GRUPO BIMBO

NOURISHING A BETTER WORLD

On the right track

2018 INTEGRATED ANNUAL REPORT

Seventy-three years ago,

we began a long journey, to become the number one baking company in the world. The road has been full of challenges and we now have the commitment to fulfill our Vision:

"In 2020 we transform the baking industry and expand our global leadership to better serve more consumers".

To get there, we have strived to do things right.

This means working efficiently along our complete value chain with the maximum quality, in order to be successful and achieve our goals.

Together with a team of professional leaders ***with the best talent and guiding the Company towards the right steps***, we have achieved almost all of the objectives on this journey, but we are not there yet.

We are on the right track to build a sustainable, highly productive and deeply humane company.

(GRI 102-46)

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Today we are *a global player* IN THE BAKING INDUSTRY

We are the largest baking Company in the world[1] and a relevant participant in snacks, generating

US$15.0 billion[2] in net sales in 2018.

Our main product lines include fresh and frozen sliced bread, buns, cookies, snack cakes, English muffins, bagels, pre-packaged foods, tortillas, salty snacks, and confectionery products, among others in **32 countries** throughout the Americas, Europe, Asia and Africa.

Our shares trade on the Mexican Stock Exchange (BMV) under the ticker symbol BIMBO, and in the over-the-counter market in the United States with a Level 1 ADR, under the ticker symbol BMBOY.

[1] Source: GlobalData as of 2017
[2] Based on an average FX rate of Ps. 19.24/US$ in 2018

(GRI 102-2, 102-6, 102-7)

#1 baking COMPANY

+1,800 sales centers

+13,000 products

+3.3 million points of sale

+100 brands

+138,000 associates

199 plants

+60,000 routes

32 countries

(GRI 102-14, 102-15, 102-32, 201:103-1, 103-2, 103-3)

Letter to our shareholders

Dear Shareholders:

On behalf of the Board of Directors and the Management team, it is a pleasure to report on a year in which we further ***expanded our global leadership*** position, making significant progress toward our 2020 Vision and enhancing our geographic, category and channel ***diversification***.

We achieved ***record-breaking levels*** of net sales, gross profit, operating income, adjusted EBITDA and the number of points of sale reached, ***increasing our penetration*** in the global market by regularly visiting more than 3.3 million customers. Our net income increased 25%, which translated into a 90 basis points improvement in the return on equity.

The increase in net sales of 7.8% was largely attributable to the good performance in Mexico and North America, as well as the acquisitions of Bimbo QSR, Bays English Muffins and Mankattan.

At the regions level, the good performance in Mexico was a result of the ***excellent work*** of our associates, who achieved significant sales growth in all channels, categories and regions. We also introduced products such as Bimbo Donuts, our leading sweet baked goods product in Spain, leveraging our best products from around the world to continue driving our ***leading brands***.

In North America, our sales increase was driven by strong growth in the sweet and salty snacks category in the United States, as well as higher prices necessitated by inflation in our raw materials, labor, transportation and energy costs. This was partially offset by a decline in volume in the private label category. In addition, sales in this region were benefited from excellent results in Canada, reflecting a positive trend in the bread category.

In Latin America, we experienced outstanding results in our Latin Centro Organization and in Chile, where we reached historic levels of sales and strengthened our presence with the acquisition of Nutra Bien, a leading player in the sweet baked goods and special cookies categories. However, Brazil and Argentina continue to be challenged, the latter caused by the macroeconomic situations in the country.

In our Europe, Asia and Africa (EAA) region, we became the #2 player in China after completing the acquisition of Mankattan, positioning us well within a market with extraordinary growth potential. In Iberia, we are realizing synergies in the Donuts integration, but at a slower rate than expected and in Spain, we are challenged to improve the trend in the sweet baked goods category.

We continued to ***strengthen our financial structure***. We achieved our year-end commitment to deleverage to under three times total debt to adjusted EBITDA, closing the year at 2.8 times. This is attributable to the strong operating performance, the issuance of $500 million dollars in perpetual notes and the prepayment of $123 million dollars of our debt. Our debt maintains a comfortable and long-term maturity profile, with an average duration of 10.6 years, and we adjusted the currency mix to be more aligned with our cash flow generation.

The 16.2% adjusted EBITDA increase was generated by good results at the operating level, including ***higher productivity***. Several factors contributed to this result: the closure of four plants, the implementation of the Voluntary Separation Program and the organizational restructuring initiatives in North America, and benefits from Zero Based Budgeting. It is also important to highlight the capital investments of approximately $750 million dollars intended mainly for increased capacity and automation in manufacturing, logistics and distribution to lower costs.

Our commitment to integrity is part of our DNA, and we are proud to announce that for the third year in a row we received a recognition from the Ethisphere Institute for being one of the ***most ethical companies in the world***.

The safety of our associates will always be a top priority. While we did not reach our goals this year, we will never stop reinforcing the necessary operational discipline, risk identification and elimination and leadership focus to prevent injuries.

At Grupo Bimbo, a major aspect of nourishing our world is our ***commitment to the planet***. We remain firmly committed to the ten principles of the United Nations Global Compact, as well as to the 17 Sustainable Development Goals of the United Nations Development Program. We became the first company in Mexico to produce Clean Energy Certificates for distributed generation. This initiative will contribute to Mexico's goal of using 50% of clean energy by 2050. We also signed an agreement with Invenergy, the largest independent renewable energy generation company in the U.S., through which Grupo Bimbo will become 75% renewable worldwide, with a reduction of 440,000 tons of CO_2e per year.

Finally, ***2019 begins with a bright outlook full of opportunities*** in the market. Our industry remains highly fragmented, our 4.5% global market share and low household penetration rates indicate the magnitude of our future growth potential. We also started the year with challenges, particularly the uncertainty, volatility and recent political and macroeconomic changes in markets such as Mexico and Argentina.

We will continue to focus on building a business that ***grows in a sustainable way, boosting profitability, accelerating transformation and supporting our associates***. Meanwhile, we will proactively look for opportunities to invest in research and development, improve the nutritional profile and innovation in our product portfolio and automation throughout our supply chain, with a view to achieving our Vision to *transform the baking industry and expand our global leadership to better serve more consumers.*

Thank you for your trust and continued support.

Daniel Servitje
Chairman and CEO

(GRI 301-3, 302-1, 303-3, 306-2)

2018 HIGHLIGHTS

Reached record levels in net sales, gross profit, operating income, and adjusted EBITDA

Increased market penetration to more than 3.3 million points of sale served

Became **#2 player in China**

Strengthened our position in China with the acquisition of Mankattan and in Chile **with Nutra Bien**

Reached year-end target of being below 3.0x total debt/Adj. EBITDA

Double-digit growth in net majority income

34 plants worldwide achieved zero waste to landfills

Over 80% recycling in 134 plants worldwide

91% reutilization of treated wastewater in all our operations in Mexico

We signed the RE-100 commitment to have **100% electric energy from renewable** sources in all the Company by 2025

100% of our polyethylene and polypropylene packaging in Mexico uses a biodegradable* technology

*According to ASTM6954-18

100% of the business units carried out their associates' medical follow-ups

2018 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM

Honored as one of the **"World's Most Ethical Companies"** by The Ethisphere Institute

1st place in Merco's ranking, as the most responsible company in Mexico, since 2014, with a 10/10 score for the third consecutive year

176 Good Neighbor projects

New Nutritional Guidelines launch

Tracking the RIGHT Sourcing

(GRI 416: 103-1, 103-2, 103-3; FP5, FP8)

Tracking down the RIGHT recipe

Health and Wellness

Our **H&W objective**: Grupo Bimbo as a leading food business that **transforms** the way people eat, leaving **each generation better nourished and healthier** than the one before.

At Grupo Bimbo, we are committed to meet the needs of our consumers, encourage health and wellness initiatives which promote healthy lifestyles and the constant improvement in the nutritional quality of our products.

PRODUCTS

In 2018 we strengthened our nutritional profile with five new elements:

1	2	3	4	5
Consumption patterns Daily and occasional categories based on their intended role in overall diet	**Targeted consumer** Recommended daily values for nutrients differentiated between children and adults	**Clean label levels** Transparency and label-friendly ingredients in our recipes	**Nutritional profile** Nutritional quality balance in nutrients to be encouraged and those to be limited	*** External validation** Credibility through validated and recognized external methodology

* External validation (Rayner score)
The Rayner model provides a single score for any given food product, based on calculating the number of points for "critical" nutrients which can be offset by points for "positive" nutrients. Points are allocated based on the nutritional content in 100g of a food or drink.

In the second semester of 2018, we launched the Grupo Bimbo NEW NUTRITIONAL GUIDELINES which have allowed us to evaluate our portfolio in a more demanding manner in order to fulfill the needs of our consumers.

This new approach also changed our health and wellness global strategy, now based on three fundamental pillars:

NEW GLOBAL HEALTH & WELLNESS STRATEGY

	1 Deploy New Nutritional Guidelines	2 Strengthen Our Portfolio in Brands and Healthy Products	3 Global Nutrition Policy
Commitments	· Daily consumption products must comply with the new nutritional guidelines by the end of 2020. • Occasional consumption categories: - Products must meet a minimum content of nutrients/ingredients to encourage. - Children products: increase products released to the market with only "friendly-ingredients" in their recipes.	• Achieving 30% of branded portfolio from Health & Wellness products.	• Effectively communicate the importance of processed foods based on accessibility and nutritional contribution to the daily diet.

Best practices to share

As part of our strategy to improve our product portfolio, we have identified those Business Units that have achieved a relevant advance in the compliance of our new nutritional guides. These business units have focused their efforts on implementing a friendly-ingredient labeling, also reducing the content of nutrients to limit and increasing nutrients to encourage such as fiber, proteins and whole grains.

Business Unit	% of Nutritional profile compliance (nutrients to limit & nutrients to encourage)	% of friendly-ingredient labeling (1st. stage)
Bimbo United Kingdom	100	100
Bimbo Brazil	91	100
Bimbo Bakeries USA	85	99

(GRI: 417-1, 417-2, 417-3)

NUTRITIONAL INFORMATION

In Grupo Bimbo, we are convinced that educating our consumers is an essential factor for them to change their lifestyles. Our commitment is to increase our efforts in offering easily accessible and understandable nutritional information for our consumers, in order to help them make informed decisions when purchasing and consuming our products.

Our nutritional labeling policy

It includes, at the very least, information on the energy content of our products, per portion, as well as the total/available carbohydrates, total sugars, proteins, total fats, saturated fats, trans fatty acids, sodium, and any nutrient for which there is a health claim. Should the aforementioned not be possible due to space on the packaging, we will ensure this information reaches our consumers through other channels.

To continue complying completely with all applicable laws and regulations regarding labeling in each country where we sell our products, and where there are no applicable regulations regarding some subject, Grupo Bimbo will be ruled by international regulations such as the Codex Alimentarius or best practices among the different countries where we operate.

We also include in all our products a simple and understandable front-of-package label, in addition to our basic nutritional information.

Moreover, we rely on scientific support for all our health claims and we include specific guidelines on food portions.

Front-of-package (FOP) Labeling

Over the last years, several front-of-package nutritional information schemes have emerged, and their purpose is to help consumers make better decisions when purchasing and consuming foods. One of the most viable FOP schemes worldwide are the Guideline Daily Amounts (GDAs) designed to provide a general idea on the daily diet food content through daily reference values. Grupo Bimbo is committed to include in all our products a GDA scheme where there is no official definition on the subject.

(GRI: 416: 103-1, 103-2, 103-3)

RESPONSIBLE MARKETING

Grupo Bimbo has developed an Advertising and Communication Global Policy for children, which has the purpose of establishing general guidelines for developing socially responsible advertising focused on the specific segment of children under 12.

We have ATL and BTL advertising for products meeting our nutritional criteria, aligned with world standards and scientific evidence.

Our TV advertising campaigns aimed at children promote healthy lifestyles. We choose television shows in keeping with the values of our Company.

By the same token and in compliance with our agreements with the IFBA (International Food and Beverage Alliance), World Federation of Advertisers (WFA), and our internal Pledge, our advertising aimed at children under 12 is only for products that comply with common nutritional criteria based on accepted dietary requirements. In addition, we do not advertise or market products for children under 12 that are not included in this agreement.

(GRI 102-12, 102-13, 419-1)

ALLIANCES AND RESEARCH

The alliances we have developed and maintained with authorities, the academic community, research institutes, NGOs, and society in general have allowed us to develop comprehensive actions to improve the options available to our consumers.

Similarly, they have assisted us in developing concrete programs and actions that impact the well- being of consumers, helping them to make better-informed purchase decisions for a more balanced diet.

International Maize and Wheat Improvement Center (CIMMYT)

Our alliance with CIMMYT has enabled us to produce wheat and maize derived from a sustainable agricultural model. In the process, local Mexican farmers have been involved in the progressive model of cultivation and harvest aided by environment- friendly technology. This alliance has benefitted all parties since it promotes traditional farming that includes ecology, agriculture, and sustainability in one single harvesting process for better products.

IFBA (International Food and Beverage Alliance)

Our Alliance with the IFBA has created synergies for the well-being of our consumers around the world. This year we drew up a letter including our main commitments with the World Health Organization and its strategy for zero hunger, health, and well-being for all, established within the framework of the United Nations Sustainable Development Goals for 2030.

This commitment is reflected by the recognition that the United Nations has made valuing our industry participation in generating public policies that promote healthy, active, and balanced lifestyles.

In addition, through this alliance we have assumed a commitment for self-regulation regarding advertising aimed at children under 12 in Argentina, Mexico and soon in Paraguay.

CGF (Consumer Goods Forum)

In 2018, we participated in the *Dale un giro saludable a tu vida* (Give Your Life a Healthy Twist) forum, with more than 39 thousand attendees in both Colombia and Costa Rica, providing consumer guidance activities for improving the decision made by consumers, thus resulting in a better diet.

These activities were carried out by nutrition experts, who shared techniques for label reading and referred to the importance of calorie balance and healthy routines.

Furthermore, through this initiative we participated in the B20 Business Summit, with the purpose of generating alliances and promoting best practices carried out by CGF members in the five pillars encompassed by this initiative.

ALAIAB (*Alianza Latinoamericana de Asociados de la Industria de Alimentos y Bebidas*)

Our alliance with ALAIAB (Alliance of Latin American Food and Beverage Associations) has allowed us to coordinate actions in the food sector in Latin America, for an improvement in the communication exchange among industry, government, and organizations in benefit of consumers.

ATNI (Access to Nutrition Index)

The evaluation performed by ATNI and its 2018 Nutrition Index regarding the strength of our H&W strategy has led us to improve our actions, commitments, practices, and performance to have a positive influence our consumers so they may achieve better lifestyles and balanced diets.

GB NUTRITIONAL WEBSITE AND SOCIAL MEDIA

In order to promote healthy lifestyles among our consumers and associates, we have encouraged alliances and developed tools that will allow us to promote changes in dietary patterns, thus providing tangible benefits.

Through our different communication media, such as our website and social networks, our consumers and the general public have access to our platforms and general information about diet, wellness, and health care, as well as the nutritional profiles of our products.

In 2018, we redesigned our nutrition web site to address nutritional issues as per global trends.

We consider that social media is an important and popular communication platform to address our consumers. Through Facebook, Twitter, and Instagram we encourage our consumers to adopt healthy lifestyles and improve their food choices though customized advice, recipes, and articles.

Engagement with health professionals

Each year, we develop programs to work closely with health professionals and promote the value and nutritional profile of our products, and how to incorporate them into a healthy diet. Their advice also helps GB to make improvements in our product portfolios and develop better nutritional advice and materials for our consumers.

In 2018, we significantly increased our impact:

We reached **21,478 health professionals** vs. 5,152 in 2017

Also, we are linked to other stakeholders to promote the role of bread consumption in diets in line with local dietary guidelines.

(GRI 102-9, 102-10, 308: 103-1, 103-2, 103-3)

Environmental management in the value chain of the COMPANY

Planet

Correct preparation of a recipe requires including the right ingredients.

Since 2007, we do responsible and sustainable work throughout our value chain, with farmers in the fields, and with our suppliers within our production and distribution operations, all the way up to our customers, seeking internal and external alliances to improve our environmental and social performance.

Our public Environmental Policy guides us in the implementation of the best environmental practices throughout the value chain. It also guides our work in a cycle of continuous improvement and provides specific policies for some Raw Materials.

Our strategy is based and operates with a cycle of continuous improvement and international standards such as ISO 140001 (2015) regarding aspects related to carbon and water footprints; and waste management, always in full legal compliance; the application of best practices and standards; performance management through KPIs and projects; process improvement; pollution prevention; and the adoption of better technology allowing for maximum reduction of waste and improved source management throughout the value chain.

(GRI 102-46)

Our environmental impact has been defined through the evaluation of environmental aspects and impacts, the annual performance verification in our operations, legal compliance and specific stakeholders requirements.

We focus on two big segments: one related to the efforts made in our plants and their operation, and another regarding the value chain initiatives, from the supply chain up to our final consumer.

OUR VALUE CHAIN

We have set the *goal for project development for2020 for each part of our global chain,* in each country where we have presence, following our path in the four priority aspects of our environmental strategy: Climate Change, Water Footprint, Waste Management, and Natural Capital.

Our road map in all operation and value chain areas:

Basic

- Opportunities assessment for environmental & climate risks.
- Understanding and applying local and global requirements.
- Local and global legal compliance.

Grupo Bimbo Standards

- Procedures and policies.
- Goals and coordination mechanism.
- Progress measurement.

Continuous improvement

- Monitoring of performance indicators.
- Replicating best practices.
- Prioritizing projects by locality.

Innovation of new technologies

- Identification, evaluation, and replication.

PERMANENT ROAD MAP

https://www.grupobimbo.com/sites/default/files/FGB-EOP-01%20Poltica%20Global%20de%20Medio%20Ambiente%20%28Externa%29.pdf

In our plants we focus on complying with standards for environmental best practices following up on for continuous improvement indicators for environmental performance in every operation and implementing new technologies to mitigate the impact by Grupo Bimbo.

During 2017, we integrated the different areas of the value chain and throughout 2018, through planning processes with key departments and functions of GB, the main impacts and risks in each of them were defined and allowed us to establish strategic projects to be implemented in the next few years, with the goal of achieving a sustainable value chain in all countries where we operate. Today, we have an environmental leader who, within his activities, coordinates these efforts and reports them to the Environmental Committee.

This Committee is a management mechanism that shows the progress made by plant and area, as well as possible synergies and needs. Depending on its maturity level, each area man- ages through a risk board that shows the progress against a planned goal for qualitative or quantitative topics, and the next steps and the next steps in their own strategy. These goals are part of the evaluation process inside the Company.

In addition to specific projects in each area, in 2018 we started the development of cross-sectional projects along the value chain, wherein we submit collaborative solutions and projects, such as food waste, packaging, carbon footprint, ecological buildings, and water footprint, among others.

2020 Goals

10% *fuel reduction (electricity, gas, diesel)*

30% *water consumption reduction*

90% *recycling*

80% *renewable electrical energy*

1 *project in every country and every area in the value chain*

Acknowledgments

14 *plants holding Energy Star certification in the US*

BBU has been named a "2018 ENERGY STAR Partner of the Year" by the U.S. Environmental Protection Agency, in recognition of its company-wide commitment to energy management strategy and leadership in the baking industry.

31 *plants in Mexico with **Industria Limpia** certification.*

3 *plants in Mexico with Environmental Excellence recognition.*

3 *plants in Europe with ISO 14001 certification.*

1 *plant in Costa Rica with **Bandera Azul** recognition.*

1 *plant in Costa Rica earned the Energy Efficiency Award.*

1 *plant in Venezuela earned the **Soy Responsable** Award, Environmental category*

(GRI 304: 103-1, 103-2, 103-3)

Natural CAPITAL

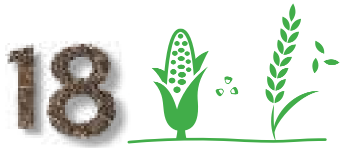
SUSTAINABLE AGRICULTURE

It is very important for us to support our suppliers in the implementation of our Global Agricultural Policy. For this purpose we launched the Grupo Bimbo Agriculture Toolkit, which includes factsheets on environmental, social, and labor topics relevant to agricultural production in supply chains around the world.

As part of the actions from the policy, in 2017, we signed a collaboration agreement with the International Corn and Wheat Improvement Center (CIMMYT) to establish a model that promotes sustainable agricultural practices in Mexico and which will apply to any raw material coming from the field in any geographic location.

The preliminary results of this first approach were a total of 189 farmers who participated in informative events, presentation of the project, and training aimed at promoting the application of technological innovations and good agricultural practices, of which 136 farmers adopted one or more of the 18 practices promoted in the program on 1,465 hectares.

The model grades the application level of conservation agriculture in matters related to soil, water, emissions, and agrochemicals, which in turn classifies them into 3 levels of sustainability. By the end of the 2018 cycle we had 691 hectares that obtained a level I or II of sustainability, which meant that there was adoption of sustainable practices in at least 2 axes.



best practices promoted by the International Maize and Wheat Improvement Center (CIMMYT) pilot program

2018 PROGRESS

Product	Sown Area			Volume (ton)			Yield (ton/Ha)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Potatoes	3,004	3,110	3,710	85,000	88,000	105,000	28.3	28.3	28.3
Maize	1,000	500	787	10,000	5,000	8,500	10	10	10.8
****Wheat**	4,000	404	15,400	20,000	2,019	77,000	2.5 a 6.5	5	5

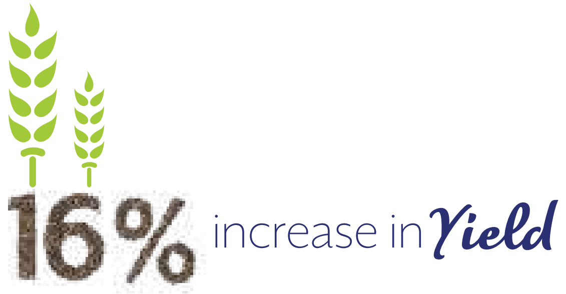
* Liters
** Seed yield 5 ton/ha (Fall/Winter)

(GRI 304-2, 304-3)

Sustainable Benefits

Corn and wheat reduction of water consumption by up to 12% compared to traditional corn agriculture.

- Adequate use of Fertilizers and adequate source, based on soil analysis for wheat and maize that result in a higher harvest quality, mainly in specific weight and protein.
- We applied the CIMMYT Methodology for wheat and maize, giving the producers tools that allow them to make measurements and keep report log with sustainability details and algorithms.
- Increase in Yield up to 21% with sustainable agricultural practices compared to traditional practices.
- Increase in the utility of 11% adopting sustainable technologies in comparison with traditional practices.



Silvopastoral Activity with Goats

We continue working on the silvopastoral project for goat milk and are currently in the process of improving the methodology.

Global Palm Oil Policy

Since 2017, as part of the implementation status of our Palm Oil Policy, we achieved the traceability of suppliers that provide 95% of the volume of palm and oil seeds to the Company; we also support the producers of our supply chain in Central and South America, the origin for most of our volume of palm oil.

In 2018, we conducted our traceability-process updates with tier 1 suppliers that represent 95% of our palm oil and palm kernel volume; we have also engaged these suppliers to understand their progress.

95%

traceability for Palm oil top suppliers

https://grupobimbo.com/en/our-group/policies

We continue conducting transparent communication with our stakeholders by publishing biannual updates on our Action Plan.

This year we also started supporting two landscape scale projects in the state of Chiapas in southern Mexico. Both projects are intended to protect natural ecosystems while working with farmers to ensure resilient livelihoods.

1. The first project promotes forest conservation in the municipalities of Marqués de Comillas and Benemérito where many smallholder farmers produce palm oil, among other crops. Starling, the satellite monitoring technology, has provided a detailed understanding of land use change in the region. We are now investing in an HCS (High Carbon Stock) mapping process in order to support land use decisions that protect valuable forests for the future while continuing to offer economic opportunities to farmers.
2. The second project promotes the conservation of critical mangrove and wetland habitats in La Encrucijada Biosphere Reserve. This Reserve is home to hundreds of families, including many who produce palm oil. Here, Grupo Bimbo is supporting satellite monitoring and multi-stakeholder land use planning to ensure that native ecosystems are protected from palm oil encroachment.

Animal welfare in egg production

We also continued working on the socialization of our cage-free egg policy, which comprises minimum requirements for the cage-free farms that meets animal welfare international standards.

Cage-free migration will be implemented gradually and regionally by mapping the availability and capabilities of suppliers, developing farms where needed (aligned to our Global Policy) prioritizing those regions with high egg consumption.

Signatory of the Cerrado Manifesto in Brazil

In September 2017, nearly 60 Brazilian and international NGOs, foundations and scientific institutes published the 'Cerrado Manifesto' in response to this call; in October 2017 Grupo Bimbo joined the Statement of Support (SoS) for the Cerrado Manifesto. During the 2018, the SoS continued supporting the objectives defined in the Cerrado Manifesto and the number of signatories has increased to 129 organizations and businesses.

Mexican Alliance for Business and Biodiversity

We have also collaborated with the Mexican Alliance for Business and Biodiversity (AMEBIN by its initials in Spanish), to understand the dependencies and impacts of the private sector related to natural capital. For this purpose we are piloting the use of the Natural Capital Protocol (created by the Natural Capital Coalition) with the support of a Mexican NGO (Reforestamos Mexico), and two international cooperation agencies (GIZ and AFD).

(GRI 308-1, 308-2, 414: 103-1, 103-2, 103-3, 414-1, 414-2)

Procurement

Through our Green Procurement pilot program in Mexico, we have been able to assess the environmental impact of our raw material and packaging suppliers. The assessment is based on validation and acknowledgement of sustainable practices, which are being implemented in our value chain, in order to achieve relationships that are competitive, efficient and socially responsible.

These are based on three pillars, which are environmental, social, and economic. We measure the basic requirements which our suppliers must follow in order to be sustainable companies.

The planet pillar enables us to identify possible environmental risks, opportunities and impacts of suppliers, as well as the actions to be implemented to mitigate them.

The main goal of this project is to establish a systematic process for sustainable supplier selection and evaluation in order to ensure the commitment of our suppliers with sustainability and future sustainable projects.

The sustainable procurement projects consist of 3 stages:

Stage 1. Assess supplier compliance with economic, social, and environmental aspects through electronic questionnaires.

Stage 2. Segmentation of suppliers according to compliance.

Stage 3. Synergies with suppliers to reinforce sustainable policies of the supply chain and prevent or reduce environmental impact.
Establishment of action plans for risk suppliers.

To date, we have yet to identify any suppler with a negative environmental impact that would hinder the continuation of commercial relations. In addition, we have strengthened relations with our suppliers by informing them of our Code of Ethics.

Raw Materials

Level 1	Level 2	Level 2
8 suppliers	55 suppliers	55 suppliers

Packaging and Wrapping

Level 2	Level 2
1 supplier	39 suppliers

Assessed suppliers

272 for raw materials	40 for packaging

DESEO Program

Since 2012, we have the DESEO program, whose goal is to develop external business partners (suppliers) by promoting a culture of continuous improvement and verifying compliance with our standards and requirements in order to promote quality, environmental, and occupational safety.

The program is focused on micro, small and medium-size companies who are registered as Bimbo suppliers. The program comprises 11 different categories and considers five stages:

1. **An initial meeting** in which we report on SME requirements.
2. **Implementation process and addressing any concerns.** During this stage the supplier must cover all the requirements requested.
3. **Verification process.** Visits to suppliers' premises by a third party to verify, through a checklist approved by Grupo Bimbo, compliance with every point requested. The process includes reviewing documents and onsite inspections.
4. **SME process of delivering the action plan.** In this stage the supplier proposes the actions to mitigate or eliminate the problems detected during verification, along with a deadline for readdressing issues ,and for appointing the person to oversee process monitoring.
5. **Verification at Grupo Bimbo facilities.** This stage only applies to the categories of overall maintenance, visibility and building maintenance.

Total SMEs	SMEs in the program
1060	648

Progress

61%

Tracking the RIGHT processes

(GRI 307: 103-1, 103-2, 103-3, 102-31, 201-2)

On the right track with the ENVIRONMENT

Planet

CLIMATE CHANGE

Through initiatives related to energy and fuel reduction we work to reach our goal of mitigating climate change. To start, we will be moving towards an energy mix based on renewable sources and energy efficiency projects in our value chain, thus achieving a 10% reduction of by 2020 in our carbon footprint.

In applying this energy efficiency strategy we have developed a global mandatory practices list, where we are including the basics for replication at a global scale, to reduce our impacts and improve our performance through 17 mandatory practices.

LATAM

- In Cordoba, Argentina we use 100% **LED lighting**. This plant is the only **boiler free** bakery in the entire South American organization. The rest of our plants in Argentina are changing to LED lighting.
- In Ecuador, we are implementing a boiler free project.

BBU (USA Operation)

- The BBU operation has been named "2018 **ENERGY STAR** Partner of the Year" by the U.S. Environmental Protection Agency in recognition of its company-wide commitment to energy management strategy and leadership in the baking industry.
  - Record for the most certified plants in one year
  - Most certified plants across all industries
- 2018 Certification Award for 14 plants that are better than 75% of the baking industry average.
- 2018 Challenge Award for 3 plants that have improved energy intensity by 10% within 5 years of baseline.
- We have 23 active plants that have been recognized by Energy Star for either certification or challenge since 2012. BBU has the most recipients for any commercial bakery or even food sector company.

Canada

- Change in the compressed air system.

The USA operation *Holds the food manufacturing "gold"* standard for EPA Energy Star.

UK

- All sites in UK have **LED lighting.**
- The Maidstone and Rotherman plants have been audited and found to meet the requirements of standard **ISO 14001:2015** Environmental Management System.

Mexico

Continuing in Mexico with the joint exercise carried out in 2017 with the National Use Commission Efficient Energy (CONUEE by its initials in Spanish) at our Puebla plant, in 2018 we started using the German **Learning Networks methodology for Energy Efficiency** and Management based on the ISO 50001 standard, at ten of our plants in Mexico, where we are implementing projects for improving performance and reducing environmental impact.

We are also using this methodology at our Frozen Plant in Argentina through a joint initiative with the local government, with which we are seeking to reduce environmental impact and create working networks in the industry sector. Our next step will be the replica of the Mexican project in the other organizations and continue optimizing energy consumption.

(GRI 302: 103-1, 103-2, 103-3)

RENEWABLE ENERGY

2025 Goal | **100%** *Renewable electrical energy*

As part of our carbon footprint environmental strategy, and in order to boost and focus our renewable energy efforts, in 2017 we created a specialized area that reports to Global Financial Planning, which expedites economic and environmental project evaluations. Continuing with this strategy, in 2018, as part of our company's focus on reaching 100% renewable energy sourcing, we subscribed to the RE100 initiative.

Mexico

Bimbo solar

- 25 sites in Mexico using solar panels, for a total of 1.6MW installed.
- Installation of solar roofs at plants. Start of phase 2 with a total of 20MW in installation.

Metropolitan Distribution Center

- Largest solar roof in Mexico and second in Latin America with 2.2 MW installed.

Clean Energy Certification

We are the first company to produce Clean Energy Certificates for distributed generation in Mexico.

Latin America

Bimbo Colombia

- 100% renewable, through the acquisition of I-REC (Renewable Energy Certificates)

Bimbo Costa Rica

- 100 % renewable through the direct acquisition of Electricity

USA

- Contract with the Santa Rita East Wind Farm, which will start to operate in 2019 and will supply our plants in the US with 100% renewable energy by 2020.

Spain

- All plants located in Spain are supplied with 100% renewable energy.

UK

- Through the purchase of renewable energy certificates we are 100% renewable.

(GRI 305-6)

Refrigerants

In 2018, we conducted a survey of refrigerant use, based on data from company operations, specifically Mexico, Canada, BBU, LAS, LAC, IBERIA and UK operations. The process consisted of recording plant information such as refrigeration capacity, equipment location, and total refrigerant amount.

Also, in 2018, we developed our global policy of usage and migration of refrigerants, which main goal is to phase out HCFC's refrigerants by december 2020 and HFC's refrigerants by december 2030. This policy prioritices the use of natural refrigerants, such as CO_2 or ammonia, and the use of new generation refrigerants, with low global warming potential, such as HFO's.

The next step is the policy global deployment, tracking progress trough a survey. We will follow up HCFC's twice per year and HFC's once per year.

TOTAL ENERGY 3RD PARTY TRANSPORT (OUTSIDE THE ORGANIZATION)

(GRI 302-2)

Grupo Bimbo in GJ	2015	2016	2017	2018
Total Fuel Consumption from non-renewable sources	**3,617,940**	**3,553,517**	**2,926,864**	**3,561,893**

INDIRECT ELECTRICITY CONSUMPTION

Grupo Bimbo in GJ	2015	2016	2017	2018
Electricity (Total indirect consumption of energy from suppliers).	3,099,895	2,910,352	3,310,551	3,565,673
Wind energy	799,490	826,973	596,496	797,920
Total	**3,899,385**	**3,737,325**	**3,907,047**	**4,363,593**

TOTAL ENERGY WITHIN THE ORGANIZATION

(GRI 302-1)

Grupo Bimbo in GJ	2015	2016	2017	2018
Total Fuel Consumption from non-renewable sources	16,136,786	16,406,769	16,517,848	22,775,716
Electricity Consumption	3,899,385	3,737,325	3,907,047	4,363,593
Total Energy Consumption	**20,036,171**	**20,144,094**	**20,424,895**	**27,139,309**

ENERGY INTENSITY RATIO

(GRI 302-3)

	Fuel & Electricity 2015	Fuel & Electricity 2016	Fuel & Electricity 2017	Fuel & Electricity 2018
SCOPE 1				
Ratio	3.69[1]	3.72[1]	3.69[1,2]	4.84
SCOPE 2 & 3				
Ratio	1.72	1.65[1]	1.53[1,2]	1.68

[1]vehicles included
[2]Donuts included

Reduction of 2% in 3rd party energy consumption **(56K GJ vs. 2015)**

Increase by 34% Renewable Energy consumption at a global level **596,496 GJ in 2017 vs. 797,920 GJ in 2018**

TOTAL ENERGY CONSUMPTION

Grupo Bimbo in GJ	2015	2016	2017	2018
Total Fuel Consumption from non-renewable sources	19,754,675	19,960,286	19,444,712	26,337,608
Total Fuel Consumption from renewable sources	51	-	-	-
Electricity Consumption	3,547,071	3,737,325	3,907,047	4,363,593
Total Energy Consumption	**23,301,797**	**23,697,611**	**23,351,759**	**30,701,201**

ELECTRICITY KWH / TPP

THERMAL GCAL / TPP

ENERGY CONSUMPTION

(GRI 302-4, 302-5)

Grupo Bimbo in GJ	2015	2016	2017	2018
Natural gas natural in plants	8,217,035	8,483,167	8,862,003	10,381,288
LP gas LP in plants	590,921	619,084	609,854	619,477
Diesel in plants	60,851	114,698	58,413	179,653
Other fuels in plants (fuel oil)	118,370	140,971	123,565	135,171
GJ Sub-total in Plants	**8,987,177**	**9,357,919**	**9,653,835**	**11,315,588**
Natural gas in vehicles	21,204	73,569	32,084	58,077
LP gas in vehicles	28,445	18,021	46,917	56,883
Diesel in vehicles	4,680,394	4,405,656	4,222,307	7,337,872
Gasoline in vehicles	2,419,516	2,551,603	2,562,705	4,004,330
Other fuel in vehicles (ethanol)	51	-	-	2,965
GJ Sub-total in Vehicles	**7,149,609**	**7,048,850**	**6,864,012**	**11,460,127**
Natural gas in 3rd party vehicles	111,140	126,351	110	138
Diesel in 3rd party vehicles	3,506,800	3,426,909	2,926,321	3,561,286
LP gas 3rd party vehicles	-	241	389	463
Gasoline 3rd party vehicles	-	16	45	5
GJ Sub-total in 3P Vehicles	3,617,940	3,553,517	2,926,864	3,561,893
Total direct consumption of energy from non-renewable primary sources (purchased)	19,754,726	19,960,286	19,444,712	26,337,608

21% reduction in natural gas consumption

of primary transportation vs. 2016

15,493 GJ vs. 2016

2018 Energy Efficiency Awards

Record for most certified plants in one year!

Most certified plants across all industries!

2018

Certification Award – plants that are better than 75% of the baking industry average

2018

Challenge Award – plants that have improved energy intensity by 10% within 5 years of baseline

36

new energy efficiency projects /10 plants in Mexico

ENERGY STAR PARTNER

2019 ENERGY STAR Partner of the Year – 2nd year in a row receiving the award in USA

Tracking THE RIGHT *routes*

7 AFFORDABLE AND CLEAN ENERGY

(GRI 305: 103-1, 103-2, 103-3)

ENERGY EFFICIENCY

Transport

Our sales centers continue to encourage practices such as natural and **LED lighting**, alternative fuels in our vehicles, renewable energy and **EURO technologies**, as well as transportation and route efficiency.

In addition, analysis of our supply chain footprint intends to contribute to the digital transformation of the Company, through optimization of the node network. With its implementation we mean to satisfy customer demand, reduce environmental impact and increase business profitability.

Moreover, we have implemented an operational model that seeks continuous transportation efficiency limited only by physical capacity of the materials or by local regulations for density/height management.

Similarly, there are other projects such as Supply Chain Master Footprint, and Max Cube and Green Logistics with which we make efforts to optimize our fleet to reduce our carbon footprint.

2020 Goal
2.5% CO_2/km

Max Cube is an operational model that seeks continuous transportation efficiency limited only by physical capacity of the materials or by local regulations for density/height management.

Green Logistics is a knowledge community for inter-business unity collaboration which creates opportunities for taking sustainable best practices from other organizations and replicating them.

CO_2

Same efficiency, **less emissions** (5,000 ton of CO_2e) in distribution

(GRI 305-5)

Global initiatives to reduce emissions

By implementing energy and fuel reduction-related initiatives, we have worked to reach our goal of mitigating climate change, having an energy system based on renewable technologies and energy efficiency, achieving a reduction of 10% in our carbon footprint by 2020.

Vehicles with alternative fuels

BIO **106** *Ethanol Vehicles*	**430** *Electric Vehicles*
1,062 *Natural Gas Vehicles*	**620** *Propane Vehicles*

Mexico

- In November 2018 we were awarded the Clean Transportation by SEMARNAT on obtaining an excellent environmental performance for eight consecutive year.
- Acquisition of 2211 units with particle filters.
- Redesign of higher capacity trailers 17% per trip.
- Fuel efficiency monitoring system. We conducted a procedure to establish the methodology to calculate liters per route and the acquisition of units with Euro5 technology, 16% of the total fleet. We added 13 units for yard maneuvers for a total fleet of 35 units across the nation; we also increased Euro5 technology by 23%.
- Clean Transportation Program. We have units certified by the voluntary program developed by SEMARNAT and the Secretaría de Comunicaciones y Transportes, with the objective of reducing fuel consumption and greenhouse gas emissions.
- 184 intermodal train trips from Mexico City to Mexicali and Hermosillo for a reduction of 134,462 CO_2e emissions. This mode is used door-to-door in trips over 500 kilometers, avoiding the use of motor units.

USA

- ACT **(Advanced Clean Transportation)**. In the private sector for leadership in sustainable transportation operation with over 300 vehicles using alternative fuels such as propane and natural gas. Also, for continuous substitution of diesel vehicles for **clean fuel vehicles**, contributing to sustainable transportation.

Central America

- Costa Rica implemented the use of **LED lighting** in its fleet and Autovend machines. To date, there are 52 vehicles and 370 machines under this initiative.
- Practice of **tire renovation** continues having doubled the figure achieved in 2017. The process contributes to CO_2e emission reduction and gives tires a second operational cycle.

Brazil

- **Ethanol** is used in our 106 supervision vehicles, representing a reduction of 73% in CO_2e emissions compared to gasoline consumption of the Bimbo supervision fleet.
- **Active control** of fuel consumption; drivers with below-mean efficiency are blocked from fuel supply and are provided with guidance for improving their efficiency.
- All our vehicles are **dry-washed** with an orange-derived product for water reduction.

Renovated tires per country in Central America

756 *Guatemala*	**199** *El Salvador*
474 *Nicaragua*	**642** *Costa Rica*

Total 2,071

MOLDEX

We carry out optimization of the vacuum pump in the braking system of electric vehicles model VDT2, as well as improvements to the maintenance of the battery.

3% reduction of total fuel consumption for primary transportation

11.8 GJ in 2012 vs. 11.4 GJ in 2018

VEHICLES WITH ALTERNATIVE FUELS

Fuel / Country	Ethanol	GLP	GNC	Electric
Mexico	-	-	481	430
USA	-	215	155	-
Brazil	106	-	-	-
Guatemala	-	35	-	-
Colombia	-	-	426	-
Chile	-	97	-	-
Peru	-	273	-	-
Total	**106**	**620**	**1,062**	**430**

37% reduction in primary transportation **LP Gas** consumption

33,108 GJ vs. 2010

(GRI 305-1, 305-2, 305-3)

CO_2E EMISSIONS (TON) GRUPO BIMBO

	2015	2016	2017	2018
CO_2e total direct emissions (scope 1)	996,822	1,007,591	1,014,167	1,433,883
Electricity	294,956	292,632	338,112	433,914
CO_2e total indirect emissions (scope 2)	294,956	292,632	338,112	433,914
Natural gas in third party vehicles	6,105	6,940	5,714	8
Diesel in third party vehicles	253,177.20	247,395.49	211,230.48	257,548.39
LP gas 3rd party vehicles	-	15.59	25.17	29.99
Gasoline 3rd party vehicles	-	1.03	2.96	0.35
CO_2 total third party vehicles emissions (scope 3)	259,282	254,353	216,973	257,586
TOTAL CO_2e EMISSIONS FOR Grupo Bimbo	**1,551,060**	**1,554,575**	**1,569,252**	**2,125,383**

For Scope 2, in 2017 we had an emission increase from damage in the *Piedra Larga* wind farm, and during 2018 we operated in capacity below design.

CO_2E INTENSITY RATIO SCOPE 2 & 3

(GRI 305-4)

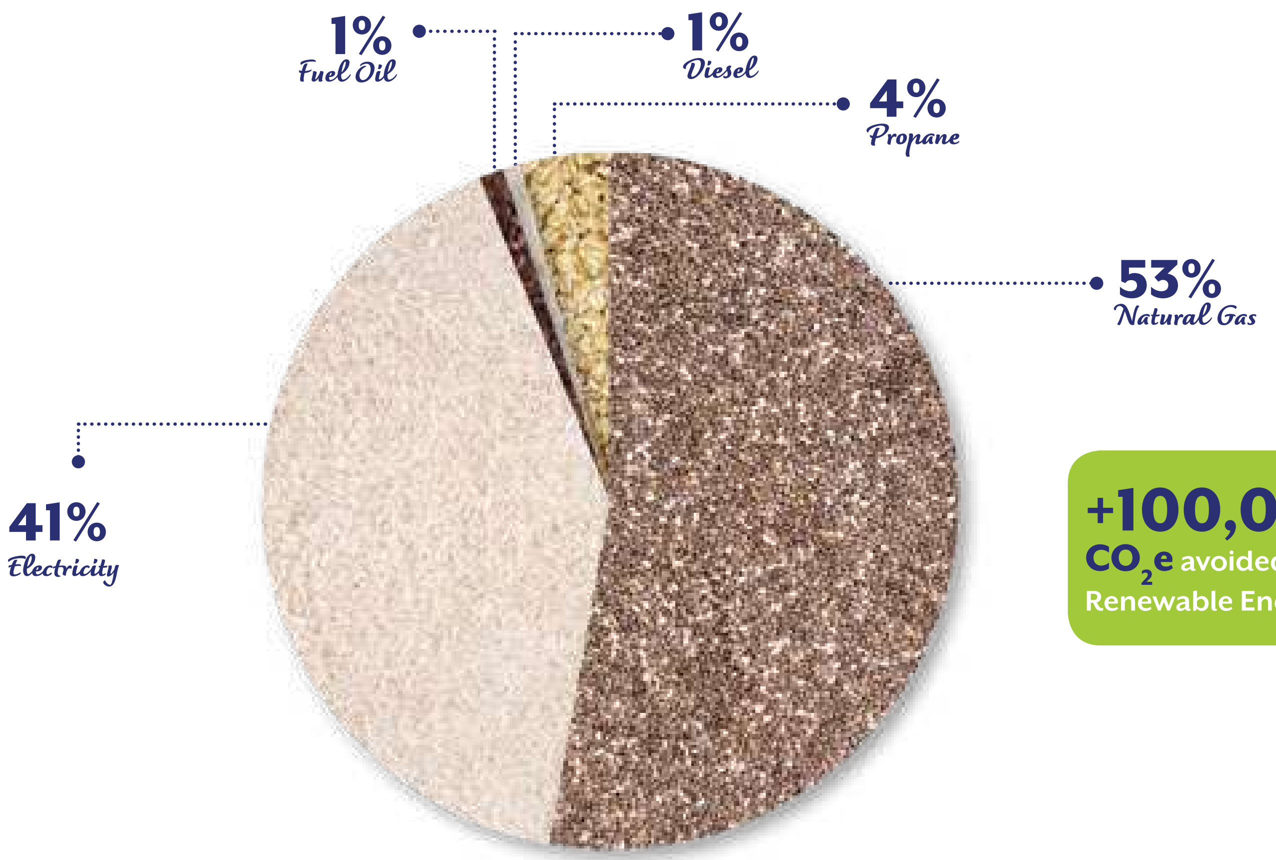
$(CO_2e$ INTENSITY RATIO	2015	2016	2017	2018*
Total CO_2e Emissions (ton)	**554,238**	**546,984.21**	**555,084.91**	**691,499.80**
TPE	4,374,102.87	4,411,965.72	4,471,826.49	4,704,378.52
Ratio	0.13 [1]	0.12 [1]	0.12 [1,2]	0.15

[1] vehicles included

[2] Donuts included

*The ratio includes as of 2015 third party vehicles emissions.

Total Emissions Grupo Bimbo Plants **1.05 B ton CO_2e**



+100,000 ton of CO_2e avoided by the use of Renewable Energy during 2018

OTHER SIGNIFICANT ATMOSPHERIC EMISSIONS

(GRI 305-6, 305-7)

	2016	2017	2018
Nox (kg)	129,441*	378,746**	545,713
Sox (kg)	777*	3,582**	29,143
PM10 (kg)	-	41,426**	60,801
PM2.5 (kg)	-	41,313**	43,801
COVs (kg)	-	22,313**	41,460

*Only BBU data

** Excluding Donuts, Marruecos, India and BQS

(GRI 303: 103-1, 103-2, 103-3)

WATER FOOTPRINT

We promote the use of new technologies for reducing water consumption in our manufacturing and washing processes, and permanently seek improvement of the quality of water so it can be reused.

In 2018 we managed to reduce total water consumption by 2% with respect to 2017. Canada, Central and South America reduced their consumption more than 8% with respect to the previous year.

8% *reduction in water consumption vs our base line 2014*

We are able to achieve an improved efficiency in our water consumption thanks to a continuous mapping of opportunities, which has resulted in examples like the standardization of our cleaning process (our main use), new technologies such as **steam** and **dry-cleaning** or **semi-humid** cleaning and modernization of **wastewater treatment plants** and reuse, minimizing our environmental impact.

We have carried out an upgrading of the technology of all our wastewater treatment plants globally, with 57 plants where there is no local infrastructure to implement such process. Moreover, in 33 plants we re- use water for irrigation, bathroom services, and vehicle washing, mainly in Mexico and Central America.

We have been testing different alternatives of the MBR (Membrane Bio Reactor) technology, which allows reduction of the treatment space required and a better quality of reusable water.

48% increase in rain water collection for process reuse

585m³ vs. 2017

Seeking to understand in further detail our exposure to water stress and how to improve our water management practices, in 2018 we conducted a study covering our direct operations, with a special focus on our 30+ more critical operations. Therefore, in 2018 we delved into the study carried out in 2017 and focused on the current situation of 33 of our most critical operations. We will be focusing our efforts on the application of technology and best practices, for reducing our impact in the use of this resource.

Plants

2018 Organizational plants improvements.

Globally 62, plants use steam cleaning, allowing a reduction in the amount of water used, without compromising food safety processes.

74% of our water is reused and utilized for services such as irrigation of green areas, bathroom services and vehicle washing.

Mexico

- We increased rain water collectors by 50% with respect to the previous year; this helped us to collect 80% more rain water than what we use for washing our vehicles.
- 7 plants in Mexico use rain water collection and storage and use rain water for general use and infiltration.
- 91% of our treated water is reused in services.

LAC

- Use low-flow toilets and handwashing, 1.5 liters per use for toilets and 80 ml per minute for handwashing devices.
- In Peru, water-free urinals were installed.
- In Pilar, Argentina our plant is reusing treated water for the toilets.
- In Brazil, all vehicles are dry washed with a product derived from oranges.
- Ecuador is the first facility in Grupo Bimbo with the MBR treatment technology (Ultrafiltration Membrane).

Vehicles

- There are currently 97 washing stations at auto shops, 229 water recycling centers at vehicle wash agencies, and 51 Sales Centers equipped with rain water collection systems.

(GRI 303-1, 303-2, 303-3, 303-5)

57

Rainwater collection system= 3,900m^3

228

Water recyclers in vehicle workshops

Reuse

74%

*reused water in 57 WWTS**

11

new WWTS in the last 5 years

* Waste Water Treatment System

WATER CONSUMED

GLOBAL m^3	2015	2016	2017	2018
Surface and Ground water	1,191,666	1,187,965	1,128,159	1,060,239
Rainwater collected	-	-	1,535	2,120
Municipal water supplies or water utilities	3,497,057	3,473,158	3,756,510	4,154,463
Total	**4,688,723**	**4,661,123**	**4,886,204**	**5,216,822**

WATER TREATED

GLOBAL m^3	2015	2016	2017	2018
Total volume of water treated and reused	420,744	452,646	537,779	556,804
% of water treated and reused from the Total Consumed Volume	9%	10%	11%	11%

WATER M^3/TPP

(GRI 301, 306: 103-1, 103-2, 103-3, 306-4)

WASTE MANAGEMENT

Throughout our value chain we promote reduction and recycling actions looking to achieve at least 90% recycling in our operations through 2020.

We strive to improve the performance of our products, reducing waste and developing better packaging.

As a global company, we participate in post-consumption programs in the different Organizations as well as partnerships with other companies to work on our waste management strategy and our value chain.

Besides, we also have projects for specific waste such as food waste and raw materials packaging.

Plants

The main results regarding waste of our plants are the following:

34
plants have achieved zero waste to landfill

134
plants with recycling percentage above 80%

134
plants recycle post-industrial plastic

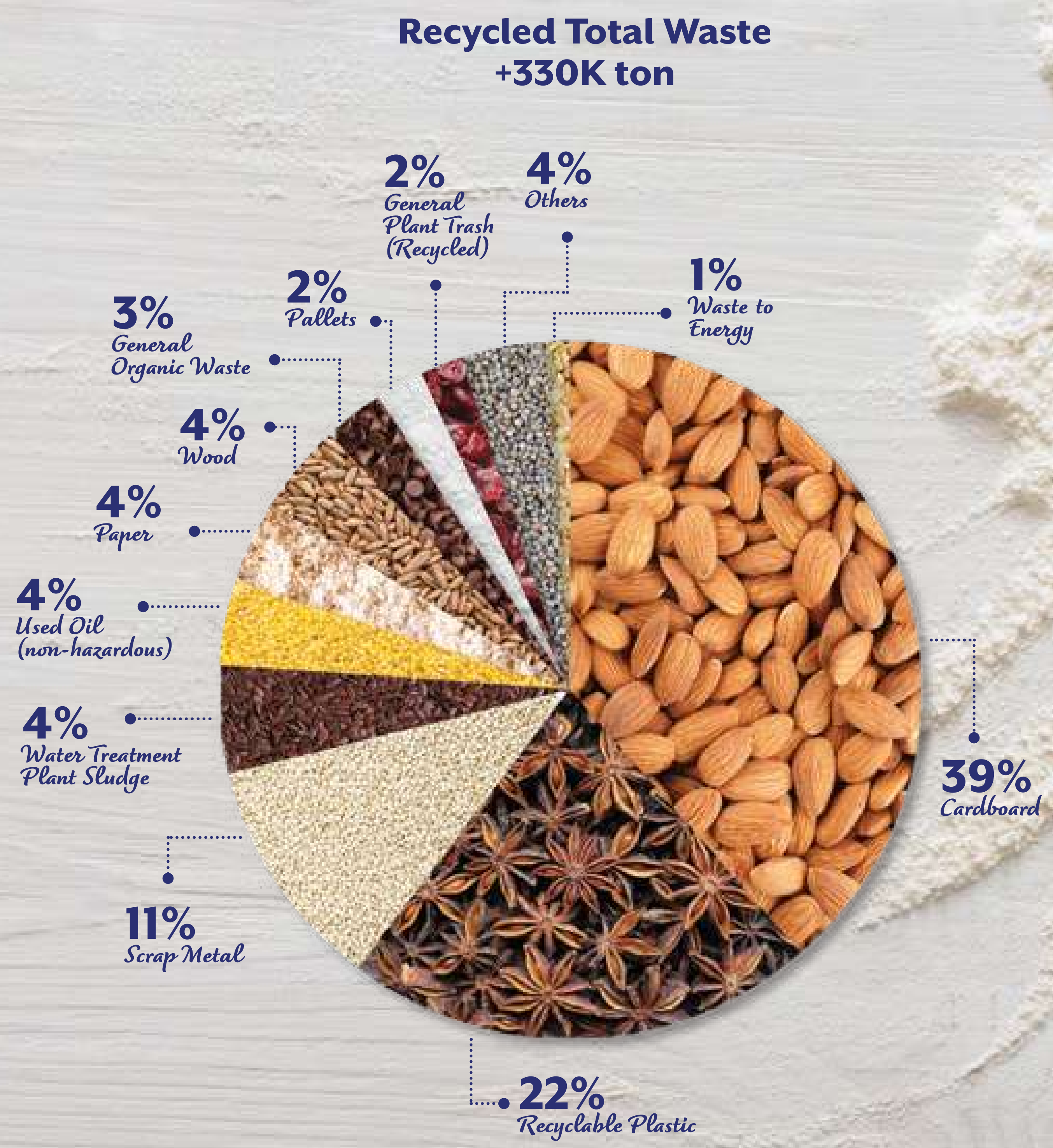
86%
recycling in manufacturing processes

34
plants compost the water treatment sludge of our treatment plants

8%
reduction of of the total waste generated by our plants with respect to 2016

97%
products with biodegradable packaging in Mexico*

*According to ASTM6954-18



(GRI 301: 103-1, 103-2, 103-3)

R&D
Packaging strategy

In Grupo Bimbo we are committed to the development and continuous improvement of our packaging, using disruptive technologies to create sustainable packaging.

Targets

- To make 100% of our packaging recyclable, reusable or compostable by 2025.
- To use biodegradable* technology in countries where there are leaks of waste into the environment.
- To use recycled content in our packaging where ever possible.
- To source all paper based packaging from sustainable sources by 2025.
- To reduce food waste by developing packaging that delivers optimum life to products
- To increase recycling by ensuring our packaging gives consumer easy to understand guidance on packaging disposal.

Waste management strategy Grupo Bimbo

100% *of packaging made with recyclable material by 2025*

Our integral Waste Management Strategy consists of three initiatives:

1 DESIGN

- **Reduce materials**
  - Thickness and dimensions
  - Plastic unnecessary
- **Packaging technologies**
  - Biodegradable* technology
  - High quality resins in flexible packaging
  - Bio-based plastics

2 PROCESS

- **Certified sustainable sources**
  - Paper and cardboard
- **Waste reduction** / **Recycling**
  - Post-Industrial waste
  - Circular economy practices
  - 90% Recycling goal
  - 0 Waste to landfill (Recycling practices and waste to energy)

3 POST-CONSUMPTION

- **Post-consumption alliances**
  - Participation in post-consumption programs
- **Consumer awareness**
  - Communication strategy

1 DESIGN

- **Thickness reduction.** Develop formulations for flexible films with high quality resins to reduce the use of raw materials, improving quality properties of the packaging.
- **Bio-based plastic.** Use of renewable raw materials that can replace the common plastic packaging.
- **Recycling.** Use of 100% of recyclable packaging; participation in post-consumption recycling programs in collaboration with recycling industry.

Packaging reductions

- 15% reduction in bags for Sara Lee products at bimbo plants.
- 14% reduction in bags for Artesano bread at Bimbo Brazil.
- 13% reduction in bags for California Goldminer bread at Bimbo Canada.
- 13% reduction in bags for Fargo bread at Bimbo Argentina.
- 17% reduction in bags for flaxseed bread at Bimbo Mexico.

2.8 *million kg of plastic reduction since 2010*

In 2018 we achieved a reduction of 0.5 million kilograms through practices for thickness optimization without affecting the quality and safety of our products. On the other hand, in places where recycling technology is not available, we have encouraged the use of biodegradable* technology, which does not inhibit the recyclability of plastic.

100%

of our poliethylene and polipropilene packaging in Mexico uses biodegradable technology*

*According to ASTM6954-18

(GRI 301-2,306-2)

PROCESS

We currently recycle in 86% of our operations and continue to work towards achieving our goals. We also implement practices to reduce cardboard and wrapping.

The waste management process consists of preventing and reducing as a first option and giving a value to the waste generated in our operations in order to achieve 0 waste to landfill. Now we have 34 global plants with 100% recycling.

In Mexico 30 facilities are recycling their post-industrial packaging.

Waste, tonnes	2015	2016	2017	2018
Recyclables	263,624	280,284	281,150	337,524
Non-recyclables	14,260	15,696	21,414	43,896
Hazardous waste	1,258	896	486	549
Total waste disposal	**279,142**	**296,876**	**303,050**	**381,969**

NOTES:
Bimbo Asia does not report waste due to the fact that they have not received training on the matter. Canada only reports production waste as decrease in production.
First year for report of food waste report at Bimbo Asia. Canada only food waste. Donuts does not report waste yet. Morocco, India and BQS are excluded.
Hazardous waste: oils and maintenance equiment waste.

Actions for reduction of process waste

Mexico

- Implementation of 6,000 pieces of logistic belt in the north region.
- Validation for manufacturing recycled product tubs. The goal was to recycle 100% virgin damaged trays through the injection of 30% of recycled material in the manufacturing of a new trays. With a process for manufacturing tubs that are 70% virgin and 30% recycled, we try to make a more efficient use of equipment which by its natural use or life cycle cease to be functional.

LAC

- More than 35,000 pieces of logistics trays were repaired in Colombia impacting waste reduction.

UK

- Completed the practice of zero to landfill waste.
- In NYB we are committed to the development and continuous improvement of our packaging using the principles of 'Life Cycle Analysis' and 'Inclusive Design' to create sustainable packaging with minimum carbon footprint.

(GRI 301-1, 301-3, 301-29)

POST-CONSUMPTION

Mexico

We are working in alliance with ECOCE to promote the recycling post-consumption with efforts by different companies with the same interests as us, Bimbo and Barcel, in a drive to collect and recycle waste at the *Futbolito Bimbo* Soccer Tournament, Global Energy Race, and *Dulce Travesía* Race events, managing to collect 1,118 kg of waste.

Together with ECOCE and other allies we currently have programs for social and institutional collection of packaging.

Another ECOCE program is ECO RETO. The program focuses on waste collection in schools, promoting environmental culture and the importance of proper waste separation.

We also participate in similar programs in collaboration with the government and other organizations in Spain, Portugal, Canada, Brazil, and the United Kingdom, among others.

https://grupobimbo.com/en/packaging-optimization

Acquisitions
https://grupobimbo.com/sites/default/files/Grupo-Bimbo-Acqisitions.pdf

We have defined our environmental aspects with a business strategy with short, medium and long-term components, considering our environmental impact, verification of our operations', environmental performance, compliance with the legal framework and our clients and stakeholders requests.

We standardize the way we manage and mitigate our impacts and include it throughout the entire value chain in all our operations, both existing and new ones which add up to this great family.

Since 2014, 49 new factories have joined to our operations, which represents an 11% increase in installed capacity, adding 88 new production lines to the 778 we had until that year, succeeding to offer 22% more product to all our consumers.

We have quickly adopted initiatives promoted throughout our history in these new factories, in order to increase efficiency in the way we operate and in the amount of resources we use, which in return helps us mitigate the Company impacts. Within the current context where everyone's action is urgent, we are sure that by focusing on great efforts we will obtain results in the short and medium terms.

Some of our initiatives are:

- Implementation of 17 Global Environmental Management mandatory practices in all factories.
- Incursion in energy efficiency models based on international standards, such as ISO 50001 and the Learning Network Methodology, in search of opportunities, identification and replica of best practices at a global level.
- Migration of our technology to high efficiency machines and equipment, which allow us to improve our operation and optimize our resources' consumption.
- Use of water-free cleaning technologies, seeking to recover and reuse water in our facilities, and reduce the hydrological basins stress in locations where we are present.
- Through a Refrigerants Policy, we have decided to bet on their migration to those who do not destroy the ozone layer, and have a low impact in Global Warming
- All the initiatives have been reported throughout our report.

At Grupo Bimbo, we are convinced that our growth goes hand in hand with a continuous sustainability performance improvement, throughout our entire value chain. In addition, we are confident that we rely on our customers, suppliers and all our stakeholders to continue improving.

2018 Environmental Performance

Plant Indicators	2015	2016	2017	2018
Water (m^3)	4,688,723	4,661,123	4,886,204	5,216,822
Electrical Energy (kWh)	1,083,163,371	1,038,146,600	1,085,291,670	1,212,110,133
Thermal Energy (Gcal)	2,147,989	2,236,599	2,307,325	2,704,494
Water (m^3/TPE)	1.07	1.05	1.09	1.16
Electrical Energy (kWh/TPE)	247.63	235.30	242.69	271.05
Thermal Energy (Gcal/TPE)	0.49	0.50	0.51	0.60

* Vs. the baseline. The indicators are evaluated in the plants

Tracking a SUSTAINABLE execution

8 DECENT WORK AND ECONOMIC GROWTH

(GRI 102-2)

Our top BRANDS

5 brands sales **+US $1 billion**

Oroweat · Bimbo · Thomas' · Barcel · Marinela

2 brands sales **+US $500 million**

Sara Lee · Entenmann's

5 brands sales **+US $250 million**

Ricolino · Takis · Tía Rosa · Pan Artesano · Dempster's

10 brands sales **+US $100 million**

Villaggio · Ball Park Hot Dog & Burger Buns · Stroehmann · Mrs Baird's · POM · Pullman · Lara · donuts · PlusVita · Vachon

Source: Internal information on estimated retail sales by brand during the last 12 months as of December 31, 2018

Local success to global EXPANSION

Success drivers

1. Scale and global diversification
2. Distribution efficiency
3. Strong brand equity
4. Innovation capabilities
5. Product quality

MEXICO

From **MEXICO**
to one country

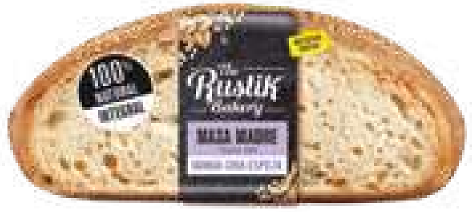
USA

From **USA**
to one country

From **USA**
to nine countries

From **USA**
to two countries

EAA*



From **SPAIN**
to one country

From **SPAIN**
to two countries

From **SPAIN**
to one country

From **CHINA**
to one country

From **CHINA**
to one country

LATIN AMERICA

From **URUGUAY**
to one country

From **COLOMBIA**
to eight countries

From **BRAZIL**
to one country

From **ECUADOR**
to one country

From **ECUADOR**
to one country

* EAA: Europe, Asia and Africa

2019

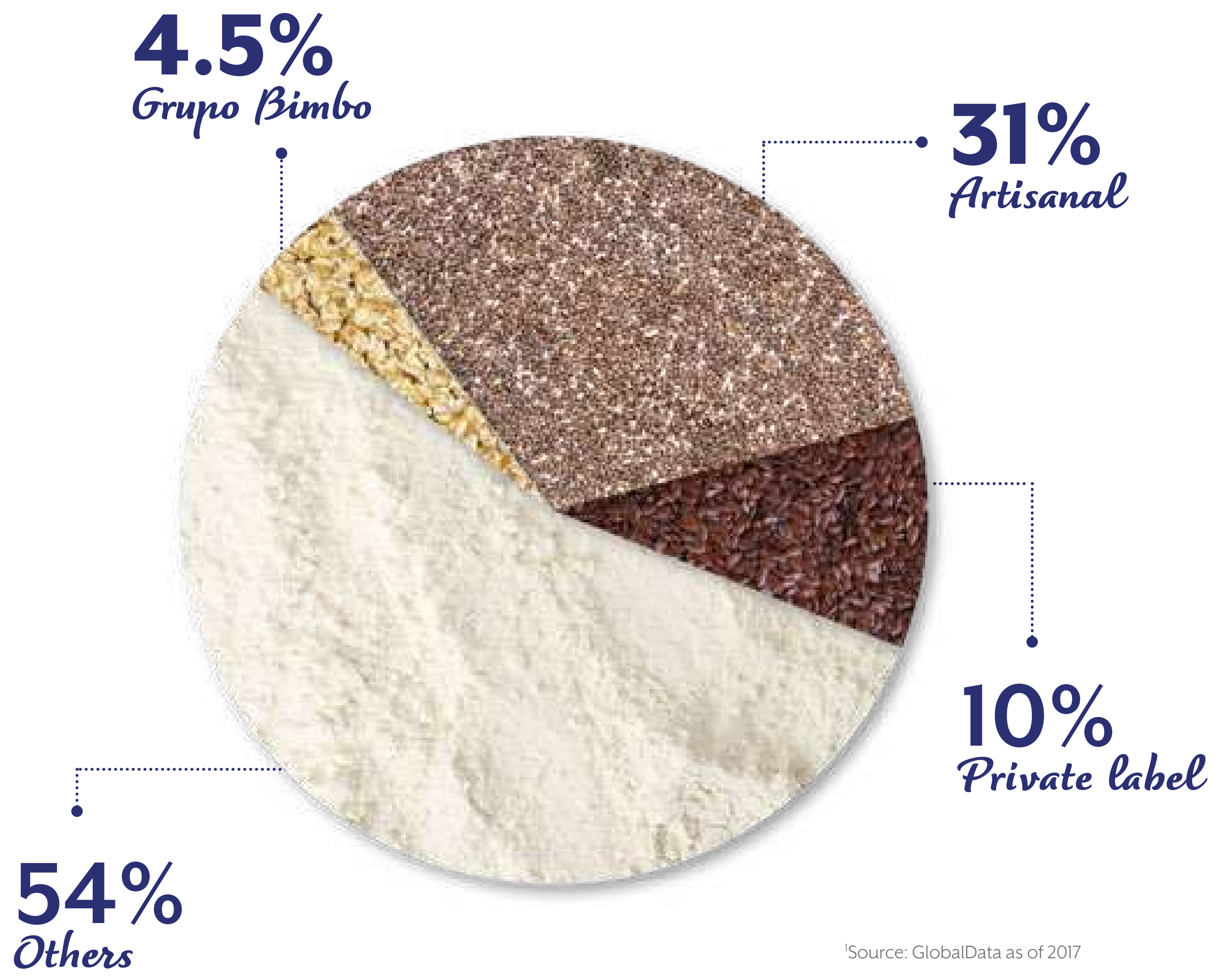
begins with a bright outlook full of opportunities in the market.

Our industry remains highly fragmented, our 4.5% global market share and low household penetration rates indicate the magnitude of our future growth potential.

(GRI 102-7)

Global market share

***US $426 Bn Industry*[1]**



[1]Source: GlobalData as of 2017

Tracking SUSTAINABLE growth

(GRI 102-6)

On the right track for continuous GROWTH

North America

Sales: 50%
- 25K associates
- 81 plants

US
- #1 in sliced bread category, buns & rolls, bagels and English muffins
- Strong regional brands
- BBU successfully completed its Voluntary Separation Program ("VSP"), a US$105 million non-cash charge, in order to have a leaner organizational design and a more productive Company

CANADA
- Leader nationwide
- Bimbo Canada completed an organizational restructuring initiative that will position the company for long-term growth and profitability through a leaner and more competitive structure

Latin America

Sales: 10%
- 25K associates
- 32 plants

- #1 in sliced bread, buns & rolls
- Completed the acquisition of Nutra Bien, a Chilean sweet baked goods company

Mexico

Sales: 31%
- 78K associates
- 38 plants

Leader in a broad and diverse product portfolio including:

Sliced bread, buns & rolls, pastries, snack cakes, salty snacks, confectionary, cookies & crackers

To satisfy every consumption ocassion, we respond to the needs of all our consumers

EAA

Sales: 9%
- 10K associates
- 48 plants

IBERIA
- #1 in packaged bread

UK
- #1 in bagels

Accelerating and creating new venues of growth:

CHINA
- #2 player in baking
- Since 2000, China has quadrupled its share in the global economy*
- Asia is home to 9 of the 15 fastest growing economies*
- Asia has increased from 15% of world trade in 1990 to 35% in 2017*
- Completed the acquisition of Mankattan, a leading player in the baking industry in China

INDIA
- #1 player in New Delhi
- Huge opportunity to expand nationwide
- #3 largest consumer market by 2025*
- By 2030, India's top five cities will be economies comparable to middle-income countries today*

BIMBO QSR
- World´s biggest supplier
- Global presence with exposure to the fastest growing QSR markets
- High growth industry

* Source: Dominc Barton "Thriving in an Age of Disruption", Global Managing Partner of Mckinsey & Company

Tracking the well-being OF OUR COMMUNITIES and our associates

(GRI 203, 413, 419: 103-1, 103-2, 103-3)

Tracking our COMMUNITIES

Communities

As a sustainable Company, in Grupo Bimbo, we work through our Community Pillar addressing specific challenges faced by the communities in which we operate, thus contributing to their economic development and well-being.

Supported by our Community Pillar, we engage with communities; become part of them and work as a sustainable company. Every community in which we operate faces specific challenges that require attention and support.

In partnership with NGOs, society in general, private enterprises, government agencies, as well as with voluntary economic and in kind donations from the Company and our associates, we implement actions aimed at community development and well-being in order to address challenges in matters such as education, sports and physical education, health and well-being, the environment, and natural disasters.

Assessment and planning are two essential impact management elements required for understanding real and potential impacts, as well as the communities committed participation, which enables us to understand their needs and expectations.

We manage all community support -related actions on the basis of our global sustainability policy which states the following:

- Supporting foundations authorized by the Social Investment Committee.
- Fostering responsibility, participation, and lending a hand in civil society actions through a culture of voluntary work.
- Understanding the social and economic realities of the countries and regions in which the Company operates, maintaining close communication and relations with local stakeholders, always within a framework of respect for local laws and regulations.
- Providing immediate support in case of natural disasters, especially in the case of our associates and their families by establishing, if needed, relief funds, all in accordance with our disaster relief policy.

On the other hand, the Global Institutional Relations area defines and manages the sustainability strategy of the Company. It is also in charge of our Community Pillar through which we manage our donations program, relations with civil associations, our Good Neighbor program and community development actions.

(GRI 203-2)

DONATIONS PROGRAM

2018 Total Donations
$110.3
million pesos

Through Grupo Bimbo's financial support and product donations, and with contributions from associates, we supported NGOs to benefit our society.

We made donations to 276 NGOs for an amount of 2.4% of our net profit. In addition, we donated $6,040,848.52 to 487 food banks, as well as 1,339,534 slices of bread in 31 countries through the Global Energy Race.

It should be mentioned that Grupo Bimbo Iberia joined the Fundación Alimentum campaign by donating 13 ton of product to food banks in Valencia, Alicante, Madrid, Vizcaya, Barcelona, and Sevilla on Food Solidarity Day. A total of 368,098 rations were destined to people and families most in need in Spain.

	Economic Donations	Product Donations	Total Donations
Mexico	72	41	113
USA/Canada	34	-	34
Latin America	10	119	129
Total	**116**	**160**	**276**

(GRI 413-1, 413-2, FP4)

VOLUNTEER PROGRAM

Our voluntary work program supports initiatives on wellness, the promotion and education on a healthy diet and habits, and environmental care run by NGOs that provide their local expertise and knowledge to make the best out of each activity. Our efforts are done hand in hand with our more than 83,000 volunteers and society members; these include economic and in-kind donations, and free time contributions from our associates to benefit our communities.

	Activities	Volunteers	Volunteer Hours	Direct Beneficiaries
Mexico	107	77,537	237,779	131,670
USA/Canada	68	908	1,024	8,085
Latin America	58	4,521	12,411	62,340
EAA	21	154	4	110
Total	**254**	**83,120**	**251,218**	**202,205**

83,120 *volunteers*

254 *activities*

202,205 *beneficiaries*

251,218 *volunteering hours*

19 *countries*

We are happy to share that as part of our 2018 volunteer activities, Grupo Bimbo and Barcel Mexico have joined the Juguetón Azteca for six consecutive years This voluntary work activity gathers our associates to give out toys and collect the smiles of children in need that are in shelters, hospitals and foster care homes.

Ángel Roberto Pérez, driver of a Barcel unit, who disguised himself as the clown Pepetón to cheer up the children at Juguetón, said:

"The magic of the Three Wise Men must reach every corner, and our work is very important to achieve it. *Every year their smiles fill our hearts* and motivate us to do this and more."

(GRI FP4)

NATURAL DISASTERS

In Mexico, the Global Institutional Relations area, through our natural disaster policy, oversees the operation and management of disaster relief fund resources. It channels donation requests and/or requests for economic support by submitting them to the Social Investment Committee for its approval, also reporting the support granted every six months. The Social Investment Committee must in turn, determine the type of support to be granted to the community and authorize the Company's contribution in accordance with the amount donated by associates, or in the case of economic disbursement, define the amount.

On the other hand, the Human Relations Office of each organization is in charge of sending out bulletins to associates worldwide, inviting them to make donations, registering all support given, and reporting to the Global Institutional Relations Department.

In case of a natural disaster, it is the President of the affected organization who will report to the Global Institutional Relations Department, in turn submitting any request for relief to the Social Investment Committee.

In compliance with our policy, the Operations area of each country determines the products that may be donated and coordinates local efforts.

ECONOMIC DONATION (MXN)

	Product Donation/ $ Equivalent	Economic Donation	Cause
Mexico	$1,733,536	$1,018,170	Rainfall
USA	-	$528,400	Wildfire
Guatemala	$641,743	-	Volcanic Eruption
Total	**$2,375,279**	**$1,546,570**	

Total Donations for $3,921,849 MXN

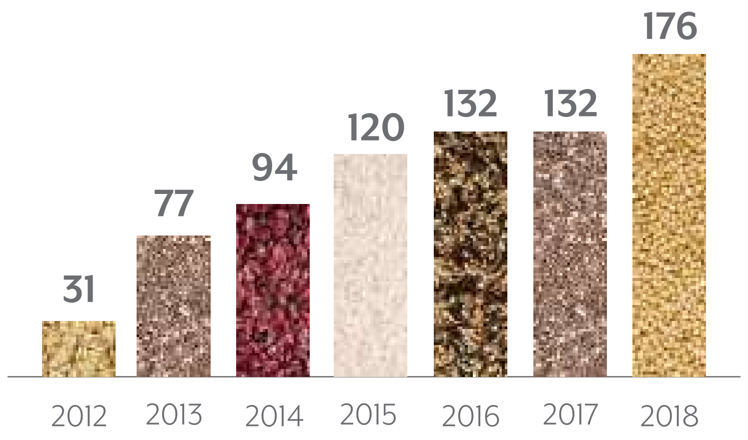
(GRI 203-1)

GOOD NEIGHBOR

The Good Neighbor program is part of our volunteer efforts; its main objectives are to seek the development and well-being of the people who live or work in the vicinity of our work centers by implementing projects that contribute to improve their lives.

Since the launch of the program in 2012, we have worked every day to identify and develop projects with significant impact on the community, such as infrastructure improvement, remodeling and rehabilitation of public spaces and interiors, as well as general repairs through which we can benefit its inhabitants.

Along the seven years of the program, we have carried out 762 projects. In 2018 in Mexico, we completed 176 projects that impacted 176,021 beneficiaries.



2018 GOOD NEIGHBOR PROJECTS

Plant/ Distribution centers	2018 completed projects
Mexico	91
USA/Canada	44
Latin America[1]	31
Europe	6
Asia[2]	4
Grupo Bimbo Grand Total	**176**

[1] LAC, LAS, Brazil
[2] India and Morocco

Some of our 2018 projects:

Mexico

- The San Luis Potosí Center contributed with the Rehabilitation of the Aguilares Sports Unit at Villa de Pozos, providing the people with a space for physical activation and healthy coexistence of young people and families of the community.

- As part of the Good Neighbor Project at the Metropolitan Distribution Center in *Azcapotzalco*, we rehabilitated the *Nuevo Barrio San Rafael* sports unit and furnished a health center with medical equipment benefitting over 2,750 people. In addition, we organized cleanup drives in the area.

- During four weeks, volunteers at the *Galletas Gabi* plant in Tultitlán, State of Mexico, worked to rehabilitate two indoor soccer pitches at the El Reloj sports facility with which we not only directly benefited 1,500 people, but also promoted physical activation among the youth from neighboring areas.

  In addition, we will plant 250 trees inside the sports facility with the participation of the community and plant associates.

Ecuador

- Some of the main projects of Bimbo Ecuador are the Sagrada Familia de Nazareth School and College classroom ventilation improvement in the Nueva Prosperina, Guayaquil sector, as well as a Physical Therapy and Stimulation Center for the *Fundación Pícaros Soñadores* Community Day Care in Quito.

Guatemala

- As part of the celebration of Children's Day, fifty Bimbo Guatemala associates carried out the renovation of the *Escuela Oficial Urbana Mixta No.153* Sakerti, repairing benches and playgrounds, creating green areas, general building painting, and remodeling the basketball court, thus benefitting 700 children from the community.

Honduras

- Together with voluntary associates of Bimbo Honduras and using recycled materials from the workshop, we inaugurated a garden bed at the Monseñor Fiallos No.2 school. This used to be an area for community waste which caused pollution that affected school students and neighbors.

Bimbo Iberia

- In partnership with the Paracuellos de Jarama Town Hall, of the Autonomous Community of Madrid, we implemented the improvement project of the *Descansadero de San Miguel* cattle track, close to the Bimbo plant, consisting in cleaning up, clearing and adapting the area, generally used as a public walkway and lane for bicycles and joggers; thus, residents of Paracuellos de Jarama will be able to cross through a clean and renovated area.

- Grupo Bimbo promotes diversity and inclusion. Proof of this is our Good Neighbor project for the social integration of people with functional diversity in Coslada, Madrid. Through this initiative we collaborate with the *Asociación para la Integración de Personas con Diversidad Funcional* (ASPIMIP), in providing technological equipment for the IT center of their Coslada Occupational Center. This will enable students to have access to information and job offers thus fostering their social inclusion and personal development.

(GRI 304-3)

DESIERTO DE LOS LEONES ORGULLOSAMENTE LIMPIO PROGRAM

As the first protected natural area in Mexico, the Desierto de los Leones, is one of the woodlands that supply Mexico City with water, oxygen, and natural resources.

With a surface area of 1,529 hectares of pine trees, it is considered one of the richest in the world in biodiversity. However, it is currently deteriorating due to human activity and contamination caused by solid urban waste.

With the goal of mitigating the problem and promoting sustainability in Mexico City, in 2016 Grupo Bimbo in partnership with Fundación Azteca of Grupo Salinas, created the Desierto de los Leones Orgullosamente Limpio social and environmental program.

In this second phase, from September of 2017 to September of 2018, we exceeded our goal by 225.27% through expert consultancy and indicator measurement, achieving a strengthened program and a change in environmental culture.

2018 Actions

- Implementation of 11 Training Workshops on diverse topics such as organic waste harnessing, transformation and recycling of plastic bags, and PET reuse through self-watering pots, and homemade vermicompost. With these workshops we have benefitted people who live in San Mateo Tlaltenango and San Lorenzo Acopilco, merchants around the Ex Convento and La Venta, workers of the Cuajimalpa Town Hall, craftspeople and senior citizens, benefitting 592 people.

- Considering that environmental awareness is generated through education, based on a play-based and participative methodology, we carried out 20 education and environmental drives and summer courses attended by 404 people.

- 13 physical activation drives aimed at merchants and visitors, promoting proper waste separation in the tourist corridor.

- In order to remove waste which negatively impacts the ecosystem of the forest and to raise awareness among the people, we implemented 17 clean-up drives through which we collected over 4 ton of trash, equal to 60 of the waste generated in the park over a period of 9 months preventing the pollution of the most important green spaces

17
clean-up drives
4 ton of collected trash

in Mexico City this was made possible with the support of the Tourism Department of the Cuajimalpa township, the San Mateo Tlaltenango residents, and the commitment of our environmental leaders and volunteers.

- We carried out 13 micro clean-up drives collecting 6,638 straws, 13,713 bottle caps, and 9,888 cigarette butts preventing the contamination of 74,000 liters of water.

Participation of
364
volunteers in our drives

During the third stage of the program in 2019, we will work on the next steps, which consist on incorporating waste into the productive chain (re-using, re-cycling, re-evaluating) that is the basis of a circular economy.

(GRI 102-17, 102-33, 102-34)

SPEAK UP LINE

Our commitment to provide the best working conditions for our associates and suppliers has led us to set up our Speak Up Line for them as an instrument for reporting issues in need of improvement.

We honor our Golden rule: Respect, Justice, Trust and Care.

From our Code of Ethics: At Grupo Bimbo we want our associates to be respected and find a space adequate for their professional and personal development.

Treatment of our associates is based on our Golden Rule; therefore, in accordance with our global integrity policy, any issue concerning breach or non-compliance with our Codes may be reported using our anonymous and confidential direct communication channel, Línea Comenta (Speak Up Line), at the corresponding site, or at *comenta@grupobimbo.com*. These reports are shared only with Speak Up Line Committee members.

The program is for all our associates and suppliers in all the various operating sites of Grupo Bimbo. The tool has proven to be efficient and has allowed us to make improvements in different processes.

734
cases attended

276
anonymous

458
known

PLANT VISIT PROGRAM

+750 K visitors

45 Grupo Bimbo plants

13 countries

We currently offer guided tours at 45 of our plants in the different countries in which we operate.

The plant visit program allows us to share who we are and what we do. Every visit to our plants is an adventure through which visitors can discover how we produce our nutritious, innovative and healthy products. They also receive advice concerning the adoption of a healthy lifestyle and a good and nutritious diet, besides learning about the importance of daily physical activity, and of environmental care alternatives that can be part of our everyday life.

We receive visitors of all ages, from elementary school to college, foreign academic institutions, people with functional diversity, senior citizens, consumers, suppliers, and other stakeholders.

2018 PLANT VISITORS

Mexico	LAS	LAC	TOTAL
639,568	67,071	68,073	774,712

(GRI 304: 103-1, 103-2, 103-3, 304-3)

BIODIVERSITY

REFORESTAMOS MEXICO

In 2018, Reforestamos México, A.C. joined forces with 77 companies, investing resources and with more than 17,405 volunteers, we reforested 137.35 hectares of woodlands and supported the conservation of 5,000 hectares of forest ecosystems in Mexico.

17,405 *volunteers*

137.4 *restored ha*

5,000 *preserved ha*

LOCATION OF REHABILITATED HABITAT

Type of Protected Natural Area	Name	State	Restored Hectares	Mantained Hectares
Flora and Fauna Protection Area	Nevado de Toluca	State of Mexico	74.40	-
Ecological Rehabilitation Area	San Martin Cuautlalpan	State of Mexico	8.00	-
Private Plot	Liomont-Ocoyoacac Factory	State of Mexico	1.50	-
Flora and Fauna Protection Area	La Primavera	Jalisco	9.50	5,000
Ecological Restoration Area	Cerro del Punhuato	Michoacan	3.00	-
Recreational Park	Los Cuartos	Aguascalientes	1.00	-
Recreational Park	Tangamanga I	San Luis Potosi	1.50	-
Ecological Restoration Area	Temascatio, Pinal del Zamorano	Guanajuato	4.00	-
Private Plot	El Chico	Xalapa	1.00	-
National Park	La Huasteca, Laguna de Sánchez	Monterrey	13.00	-
Recreational Park	Ecoparque	Zacatecas	1.00	-
Recreational Park	Parque Metropolitano	Puebla	0.50	-
State Park	Sierra de Tepotzotlan	State of Mexico	11.25	-
Recreational Park	Joya la Barreta and El Cimatario	Queretaro	5.20	-
Ecological Restoration Area	Cuxtal	Merida	0.50	-
Recreational Park	Kai Lu´um	Merida	2.00	-
	Total		**137.35**	**5,000**

(GRI FP4)

PROMOTION OF PHYSICAL ACTIVITY

In Grupo Bimbo we are aware that by promoting physical activity we are reducing the risk of illnesses and ensuring a better quality of life for our associates.

Our work centers provide areas for physical activation in addition to activities and programs that promote and encourage the adoption of healthy lifestyles such as *Reto Empresa Activa y Saludable, Reto Conquista tu Cima, Vivo Sano #EsPorMi*, sports competitions, soccer tournaments, and all types of races.

Through programs such as Global Energy Race and *Futbolito Bimbo*, we fulfill our commitment to the well-being of consumers and associates by promoting the benefits of adopting appropriate diets and physical activities on a daily basis.

Global Energy Race

For fourth year in a row, we organized our most important global sports event: the Global Energy Race. The goal of this event is to promote the adoption of a more active and healthier lifestyle, as well as family integration.

This time we took the event to 34 cities: Mexico City, Guadalajara, Monterrey, Puebla, Torreón and Veracruz in Mexico; Buenos Aires, Argentina; Sao Paulo and Rio de Janeiro in Brazil; San Jose, Costa Rica; Guayaquil, Ecuador; San Salvador, El Salvador; Guatemala, Guatemala; Santiago, Chile; Bogota and Cali, in Colombia; San Pedro Sula, Honduras; Panama, Panama; Asuncion, Paraguay; Lima, Peru; Montevideo, Uruguay; Toronto, Canada; Beijing, China; New Delhi, India; Casablanca, Morocco; Lisbon, Portugal; Madrid and Barcelona, in Spain; Sheffield, Unite Kingdom; Dallas, Orlando, Philadelphia, Phoenix and Los Angeles in the USA.

The Global Energy Race is a race with a cause. Through it, we help vulnerable sectors of society with donations to food banks for every kilometer having been run and every registered runner. This equals to almost one loaf of bread for every runner in the 10k category.

2018 Results

In this edition, we managed to activate 112,778 participants in 22 countries and 34 cities around the world. Thanks to every one of them we were able to donate 1.4 million slices of bread to people in need.

Global Energy Race

112,778 participants

22 countries

34 cities

1.4 million slices of bread donated

Mexico
Participants **35,899**
Slices of bread **454,104**

USA/ Canada
Participants **11,376**
Slices of bread **175,296**

Latin America
Participants **48,123**
Slices of bread **633,460**

EAA
Participants **17,291**
Slices of bread **217,748**

Total
Participants **112,778**
Slices of bread **1,480,608**

Country	City	Final Number GER 2018
Mexico	Mexico City	19,279
	Guadalajara	5,000
	Monterrey	3,808
	Puebla	3,829
	Veracruz	2,748
	Torreon	1,235
USA	Los Angeles	3,556
	Philadelphia	1,866
	Dallas	1,516
	Orlando	1,604
	Phoenix	1,319

Country	City	Final Number GER 2018
Canada	Toronto	1,573
Panama	Panama	1,476
Costa Rica	San Jose	1,700
Honduras	San Pedro Sula	1,145
El Salvador	San Salvador	1,850
Ecuador	Guayaquil	3,176
Guatemala	Guatemala	2,081
Argentina	Buenos Aires	3,483
Chile	Santiago	4,050
Paraguay	Asuncion	2,091
Peru	Lima	2,816
Uruguay	Montevideo	2,868
Colombia	Bogota	6,500
	Cali	2,071
Brazil	Sao Paulo	6,425
	Rio de Janeiro	6,334
Portugal	Lisbon	2,827
	Oporto	-
Spain	Barcelona	3,246
	Madrid	3,925
UK	Sheffield	1,109
China	Beijing	4,506
	Tianjin	-
India	Delhi NCR	1,266
Morocco	Casablanca	500
Grand Total		**112,778**

Futbolito Bimbo

In 2018, the 55th edition of the *Futbolito Bimbo* tournament once more achieved its goal of providing Mexican children with the opportunity of meeting other children around the country and living the experience of traveling throughout Mexico to practices sportsmanship inside and outside the soccer field.

Notwithstanding, *Futbolito Bimbo* has achieved its goal of promoting physical activity among children and an adequate diet as part of a healthy lifestyle. In addition, it has been an excellent opportunity to promote values such as team work, respect, tolerance and companionship among children.

For all the above, *Futbolito Bimbo* is the most important soccer tournament in the history of soccer for kids in Mexico and our most relevant social responsibility program.

110,616
hours of physical activity

3,183
schools

58,587
boys an girls

59,131
scored goals

5,362
teams

6,601
"Green Cards" Honor good behavior in and outside the field

(GRI 401, 406, 103-1, 103-2, 103-3)

Keeping track of PROGRESS

Associates

We recognize the dignity of the person.

We value the talent, experience, knowledge and opinions of our associates.

In Grupo Bimbo we are globally committed to work every day to be the preferred place to work in the industry, we spend significant efforts ensuring we have quality leaders who share our beliefs, and who motivate and inspire associates to share Our vision, while promoting a culture of diversity, inclusion and non-discrimination and where Safety, wellness and Human Development are present.

Our vision is to lead with Superior Safety and Organizational Health, aligned with continuous improvement. We understand that when people find fulfillment through productive work, this contributes to their development.

Each of our business units is responsible for managing all the processes of recruitment, hiring, administration, training, performance evaluation, compensation, communication, safety and wellness of the staff at our different work centers.

Respect, Fairness, Trust and Care is our ***Golden Rule***

We are the largest baking company IN THE WORLD,

with more than 138,000 diverse associates from 32 countries where we have operations.

Total associates in Grupo Bimbo

+138,000

	Total Associates on Payroll	Outsourcing	Total
	(GRI 102-7)		
Mexico	76,694	348	**77,042**
USA / Canada	25,737	319	**26,056**
Latin America	21,298	810	**22,108**
Asia	6,303	413	**6,716**
Grupo Bimbo's Total Payroll	136,159	2,273	**138,432**

From the corporate headquarters we monitor all aspects of people management through key indicators and control dashboards as well as through periodic "functional reviews" where experts from the different functions in the Human Relations department verify that the business units are following our global policies as it pertains to the value we place in aspiring to be a deeply humane company everywhere we operate.

EMPLOYMENT

(GRI 102-8, 102-21,202: 103-1, 103-2, 103-3, 401-1)

The majority of our senior leadership positions is occupied by local executives. This allows us to strengthen our connection with the local markets and communities, and ensures that local talent can see evidence of a good future with Grupo Bimbo. However, we try to deploy the right talent in the right place for the benefit of both our associates and our operations.

This is achieved through a global mobility strategy which ensures that leaders with growth potential can expand their careers by accepting challenges in different markets and by doing so, can acquire knowledge and experiences which help them grow professionally.

Thus we have two policies that define both the short and long-term international assignment rules of engagement and which specify, eligibility, total compensation, and other considerations such as family support, cultural orientation and in all cases assistance for the family of the associate being transferred.

NEW ASSOCIATES HIRING AND PERSONNEL TURNOVER

(GRI 401-1)

https://grupobimbo.com/sites/default/files/Grupo-Bimbo-Associates-Rotation.pdf

Region/ Age range	% Turnover during period			
	woman	man	Not specified	TOTALES
Mexico				
<30	26%	24%	0%	**24%**
30-50	16%	12%	0%	**13%**
>50	9%	6%	0%	**6%**
Not specified	0%	50%	0%	**50%**
Total Mexico	**19%**	**15%**	**0%**	**15%**
USA /Canada				
<30	36%	33%	0%	**34%**
30-50	20%	16%	100%	**17%**
>50	22%	17%	100%	**18%**
Total USA /Canada	**23%**	**19%**	**100%**	**20%**
Latin America				
<30	16%	20%	86%	**19%**
30-50	13%	15%	86%	**15%**
>50	7%	11%	0%	**10%**
Not specified	20%	17%	0%	**18%**
Total Latin America	**14%**	**16%**	**86%**	**16%**
Europe				
<30	17%	17%	0%	**17%**
30-50	11%	11%	0%	**11%**
>50	9%	16%	0%	**14%**
Not specified	0%	50%	0%	**50%**
Total Europe	**11%**	**14%**	**0%**	**13%**
Asia				
<30	35%	33%	0%	**34%**
30-50	20%	31%	0%	**26%**
>50	15%	22%	0%	**19%**
Total Asia	**22%**	**31%**	**0%**	**27%**
Africa				
<30	20%	9%	0%	**10%**
30-50	5%	8%	0%	**8%**
>50	0%	9%	0%	**8%**
Total Africa	**11%**	**9%**	**0%**	**9%**
TOTAL GLOBAL	**19%**	**16%**	**88%**	**16%**

*Not includes India (2877), Mankattan (1653), BQ (2394) y Kannan (23).

Region/ Age range	% New hires during period			
	woman	man	Not specified	TOTALES
Mexico				
<30	43%	38%	0%	39%
30-50	21%	10%	0%	12%
>50	7%	1%	0%	2%
Not specified	0%	50%	0%	50%
Total Mexico	**28%**	**17%**	**0%**	**19%**
USA /Canada				
<30	51%	45%	0%	47%
30-50	22%	17%	100%	18%
>50	10%	6%	0%	7%
Total USA /Canada	**22%**	**17%**	**50%**	**18%**
Latin America				
<30	36%	35%	100%	36%
30-50	15%	13%	57%	14%
>50	5%	4%	0%	4%
Not specified	60%	58%	0%	59%
Total Latin America	**22%**	**19%**	**79%**	**20%**
Europe				
<30	60%	75%	0%	73%
30-50	36%	42%	0%	41%
>50	21%	16%	0%	17%
Not specified	0%	100%	0%	100%
Total Europe	**35%**	**43%**	**0%**	**41%**
Asia				
<30	15%	34%	0%	30%
30-50	3%	15%	0%	10%
>50	0%	7%	0%	4%
Total Asia	**5%**	**19%**	**0%**	**14%**
Africa				
<30	13%	17%	0%	17%
30-50	5%	16%	0%	14%
>50	0%	0%	0%	0%
Total Africa	**8%**	**16%**	**0%**	**15%**
TOTAL GLOBAL	**25%**	**18%**	**75%**	**20%**

In the case of VPs who are on an international assignment, we monitor that said assignment period does not exceed the terms set forth in the global policy for long-term international assignees.

We also follow up on the timely updating of the assignee's and his/her family migratory documents pursuant with the policy.

We keep a record of international assignments for control purposes, wherein we include the assignees' migratory permits for the assignees and each year, we request the organizations forward the updated work permits.

PERCENTAGE OF TOP EXECUTIVES WHO HAIL FROM LOCAL COMMUNITIES

(GRI 202-2)

Mexico	90.0%
USA & Canada	100.0%
Latin America	61.5%
Europe	71.4%
Asia	66.7%
Total Grupo Bimbo	**87.1%**

(GRI 102-21, 202, 402, 419: 103-1, 103-2, 103-3, 402-1, 419-1)

It is important for our stakeholders to know our turnover rate of all the personnel that worked during the year, since it is an indicator of stability, making them confident that their bet on our Company is in the hands of experienced associates, and motivates them given the fact that it is tracked every year.

It is also interesting to observe the new hires index, performance, since it shows that being part of a world class leading company is very attractive to the new generations.

402-1

Every business unit has different notice periods which are based on local laws and regulations and/or collective bargaining agreements.

PARENTAL AUTHORIZATION

Pregnant associates are provided with different opportunities such as: home office, flex time and a one-year leave of absence, whereby they can return to work without losing seniority.

Each country must adopt the maternity and paternity policy, according to their needs and labor legislation.

PARENTAL AUTHORIZATION

(GRI 401-3)

GRI region	Associates who had the right to take time off work for maternity / paternity		Associates who used their right to take time off work for maternity / paternity		Total associates who returned to work after leave of absence		Indicator of return to work	
Mexico	2512	524	2512	524	1796	251	71.50%	48%*
USA	137	61	137	61	125	51	91.24%	84%
Canada	61	65	61	65	55	40	90.16%	62%
Central America	291	260	291	260	235	104	81%	40%*
South America	139	67	139	67	131	63	94%	94%
Brazil	2	58	2	58	2	40	100%	69%
Europe	65	18	65	18	56	17	86%	94%
Asia	22	27	22	27	21	23	95.45%	85%
Global	**3229**	**1080**	**3229**	**1080**	**2421**	**589**	**86%**	**71%**

*We have associates that haven't return from their maternity and paternity leave, this impacts the indicator of return to work. Their return of this associates will be reflected the next year.

CHILD & FORCED LABOR

(GRI 403, 408, 409: 103-1, 103-2, 103-3, 403-1, 408-1, 409-1)

Our Code of Ethics complies with all legislation in force in every country where we operate. Regarding Child Labor, under no circumstances do we hire anyone underage in any of our work centers. Our recruitment process ensures that this will never happen, because applicants must prove their legal age by providing official ID. In some countries this information is validated by government agencies or public health institutions.

Additionally, we conduct internal inspections (called "Functional Reviews"). A functional corporate entity performs sporadically visits to ensure compliance with this process. This includes double checking employment agreements with the purpose of ensuring full compliance with all current laws and internal policies. On the other hand, we do not have operations considered as a high risk for incidents.

Under no circumstances, do we approve or permit forced labor within our work centers. During the period reported herein, we have not registered any case of forced labor. In some business units, overtime is negotiated with associates on a voluntary basis. This overtime is payable based on local laws and never exceeds established limits.

Lastly, suppliers are obligated to comply with all internal policies related to child and forced labor, and to sign our Code of Conduct for suppliers, wherein special mention is made on the prohibition of child & forced labor in their production processes.

COMPENSATION

(GRI 201-3, 102-35, 401: 103-1, 103-2, 103-3, 401-2)

Our Compensation Policy is based on a Total Rewards model, using an integrated approach that includes salary, benefits, career and life/work. We have a plan based on this model designed to maintain compensation up to date and competitive.

Our policy was developed while keeping in mind a better quality of life for associates, as well as their well-being. We implemented a new differentiated merit increases policy in 2018 for non-operational personnel; in which the associates demonstrating above expected performance and the behaviors fostered by the Company, receive higher pay raise accordingly.

We also incorporated adjustments to the annual bonus program by aligning it with the new performance evaluation model for non-operational personnel. We thereby achieved greater recognition for those with outstanding performance, allowing them to receive higher pay, regardless of the local operation's financial results.

In Grupo Bimbo, we will continue developing new and creative initiatives to reward high-performing associates.

GRUPO BIMBO COMPENSATION POLICY

Our salaries are above the minimum wage in all countries where we operate, and we make sure that contractual terms cover the requirements of local labor laws.

We also determine associate compensation base on performance evaluations, which recognize their achievements or outstanding performance versus the established business plan and the skills they demonstrate, as well as the financial results our Company in each country and throughout the world.

Each associate's compensation is based on his/her position, level of impact, and what the market where we operate would pay for a similar position, considering the required responsibilities, experience, education, and skills profile.

Wage information used for these comparisons and for determining the respective wage level data, is provided by third parties; world-renowned consulting firms in the compensation field.

	Full Time	Part Time	Temporary	Regions where it applies
		(GRI 401-2)		
Stock Options, Levels: 1st senior management and directors	x			Brazil, Canada, China, Iberia, LAC, LAS, Mexico, United Kingdom, USA
Assigned auto, levels: 1st and/or 2nd senior management and/or Directors	x			Canada, Colombia, Guatemala, Honduras, Iberia, LAS, Mexico, Nicaragua, Panama, United Kingdom USA, Venezuela, Brazil, El Salvador, Costa Rica.
Maternity or paternity leave	X	x	x	Mexico, Canada, Iberia, LAS, UK, USA, Brazil. Offered to part-time associates in Iberia, United Kingdom, USA, Canada. Offered to temporary associates in Iberia, United Kingdom.
Annual performance bonus	x	x		Brazil, Canada, China, Iberia, LAC, LAS except Paraguay, Mexico, United Kingdom, USA.
Medical checkup, at least for directors	x	x		Mexico, United Kingdom, LAC, Brazil. Offered to temporary associates in Argentina and Chile.
Disability coverage	x	x	x	Brazil, Canada, Colombia, Iberia, Mexico, Panama, United Kingdom, USA, LAS. Offered to temporary associates in Iberia, United Kingdom.
Life insurance	x	x	x	Argentina, Brazil, Canada, Chile, China, Iberia, LAC, Mexico, Peru, United Kingdom, Uruguay, USA. Offered to part-time associates in El Salvador, Honduras, Brazil, Canada.
Medical insurance	x	x	x	Offered to all levels in Argentina (except hourly level), Brazil, Chile, Ecuador, Honduras. Offered to executive level associates and higher in Canada, China, Colombia, Costa Rica, El Salvador, Guatemala, Iberia, Mexico, Nicaragua, Peru, United Kingdom, USA. Offered to supervisory levels and higher in Panama. Offered to part-time and temporary associates only in United Kingdom.

Only lists those benefits offered in more than 40% of the countries where Grupo Bimbo operates, and to at least one level in the hierarchy.
LAS groups: Argentina, Chile, Peru, Uruguay, Paraguay.
LAC groups: Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Venezuela.
Iberia groups: Spain and Portugal

PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION RATIO

(GRI 102-39)

Country	Organization	Percentage increase in anual total compensation ratio*
Mexico	Bimbo Mexico	0.8
USA	Bimbo Bakeries USA	1.5
Canada	Bimbo Canada	0.8
Brazil	Bimbo Brazil	1.7
Colombia	Latin Central	1.3
Chile	Latin South	1.2
Spain	Iberia	0.7

*Number of times that the highest paid associate saw an increase in the percentage of total annual compensation in relation to the median percentage increase in all other associates' total annual compensation.
The data corresponds to the 7 countries with the most significant operations in terms of 2018 estimated sales and number of salaried associates.
Calculation includes full time salaried associates, excluding those on part-time, specific project and those assigned to international posts, associates occupying regional posts in the countries under consideration and those associates that were not included in the annual raise because they were promoted or are new hires.
The total annual compensation considers annual income based on base salary, guaranteed compensation, incentives, commissions, short and long-term incentives.

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN AND MEN*

(GRI 405-2)

Country	Organization	Administrative	Supervisors	Executives and Directors
Mexico	Bimbo Mexico	0.9	1.0	0.7
USA	Bimbo Bakeries USA	0.9	1.0	0.9
Canada	Bimbo Canada	0.8	0.9	1.0
Brazil	Bimbo Brazil	1.0	1.1	0.9
Colombia	Latin Central	1.2	1.0	0.8
Chile	Latin South	0.8	1.0	1.4
Spain	Iberia	1.0	1.0	0.8

* Ratio of women's average earnings compared to the annual compensation of men, by job level.
The data corresponds to the 7 countries with the most significant operations in terms of 2018 estimated sales and number of non-operating associates.
Calculation includes full time non-operating associates, excluding those on part-time, specific project and those assigned to international posts, associates occupying regional posts in the countries under consideration.
The total annual compensation considers annual income based on: base salary, guaranteed compensation, incentives, commissions, short and long-term incentives.

(GRI 102-35, 102-36, 102-37, 102-38)

WAGES

RATIOS OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE

(GRI 202-1)

		USD				Local currency	
		Data reported in 2019				Original data	
		Definitive				Reported by associate	
		Country minimun wage	GB minimun wage	Ratio	Exchange rate at Jan 11, 2019	Country minimun wage *	GB minimun wage **
Mexico	Bimbo	160.44	459.76	287%	19.20	3,080.40	8,827.31
	Barcel	160.44	348.85	217%	19.20	3,080.40	6,697.91
	El Globo	160.44	247.27	154%	19.20	3,080.40	4,747.50
	Corporativo	160.44	831.76	518%	19.20	3,080.40	15,969.86
	Moldex	160.44	276.58	172%	19.20	3,080.40	5,310.30
USA		1,160.00	2,258.06	195%	1.00	1,160.00	2,258.06
Canada Bread * **		1,626.19	1,873.65	115%	0.75	2,168.25	2,498.19
Central America		342.09	361.39	106%	-	-	-
South America		356.31	640.17	180%	-	-	-
Brazil		258.31	514.44	199%	0.27	954.00	1,900.00
Iberia * **		933.41	1,121.94	120%	0.87	809.50	973.00
UK		1,616.16	1,655.38	102%	1.27	1,272.57	1,303.45
Asia		366.35	424.55	116%	0.15	2,495.56	2,892.00
Total average		**573.92**	**847.21**	**191%**			

Figures expressed in the monthly base wage in USD at the exchange rate as of 11/January /2018
Source of the exchange rate: https://www.oanda.com/lang/es/currency/converter/
* No gender distinctions
** Considering the country's average monthly base wage for the lowest operating position in Grupo Bimbo
*** Reported in the minimum wage in Grupo Bimbo wage structure

(GRI 102-30, 403: 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4)

ASSOCIATES SAFETY AND WELLNESS

In Grupo Bimbo we consider that the value of a person is central. Therefore, the safety of our associates comes first, and we are committed to providing a safe and healthy work environment, as well as promoting a safety and wellness culture among them, their families, and the communities where we work, under the conviction that:

Safety & Wellness Foundations

1. *All injuries are preventable*
2. *We have an obligation to work safely*
3. *We are responsible for each other´s safety and wellness*
4. *To be a world-class company, we must have an exemplary safety performance and permanently improve our well-being*
5. *We are capable of building a balanced life*

Our Safety and Wellness System seeks to create a work environment free of unsafe conditions and behaviors, by pursuing 4 main objectives:

- Reverse the incident rate trend
- Achieve zero injuries
- Consolidate a day-to-day safety culture
- Self-manage a healthy lifestyle

As part of this system, we have a detailed record of occupational diseases, minor and severe injuries, and fatalities from which we can draw incident rate and disabling injury index indicators by business unit, allowing us to implement strategic actions to advance safety and comply with the legal framework of the countries where we operate.

We carry out actions to guarantee healthy work centers and encourage our associates to adopt healthy lifestyles.

Our commitment to safety and the implementation of strategic actions have resulted in a 18% decrease in the Incident Rate since 2015, which amounts to a decrease by over 400 injuries in all Grupo Bimbo that in turn contributed to a 20% decrease in our disabling injury severity rate.

Additionally, in 2018 we had no fatalities.

18%

decrease in the Incident Rate since 2015/ decrease by over 400 injuries in all Grupo Bimbo

0 *work and road-related fatalities*

Injuries
Mexico **1704**
USA/Canada **520**
Latin America **238**
Europe **211**
Asia **15**

Hours worked
Mexico **189,257,826**
USA/Canada **50,662,673**
Latin America **51,405,527**
Europe **10,522,737**
Asia **2,936,257**

Fatalities
Mexico **0**
USA/Canada **0**
Latinoamérica **0**
Europe **0**
Asia **0**

Lost day rate
Mexico **79.74**
USA/Canada **129.53**
Latin America **29.76**
Europe **132.97**
Asia **23.84**

Days of disability
Mexico **75461**
USA/Canada **32812**
Latin America **7649**
Europe **6996**
Asia **350**

Average Headcount
Mexico **76,641**
USA/Canada **25,733**
Latin America **21,107**
Europe **4,826**
Asia **1,109**

Occupational diseases
Mexico **28**
USA/Canada **0**
Latin America **0**
Europe **1**
Asia **0**

Absentee rate
Mexico **12.18**
USA/Canada **11.07**
Latin America **6.18**
Europe **23.96**
Asia **7.41**

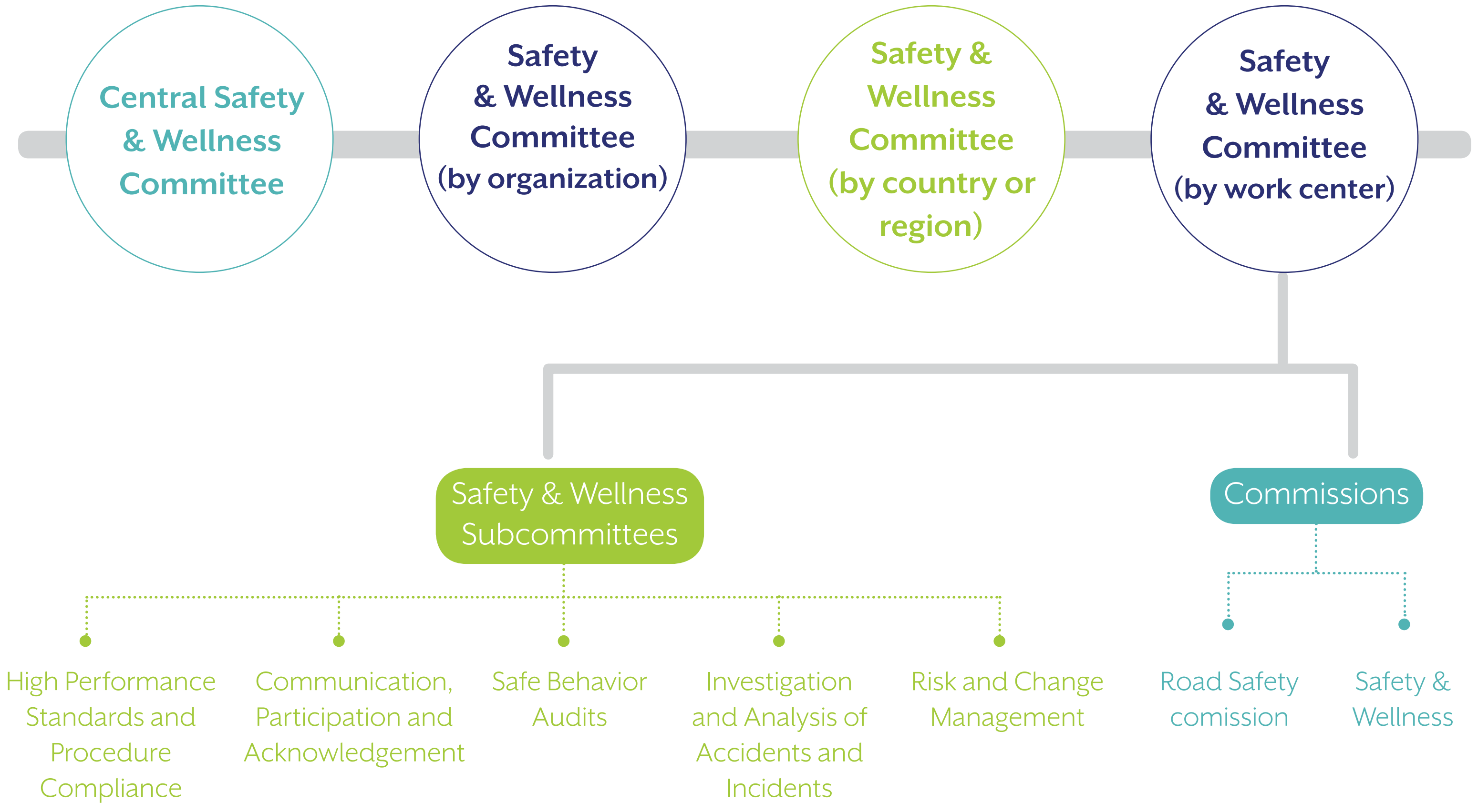
Incident Rate
Mexico **1.80**
USA and Canada **2.05**
Latin America **0.93**
Europe **4.01**
Asia **1.02**

(GRI 102-30, 102-31)

A key component of our safety and wellness system are the committees, subcommittees and commissions set up in all work centers, which work every day implementing actions that help us correct unsafe working conditions and behaviors by identifying risks and looking for best practices that prevent work injuries.

SAFETY STRUCTURE

GRI 403-1



The Central Safety and Wellness Committee meeting is held every quarter. The Committee includes participation from every GB organization (which involves Organization Presidents, HR VPs, Directors from key areas, etc.) and is chaired by our Grupo Bimbo CEO.

In this committee meetings, we report the results obtained from our safety model management and safety indicators and propose actions to ensure our associates safety. Each Organization has its own safety committee, headed by the Organization VP; in turn, regions, countries, and work centers follow the same structure through committees, subcommittees, and local commissions comprised by personnel from different areas and departments, thus ensuring proper implementation of the safety and wellness model through specific initiatives for each work center.

INCIDENT RATE BUSINESS AREA

GRI 403-2

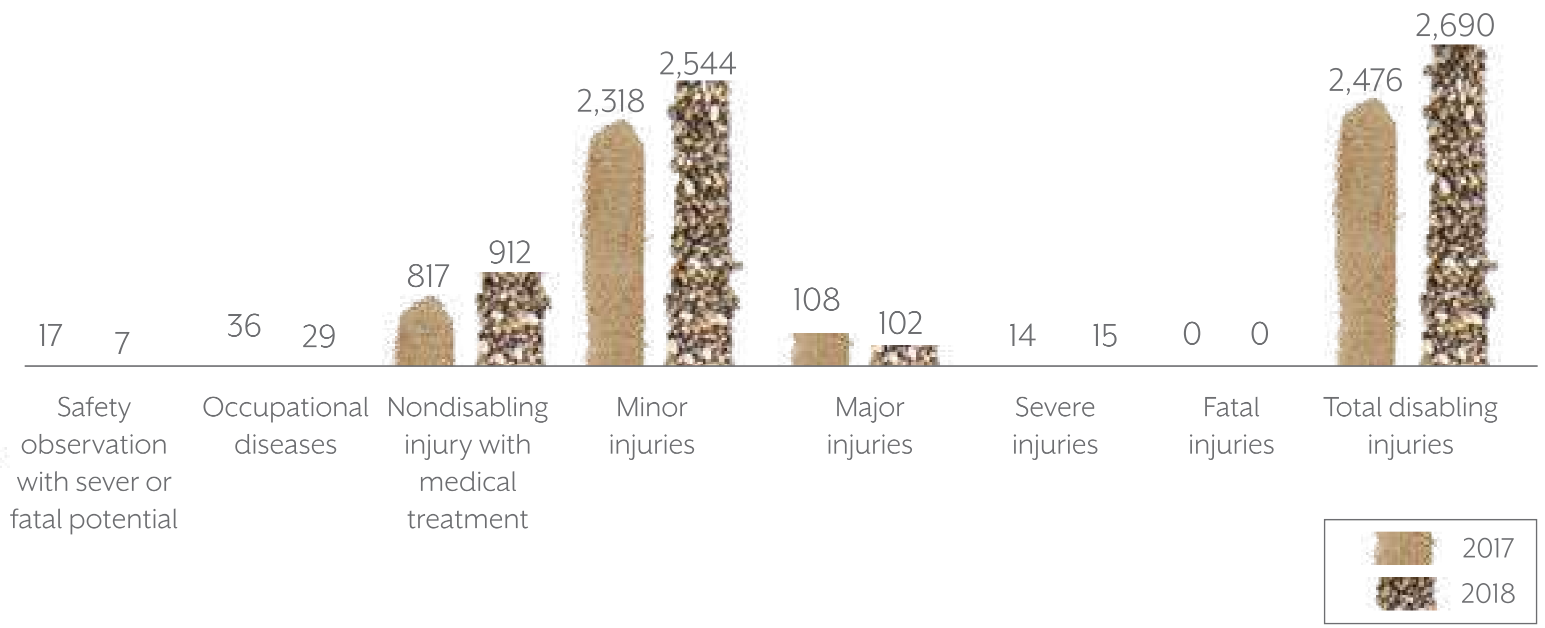
Commercial
Incident rate 2.62

Operations
Incident rate 1.60

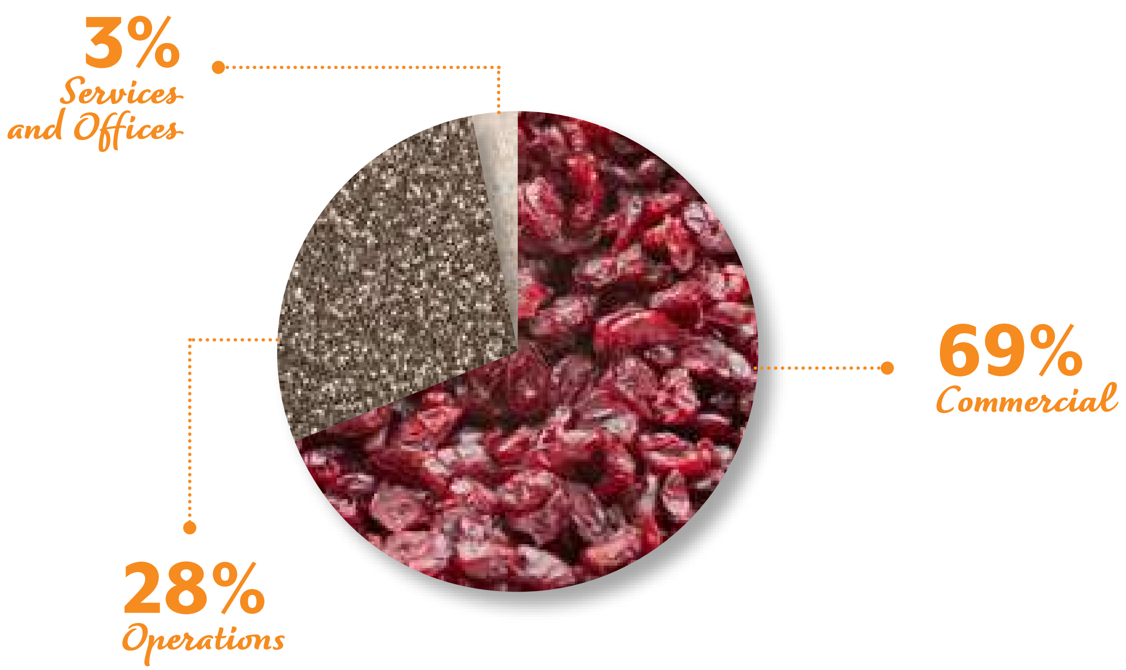
Services and Offices
Incident rate 0.69

INCIDENT RATES BY BUSINESS AREA ALL INCAPACITATING INJURIES

(GRI 403-9, 403-10)



% of injuries



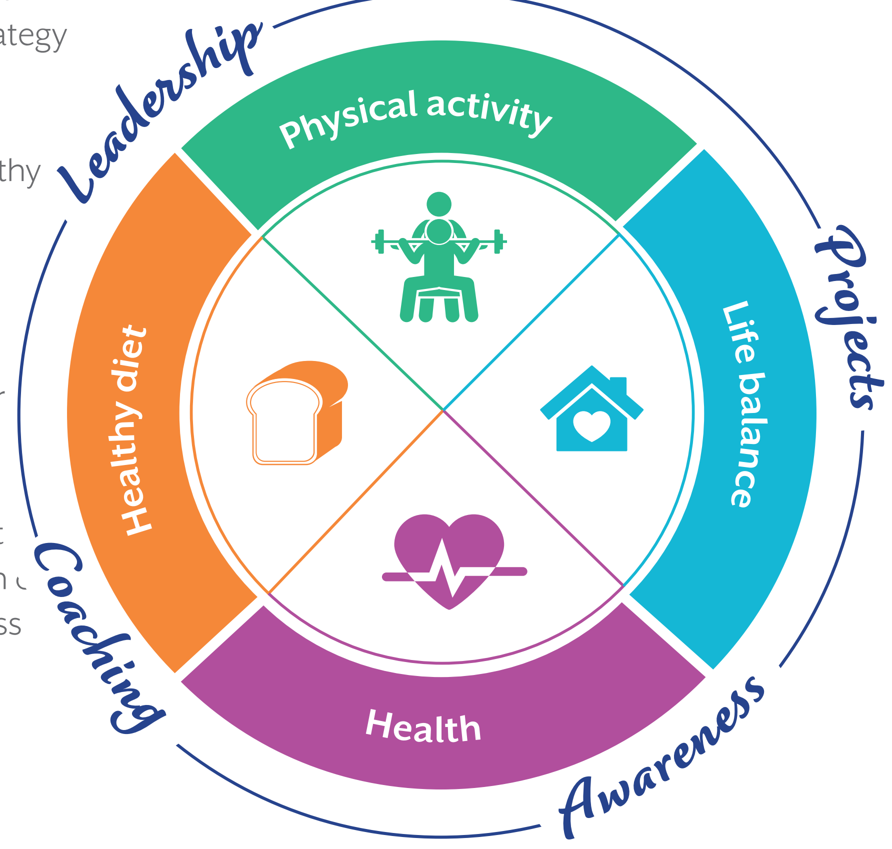
(GRI: 416: 103-1, 103-2, 103-3, 403-6, 403-7, 416-1, 416-2)

PROMOTION OF HEALTHY LIFESTYLES

Associates' wellness

Since our foundation, the wellness of our associates has been one of our main concerns; thus, we have implemented initiatives such as medical check-ups for associates over 40, and health drives. These initiatives ultimately led in 2016, to our global strategy for associate wellness.

- We encouraged self-management of healthy lifestyles and labor environments that promote them among our associates.
- We raised awareness of the importance of adopting self-care practices among our associates.
- We designed and implemented actions at our work centers to facilitate the adoption of behavior that promote health and wellness among our associates.



We manage all of the above, through the Grupo Bimbo Global Wellness Model and its four pillars, which promote:

- Having an active life, in constant movement
- Adopting a correct nutrition
- Preventing and/or monitoring diseases
- Pursuing a work-life balance

Always attached to 3 principles:

1 *Flexibility*

Every work center is capable of adapting programs to local needs and characteristics.

2 *Confidentiality*

Personal data confidentiality is guaranteed.

3 *Conviction*

Participation comes from the associate's own initiative.

In addition, we have a structure made up by coordinators specialized in health and wellness, occupational physicians, local wellness committees by organization, as well as a Global Wellness Committee. This structure allows us to implement and monitor different related initiatives, besides complying with local regulations.

Guidelines per Pillar

An Adequate Diet

- Guidance for associates
- Healthy Company cafeterias – access to an adequate diet at work centers
- Promotion of healthy Bimbo products

Physical Activation

- *Empresa Activa* (Active Company) challenge
- Spaces and facilities
- Challenges and sports competitions
- Associate participation in the Global Energy Race

Health

- Health drives and follow-up of risk cases
- Monitoring and follow-up of hygiene factors
- Maternity-Paternity and promotion of breast feeding
- Ergonomy program

Life Balance

- Addiction prevention
- Mental health promotion
- Strategies for promotion of a work/life balance

Some wellness-promotion actions we have Implemented around the world are:

- Access to medical evaluations
- Wellness campaigns
- Nutritional counseling for associates
- Healthy company cafeterias (access to an adequate diet at the work center)
- Challenges for encouraging physical activity
- Promotion of mental health
- Wellness and well-being information
- 30,034 associates and their families registered in the Global Energy Race

(GRI 404, 410: 103-1, 103-2, 103-3, 404-2, 403-5, 410-1)

TRAINING AND DEVELOPMENT

GB University, our learning platform, is being rolled out in different Business Units, showing a 21% increase in training hours vs. 2017, since it allows training our associates on internal processes, global policies, culture, philosophy, among others.

Monthly monitoring of the annual training plan of each Business Unit drives this indicator to improve every year, with an annual goal of 13 or more hours of training per associate.

We keep a record of both, online and classroom training hours of each business unit, which are reported each quarter in GB University Committee meetings, hence having a close follow-up to implement local initiatives and achieve our goal.

Throughout the year we have communication campaigns to motivate our associates to study online. Our final objective is to increase the number of associates trained, having a greater impact on their development, and bringing about a change in our culture by promoting online vs.classroom training.

GB University Monthly Committee meetings is an excellent forum to share with all Business Unit development leaders, the next steps regarding training topics, policies, platform updates, as well as development and training annual plan progress.

The associate's immediate supervisor, together with the local human relations department are responsible for counseling associates on Grupo Bimbo's transition programs. These are designed to facilitate outplacement and are aimed at associates over 60.

At least once a year, with our associates' full knowledge, we conduct a performance assessment based on criteria known by the associate and the immediate supervisor.

This review can include an evaluation by the immediate supervisor, peers or a broader range of associates, and may also involve associates from the human relations department. These evaluations are useful not only for associates' personal development, but also contribute to human relations management and development within the Organization.

(GRI 404-1, 404-3, 405-1, 412-1, 412-2)

38,325.2
Training hours (in person) in 2018 of "Diversity and Inclusion Seminar"

2,978
Trained associates in Diversity & Inclusion

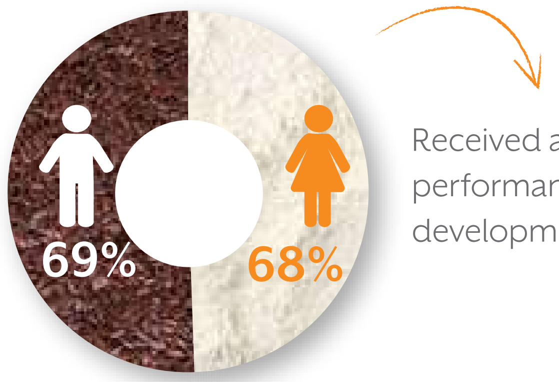
TOTAL HOURS OF TRAINING

(GRI 404-1)

Level (GRI)	Total training hours		Average hours of training per associate		Associates			% Associates		
	(Female)	(Male)	(Female)	(Male)	(Female)	(Male)	Total	(Female)	(Male)	Total
(Hourly & Staff)	228,493	944,307	12	10	19,642	93,544	113,186	17%	83%	100%
(Supervisors)	89,121	343,848	39	34	2,289	10,021	12,310	19%	81%	100%
(Managers, Directors, VPs & Presidents)	35,253	102,650	38	37	926	2,793	3,719	25%	75%	100%
World Total by Level	**352,867**	**1,390,805**	**15**	**13**	**22,857**	**106,358**	**129,215**	**18%**	**82%**	**100%**

Note: This indicator does not include information from India (2,877), Mankattan (1,653), BQ (2,394) and Kannan (23)

Total hours 1,743,672



Received a regular performance and career development review

PERCENTAGE OF ASSOCIATES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW

(GRI 404-3)

	Associates who received a regular performance and career development review during the reporting period			% of associates who received a regular performance and career development review during the reporting period			Associates				% Associates			
	(Female)	(Male)	(Not specified)	(Female)	(Male)	(Not specified)	(Female)	(Male)	(Not specified)	Total	(Female)	(Male)	(Not specified)	Total
(Hourly & Staff)	12,143	62,036	4	63%	66%	100%	19,148	94,702	4	113,854	17%	83%	-	100%
(Supervisors)	2,163	9,983	-	96%	96%	-	2,255	10,385	-	12,640	18%	82%	-	100%
(Managers, Directors, VPs & Presidents)	910	2,851	-	97%	98%	-	934	2,905	-	3,839	24%	76%	-	100%
World Total by Level	**15,216***	**74,870***	**4***	**68%***	**69%***	**100%***	**22,337**	**107,992**	**4**	**130,333**	**17.14%**	**82.86%**	**-**	**100%**

*Note: This indicator does not include information from BQ, India, Mankattan and Frozen

DIVERSITY AND INCLUSION

(GRI 102-24, 405, 412: 103-1, 103-2, 103-3, 405-1, 412-1, 412-2, 412-3)

Diversity and Inclusion is a fundamental enabler to achieve the 2020 Vision. Its foundation originates and is expressed in the belief, "We value the person," the CEO's manifesto, the D & I foundations and the D & I global policy.

The purpose is to generate a culture of inclusion where people from different backgrounds, styles and experiences have the opportunity to develop and contribute to the transformation of the industry.

People with disabilities

We have people with disabilities, and we have assessed the positions where they can develop and do their work safely.

In the various countries in which we are present, we adapt the Diversity and Inclusion strategy to laws and needs, ensuring the inclusion of people with disabilities.

In Mexico we have an alliance with ENTRALE, an association specialized in recruiting and attracting people with disabilities; job openings of Bimbo Mexico are published on their web page.

LGBT Community

In Grupo Bimbo we believe that all associates have potential, regardless of our origin, physical characteristics, etc. Specifically, for the LGBT community. Our new strategy does not leave out the subject of sexual diversity. Additionally, we have an alliance with associations that support the community and keep diversity and inclusion leaders trained.

This year will be the first year in which we will talk openly about the month of pride, focusing on the fact that in Grupo Bimbo we can all be free to be who we are.

Talent attraction - diverse candidates

The guideline on diverse candidates aims to accelerate the diversity of our workforce through the conscious inclusion of less-represented groups among the candidates interviewed for a position. Each short list must have 25% diverse talent in any of the dimensions. This is reported on a bi-monthly basis.

Development of female talent in leadership positions

Through the Leadership Circles -with scope in Mexico and the United States- LAS, EAA, diverse talent and a mentor (internal VPs) meet monthly for a year, with the purpose of developing and empowering minority groups.

Diversity and Inclusion Committee

Every region in which we are present has a Diversity and Inclusion Committee whose responsibility is to define The local strategy on the matter, draft an action plan, execute it and report to the Central Committee.

D&I Global Month

In all the organizations we celebrate the D&I month In October with activities and activations for all GB associates, seeking to promote appreciating the value of the uniqueness of each person.

Diversity and Inclusion Seminar

It is an awareness program for associates in leadership positions that aims to teach our leaders the importance of having diverse work teams, as well as helping them overcome their prejudices.

We have the following Policies on gender issues:

- Global diversity and inclusion policy
- Global policy on prevention of harassment and discrimination.
- Maternity and paternity policy for Mexico, Argentina and Paraguay
- Executive development program
- Labor flexibility policy for corporate offices

DIVERSITY OF BOARD MEMBERS

(GRI 405-1)

		# of Members	%
Between 30 and 50 years	< 30 years	-	-
	Between 30 and 50 years	2	11%
	> 50 years	16	89%
Nationality	American	1	6%
	Spanish	1	6%
	Mexican	16	89%
Gender	Women	3	17%
	Men	15	83%
Total Members:		**18**	

(GRI 405-1)

Workforce by age

Mexico	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	67,705	16,750	22%	45,087	59%	5,868	8%
Supervisors	7,691	1,214	2%	5,706	7%	771	1%
Executive and Directors	1,275	57	-	871	1%	347	-
TOTAL	**76,671**	**18,021**	**24%**	**51,664**	**67%**	**6,986**	**9%**

USA/Canada	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	21,521	2,961	12%	9,448	37%	9,112	36%
Supervisors	1,940	197	1%	1,160	5%	583	2%
Executive and Directors	1,752	45	-	977	4%	730	3%
TOTAL	**25,213**	**3,203**	**13%**	**11,585**	**46%**	**10,425**	**41%**

Latin America	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	19,074	5,643	27%	12,185	57%	1,246	6%
Supervisors	1,888	239	1%	1,486	7%	163	1%
Executive and Directors	328	5	0%	251	1%	72	0%
TOTAL	**21,290**	**5,887**	**28%**	**13,922**	**65%**	**1,481**	**7%**

11 associates are not in this report for whom we lack age data: 5 Administrative, 4 of them from LAS, y 1 Global Services, 2 second level executives from and 4 supervisors from Brazil

Europe	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	3,755	594	12.58	2,090	44.28	1,071	22.69
Supervisors	650	58	1.23	390	8.26	202	4.28
Executive and Directors	315	7	0.15	189	4.00	119	2.52
TOTAL	**4,720**	**659**	**14%**	**2,669**	**57%**	**1,392**	**29%**

Asia	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	918	168	16%	718	68%	32	3%
Supervisors	104	12	1%	85	8%	7	1%
Executive and Directors	40	1	-	35	3%	4	-
TOTAL	**1062**	**181**	**17%**	**838**	**79%**	**43**	**4%**

Africa	TOTAL	Under 30	%	30 to 50	%	Over 50	%
Administrative and hourly personnel	208	82	33%	115	47%	11	4%
Supervisors	32	14	6%	18	7%	-	-
Executive and Directors	7	-	-	7	3%	-	-
TOTAL	**247**	**96**	**39%**	**140**	**57%**	**11**	**4%**

Workforce by gender

Mexico	# Men	%	# Women	%
Administrative and hourly personnel	57,730	-	9,975	13%
Supervisors	6,410	8%	1,281	2%
Executive and Directors	1,001	1%	274	0.3%
Total	65,141	85%	11,530	15%
Total Associates				**76,671**

USA/Canada	# Men	%	# Women	%
Administrative and hourly personnel	16,913	67%	4,608	18%
Supervisors	1,631	6%	309	1%
Executive and Directors	1,292	5%	460	2%
Total	19,836	79%	5,377	2%
Total Associates				**25,213**

Latin America	# Men	%	# Women	%
Administrative and hourly personnel	15,362	72%	3,717	17%
Supervisors	1,390	7%	502	2%
Executive and Directors	256	1%	74	1%
Total	17,008	80%	4,293	20%
Total Associates				**21,301**

Europe	# Men	%	# Women	%
Administrative and hourly personnel	2,821	60%	934	20%
Supervisors	499	11%	151	3%
Executive and Directors	212	4%	103	2%
Total	**3,532**	**75%**	**1,188**	**25%**
Total Associates				**4,720**

Asia	# Men	%	# Women	%
Administrative and hourly personnel	533	50%	385	36%
Supervisors	67	6%	38	4%
Executive and Directors	26	2%	14	1%
Total	626	59%	437	41%
Total Associates				**1,063**

Africa	# Men	%	# Women	%
Administrative and hourly personnel	185	75%	23	9%
Supervisors	24	10%	8	3%
Executive and Directors	6	2%	1	1%
Total	**215**	**87%**	**32**	**13%**
Total Associates				**247**

(GRI 102-16, 102-17)

Our CULTURE

PURPOSE
Building a sustainable, highly productive and deeply humane company.

MISSION
Delicious and nutritious baked goods and snacks in the hands of all.

VISION
In 2020 we transform the baking industry and expand our global leadership to better serve more consumers.

BELIEFS
We value the person
We are one community
We get results
We compete and win
We are sharp operators
We act with integrity
We transcend and endure

Our Code of Ethics and our Code of Conduct serve as a guide for our behaviors. They spell out the commitments we have assumed as Grupo Bimbo associates, in dealing with the various stakeholders we serve or with whom we interact.

Each year, our Code is subscribed by Board members and associates.

For more information visit
www.grupobimbo.com/en/corporate-governance-code

Keeping track of the *performance*

"We closed the year with RECORD-BREAKING LEVELS of net sales, gross profit, operating income and adjusted EBITDA, positioning us as a stronger and leaner Company that will continue to create value and better serve our consumers".

Daniel Servitje, Chairman and CEO

(GRI 201-1)

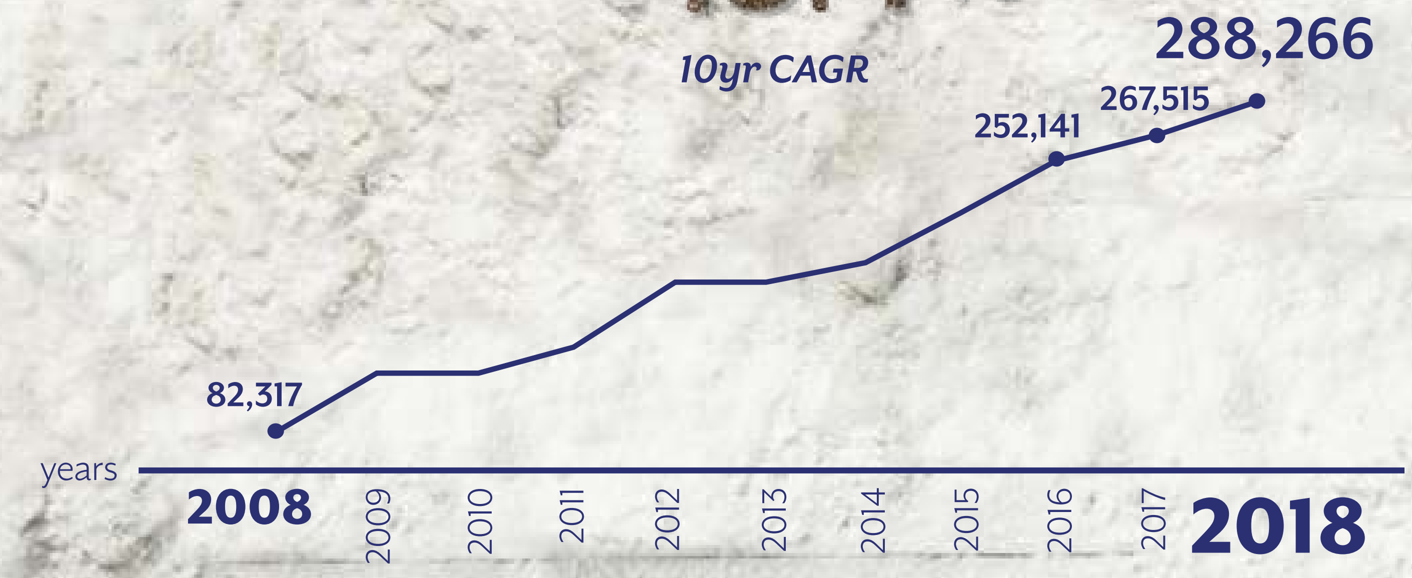
Record-breaking results in 2018

NET SALES

(millions of Mexican pesos)

+13.4%

10yr CAGR



Points of sale **+1.5 M** → **+3.3 M**

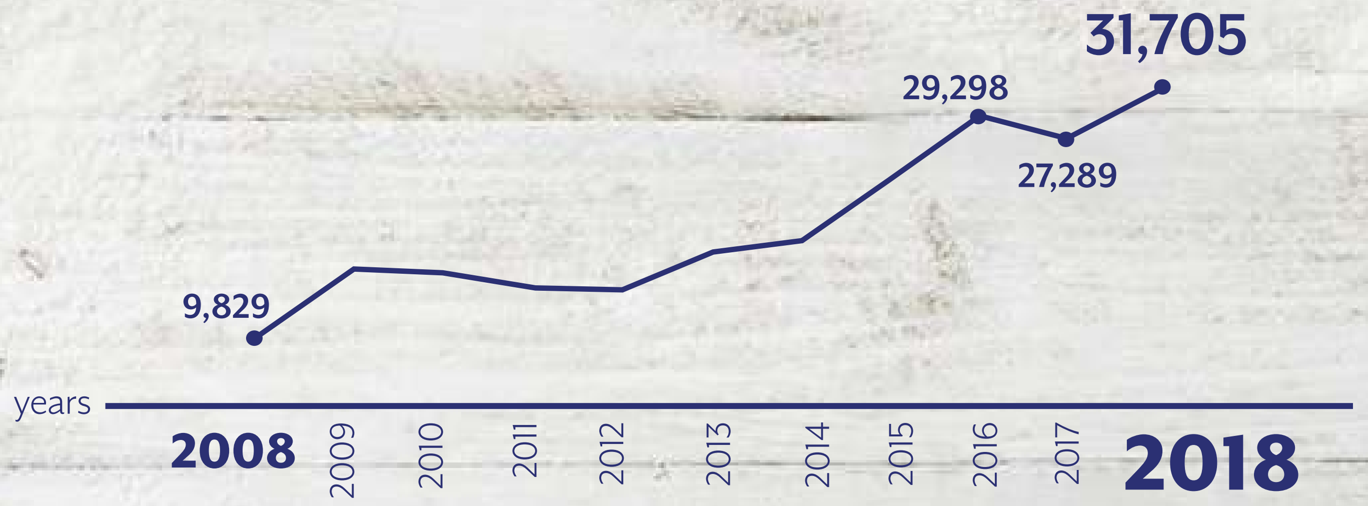
Countries **18** → **32**

ADJUSTED EBITDA

(millions of Mexican pesos)

+12.4%

10yr CAGR



Plants **+80** → **199**

Associates **+ 98,000** → **+138,000**

(GRI 201-1)

PERFORMANCE review

(millions of Mexican pesos)

Net Sales

Global net sales increased 7.8% in 2018, setting up a record which was mainly due to the outstanding performance of the Company in Mexico and North America, as well as the acquisitions completed during the year.

Mexico
Net sales in Mexico rose 10.5%, primarily driven by strong volume growth in every channel especially the modern, and every category, mainly cakes, buns and sweet baked goods, as well as new product launches such as Takis Zombie and Bimbo Donuts, a cross-market introduction from Spain. Increased customer reach and outperformance of the Bimbo and Marinela brands also contributed to growth.

North America[1]
Net sales rose 4.5%, reflecting FX rate benefit and an approximate 3% increase in dollar terms arising from a combination of price increases and growth in strategic brands in the U.S., as well as solid performance in Canada and in the salty snacks categories. This was partially offset by weak volumes across the private label category in the U.S.

Net Sales

Operating Income

Latin America[2]
Net sales decreased 1.4%, primarily because of the difficult economic conditions and a negative FX effect, mainly in Brazil, Argentina and Uruguay which was partially offset by the good outcome in the Central America division, Colombia and Chile.

EAA[3]
Sales increased 37.1%, predominantly on the back of the acquisitions of Bimbo QSR and Mankattan, as well as the FX rate benefit and good performance of the bread category in Iberia; however, the sweet baked goods category underperformed.

Gross Profit

For 2018, gross profit rose 6.8% while the margin contracted 50 basis points to 52.9% because of higher costs of goods sold in North America and a different business mix in EAA attributable to the incorporation of Bimbo QSR.

Operating Income

On a cumulative basis, consolidated operating income increased 5.9%, while the margin slighlty declined 10 basis points mainly because of the VSP initiative implemented in the U.S. in the second quarter.

[1] North America region includes operations in the United States and Canada.
[2] Latin America region includes operations in Central and South America.
[3] EAA region includes operations in Europe, Asia and Africa.

Adjusted EBITDA

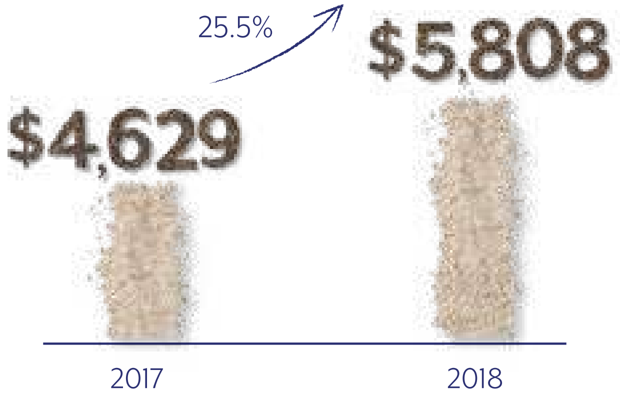
In 2018, the Company reached the highest level of adjusted EBITDA totaling Ps. 31,705 million.

[4] Adj. EBITDA for the last twelve months as of December 31, 2018, excludes the non-cash charges related to the VSP and organizational restructuring initiatives implemented in the U.S. and Canada.

Net Majority Income

Net majority income increased 25.5% with a margin expansion of 30 basis points, on the back of strong operating performance and a lower effective tax rate which stood at 41.8% compared to 52.6%, this decline reflected the enactment of the Tax Cuts and Jobs Act ("Tax Reform") in the U.S. implemented on January 1st, 2018, the latter was partially offset by a higher financing cost.

Earnings per share totaled Ps. 1.23, compared to Ps. 0.98 in 2017.



Comprehensive Financial Result

Comprehensive Financial Result totaled Ps. 6,995 in 2018, compared to Ps. 5,775 million of last year. The 22% increase was mainly explained by the higher interest expense due to a higher average indebtedness level and a higher cost of financing because of the transformation of Canadian and U.S. dollar denominated debt to Mexican pesos.

Financial Structure

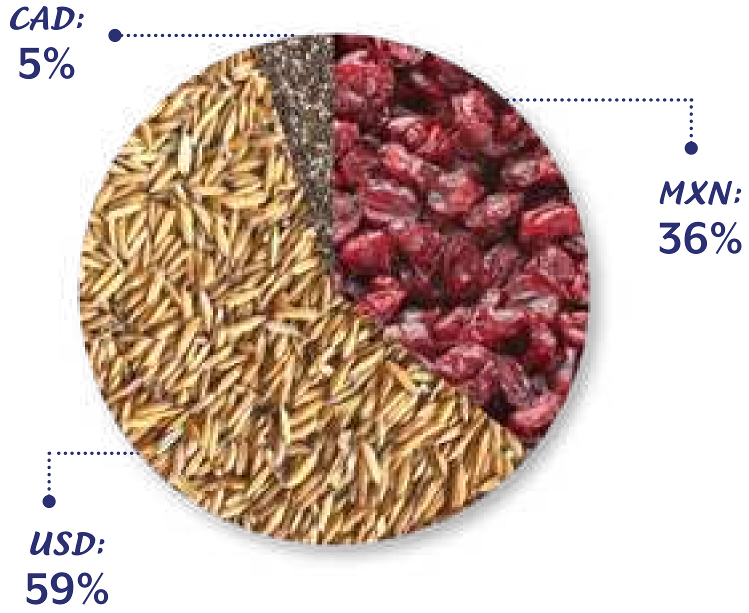
Total debt at December 31st, 2018, was Ps. 89.8 billion, compared to Ps. 93.4 billion on December 31st, 2017. This decrease was predominantly related to the prepayment of US$123 million outstanding from the revolving credit facility and, to a lesser extent, the repurchase of almost $450 million pesos in local bonds.

Average debt maturity was 10.6 years with an average cost of 5.97%. Long-term debt comprised 98.7% of the total; 59% of the debt was denominated in US dollars, 36% in Mexican pesos and 5% in Canadian dollars.

The total debt to adjusted EBITDA ratio, excluding the VSP charge was 2.8 times compared to 3.4 times at December 31st, 2017, while the net debt to adjusted EBITDA ratio was 2.6 times compared to 3.2 times at December 31st, 2017.

The Company invested Ps. 1.2 billion in its share repurchase program, buying back around 30 million shares.

Currency Mix



"The Company's solid financial position and robust results reflect top line growth and the underlying strength of our businesses following a period of investments in restructuring"

Diego Gaxiola, Chief Financial Officer

(GRI 102-18, 102-22, 102-23)

Board and MANAGEMENT

Board Members

Daniel Servitje Montull, Chairman
Raúl Carlos Obregón del Corral
José Ignacio Mariscal Torroella
Mauricio Jorba Servitje
Luis Jorba Servitje
María Isabel Mata Torrallardona
Nicolás Mariscal Servitje
Javier de Pedro Espínola
Jorge Pedro Jaime Sendra Mata
Jaime Chico Pardo
Estibaliz Laresgoiti Servitje
Ricardo Guajardo Touché*
Arturo Fernández Pérez*
Ignacio Pérez Lizaur*
Edmundo Vallejo Venegas*
María Luisa Jorda Castro*
Jaime El Koury*
Rogelio Rebolledo*

*Independent

Executive Committee

Daniel Servitje Montull
Chairman & Chief Executive Officer

Javier González Franco
Executive VP

Pablo Elizondo Huerta
Executive VP

Gabino Gómez Carbajal
Executive VP

Rafael Pamias Romero
Executive VP

Diego Gaxiola Cuevas
Chief Financial Officer

Raúl Argüelles Díaz González
Chief HR and Corporate Affairs Officer

Raúl Obregón Servitje
Chief Transformation Officer

Alfred Penny
President of Bimbo Bakeries USA

Miguel Ángel Espinoza Ramírez
President of Bimbo, S.A. de C.V.

Alejandro Pintado López
President of Barcel, S.A. de C.V.

Audit & Corporate Practices Committee

Edmundo Miguel Vallejo Venegas, Chairman
Jaime Antonio El Koury
Arturo Fernández Pérez
María Luisa Jorda Castro
Ignacio Pérez Lizaur

Evaluation & Results Committee

Raúl Carlos Obregon del Corral, Chairman
Nicolás Mariscal Servitje
Luis Jorba Servitje
Daniel Javier Servitje Montull
Edmundo Miguel Vallejo Venegas

Finance & Planning Committee

José Ignacio Mariscal Torroella, Chairman
Jaime Chico Pardo
Javier De Pedro Espínola
Ricardo Guajardo Touché
Luis Jorba Servitje
Raúl Obregón del Corral
Rogelio Miguel Rebolledo Rojas
Daniel Javier Servitje Montull

*For more information about our corporate governance practices, the professional career of the members of the Board of Directors and the Executive Committee, as well as a complete description of the responsabilities of each Committee of the Board of Directors, visit our website.

(GRI 102-17, 102-20, 102-21, 102-27, 102-28, 102-29, 102-30, 102-33)

Audit and Corporate Practices COMMITTEE REPORT

Mexico City, March 28, 2019

To the Board of Directors of Grupo Bimbo, S.A.B. de C.V.v

Dear Sirs,

In conformity with the provisions of the Securities Market Act, the corporate charter of this Company and the Regulations of the Audit and Corporate Practices Committee of Grupo Bimbo, S.A.B. de C.V. (the "Group" or the "Company"), I hereby present to you the report of the activities carried out by the Audit and Corporate Practices Committee (the "Committee") during the year ended December 31, 2018. In carrying out our work, we abided by the recommendations established in the Code of Best Corporate Practices.

Based on the previously approved work plan, the Committee met eight times during the year, in which it discussed the issues it is legally obligated to consider and carried out the activities described below:

INTERNAL CONTROLS

With the assistance of both Internal and External Auditors, we verified that management had established general guidelines for internal control, as well as the necessary procedures for their application and enforcement. In addition, we followed up on the remarks and observations made by the external and internal auditors in performance of their duties.

The members of Management responsible for such matters presented us with the plans of action corresponding to the observations resulting from the internal audit, so our contact with them was frequent and their responses satisfactory.

CODE OF ETHICS

With the support of the Internal Audit Department and other areas of the Company, we verified compliance by the associates of the Company with the Group's current Code of Ethics.

We learned of the results and central issues identified in maintaining a hotline for Group associates, and management informed us of the actions taken in those cases.

EXTERNAL AUDIT

2018 was the first year in which the firm EY was responsible for the Company's external audit. We were in constant contact with the representative of the firm to follow up on the relevant issues and know the activities carried out for an effective transition between EY and Deloitte (outgoing firm) and the Company's management. The audit of the consolidated financial statements as of December 31, 2018 has been completed and the opinion was clean. The firm is one in all the countries in which the Company operates, except for the recent acquisitions during 2018 in Chile and the business called Bimbo QSR in France and South Korea, where they relied on the work of other firms, the which the auditor of Bimbo QSR France already reported the result of the review with a clean opinion, and regarding the other companies EY did not consider it necessary considering them of low materiality.

We approved the fee for these auditing services, including additional fees to account for the growth of the Group and other permitted services. We ensured that these payments did not compromise the independence of that firm.

The external auditors presented their approach and work program and areas of interaction with Grupo Bimbo's Internal Audit department, the Committee approved this presentation.

We maintained direct and close communication with the external auditors, and they informed us on a quarterly basis of the progress of their work and any observations they had; we took note of their comments on the quarterly and annual financial statements. We were promptly informed of their conclusions and reports on the annual financial statements.

We reviewed the content in a timely manner of the Prior Notice to the issuance of the External Audit Report (or Independent Auditor's Report) made in accordance with the International Auditing Standards on the consolidated financial statements of the Company as of December 31, 2018 and for the year ended on that date, which have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS), issued by the Independent External Auditor of the Company and legal representative of Mancera, SC (or EY Mexico), in order to comply with the provisions of Article 35 of the General Provisions Applicable to Supervised Entities and Issuers by the National Banking and Securities Commission that Contract External Audit Services of Basic Financial Statements (hereinafter Provisions, Sole Circular of External Auditors or CUAE).

In addition, we conducted an evaluation of the services of the external auditing firm for the year 2018 and were promptly informed of the preliminary financial statements.

INTERNAL AUDIT

We reviewed and approved the annual work plan and activities budget for 2018.

In each of this Committee's meetings, we received and approved regular reports on the progress of the approved work plan.

We followed up on the comments and suggestions made by the Internal Audit area, and verified that Management resolved any deviations from the established internal controls, and we therefore consider the status of that system to be reasonably correct.

We authorized an annual training plan for personnel of the area and verified its effectiveness. A number of specialized professional firms participated actively in that plan to maintain the members with updated information on the appropriate topics.

FINANCIAL INFORMATION AND ACCOUNTING POLICIES

We reviewed the quarterly and annual financial statements of the Company together with the parties responsible for their preparation, recommended their approval by the Board of Directors, and authorized their publication. Throughout the process we took into account the opinions and remarks of the external auditors.
To arrive at an opinion on the financial statements, we verified, with the support of the internal and external auditors, that the accounting policies and standards and the information used by management in the preparation of the financial statements was appropriate and sufficient and had been applied in a consistent manner with the prior year, taking into account the changes in IFRS effective both in that year and the preceding year. As a result, the information presented by Management reasonably reflects the financial position, results of operations and cash flows of the Company.

(GRI 102-45)

COMPLIANCE WITH REGULATORY STANDARDS AND LAWS; CONTINGENCIES

With the support of the internal and external auditors, we confirmed the existence and reliability of the controls established by the Company to assure compliance with the various legal provisions to which it is subject, and assured that these were appropriately disclosed in the financial information.

At the close of each quarter, we reviewed the Company's various tax, legal and labor contingencies and confirmed that appropriate procedures were in place and consistently followed, so that Management could identify and address them in an appropriate manner.

The Risks Committee informed us of the methodology it follows to determine and evaluate the risks the group faces, and we verified that the risks were being monitored and mitigated where possible, and that they were considered in the work plans of the Internal Auditors.

Management explained to us the main guidelines that govern the anti-corruption policy, as well as plans for its dissemination and for checking on compliance with that policy, which we found satisfactory.

COMPLIANCE WITH OTHER OBLIGATIONS

We met with Management executives and officers as we considered necessary to remain abreast of the progress of the Company and any material or unusual activities and events.

We obtained information about significant matters that could involve a possible breach of operating policies, the internal control system and policies on accounting records, and we were also informed of corrective measures taken in each case, and found them satisfactory.

We did not find it necessary to request the support or opinion of independent experts, because the issues raised in each meeting were duly supported by the information on hand, and the conclusions reached were satisfactory to Committee members.

TRANSACTIONS WITH RELATED PARTIES

We reviewed and recommended for approval by the Board of each and every related party transaction requiring approval by the Board of Directors for fiscal year 2018, as well as for recurring transactions that are expected to be conducted in fiscal year 2019 that require Board approval.

EVALUATION OF MANAGEMENT

We reviewed and recommended for approval by the Board, the evaluation of management and compensation of the Chief Executive Officer as well as the members Bimbo's Executive Committee in 2018 previously reviewed and recommended by the Evaluation and Results Committee.

In my capacity as Chairman of the Audit and Corporate Practices Committee, I reported regularly to the Board of Directors on the activities conducted within the Committee.

The work that we conducted was duly documented in minutes of each meeting, which were reviewed and approved at the time by the Committee members.

Sincerely,

Edmundo Vallejo Venegas
Chairman of the Audit and Corporate Practices Committee
Grupo Bimbo, S.A.B. de C.V.

Mexico City, March 28, 2019

To the Board of Directors of Grupo Bimbo, S.A.B. de C.V.

In my capacity as chairman of the Audit and Corporate Practices Committee (the "Committee") of Grupo Bimbo, S.A.B. de C.V. (the "Company"), and in accordance with point e), section II of Article 42 of the Securities Market Act, I hereby present you the opinion of the Committee regarding the content of the report of the Chief Executive Officer regarding the financial situation and results of the Company for the year ended December 31, 2018.

In the opinion of the Committee, the accounting and information policies and criteria followed by the Company and used to prepare the consolidated financial information are appropriate and sufficient, and consistent with international financial reporting standards. Therefore, the consolidated financial information presented by the Chief Executive Officer reasonably reflects the financial situation and results of the Company as of December 31, 2018 and for the year ended on that date.

Sincerely,

Edmundo Vallejo Venegas
Chairman of the Audit and Corporate Practices Committee
of Grupo Bimbo, S.A.B. de C.V.

About this REPORT

(GRI 102-10, 102-29, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56)

The report herein presents the global economic, social and environmental results of our Company for the period between January 1 and December 31, 2018. The report has been prepared in accordance to GRI Standards Core Option and the information requested by the Mexican Stock Exchange, through RobecoSAM for its Sustainable IPC Index. The report has not undergone external verification.

As part of our environmental strategy, we have prepared a digital version of the report, as well as a printed summary of the information.

For the eighth time we are reporting the activities in Mexico, the USA and Canada, Latin America, Europe, Asia, Africa and Iberia, whose case is specified in every one of the indicators.

Moreover, the report includes our contribution to the 10 principles of the UN Global Compact and its 17 Sustainable Development Goals.

In the preparation of this exercise in transparency, we have requested a Materiality Study from an external third party in order to identify the material aspects to be reported, which positively or negatively affect the interests of our stakeholders.

It should be mentioned that in the second semester of 2018 we launched Grupo Bimbo's NEW NUTRITIONAL GUIDELINES; it allows a stricter evaluation of our product portfolio, follow up of its compliance and areas of opportunity regarding its nutritional profile, the elimination of negatively-perceived additives, and the Rayner Score. For this reason, this information is presented in a different way with respect to previous years.

Concerning environmental matters, due to the consolidation of our Renewable Energy area including the Ecological Sales Centers (CEVES)- for the first time we have presented renewable energy data. In the case of our Canada operations, the water, gas and electricity consumption data was manually adjusted and revised by the organization as these services have not yet been billed.

In Brazil, water, gas and electricity information is available only for the months of November and December for the Sao Paulo plant; the rest of the plants are currently in the process of consolidating billing, and consequently are not being considered in this period. Information for the following BBU (USA and Canada) consumption is not being considered in the period due to the fact that billing for the services is not yet available:

- Richmond: Water, full year.
- Roseville: Water (November and December)
- Oxnard, Meridian and Kent: Electricity (December)
- Albany Cake, Albany Bread and Carlisle: Water (November and December)

In addition, in 2018 we began reporting the information for the India and Morocco plants. In the specific case of waste, India reported November data and Morocco is yet to report

In Iberia, our Tenerife plant has not reported waste information and the Teror plant has not reported indicators.

BQSR information is being partially reported by the plants in China, Turkey, and Switzerland only, while the rest of the plants are undergoing a standardization process.

For more information about our Sustainability Strategy visit:
https://grupobimbo.com/en/sustaintability

Grupo Bimbo Materiality
https://grupobimbo.com/en/sustaintability/our-stakeholders/materiality

For more information about Grupo Bimbo Policies visit:
https://grupobimbo.com/en/our-group/policies

For more information on Corporate Governance and Risks visit:
https://grupobimbo.com/en/sustaintability/information-evaluators

(GRI 102-55)

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	103-3	https://www.grupobimbo.com/en/our-group/policies

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GRI 205: Anti-corruption 2018	205-1	https://www.grupobimbo.com/en/our-group/policies
	205-2	https://www.grupobimbo.com/en/our-group/policies
	205-3	https://www.grupobimbo.com/en/our-group/policies
Anti-competitive behavior		
GRI 103: Management approach 2018	103-1	https://www.grupobimbo.com/en/our-group/policies
	103-2	https://www.grupobimbo.com/en/our-group/policies
	103-3	https://www.grupobimbo.com/en/our-group/policies
GRI 206: Anti-competitive behavior 2018	206-1	https://www.grupobimbo.com/en/corporate-governance-code
GRI 300: ENVIRONMENTAL STANDARDS		
Materials		
GRI 103: Management approach 2018	103-1	58, 60
	103-2	58, 60
	103-3	58, 60
GRI 301: Materials 2018	301-1	9, 64 https://grupobimbo.com/sites/default/files/Grupo-Bimbo-Acqisitions.pdf
	301-2	62
	301-3	8-9, 64
Energy		
GRI 103: Management approach 2018	103-1	38
	103-2	38
	103-3	38
GRI 302: Energy 2018	302-1	8-9, 40
	302-2	40
	302-3	40
	302-4	40, 42
	302-5	40, 42

GRI Standard	Disclosure	Page / Direct response
Water and effluents		
GRI 103: Management approach 2018	103-1	54-55
	103-2	54-55
	103-3	54-55
GRI 303: Water 2018	303-1	56
	303-2	56
	303-3	8-9, 56
	303-5	56
Biodiversity		
GRI 103: Management approach 2018	103-1	26, 92
	103-2	26, 92
	103-3	26, 92
GRI 304: Biodiversity 2018	304-1	N/A
	304-2	27
	304-3	27, 87, 92
	304-4	N/A
Emissions		
GRI 103: Management approach 2018	103-1	47
	103-2	47
	103-3	47
GRI 305: Emissions 2018	305-1	51
	305-2	51
	305-3	51
	305-4	52
	305-5	48
	305-6	39-53
	305-7	53
Effluents and waste		
GRI 103: Management approach 2018	103-1	58
	103-2	58
	103-3	58

GRI Standard	Disclosure	Page / Direct response
Effluents and waste		
GRI 306: Effluents and waste 2018	306-1	Among the most important legal matters on which each organization reported, there were no mentions of any body of water affected by our discharges.
	306-2	8-9, 62
	306-3	Among the most important legal matters on which each organization reported, there were no mentions of any significant spills.
	306-4	58
	306-5	Among the most important legal matters on which each organization reported, there were no mentions of any body of water affected by our discharges.
Environmental compliance		
GRI 103: Management approach 2018	103-1	36-37
	103-2	36-37
	103-3	36-37
GRI 307: Environmental compliance 2018	307-1	In matters of environmental regulations, we comply with the legal requirements of each country in which we are present and have not been fined or sanctioned in this regard
Supplier environmental assessment		
GRI 103: Management approach 2018	103-1	20-25
	103-2	20-25
	103-3	20-25
GRI 308: Supplier environmental assessment 2018	308-1	30-32
	308-2	30-32
GRI 400: Social Standards		
Employment		
GRI 103: Management approach 2018	103-1	98, 104
	103-2	98, 104
	103-3	98, 104
GRI 401: Employment 2018	401-1	100-101 https://grupobimbo.com/sites/default/files/Grupo-Bimbo-Associates-Rotation.pdf
	401-2	104, 105
	401-3	103

GRI Standard	Disclosure	Page / Direct response
Labor management relations		
GRI 103: Management approach 2018	103-1	102
	103-2	102
	103-3	102
GRI 402: Labor management relations 2018	402-1	102
Occupational health and safety		
GRI 103: Management approach 2018	103-1	103
	103-2	103
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GRI 403: Occupational health and safety 2018	403-1	103, 108-109, 110
	403-2	108-109, 110, 111
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	403-4	108-109
	403-5	117
	403-6	113
	403-7	113-115
	403-9	112
	403-10	112
Training and education		
GRI 103: Management approach 2018	103-1	117
	103-2	117
	103-3	117
GRI 404: Training and education 2018	404-1	117, 118
	404-2	117
	404-3	117, 118
Diversity and equal opportunity		
GRI 103: Management approach 2018	103-1	120
	103-2	120
	103-3	120

GRI Standard	Disclosure	Page / Direct response
GRI 405: Diversity and equal opportunity 2018	405-1	117, 122-125
	405-2	106
Non-discrimination		
GRI 103: Management approach 2018	103-1	98
	103-2	98
	103-3	98
GRI 406: Non-discrimination 2018	406-1	23 cases of discrimination were received, for which the Golden Rule and the Code of Ethics were reinforced, as well as interviews with the headquarters for continuity
Freedom of association and collective bargaining		
GRI 103: Management approach 2018	103-1	https://www.grupobimbo.com/en/our-group/policies
	103-2	https://www.grupobimbo.com/en/our-group/policies
	103-3	https://www.grupobimbo.com/en/our-group/policies
GRI 407: Freedom of association and collective bargaining 2018	407-1	https://www.grupobimbo.com/en/our-group/policies
Child labor		
GRI 103: Management approach 2018	103-1	103
	103-2	103
	103-3	103
GRI 408: Child labor 2018	408-1	103
Forced or compulsory labor		
GRI 103: Management approach 2018	103-1	103
	103-2	103
	103-3	103
GRI 409: Forced or compulsory labor 2018	409-1	103
Security practices		
GRI 103: Management approach 2018	103-1	117
	103-2	117
	103-3	117
GRI 410: Security practices 2018	410-1	117

GRI Standard	Disclosure	Page / Direct response
Human rights assessment		
GRI 103: Management approach 2018	103-1	120
	103-2	120
	103-3	120
GRI 412: Human rights assessment 2018	412-1	117, 120
	412-2	117, 120
	412-3	120
Local communities		
GRI 103: Management approach 2018	103-1	80
	103-2	80
	103-3	80
GRI 413: Local communities 2018	413-1	82
	413-2	82
Supplier social assessment		
GRI 103: Management approach 2018	103-1	31
	103-2	31
	103-3	31
GRI 414: Supplier social assessment 2018	414-1	31, 33
	414-2	31, 33
Public policy		
GRI 103: Management approach 2018	103-1	https://www.grupobimbo.com/en/corporate-governance-code
	103-2	https://www.grupobimbo.com/en/corporate-governance-code
	103-3	https://www.grupobimbo.com/en/corporate-governance-code
GRI 415: Public policy 2018	415-1	https://www.grupobimbo.com/en/corporate-governance-code
Customer health and safety		
GRI 103: Management approach 2018	103-1	12, 113-115
	103-2	12, 113-115
	103-3	12, 113-115
GRI 416: Customer health and safety 2018	416-1	113-115
	416-2	113

GRI Standard	Disclosure	Page / Direct response
	Marketing and labeling	
GRI 103: Management approach 2018	103-1	15
	103-2	15
	103-3	15
GRI 417: Marketing and labeling 2018	417-1	15
	417-2	15
	417-3	15
	Customer privacy	
GRI 103: Management approach 2018	103-1	https://www.grupobimbo.com/en/corporate-governance-code
	103-2	https://www.grupobimbo.com/en/corporate-governance-code
	103-3	https://www.grupobimbo.com/en/corporate-governance-code
GRI 418: Customer privacy 2018	418-1	https://www.grupobimbo.com/en/our-group/policies https://www.grupobimbo.com/en/corporate-governance-code
	Socio economic compliance	
GRI 103: Management approach 2018	103-1	80, 102
	103-2	80, 102
	103-3	82, 102
GRI 419: Socio economic compliance 2018	419-1	17, 102

Consolidated Financial STATEMENTS

GRUPO BIMBO
NOURISHING A BETTER WORLD

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

December 31, 2018, 2017 and 2016
with Independent Auditor's Report
dated March 19, 2019

Contents:

Index to the notes to the consolidated financial statements

Independent Auditor's Report

To the Board of Directors and Shareholders of
Grupo Bimbo, S.A.B. de C.V.

Opinion

We have audited the accompanying 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, 2018 and the consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Bimbo, S.A.B. de C.V. and its subsidiaries as of December 31, 2018 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico in accordance with the "*Código de Ética Profesional del Instituto Mexicano de Contadores Públicos*" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of Grupo Bimbo, S.A.B de C.V. and subsidiaries for the years ended December 31, 2017 and 2016 were audited by other auditors, whose report dated March 12, 2018 expressed an unqualified opinion on those statements.

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 for the year ended December 31, 2018. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of impairment in goodwill and intangible assets

Description of the key audit matter

As described in Notes 10 and 11 to the consolidated financial statements, as of December 31, 2018 the value of goodwill and intangible assets amounts to $119,989 million.

The analysis of impairment in the value of goodwill and intangible assets was significant to our audit, since the value of such assets with respect to the consolidated financial statements is significant and the calculation of the recoverable amount of the assets require significant judgements and estimates by management, which are affected by future market conditions. In addition, the calculation of the recoverable value is subject to the risk that the future cash flows used in the calculation may differ from the expected amounts, or the results may be different from the originally estimated values.

How our audit addressed the key audit matter

We involved our internal specialists, who assessed the key assumptions and methods used by Entity management in the impairment testing.

We evaluated the assumptions used by management with regard to the annual growth rates and cost projections, along with other key assumptions used to prepare the impairment tests.

We assessed the business plans used by the Entity to estimate its future cash flows in the impairment testing of the Cash Generating Units (CGUs) within the audit scope.

We evaluated the macroeconomic environment, including comparing the Entity's performance against that of market participants using publicly available information.

We assessed the reasonableness of the disclosures included in the Entity's consolidated financial statements.

Business Combinations

Description of key audit matters

We have considered the business acquisitions made during the year to be a key audit matter due to the complexity of the purchase price allocation, the analysis of its accounting and the measurement of the consideration transferred from the businesses acquired.

Notes 2 and 1 to the accompanying consolidated financial statements include disclosures regarding the Entity's policies in respect of the recognition of acquisitions and the business acquisitions made during the year, respectively.

How our audit addressed the key audit matter

We involved our internal specialists, who assessed the key assumptions and methods used by Entity management in the analysis of the purchase price allocation.

We analyzed the definitive and preliminary allocation of the purchase price of the acquisitions made at the end of 2017 and during 2018, as well as the accounting of the transferred consideration.

We evaluated the reasonableness of the Entity's disclosures related to its business combinations and the definitive allocation in the consolidated financial statements.

Other information

The other information comprises the information included in the annual report filed with the National Banking and Securities Commission ("the CNBV") and the annual report submitted to the shareholders, but does not include the consolidated financial statements and our auditor's report thereon. We expect to obtain the other information after the date of this auditor's report. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the 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 accompanying consolidated financial statements in accordance with International Financial Reporting Standards (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.

The Audit Committee is responsible for overseeing the Entity's financial 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess 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 the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

We communicate with the Entity's Audit Committee 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 the Entity's Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Entity's Audit Committee, 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.

The partner in charge of the audit resulting in this independent auditor's report is the undersigned.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

Adán Aranda Suárez

March 19, 2019
Mexico City, Mexico

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

Consolidated statements of financial position

(Amounts in millions of Mexican pesos)

Assets	Notes	December 31 2018	2017	2016
Current assets:				
Cash and cash equivalents		$ **7,584**	$ 7,216	$ 6,814
Trade receivables and other accounts receivable, net	5	**25,950**	24,806	24,069
Inventories	6	**9,340**	8,368	7,428
Prepaid expenses		**1,098**	975	806
Derivative financial instruments	13	**106**	682	305
Guarantee deposits for derivative financial instruments	13	**619**	417	1,140
Assets held for sale	8	**154**	26	148
Total current assets		**44,851**	42,490	40,710
Long-term accounts receivable from independent operators		**404**	557	807
Property, plant and equipment, net	8	**87,243**	82,972	74,584
Investments in associates	9	**2,645**	2,318	2,124
Derivative financial instruments	13	**3,017**	2,592	3,448
Deferred income tax	17	**3,886**	6,288	9,779
Intangible assets, net	10	**54,476**	56,194	49,938
Goodwill	11	**65,513**	63,426	62,884
Other assets, net		**1,281**	2,412	891
Total		$ **263,316**	$ 259,249	$ 245,165

(Continue)

Liabilities and equity	Notes	December 31 2018	2017	2016
Current liabilities:				
Short-term portion of long-term debt	12	$ **1,153**	$ 1,885	$ 1,452
Trade accounts payables		**21,074**	19,677	17,350
Other accounts payable and accrued liabilities	18	**23,055**	21,800	21,377
Accounts payable to related parties	16	**909**	955	853
Current income tax	17	**256**	1,073	1,043
Statutory employee profit sharing payable		**1,423**	1,286	1,185
Derivative financial instruments	13	**879**	241	372
Total current liabilities		**48,749**	46,917	43,632
Long-term debt	12	**88,693**	91,546	80,351
Derivative financial instruments	13	**347**	–	3,352
Employee benefits and workers' compensation	14	**25,885**	30,638	30,917
Deferred income tax	17	**5,720**	4,682	4,952
Other long-term liabilities		**9,347**	8,442	6,885
Total liabilities		**178,741**	182,225	170,089
Equity:	15			
Share capital		**4,199**	4,225	4,226
Retained earnings		**59,238**	60,849	57,636
Other equity instruments		**9,138**	–	–
Foreign currency translation reserve		**4,739**	7,144	10,259
Actuarial gain/(loss) on defined benefit plans of labor obligations		**3,131**	459	(101)
Unrealized loss on equity instruments		**(386)**	–	–
Unrealized (loss)/gain on cash flow hedges	13	**(369)**	90	(590)
Equity holders of the parent		**79,690**	72,767	71,430
Non-controlling interests		**4,885**	4,257	3,646
Total equity		**84,575**	77,024	75,076
Total liabilities and equity		$ **263,316**	$ 259,249	$ 245,165

The accompanying notes are an integral part of these financial statements.

Consolidated statements of profit or loss

(Amounts in millions of Mexican pesos, except for basic earnings per ordinary share in Mexican pesos)

	Notes	For the year ended December 31 2018	2017	2016
Net sales		$ **288,266**	$ 267,515	$ 252,141
Cost of sales	19	**135,667**	124,763	115,998
Gross profit		**152,599**	142,752	136,143
General expenses:				
Distribution and selling		**108,630**	102,801	96,395
Administrative		**19,241**	18,388	17,320
Integration costs		**1,855**	2,929	2,108
Other expenses, net	20	**4,364**	1,162	2,236
	19	**134,090**	125,280	118,059
Operating profit		**18,509**	17,472	18,084
Finance cost:				
Interest expense	21	**7,668**	5,872	5,486
Interest income		**(386)**	(314)	(249)
Foreign exchange (gain)/loss, net		**(85)**	118	5
(Gain)/loss from monetary position		**(202)**	79	(650)
		6,995	5,755	4,592
Share of profit of associates	9	**194**	234	121
Profit before income tax		**11,708**	11,951	13,613
Income tax	17	**4,897**	6,282	6,845
Consolidated net profit		$ **6,811**	$ 5,669	$ 6,768
Equity holders of the parent		$ **5,808**	$ 4,629	$ 5,898
Non-controlling interests		$ **1,003**	$ 1,040	$ 870
Basic earnings per ordinary share		$ **1.24**	$ 0.98	$ 1.25
Weighted average number of shares (in thousands of shares)		**4,689,122**	4,701,910	4,702,977

The accompanying notes are an integral part of these financial statements.

Consolidated statements of other comprehensive income

For the years ended December 31, 2018, 2017 and 2016
(Amounts in millions of Mexican pesos)

	Notes	2018	2017	2016
Consolidated net profit		$ **6,811**	$ 5,669	$ 6,768
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on equity instruments	2	**(386)**	–	–
Net change in actuarial gain/(loss) on defined benefit plans of labor obligations		**3,782**	571	(1,032)
Income tax relating to these items	17	**(1,110)**	(11)	263
		2,286	560	(769)
Items that may be reclassified subsequently to profit or loss:				
Effect of net economic hedge		**820**	2,492	(10,853)
Foreign currency translation reserve		**(2,981)**	(4,685)	18,763
Net change in unrealized (loss)/gain on cash flow hedges	13	**(608)**	977	602
Income tax relating to these items	17	**(97)**	(1,330)	(115)
		(2,866)	(2,546)	8,397
Other comprehensive (loss)/income		**(580)**	(1,986)	7,628
Consolidated comprehensive income for the year		$ **6,231**	$ 3,683	$ 14,396
Comprehensive income attributable to equity holders of the parent		$ **5,230**	$ 2,754	$ 13,654
Comprehensive income attributable to non-controlling interests		$ **1,001**	$ 929	$ 742

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in equity

For the years ended December 31, 2018, 2017 and 2016
(Amounts in millions of Mexican pesos)

	Share capital	Equity instruments	Retained earnings	Accumulated other comprehensive income	Equity attributable to equity holders of the parent	Non–controlling interests	Total equity
Balance as of December 31, 2015	$ 4,227	$ –	$ 52,916	$ 1,812	$ 58,955	$ 2,904	$ 61,859
Dividends declared	–	–	(1,129)	–	(1,129)	–	(1,129)
Repurchase of shares (Note 15)	(1)	–	(49)	–	(50)	–	(50)
Balance before comprehensive income	4,226	–	51,738	1,812	57,776	2,904	60,680
Consolidated net profit for the year	–	–	5,898	–	5,898	870	6,768
Other comprehensive income	–	–	–	7,756	7,756	(128)	7,628
Consolidated comprehensive income	–	–	5,898	7,756	13,654	742	14,396
Balance as of December 31, 2016	4,226	–	57,636	9,568	71,430	3,646	75,076
Consolidation effect of structured entities	–	–	–	–	–	(530)	(530)
Increase in non–controlling interest (Note 1)	–	–	–	–	–	212	212
Dividends declared	–	–	(1,364)	–	(1,364)	–	(1,364)
Repurchase of shares (Note 15)	(1)	–	(52)	–	(53)	–	(53)
Balance before comprehensive income	4,225	–	56,220	9,568	70,013	3,328	73,341
Consolidated net profit for the year	–	–	4,629	–	4,629	1,040	5,669
Other comprehensive income	–	–	–	(1,875)	(1,875)	(111)	(1,986)
Consolidated comprehensive income	–	–	4,629	(1,875)	2,754	929	3,683
Balance as of December 31, 2017	**4,225**	**–**	**60,849**	**7,693**	**72,767**	**4,257**	**77,024**
Equity instruments issued	**–**	**9,138**	**–**	**–**	**9,138**	**–**	**9,138**
Equity instrument dividends	**–**	**–**	**(104)**	**–**	**(104)**	**–**	**(104)**
Effects of the adoption of IFRIC 23 (Notes 2a and 23)	**–**	**–**	**(2,283)**	**–**	**(2,283)**	**–**	**(2,283)**
Effects of the adoption of IFRS 9 (Note 2a)	**–**	**–**	**32**	**–**	**32**	**–**	**32**
Effects of the adoption of IFRS 15 (Note 2a)	**–**	**–**	**(157)**	**–**	**(157)**	**–**	**(157)**
Effects of the adoption of IAS 29 (Argentina) (Note 3f)	**–**	**–**	**(2,180)**	**–**	**(2,180)**	**–**	**(2,180)**
Consolidation effect of structured entities	**–**	**–**	**–**	**–**	**–**	**(864)**	**(864)**
Increase in non–controlling interest (Note 1)	**–**	**–**	**–**	**–**	**–**	**491**	**491**
Dividends declared	**–**	**–**	**(1,646)**	**–**	**(1,646)**	**–**	**(1,646)**
Repurchase of shares (Note 15)	**(26)**	**–**	**(1,081)**	**–**	**(1,107)**	**–**	**(1,107)**
Balance before comprehensive income	**4,199**	**9,138**	**53,430**	**7,693**	**74,460**	**3,884**	**78,344**
Consolidated net profit for the year	**–**	**–**	**5,808**	**–**	**5,808**	**1,003**	**6,811**
Other comprehensive income	**–**	**–**	**–**	**(578)**	**(578)**	**(2)**	**(580)**
Consolidated comprehensive income	**–**	**–**	**5,808**	**(578)**	**5,230**	**1,001**	**6,231**
Balance as of December 31, 2018	**$ 4,199**	**$ 9,138**	**$ 59,238**	**$ 7,115**	**$ 79,690**	**$ 4,885**	**$ 84,575**

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

(Amounts in millions of Mexican pesos)

	Notes	For the year ended December 31 **2018**	2017	2016
Cash flow from operating activities				
Profit before income tax		**$ 11,708**	$ 11,951	$ 13,613
Adjustments for:				
Depreciation and amortization	8, 10	**10,000**	8,761	8,436
Loss/ (gain) on disposal of property, plant and equipment		**14**	702	(219)
Share of profit of associates		**(194)**	(234)	(121)
Impairment of non–current assets		**907**	545	1,246
Multi–employer pension plan and other long–term liabilities	20	**(401)**	89	473
Current–year service labor cost	14	**986**	826	706
Interest expense	21	**7,668**	5,872	5,486
Interest income		**(386)**	(314)	(249)
Changes in assets and liabilities:				
Trade receivables and other accounts receivable		**(1,250)**	(591)	(1,020)
Inventories		**(1,194)**	(898)	(1,097)
Prepaid expenses		**(167)**	(205)	159
Trade accounts payables		**360**	2,041	518
Other accounts payable and accrued liabilities		**306**	(3,592)	54
Accounts payable to related parties		**(46)**	140	452
Income tax paid		**(4,327)**	(4,420)	(4,703)
Guarantee deposits for derivative financial instruments		**(202)**	331	309
Statutory employee profit sharing payable		**137**	154	65
Employee benefits and workers' compensation		**(2,809)**	123	(1,441)
Assets held for sale		**(128)**	(111)	460
Net cash flows from operating activities		**20,982**	21,170	23,127
Investing activities				
Purchase of property, plant and equipment	8	**(15,067)**	(13,446)	(13,153)
Business combinations, net of cash received	1	**(3,600)**	(12,482)	(3,966)
Proceeds from sale of property, plant and equipment		**599**	333	1,033
Purchase of intangible assets		**(760)**	–	–
Increase of distribution rights in structured entities		**(180)**	(523)	(45)
Other assets		**232**	(1,281)	(379)
Dividends received		**42**	24	24
Interest received		**386**	314	249
Investments in associates		**(43)**	(9)	(78)
Net cash flows used in investing activities		**(18,391)**	(27,070)	(16,315)

Consolidated statements of cash flows

(Amounts in millions of Mexican pesos)

	Notes	For the year ended December 31 2018	2017	2016
Financing activities				
Loans obtained	12	**8,024**	40,772	34,687
Loans paid	12	**(11,005)**	(26,904)	(31,888)
Payment of derivative financial instruments related to debt		**1,557**	(2,117)	(1,707)
Interest paid		**(7,280)**	(4,429)	(4,465)
Dividends paid	15	**(1,750)**	(1,364)	(1,129)
Equity instrument issued	15	**8,986**	–	–
Payment of interest rate swaps		**(412)**	(1,401)	(1,288)
Collection of interest rate swaps		**665**	1,596	1,405
Repurchase of shares	15	**(1,107)**	(53)	(50)
Guarantee deposits for derivative financial instruments		**–**	392	52
Net cash flows (used in)/from financing activities		**(2,322)**	6,492	(4,383)
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects		**99**	(190)	560
Net increase in cash and cash equivalents		**368**	402	2,989
Cash and cash equivalents at beginning of year		**7,216**	6,814	3,825
Cash and cash equivalents at end of year		**$ 7,584**	$ 7,216	$ 6,814

For the years ended December 31, 2018, 2017 and 2016, there were no material non-monetary transactions.
The accompanying notes are an integral part of these financial statements.

Notes to consolidated financial statements

December 31, 2018, 2017 and 2016
(Amounts in millions of Mexican pesos, except where otherwise indicated)

1. NATURE OF OPERATIONS AND SIGNIFICANT EVENTS

Grupo Bimbo, S.A.B. de C.V. and Subsidiaries ("Grupo Bimbo" or "the Entity") is a Mexican Entity, primarily 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, which are Mexico, USA and Canada ("North America"), Latin America Organization ("Latin America") and Europe, Asia and Africa ("EAA").

The Entity's corporate offices are located at Prolongación Paseo de la Reforma No. 1000, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Código Postal 01210, Mexico City, Mexico.

During 2018, 2017 and 2016, the net sales of the subsidiaries Bimbo S.A. de C.V. and Barcel, S. A. de C. V, which are classified in the Mexico segment, represented approximately 31%, 30% and 29%, respectively, of the Entity's consolidated net sales. During 2018, 2017 and 2016, the net sales of the Entity's subsidiaries Bimbo Bakeries USA, Inc. ("BBU") and Canada Bread Entity Limited ("Canada Bread" or "CB"), which are classified in the North America segment, represented approximately 50%, 52% and 54%, respectively, of the Entity's consolidated net sales.

Significant events

Acquisitions 2018

Acquisition of Mankattan Entity ("Mankattan")
On June 28, 2018, through its subsidiary East Balt B.V., the Entity acquired the Mankattan trademark and a 100%–stake in Mankattan for USD 200 million, that was paid as follows:

	Millions of USD	Mexican pesos
Transaction amount	200	$ 3,985
Acquisition of trademarks	(19)	$ (368)
Liabilities assumed	(23)	$ (466)
Security deposits	(11)	$ (230)
Total amount paid	147	$ 2,921

Mankattan is engaged in producing and distributing packaged bread, pastries, buns and yudane (a Japanese–style sandwich bread), among other products, that are distributed through the traditional and modern channel customers and quick service restaurants (QSR). Mankattan operates four companies that serve the markets of Beijing, Shanghai, Sichuan, and Guangdong, along with their surrounding areas.

This acquisition complements the Entity's current operations in China, in terms of brand products and QSR business. It also represents an opportunity to create significant synergies, especially in Northern China, by optimizing the supply chain to better serve consumers.

The Entity recognized transaction costs of $66 under integration expenses.

Sources of financing
The Entity used the resources obtained through the equity instruments issued on April 17, 2018 to fund this acquisition.

Accounting effects of the acquisition of Mankattan
The valuation and recognition of the acquisition was performed in accordance with IFRS 3 *Business Combinations.* The fair value allocation included in the accompanying consolidated financial statements is preliminary and therefore, the information presented below is subject to change.

The definitive amounts will be concluded in the twelve months following the acquisition date. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed that were recognized as a result of the acquisition made on June 28, 2018 at the exchange rate ruling at the date of the transaction:

Amount paid in the transaction		$ 2,921
Amounts recognized for identifiable assets and liabilities assumed:		
Cash and cash equivalents	235	
Accounts receivable	581	
Inventories	79	
Property, plant and equipment	682	
Intangible assets	628	
Other assets	46	
Total identifiable assets		2,251
Goodwill		2,050
Total assets acquired		4,301
Total liabilities assumed		1,380
Value of acquired investment		$ 2,921

The goodwill resulting from this acquisition was allocated to the EAA segment.

Consolidated figures

An analysis of the amounts contributed by Mankattan to the consolidated figures of Grupo Bimbo for the 186 days elapsed from June 28 to December 31, 2018 is as follows:

	Consolidated January 1, to December 31, 2018	Mankattan 28 June to December 31, 2018
Net sales	$ 288,266	$ 1,133
Operating profit/(loss)	$ 18,509	$ (57)
Equity holders of the parent	$ 5,808	$ (82)

	As of December 31, 2018	
	Consolidated	Mankattan
Total assets	$ 263,316	$ 4,697
Total liabilities	$ 178,741	$ 1,281

If Mankattan had been consolidated from January 1, 2018, the consolidated net sales and consolidated net profit would have been $289,277 and $5,774, respectively.

Acquisition of International Bakery S.A.C.

On March 27, 2018, through its subsidiaries Panificadora Bimbo del Perú, S.A. and Bimbo Holanda B.V., the Entity acquired a 100%–stake in International Bakery, S.A.C. for USD 7.8 million, equal to $143, which was paid on April 2, 2018.

International Bakery is engaged in producing and distributing bread, buns, pound cake, muffins and torrone, among other products, that are distributed to modern channel customers and quick service restaurants. International Bakery has 350 employees.

Business acquisition in Colombia

On May 31, 2018, through its subsidiary Bimbo de Colombia, S.A., the Entity acquired El Paisa, S.A.S. for USD 2.6 million, equal to $52. This acquisition consists primarily of property, plant and equipment, inventories, trademarks, customer relationships and non–competition agreements.

Acquisition of Alimentos Nutra Bien S.A.

On December 17, 2018, through its subsidiary Ideal, S.A., the Entity acquired a 100%–stake in Alimentos Nutra Bien, S.A. for USD 36.7 million, equal to $743. This company is a prominent producer of artisanal bread made with non–genetically modified natural ingredients and certified organic ingredients. This acquisition strengthens the Entity's presence in the Chilean market.

Accounting effects of the acquisitions

The valuation and recognition of the acquisitions of El Paisa in Colombia and International Bakery was concluded during the year.

The allocation of the fair value of the acquisition of Alimentos Nutra Bien, S.A. included in the accompanying consolidated financial statements is preliminary and therefore, the information presented below is subject to change; the definitive amounts will be concluded in the twelve months following the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed that were recognized as a result of the acquisitions made at the exchange rate ruling at the date of the transaction:

Date of acquisition	International Bakery March 27	El Paisa May 31	Alimentos Nutrabien December 17
Amount paid in the transaction	$ 143	$ 52	$ 743
Amounts recognized for identifiable assets and liabilities assumed:			
Cash and cash equivalents	5	–	19
Accounts receivable	29	–	406
Inventories	7	1	20
Property, plant and equipment	21	11	204
Identifiable intangible assets	58	29	–
Other assets	5	–	–
Total identifiable assets	125	41	649
Goodwill	107	11	495
Total assets acquired	232	52	1,144
Current liabilities	67	–	396
Long–term liabilities	22	–	5
Total liabilities assumed	89	–	401
Value of acquired investment	$ 143	$ 52	$ 743

The goodwill resulting from these acquisitions was allocated to the Latin America segment.

Acquisitions 2017

Acquisition of 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 a 100%–stake in East Balt Bakeries ("Bimbo QSR") for USD 650 million that was paid as follows:

	Millions of USD	Mexican pesos
Transaction amount	650	$ 12,196
Payment for economic rights	(60)	$ (1,126)
Amount paid for shares	590	$ 11,070
Liabilities assumed from former shareholders	(76)	$ (1,429)
Total amount paid	514	$ 9,641

Bimbo QSR is a leading company in the food service industry. It produces bread rolls, English muffins, tortillas, bagels, artisanal bread and other baked products mainly for Quick Service Restaurants around the world. Established in 1955 in Chicago, IL and has approximately 2,200 employees and operates 21 plants in the United States and 11 countries in Europe, Asia, the Middle East and Africa, including two related parties. The company produces close to 13 million baked products on a daily basis distributed to more than 10,000 locations. This acquisition promotes Grupo Bimbo's global strategy for growth in segments and markets with high potential.

The Entity recognized transaction costs of $45 under integration expenses.

Sources of financing

To finance this acquisition, the Entity initially used a long–term line of credit and resources obtained through the issuance of local bond Bimbo 17. Subsequently, the drawdowns made against the long–term line of credit were refinanced with resources obtained through the issuance of Bimbo International Bond 47.

Accounting effects of the acquisition of Bimbo QSR

The valuation and recognition of the acquisition was performed in accordance with IFRS 3 *Business Combinations.* The following table summarizes the fair values of the assets acquired and liabilities assumed that were recognized as a result of the acquisition made on October 15, 2017 at the exchange rate ruling at the date of the transaction:

	Preliminary fair value	PPA adjustments	Definitive fair value
Amount paid in the transaction	$ 9,641	$ –	$ 9,641
Amounts recognized for identifiable assets and liabilities assumed:			
Cash and cash equivalents	746	–	746
Accounts receivable	908	–	908
Inventories	323	–	323
Property, plant and equipment	3,577	578	4,155
Identifiable intangible assets	4,690	(163)	4,527
Other assets	2,374	108	2,482
Deferred income tax	152	(108)	44
Total identifiable assets	12,770	415	13,185

(continue)

	Preliminary fair value	PPA adjustments	Definitive fair value
Goodwill	3,095	(415)	**2,680**
Total assets acquired	15,865	–	**15,865**
Current liabilities	1,274	–	**1,274**
Long-term liabilities	4,950	–	**4,950**
Total liabilities assumed	6,224	–	**6,224**
Value of acquired investment	$ 9,641	$ –	**$ 9,641**

Consolidated figures

An analysis of the amounts contributed by Bimbo QSR to the consolidated figures of Grupo Bimbo for the 77 days elapsed from October 15, 2017 to December 31, 2017 is as follows:

	Consolidated January 1, to December 31, 2017	Bimbo QSR October 15 to December 31, 2017
Net sales	$ 267,515	$ 2,175
Operating profit	$ 17,472	$ 61
Equity holders of the parent	$ 4,629	$ (22)

	As of December 31, 2017 Consolidated	Bimbo QSR
Total assets	$ 259,249	$ 15,373
Total liabilities	$ 182,225	$ 2,557

If Bimbo QSR had been consolidated from January 1, 2017, the consolidated net sales and consolidated net profit 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 voting shares of Ready Roti India Private Limited, located in the Republic of India. This company is a leading baking company in New Delhi and the surrounding areas. Produces mainly packaged bread, pizza dough and salty and sweet buns with leading brands such as Harvest Gold® and Harvest Selects®. It generates annual sales of approximately USD 48 million and has four plants with more than 500 employees.

Acquisition of Bay Foods, Inc.

On September 19, 2017, the Entity acquired, through its subsidiary Bimbo Bakeries USA, Inc., ("BBU") a 100%-stake in Bay Foods, Inc., located in the United States. Bay Foods produces refrigerated English muffins and complements the Entity's presence in a new channel.

Acquisition of Stonemill Bakehouse Limited

On March 2, 2017, the Entity acquired, through its subsidiary Canada Bread, a 100%-stake in Stonemill Bakehouse Limited. This company is the main producer of artisanal bread made with non-genetically modified natural ingredients and certified organic ingredients. This acquisition strengthens the Entity's 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., a 100%-stake in Compañía Pastelería y Salados ("COPASA"), located in Morocco. This company produces and distributes bread products and has three plants.

Accounting effects of the acquisitions

The valuation and recognition of the acquisitions of Ready Roti, Bay Foods, Stonemill and COPASA was performed in accordance with IFRS 3.

The following table summarizes the fair values of the assets acquired and liabilities assumed that were recognized as a result of the acquisitions made at the exchange rate ruling at the date of the transaction:

Date of acquisition	Ready Roti May 25	Bay Foods September 19	Stonemill March 2	COPASA March 30
Amount paid in the transaction	$ 1,305	$ 1,210	$ 401	$ 60
Amounts recognized for identifiable assets and liabilities assumed:				
Cash and cash equivalents	603	13	–	23
Accounts receivable	20	45	38	3
Inventories	37	12	16	11
Property, plant and equipment	218	–	133	115
Identifiable intangible assets	1,084	822	227	9
Other assets	9	8	5	13
Total identifiable assets	1,971	900	419	174
Goodwill	678	783	131	160
Total assets acquired	2,649	1,683	550	334
Current liabilities	254	60	32	274
Long-term liabilities	387	413	117	–
Total liabilities assumed	641	473	149	274
Non-controlling interests(1)	703	–	–	–
Value of acquired investment	$ 1,305	$ 1,210	$ 401	$ 60

(1) $491 in 2018 and $212 in 2017.

Acquisitions 2016

Acquisition of Panrico

On July 21, 2016, through its subsidiary Bakery Iberian Investment, S.L.U., the Entity acquired a 100%-stake in Panrico S.A.U. ("Bakery Donuts Iberia").

The sales agreement was entered into in July 2016 for EUR 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, Spanish acronym) signed by Panrico in 2013, the transaction was concluded. Since the payment was deferred, the final amount paid was EUR 214 million, equal to $4,418. Such amount includes the portion of the brand loaves business, which was sold immediately afterwards.

The Panrico's bread brands, as well as other bread-related assets and derivatives in Spain, Portugal and Andorra, were sold simultaneously, together with the Gulpilhares (Portugal) and Teror (the Canary Islands) plants, 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 buns. The acquisition includes leading brands such as Donuts®, Qé!®, Bollycao®, La Bella Easo® and Donettes®, among others.

The Entity recognized transaction costs of $152 under integration expenses.

Sources of financing

To finance the transaction, Grupo Bimbo used a long-term line of credit denominated in euros.

Accounting effects of the acquisition of Bakery Donuts Iberia

The valuation and recognition of the acquisition was performed in accordance with IFRS 3. The allocation of definitive fair value concluded in 2017. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed that were recognized as a result of the acquisition made on 21 July 2016 at the exchange rate ruling at the date of the transaction

Amount paid in the transaction		$ 4,418
Amounts recognized for 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 acquired investment		$ 4,418

Consolidated figures

An analysis of the amounts contributed by Donuts Iberia to the consolidated figures of Grupo Bimbo for the 163 days elapsed from July 21 to December 31, 2016 is as follows:

	Consolidated January 1 to December 31, 2016	Donuts Iberia July 21 to December 31, 2016
Net sales	$ 252,141	$ 3,056
Operating profit	$ 18,084	$ 17
Equity holders of the parent	$ 5,898	$ (3)
Consolidated net profit	$ 6,768	$ (3)

	As of December 31, 2016 Consolidated	Donuts Iberia
Total assets	$ 245,165	$ 7,446
Total liabilities	$ 170,089	$ 2,354

If Donuts Iberia had been consolidated from January 1, 2016, the consolidated net sales and consolidated net profit 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 $68 and $151, respectively. At the 2017 closing, the valuation and recognition of the acquisitions was performed in accordance with IFRS 3.

2. BASIS OF PREPARATION

Adoption of new and revised International Financial Reporting Standards

a) Application of new and revised International Financial Reporting Standards (IFRS) and their interpretations, the adoption of which is mandatory in the current year

In the current year, the Entity adopted a series of new and amended IFRS issued by the International Accounting Standards Board (IASB), which are effective for annual periods beginning on or after January 1, 2018.

The Entity applied IFRS 15 and IFRS 9 for the first time and early adopted IFRIC 23. The nature and the effects of the changes that resulted from the adoption of these new accounting standards are disclosed below:

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Entity adopted IFRS 15 using the modified retrospective method with the initial application date of January 1, 2018. Under the modified retrospective method, IFRS 15 would be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Entity elected to apply IFRS 15 to all contracts as of January 1, 2018.

The cumulative effect of the initial application of IFRS 15 was recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the Entity did not restate the comparative information and the effects of the adoption are shown in the consolidated statement of changes in equity.

In contrast to the previous standard, IFRS 15 establishes the accounting treatment for variable considerations arising from customer incentives (discounts, volume rebates, rights of return, etc.), which are included (estimated) in the selling price, as it is highly probable that a significant revenue reversal in the amount of revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The application of IFRS 15 did not affect the Entity's recognition of revenue from the sale of goods, since the performance obligations of all of the Entity's activities are satisfied when the product is sold and the Entity receives the full amount of the consideration from the customer, meaning, control of the goods is transferred to the customer at a point in time.

As of January 1, 2018, the Entity recognized an adjustment of $157, net of deferred taxes, in retained earnings as a result of the adoption of this standard. The nature of the adjustments as of January 1, 2018 and the reasons for the changes in the statement of financial position as of December 31, 2018 and the statement of profit or loss for the year ended December 31, 2018 are as follows:

a) Rights of return
Given that the consideration received from customers is variable, since it is the customers that request product returns, the Entity used the expected value method to estimate the goods that will be returned, for which it recognized a liability for future returns of $192 with an effect on deferred taxes of $(42) as of January 1, 2018. As a result of these adjustments there was a decrease in the Entity's retained earnings of $150 as of January 1, 2018.

b) Volume rebates
Volume rebates give rise to a variable consideration. To estimate the variable consideration, the Entity applied the most likely amount method for contracts with a single-volume threshold, for which it recognized a decrease in trade receivables of $10 with an effect on deferred taxes of $(3) as of January 1, 2018.

IFRS 9, *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments*: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The classification of a financial asset is based on two criteria: the Entity's business model for managing the assets and the contractual cash flows of the assets. IFRS 9 sets out three categories for the classification of financial assets: measured at amortized cost, at fair value through OCI, and at fair value through profit or loss. Under IFRS 9, the Entity can also elect to classify its non-listed equity investments as equity instruments designated at fair value through OCI when they are not held for trading. IFRS 9 eliminates the financial asset classification categories established in IAS 39 of held-to-maturity investments, loans and receivables and available-for-sale financial assets. In accordance with IFRS 9, a derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. Instead, the classification is determined by evaluating the hybrid financial instrument as a whole. The adoption of IFRS 9 did not have a significant impact on the Entity's accounting policies related to the classification and measurement of financial assets and related profit or loss accounts.

The Entity has applied IFRS 9 prospectively, with the initial application date of January 1, 2018, without adjusting the comparative information, which is still reported under IAS 39. The difference of $32 arising from the adoption of IFFRS 9 has been recognized directly in retained earnings.

The nature of these adjustments is described below:

a) Classification and measurement
Under IFRS 9, equity instruments are subsequently measured at fair value through OCI. The classification is based on the Entity's business model for managing the assets.

The assessment of the Entity's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as of the initial recognition of the assets.

The following are the changes in the classification of the Entity's financial assets:

Equity investments in non-listed companies previously classified as financial assets as of December 31, 2017 are now classified and measured as equity instruments designated at fair value through OCI as of January 1, 2018. The Entity elected to classify its equity investments in affiliates in Venezuela under this category as it intends to hold these investments for the foreseeable future. As of December 31, 2018, the Entity recognized an impairment loss of $386 in other comprehensive income.

The Entity has not designated any financial liability as of fair value through profit or loss. There are no changes in classification and measurement for the Entity's financial liabilities.

b) Impairment
The adoption of IFRS 9 has fundamentally changed the Entity's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Entity to recognize an allowance for

ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Entity recognized an impairment reversal on its trade receivables of $37, with an effect on the deferred tax liability of $(5), which resulted in an increase in retained earnings of $32 as of January 1, 2018.

There were no significant changes in the Entity's hedge classification, measurement and accounting, except for the changes related to the documentation of the adoption of IFRS 9, which include application of the SPPI (solely payments of principal and interest) test and updating of the hedge files. Therefore, the hedge classification, measurement and accounting requirements of IFRS 9 did not have a significant impact on the Entity's consolidated financial statements.

IFRIC 23, *Uncertainty over Income Tax Treatments*

The Entity early adopted IFRIC 23 using the transition approach, under which it recognized the cumulative effect of applying the interpretation in retained earnings. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Since the Entity operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements.

The Entity operates in 32 countries and considers that it has complied with its tax obligations in time and form and in strict adherence to the tax laws and regulations of the countries where it operates.

As part of the adoption of IFRIC 23, the Entity also evaluated the tax treatments of all of its subsidiaries and identified the tax treatments for which there is uncertainty as to their acceptance by the tax authorities. In view of the current circumstances of the reviews underway, as well as the tax treatments applied by the entities, the tax treatments were quantified considering the conditions of each tax jurisdiction and the approach that better predicted the resolution of the uncertainty, using the most likely amount or the expected value method, as applicable.

In addition, as a result of the adoption of this interpretation, the interest and fines associated with the uncertain tax treatments were recognized as part of income tax.

The nature of the uncertainties does not represent a significant risk of a change in the carrying amount of the assets or liabilities within the following period; however, the uncertain tax treatments will be reviewed on an ongoing basis and adjusted based on the changes in facts and circumstances.

As of December 31, 2018, the Entity recognized a charge of $2,283 to retained earnings as a result of the adoption of this interpretation.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non–monetary asset or non–monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non–monetary asset or non–monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. This interpretation had no impact on the Entity's consolidated financial statements.

b) New and revised IFRS issued but not yet effective

The Entity has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 16	Leases (1)
Amendments to IFRS 9	Prepayment features with negative compensation (1)
Amendments to IAS 28	Long–term interests in associates and joint ventures (1)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (2)
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3 and IAS 12 (1)
Amendments to IAS 19 Employee benefits	Plan amendment, curtailment or settlement (1)

(1) Effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

(2) Effective for annual periods beginning on or after a certain date that has yet to be determined.

IFRS 16, *Leases*

IFRS 16 was issued in January 2016 by the International Accounting Standards Board (IASB). IFRS 16 requires lessees to account for all leases under a single on–balance sheet model, under which a lessee will recognize an asset representing the right to use the underlying asset during the lease term and a liability to make lease payments during the lease term.

Transition to IFRS 16

The Entity has decided to use the modified retrospective method for the adoption of IFRS 16 and will therefore apply the following consideration in the transition: recognize the cumulative effect of the adoption of the new accounting standard as of January 1, 2019. Consequently, the financial information from prior years will not be restated. As of the date of initial application of IFRS 16 (January 1, 2019), the Entity has elected to apply the practical expedient provided in IFRS 16 of applying the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Entity will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Therefore, such leases will be recognized directly in profit or loss and are subject to disclosure.

In summary, the impact of IFRS 16 adoption is expected to be as follows:

Impact on the statement of financial position (increase/ (decrease)) as of January 1, 2019:

		2019
Right–of–use assets	$	22,197
Lease liabilities	$	22,197

Impact on the statement of profit or loss (increase/ (decrease)) for 2019:

		2019
Amortization expense	$	3,836
Lease payments		(4,032)
Operating profit		196
Finance costs		894
Profit for the year	$	(698)

Due to the adoption of IFRS 16, the Entity's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

Amendments to IFRS 9, *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. These amendments had no impact on the Entity's consolidated financial statements.

Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Entity will apply these amendments when they become effective.

Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Entity.

Amendments to IAS 28, *Long–term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long–term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long–term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long–term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in associates and joint ventures.*

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Entity does not have such long–term interests in its associates and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual improvements 2015–2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3, *Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations of the Entity.

IFRS 11, *Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Entity but may apply to future transactions.

IAS 12, *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Entity's current practice is in line with these amendments, the Entity does not expect any effect on its consolidated financial statements.

c) Consolidated statement of profit or loss and statement of comprehensive Income

The Entity presents the statement of profit or loss in two separate statements: i) the consolidated statement of profit or loss, and ii) the consolidated statement of comprehensive income. The Entity's expenses are presented based on their function, which is consistent with the customary practices of the industry to which the Entity belongs. The nature of these expenses is described in Note 19. Although not required to do so under IFRS, the Entity includes operating profit in the consolidated statement of profit or loss, since this item is an important indicator for evaluating the Entity's operating results.

d) Statement of cash flows

The Entity prepares the statement of cash flows using the indirect method. Interest and dividends received are shown as investing activities, while interest and dividends paid are shown as financing activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Compliance statement

The consolidated financial statements of the Entity have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

b) Basis of preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities (derivative financial instruments), which are measured at fair value at the end of the reporting period, and the non–monetary assets of the Entity's subsidiaries in hyperinflationary economies, which are restated for inflation, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally equal to the fair value of the consideration paid for goods and services.

ii. Fair value

Fair value is the price to sell an asset or 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 liability, the Entity takes into account the characteristics of the asset or liability being measured that market participants would take 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 purpose, 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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Mexican peso is the Entity's functional currency for transactions in Mexico and the presentation currency of its consolidated financial statements.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Entity and the subsidiaries over which it exercises control, including structured entities (SE), as of December 31, 2018, 2017 and 2016. The Entity controls an investee if, and only if, the Entity has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Entity re-assesses 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.

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 Entity's most significant subsidiaries are as follows:

Subsidiary	% equity interest	Country	Segment	Primary 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
Bakery Iberian Investments, S.L.U.	100	Spain and Portugal	EAA	Baking

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 recognized in the consolidated statement of profit or loss and statement of comprehensive income from the acquisition date, as applicable.

Non-controlling interest represents the portion of profit or loss and net assets that do not correspond to the Entity and is recognized separately in the consolidated financial statements.

The political and economic situation in Venezuela has significantly limited the capacity of the Entity's subsidiaries in Venezuela to maintain their production process under normal conditions. In view of the above, and since Grupo Bimbo will continue its operations in Venezuela, as of June 1, 2017, the Entity changed the method under which it consolidated the financial position and performance of its operations in Venezuela; therefore, at the date of these financial statements, the Entity measures its investment in Venezuela at fair value. This change resulted in a net impairment loss on the investment of $54, which was recognized in the statement of profit or loss for 2017 under other (income)/expenses.

Equity investments in non-listed companies previously classified as financial assets as of December 31, 2017 are now classified and measured as equity instruments designated at fair value through OCI as of January 1, 2018. The Entity elected to classify irrevocably its equity investments in affiliates in Venezuela under this category as it intends to hold these investments for the foreseeable future. As of December 31, 2018, the Entity recognized an impairment loss of $386 in other comprehensive income.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Entity and to the non-controlling interests. Comprehensive income is attributed to the equity holders of the parent of the Entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group balances and transactions are eliminated on consolidation.

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 fair values of the assets transferred by the entity, the 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. Costs related to the acquisition are generally recognized in profit or loss as incurred.

At the acquisition date, all identifiable assets acquired and liabilities assumed in a business combination are measured at fair value, except for:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits 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 that are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (as of December 31, 2018, 2017 and 2016, the Entity does not have share-based payments);

- Assets (or disposal groups) that are classified as held for sale and measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Goodwill is measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If, after reassessment, the fair value of the net assets acquired and liabilities assumed at the acquisition date is in excess of the aggregate consideration transferred, the amount recognized for non-controlling interests in the acquiree and any previous interest held over the acquiree is recognized in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. The election is made on a transaction-by-transaction basis.

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 fair value at the acquisition date and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively and the corresponding adjustments are charged against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year following the acquisition date) on 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 the classification of the contingent consideration. Contingent considerations classified as equity are not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent considerations classified as assets or liabilities are remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, and the corresponding gain or loss is recognized in profit or loss.

When a business combination is achieved in stages, any previous interest held over the acquiree is remeasured at fair value at the acquisition date 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 when such treatment is appropriate if that interest is disposed of.

If the initial accounting treatment 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. Such 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

The Entity classifies non–current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and 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 assets or disposal group. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Non–current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

f) Recognition of the effects of inflation

The effects of inflation are recognized when the functional currency of an entity is the currency of a country with a hyperinflationary economic environment.

An analysis of the cumulative inflation rates for the three prior years in the countries of the Entity's primary operations is as follows:

	2018 – 2016		2017 – 2015		2016 - 2014	
	Cumulative inflation rate	Type of economy	Cumulative inflation rate	Type of economy	Cumulative inflation rate	Type of economy
Mexico	**15.69%**	Non–hyperinflationary	12.71%	Non–hyperinflationary	9,87%	Non–hyperinflationary
USA	**5.99%**	Non–hyperinflationary	4.32%	Non–hyperinflationary	3.60%	Non–hyperinflationary
Canada	**5.42%**	Non–hyperinflationary	5.02%	Non–hyperinflationary	4.61%	Non–hyperinflationary
Spain	**3.66%**	Non–hyperinflationary	2.84%	Non–hyperinflationary	0.56%	Non–hyperinflationary
Brazil	**13.46%**	Non–hyperinflationary	20.87%	Non–hyperinflationary	25.17%	Non–hyperinflationary
Argentina	**148.19%**	Hyperinflationary	96.83%	Non–hyperinflationary	92.76%	Non–hyperinflationary

In 2017 and 2016, the Entity's operations in Venezuela qualified as hyperinflationary in relation to the inflation rates of the three prior years and the Entity therefore recognized the corresponding inflationary effects. Such effects are immaterial to the Entity's financial position and performance and cash flows. As of June 1, 2017, the Entity changed the valuation method for its investment in Venezuela and therefore, the effects of inflation were recognized through May 2017.

As of July 2018, the Entity's operations in Argentina qualify as hyperinflationary; consequently, the Entity's subsidiaries in this country recognized adjustments for the cumulative effects of inflation as of December 31, 2018, the main effects were as follows:

		Inflation adjustment
Inventories	$	**25**
Property, plant and equipment, net		**1,118**
Intangible assets		**63**
	$	**1,206**
Share capital	$	**3,593**
Retained earnings		**(2,469)**
Net profit		**82**
	$	**1,206**

As a result of the recognition of the effects of inflation, the Entity performed retroactive impairment testing as of December 31, 2017, which gave rise to the following impairment adjustment, which was recognized in retained earnings:

		Impairment adjustment
Property, plant and equipment, net	$	**808**
Intangible assets		**1,251**
Goodwill		**121**
	$	**2,180**

g) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the Entity is classified as a finance lease. All other leases are classified as operating leases.

– The Entity as a lessee

Assets acquired through finance leases are recognized at the inception of the lease at the lower of either their fair value or the present value of minimum lease payments. The liability for the lessor is recognized in the statement of financial position as a finance lease liability.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's accounting policy for borrowing costs. Contingent rent is expensed in the period in which they occur.

Lease payments under an operating lease are recognized as an expense on a straight–line basis over the lease term.

h) Foreign currency transactions

Exchange differences are recognized in profit or loss, except in the following cases:

- 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 assets or liabilities related to foreign operations with no planned settlement and for which payment cannot be made (thus forming part of the net investment in the foreign operation) are initially recognized in other comprehensive income and are reclassified from equity to profit or loss as reimbursements of monetary items.

Translation to presentation currency

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos using the prevailing exchange rate at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. The assets and liabilities of operations in hyperinflationary economies are translated using the exchange rate prevailing at the reporting date. The exchange differences arising on translation for consolidation are recognized in other comprehensive income and accumulated in equity (and attributed to non–controlling interests as appropriate).

On 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), the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. Exchange differences resulting from the translation are recognized in other comprehensive income.

An analysis of the average exchange rates and closing exchange rates as of December 31, 2018, 2017 and 2016 is as follows:

	Average exchange rate			Closing exchange rate		
	2018	2017	2016	**2018**	2017	2016
USA	**20.1529**	19.1012	18.6079	**19.6829**	19.7354	20.6640
Canada	**15.0496**	14.9497	14.0411	**14.4324**	15.7316	15.3899
Spain	**22.9400**	22.6216	20.5952	**22.5369**	23.6687	21.7819
Brazil	**5.1882**	5.8001	5.3343	**5.0797**	5.9660	6.3404
Argentina	**0.5324**	1.0667	1.2448	**0.5221**	1.0442	1.2835

i) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits in checking accounts and highly liquid, readily available low–risk investments in short–term securities, maturing within three months following the purchase date. Cash is stated at nominal value and cash equivalents are stated at fair value. Gains and losses from changes in the value of cash and cash equivalents are recognized in profit or loss (see financial assets below). Cash and cash equivalents principally consist of investments in government debt instruments with daily maturities.

j) Financial assets

Financial assets are recognized when the Entity becomes party to the contractual provisions of the instrument.

Financial asset classification

Financial instruments are measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The remaining financial assets are subsequently measured at fair value through profit or loss.

Notwithstanding the above, upon initial recognition, the Entity can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they are not held for trading and do not correspond to contingent consideration transferred by an acquirer in a business in a business combination.

Equity investments at fair value through OCI are initially measured at cost, plus transaction costs, and are subsequently measured at fair value and the gains and losses from the fair value changes are recognized in OCI. Upon derecognition, cumulative gains and losses are never recycled to profit or loss, and instead are recorded retained earnings.

The Entity has designated its investments in Venezuela at fair value through OCI in the initial application of IFRS 9.

1. Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not traded on an active market. These instruments are classified as either loans or accounts receivable. Loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less any impairment losses.

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

The Entity assesses at each reporting date whether its non–FVTPL financial assets are impaired.

The Entity recognizes a provision for expected credit losses (ECLs) on trade receivables. The Entity uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Entity's historical credit loss experience and is subsequently adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current direction and forecast of future conditions at the reporting date, including the time value of money, when applicable.

The Entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Entity may also consider a financial asset to be in default when internal or external information indicates that the Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Regarding trade receivables, the carrying amount is reduced through the use of an allowance account. Trade receivables that are considered uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses are reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

k) Inventories and cost of sales

Inventories are valued at the lower of either their cost or net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, containers, packaging and spare parts: at acquisition cost, which includes the cost of the merchandise plus import costs, minus discounts, using the average cost method.
- Finished goods and orders in process: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

l) Property, plant and equipment

Property, plant and equipment is recognized at cost, net of accumulated depreciation and accumulated impairment losses, if any. Fixed assets acquired before December 31, 2007 were restated for inflation through that date based on the National Consumer Price Index, which became the estimated cost of such assets as of January 1, 2011 upon the Entity's adoption of IFRS.

The cost includes 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.

The costs of expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. Repair and maintenance costs are expensed as incurred. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss.

Freehold land is not depreciated. Depreciation of property, plant and equipment is calculated on the assets' carrying amounts on a straight–line basis over the estimated average useful lives of the assets, as follows:

	Years
Buildings:	
Infrastructure	15
Foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Furniture and equipment	10
Computer equipment	3
Leasehold improvements	The lower of either the related lease term or the useful life of the asset

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 these components separately.

The carrying amount 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 upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss under other expenses, net.

Leasehold improvement and adaptations to buildings and establishments in which the Entity is the lessee are recognized at historic cost less the respective depreciation.

m) Investment in associates

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The operating results and the assets and liabilities of associates are recognized in the consolidated financial statements using the equity method, except if the investment or part of the investment is classified as held for sale in accordance with IFRS 5 *Non–current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Entity's share of net assets of the associate since the acquisition date. When the Entity's share of loss of an associate exceeds the Entity's interest in that associate, the Entity discontinues the recognition of its share of further losses.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment any difference between the cost of the investment and the Entity's share of the net fair value of the identifiable assets and liabilities of the associate is accounted for as goodwill, which is included in the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment, after remeasurement, is recognized immediately in profit or loss in the period in which the investment was 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.

If the Entity's interest in an associate is reduced, but the equity method is continued to be applied, the Entity reclassifies to profit or loss the proportion of the gain or loss previously recognized in other comprehensive income relative to that reduction in ownership interest if the gain or loss would have been reclassified to profit or loss in the case of disposal of the related assets or liabilities.

Profits and losses resulting from transactions between the Entity and the associate are recognized in the Entity's consolidated financial statements only to the extent of unrelated investors' interests in the associate.

n) Intangible assets

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses in the United States, Canada, Spain and certain trademarks in South America. Intangible assets are measured on initial recognition at cost. Intangible assets acquired through a business combination are recognized at fair value at the acquisition date, separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite, based on the contractual terms established at acquisition. Trademarks are considered to have indefinite useful lives when ownership is acquired and otherwise are amortized.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed and adjusted at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss under general expenses.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

o) Impairment of tangible and intangible assets, other than goodwill

At the end of each reporting period, the Entity assesses whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the Entity estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Entity determines the recoverable amount of the cash–generating unit to which the asset belongs. When a reasonable and consistent basis can be identified, corporate assets are also allocated to the cash–generating unit, 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 tested for impairment on an annual basis, or more often if there is any indication that the intangible asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs to sell and its 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 each asset.

If the recoverable amount of an asset (or cash–generating unit) is less than its carrying amount, the carrying amount of the asset (or cash–generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 from business combinations is recognized at the cost determined on the acquisition date of the business, as described in the business acquisitions policy note above, net of any accumulated impairment losses (see Note 11).

Goodwill is allocated to each cash–generating unit (or group of cash–generating units) that is expected to benefit from the synergies achieved from the combination.

The cash–generating units to which goodwill has been allocated are tested for impairment on an annual basis, or more frequently if there are any indicators of impairment. If the recoverable amount of a cash–generating unit is lower than its carrying amount, the impairment losses recognized in respect of the cash–generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment in goodwill is recognized directly in profit or loss. Any loss from impairment in the value of goodwill cannot be reversed in future years.

When the relevant cash-generating unit is disposed of, the amount of goodwill is included in the calculation of gains or losses at the time of the disposal.

The Entity's policy for goodwill arising on the acquisition of an associate is described in Note 3m.

q) Financial liabilities

Financial liabilities are initially recognized at fair value, net of transaction costs, except for financial liabilities designated at fair value through profit or loss, which are initially recognized at fair value. 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 (FVTPL) or other financial liabilities. Note 13 describes the category of each financial liability of the Entity.

r) Hedging activities and derivatives

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. 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.

At the inception of a hedge relationship, the Entity formally documents the hedge relationship between the hedging instrument and the hedged items, including the risk management objective and strategy for undertaking the hedge. 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.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives are not offset in the consolidated financial statements unless there is an enforceable legal right to offset the recognized amounts and there is an intention to settle. Derivatives are accounted for as non-current assets or liabilities if the remaining maturity of the instrument is more than 12 months and the instrument is not expected to be realized or settled in those 12 months. All other derivatives are accounted for as current assets or liabilities.

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 OCI under valuation effects of cash flow hedges. The gain or loss relating to the ineffective portion is immediately recognized in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

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.

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 immediately recognized in profit or loss under Foreign exchange gain/(loss), net. Amounts previously recognized in other comprehensive income and accumulated in equity 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 an outflow of resources embodying economic benefits 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 expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount represents the present value of these cash flows (when the effect of the time value of money is material).

All contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized, less cumulative amortization recognized in accordance with IFRS 15.

t) Income tax

Income tax expense is the aggregate amount of current tax and deferred tax.

1. Current income tax

Current income tax is calculated based on the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Entity operates and generates taxable income. The related income tax expense is recorded in profit or loss as incurred.

2. Deferred income tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the temporary differences reverse based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities based on tax rates that have been enacted at the reporting date and where applicable, they include unused tax losses and certain tax credits. Deferred tax assets or liabilities are recognized for all temporary differences, with certain exceptions. The Entity recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except: i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary differences will not reverse in the foreseeable future, and; iii) When the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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 taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Entity offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. Current and deferred taxes

Current and deferred taxes are recognized as either income or an expense in the consolidated statement of profit or loss, except for tax items that must be recognized as other comprehensive income items or in equity. For business combinations, the tax effect is included in the recognition of the business combination.

u) Employee benefits – retirement benefits, termination benefits and statutory employee profit sharing

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 the employees have rendered the service entitling them to the contributions.

A defined benefit plan is a different post–employment plan than a defined contribution plan. The cost of providing benefits under a defined benefit plan that includes pensions and seniority premiums is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are immediately recognized in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in profit or loss at the date of the plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The defined benefit retirement plan obligation recognized in the statement of financial position comprises of the present value of the net defined benefit obligation. 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.

ii. Statutory employee profit sharing

In Mexico and Brazil, the Entity is required to recognize a provision for employee profit sharing when it has a present legal or constructive obligation as a result of a past event and the amount can be reliably estimated. Statutory employee profit sharing is recognized in profit or loss as incurred.

Short–term employee benefits

A liability is recognized for employee benefits related to wages and salaries, paid annual leave and sick leave during the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized for 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

A liability is recognized for termination benefits only when the Entity cannot withdraw its offer to provide termination benefits to the employee and/or when it recognizes the related restructuring costs.

iv. Long–term bonus

The Entity grants a cash bonus to certain executives, which is calculated based on performance metrics. The bonus is paid 30 months following the date on which it was granted.

v. Multi–employer pension plans (MEPP)

The Entity classifies 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 payment of or withdrawal from a multi–employer plan is recognized and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

v) Revenue recognition

The Entity earns it revenue primarily from contracts with customers for the sale of products (fresh and frozen bread, confectionery and salty snacks, among others). Revenue from the sale of products is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Entity expects to be entitled in exchange for those goods. To determine the transaction price, the Entity considers the effects of variable considerations (i.e. rights of return, rebates).

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Entity uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Entity will be entitled. For goods that are expected to be returned, instead of revenue, the Entity recognizes a refund liability.

Volume rebates

The Entity provides retrospective volume rebates to certain customers when the conditions established in the contract are met. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Entity applies the most likely amount method for contracts with a single–volume threshold and the expected value method for contracts with more than one volume threshold.

w) Reclassifications

Certain captions in the consolidated financial statements for the year ended December 31, 2017 and 2016 as originally issued have been reclassified for uniformity of presentation with the 2018 financial statements. The effects of these reclassifications were recognized retrospectively in the statement of financial position as of December 31, 2017 and 2016, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

	Reference	Balance as of December 31, 2017 as originally reported	Reclassifications	Balance as of December 31, 2017
Investments in associates	(a)	$ 2,764	$ (446)	$ 2,318
Other assets, net	(a)	$ 1,966	$ 446	$ 2,412
Trade payables	(b)	$ 18,796	$ 881	$ 19,677
Short–term portion of long–term debt	(b)	$ 2,766	$ (881)	$ 1,885
Provision for repurchase of shares	(c)	$ 667	$ (667)	$ –
Share capital	(c)	$ 4,227	$ (2)	$ 4,225
Retained earnings	(c)	$ 60,180	$ 669	$ 60,849

	Reference	Balance as of December 31, 2016 as originally reported	Reclassifications	Balance as of December 31, 2016
Other accounts payable and accrued liabilities	(d)	$ 19,881	$ 2,379	$ 22,260
Current income tax	(d)	$ 3,851	$ (2,808)	$ 1,043
Employee benefits and social welfare	(e)	$ 30,488	$ 429	$ 30,917
Trade payables	(b)	$ 16,652	$ 698	$ 17,350
Short–term portion of long–term debt	(b)	$ 2,150	$ (698)	$ 1,452
Provision for repurchase of shares	(c)	$ 720	$ (720)	$ –
Share capital	(c)	$ 4,227	$ (1)	$ 4,226
Retained earnings	(c)	$ 56,915	$ 721	$ 57,636

	Reference	Balance as of December 31, 2015 as originally reported	Reclassifications	Balance as of December 31, 2015
Provision for repurchase of shares	(c)	$ 770	$ (770)	$ –
Retained earnings	(c)	$ 52,146	$ 770	$ 52,916

(a) The Entity previously recognized its investment in Venezuela as part of investments in subsidiaries, joint ventures and associates, and this investment was reclassified to other non–financial non–current assets as a result of the adoption of IFRS 9 Financial Instruments.

(b) Change in the presentation criteria for trade payables that were previously presented as other current financial liabilities.

(c) Change in the presentation criteria for the provision for repurchase of shares in order to present the treasury shares as a capital redemption.

(d) Previously, the Entity grouped all taxes payable in the same caption; however, it has decided to separate income tax from other taxes payable due to its significance.

(e) The bonuses payable to employees categorized as short–term were reclassified as long–term bonuses payable.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Entity's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period of the change and future periods if the change affects both.

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 it holds no direct or indirect interest but that qualify as structured entities (SE). The Entity has concluded that it has control over 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 that it does not exercise control over such independent operators.

b) Key sources of uncertainty over estimates

1. *Useful lives, residual values and depreciation and amortization methods for long-lived assets*

As described in Note 3, the Entity annually 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 indefinite. During the periods presented in the accompanying consolidated financial statements, there were no modifications to such estimates.

2. *Impairment of goodwill and intangible assets*

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 the 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 EBITDA. To determine an appropriate multiple, the Entity identifies comparable entities.

3. *Fair value measurements*

Derivative financial instruments are recognized in the statement of financial position at fair value at the reporting date. In addition, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes, though there is no risk of adjustment to the related carrying amount (see Note 13). The Entity has acquired businesses for which it is required to determine the fair value of the consideration paid, the identifiable assets acquired and liabilities assumed and, if applicable, the non-controlling interest at the date of the acquisition, as described 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 related notes. The Entity considers that the valuation techniques and assumptions selected are appropriate for the determination of the fair values.

4. *Employee benefits*

The cost of defined benefit plans and MEPP 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, the assumptions used for such estimates are subject to change.

5. *Recoverability of deferred income tax*

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 in the United States related to the liability for general damages to third parties, self-insured and employee benefits are self-insured by the Entity with coverage that is subject to specific limitations established in an insurance program. Provisions for claims are recorded on an incurred-claim basis. Insurable risk liabilities are determined using the Entity's historical data. As of December 31, 2018, 2017 and 2016, the net liabilities amounted to $4,757, $5,085 and $3,288, respectively.

5. TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

	2018	2017	2016
Trade receivables	**$ 19,249**	$ 18,135	$ 17,249
Allowance for doubtful accounts	**(706)**	(782)	(633)
	18,543	17,353	16,616
Notes receivable	**110**	146	56
Accounts receivable from independent operators	**381**	430	386
Income tax, value added tax and other recoverable taxes	**5,579**	5,907	5,605
Other receivables	**1,337**	970	1,406
	$ 25,950	$ 24,806	$ 24,069

The average credit terms on sales of goods in Mexico are 30 days, 60 days in the United States and EAA, 21 days in Canada and 30 days in Latin America, which includes the countries of Central and South America.

6. INVENTORIES

	2018	2017	2016
Finished goods	**$ 3,508**	$ 3,231	$ 2,883
Orders in process	**187**	160	116
Raw materials, containers and wrapping	**4,281**	3,703	3,465
Spare parts	**995**	963	760
	8,971	8,057	7,224
Raw materials in transit	**369**	311	204
	$ 9,340	$ 8,368	$ 7,428

For the years ended December 31, 2018, 2017 and 2016, the Entity recognized inventory releases of $86,985, $81,691 and $75,890, respectively, in cost of sales.

7. STRUCTURED ENTITIES

The Entity, through BBU, enters into agreements with independent operators for distribution rights to sell and distribute the Entity's products through direct deliveries to retail stores in certain sales territories. The Entity does not hold equity interest in any of the entities controlled by the independent operators; however, the independent operators generally finance the purchase of distribution rights through loans from financial institutions, which are guaranteed or financed by BBU. To maintain working routes and ensure the delivery of products to customers, the Entity assumes explicit and implicit commitments. The Entity has concluded that all independent operators that are legal entities qualify as structured entities (SE) that in substance are controlled by BBU, primarily due to the loans granted and guaranteed, as well as the obligation that such subsidiaries have assumed to keep the routes operating. Based on this conclusion, the SEs are consolidated by the Entity.

An analysis of the assets and liabilities of independent operators included in the accompanying consolidated financial statements as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Property – vehicles	**$ 3,208**	$ 3,188	$ 3,118
Distribution rights	**7,084**	6,927	6,792
Total assets	**$ 10,292**	$ 10,115	$ 9,910
Short-term portion of long-term debt:			
Obligations under finance leases	**$ 647**	$ 658	$ 633
Loans granted to independent operators	**44**	42	49
Long-term debt:			
Obligations under finance leases	**1,731**	1,798	1,807
Loans granted to independent operators	**47**	42	41
Debt with affiliates (net of accounts receivable)	**5,472**	5,139	5,135
Total liabilities	**$ 7,941**	$ 7,679	$ 7,665
Non-controlling interest	**$ 2,351**	$ 2,436	$ 2,245

Financing provided by BBU to independent operators that have been classified as SEs and consolidated are eliminated in the accompanying consolidated financial statements.

Long–term lease liabilities 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 to any loss associated with independent operators is limited to a long–term debt of $91 as of December 31, 2018.

In addition, the Entity has sold certain distribution rights in the United States to former employees and other individuals, who are also considered independent operators, but not structured entities. As of December 31, 2018, 2017 and 2016 the assets related to these transactions are $786, $987 and $1,193, respectively, which are presented in the consolidated statement of financial position as short– and long–term accounts receivables from independent operators.

The Entity funds up to 90% of the distribution rights sold to certain independent operators. The loans bear interest of between 5% and 11% annually, with a weighted average of 10%, and are payable in 120 monthly 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 routes, equipment, customer lists, and other assets. The independent third party lender has priority over the collateral.

8. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment at the beginning and at the end of 2018, 2017 and 2016 is as follows:

	Balance as of January 1, 2018	Additions	Business combinations and PPA adjustments (1)	Transfers	Translation effect	Retirements	Impairment	Inflation effect	Balance as of December 31, 2018
Investment:									
Buildings	$ 26,514	$ –	$ 673	$ 1,969	$ (1,148)	$ (291)	$ –	$ 539	$ 28,256
Manufacturing equipment	76,190	–	(247)	9,887	(2,613)	(2,010)	–	1,007	82,214
Vehicles	17,644	104	(46)	1,660	(130)	(1,155)	–	30	18,107
Office equipment	1,084	–	15	162	(24)	(9)	–	7	1,235
Computer equipment	5,626	–	(1)	549	(108)	(355)	–	30	5,741
Total investment	127,058	104	394	14,227	(4,023)	(3,820)	–	1,613	135,553
Depreciation and impairment:									
Buildings	(11,715)	(1,319)	(14)	441	289	218	(72)	(154)	(12,326)
Manufacturing equipment	(38,439)	(5,163)	793	(252)	1,268	1,736	(1,029)	(567)	(41,653)
Vehicles	(7,247)	(1,133)	37	200	73	952	(2)	(17)	(7,137)
Office equipment	(609)	(129)	5	8	14	8	–	(4)	(707)
Computer equipment	(4,220)	(654)	11	(14)	70	331	–	(27)	(4,503)
Total accumulated depreciation	(62,230)	(8,398)	832	383	1,714	3,245	(1,103)	(769)	(66,326)
	64,828	(8,294)	1,226	14,610	(2,309)	(575)	(1,103)	844	69,227
Land	8,404	–	52	(37)	(314)	(42)	(1)	199	8,261
Construction in process and machinery in transit	9,766	14,963	57	(14,573)	(400)	21	–	75	9,909
Less: Assets held for sale	(26)	(127)	–	–	(1)	–	–	–	(154)
Net investment	$ 82,972	$ 6,542	$ 1,335	$ –	$ (3,024)	$ (596)	$ (1,104)	$ 1,118	$ 87,243

	Balance as of January 1, 2017	Additions	Business combinations and PPA adjustments (1)	Transfers	Translation effect	Retirements	Impairment	Inflation effect	Balance as of December 31, 2017
Investment:									
Buildings	$ 25,572	$ –	$ 1,080	$ 1,362	$ (1,904)	$ (148)	$ –	$ 552	$ 26,514
Manufacturing 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 equipment	1,015	–	7	131	(6)	(63)	–	–	1,084
Computer equipment	5,003	–	(38)	930	(99)	(171)	–	1	5,626
Total investment	123,710	259	877	11,198	(5,741)	(4,642)	–	1,397	127,058
Depreciation and impairment:									
Buildings	(10,354)	(905)	(645)	(5)	286	(30)	(27)	(35)	(11,715)
Manufacturing equipment	(42,629)	(4,984)	4,887	21	1,570	2,994	(63)	(235)	(38,439)
Vehicles	(7,243)	(1,019)	(29)	1	410	753	(1)	(119)	(7,247)
Office equipment	(595)	(105)	42	(16)	6	59	–	–	(609)
Computer equipment	(3,913)	(632)	64	(1)	93	169	–	–	(4,220)
Total accumulated depreciation	(64,734)	(7,645)	4,319	–	2,365	3,945	(91)	(389)	(62,230)
	58,976	(7,386)	5,196	11,198	(3,376)	(697)	(91)	1,008	64,828
Land	7,701	–	897	49	(195)	(115)	(4)	71	8,404
Construction in process and machinery in transit	8,055	13,187	386	(11,247)	(869)	(1)	–	255	9,766
Less: Assets held for sale	(148)	–	–	–	11	111	–	–	(26)
Net investment	$ 74,584	$ 5,801	$ 6,479	$ –	$ (4,429)	$ (702)	$ (95)	$ 1,334	$ 82,972

	Balance as of January 1, 2016	Additions	Business combinations and PPA adjustments (1)	Transfers	Translation effect	Retirements	Impairment	Inflation effect	Balance as of December 31, 2016
Investment:									
Buildings	$ 19,157	$ –	$ 1,302	$ 2,254	$ 2,695	$ (516)	$ –	$ 680	$ 25,572
Manufacturing 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 equipment	713	–	124	137	68	(27)	–	–	1,015
Computer equipment	3,719	–	129	657	578	(80)	–	–	5,003
Total investment	92,919	285	7,834	11,693	12,269	(3,571)	–	2,281	123,710
Depreciation and impairment:									
Buildings	(8,264)	(1,256)	(924)	892	(1,129)	397	(5)	(65)	(10,354)
Manufacturing equipment	(28,800)	(4,653)	(5,778)	(900)	(3,612)	1,715	(160)	(441)	(42,629)
Vehicles	(6,295)	(956)	(51)	2	(318)	577	–	(202)	(7,243)
Office equipment	(385)	(80)	(113)	(1)	(48)	32	–	–	(595)
Computer equipment	(2,909)	(523)	(103)	6	(459)	75	–	–	(3,913)
Total accumulated depreciation	(46,653)	(7,468)	(6,969)	(1)	(5,566)	2,796	(165)	(708)	(64,734)
	46,266	(7,183)	865	11,692	6,703	(775)	(165)	1,573	58,976

(continued)

	Balance as of January 1, 2016	Additions	Business combinations and PPA adjustments (1)	Transfers	Translation effect	Retirements	Impairment	Inflation effect	Balance as of December 31, 2016
Land	6,673	–	341	199	808	(454)	–	134	7,701
Construction in process and machinery in transit	5,647	12,868	37	(11,891)	541	(125)	–	978	8,055
Less: Assets held for sale	(513)	(5)	–	–	(50)	420	–	–	(148)
Net investment	$ 58,073	$ 5,680	$ 1,243	$ –	$ 8,002	$ (934)	$ (165)	$ 2,685	$ 74,584

(1) This column includes: i) acquisition of Alimentos El Paisa, ii) International Bakery, iii) Mankattan and iv) Alimentos Nutra Bien and v) adjustments to the purchase price allocation of Bimbo QSR, Ready Roti and Bays recognized in 2018; i) acquisition of Stonemill, ii) Compañía de Pastelería y Salados, iii) Ready Roti, iv) Bays and v) Bimbo QSR and vi) adjustments to the purchase price allocation of Donuts Iberia, Panettiere and General Mills recognized in 2017; i) acquisition of Bakery Donuts Iberia, ii) General Mills (Frozen Argentina) and iii) Panettiere in 2016.

Impairment losses recognized during the year

In 2018, 2017 and 2016, the Entity performed a review of unused buildings and industrial machinery and equipment, resulting in recognition of an impairment loss of $296, $95 and $165, respectively, in profit and loss. A breakdown of impairment by segment is as follows: Mexico $(29), North America $280, Latin America $(5) and EAA $50 in 2018; Mexico $20, North America $27, Latin America $25 and EAA $23 in 2017; and Mexico $116, North America $26, Latin America $21 and EAA $2 in 2016.

In addition, in 2018 the Entity recognized impairment of $808 in Argentina, which was recognized in retained earnings (see Note 3f).

9. INVESTMENTS IN ASSOCIATES

An analysis of investments in associates as of December 31, 2018, 2017 and 2016 is as follows:

Associate	Activity	% equity interest	2018	2017	2016
Beta San Miguel, S.A. de C.V.	Sugar refinery	8	$ **855**	$ 773	$ 625
Mundo Dulce, S.A. de C.V.	Confectionery	50	**337**	342	332
Fábrica de Galletas La Moderna, S.A. de C.V.	Cookies	50	**313**	277	259
Blue Label de México, S.A. de C.V. (1)	Electronic payments	48	**14**	45	124
Grupo La Moderna, S.A. de C.V.	Holding company	3	**265**	236	223
Congelación y Almacenaje del Centro, S.A. de C.V.	Warehouse	15	**207**	180	164
Productos Rich, S.A. de C.V.	Baking	18	**148**	145	142
Fin Común Servicios Financieros, S.A. de C.V.	Financial services	40	**161**	167	103
Kanan Smart Solution, S.A.P.I. (2)	Technology	49	**–**	–	33
B37 Venture, LLC	Services	17	**40**	25	23
Other	Other	Various	**305**	128	96
			$ **2,645**	$ 2,318	$ 2,124

(1) The Entity recognized impairment of $50 in the value of goodwill in 2017 and 2016, which was recorded in the Entity's investment in its associate Blue Label, S.A. de C.V.

(2) Kanan Smart Solution, S.A.P.I. (formerly Solex Vintel Alimentos, S.A.P.I. de C.V.) became the Entity's subsidiary in 2017.

All associates were incorporated and operate primarily in Mexico, except for B37 Ventura, LLC, which operates in the United States. The Entity's investments in associates are recognized using the equity method.

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., Productos Rich, S.A. de C.V. and B37 Venture, LLC, are all considered associates, since the Entity has significant influence over these companies given that it is a member of the Board of Directors of such associates.

As of December 31, 2018, the Entity's associates do not represent a relevant strategy for the Entity's operations as a whole.

A summary of the changes in the Entity's investments in associates is as follows:

	2018	2017	2016
Balance as of January 1	$ **2,318**	$ 2,124	$ 2,106
Acquisitions and capital contributions	**175**	9	–
Dividends received	**(42)**	(24)	(24)
Share of profit of associates	**194**	234	121
Decreases	**–**	(25)	(79)
Balance as of December 31	$ **2,645**	$ 2,318	$ 2,124

The condensed financial information of Beta San Miguel, S. A. de C.V. as of and for the year ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Total assets	$ **20,083**	$ 18,923	$ 17,844
Total liabilities	$ **9,384**	$ 9,256	$ 9,814
Equity	$ **10,699**	$ 9,667	$ 8,030
Net profit	$ **1,031**	$ 1,800	$ 939
Other comprehensive income	$ **(30)**	$ (58)	$ 939
Share of profit of associate	$ **82**	$ 144	$ 75

10. INTANGIBLE ASSETS

An analysis of intangible assets by geographical segment as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Mexico:			
Bimbo	$ **1,242**	$ 1,417	$ 299
Barcel	**1,072**	931	930
El Globo	**294**	310	310
Other	**318**	46	37
	2,926	2,704	1,576
North America:			
BBU	**32,044**	32,694	33,078
Canada Bread	**8,669**	10,036	9,875
Bimbo QSR – USA	**1,715**	1,669	–
	42,428	44,399	42,953

	2018	2017	2016
EAA:			
Bimbo QSR – EAA	$ **2,669**	$ 3,169	$ –
Spain	**2,499**	2,385	2,000
United Kingdom	**818**	890	867
India	**1,029**	6	–
China	**956**	3	3
Morocco	**–**	45	–
	7,971	6,498	2,870
Latin America:			
Argentina	**–**	1,194	1,125
Brazil	**283**	526	495
Ecuador	**381**	405	424
Other	**487**	468	495
	1,151	2,593	2,539
	$ **54,476**	$ 56,194	$ 49,938

An analysis of intangible assets by item as of December 31, 2018, 2017 and 2016 is as follows:

	Average useful life	2018	2017	2016
Trademarks	Indefinite	**$ 35,314**	$ 35,224	$ 35,289
Use and distribution rights	Indefinite	**7,928**	7,619	7,330
		43,242	42,843	42,619
Trademarks	4 and 9 years	**312**	340	332
Customer relationships	18, 21 and 22 years	**17,870**	17,116	11,864
Licenses and software	8 and 2 years	**2,223**	2,162	1,661
Non-competition agreements	5 years	**165**	148	130
Other		**1,457**	1,167	38
		22,027	20,933	14,025
Accumulated amortization and impairment		**(10,793)**	(7,582)	(6,706)
		$ 54,476	$ 56,194	$ 49,938

The accumulated impairment in the value of trademarks with indefinite useful lives as of December 31, 2018, 2017 and 2016 is $2,939, $1,730 and $1,802, respectively.

The customer relationships that resulted from the Entity's acquisitions are as follows:

	Year of acquisition	Remaining useful life	Net carrying amount 2018	2017	2016
Weston Foods, Inc.	2009	9	**$ 2,705**	$ 3,048	$ 3,548
Sara Lee Bakery Entity, Inc	2011	12	**1,114**	1,219	1,384
Canada Bread	2014	18	**2,388**	2,652	2,642
Bimbo QSR	2018	18	**4,351**	4,838	–
Other			**7,312**	5,359	4,290
			$ 17,870	$ 17,116	$ 11,864

Reconciliation of the carrying amount of intangible assets at the beginning and at the end of 2018, 2017 and 2016 is as follows:

Cost

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-competition agreements	Other	Total
Balance 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
Business combinations and PPA adjustments	802	–	–	–	–	–	802
Foreign exchange gain	4,747	1,108	2,036	276	19	–	8,186
Balance as of December 31, 2016	35,621	7,330	11,864	1,661	130	38	56,644
Structured entities	–	596	–	–	–	–	596
Business combinations and PPA adjustments	382	–	5,472	418	15	1,129	7,416
Foreign exchange (loss)/gain	(439)	(307)	(220)	83	3	–	(880)
Balance as of December 31, 2017	35,564	7,619	17,116	2,162	148	1,167	63,776
Structured entities	**–**	**328**	**–**	**–**	**–**	**–**	**328**
Additions	**381**	**–**	**–**	**120**	**–**	**259**	**760**
Business combinations and PPA adjustments	**609**	**–**	**940**	**12**	**(14)**	**90**	**1,637**
Transfers	**–**	**–**	**399**	**–**	**–**	**–**	**399**
Effect of remeasurement	**63**	**–**	**–**	**–**	**–**	**–**	**63**
Foreign exchange (loss)/gain	**(991)**	**(19)**	**(585)**	**(71)**	**31**	**(59)**	**(1,694)**
Balance as of December 31, 2018	**$ 35,626**	**$ 7,928**	**$ 17,870**	**$ 2,223**	**$ 165**	**$ 1,457**	**$ 65,269**

Accumulated amortization and impairment

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-competition agreements	Other	Total
Balance as of December 31, 2015	$ (748)	$ (247)	$ (2,669)	$ (374)	$ (56)	$ (26)	$ (4,120)
Structured entities	–	35	–	–	–	–	35
Amortization expense	–	(3)	(578)	(386)	(1)	–	(968)
Impairment	(440)	–	–	–	–	–	(440)
Foreign exchange loss	(553)	(51)	(544)	(59)	(6)	–	(1,213)
Balance as of December 31, 2016	(1,741)	(266)	(3,791)	(819)	(63)	(26)	(6,706)
Structured entities	–	(73)	–	–	–	–	(73)
Amortization expense	(17)	(3)	(698)	(383)	(15)	–	(1,116)
Impairment	(61)	–	–	–	–	–	(61)
Foreign exchange gain	131	5	201	35	2	–	374
Balance as of December 31, 2017	(1,688)	(337)	(4,288)	(1,167)	(76)	(26)	(7,582)
Structured entities	**–**	**(148)**	**–**	**–**	**–**	**–**	**(148)**
Amortization expense	**(18)**	**–**	**(765)**	**(579)**	**(8)**	**(232)**	**(1,602)**
Impairment	**(1,268)**	**–**	**(333)**	**–**	**(51)**	**–**	**(1,652)**
Foreign exchange gain	**51**	**–**	**64**	**61**	**15**	**–**	**191**
Balance as of December 31, 2018	**$ (2,923)**	**$ (485)**	**$ (5,322)**	**$ (1,685)**	**$ (120)**	**$ (258)**	**$ (10,793)**
Net balance as of December 31, 2016	$ 33,880	$ 7,064	$ 8,073	$ 842	$ 67	$ 12	$ 49,938
Net balance as of December 31, 2017	$ 33,876	$ 7,282	$ 12,828	$ 995	$ 72	$ 1,141	$ 56,194
Net balance as of December 31, 2018	**$ 32,703**	**$ 7,443**	**$ 12,548**	**$ 538**	**$ 45**	**$ 1,199**	**$ 54,476**

Amortization of intangible assets is recognized under administrative expenses.

In 2018 the Entity recognized impairment in the value of trademarks of $401. Impairment was recognized in the following brands: $41 in Dutch Country and $4 in El Molino in the Mexico segment; $23 in Grillé and $1 in Rolly's in the Latin America segment; $101 in Tenderflake, $30 in Beefsteak, $161 in Colonial and $35 in Iron Kids in the North America segment; and $5 in La Belle in the EAA segment.

In addition, in 2018 the Entity recognized impairment in the value of trademarks, customer relationships and non-competition agreements in Argentina of $1,251, which was recognized in retained earnings (see Note 3f).

In 2017 the Entity recognized impairment of $28 in the Dutch Country brand in the Mexico segment and $33 in the Dutch Country and Stroehmann brands in the North America segment in the consolidated statement of profit or loss under other expenses, net, as a result of reduced sales of such brands.

In 2016, the Entity recognized an impairment of $93 in the Dutch Country brand in the Mexico segment, $302 in the Firenze, Grille, Maestro Cubano and Pan Catalán brands in the Latin America segment, $8 in the Ortiz brand in the EAA segment and $37 in the Iron Kids and Colonial brands in the North America segment in the consolidated statement of profit or loss under other expenses, net, as a result of reduced sales of such brands.

The total amount of impairment in use and distribution rights corresponds to the Entity's operations in the United States.

For the purpose of impairment tests, the fair value of trademarks was estimated using the relief–from–royalty method with royalty rates ranging from 2% to 5%, and with 3% being the rate used for most trademarks.

11. GOODWILL

An analysis of goodwill by geographical area is as follows:

	2018	2017	2016
Goodwill:			
Mexico	**$ 1,470**	$ 1,334	$ 1,287
North America	**61,952**	63,305	62,995
EAA	**11,240**	8,063	3,971
Latin America	**3,461**	3,038	3,107
	78,123	75,740	71,360
Accumulated impairment:			
Mexico	**$ (569)**	$ (560)	$ (577)
North America	**(6,389)**	(6,229)	(6,391)
EAA	**(3,696)**	(3,467)	–
Latin America	**(1,956)**	(2,058)	(1,508)
	(12,610)	(12,314)	(8,476)
	$ 65,513	$ 63,426	$ 62,884

An analysis of movements in goodwill for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Balance as of January 1,	$ 63,426	$ 62,884	$ 49,196
Acquisitions in business combinations (Note 1)	2,663	4,518	3,793
Impairment	(331)	(389)	(204)
Reclassifications due to adjustments to the values of business combinations	1,784	(3,216)	–
Adjustment due to change in foreign exchange rates	(2,029)	(371)	10,099
Balance as of December 31,	$ 65,513	$ 63,426	$ 62,884

An analysis of movements in cumulative impairment losses as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Balance as of January 1,	$ 12,314	$ 8,476	$ 6,853
Impairment for the year	331	389	204
Reclassifications due to adjustments to the values of acquisitions	–	3,216	–
Adjustment due to changes in foreign exchange rates	(35)	233	1,419
Balance as of December 31,	$ 12,610	$ 12,314	$ 8,476

Key assumptions used in the value–in–use calculations

The key assumptions of the primary cash–generating units used in impairment tests are as follows:

	Discount rate			Average growth			Capex over net sales		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Mexico	**9.8%**	10.7%	9.3%	**6.1%**	7.0%	4.1%	**2.1%**	3.0%	2.6%
USA	**7.5%**	8.5%	7.5%	**3.6%**	3.2%	2.4%	**2.6%**	2.1%	2.5%
Canada	**6.0%**	5.8%	5.6%	**1.9%**	4.8%	4.3%	**3.7%**	3.8%	4.1%
Spain	**7.0%**	6.5%	5.5%	**2.1%**	2.5%	3.8%	**6.0%**	7.4%	1.7%
Brazil	**9.8%**	11.3%	12.1%	**9.4%**	6.9%	6.4%	**5.7%**	3.8%	7.0%

Allocation of goodwill to cash–generating units

When analyzing impairment, goodwill is allocated to cash–generating units ("CGU"), which are represented mainly by the United States, Canada, Spain and others.

The carrying amount of goodwill assigned to each cash–generating unit, after impairment losses, is as follows:

	2018	2017	2016
USA	**$ 42,227**	$ 41,609	$ 42,102
Canada	**13,336**	14,663	14,243
Spain	**1,229**	4,071	3,852
Other CGUs	**8,721**	3,083	2,687
	$ 65,513	$ 63,426	$ 62,884

USA

The recoverable amount of the CGU in the USA is estimated based on the greater between the value–in–use and fair value less cost to sell ("FVLCTS"). This year the FVLCTS was greater. For the calculation, the Entity applied the Guideline Public Entity (GPC) method, using EBITDA multiples from comparable companies.

To determine the recoverable amount through the GPC method, the median of the EBITDA multiples at the valuation date from a selection of comparable companies is used. The Business Value (BV) is obtained by applying the EBITDA of the last 12 months and at the valuation date of the CGU in the USA. 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 obtain a market value for equity.

Since such value represents the value of the non–controlling interest, because it is obtained by 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 cumulative losses and costs to sell in order to obtain the FVLCTS.

After applying the aforementioned methodology, the Entity concluded that there is no impairment in the value of the goodwill of this CGU.

Morocco

The recoverable amount of the CGUs is estimated based on the greater between the value–in–use and fair value less cost to sell ("FVLCTS").

To determine the recoverable amount, the Entity used the Discounted Cash Flow (DCF) method, which considers a discount rate applied to projected cash flows provided by the operation. The discount rate used is the weighted average cost of capital (WACC), which considers the cost of capital contributed by the shareholder (CAPEM) and the cost of bond debt. The planning horizon was 5 years plus a perpetuity that considers the normalized cash flow with growth in line with the country's inflation rate.

Based on the application of this methodology, the Entity identified impairment in the value of the goodwill of Bimbo Morocco of $201.

Argentina

The Entity applied the DCF method to this CGU and identified impairment of $121 in the value of the goodwill of its operations in Argentina, which was recognized in retained earnings (see Note 3f).

Rest of operations

For the rest of the CGUs, the recoverable amount was considered the value–in–use without any indicators of impairment.

After applying the aforementioned methodology, the Entity concluded that there is no impairment in the value of the rest of the CGUs.

12. LONG–TERM DEBT

	Fair value	Book value **2018**	Book value 2017	Book value 2016
International bonds –				
On November 10, 2017 the Entity issued a bond under Rule 144 A and Regulation S of the Securities and Exchange Commission (SEC) for USD 650 million, maturing on November 10, 2047. Such bond pays a fixed interest rate of 4.70% payable on a semi–annual basis. The proceeds from this issuance were used to refinance the Entity's debt, extending the average maturity.	$ 11,520	**$ 12,794**	$ 12,828	$ –
On June 27, 2014 the Entity issued a bond under Rule 144 A and Regulation S of the SEC for USD 800 million, maturing on June 27, 2024. Such bond pays a fixed interest rate of 3.875% payable on a semi–annual basis. The proceeds from this issuance were used to refinance the Entity's debt, extending the average maturity. See Note 13.2.3 (b) for more information.	15,506	**15,746**	15,788	16,531
On June 27, 2014 the Entity issued a bond under Rule 144 A and Regulation S of the SEC for USD 500 million, maturing on June 27, 2044. Such bond pays a fixed interest rate of 4.875% payable on a semi–annual basis. The proceeds from this issuance were used to refinance the Entity's debt, extending the average maturity. See Note 13.2.3 (c) for more information.	9,130	**9,841**	9,868	10,332
On January 25, 2012 the Entity issued a bond under Rule 144 A and Regulation S of the SEC for USD 800 million, maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.5% payable on a semi–annual basis. The proceeds from this issuance were used to refinance the Entity's debt, extending the average maturity.	16,064	**15,746**	15,788	16,531
On June 30, 2010 the Entity issued a bond under Rule 144 A and Regulation S of the SEC for USD 800 million, maturing on June 30, 2020. Such bond pays a fixed interest rate of 4.875% payable on a semi–annual basis. The proceeds from this issuance were used to refinance the Entity's debt, extending the average maturity.	16,063	**15,746**	15,788	16,531

	Fair value	Book value 2018	Book value 2017	Book value 2016
Local bonds –				
As of December 31, 2018, the Entity has issued the following local bonds, payable at the maturity date:				
Bimbo 17– Issued on October 6, 2017. This local bond matures in September 2027 and Such bond pays a fixed interest rate 8.18%.	8,588	**9,723**	10,000	–
Bimbo 16– Issued on September 14, 2016. This local bond matures in September 2026 and Such bond pays a fixed interest rate of 7.56%.	6,766	**7,830**	8,000	8,000
Bimbo 12– Issued on February 10, 2012. This local bond matures in August 2018 and such bond pays a fixed interest rate of 6.83%. On October 20, 2017, the Entity paid the local bond in full.	–	–	–	5,000
Revolving committed line of credit (multicurrency) –				
On May 21, 2018 the Entity renewed and amended the terms and conditions of the committed multicurrency line of credit, which was originally obtained on April 26, 2010 and modified in 2013, 2016 and February 2018. In accordance with the new terms and conditions, the financial institutions engaged in this line of credit are BBVA Bancomer S.A., Banco Nacional de México S.A., HSBC Bank USA N.A., HSBC México S.A., Banco Santander (México) S.A., JPMorgan Chase Bank N.A., Bank of America N.A., ING Bank N.V., MUFG Bank Ltd. and Mizuho Bank Ltd. The total amount is up to USD 2 million, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced to USD 1.6 million. The drawdowns against this line of credit bear interest at the London Interbank Offered Rate (LIBOR) plus 0.95% for drawdowns made in USD, at the Canadian Dollar Offered Rate (CDOR) plus 0.95% for drawdowns made in Canadian dollars, at the Interbank Equilibrium Interest Rate (TIIE) plus 0.725% for drawdowns made in Mexican pesos, and at the Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.				
In 2018 and 2017, the Entity has made drawdowns against and payments to this line of credit. As of December 31, 2018, 2017 and 2016, there is no outstanding balance on this line of credit.	–	**–**	–	–
Revolving committed line of credit (euros) –				
On November 6, 2015 the Entity obtained a committed line of credit in euros. This line of credit for up to EUR 350 million was cancelled on March 2, 2018. The line of credit matured on February 6, 2021 and bore interest at the EURIBOR plus 1%. The financial institutions engaged in this line of credit are BBVA Bancomer S.A., ING Capital LLC y Bank of America N.A. As of December 31, 2017, the amount drawn down was EUR 100 million, which was used to meet its working capital needs and finance the acquisition of Donuts Iberia. The line of credit was paid in full on March 2, 2018.	–	–	2,356	3,457

	Fair value	Book value 2018	Book value 2017	Book value 2016
Unsecured loans for working capital – The Entity occasionally enters into short–term unsecured loans to meet its working capital needs.	–	**–**	–	–
Other – Certain subsidiaries have entered into other direct loans to meet their working capital needs. The maturity dates for such loans range from 2018 to 2025.	2,783	**2,783**	3,450	5,817
Debt issuance expenses	(363)	**(363)**	(435)	(396)
	86,057	**89,846**	93,431	81,803
Less:				
Short–term portion of long–term debt	(1,153)	**(1,153)**	(1,885)	(1,452)
Long–term debt	$ 84,904	**88,693**	$ 91,546	$ 80,351

As of December 31, 2018, maturities of long–term debt are as follows:

Year	Amount
2020	$ **15,951**
2021	**513**
2022	**15,941**
2023	**169**
2024 and thereafter	**56,119**
	$ **88,693**

The reconciliation of the Entity's debt at the beginning and at the end of 2018 is as follows:

Debt	**2018**
Beginning balance	$ **93,431**
Loans obtained	**8,024**
Loans paid	**(11,005)**
Amortization of debt issuance expenses	**71**
Effects of remeasurements	**(675)**
Ending balance	$ **89,846**

All current bonds, international bonds and revolving committed lines of credit are guaranteed by the primary subsidiaries of Grupo Bimbo. As of December 31, 2018, 2017 and 2016, the Entity has complied with all of its obligations established in its loan agreements, including the required financial ratios, such as its gearing ratio (debt/EBITDA) and interest ratio (EBITDA/interest).

13. FINANCIAL INSTRUMENTS

1. **An analysis of financial instruments by category as of December 31, 2018, 2017 and 2016 is as follows:**

		2018		2017		2016	Category
Assets							
Financial assets:							
Cash and cash equivalents	**$**	**7,584**	$	7,216	$	6,814	Fair value
Trade receivables and other accounts receivable, net		**20,371**		18,899		18,463	Amortized cost
Derivative financial instruments		**106**		682		305	Fair value
Guarantee deposits for derivative financial instruments		**619**		417		1,140	Fair value
Total current assets		**28,680**		27,214		26,722	
Long-term accounts receivable from independent operators		**404**		557		807	Fair value
Derivative financial instruments		**3,017**		2,592		3,448	Fair value
Total assets	$	**32,101**	$	30,363	$	30,977	
Liabilities							
Financial liabilities:							
Short-term portion of long-term debt	**$**	**1,153**	$	1,885	$	1,452	Amortized cost
Trade accounts payables		**21,074**		19,677		17,350	Amortized cost
Other accounts payable		**2,243**		1,651		1,521	Amortized cost
Accounts payable to related parties		**909**		955		853	Amortized cost
Derivative financial instruments		**879**		241		372	Fair value
Total current liabilities		**26,258**		24,409		21,548	
Long-term debt		**88,693**		91,546		80,351	Amortized cost
Derivative financial instruments		**347**		–		3,352	Fair value
Total liabilities	**$**	**115,298**	$	115,955	$	105,251	

2. Risk management

During the normal course of its operations, the Entity is exposed to risks inherent to financial variables, as well as changes 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.

The primary financial risks to which the Entity is exposed are as follows:

- Market risk
- Interest rate risk
- Foreign currency risk
- Commodity price risk
- Liquidity risk
- Credit risk
- Equity 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 managing the risk related to the purchase price of certain commodities and reviewing 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 have a significant impact on the Entity
- Prioritize risks
- Ensure risk assignment and monitoring
- Validate bodies and/or those responsible for risk management
- Validate the progress made in the management of each prioritized risk
- Make recommendations

Since the variables to which the Entity is exposed are dynamic, hedging strategies are evaluated and monitored periodically. 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 risk exposure caused by certain financial variables.

2.1 Market risks

The Entity is exposed to interest rate and foreign currency risks, which are managed by the Corporate Treasury. The Entity is also exposed to price risk related to the purchase of certain commodities, which is managed by the Purchases department. The Entity occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its financial performance. The Entity considers that the derivative financial instruments it enters into provide flexibility that allows for greater financial stability and better visibility and certainty regarding future costs and expenses.

Through the corresponding departments, the Entity determines the target amounts and parameters of the primary positions for which the derivative financial instruments are contracted in order to minimize one or more of the risks generated by a transaction or group of transactions associated with the primary position.

The Entity only enters into derivative financial instruments with financial institutions of well-known solvency and within the limits set for each institution.

The main types of derivative financial instruments used by the Entity are as follows:

a) Contracts that establish a mutual obligation to exchange cash flows on preestablished 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 call options
d) Commodity futures
e) Options on raw material futures
f) Commodity swaps

Market risk exposure is monitored and reported on an ongoing basis to the corresponding governing area within the Entity.

The Entity's policy is to contract derivative financial instruments for the sole purpose of hedging its foreign currency risk. Accordingly, in order to contract a derivative financial instrument, 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 must be consistent with the amounts of the primary positions that are being hedged. The Entity does not contract derivative financial instruments for to obtain earnings from premiums. If the Entity decides to enter into a hedging strategy whereby options are combined, the net premiums paid/collected must represent a cash outflow.

Derivative financial instruments are comprised as follows:

	2018 Book value	2018 Value in OCI	2017 Book value	2017 Value in OCI	2016 Book value	2016 Value in OCI
Assets						
Current assets:						
Forwards	$ **37**	$ **4**	$ 33	$ 33	$ –	$ (22)
Forwards on raw materials	**–**	**(189)**	189	20	169	100
Foreign exchange options	**26**	**(88)**	114	114	–	–
Unaccrued option premiums paid	**29**	**–**	45	45	–	–
Swaps	**–**	**–**	–	–	–	9
Futures:						
Fair value of raw materials, natural gas, diesel and soy oil	**14**	**(287)**	301	165	136	136
Total short–term derivative financial instruments	$ **106**	$ **(560)**	$ 682	$ 377	$ 305	$ 223
Non–current assets:						
Cross currency swap	$ **3,009**	$ **903**	$ 2,592	$ 897	$ 3,448	$ 84
Forwards	**8**	**8**	–	–	–	–
Total long–term derivative financial instruments	$ **3,017**	$ **911**	$ 2,592	$ 897	$ 3,448	$ 84
Liabilities						
Current liabilities:						
Swap	$ **(12)**	$ **1**	$ (13)	$ (13)	$ –	$ (160)
Foreign currency forwards	**–**	**–**	–	9	(9)	(9)
Forwards on raw materials	**(76)**	**(76)**	–	–	–	–
Futures:						
Fair value of raw materials, natural gas, diesel and soy oil	**(791)**	**(563)**	(228)	135	(363)	856
Total short–term derivative financial instruments	$ **(879)**	$ **(638)**	$ (241)	$ 131	$ (372)	$ 687
Total long–term derivative financial instruments	$ **(347)**	$ **(347)**	$ –	$ (569)	$ (3,352)	$ (275)
Equity:						
Total valuation of cash flow hedges, net of accrued interest	$ **(490)**	$ **(634)**	$ 144	$ 836	$ (692)	$ 719
Closed contracts for unused futures	**2**	**26**	(24)	141	(165)	(117)
	(488)	**(608)**	120	977	(857)	602
Deferred income tax, net	**119**	**149**	(30)	(297)	267	(237)
Other comprehensive (loss)/income	$ **(369)**	$ **(459)**	$ 90	$ 680	$ (590)	$ 365

2.2 Management of interest rate risk

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 contracting derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they meet with the corresponding criteria.

Management considers that the interest rate risk related to its financial assets is limited, since they are generally current assets.

As of December 31, 2018, the Entity does not hold any long–term debt at a variable rate. The Entity held long–term debt that bears interest at the EURIBOR as of December 31, 2017 and at the CDOR and EURIBOR as of December 31, 2016. The entity has entered into interest rate swaps to fix such interest rates. The swaps have been designated as cash flow hedges.

Interest rate sensitivity

The sensitivity analyses below have been determined based on balances exposed to interest rate risk, considering both derivative and non–derivative financial instruments at year–end closing; therefore, the analyses may not be representative of the interest rate risk for the period due to changes 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 CDOR and EURIBOR and a change of 100 basis points in the 28–day TIIE represents management's best estimate of a reasonable potential change with respect to those rates.

An increase/decrease of 20 basis points in the CDOR would result in a decrease/increase in profit or loss of approximately \$4.9 for the year ended December 31, 2016. This amount is deemed immaterial in respect of the Entity's financial performance. As of December 31, 2018 and 2017, the Entity did not hold any debt at such rate.

An increase/decrease of 20 basis points in the EURIBOR would result in a decrease/increase in profit or loss of approximately \$4.7 and \$6.9 for the years ended December 31, 2017 and 2016, respectively.

2.3 Management of foreign currency risk

The Entity carries out transactions in different foreign currencies and presents its consolidated financial statements in Mexican pesos. Accordingly, it is exposed to foreign currency risk (i.e., due to forecasted purchases of raw materials, contracts and monetary assets and liabilities) and foreign currency translation risk (i.e. due to net investments is foreign subsidiaries). The Entity is mainly exposed to foreign currency risk associated with the performance of the Mexican peso against the USD and the Canadian dollar and the Canadian dollar against the USD.

– Management of foreign currency translation risk

The Entity has investments in foreign subsidiaries whose functional currency is not the Mexican peso, which exposes it to foreign currency translation risk. The Entity has contracted intercompany financial assets and liabilities with those foreign subsidiaries in various currencies, which also generates foreign currency translation risks.

Foreign currency translation risk is mitigated mostly 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 in other comprehensive income.

As of December 31, 2018, 2017 and 2016, the loans in USD (described in Note 12) that have been designated as hedges on the net investment in foreign subsidiaries amount to 2.55 billion, 2.65 billion and 2.392 billion, respectively.

As of December 31, 2018, 2017 and 2016, the loans that have been designated as hedges on the net investment in foreign subsidiaries amount to CAD 290 million, CAD 965 million and CAD 965 million, respectively (see Note 13, 2.3 (a)).

To test hedge effectiveness, the Entity compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the net investment.

As of December 31, 2018, 2017 and 2016, the amount designated as a hedge for long–term intercompany asset positions is CAD 650 million.

As of December 31, 2017 and 2016, the bank loan that has been designated as a hedge on the net investment in foreign subsidiaries amounts to EUR 100 million and EUR 160 million, respectively.

As of December 31, 2016, the amount designated as a hedge for long–term intercompany liability positions is USD 2 million.

Management of transactional foreign currency risk

The Entity's risk management policy on transactional foreign currency risk consists of hedging expected cash flows, mainly with regard to expected obligations that qualify as hedged items, represented by "highly probable" forecasted transactions for purposes of hedge accounting. When the future purchase is made, the Entity adjusts the non–financial asset hedged for the gain or loss previously recognized in OCI.

Foreign currency sensitivity

The sensitivity analyses below have been determined based on balances exposed to foreign currency risk, considering both derivative and non–derivative financial instruments at year–end closing; therefore, the analyses may not be representative of the foreign currency risk for the period due to changes in the balances exposed to such risk.

A depreciation/appreciation of one Mexican peso per USD that represents management's estimate of a reasonable potential change in the parity of both currencies would result in an increase/decrease of approximately $55, $38 and $12 in profit or loss for the years ended December 31, 2018, 2017 and 2016, respectively.

A depreciation/appreciation of one Mexican peso per Canadian dollar that represents management's estimate of a reasonable potential change in the parity of both currencies would result in an increase/decrease of approximately $1 and $1 in profit or loss for the years ended December 31, 2018 and 2017, respectively.

A depreciation/appreciation of $1 Mexican peso per euro that represents management's estimate of a reasonable potential change in the parity of both currencies would result in an increase/decrease of approximately $1 in profit or loss for the year ended December 31, 2018.

Analysis of derivative financial instruments for hedging interest rate and foreign currency risk

An analysis of the derivatives used to hedge interest rate and foreign currency risks and their fair value as of December 31, 2018, 2017 and 2016 is as follows:

Agreements		2018	2017	2016
Swaps that translate the 144A bond, which matures on June 27, 2024, from USD to Canadian dollars and change the fixed interest rate in USD to a fixed interest rate in Canadian dollars.	(a)	**$ 1,091**	$ 2,285	$ 3,037
Swaps that translate the 144A bond, which matures on June 27, 2044, from USD to Canadian dollars and change the fixed interest rate in USD to a fixed interest rate in Canadian dollars.	(b)	**–**	307	411
Swaps that translate the 144A bond, which matures on June 27, 2024, from USD to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.	(c)	**1,411**	–	–
Swaps that translate the 144A bond, which matures on June 27, 2044, from USD to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.	(d)	**387**	–	–
Swaps that translate the 144A bond, which matures on June 27, 2020, from USD to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.	(e)	**120**	–	–
Long–term foreign currency forwards	(f)	**8**	–	–
Total long–term assets		**$ 3,017**	$ 2,592	$ 3,448
Swaps that translate the Bimbo 09-2 local bond with a short–term maturity from Mexican pesos to USD and change the fixed interest rate from Mexican pesos to a fixed interest rate in USD.	(g)	**$ –**	$ –	$ (3,352)
Interest rate swap that hedges the variable rate in USD	(h)	**(333)**	–	–
Forwards for forecasted payments in foreign currency	(i)	**(14)**	–	–
Total long–term liabilities		**$ (347)**	–	$ (3,352)

(a) In order to translate the International 144A Bond of USD 800 million issued between June 30, and July 21, 2014 from USD to Canadian dollars, the Entity contracted 6 cross currency swaps for a notional amount of 240, 290, 110, 10.73, 108.34 and 99.3 million Canadian dollars, all maturing on June 27, 2024. These instruments receive interest of 3.875% in USD and pay interest of 4.1175%, 4.1125%, 4.1558%, 4.1498%, 4.1246% and 4.0415% in Canadian dollars. The Entity settled a portion of these instruments prior to their maturity date for a notional amount of 240, 110, 10.73, 108.34 and 99.3 million Canadian dollars.

(b) In order to translate a portion of the International 144A Bond of USD 500 million from USD to Canadian dollars, on July 21, 2014 the Entity contracted a cross currency swap for a notional amount of CAD 107.4 million, maturing on June 27, 2024. This instrument receives interest of 4.875% in USD and pays interest of 5.0455%. This derivative was settled prior to its maturity date.

(c) In order to translate a portion of the International 144A Bond of USD 800 million from USD to Mexican pesos, between April 9 and 23, 2018 the Entity contracted 4 cross currency swaps for a notional amount of 100, 150, 76 and 204 million USD, all maturing on June 27, 2024. These instruments receive interest of 3.875% in USD and pay interest of 8.41%, 8.42%, 8.387% and 8.32% in Mexican Pesos.

(d) In order to translate a portion of the International 144A Bond of USD 500 million from USD to Mexican pesos, on April 10, 2018 the Entity contracted a cross currency swap for a notional amount of USD 100 million, maturing on June 27, 2028. This instrument receives interest of 4.875% in USD and pays interest of 9.8385% in Mexican pesos.

(e) In order to translate a portion of the International 144A Bond of USD 800 million from USD to Mexican pesos, on May 4, 2018 the Entity contracted a cross currency swap for a notional amount of USD 100 million, maturing on June 30, 2020. This instrument receives interest of 4.875% in USD and pays interest of 9.438% in Mexican pesos.

(f) In order to hedge its foreign currency risk, the Entity holds a portfolio of long–term forwards that result in a long–term position of USD 46 million at an average exchange rate of $21.12 Mexican pesos per USD, with multiple maturities.

(g) In order to translate the Bimbo 09-2 local bond from USD to Mexican pesos, in 2010 the Entity contracted a cross currency swap for a notional amount of $2,000 (equal to USD 155.3 million), maturing on June 6, 2016. The exchange rate was set at $12.88 per USD with a fixed interest rate of 6.35%. This instrument was settled at the maturity date.

(h) In order to hedge the variable rate in USD (LIBOR), the Entity contracted an interest rate swap on October 31, 2018 for a notional amount of USD 480 million, maturing on June 30, 2020. This instrument receives interest at the LIBOR on a quarterly basis and pays semi-annual interest at a fixed rate of 3.17%.

(i) In order to hedge its foreign currency risk, the Entity holds a portfolio of long-term forwards that result in a long-term position of USD 15 million at an average exchange rate of $22.38 Mexican pesos per USD, with multiple maturities.

Foreign currency hedges

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Entity has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components.

As of December 31, 2018, 2017 and 2016, the following transactions have a net market value of $37, $33 and $(9), respectively:

- In order to meet the needs of the Corporate Treasury in Chilean pesos tied to various forecasted expenses, as of December 31, 2018, the Entity holds a portfolio of forwards that result in a short position in Chilean pesos with monthly maturities for a total amount of CLP 9,500 million, at an average exchange rate of 655.25 Chilean pesos per USD.
- In order to meet the needs of the Corporate Treasury in Chilean pesos tied to various forecasted expenses, as of December 31, 2018, the Entity holds a portfolio of forwards that result in a short position in Chilean pesos with seven-month maturities for a total amount of CLP 29, 212 million, at an average exchange rate of 32.53 Chilean pesos per Mexican peso.
- In order to meet the needs of the Corporate Treasury in USD tied to various forecasted expenses, as of December 31, 2018, 2017 and 2016, the Entity holds a portfolio of forwards that result in a long position with monthly maturities for a total amount of 130, 115 and 75 million USD, respectively, at an average exchange rate of $20.49, $19.55 and $20.49 Mexican pesos per USD, respectively.
- In order to cover the needs of the Corporate Treasury in USD tied to various forecasted expenses, as of December 31, 2018 and 2017, the Entity holds a portfolio of forwards in France that result in a long position in USD with monthly maturities for a total amount of USD 3.1 and 2 million, respectively, at an average exchange rate of 1.27 and 1.14 USD, per euro, respectively.

As of December 31, 2018 and 2017, the following derivatives designated as options have a net market value of $26 and $114, respectively:

- In order to meet the needs of the Corporate Treasury in USD tied to various forecasted expenses, as of December 31, 2018 and 2017, the Entity holds a portfolio of call options that result in a long position in USD with quarterly maturities for a notional amount of 50 and 120 million USD, respectively, at an exchange rate of $22.50 and $21.00 Mexican pesos per USD, respectively.
- In order to meet the needs of the Corporate Treasury in USD tied to various forecasted expenses, as of December 31, 2018, the Entity holds a portfolio of collar options that result in a long position in USD, hedging a notional amount of USD 50 million, at an exchange rate of $22.50 Mexican pesos per USD for the purchase of the call option and $18.00 Mexican pesos per USD for the sale of the put option.

As of December 31, 2018 and 2017, the following derivatives designated as interest rate swaps have a net market value of $(12) and $(13), respectively:

- The Entity had contracted interest rate swaps in order to hedge the forecasted cash flows associated with bank loans for its operations in Italy. These instruments hedged a notional amount of EUR 19.2 million in 2018 and 2017.

As of December 31, 2018, 2017 and 2016, the following forwards contracted to hedge the foreign currency risk associated with raw materials and equity investments have a net market value of $(76), $189 and $169, respectively:

- As of December 31, 2018, 2017 and 2016, the Entity contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Mexico. These instruments hedged a notional amount of 284.7, 327.8 and 132.9 million USD, fixing the exchange rate at $20.77, $19.55 and $19.77 Mexican pesos per USD, respectively.
- As of December 31, 2018 and 2016, the Entity contracted forwards in order to hedge the foreign currency risk associated with equity investments in its operations in Mexico. These instruments hedged a notional amount of 14.2 and 3.2 million USD, fixing the average exchange rate at $19.22 and $18.92 Mexican pesos per USD, respectively.
- As of December 31, 2018, 2017 and 2016, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Uruguay. These instruments hedged a notional amount of 6.1, 3.9 and 3.1 million USD, fixing the exchange rate at 33.38, 29.84 and 30.12 Uruguayan pesos per USD, respectively.
- As of December 31, 2018, 2017 and 2016, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Canada. These instruments hedged a notional amount of 64.8, 43.5 and 44.8 million USD, fixing the exchange rate at 1.30, 1.27 and 1.32 Canadian dollars per USD, respectively.
- As of December 31, 2018, 2017 and 2016, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Chile. These instruments hedged a notional amount of 13.4, 10.9 and 3.4 million USD, fixing the exchange rate at 645.20, 651.63 and 674.97 Chilean pesos per USD, respectively.
- As of December 31, 2016, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Colombia. These instruments hedged a notional amount of 3 million USD, fixing the exchange rate at 3,123.35 Colombian pesos per USD.
- As of December 31, 2018, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Argentina. These instruments hedged a notional amount of 2.5 million USD, fixing the average exchange rate at 45.35 Argentinian pesos per USD.
- As of December 31, 2018 and 2017, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Russia. These instruments hedged a notional amount of 1 and 1.8 million euros, fixing the average exchange rate at 79.56 and 71.22 rubles per euro, respectively.
- As of December 31, 2018 and 2017, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in Russia. These instruments hedged a notional amount of 2.1 and 1.4 million USD, fixing the average exchange rate at 65.35 and 64.65 rubles per USD, respectively.
- As of December 31, 2018 and 2017, the Entity had contracted forwards in order to hedge the foreign currency risk associated with raw materials in its operations in France. These instruments hedged a notional amount of 1.7 and 4 million USD, fixing the average exchange rate at 1.27 and 1.14 USD per euro, respectively.

As of December 31, 2018, the notional amounts, average exchange rates and maturities of the foreign currency hedges are as follows:

	< 1 Month	< 1 month < 3 months	< 3 months < 6 months	< 6 months < 9 months	< 9 months < 12 months	Total
Mexico :						
Notional amount in thousands of USD	25,826	77,096	70,221	64,123	47,483	284,749
Average exchange rate	20.27	20.19	20.80	21.10	21.52	20.77
Mexico :						
Notional amount in thousands of USD	2,757	8,207	3,238	–	–	14,202
Average exchange rate	18.99	19.22	19.44	–	–	19.22
Uruguay						
Notional amount in thousands of USD	1,200	3,400	1,500	–	–	6,100
Average exchange rate	32.47	33.60	33.60	–	–	33.38
Canada						
Notional amount in thousands of USD	6,568	18,357	20,224	12,997	6,701	64,847
Average exchange rate	1.28	1.31	1.30	1.31	1.34	1.30
Chile						
Notional amount in thousands of USD	2,816	4,760	3,772	2,044	–	13,392
Average exchange rate	633.67	629.59	659.83	670.43	–	645.20
Argentina						
Notional amount in thousands of USD	625	1,575	325	–	–	2,525
Average exchange rate	43.76	45.97	45.38	–	–	45.35
Russia Euros						
Notional amount in thousands of USD	170	374	187	238	–	969
Average exchange rate	78.91	79.58	79.76	79.85	–	79.56
Russia						
Notional amount in thousands of USD	850	407	317	317	211	2,102
Average exchange rate	66.81	63.66	61.96	64.57	68.99	65.35
France						
Notional amount in thousands of USD	140	420	420	420	280	1,680
Average exchange rate	1.27	1.27	1.27	1.27	1.27	1.27

As of December 31, 2018, 2017 and 2016, the Entity reclassified $115, $573 and $(294), respectively, to cost of sales.

2.4 Management of commodity price risk

There is an economic relationship between the hedged items and the hedging instruments as the terms of purchases of raw materials match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Entity has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the purchases of raw materials are identical to the hedged risk components.

In accordance with the Entity's risk management policies, it enters into wheat, natural gas, and other commodity futures contracts to minimize the risk of variation in international prices of such commodities.

Wheat, the main commodity used by the Entity, together with natural gas, are some of the commodities hedged. The transactions are carried out in well-known 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 that they mitigate the variability of cash flows from fluctuations in the price of such commodities.

As of December 31, 2018, 2017 and 2016, the Entity has recognized, in other comprehensive income, closed contracts that have not yet been reclassified to cost of sales, since the wheat under these contracts has not been used for flour consumption.

Analysis of derivative transaction to hedge commodity price risk

As of December 31, 2018, 2017 and 2016 the principal characteristics of the Entity's futures contracts are as follows:

	2018			2017			2016		
	Contracts			Contracts			Contracts		
	Number	Maturity	Fair value	Number	Maturity	Fair value	Number	Maturity	Fair value
Diesel			**$ –**	2,538	Jan–18– Jan–19	$ 202	3,191	Various	$ 38
Gasoline			**–**	1,285	Jan–Dec–18	99	1,063	Various	35
Natural gas	**548**	**Feb–Dec–19**	**14**			–	384	Dec–17	45
Polyethylene			**–**			–	6,000	Mar–17	7
Soybean oil			**–**			–	600	Sep–17	11
Total current assets			**$ 14**			$ 301			$ 136
Wheat	**12,211**	**Feb–Sep–19**	**$ (398)**	21,319	Mar–Dec–18	$ (201)	15,052	Mar–17 to May–18	$ (361)
Corn	**–**		**–**	169	Mar–Jul–18	(2)	321	Mar–17 to May–18	(2)
Soybean oil	**1,016**	**Mar–Dec–19**	**(23)**	489	Mar–Sep–18	(1)			–
Polyethylene	**36,575**	**Jan–19 to Mar–20**	**(60)**			–			–
Diesel	**2,857**	**Jan–19 to Aug–20**	**(208)**			–			–
Gasoline	**1,218**	**Jan–19 to Mar–20**	**(102)**			–			–
Natural gas	**–**		**–**	829	Dec–18	(24)			–
Total current liabilities			**$ (791)**			$ (228)			$ (363)

As of December 31, 2018, 2017 and 2016, $(339), $213 and $1,181, respectively, was reclassified to cost of sales.

The fair values of these financial instruments used to hedge the raw material price risk are considered within level 1 of the fair value hierarchy.

Embedded derivatives – As of December 31, 2018, 2017 and 2016, the Entity has not identified any embedded derivative financial instruments that require bifurcation.

Valuation techniques and assumptions applied to measure fair value

The fair value of the Entity's financial assets and liabilities is calculated 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 based on their quoted market prices. Derivative financial instruments fall under this category; therefore, these instruments are classified within level 1 of the fair value hierarchy described below.

The fair value of other financial assets and liabilities carried at fair value is determined in accordance with accepted pricing models, generally based on an analysis of the discounted cash flows.

As of December 31, 2018, 2017 and 2016, the carrying value of financial assets and liabilities does not vary significantly from their fair value.

These derivative financial instruments are considered within level 2 of the fair value hierarchy.

The valuation of the Entity's local bonds was determined based on the market value with prices provided by Valuación Operativa y Referencias de Mercado S.A. de C.V. ("VALMER"), which is an entity supervised by the Mexican National Banking and Securities Commission (CNBV, Spanish acronym) that provides updated prices for financial instruments. This valuation is considered Level 1 in accordance with the hierarchy described below.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated statement of financial position are categorized within one of the following three hierarchy levels based on the data used in the valuation. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.5 Management of liquidity risk

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 constant monitoring of cash flows, as well as through a variety of credit lines (some of them committed) with banking institutions and proper management of working capital. These actions ensure the payment of future obligations. Due to the nature of its business, the Entity considers its liquidity risk to be low.

Obligations arising from accounts payables, derivative financial instruments and debt amortization are as follows:

	< 1 year	< 1 year < 3 years	< 3 years < 5 years	> 5 years	Total
Debt and interest	$ 5,833	$ 24,700	$ 22,905	$ 86,558	139,996
Derivative financial instruments	–	962	963	–	1,925
Trade payables and accounts payable to related parties	21,983	–	–	–	21,983
Total	$ 27,816	$ 25,662	$ 23,868	$ 86,558	163,904

2.6 Management of credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Entity recognizes a provision for expected credit losses for trade receivables. The Entity uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Entity's historical credit loss experience and is subsequently adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current direction and forecast of future conditions at the reporting date, including the time value of money, when applicable.

With respect to transactions with derivative financial instruments related to interest rate and exchange rate hedges, and some commodities such as 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 ongoing business 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 primary counterparties with whom the Entity has contracted derivative financial instruments are as follows:

Banco Nacional de México, S. A.; BBVA Bancomer, S. A.; Barclays Bank, PLC W. London; Bank of America México, S. A.; Citibank N.A.; Merryl Lynch Capital Services, Inc.; HSBC Bank, ING Capital Markets, LLC.; JP Morgan Chase Bank, N. A.; Banco Santander, S. A.; Mizuho Corporate Bank, Ltd. Mizuho Capital Markets Corporation, The Bank of Tokyo Mitsubishi ufj, Ltd., The Bank of Nova Scotia; Macquarie Bank Limited and Cargill, Incorporated.

The Entity's transactions with derivative financial instruments related to raw materials are carried out in the following renowned 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 on a monthly basis and performs the related measurements.

All derivative financial instrument transactions are performed under a standardized derivatives contract that are duly executed by the legal representatives of the Entity and those of the counterparties.

The appendices and annexes to derivative contracts establish the settlement and other relevant terms in accordance with the uses and practices of the Mexican market and the markets in which the Entity operates.

Some derivative financial instrument contracts, appendices and annexes, through which bilateral derivative financial transactions are carried out, consider the establishment of a cash deposit or other securities to guarantee payment of obligations arising from such contracts. The credit limits established by the Entity with its counterparties are large enough to support its current operations; however, the Entity maintains cash deposits as collateral for payment of certain derivative financial instruments.

For commodities future contracts executed in well–known international markets, the Entity is subject to the regulations of such markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Entity.

2.7 Management of equity structure

The Entity maintains a healthy balance between debt and equity in order to maximize the shareholders' return.

As of December 31, 2018, 2017 and 2016, the equity structure and leverage ratio is as follows:

	2018	2017	2016
Debt (i)	**$ 89,846**	$ 93,431	$ 81,803
Cash and cash equivalents	**(7,584)**	(7,216)	(6,814)
Net debt	**82,262**	86,215	74,989
Equity	**84,575**	77,024	75,076
Net debt to equity	**0.97 times**	1.12 times	1.00 times

(i) Debt is comprised of bank loans and short– and long–term local bonds, net of unamortized issuance expenses.

The entity is not subject to any external capital requirements.

14. EMPLOYEE BENEFITS AND WORKERS' COMPENSATION

The net liabilities generated by employee benefits and long-term workers' compensation by geographical segment as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Retirement and post-retirement benefits			
Mexico	**$ 2,443**	$ 5,220	$ 4,929
USA	**2,039**	2,341	3,232
Canada	**728**	1,078	984
EAA and Latin America	**296**	244	120
Total liabilities from retirement and post-retirement benefits	**5,506**	8,883	9,265
Workers' compensation – USA	**3,310**	3,315	3,469
Multi-employer pension plans – USA	**16,217**	17,474	17,394
Long-term bonuses payable to employees	**852**	966	789
Total net liability	**$ 25,885**	$ 30,638	$ 30,917

a) Mexico

The Entity has a defined benefit pension and seniority premium plan. The Entity's funding policy is to make discretionary contributions. During 2018, 2017 and 2016, the Entity did not make contributions to such plans.

Seniority premiums consist of a one-time payment equal to 12-days' salary for each year worked based on the employee's final monthly salary (capped at twice the legal minimum daily wage) as stipulated in the employment contracts. Such benefits are granted to employees with 15 or more years of service.

The most recent actuarial valuations of the plan assets and present value of the defined benefit obligation were performed as of December 31, 2018, 2017 and 2016 based on independent actuarial calculations.

b) USA

The Entity has a defined benefit pension plan that covers eligible employees. Some of the benefits of the plan for non-unionized workers were frozen. The Entity's funding policy is to make discretionary contributions. As of December 31, 2018, 2017 and 2016, the contributions made to the plan amount to $258, $908 and $1,240, respectively.

The Entity has also established post-retirement social welfare plans, which cover the medical expenses of certain eligible employees. The Entity has insurance and pays these expenses as incurred.

The most recent actuarial valuations of the plan assets and present value of the defined benefit obligation were performed as of December 31, 2018, 2017 and 2016 based on independent actuarial calculations.

c) Canada

The Entity has a defined benefit pension plan that covers all eligible employees. Some of the benefits of the plan for unionized workers were frozen. The Entity's funding policy is to make discretionary contributions. The contributions made to the plan in 2018, 2017 and 2016 amount to $163, $198 and $177, respectively.

The most recent actuarial valuations of the plan assets and present value of the defined benefit obligation were performed as of December 31, 2018, 2017 and 2016 based on independent actuarial calculations.

The Entity has also established a defined contribution plan through which contributions are paid as incurred. For the years ended December 31, 2018, 2017 and 2016, the contributions made to the plan amount to $46, $48 and $54, respectively.

The principal assumptions used in the actuarial valuations are as follows:

	2018	2017	2016
Mexico:			
Discount rate [1]	**10.14%**	7.94%	7.68%
Salary increase rate	**4.65%**	4.50%	4.50%
Inflation rate	**3.65%**	3.50%	3.50%
Expected average weighted return	**7.94%**	7.68%	7.50%

[1] The 2.20% increase in the discount rate in 2018 generated an actuarial gain of approximately $2,965 recognized in other comprehensive income, causing a significant decrease in the defined benefit obligation.

	2018	2017	2016
USA:			
Discount rate	**4.20%**	4.04%	4.04%
Salary increase rate	**3.25%**	3.50%	3.75%
Inflation rate	**2.25%**	2.50%	2.75%
Expected average weighted return	**4.04%**	4.04%	4.25%
Canada:			
Discount rate	**3.90%**	3.40%	3.80%
Salary increase rate	**3.00%**	3.50%	3.03%
Inflation rate	**2.00%**	2.00%	2.00%
Expected average weighted return	**3.40%**	3.80%	3.90%

The assumptions related to the mortality rates used in the actuarial valuations are as follows:

	2018	2017	2016
Mexico:			
Mortality table	**EM5SA 2009**	EM5SA 2009	EM5SA 2009
USA:			
Mortality table	**MP-2018**	MP-2017	MP-2007
Canada:			
Mortality table	**CPM2014Priv**	CPM2014Priv	CPM2014Priv

Based on the aforementioned assumptions, the retirement and post-retirement benefits to be paid in the following years are as follows:

	Mexico	EUA	Canada
2019	$ 307	$ 898	$ 254
2020	342	969	255
2021	372	990	259
2022	396	1,017	262
2023	430	1,034	267
2024 to 2029	2,151	5,180	1,349
	$ 3,998	$ 10,088	$ 2,646

An analysis of the amounts recognized in profit or loss and other comprehensive income with respect to defined benefit plans is as follows:

	2018	2017	2016
Current year service cost	**$ 986**	$ 826	$ 706
Interest cost	**1,656**	1,720	1,775
Return on plan assets	**(1,134)**	(1,319)	(1,300)
	$ 1,508	$ 1,227	$ 1,181
Actuarial (loss)/gain on defined benefits recognized in other comprehensive income:			
Mexico, USA and Canada:			
Actuarial (loss)/gain on estimate of obligation	**7**	(41)	6
Experience adjustments to plan obligations	**(484)**	(584)	624
Effect of changes in demographic assumptions	**(33)**	535	1,181
Effect of changes in financial assumptions [1]	**(5,299)**	1,045	(407)
Actuarial (loss)/gain on estimate of plan assets [1]	**2,135**	88	(277)
EAA and Latin America	**(108)**	(1,614)	(95)
	$ (3,782)	$ (571)	$ 1,032
	$ (2,274)	$ 656	$ 2,213

Of the current year service cost, $714, $634 and $668 were included in 2018, 2017 and 2016, respectively, in the consolidated statement of profit or loss under cost of sales and the remaining under general expenses. Interest costs and the expected return on plan assets are recognized as finance costs.

The amount recognized in the consolidated statement of financial position in respect of the Entity's obligation regarding its defined benefits plans as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Present value of defined benefit obligation	**$ 29,253**	$ 35,018	$ 35,784
Less – fair value of plan assets	**23,892**	26,214	26,453
	5,361	8,804	9,331
Plus – Retirement benefits for Latin America and EAA	**296**	244	120
Less – current portion of retirement benefits recognized in accumulated deficit	**(151)**	(165)	(186)
Present value of unfunded defined benefits	**$ 5,506**	$ 8,883	$ 9,265

An analysis of changes in the present value of the defined benefit obligation is as follows:

	2018	2017	2016
Present value of defined benefit obligation as of January 1	**$ 35,018**	$ 35,784	$ 32,253
Current year service cost	**986**	826	706
Interest cost	**1,656**	1,720	1,775
Actuarial (gain)/loss on estimate of obligation	**7**	(41)	6
Experience adjustments to plan obligations	**(484)**	(584)	624
Effect of changes in demographic assumptions	**(33)**	535	1,181
Effect of changes in financial assumptions (1)	**(5,299)**	1,045	(407)
Adjustment from fluctuation in exchange rate	**(551)**	(805)	4,790
Benefits paid	**(2,047)**	(3,462)	(5,144)
Present value of defined benefit obligation as of December 31	**$ 29,253**	$ 35,018	$ 35,784

An analysis of changes in the fair value of plan assets is as follows:

	2018	2017	2016
Fair value of plan assets as of January 1	**$ 26,214**	$ 26,453	$ 24,149
Return on plan assets	**1,134**	1,319	1,300
Actuarial (loss)/gain on estimate of plan assets (1)	**(2,135)**	(88)	277
Employer contributions	**375**	1,106	1,416
Adjustment from fluctuation in exchange rate	**(455)**	(646)	3,831
Benefits paid	**(1,429)**	(1,382)	(4,520)
Other	**188**	(548)	–
Fair value of plan assets as of December 31	**$ 23,892**	$ 26,214	$ 26,453

(1) Effects in 2018 of the increase in the discount rate in Mexico.

Categories of plan assets:

	Fair value of plan assets		
	2018	2017	2016
Equity instruments	**$ 5,521**	$ 6,993	$ 8,200
Debt instruments	**16,438**	16,545	14,020
Other	**1,933**	2,676	4,233
	$ 23,892	$ 26,214	$ 26,453

The fair value of the equity and debt instruments shown above is measured based on market prices quoted in active markets.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the expected salary increase rate. The sensitivity analyses described below consider reasonable potential changes in the respective assumptions at the end of the reporting period, with all other assumptions remaining constant.

In Mexico, if the discount rate increases/decreases by 100 basis points, the projected benefit obligation would decrease by $1,017 and increase by $1,531.

If the expected salary increase rate increases/decreases by 100 basis points, the defined benefit obligation would increase by $861 and decrease by $549.

In the United States, if the discount rate increases/decreases by 100 basis points, the projected benefit obligation would decrease by $312 and increase by $332.

If the expected salary increase rate increases/decreases by 100 basis points, the defined benefit obligation would increase and decrease by $91.

In Canada, if the discount rate increases/decreases by 100 basis points, the projected benefit obligation would decrease by $522 and increase by $615.

If the expected salary increase rate increases/decreases by 100 basis points, the defined benefit obligation would increase by $68 and decrease by $63.

In the sensitivity analysis described above, the present value of the defined benefit obligation is calculated using the projected unit credit method at the end of the reporting period, which is the same method applied to calculate the liability for the defined benefit obligation recognized in the consolidated statement of financial position.

There were no changes in the methods or assumptions considered in the sensitivity analyses of prior years.

The primary investment strategies established in the investment policy are as follows:

- Combination of assets at the 2018 year-end closing: 23% variable-yield instruments, 69% debt instruments and 8% other. Combination of assets at the 2017 year-end closing: 27% variable-yield instruments, 63% debt instruments and 10% other; Combination of assets at the 2016 year-end closing: 31% variable-yield instruments, 53% debt instruments and 16% other.

The Entity's technical committee is responsible for defining and monitoring the Entity's investment strategy and policies on a quarterly basis in order to optimize the risk/return in the long-term.

There have been no changes in the methods and assumptions used to prepare the sensitivity analysis from prior years. There have also been no changes in the process followed by the Entity for managing plan assets compared to prior years.

In Mexico, the weighted average lifetime of the defined benefit obligation as of December 31, 2018 is 17.3 years.

This number can be analyzed as follows:

- Active members: 24.46 years (2017: 31.12 years and 2016: 26.9 years)
- Retired members: 7.97 years (2017: 9.55 years and 2016: 9.9 years)

In the United States, the weighted average lifetime of the defined benefit obligation as of December 31, 2018 is 14.03 years. This number can be analyzed as follows:

- Active members: 15.87 years (2017: 15.93 years and 2016: 9.12 years)
- Deferred members: 16.83 years (2017: 17.25 years and 2016: 9.16 years)

Retired members: 9.24 years (2017: 9.24 years and 2016: 10.14 years)

In Canada, the weighted average lifetime of the defined benefit obligation as of December 31, 2018 is 12.4 years. This number can be analyzed as follows:

- Active members: 15.7años years (2017: 16.9 years and 2016: 18.1 years)
- Deferred members: 17.1 years (2017: 17.4 years and 2016: 15 years)
- Retired members: 8.5 years (2017: 9 years and 2016: 9.4 years)

An analysis of the experience adjustments made is as follows:

	2018	2017	2016
Present value of defined benefit obligation	**$ 29,253**	$ 35,018	$ 35,784
Less – Fair value of plan assets	**23,892**	26,214	26,453
Deficit	**$ 5,361**	$ 8,804	$ 9,331
Experience adjustments to plan obligations and actuarial loss	**$ (477)**	$ (625)	$ 630
Experience adjustments to plan assets	**$ (2,135)**	$ (88)	$ 277

The Entity expects to make a contribution of $886 to the retirement and post-retirement benefit plans in 2019.

Multi–Employer pension plans (MEPP)

The Entity participates in benefit plans known as MEPPs through its subsidiary BBU. 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, MEPPs were created to facilitate the mobility of employees between companies in the same industry preserving pension benefits. Usually these funds are managed by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 29 MEPPs, with an average participation in the plans of 8.50% compared to other participating entities.

Unless the Entity determines that it is highly probable that it will exit the MEPP, this type of plan is measured as a defined contribution plan, since the Entity does not have sufficient information to perform the related calculations due to the collective nature of the plans and the Entity's limited participation in the management of the plans. The Entity's obligation to make contributions to the plan is established in the collective agreements.

For the years ended December 31, 2018, 2017 and 2016, the contributions made to the MEPPs amount to $2,734, $2,169 and $2,308, respectively. The Entity expects to make a contribution of $2,784 to the plan in 2019. Annual contributions are recognized in profit or loss.

In the event that other employers exit the MEPP without satisfying the related obligations, the unpaid amount is distributed to the other active employers. Generally, the distribution of the liability resulting from the exit of the plan is based on the proportion of the Entity's contributions to the plan compared to the contributions made by the other employers in the plan.

When it is highly probable that the Entity will exit a MEPP, a provision is recognized for the present value of the estimated future cash outflows, discounted at the current rate. In addition to the aforementioned provision, the Entity has recognized a liability for its exit of two MEPPs, for which it already has an exit agreement. The total liability related to MEPPs is recognized under employee benefits.

The provision for the MEPP mainly corresponds to the Entity's intention of exiting the plan.

During 2018, 2017 and 2016, the Entity recognized $(663), $301 and $500, respectively, in profit or loss as a result of the updating and restructuring of certain MEPPs, of which $397, $376 and $382, respectively, were recognized in the net financing cost and $(1,060), $(75) and $(118), respectively, in other income/(expenses), net (see Note 20).

Liabilities recognized related to MEPPs are updated annually due to changes in wages, seniority and the combination of employees within the plan and are recorded in profit or loss for the year, in addition to amounts that are contributed regularly to different MEPPs.

The Entity has created a provision of $16,217 for the estimated cost of exiting some of the plans. The Entity has not created a provision for the MEPPs which it has no intention of exiting.

The Entity proactively reviews its contingent liabilities related to MEPPs in order to mitigate potential risks. As of December 31, 2018, the Entity determined a potential cash outflow with a present value of approximately USD 50 million.

Social welfare benefit plan USA

The Entity has a social welfare post–retirement benefit plan that qualifies as a defined contribution plan. The amounts corresponding to this obligation are recognized in profit or loss as incurred. These obligations are classified as current or long–term welfare benefit plans and the amounts are recognized in the consolidated statement of financial position. An analysis of these obligations as of December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Social welfare:			
Short–term [(a)]	**$ 409**	$ 498	$ 552
Long–term	**3,310**	3,315	3,469
	$ 3,719	$ 3,813	$ 4,021

[(a)] Included in other accounts payable and accrued liabilities.

15. EQUITY

An analysis of the Entity's equity as of December 31, 2018, 2017 and 2016 is as follows:

	2018		2017		2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Fixed share capital:						
Series A	**4,703,200,000**	**$ 4,227**	4,703,200,000	$ 4,227	4,703,200,000	$ 4,227
Treasury shares	**(30,628,536)**	**(28)**	(2,095,171)	(2)	(873,528)	(1)
Total	**4,672,571,464**	**$ 4,199**	4,701,104,829	$ 4,225	4,702,326,472	$ 4,226

The Entity's share capital has been fully subscribed and paid in. The Entity's fixed share capital is represented by series "A" shares. The variable portion of the Entity's share capital cannot exceed ten times the amount of minimum fixed share capital without right of withdrawal and must be represented by common registered series "B" shares with no par value and/or shares with limited voting rights and no par value of the series to be named when they are issued. Shares with limited voting rights cannot represent more than 25% of the Entity's share capital.

i) At a regular shareholders' meeting held on April 24, 2018, the shareholders declared dividends of $1,646, meaning, 0.35 cents per share, which were paid out of the Net taxed profits account (CUFIN) in cash on May 7, 2018.

ii) At a regular shareholders' meeting held on April 18, 2017, the shareholders declared dividends of $1,364, meaning, 0.29 cents per share, which were paid out of the CUFIN in cash on April 27 and 28, 2017.

iii) At a regular shareholders' meeting held on April 15, 2016, the shareholders declared dividends of $1,129, meaning, 0.24 cents per share, which were paid out of the CUFIN in cash on April 27, 2016.

iv) Dividends paid to foreign individuals and corporations are subject to an additional 10% withholding tax. These tax withholdings are considered final income tax payments. Treaties to avoid double taxation may apply. The additional withholding tax is applicable to earnings generated during 2014.

v) The Entity's legal reserve is included in its retained earnings. In accordance with the Mexican Corporations Act, the Entity is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Entity's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Entity is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason. As of December 31, 2018, 2017 and 2016, the legal reserve is $500 (nominal amount).

vi) At a regular shareholders' meeting held on April 24, 2018, the shareholders agreed to increase the provision for repurchase of shares by $600 (nominal amount). The Entity's provision for buybacks is included in its retained earnings. The approved (nominal) amount of the provision is $1,200, $600 and $600 as of December 31, 2018, 2017 and 2016, respectively. An analysis of movements in the provision is as follows:

	2018	2017	2016
Balance as of January 1	**$ 669**	$ 721	$ 770
Increases	**600**	–	–
Repurchase of shares	**(1,081)**	(52)	(49)
Balance as of December 31	**$ 188**	$ 669	$ 721

vii) Except for earnings distributed from the Restated contributed capital account (CUCA) and the CUFIN, dividends will be subject to the payment of corporate income tax at the statutory rate at that time. Income tax paid on dividends may be credited against income tax payable (annual or in prepayments) in the year of payment or either of the two immediately subsequent years.

viii) As of December 31, 2018, 2017 and 2016, the Entity has the following tax balances:

	2018	2017	2016
Restated contributed capital account (CUCA)	**$ 32,404**	$ 30,911	$ 28,951
Net taxed profits account (CUFIN)	**69,310**	60,416	51,474

Equity instrument:

On April 17, 2018, Grupo Bimbo, S.A.B. de C.V. issued a perpetual subordinated bond of USD 500 million with no maturity date. The issuer has the option to redeem the bond in full, but not partially, five years after the date of issuance. The bond bears annual interest of 5.95%, which is payable semi–annually in arrears on January 17 and July 17. Such coupons are deferrable at the Entity's discretion.

This bond is subordinated to the existing and future liabilities of Grupo Bimbo and its subsidiaries and the coupons for the periods accrued by this instrument must be paid prior to any distribution of dividends.

The amount of this equity instrument is recognized in equity.

As of December 31, 2018, the value of the instrument net of issuance expenses and taxes is $9,138. The detailed amounts are shown below:

	2018
Perpetual subordinated bond – principal	$ 9,044
Issuance expenses	(58)
	8,986
Current income tax	137
Deferred income tax	15
Perpetual subordinated bond – principal	$ 9,138

On July 17, 2018, Grupo Bimbo made a net payment of $104, which includes income tax of $44 for the returns on the semi–annual coupon, which was charged against retained earnings.

16. RELATED PARTY BALANCES AND TRANSACTIONS

Balances and transactions between Grupo Bimbo and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Entity and other related parties are detailed below.

a) Business transactions

Transactions with related parties, carried out in the normal course of business, were as follows:

	2018	2017	2016
Expenditures for purchases of:			
Raw materials:			
Beta San Miguel, S.A. de C.V. (1)	**$ 1,653**	$ 1,982	$ 1,619
Frexport, S.A. de C.V. (2)	**659**	902	798
Industrial Molinera Monserrat, S.A. de C.V. (2)	**28**	336	313
Makymat, S.A. de C.V. (2)	**57**	43	41
Finished goods:			
Fábrica de Galletas La Moderna, S.A. de C.V. (1)	**$ 758**	$ 634	$ 629
Mundo Dulce, S.A. de C.V. (1)	**504**	852	814
Pan–Glo de México, S. de R.L. de C.V. (1)	**74**	167	138
Stationary, uniforms and other:			
Efform, S.A. de C.V. (1)	**$ 240**	$ 195	$ 159
Galerias Louis C Morton, S.A. de C.V. (2)	**15**	9	9
Proarce, S.A. de C.V. (2)	**135**	101	60
Uniformes y Equipo Industrial, S.A. de C.V. (1)	**137**	129	132
Financial services:			
Fin Común Servicios Financieros, S.A. de C.V. (1)	**$ 766**	$ 697	$ 634

(1) Associate
(2) Related party

Balances receivable due from related parties consist of unsecured accounts and are payable in cash. No guarantees have been given or received. Accounts receivable from related parties are all considered collectible and the Entity has not recognized any expense in the current year or in prior years for uncollectible balances or bad debts with related parties.

b) Accounts payable to related parties

Net balances payable due to related parties are:

	2018	2017	2016
Beta San Miguel, S.A. de C.V.	**$ 563**	$ 615	$ 479
Efform, S.A. de C.V.	**25**	49	33
Fábrica de Galletas La Moderna, S.A. de C.V.	**128**	118	67
Frexport, S.A. de C.V.	**20**	10	128
Industrial Molinera Montserrat, S.A. de C.V.	**–**	4	11
Makymat, S.A. de C.V.	**21**	12	13
Mundo Dulce, S.A. de C.V.	**53**	48	63
Pan–Glo de México, S. de R. L. de C. V.	**28**	22	11
Proarce, S.A. de C.V.	**22**	40	22
Fin Común Servicios Financieros, S.A. de C.V.	**–**	–	–
Uniformes y Equipo Industrial, S.A. de C.V.	**41**	37	25
Other	**8**	–	1
	$ 909	$ 955	$ 853

c) Compensation of key management personnel

Compensation paid to management and other senior executives during the year was as follows:

	2018	2017	2016
Short–term benefits (salaries, bonuses, workers' compensation, etc.)	**$ 767**	$ 659	$ 783
Post–retirement benefits (pensions, medical benefits)	**1,022**	817	607
	$ 1,789	$ 1,476	$ 1,390

The compensation paid to management and senior executives is determined by the Compensation Committee based on the individual performance of each executive and on current market trends.

17. INCOME TAX

Income tax in Mexico

Mexican entities are subject to the payment of income tax.

The income tax rate for 2018, 2017 and 2016 is 30% and will remain the same in subsequent years.

Income tax in other countries

Subsidiaries established abroad calculate income tax based on the individual performance of each subsidiary and in accordance with the regulations of each country. U.S. regulations allow the filing of a consolidated income tax return. As of 2013, Spanish regulations allow the filing of a consolidated tax return.

Each subsidiary calculates and pays income tax as an individual legal entity. The annual tax return is filed within the six months following the end of the fiscal year. The subsidiaries must also make monthly payments during the fiscal year.

The tax rates applicable in other countries where the Entity operates and the period in which tax losses may be applied, are as follows:

	Statutory income tax rate			Expiration of tax loss carryforwards
	2018	2017	2016	
Argentina	(a) **30**	(a) 35	35	5 (b)
Brazil	**34**	34	34	(c)
Canada	(d) **15**	(d) 15	(d) 15	20
Spain	**25**	25	28	(e)
USA	(f) **21**	(f) 35	(f) 35	(g)
Mexico	**30**	30	30	10

The tax losses generated by the Entity are mainly in the United States, Mexico, Brazil and Spain.

(a) In December 2017, a tax reform was approved in Argentina, which reduced the corporate income tax rate from 35% in 2018 to 30% in 2019. In 2020, the tax rate will be 25%.

(b) Losses on the sale of shares or other equity investments and derivatives may only be offset against income of the same nature. Tax losses from foreign sources may only be carried forward against 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 corporate income tax rate is a combination of the federal corporate tax rate (15%), and relevant state (provincial) corporate income tax rates where the Entity has a permanent establishment. State tax rates range from 10% to 16%. Therefore, the combined tax rate may range from 25% to 31%.

(e) Tax loss carryforwards have no expiration date; however, their application is limited to 25% of the net taxable profit for the year.

(f) In December 2017, a tax reform was approved in the United States, which reduced the federal corporate tax rate from 35% to 21% as of 2018.

(g) As a result of the tax reform, tax loss carryforwards have no expiration date; however, their amortization is limited to 80% of the taxable profit generated for the year.

Operations in the United States, Canada, Argentina, Colombia, Guatemala, Panama, Honduras, Nicaragua and Ecuador are subject to minimum income tax payments.

Analysis of provisions, effective tax rate and deferred effects

a) The Entity's consolidated income tax is as follows:

	2018	2017	2016
Income tax:			
Current	**$ 3,510**	$ 4,444	$ 4,703
Deferred	**1,387**	1,838	2,142
	$ 4,897	$ 6,282	$ 6,845

b) A reconciliation of the statutory income tax rate to the effective income tax rate in Mexico expressed as a percentage of profit before income tax for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Profit before income tax	**$ 11,708**	$ 11,951	$ 13,613
Statutory income tax rate	**30%**	30%	30%
Income tax at statutory tax rate	**3,512**	3,585	4,084
Plus/(less) the tax effects of the following items:			
Effects of the U.S. tax reform	**–**	706	–
Inflationary effects of monetary accounts in the statement of financial position and statement of profit or loss	**776**	772	209
Non-deductible expenses and other	**94**	790	1,244
Non-taxable profit and tax incentives	**(578)**	(553)	(277)
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	**(331)**	310	156
Effects on tax values of property, plant and equipment	**(246)**	(243)	(130)
Share of loss of associates	**(61)**	(70)	(37)
Unrecognized available tax loss carryforwards	**1,731**	985	1,596
Income tax recognized in profit or loss	**$ 4,897**	$ 6,282	$ 6,845
Effective income tax rate	**41.8%**	52.6%	50.3%

To determine their deferred income tax as of December 31, 2018, 2017 and 2016, the Entity's subsidiaries applied the income tax rate that will be in effect when the temporary differences giving rise to deferred taxes are expected to reverse.

Certain companies that have tax losses have not recognized the deferred tax asset, since they do not have sufficient taxable income or projections to estimate the time for recovery of such tax losses. Unrecognized accumulated benefits of such tax losses were $11,429 in 2018, $11,237 in 2017 and $8,301 in 2016.

a) The primary items that generate deferred income tax as of December 31, 2018, 2017 and 2016 are:

	December 31, 2017	Effects through profit or loss	Effects through OCI	Effects through retained earnings and other	Translation effects	Business combinations	December 31, **2018**
Allowance for doubtful accounts	$ (202)	$ (48)	$ –	$ 5	$ –	$ –	**$ (245)**
Inventories and advances	(92)	48	–	–	–	–	**(44)**
Property, plant and equipment	4,691	(37)	–	–	–	–	**4,654**
Intangible assets and other assets	9,075	347	–	–	–	945	**10,367**
Other reserves and provisions	(9,818)	(896)	1,110	(45)	–	–	**(9,649)**
Current employee profit sharing	(370)	(51)	–	–	–	–	**(421)**
Available tax loss carryforwards	(4,373)	2,221	–	–	–	–	**(2,152)**
Net economic hedge	–	(535)	246	–	289	–	**–**
Other items	(517)	338	(149)	(196)	(152)	–	**(676)**
Total (assets)/liabilities, net	$ (1,606)	$ 1,387	$ 1,207	$ (236)	$ 137	$ 945	**$ 1,834**

	Balance at December 31, 2016	Effects through profit or loss	Effects through OCI	Translation effects	Business combinations	December 31, 2017
Allowance for doubtful accounts	$ (402)	$ 200	$ –	$ –	$ –	$ (202)
Inventories and advances	(62)	(25)	–	–	(5)	(92)
Property, plant and equipment	6,260	(1,968)	–	–	399	4,691
Intangible assets and other assets	12,491	(4,168)	–	–	752	9,075
Other reserves and provisions	(15,450)	5,775	11	–	(154)	(9,818)
Current employee profit sharing	(335)	(35)	–	–	–	(370)
Available tax loss carryforwards	(7,648)	3,346	–	–	(71)	(4,373)
Net economic hedge	–	(1,033)	1,033	–	–	–
Other items	319	(254)	297	(879)	–	(517)
Total (assets)/liabilities, net	$ (4,827)	$ 1,838	$ 1,341	$ (879)	$ 921	$ (1,606)

	Balance at December 31, 2015	Effects through profit or loss	Effects through OCI	Translation effects	Business combinations	Balance at December 31, 2016
Allowance for doubtful accounts	$ (335)	$ (67)	$ –	$ –	$ –	$ (402)
Inventories and advances	(33)	(29)	–	–	–	(62)
Property, plant and equipment	4,367	1,893	–	–	–	6,260
Intangible assets and other assets	9,928	2,563	–	–	–	12,491
Other reserves and provisions	(13,396)	(1,791)	(263)	–	–	(15,450)
Current employee profit sharing	(313)	(22)	–	–	–	(335)
Available tax loss carryforwards	(7,962)	314	–	–	–	(7,648)
Net economic hedge	–	(230)	230	–	–	–
Other items	398	(489)	(115)	525	–	319
Total (assets)/liabilities, net	$ (7,346)	$ 2,142	$ (148)	$ 525	$ –	$ (4,827)

The deferred income tax assets and liabilities are presented separately in the consolidated statement of financial position, since they correspond to different taxable entities and tax authorities. An analysis is as follows:

	2018	2017	2016
Deferred income tax asset	**$ (3,886)**	$ (6,288)	$ (9,779)
Deferred income tax liability	**5,720**	4,682	4,952
Total deferred income tax liability/(asset), net	**$ 1,834**	$ (1,606)	$ (4,827)

The Entity has determined that the undistributed earnings of its foreign subsidiaries will not be distributed in the foreseeable future. As of December 31, 2018, there are undistributed earnings of $203,638 for temporary differences related to investments in subsidiaries, associates and joint ventures, for which no deferred tax liabilities have been recognized.

As of December 31, 2018, the Entity's unused tax losses have the following expiration dates:

Year	Amount
2019	**$ 454**
2020	**950**
2021	**876**
2022	**1,006**
2023	**752**
2024	**80**
2025	**5,001**
2026	**10,289**
2027	**293**
2028 and thereafter	**28,714**
	48,415
Unrecognized available tax loss carryforwards	**(40,070)**
Total	**$ 8,345**

The Entity's subsidiaries in Mexico, Canada and Colombia have unused tax losses. The unused tax losses for which a deferred tax asset has been recognized can be recovered, provided that they meet certain requirements. As of December 31, 2018, the Entity expects to recover such tax losses through reversed temporary differences and future taxable profits.

18. OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017	2016
Other accounts payable:			
Other taxes payable	**$ 3,166**	$ 3,074	$ 2,808
Other creditors	**2,265**	1,702	1,597
	$ 5,431	$ 4,776	$ 4,405
Accrued liabilities:			
Employee compensation and bonuses	**$ 11,083**	$ 9,392	$ 9,989
Fees and consultations	**1,923**	1,983	1,265
Advertising and promotion	**1,264**	1,973	1,740
Interest and bank fees	**849**	1,254	706
Supplies and fuel	**1,084**	1,109	1,302
Insurance and bonds	**545**	553	570
Taxes and contributions	**145**	191	884
Other	**731**	569	516
	$ 23,055	$ 21,800	$ 21,377

19. COSTS AND EXPENSES BASED ON THEIR NATURE

An analysis of cost of sales and distribution, administrative, selling and other general expenses recognized in the consolidated statement of profit or loss is as follows:

	2018	2017	2016
Cost of sales:			
Raw materials and other manufacturing expenses	**$ 126,644**	$ 116,622	$ 107,060
Freight, fuel and maintenance	**3,543**	3,019	3,800
Depreciation	**5,480**	5,122	5,138
	$ 135,667	$ 124,763	$ 115,998
Distribution, selling, administrative and other expenses:			
Salaries and benefits	**$ 58,888**	$ 56,834	$ 54,363
Depreciation	**2,950**	2,523	2,330
Amortization	**1,602**	1,116	968
Freight, fuel and maintenance	**28,793**	20,355	8,627
Professional services and consultations	**6,375**	8,211	18,324
Advertising and promotional expenses	**10,424**	10,365	9,738
Integration expenses	**4,364**	1,162	2,236
Other	**20,694**	24,714	21,473
	$ 134,090	$ 125,280	$ 118,059

20. OTHER EXPENSES

Other general expenses are comprised as follows:

	2018	2017	2016
Tax incentives	**$ (47)**	$ (24)	$ (26)
Loss/(gain) on sale of property, plant and equipment	**11**	389	(302)
Impairment in goodwill	**210**	389	575
Impairment in trademarks and distribution rights	**401**	61	613
Restructuring expenses	**3,438**	–	–
Insurance claim recovery	**(2)**	(198)	(111)
Provision for updating MEPPs	**(1,060)**	(75)	(118)
Provision for updating other long–term liabilities	**659**	164	591
Other	**754**	456	1,014
	$ 4,364	$ 1,162	$ 2,236

21. FINANCE COSTS

	2018	2017	2016
Interest on debt	**$ 6,608**	$ 4,322	$ 4,017
Interest on pension plans	**522**	401	475
Other finance costs	**538**	1,149	994
	$ 7,668	$ 5,872	$ 5,486

22. COMMITMENTS

Guarantees and/or guarantors

a) Grupo Bimbo, S.A.B. de C.V. and some of its subsidiaries have issued letters of credit to guarantee certain ordinary obligations and contingent risks related to the labor obligations of some of its subsidiaries. As of December 31, 2018, 2017 and 2016, the value of such letters of credit is USD 307, USD 301 and USD 366 million, respectively. In addition, the Entity maintains collateral guarantees associated with its subsidiaries for USD 4.9 million.

b) The Entity entered into an energy self–supply contract in Mexico, which requires it to acquire certain amounts of renewable energy for an 18–year period at a fixed price that will be updated based on changes in the NCPI (National Consumer Price Index) for the first 15 years. Although the contracts have the characteristics of a derivative financial instrument, 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 2019 amounts to $336, which is to be updated annually for inflation for the remaining 12 years of the contract.

c) On 30 March 2018, the Entity, through BBU, entered into a virtual wind energy supply contract in the United States for a term of 12 years, which will be recognized as a financial asset measured at fair value through OCI. The consumption of energy is expected to begin in September 2019.

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 range 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 agreements. Lease expense for the years ended December 31, 2018, 2017 and 2016 was $6,231, $5,754 and $4,861, respectively. The total amount of future minimum lease commitments is as follows:

Year	Operating leases	Finance leases entered into by SEs
2019	**$ 4,243**	$ 885
2020	**3,220**	743
2021	**2,445**	565
2022	**1,848**	425
2023 and thereafter	**5,358**	377
Total minimum lease payments	**17,114**	2,995
Interest	–	(542)
Present value of minimum lease payments	**$ 17,114**	$ 2,453

23. PROVISIONS

In the other long–term liabilities caption, the Entity has recognized provisions for lawsuits of different natures that arise in the normal course of its operations. The liabilities related to tax uncertainties were also recognized under the same caption. In accordance with this evaluation, the Entity has recognized the following amounts, which were generated mainly in Mexico and Latin America:

Type	Amount
Labor	$ 341
Tax	850
Civil	44
Other	629
Tax uncertainties	1,775
Total	$ 3,639

The movements in the Entity's provisions and liabilities related to tax uncertainties as of December 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Balance as of January 1	$ 1,738	$ 883	$ 378
Initial recognition of IFRIC 23 [1]	2,283	–	–
Net increases	645	1,383	474
Payments	(761)	(349)	(189)
Effect of foreign exchange differences	(266)	(179)	220
Balance as of December 31	$ 3,639	$ 1,738	$ 883

[1] Recognized in retained earnings.

As of December 31, 2018, the amount corresponding to tax, civil and labor lawsuits is $647. The likelihood of losses arising from these contingencies has been classified by the Entity's internal attorneys as less than probable, but more than remote. However, the Entity considers that such lawsuits will not have a material effect on its consolidated financial position or operating results.

As a result of the purchase of property, plant and equipment and intangible assets in Brazil in connection with the Firenze brand in 2008, the Entity is subject to tax liens as the presumed successor to companies that participate in these actions. The court issued, among others, a precautionary measure ordering the restriction of part of the accounts receivable for the sale of Firenze brand products. The Entity has guaranteed the ongoing tax litigation, through cash deposits and assets of $250 and $528, respectively. Collateral deposits are recognized under other long–term assets. As of December 31, 2018, $45 has been provisioned for the fees accrued by the legal advisors for the monitoring and control of litigations related to the indicated brand. It is expected that these legal matters will be resolved in the medium–term. The Entity's legal advisors expect that the resolution of said litigation will be in favor of Bimbo do Brazil.

24. SEGMENT INFORMATION

The information reported to the General Director for purposes of resource allocation and assessment of segment performance is focused on four geographical areas: Mexico, North America, Latin America and EAA. Segment revenue is comprised of bread (all segments) and confectionery products (Mexico and USA only).

The Entity considers that the qualitative and quantitative aspects considered for grouping of operating segments described above have a similar nature for all of the periods presented and show a similar performance in the long–term. The key factors evaluated for the appropriate aggregation of the operating segments include, but are not limited to: (i) similar customer base, (ii) similar product nature, (iii) production and distribution process characteristics, (iv) similar governments, (v) inflation trends and (vi) monetary trends.

The primary data by geographical area in which the Entity operates for the years ended December 31, 2018, 2017 and 2016 are as follows:

2018

	Mexico	North America	Latin America	EAA	Eliminated on consolidation	Total
Net sales	$ 99,859	$ 143,848	$ 28,192	$ 25,574	$ (9,207)	$ 288,266
Sales between segments	$ (8,225)	$ (664)	$ (78)	$ (240)	$ 9,207	$ –
Consolidated net sales	$ 91,634	$ 143,184	$ 28,114	$ 25,334	$ –	$ 288,266
Operating profit (*)	$ 15,750	$ 5,100	$ (529)	$ (1,481)	$ (331)	$ 18,509
Depreciation and amortization	$ 2,200	$ 5,307	$ 1,173	$ 1,320	$ –	$ 10,000
Impairment in intangible assets	$ 25	$ 607	$ 19	$ 256	$ –	$ 907
Other items not affecting cash flows	$ 225	$ 1,980	$ 69	$ 10	$ 5	$ 2,289
EBITDA (*) (**)	$ 18,200	$ 12,994	$ 732	$ 105	$ (326)	$ 31,705
Net profit – equity holders of the parent	$ 8,310	$ 1,081	$ (2,422)	$ (2,954)	$ 1,793	$ 5,808
Income tax	$ 3,993	$ (119)	$ 118	$ 905	$ –	$ 4,897
Interest income	$ 623	$ 130	$ 35	$ 48	$ (450)	$ 386
Interest expense	$ 6,224	$ 1,447	$ 378	$ 69	$ (450)	$ 7,668
Total assets	$ 63,569	$ 142,161	$ 22,387	$ 36,468	$ (1,269)	$ 263,316
Total liabilities	$ 109,854	$ 50,100	$ 8,776	$ 10,485	$ (474)	$ 178,741

2017

	Mexico	North America	Latin America	EAA	Eliminated on consolidation	Total
Net sales	$ 90,367	$ 137,662	$ 28,602	$ 18,658	$ (7,774)	$ 267,515
Sales between segments	$ (7,634)	$ (83)	$ (32)	$ (25)	$ 7,774	$ –
Consolidated net sales	$ 82,733	$ 137,579	$ 28,570	$ 18,633	$ –	$ 267,515
Operating profit (*)	$ 13,753	$ 7,701	$ (1,284)	$ (2,395)	$ (303)	$ 17,472
Depreciation and amortization	$ 2,080	$ 4,706	$ 1,199	$ 776	$ –	$ 8,761
Impairment in intangible assets	$ 57	$ 294	$ 25	$ 169	$ –	$ 545
Other items not affecting cash flows	$ 61	$ (59)	$ 611	$ (122)	$ 20	$ 511
EBITDA (*) (**)	$ 15,951	$ 12,642	$ 551	$ (1,572)	$ (283)	$ 27,289
Net profit – equity holders of the parent	$ 7,284	$ 1,946	$ (3,001)	$ (3,025)	$ 1,425	$ 4,629
Income tax	$ 4,282	$ 1,961	$ 2	$ 37	$ –	$ 6,282
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	Eliminated on consolidation	Total
Net sales	$ 81,455	$ 135,219	$ 29,100	$ 12,607	$ (6,240)	$ 252,141
Sales between segments	$ (6,223)	$ (1)	$ (8)	$ (8)	$ 6,240	$ –
Consolidated net sales	$ 75,232	$ 135,218	$ 29,092	$ 12,599	$ –	$ 252,141
Operating profit (*)	$ 13,141	$ 7,161	$ (2,453)	$ (351)	$ 586	$ 18,084
Depreciation and amortization	$ 2,025	$ 4,752	$ 1,154	$ 505	$ –	$ 8,436
Impairment in intangible assets	$ 209	$ 267	$ 760	$ 10	$ –	$ 1,246
Other items not affecting cash flows	$ 145	$ 553	$ 819	$ 15	$ –	$ 1,532
EBITDA (*) (**)	$ 15,520	$ 12,733	$ 280	$ 179	$ 586	$ 29,298
Net profit – equity holders of the parent	$ 6,606	$ 2,370	$ (3,596)	$ (940)	$ 1,458	$ 5,898
Income tax	$ 4,522	$ 1,363	$ 904	$ 56	$ –	$ 6,845
Interest income	$ (459)	$ (162)	$ (70)	$ (133)	$ 575	$ (249)
Interest expense	$ 4,096	$ 1,463	$ 439	$ 63	$ (575)	$ 5,486
Total assets	$ 47,836	$ 154,417	$ 27,080	$ 17,188	$ (1,356)	$ 245,165
Total liabilities	$ 98,880	$ 56,398	$ 10,565	$ 5,757	$ (1,511)	$ 170,089

(*) Does not include intercompany royalties.
(**) The Entity determines EBITDA as operating profit plus depreciation, amortization, impairment and other non-cash items.

For the years ended December 31, 2018, 2017 and 2016 the sales to the Entity's largest customer represent 12%, 13% and 11.8%, respectively, of the consolidated net sales of the Entity, which correspond mainly to the Mexico and the US and Canada regions. There are no other customers whose sales exceed 10% of the Entity's total consolidated sales.

25. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

On March 19, 2019, the accompanying consolidated financial statements and these notes were authorized by the Entity's General Director, Daniel Servitje Montull, and the Board of Directors, for their issue and subsequent approval by the shareholders, who have the authority to modify the Entity's consolidated financial statements in accordance with the Mexican Corporations Act.

GRI 102-1, 102-3, 102-4, 102-5, 102-53

Stakeholder INFORMATION

Stock exchange:	**Mexican Stock Exchange (BMV)**
BMV Ticker:	**BIMBO**
ADR Level 1 Ticker:	**BMBOY**
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