$ 3,007	$ 942	$ 300	$ 29	$ (586)	$ 3,692
Total assets	$ 36,449	$ 115,427	$ 20,176	$ 6,844	$ (1,135)	$ 177,761
Total liabilities	$ 78,238	$ 37,935	$ 5,941	$ 2,516	$ (471)	$ 124,159

(*) Amount does not include intercompany royalties.
(**) The Entity determines EBITDA as operating income plus depreciation, amortization, impairment and other cash items.

For the years ended December 31, 2016, 2015 and 2014 the sales to its largest customer represented 13%, 11.8% and 12% respectively of consolidated net sales of the Entity, which corresponds mainly to the regions of Mexico and the US and Canada. There are no other customers whose sales exceed 10% of total consolidated sales.

24. Consolidated Financial statements issuance authorization

On March 20, 2017 the issuance of the accompanying consolidated financial statements was authorized by Lic. Daniel Servitje Montull, Chief Executive Officer, and the Board of Directors of the Entity. Consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the Entity stockholders' approval at the General Stockholders' meeting, where they may be modified, based on provisions set forth by Mexican General Corporate Law.

* * * * * *

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20 de marzo de 2017

Al Consejo de Administración de:

Grupo Bimbo, S. A. B. de C. V. y Subsidiarias

Prolongación Paseo de la Reforma No. 1000
Col. Peña Blanca Santa Fe
Del. Álvaro Obregón
01210 Ciudad de México
México

Estimados Señores:

En relación con lo dispuesto en el artículo 84 de las Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores, publicadas en el Diario Oficial de la Federación el 19 de marzo de 2003, y sus modificaciones al 15 de noviembre de 2016 (la "Circular Única de Emisoras"), y de acuerdo con el contrato de prestación de servicios profesionales que celebré el 7 de noviembre de 2016 con el Lic. Daniel Servitje Montull en representación de la administración de Grupo Bimbo, S. A. B. de C. V. y Subsidiarias ("la Emisora") para realizar la auditoría de estados financieros consolidados al 31 de diciembre de 2016, 2015 y 2014, y por los años que terminaron en esas fechas, manifiesto, bajo protesta de decir verdad, lo siguiente:

I. Que desde la fecha en que presto mis servicios como auditor externo a la Emisora y en mi calidad de tal, durante el desarrollo de la auditoría y hasta la fecha de la emisión de la opinión correspondiente, no me ubico dentro de los supuestos a que hace referencia el artículo 83 de la Circular Única de Emisoras.

II. Que expreso mi consentimiento para proporcionar a la Comisión Nacional Bancaria y de Valores ("la Comisión") cualquier información que ésta me requiera a fin de verificar mi independencia.

III. Que me obligo a conservar físicamente o a través de medios electrónicos y por un periodo no inferior a cinco años, en mis oficinas, toda la documentación, información y demás elementos de juicio utilizados para elaborar el dictamen correspondiente y a proporcionarlos a la Comisión, cuando ésta me los solicite.

IV. Que cuento con documento vigente que acredita mi capacidad técnica.

V. Que no tengo ofrecimiento para ser consejero o directivo de la Emisora.

Atentamente,

C. P. C. Octavio Aguirre Hernández

Auditor Externo
Socio de Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

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Mi consentimiento para que la Emisora incluya en la información anual a que hacen referencia el artículo 33, fracción I, inciso b), numeral 1, y el artículo 36, fracción I, inciso c), de la Circular Única de Emisoras, el dictamen sobre los estados financieros que al efecto emití. Lo anterior, en el entendido de que previamente deberé cerciorarme de que la información contenida en los estados financieros incluidos en el reporte anual de que se trate, así como cualquier otra información financiera incluida en dicho documento cuya fuente provenga de los mencionados estados financieros o del dictamen que al efecto presente, coincida con la dictaminada, con el fin de que dicha información sea hecha del conocimiento público.

Atentamente,

C. P. C. Octavio Aguirre Hernández

Auditor Externo
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