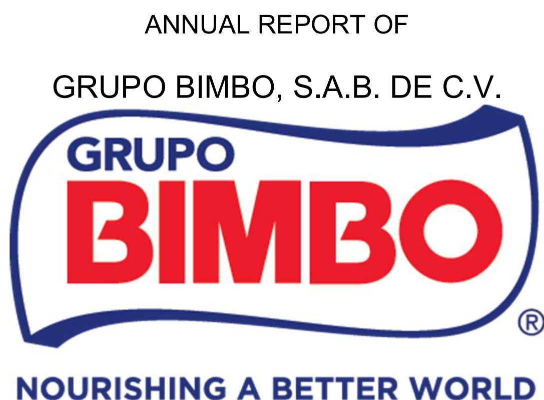
TRANSLATION FOR INFORMATION PURPOSES ONLY

ANNUAL REPORT OF

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



Annual Report filed pursuant to the general provisions applicable to Securities Issuers and Other Participants in the Securities' Market (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*) for the fiscal year ended on December 31, 2019.

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

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

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

Ticker symbol: "BIMBO".

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

Mexico City, April 30, 2020

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

AS OF DECEMBER 31, 2019

Ticker Symbol	BIMBO 16	BIMBO 17
Amount	$8,000,000,000	$10,000,000,000
Number of series in which the issuance is divided	N.A.	
Issuance date	September 14, 2016	October 6, 2017
Maturity date	September 2, 2026	September 24, 2027
Issuance period	3,640 days, approximately 10 years	3,640 days, approximately 10 years
Interest rate	Fixed interest rate of 7.56%	Fixed interest rate of 8.18%
Periodicity in payment of interest	Every 182 days beginning on March 15, 2017	Every 182 days beginning on April 6, 2018
Place and manner of payment of principal and interests	The principal and interests due will be paid on their maturity date, by electronic funds transfer, at the registered office of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or at the registered office of the Issuer.	
Subordination	Lien limitations / Pari Passu status	
Maturity and acceleration	A single payment on the relevant maturity date. The Company shall have the right to prepay all (but not less) than all of the Certificados Bursátiles on any date before the Maturity Date.	
Guarantee	The *Certificados Bursátiles* will be unsecured and will be guaranteed (*avalados*) by Bimbo, S.A. de C.V., Barcel, S.A. de C.V. and Bimbo Bakeries USA, Inc.	
Trustee	N.A.	
Rating	Fitch México, S.A. de C.V. “AA+(mex)” Standard & Poor’s, S.A. de C.V. “mxAA+”	Fitch México, S.A. de C.V. “AA+(mex)” S&P Global Ratings, S.A. de C.V. “mxAA+”
Common Representative	Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero	
Depositary	S.D. Indeval Institución para el Depósito de Valores S.A. de C.V.	
Tax treatment	The withholding rate of the income tax applicable, as of the date of the Supplement, to the interest paid in accordance with the *Certificados Bursátiles* is subject to: (i) for individuals and entities considered as residents of Mexico for tax purposes, to the provisions of articles 54, 134, 135 and other applicable provisions of the Income Tax Law (*Ley del Impuesto Sobre la Renta*) in effect; and (ii) for individuals and entities considered as non-Mexican residents for tax purposes, to the provisions of articles 153, 166, 175 and other applicable provisions of the Income Tax Law in effect. Potential investors shall consult their tax advisors with respect to the tax consequences of their investment in the *Certificados Bursátiles*, including the application of specific rules applicable to their particular situation. The current fiscal regime may be amended during the term of the Program and while the Issuance is in effect.	

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

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

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

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

In addition, unless otherwise indicated, the Company's information contained in this Annual Report is shown as of December 31, 2019.

1) GENERAL INFORMATION

a) Summary of Terms and Definitions

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

Terms	Definitions
"Adjusted EBITDA"	Operating income plus depreciation, amortization, impairments and provision of multiemployer pension plans and other non-cash items. The Group's administration uses this measure as an indicator of its operating results and of its financial condition; however you should consider it in isolation, as an alternative to net income, as an indicator of the operating performance or as a substitute for the analysis of results reported in accordance with IFRS, because, among others: (i) it does not reflect cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) it does not reflect changes in, or cash requirements for working capital needs, (iii) it does not reflect interest expenses, and (iv) it does not reflect any cash income tax to be paid by the Group. Due to the foregoing, the Group's Adjusted EBITDA shall not be considered as a discretionary measure of cash available to invest in the Group's growth or as a measure of cash that will be available in order for the Group to fulfill its obligations. Adjusted EBITDA is not a financial measure recognized in accordance with IFRS and may not be compared with similar official measures presented by other companies in the industry, since not all companies use the same definition. Consequently, the focus shall mainly be on results in accordance with IFRS, and Adjusted EBITDA only as a supplementary measure.
"Adghal"	Groupe Adghal
"ADR's"	American Depositary Receipts
"Annual Report"	This Issuer's Annual Report, prepared in accordance with the General Provisions Applicable to Securities Issuers and Other Securities Market Participants Issued by CNBV.
"Audited Financial Statements"	The Company's audited consolidated financial statements, audited as of and for the years ended December 31, 2019, 2018 and 2017, which were prepared in accordance with the IFRS, as well as the respective notes, which are attached to this Annual Report.
"Barcel"	Barcel, S.A. de C.V.
"BIMBO", "Company", "Issuer", "Group", "Grupo Bimbo" or "Entity"	Grupo Bimbo, S.A.B. de C.V., and, whenever the context requires so, together jointly with its consolidated subsidiaries.
"Bimbo"	Bimbo, S.A. de C.V.
"Bimbo Bakeries USA"	Bimbo Bakeries USA, Inc., an operating subsidiary of BBU.
"Bimbo Beijing"	Bimbo Beijing Food Company.
"Bimbo Foods"	Bimbo Foods, Inc.
"Bimbo Iberia"	Bimbo, S.A.U.

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

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

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

b) EXECUTIVE SUMMARY

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

1) The Company

The global headquarters of the Company are located at Prolongación Paseo de la Reforma No. 1000, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Mexico City, 01210, Mexico, and its telephone number is +52(55) 5268-6600. The Company was established under the laws of Mexico on June 15, 1966. The number of its commercial registry *(folio mercantil)* with the Public Registry of Property and Commerce of Mexico City (*Registro Público de la Propiedad y de Comercio de la Ciudad de México*), or the Mexican Registry, is 9,506 and its taxpayer identification number is GBI 810615 RI8.

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

The Company produces, distributes and commercializes a wide range of baking products in each of its categories, sliced bread, buns & rolls, pastries, cakes, cookies, English muffins, bagels, tortillas and flatbreads, salty snacks, confectionery, among others. The brand portfolio of the Company includes iconic brands with a value of over a billion dollars in retail sales, such as Bimbo®, Marinela®, Oroweat®, Barcel®, Thomas'®,Sara Lee® and Entenmann's®; brands with a value of over $500 million dollars such as Takis®; brands with a value of over $250 million dollars such as Ricolino®, Tia Rosa®, Dempster's®, Artesano® and Ball Park®; and brands with a value of over $100 million dollars such as Villaggio®, Donuts®, Pullman®, POM®, Lara®, Ideal® and Mrs. Baird's®.

Through brand development, fresh and quality products and continuous innovation, Grupo Bimbo has established a leading position in the baking industry in most of the countries where it operates. In 2018, the brands "Bimbo" and "Marinela" were recognized within the 10 brands with the highest penetration in Mexican households, and in 2019, the brand and company name "Bimbo", was named the fifth strongest food brand in the world, by Kantar World Panel.

Since its foundation in 1945, Grupo Bimbo has expanded significantly through a combination of steady organic growth and strategic acquisitions. During the past ten years, it has successfully integrated more than 35 companies to its operations. From 2009 to December 31, 2019, its Adjusted EBITDA increased from Ps.15,840 million to Ps.33,427 million at a CAGR of 7.8%. Also, during that period, net sales grew at a CAGR of 9.6%, driven by a CAGR of 11.2% in North America, 6.4% in Mexico and 7.2% in Latin America. The Group became the largest packaged bread market participant in the United States following the acquisitions of Weston Foods Inc., or WFI, in 2009, and Earthgrains, Sara Lee Corpora'ion's North American fresh baking business, in 2011, according to information from IRI. Also in 2011, it accessed the European market with the acquisition of Sara'Lee's baking business in Europe. In 2014, it entered the Canadian and United Kingdom markets with the acquisition of Canada Bread, producer of Demp'ter's, the leading bread brand in Canada. In July, 2014, it entered the Ecuadorian market with the acquisition of Supan, the leading Company in Ecuador. In 2017, it entered in ten new countries with the acquisition of Adghal in Morocco, Ready Roti in India and East Balt Bakeries in eleven countries. In 2018, the acquisition of Mankattan, a major player in the Chinese baking industry, was finalized, as well as the acquisition of Nutra Bien, a leading Chilean sweet baked goods company, that produces, commercialize and distributes brownies, cakes, cookies and other products in a plant. With these acquisitions, coupled with its organic growth in Mexico and Latin America that has been mainly driven by market penetration and product innovation, the Company has consolidated its position as the world's largest baking Company.

Currently, it operates 194 plants in 32 countries. To ensure the freshness and quality of the products, the Company has developed an extensive direct-distribution network, which comprises one of the largest sales fleets in the Americas. As of December 31, 2019, its direct-distribution network consisted of more than 58,000 distribution routes, spread across more than 1,700 sales centers and reaching more than 3 million points of sale.

The following table shows certain financial information of Grupo Bimbo as of the closing of each of the years indicated:

	For the years ended December 31,		
	2019	2018	2017
Net sales	291,926	289,320	268,485
Operating Profit	20,419	18,509	17,472
Adjusted EBITDA	33,427	31,705	27,289
Net majority income	6,319	5,808	4,629

Note: figures in millions of Mexican pesos

2) Financial Information

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

The Mexican peso is the functional currency of the Company's Mexican operations and is used to report the Company's consolidated financial statements, therefore, figures corresponding to 2019, 2018 and 2017 are shown in pesos in nominal terms as of the date on which they were registered. Company's consolidated financial statements were prepared with an historic base cost, except for certain financial instruments (assets and liabilities), which are measured at its fair value at the closing of each period, and for non-monetary assets of subsidiaries in hyperinflationary economies, which are adjusted for inflation, as explained in accounting policies.

Consolidated Income Statement			
For the years ended December 31:	2019	2018	2017
Net sales (1)	**291,926**	**289,320**	**268,485**
Costs of sales	138,184	135,669	124,765
Gross profit	**153,742**	**153,651**	**143,720**
General expenes:			
Distribution and selling expenses	110,234	109,701	103,865
Administrative expenses	16,641	19,006	18,134
Integration costs	2,435	1,855	2,929
Profit (loss) before other income and expenses, net	**24,432**	**23,089**	**18,792**
Other (Expenses) Income net	4,013	4,580	1,320
Operating profit	**20,419**	**18,509**	**17,472**
Net Interests	8,001	7,282	5,558

Foreign exchange (gain)/loss, net	445	(85)	118
(Gain)/Loss on monetary position	114	(202)	79
Comprehensive Financial Result	**8,560**	**6,995**	**5,755**
Share on profit of associates	249	194	234
Profit before income tax	**12,108**	**11,708**	**11,951**
Current Income Tax	3,926	3,510	4,444
Deferred Income Tax	723	1,387	1,838
Income Tax	**4,733**	**4,897**	**6,282**
Consolidated net profit	**7,375**	**6,811**	**5,669**
Controlling interest	6,319	5,808	4,629
Non-controlling interest	1,056	1,003	1,040
Basic earnings per ordinary share	1.36	1.24	0.98
Dividend per share	0.45	0.35	0.29
Earnings before interest, tax, depreciation and amortization	**33,427**	**31,705**	**27,289**

Notes to the Consolidated Income Statements:

(1) During 2019, 2018 and 2017, net sales of the subsidiaries located in the Mexico segment represented approximately 33%, 32% and 31%, respectively, of the Company's consolidated net sales. During the same periods, the net sales of the North America segment represented approximately 49%, 50% and 51%, respectively, of the Company's consolidated net sales.

Consolidated Balance Sheet

As of December 31:	2019	2018	2017
Cash and cash equivalents	6,251	7,584	7,216
Trade receivables and other account receivable, net	26,198	25,950	24,806
Inventories	9,819	9,340	8,368
Prepaid expenses	1,188	1,098	975
Derivative financial instruments	143	106	682
Guarantee deposits for derivative financial instruments	325	619	417
Assets held for sale	273	154	26
Total Current Assets	44,197	44,851	42,490
Property, plant and equipment, net	84,341	87,243	82,972
Right-of-use asset, net	25,550	-	-
Investments in associates	2,871	2,645	2,318
Derivative financial instruments	1,533	3,017	2,592
Deferred income tax	4,590	3,886	6,288
Intangible assets, net	51,318	54,476	56,194
Goodwill, net	62,794	65,513	63,426
Other sssets net	1,887	1,685	2,969
Total Assets	**279,081**	**263,316**	**259,249**
Short-term portion of long-term debt	5,408	1,153	1,885
Trade accounts payables	23,105	21,074	19,677
Other Accounts Payable and accrued liabilities	18,473	23,055	21,800
Short-term lease liabilities	4,599	-	-
Accounts payable to related parties	1.064	909	955

Current Income Tax	115	256	1,073
Statutory employee profit sharing payable	1,183	1,423	1,286
Derivative Financial Instruments	673	879	241
Total current liabilities	54,620	48,749	46,917
Long-Term Debt (1)	81,264	88,693	91,546
Long-term lease liabilities	20,741	-	-
Derivative financial instruments	437	347	-
Employee benefits	30,426	25,885	30,638
Deferred income tax (2)	5,241	5,720	4,682
Other long-term liabilities	8,041	9,347	8,442
Total Liabilities	**200,770**	**178,741**	**182,225**
Controlling interest	73,736	79,690	72,767
Non-controlling interests	4,575	4,885	4,257
Total Equity	**78,311**	**84,575**	**77,024**

Consolidated Balance Sheet Notes:

(1) Some financial liabilities provide certain restrictions and obligations to the Company's financial structure (see Note 13 of the Audited Financial Statements).
(2) See Note 16 of the Audited Financial Statements.

Additional Financial Information

(millions of Mexican pesos)

As of December 31:	**2019**	**2018**	**2017**
Depreciation and amortization	14,373	10,000	8,761
Net cash flows from operating activities	28,520	20,982	21,170
Net cash flows used in investing activities	(12,872)	(18,391)	(27,070)
Net cash flows (used in)/ from financing activities	(16,603)	(2,322)	(6,492)
Cash and cash equivalents at end of year	6,251	7,584	7,216
Operating Margin	7%	6.4%	6.5%
Adjusted EBITDA Margin	11.5%	11.0%	10.2%
Net Majority Income Margin	2.2%	2.0%	1.8%
Return on Assets	2.2%	2.2%	1.8%
Return on Equity	7.7%	7.3%	6.4%
Adjusted EBITDA	33,427	31,705	27,289
Total Debt / Adjusted EBITDA	2.6	2.9	3.5
Net Debt / Adjusted EBITDA	2.4	2.6	3.2

3) Capital Markets

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

These shares are publicly traded in Mexico, listed on the BMV under the ticker symbol "BIMBO" and registered in the RNV. As of December 31, 2019, its market capitalization was approximately Ps.159,953 billion.

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

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

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

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

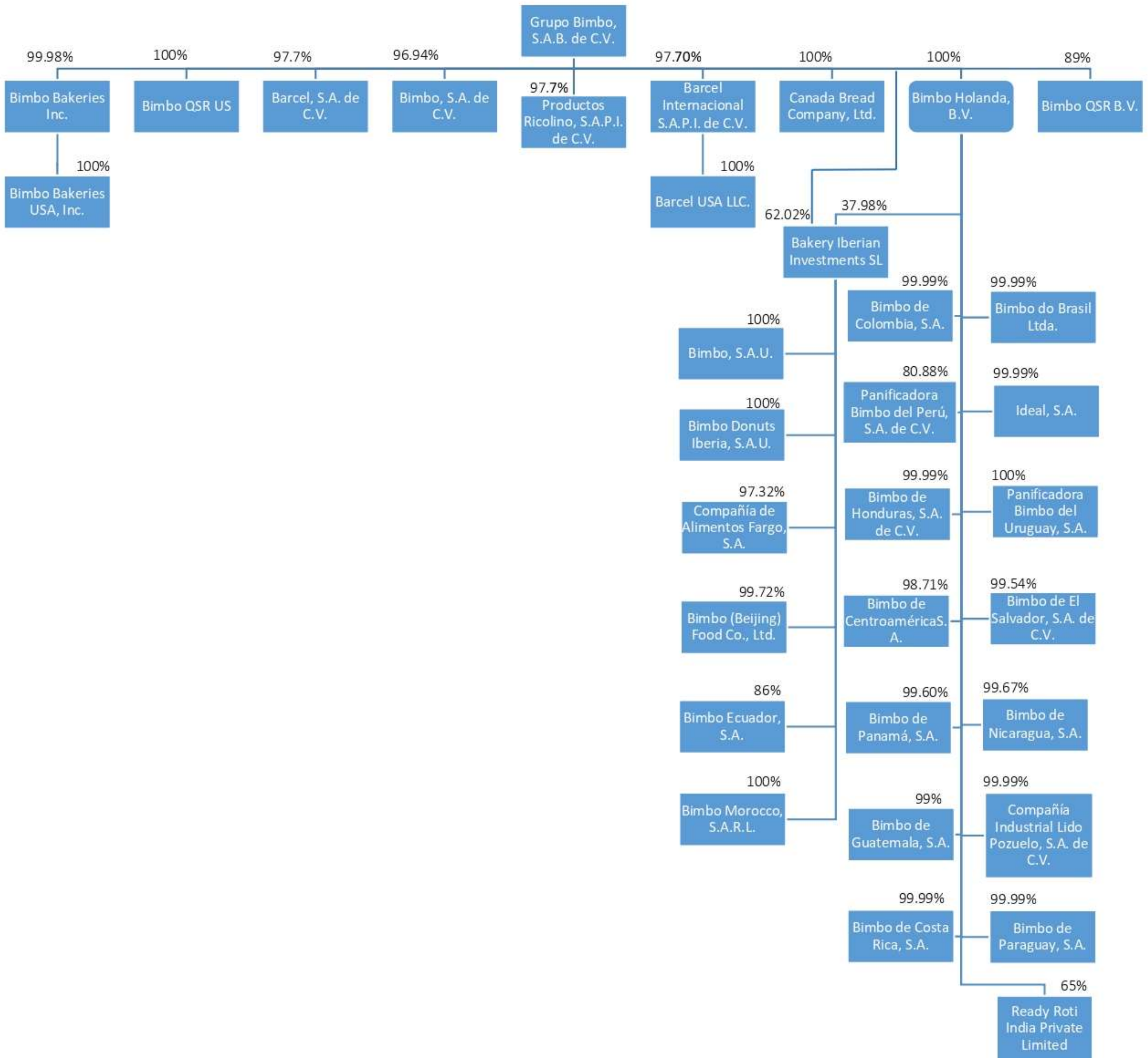
On the date of the present annual report, the Company does not have a market maker agreement.

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

Year ended December 31	Mexican Pesos per Share "A"			Shares "A" Transaction Volume
	Maximum	Minimum	Closing	
2011	28.47	28.47	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532,853,721
2018	46.46	35.07	39.15	592,951,520
2019	43.04	32.83	34.43	635,679,042

4. Corporate Structure

The following table shows the main subsidiaries comprised in the Group's corporate structure as of December 31, 2019:



3) RISK FACTORS

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

Risks Related to the Business, Industry and Supply

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

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

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

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

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

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

Competition could adversely affect the Group's operation

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

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

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

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

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

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

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

See Section "2. The Company – b) Business Description – iv) Patents, Trademarks, Licenses and other Contracts".

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

In nearly all of its product categories, the Group competes with lower-priced alternative products. The Group's products must provide higher value and/or quality to its consumers than alternative brands, particularly during periods of economic uncertainty. Consumers may not purchase the Group's products if the difference in value or quality between the Group's products and the products of other brands changes in favor of the Group's competitors, or if consumers perceive this type of change. If consumers choose the lower-priced brands, then the Group may lose market share or sales volumes, which could materially and adversely affect its product sales, financial condition, and operating results.

Existing or future regulations on product labelling

The legislation of some countries in which the Group operates, including the United States, requires the Group's products to include labels with certain warnings and nutritional information. During the third quarter of 2020, rules regarding labelling in Mexico will come into force, which establish a front warning labelling system and will apply to practically all the Group's products. The purpose of these rules is to inform the consumer if the products exceed certain maximum nutritional limits. The labelling rules will be implemented in three stages, from October 2020 until October 2025. These rules establish that food products may not include within their labels pictures of characters, drawings, celebrities, gifts, offers, toys or contests that aim to promote their consumption, which could affect sales, financial situation and results of operations of the Group.

Inability to anticipate changes in consumer preferences may result in decreased demand for its products

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

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

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

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

impact on their confidence and consumption habits, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

right to receive any assets from any subsidiary upon its reorganization or liquidation, in its capacity as a shareholder of such subsidiary, will be effectively subordinated to the rights of such subsidiary's creditors, including trade creditors. Any adverse change in the financial situation or in the result of operations of the Group's subsidiaries could affect its business, financial condition, results of operations and prospects.

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

The Group is exposed to risks generally affecting the food industry, including risks posed by contamination or food spoilage, evolving nutritional and health related concerns, consumer product liability claims, product tampering, the cost and availability of insurance against civil liability and the possible interruption of the business, potential costs and damages for the collection of defective products. The Group may also become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of its products causes injury, illness or death. A product recall or an adverse resolution against the Group in any of said legal procedures could adversely affect its business, financial situation, results of operations and prospects.

The use of social media to post complaints against companies involved in the food industry, including the Group, as well as the use of mobile devices to capture any deviation from their processes, products or facilities, could adversely affect the Group's business. As a global consumer food company, the Group depends on consumer confidence in the quality and safety of the Group's products. Any illness or death related to its products, or any deviation or perceived deviation in the Group's processes, products, or faciities, could substantially damage its operations. The spread of food-borne illnesses is often beyond the Group's control and there cannot be any assurance that new illnesses will not develop.

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

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

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

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

The Group's operations in Mexico are subject to extensive laws, rules, regulations and standards of hygiene and quality regulation and oversight by designated authorities such as the Mexican Ministry of Health (*Secretaría de Salud*), the Ministry of Agriculture, Farming, Rural Growth, Fish and Food (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*), the Federal Commission for Protection

from Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios*) and the Ministry of Economy (*Secretaría de Economía*) and other authorities regarding the processing, packaging, labeling, storage, distribution and advertising of the Group's products.

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

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

Grupo Bimbo is subject to comparable health, hygiene and quality-related local laws and regulations in other countries where it operates. Government policies and regulations in the United States, Mexico and its other markets may adversely affect the supply demand and prices of its products, restrict its ability to do business in existing and target local and export markets and could adversely affect its business, financial condition, results of operations and prospects.

The laws and regulations to which the Group is subject, as well as their interpretations, may change, sometimes dramatically, as a result of a multiplicity of factors beyond the Group's control, including political, economic, regulatory or social.

In addition, if the Group is required to comply with future material changes in food safety or health-related regulations, it could be subject to material increases in operating costs and also be required to implement regulatory changes on schedules that cannot be met without interruptions in its operations. Increased governmental regulation of the food industry, such as proposed requirements designed to enhance food safety, impose health-related requirements or to regulate imported ingredients, could increase the Group's costs and adversely affect its business, financial condition, results of operations and prospects.

If the Group is found to be out of compliance with applicable laws and regulations, the Group may be subject to civil remedies, including fines, injunctions, termination of necessary licenses or permits, or recalls, as well as potential criminal sanctions, any of which could have an adverse effect on Group's business. Even if a regulatory review of the Group's operations does not result in such outomes, it could potentially create negative publicity or a negative perception of the Group which could damage its business or reputation and might adversely affect the results of the Group's operations.

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

Grupo Bimbo derives a significant portion of its operating revenues from sales to retailers. Grupo Bimbo sells its products to non-traditional retailers and quick service restaurants, such as supermarkets, hypermarkets and hard discounters, and to traditional retailers, such as small convenience stores and small family-owned stores. These third parties, in turn, sell the Group's products to final consumers. A portion of its revenues comes from the foodservice distribution channel which includes operators such as restaurants and the on-the-go channel including vending machines. Any significant deterioration in the business performance of the Group's customers could adversely affect the performance of its products. In addition,

shelf and retail space for sweet baked goods is limited and subject to a competitive environment and other industry pressures. Therefore, traditional and non-traditional retailers also carry products that directly compete with the Group's products for consumer purchases, retail space and marketing efforts. There is a risk that such retailers may give preference to products of, or form alliances with, the Group's competitors or their own private labels other than with respect to products that Grupo Bimbo produces for such private labels, or put pressure on the Group's margins. Private label products represent an alternative for value-conscious consumers. These products allow retailers to increase their sales and margins, which incentivizes retailers to take advantage of their platform to give preference to such private label products at the expense of branded products. There can be no assurance that retailers will provide the Group sufficient shelf space for its products to enable Grupo Bimbo to meet its growth objectives. If retailers put pressure on its margins, fail to purchase its products or fail to provide its products with adequate marketing efforts, the Group's business, financial condition, results of operations and prospects could be adversely affected.

Additionally, alternative retail channels, such as internet-based retailers, mobile applications, subscription services, discount stores and club stores, have become more prevalent in recent years. This trend, away from retail grocery, and towards such channels, is expected to continue in the future. If the Group is not successful in expanding its channel sales in alternative retailer channels, its business or financial resuts could be affected adversely. In addition, these alternative retail channels may create price deflation to the customer, which could affect retail customer relationships and present additional challenges to its ability to increase prices in response to commodity or other costs increases. Moreover, if these alternative retail channels had a significant market share away from traditional retailers, it may impact the Group's business and financial results.

Further consolidation in quick service restaurant and retail food industries may adversely impact the Group

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

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

Disruption of the Group's supply chain and distribution network could adversely affect its operations

The Group's operations depend on the continuous operation of its supply chain and distribution network. Damage or disruption to the Group's production or distribution capabilities due to weather, natural disaster, fire, electricity shortages, terrorism, pandemics, strikes, disputes with, or the financial and/or operational instability of, key suppliers, distributors, warehousing and transportation providers, or other reasons could impair the Group's ability to manufacture or distribute the Group's products or to timely comply with its commitments.

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

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

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

The operations of the Quick Service Restaurant ("QSR") of the Group are subject to high operating standards, which may require the Group to make significant capital investments.

The operations of the QSR channel are subject to extremely high operational quality standards by the Group's customers, which include standards related to cleanliness, product consistency, delivery times, practice of manufacturing recognized worldwide, compliance with food regulations, health and control, at the local level (e.g., a systematic method of product safety that emphasizes prevention within the production plant through analysis, inspection and monitoring). In addition, the approval processes for customers and potential customers in the Group's QSR branch are thorough and lengthy in order to ensure compliance with their high quality standards. The Group may be required to make significant investments to achieve compliance with those standards; however, there is no certainty that the Group will ever become a supplier to such customers, that will develop close relationships with such clients and that will refrain from acquiring competing products.

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

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

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

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

The Group's growth opportunities through acquisitions, mergers or joint ventures may be limited by antitrust laws, access to capital resources and other claims related to the integration of significant acquisitions.

The Group may pursue further acquisitions in the future. The Group does not know if it will be able to successfully complete such acquisitions or whether it will be able to successfully integrate any acquired business into its business or retain key personnel, suppliers or distributors. Furthermore, there is no guarantee that no claim will be made regarding antitrust provisions, in connection with its existing operations or any acquisition that the Group may pursue in the future. If any such claim arises, the Group may be required to sell or divest itself of significant assets, or be unable to consummate any acquisition.

The Group's ability to successfully grow through acquisitions depends upon its ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain the required financing on terms acceptable to Grupo Bimbo. These efforts could be expensive and time consuming, disrupt its ongoing business and distract management. If Grupo Bimbo is unable to integrate any acquired businesses effectively, its business, financial condition, results of operations and prospects could be materially adversely affected.

The Group may be unable to successfully expand its operations into new markets

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

Currency fluctuations may adversely affect the Group

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

As of December 31, 2019, 78.0% of its consolidated debt and a significant portion of its income, operating costs and taxes were denominated in U.S. dollars. However, other significant portions of the Group's income, operating costs and taxes were denominated in Mexican pesos and certain other currencies. As a result, the appreciation or depreciation of the Mexican peso and other currencies against the U.S. dollar affects the Group's results of operations and financial condition. Significant fluctuations of the Mexican peso and other currencies relative to the U.S. dollar have occurred in the past, negatively affecting the Group's results. For example, according to the Mexican Central Bank, the Mexican peso appreciated by 3.7% in 2019, appreciated by 0.04% in 2018, and 4.5% in 2017 while it depreciated by 19.2% in 2016 and by 17.0% in 2015, all in nominal terms. The Mexican Central Bank may from time to time participate in the foreign exchange market to minimize volatility and support an orderly market. Banco de México and the Mexican government have also promoted market-based mechanisms for stabilizing foreign exchange rates and providing liquidity to the exchange market. However, the peso is currently subject to significant fluctuations against the U.S. dollar and may be subject to such fluctuations in the future.

Currency fluctuations could also affect the Group's ability to import raw materials and finished products denominated in dollars to businesses outside the United States. If such fluctuations were significant without the possibility of implementing economic strategies and effective financial measures,

including local manufacturing measures, the Group could be forced to radically change its business model or to suspend or cease its operations in the affected countries.

The Group selectively hedges its exposure to the U.S. dollar with respect to the Mexican peso and other currencies, its U.S. dollar-denominated debt obligations and the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of the Mexican peso or any currency of the countries where the Group operates may result in a disruption of the international foreign exchange markets and may limit its ability to transfer or to convert Mexican pesos or such other currencies into U.S. dollars for the purpose of making timely payments of interest and principal on its U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could establish restrictive exchange rate policies in the future. Any change in the monetary policy, policies related to the transferability of funds, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which the Group has no control, could have an adverse effect on its business, financial condition, results of operations and prospects. Restrictions on the Group's right to convert pesos into U.S. dollars or make payments outside of Mexico could affect its ability to make timely payment of its obligations due to be paid outside Mexico or in a currency other than Mexican pesos. Furthermore, there can be no guarantee that any hedging transactions Grupo Bimbo enters into will sufficiently protect it against any such impacts.

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

Grupo Bimbo relies on sophisticated information technology systems and infrastructure to support its business, including process control technology. For example, in its production, distribution and inventory management of the Group uses technologies of the information to increase efficiency and optimize costs. These systems are also fundamental for the management and reporting of the results of its operations. In addition, an important part of the communications of its staff, customers, consumers, and suppliers, as well as their personal information, depends on information technology.

The confidentiality and integrity of the information could be threatened by intentional or unintentional misuse, manipulation or disclosure, physical theft or cybersecurity data breaches by associates, suppliers, hackers, criminal groups, state organizations, social-activist organizations or other third parties, geopolitical events, trade restrictions, changes in tax policy, fortuitous or force majeure cases, failures or deficiencies in telecommunication systems, or other catastrophic events.

On the other hand, the Group's computer systems have been subject to, and possibly will continue, subject of attacks by viruses, malware, ransomware and other malicious code, social engineering attacks, unauthorized access attempts, theft of passwords, money and information, physical security system failures, internal errors, attacks and cybernetic crimes of known and unknown natures. Cyber threats evolve constantly, they have become more sophisticated in recent years and are developed by organizations, groups and individuals with a wide range of experience and motivations, which increases the difficulty in successfully detecting and minimizing the impact of these attacks. Therefore, it is not sure that these attempts, which endanger the Group information, can be completely prevented, avoid or interrupt its operations and may have repercussions that could affect negatively due to compensation, loss of profits or market shares, litigation or reputational and competitive damages. At the present time the Group has not suffered a material breach of cyber security. However, you may see it in the impossibility of preventing physical and electronic break-ins, cyber-attacks or other material breaches to the security of their computer, informatics or operational systems.

Grupo Bimbo currently utilizes third party e-commerce providers and request that they have the appropriate cybersecurity controls and meet regulatory requirements. However, the cybersecurity and compliance controls the Group or its third party providers implement might not be effective. In particular, continuity of business applications and services may be disrupted by errors in systems' maintenance, migration of applications to the cloud, power outages, hardware or software failures, viruses or malware, denial of service and other cyber security attacks, telecommunication failures, natural disasters, terrorist attacks and other catastrophic events.

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

In addition, the Group must comply with increasingly complex and rigorous regulatory standards issued for the purpose of protecting personal or business information in the European Union, the United States, and other jurisdictions regarding privacy, protection of personal data and data security, including those related to the collection, storage, handling, use, disclosure, transfer and securing of personal data. There may be significant uncertainty regarding compliance with these laws and regulations, including those relating to the General Data Protection Regulations of the European Union ("GDPR") (which impose additional obligations to companies regarding the handling of personal data and grant rights of personal privacy to the persons whose data is stored), thus they evolve constantly and can be interpreted and applied differently in each country, situation that may result in inconsistent and contradictory requirements. In addition, the Group's efforts to comply with these laws, including the GDPR, may result in significant costs and challenges that are likely to increase over time.

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

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

Most of the Group's workforce is represented by labor unions. While, as a result of the Group's policies and strict compliance with the law, Grupo Bimbo has enjoyed satisfactory relationships with all of the labor organizations that represent its associates and believes they will continue to be satisfactory, labor-related disputes may still arise. These labor disputes may be motivated by changing social and economic conditions in the countries in which the Group operates. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage the Group's relationships with its customers and adversely affect its business, financial condition, results of operations and prospects. In addition, if any significant differences arise during its negotiations with labor unions or associates, or any other significant conflicts arise, its business, financial condition, results of operations and prospects may be materially and adversely affected.

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

The Group's labor costs include the cost of providing benefits for associates. Grupo Bimbo sponsors a number of defined benefit plans for associates in most of the regions where it operates, including pension, retiree health and welfare, active health care, severance and other post-employment benefits. Grupo Bimbo also participates in a number of MEPPs for certain production facilities. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the discount rate used to measure obligations, the rate or trend of health care cost inflation, the provisions of collectively bargained wage and benefit agreements or by material adjustments in the MEPP sponsors.

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

The Group participates in transactions with individuals and companies affiliated or related to the Group. Even when its Audit and Corporate Practices Committee is in charge of analyzing these operations, they could create potential conflicts of interest that could result in less favorable terms for the Group than those obtained from an unaffiliated third party.

See Section "4. GOVERNANCE - b) Operations with Related Parties and Conflicts of Interest ".

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

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

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

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

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

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

Although the Group has specific programs across its business units designed to meet applicable environmental compliance requirements, modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations in the jurisdictions in which the Group operates may result in the need for investments that are not currently provided for in its capital expenditures program and may otherwise result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group operates in multiple jurisdictions and is subject to complex regulatory frameworks with increased enforcement activities worldwide. Grupo Bimbo is subject to anti-trust, anti-corruption and anti-money laundering laws. Although the Group maintains policies and processes intended to comply with these laws, including a review of its internal control over financial reporting, the Group cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by its officers or associates. If the Group's officers or associates fails to comply with any applicable anti-trust,

anti-corruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on the business, financial condition, results of operations and prospects of the Group. Furthermore, the entities or businesses the Group acquires may not comply with the same control standards and procedures as Grupo Bimbo. Any investigation of potential violations of anti-trust, anti-corruption, anti-bribery or anti-money laundering laws by governmental authorities in any jurisdiction where the Group operates could materially and adversely affect its business, financial condition, results of operations and prospects. This could also adversely impact the Group's reputation and ability to, when applicable, obtain contracts, assignments, permits and other government authorizations.

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry collusion among several bread suppliers, including Canada Bread from 2001 to 2017. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved have admitted to inappropriate conduct. Canada Bread has not been charged with any offenses. Both the Group and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Group was notified of twelve class actions initiated by groups of consumers and/or consumer associations against all the parties allegedly involved in Canada's Competition Bureau investigation. The Group cannot guarantee that the result of this investigation or the class action will not have an adverse effect on its business, financial situation, results of operations and prospects.

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

An impairment in the recoverable value of goodwill or intangibles could affect the Group's consolidated operating results and net worth

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

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

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

The global market and economic conditions are unpredictable and may continue to be so in the future. Debt capital markets have been affected in the past by significant losses in the international financial services industry and economic events in certain countries, among other factors. In the future, the cost of fundraising in debt capital markets may increase significantly, while funds available from these markets may materially decrease. The Group's growth strategy may require financing by public or commercial banks and

loans from other public or private financial institutions. In case that there are no funds available from public or private banks, or if such funds are provided on less favorable terms, the Group may not be able to meet its capital needs, or these needs may be limited, and the Group may not be able to (i) take advantage of certain business opportunities, (ii) respond to competitive pressures, (iii) fund needed capital expenditures or (iv) fund required margin calls or margin deposits related with hedging transactions, which may adversely affect its business, financial condition, results of operations and prospects.

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

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

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

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

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

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

Applicable law could adversely affect the Group.

The Group is subject to regulation in each of the countries where it operates. The main areas in which Grupo Bimbo is subject to regulation are water, environment, labor, taxation, health and antitrust. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries where the Group operates, including the imposition of taxes directed to products that the Group sells, may increase its operating costs or impose restrictions on its operations which, in turn, may adversely affect its business, financial condition, results of operations and prospects. In particular, environmental standards are becoming

more stringent in several of the countries where the Group operates, and the Group is in the process of complying with these standards, although it cannot assure that it will be able to meet the timelines for compliance established by the relevant regulatory authorities. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on the Group's future results or financial condition.

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

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

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

The Group is involved in litigation arising from the ordinary course of its business or for other causes, which could lead to unfavorable decisions or financial sanctions against it. Such litigation could include class actions involving consumers, shareholders, associates or affected persons, as well as lawsuits related to commercial, labor, economic competition, administrative, intellectual property, liability for damages, contractual, fiscal or environmental matters. Class actions were recently recognized in Mexico. Moreover, the process of litigating requires substantial time, which may distract the Group's management. Even if the Group is successful, any litigation may be costly, and may approximate the cost of damages sought. Furthermore, there may be claims or expenses which are denied insurance coverage by the Group's insurance carriers, not fully covered by its insurance, in excess of the amount of its insurance coverage or not insurable at all. Litigation trends and expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigations, trends, expenses and outcomes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's operations have from time to time been subject to investigations and proceedings by antitrust authorities and litigation relating to alleged anticompetitive practices (including related class actions and other proceedings). During the period from 2001 to 2017, Canada's Competition Bureau commenced an investigation over allegations relating to an industry wide conspiracy among several bread suppliers (including the business the Group acquired from by Maple Leaf Foods in Canada in 2014) and retailers in connection with pricing conduct dating back to 2001. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved, have admitted inappropriate conduct. Neither Grupo Bimbo nor any of its associates have been charged with any offenses as of the date of this report. The group is cooperating fully with Canada's Competition Bureau as it conducts its inquiry. In addition, shortly after the commencement of such investigation, Grupo Bimbo was notified of certain class actions in most of Canadian provinces initiated by groups of consumers and/or consumer associations filed against all the parties allegedly involved in Canada's Competition Bureau investigation relating to the facts and subject matter of such investigation. The Group cannot assure that the outcomes of this investigation will not have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group will continue to be subject to legal proceedings and investigations. The Group cannot assure that these investigations and proceedings will not have an adverse effect on its business, financial condition, results of operations and prospects. Moreover, adverse publicity about regulatory or legal actions or investigations and allegations by other parties involved in regulatory or legal actions against the Group could damage its reputation and brand image, undermine the confidence of the Group's customers and reduce long-term demand for the Group's products, even if the regulatory or legal action is unfounded or not material to the Group's operations.

Recent amendments to Mexico's labor legislation, and the eventual incapacity of the Group maintaining its relationships with labor unions can have an adverse effect in its business, financial condition and results of operations and prospects

In May 2019, the Federal Labor Law and other related regulations were reformed and abolished in the area of labor justice and workers' rights to organize and carry out the negotiation of collective agreements. At the same time as these reforms, among other things, new labor authorities and courts, new labor and conciliation processes, provisions relating to the freedoms of association and organization of workers were created, and negotiation of collective agreements and the rules against employment discrimination were issued or reformed. The Group cannot ensure that these changes will not adversely affect its business, financial situation, and results of the operation and prospects.

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

A main objective of the securities laws of Mexico and other countries is to promote full and fair disclosure of all material corporate information, including the financial information of the issuers. However, it is possible that issuers of securities in Mexico do not disclose the same information or disclose different information from what would be mandatory for them to disclose in other countries. The Group is subject to obligations consisting of the submission of periodic reports with respect to shares listed on the Mexican Stock Exchange. The disclosure standards imposed by the CNBV and the Mexican Stock Exchange could be different than those required in other countries or regions. In addition, the standards of accounting and disclosure requirements of Mexican public bodies are different from those of the United States of America. In particular, the financial statements are prepared in accordance with IFRS, which differ from US GAAP by several aspects. Items in a company's financial statements prepared in accordance with IFRS may not reflect its financial position or results of operations in the way they should be reflected if such financial statements had been prepared in accordance with US GAAP.

A decrease in consumer confidence and changes in consumer habits may adversely affect the business, financial condition or Income Statement of the Group

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

It may be difficult to enforce civil liabilities against the Group's directors, executive officers and controlling shareholders

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

As a result, it may be difficult for foreign investors to bring legal processes outside Mexico against such persons or the Group, or to enforce judgments against them or the Group in courts of any jurisdiction outside of Mexico, including any judgment predicated upon the civil liability provisions of such persons in those countries. There is doubt as to the enforceability in Mexican courts of civil liabilities arising under the federal laws of the United States, by means of judgments carried out in Mexico or enforcement processes of judgments from US courts. There is currently no treaty between the United States and Mexico covering the reciprocal enforcement of the judgements of the foreign country. In the past, Mexican judges have executed sentences handed down in United States for reasons of reciprocity and courtesy. The above, consisting of

the review of decisions issued outside of Mexico to verify compliance with the principles of due process and public order of Mexican law, without entering into a subjective analysis of each individual case.

Risks Related to Countries in Which the Group Operates

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

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

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

In particular, the policies of the current United States government towards Mexico, China and other countries have generated a situation of instability and uncertainty, and it may continue adversely affecting the world economy. Derived from administrative policy changes in the United States, there have been changes to existing trade treaties, greater restrictions on free trade and, in general, a significant increase in tariffs on goods imported into the United States. These and other changes may continue to be carried out. Any change in U.S. trade policies could generate retaliation by the affected countries and member countries of multilateral foreign trade, including China and the European Union, which could lead to a "tariff war", a rise in the prices of goods imported into the United States and greater global volatility and instability.

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

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

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

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

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty, which triggered a two-year negotiation to define the terms of the relationship between the United Kingdom and the European Union. The referendum agreement to which the European Union and the United Kingdom arrived was rejected three times by the Parliament of the United Kingdom, and a new deadline was set for the ratification of the treaty by which the United Kingdom would leave the European Union on 31 October 2019. If not, the United Kingdom must choose between a Brexit without agreement, or cancel its departure from the block. On July 23, 2019, Boris Johnson, who had openly supported the United Kingdom's exit from the European Union and swore to leave on 31 October of the same year, was elected as Prime Minister of the United Kingdom. On January 9 2020, the referendum agreement was approved and ratified by the UK Parliament and on January 23 it was formalized by royal sanction. On January 31, 2020, the referendum agreement began, however, this agreement has a transition period until end of 2020. Until that date, the trade relationship between the European Union and the United Kingdom will remain the same, allowing the European Union and the United Kingdom to agree and implement a new business relationship. The impact that the terms and conditions could have of the new relationship between the European Union and the United Kingdom because of the "Brexit" in the results of the Group operations is unclear. Depending on the terms and conditions of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by volatility and reduced growth. The uncertainty before, during and after the period of negotiation could also have a negative operational or economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the Group's business.

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

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

Grupo Bimbo is a company incorporated in Mexico, and a significant portion of its operations are conducted in Mexico, the United States and Canada. For the year ended December 31, 2019, 82% and 96% of its total net sales and Adjusted EBITDA (giving effect to the amortization of losses from its operations in Europe), respectively, were attributable to its operations in Mexico, the United States and Canada. As a result, the Group's business, financial condition, results of operations and prospects may be affected by the general condition of the economies in the United States, Canada and Mexico, including price instability, inflation, interest rates, regulation, taxation, increasing crime rates and other political, social and economic developments over which Grupo Bimbo has no control. In addition, the Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in the economic conditions of the U.S. economy may affect the Mexican economy. In the past, Mexico has also experienced prolonged periods of economic crisis caused by internal and external factors over which the Group has no control. These periods have been characterized by exchange rate instability, high inflation, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. Such

conditions may return and could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

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

In addition, the direct relationship between economic conditions in Mexico and the United States has narrowed in other years as a result of the North America Free Trade Agreement and the increase in economic activity between the two countries. On October 1, 2018, the United States, Canada and Mexico announced that they had reached an agreement, the T-MEC, aimed to modernize and update their free trade relationship and replace NAFTA. The T-MEC was signed by the three countries on 30 November 2018. On June 19, 2019, Mexico became the first country to ratify the treaty. On December 13, 2019, the protocol was approved modifying the T-MEC, which includes relevant modifications in labor, steel, pharmaceutical, intellectual and environmental property. As a result, on January 16, 2020, the United States Senate finally approved the T-MEC, which was ratified on January 29, by President Donald Trump, granting certainty and promoting trade and relations between Mexico, the United States and Canada. On the other hand, on 29 January 2020, the Prime Minister of Canada presented to the Canadian government's House of Commons the final text of the T-MEC for approval, so it is estimated that by the end of the first quarter of the year 2020 it will be approved by Canada. Once Canada completes the process of approval and ratification of the T-MEC, this trade agreement will enter into force within 3 months after the last notice of approval given by the parties, and until such time will be obligatory for all three nations. It should be noted that, until that entry into force occurs, NAFTA would continue to be valid and applicable in commercial relations between the three countries. The peso against the dollar has maintained its value and has been benefited by recent notifications of approval of the T-MEC. The United States has maintained good relations with Mexico, a situation that has helped not to create economic instability and volatility as in years past. As a result of all the above, a positive outlook is maintained. However, the Group cannot assure that these changes in administrative and governmental policies of the United States administration, could affect the economy and have a significant adverse effect on the business, financial situation and results of operations of the Group.

Additionally, illegal immigration through Mexico to the United States has caused friction between the two countries and could reduce economic activity between them. On June 7, 2019, Mexico and the United States signed a joint declaration committing both countries to undertake specific actions to control illegal immigration. However, President Donald Trump had previously announced plans to institute import tariffs in response to the issue of illegal immigration across the Mexico-U.S. border. There cannot be any assurance that the U.S. government will not have future plans to impose tariffs on Mexico and that the Group will not be adversely affected by such plans or tariffs in the future. In the event of certain changes in U.S. policy implemented by the current U.S. administration, the Mexican government could implement retaliatory actions, such as the imposition of restrictions on Mexican imports of products from the United States or imports and exports of products to the United States or remittances from the United States to Mexico, which would adversely affect the Group's business and results of operations.

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

Political events in Mexico may significantly affect Mexican economic policy and, consequently, the Group's operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on the Group and on the market conditions in Mexico. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the administration of Andrés Manuel Lopez Obrador could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect the Group's business, financial condition, results of operations and prospects. As of the date of this annual report, the

"Movimiento Regeneración Nacional" party, founded by López Obrador, has an absolute majority in the Chamber of Deputies. The Group cannot predict the impact that the development of Mexican national policy will have on the country's economy, nor can it assure that these events, over which the Group does not have any type of control, will not adversely affect the business, financial situation and results of its operations.

The Mexican federal government occasionally makes significant changes in policies and regulations and may do it again in the future. In addition, the Mexican government has drastically decreased the 2019 Expenditure Budget and could do it again in future years. On July 2, 2019, the new Federal Republican Austerity Law was approved by the Mexican Senate and it was published in the Official Gazette of the Federation on November 19, 2019. Actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations and capital controls and limits on imports. The Group's business, financial situation and results of operations could be affected by changes in govern policies and regulations involving its administration, operations and tax regime. Grupo Bimbo cannot assure that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on its business, financial condition, results of operations and prospects. In particular, tax legislation in Mexico is subject to constant change, and the Group cannot assure that the government will maintain the social, economic, or other existing policies, nor that those changes will not adversely affect the business, financial position, results of operation or prospects.

It is not possible to predict the impact that the political environment in Mexico will have on the Mexican economy, nor can it assert that these circumstances beyond the Group's control will not have an adverse effect on its business, financial situation, results of operations and prospects. Government forecasts of Mexico's economic growth may affect rating agencies' perception of the country, which may have a negative effect on Mexico's credit ratings issued by international rating agencies, which may, in turn, adversely affect the Group's business, financial condition and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation (in particular with respect to the Mexican peso-U.S. dollar exchange rate), convertibility restrictions and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect the Group's business and ability to service its debt. During 2019, Banco de México decreased its reference rate by 130 basis points, from 8.66% to 7.34%. Future increases in interest rates may adversely affect the Group's results of operations by increasing its financing cost. In addition, a worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, the Group's financial condition and its ability to service its debt.

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

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the peso and the imposition of substantial government controls over exchange rates and prices. As provided and published by Mexican National Institute for Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or INEGI), the annual rate of inflation for the last three years was 6.77% in 2017, 4.83% in 2018 and 2.83 in 2019. Grupo Bimbo cannot assure that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States, any of which could increase the Group's capital expenditures and adversely affect its ability to obtain financing in the future, adversely affecting its financial condition and its ability to make payments on the notes, business, operating results and prospects.

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

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest real interest rates in the world. The Central Bank of Brazil sets the base interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. The trend of periodic reductions of the base interest rate (*Sistema Especial de Liquidação e Custódia*, or "SELIC" rate) that the Central Bank of Brazil had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.67% as of December 31, 2008, compared to 4.5% as of December 31, 2019. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank of Brazil significantly reduced the SELIC rate, which reached 8.65% as of December 31, 2009. The SELIC rate was gradually raised to 12.42% through July 2011, after which the Central Bank of Brazil lowered the SELIC rate to 7.39% in August 2012. To control inflation during 2013, the Central Bank of Brazil gradually raised the SELIC rate to 9.90% in December. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank of Brazil, have had and may have significant effects on the Brazilian economy and businesses. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies of the government and the Central Bank of Brazil and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect the Group's business in Brazil.

The impact on the Group's operating costs due to inflation in Argentina could have a material adverse effect on the Group's results in Argentina

Historically, inflation has materially weakened Argentina's economy and the Argentinian government's ability to create conditions for growth. In recent years, Argentina has experienced high rates of inflation. The Argentinian government continues to implement measures to monitor and control the prices of the most relevant goods and services. Despite these measures, the Argentinian economy continues to experience high levels of inflation.

High rates of inflation affect Argentina's external competitiveness, social and economic inequality, and negatively affect employment, consumption, the level of economic activity and weakens confidence in the Argentinian banking system. Given its persistent nature in recent years, inflation continues to be a challenge for Argentina, so this could lead to a significant increase in the Group's operating costs, particularly in labor force costs, and result in a negative impact of the results of the Group's operation in Argentina. For financial purposes, beginning in July 2018, the operation in Argentina qualifies as a hyperinflationary economy; therefore, the subsidiaries of Grupo Bimbo in that country recognized the accumulated inflation adjustments. In particular, the accumulated inflation rate in Argentina in the three years prior to 30 June 2018, exceeded 100%, with no significant reduction expected in the short-term deadline. Therefore, Argentine companies using IFRS, including subsidiaries of the Group in Argentina, are required to implement IAS 29 to their financial statements for the periods subsequent to July 1, 2018, and recognize cumulative inflation adjustments in the Group's financial statements. Future impairments in the Argentinian economy, regulation, business or politics could lead to the recognition of impairment charges for some of the Group's assets in Argentina.

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

Mexico has recently experienced a significant increase in violence relating to illegal drug trafficking and organized crime, particularly in Mexico's northern states near the United States border. This increase in violence has had an adverse impact on the economic activity in Mexico. In addition, social instability in Mexico and adverse social or political developments in or affecting Mexico could adversely affect the Group and its financial performance. Also, violent crime may increase the Group's insurance and security costs. Grupo Bimbo cannot assure that the levels of violent crime in Mexico or its expansion to a larger portion of

Mexico, over which it has no control, will not increase. Corruption and links between criminal organizations and government authorities also create conditions that affect the Group's business operations, as well as extortion and other acts of intimidation, which may have the effect of limiting the level of action taken by federal and local governments in response to such criminal activity. An increase in violent crime could adversely affect the Group's business, financial condition, results of operations and prospects.

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

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

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

In Venezuela, the Group continues to face adverse economic conditions, including restrictive exchange rate policies, lower per capita income, pricing elasticity, high operating costs as a percentage of revenues and scarcity of and restrictions on importing raw materials. The adverse economic conditions have had in the past and will continue to have an adverse effect on the revenues, sales volume and profitability of the Group's Venezuelan operations.

Even though that for financial purposes, from May 2017, the Group no longer consolidates its subsidiaries in Venezuela, Grupo Bimbo chose to classify its financial investments in equity in its subsidiaries in Venezuela as equity and alternative financial instruments designated at fair value, as it intends to maintain these investments for the foreseeable future.

Moreover, the United States recently imposed financial sanctions against Venezuela. There is no certainty about the effect or impact that these new restrictions and sanctions may have, including the potential restriction of the Group's operations or investments in Venezuela. These restrictions and sanctions could have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, these measures may require the implementation of economic or financial strategies to continue operating in Venezuela, or that there is a change to the business model in that country, in which case the Group can choose to suspend or cease operations in that country to avoid incurring these sanctions, and restrictions.

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

The results of the 2016 U.S. presidential and congressional elections have generated volatility in the global capital markets and have created uncertainty about the relationship between the United States and Mexico. This volatility and uncertainty, as well as changes in policies implemented by the new administration, may affect the Mexican economy and may materially harm the Group's business, financial condition, results of operations and prospects. In addition, the recent enactment of the Tax Cuts and Jobs Act by the United States, which, among other things, reduces the maximum U.S. federal corporate income tax rate, may result in a decrease in investments by U.S. corporations in Mexico and negatively impact the Mexican economy and financial markets.

Furthermore, the plans of the new United States administration to build a wall between the United States and Mexico, as well as the implementation of a deportation plan against illegal immigrants of which the high majority are Mexicans, may have an negative impact on the relationship between the two countries and may result in increased commercial tariffs or other material consequences that may have a direct effect on the Mexican economy and, consequently, on the results of the Group's operations, cash flows, perspectives and/or share price.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the economy, the business, financial situation, results of operation and prospects of the Group

The Group's growth strategy depends, in part, on its ability to increase its operations in emerging market countries. However, the emerging markets such as Mexico are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Mexico. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. Any increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Mexico and adversely affect the Mexican economy in general. The Group cannot ensure that the value of its financial products will not be adversely affected by events in other emerging markets or the global economy in general.

In many countries, particularly those in emerging economies, there is a perception of a greater possibility that third parties, including the Group's suppliers, its customers, and other related parties, engage in business practices prohibited by law and regulation with extraterritorial reach, such as laws relating to anti-corruption sanctions and money laundering. The fact that these non-Group persons incur in these prohibitions could subject the Group to civil and criminal sanctions that could adversely affect its reputation, financial condition and results of operations.

Political and social events in Mexico and in the countries where the Group operates

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

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

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

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

Health emergencies with global, national repercussions or in any of the other countries where the Group operates.

Health emergencies may be declared due to the outbreak and spread of diseases internationally, nationally or in any country where the Group operates, such as the health emergency arising from the SARS-CoV-2 virus (commonly known such as “coronavirus”) and due to the disease it causes (“COVID-19”), which could cause stoppages of commercial and social activities, confinements, closings of factories and workplaces, convenience stores, study centers, among others, as well as volatility or falls in the stock markets and economic recessions. The Group cannot anticipate the actions that could be required by governments, companies or individuals to face any health emergency.

The Group's ability to produce, distribute and sell its products is critical to its operations and any health emergency, either internationally or in any of the countries in which it sells or distributes products, could have an adverse effect on such operations. , as well as in market conditions and input prices, which could materially affect the Group's sales, results of operations and cash flow.

4) OTHER SECURITIES

As of December 31, 2019, the following securities were registered by Grupo Bimbo in the RNV:

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

2. *Certificados Bursátiles*:

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

(ii) Bimbo 16 – Issued on September 14, 2016 in the aggregate amount of Ps.8,000,000,000 maturing on September 2, 2026.

Senior Notes:

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

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

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

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

5. On September 6, 2019, Grupo Bimbo issued Senior Notes issue in the international markets, in the aggregate amount of $600,000,000 US dollars maturing on 2049 according to Rule 144A and Regulation S of the U.S. Securities Act.

Subordinated notes:

1. On April 17, 2018 Grupo Bimbo issued subordinated perpetual notes in the international markets for $500,000,000, pursuant to Rule 144 A and Regulation S of the United States.

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

I. Annual Information:

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

a. Reports and opinion referred to in article 28, paragraph IV of the LMV.

b. The annual financial statements or their equivalents, depending on the nature of the issuer, together with the opinion of the external auditor, as well as the audited annual financial statements of

associated entities that contribute more than 10% of the Company’s earnings or consolidated assets.

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

d. Documents of the external auditor, referred to in Articles 84 and 84 Bis of the General Provisions Applicable to Securities Issuers and to Other Participants in the Securities Market and articles 4, 5, 36 and 37 of the General Provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that contract external auditing services for basic financial statements and subscribed by the external auditor.

e. Declaration of statements by the officials responsible for initialing the financial statements referred to in article 32 of the General Provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that contract external auditing services for basic financial statements.

2. No later than April 30 of every year:

a. The annual report corresponding to the fiscal year immediately ended, prepared in accordance with the General Provisions Applicable to Securities Issuers and other Securities Market Participants.

3. No later than May 31 of every year:

a. Submit to the National Banking and Securities Commission the Final Statement of Observations obtained from the External Auditor.

4. No later than June 30 of every year:

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

II. Quarterly Information:

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

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

III. Legal Information:

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

2. On the business day immediately following the date on which the relevant meeting is held:

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

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

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

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

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

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

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

   b. Notice for the delivery or exchange of shares, obligations or other securities.

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

   d. Any other notice addressed to the shareholders, holders of other securities or the general public.

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

IV. Repurchase of the Company's own shares:

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

V. Material events:

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

VI. Audit and non-audit services:

Audit services consist of performing audit procedures in accordance with the International Standards of Audit, as well as the issuance of an audit report on the consolidated financial statements of the Group and its subsidiaries at the end of each year. The audit services include the issuance of statements, declarations and opinions applicable in accordance with the Sole Circular of External Auditors (CUAE).

In addition, the Group has certain obligations, which include the issuance of communications and delivery of certain information, among others, including, but not limited to, the following:

a. To inform and deliver a copy to the CNBV, authenticated by the Secretary of the Board, of the resolution approving the contracting or ratification of the external audit firm, no later than 15 business days following said contract or ratification.

b. Inform the CNBV of the detail and amount of the consideration for services other than external audit services, rendered by the audit firm, within 30 business days following the session of the Board approving such contract.

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

During 2019 there were no material changes in the capital stock of Grupo Bimbo and therefore the capital stock was represented as of December 31, 2019 by 4,626,004,400 shares.

f) USE OF PROCEEDS

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

g) PUBLIC DOCUMENTS

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

www.grupobimbo.com/en/investors/

For any clarification, please contact the Investor Relations team at Paseo de la Reforma 1000, Col. Peña Blanca Santa Fe, C.P. 01210, Mexico City, Mexico, telephone 5268-6830 and at the following e-mail:

ir@grupobimbo.com

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

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

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

http://www.grupobimbo.com

2) THE COMPANY

a) COMPANY'S HISTORY AND DEVELOPMENT

1) Legal background

Incorporation

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

Corporate Name

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

Duration

The Company's duration is indefinite.

Domicile and Telephone Numbers

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

2) History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2009 On January 21, 2009, Grupo Bimbo announced the acquisition of the baking business in the United States of WFI, owned by Dunedin Holdings S.à r.l., a subsidiary of George Weston Limited (TSX: WN), located in Toronto, as well as the acquisition of the related financial assets, having obtained the relevant regulatory approvals and permits. These transactions were appraised at $2,380 and $125 million dollars, respectively. The aggregate payment of $2,505 million dollars was made through a financing of $2,300 million dollars, as well as with the Company's own funds. The consolidated operation in the United States, known as BBU,

became one of the largest baking companies in the country, with a leading position in the bread, buns, sweet baked goods and cakes categories. The portfolio includes premium trademarks such as Arnold®, Bimbo®, Boboli®, Brownberry®, Entenmann's®, Francisco®, Freihofer's®, Marinela®, Mrs. Baird's ®, Oroweat®, Stroehmann®, Thomas'® and Tia Rosa®. The new operation employs more than 15,000 associates, operates 35 plants and distributes its products through more than 7,000 routes. Grupo Bimbo's consolidated results started reflecting the integration of WFI transactions as of January 21, 2009.

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

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

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

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

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

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

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

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

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

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

2012 During 2012 Grupo Bimbo disclosed to the public its intention to construct its sixth production facility located in Argentina, which began operations in 2013, creating direct and indirect jobs. Likewise, Grupo Bimbo opened a new plant in Brazilia in order to improve distribution logistics and the quantity of fresh products to consumers in local cities. Finally, Grupo Bimbo opened two sales centers in Yucatan, Mexico in order to integrate the different operations of leading brands.

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

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

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

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

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

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

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

On May 23, 2014, the Group concluded the acquisition of Canada Bread, one of the leading companies in the production and distribution of bread products in Canada, for an amount of

2014 $1,830 million Canadian dollars (equivalent to USD$1,710 million dollars on May 23, 2014). The acquisition of Canada Bread was financed by means of a multicurrency revolving credit line facility for an amount of 2,000 million USD, or the Syndicated Revolving Credit Facility, and equity.

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

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

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

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

2015 On February 2, 2015, Grupo Bimbo announced that its subsidiary, Canada Bread, completed the acquisition of Saputo Bakery Inc. Saputo Bakery, is the leading muffin Company and strengthened the position of Canada Bread in the country with the Vachon®, Jos Louis®, Ah Caramel®, Passion Flakie®, Hostess® and May West® brands, among others.

Bimbo Iberia inaugurated its new factory in Guadalajara, Spain, with production capacity of 15,000 pieces per hour, thus becoming the most important industrial project in the country. In December, Grupo Bimbo celebrated its 70th anniversary.

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

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

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

2017 On October 15, 2017, Grupo Bimbo signed an agreement with One Equity Partners to acquire all of the shares representing the capital stock of East Balt Bakeries for an amount of USD$650 million, free of cash and debt. East Balt was founded in 1955, world leader in the high-speed manufacture of bread products and serves mainly to the quick service restaurant industry (QSR). East Balt has 21 plants located in 11 countries in America, Europe, Asia and Africa, as well as 2,200 associates. East Balt has long-term business relationships with the main customers in the fast food restaurant industry in the world (including McDonald's,

Wendy's, KFC, Burger King, Pizza Hut, YumChina, Subway and Nando's, among others). East Balt maintains a broad portfolio of high-quality baked goods, including fresh and frozen buns and muffins, bagels, cookies, tortillas and other artisanal products.

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

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

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

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

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

2018

On 12 February 2018, a binding agreement was executed for the acquisition of Mankattan Group, a key player in the banking industry in China. Mankattan produces sliced bread, cakes, buns and yudane (Japanese style sandwich bread), among other baked goods for distribution in different channels such as traditional, modern and QSR.

Grupo Bimbo issued $500,000,000 million in Subordinated Perpetual Notes at a rate of 5.95%. The Company used the proceeds from this offering for the refinancing of existing indebtedness, and the financing of the Mankattan acquisition and capital expenditures among other general corporate purposes. This is a new instrument for Grupo Bimbo, making it the first hybrid bond issued by a Mexican consumer company.

This acquisition strengthens the competitive profile, expands and consolidates its presence in Asia.

In addition, it was concluded the acquisition of Alimentos Nutra Bien, a Chilean company in sweet bread that produces, commercializes and distributes brownies, cakes, cookies and other products in one plant. This acquisition complements the portfolio of products through its major brands and expands the reach of distribution increasing penetration, especially in the traditional channel.

On December 7, 2018, Grupo Bimbo together with other private companies entered into an agreement with the federal government to collaborate in the development of Mexico´s labour force opening its doors to 2,000 “Youth Building the Future” (*Jóvenes Construyendo el Futuro*) in 2019, so that they can receive training and work experience in the company´s strategic areas.

Finally, the Company became the first company in Mexico to produce Clean Energy Certificates for Distributed Generation. This initiative was achieved thanks to the collaboration

of the public and private sectors. It will contribute to achieve Mexico's clean energy goal of using 50% clean energy by 2050. In addition, it will help qualified users and companies in the new Mexican wholesale market that are required to purchase at least 5% of their energy from clean sources in 2018.

2019 On August 2, 2019, the acquisition of Mr. Bagels, a small plant of fresh and frozen bagels in the United Kingdom, was completed.

On September 3, 2019, Grupo Bimbo issued US$600,000,000 aggregate principal amount of 4.00% notes, due 2049. The Company used the proceeds from this offering to redeem a portion of its outstanding 4.875% Notes due in June 2020. The transaction was rated Baa2/BBB/BBB by Moody's, S&P and Fitch.

In addition, on October 1, 2019, the Company signed an agreement to acquire the Paterna plant from Cerealto Siro Foods in Valencia, Spain. This plant produces sliced bread and buns for Mercadona, under the brand Hacendado. The acquisition will further strengthen Grupo Bimbo's profile in the country, complementing its customer reach to better serve more consumers. The transaction is conditional upon review by the Competition and Markets Commission.

The salty snacks and confectionery businesses have historically been operated together under the Barcel organization banner. To create greater focus on these categories and take advantage of opportunities in the marketplace, the Company decided to separate the businesses and make Ricolino a stand-alone Grupo Bimbo organization. Barcel will be focused exclusively on the salty snacks business, facilitating its ability to increase client reach and look for opportunities to expand into new markets. On November 1, 2019, Barcel S.A. de C.V. spin off the confectionery business, arising as a result Productos Ricolino S.A.P.I de C.V.

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

Date	Company	Country	Sales*
2019			
August 6, 2019	Mr. Bagels Limited	United Kingdom	
2018			
December 17, 2018	Alimentos Nutra Bien	Chile	
June 28, 2018	Mankattan	China	
May 31, 2018	El Paisa	Colombia	
March 27, 2018	International Bakery	Peru	
2017			
March 2, 2017	Stonemill Bakehouse	Canada	
March 30, 2017	Grupo Adghal	Morocco	
May 25, 2017	Ready Roti	India	
September 19, 2017	Bay Foods Inc.	US	
October 15, 2017	East Balt Bakeries	US	≈USD$420

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

3) Recent Events

Grupo Bimbo disposed US$720 million of its committed revolving credit facility, which has a total value of US$2 billion. The disposed credit line matures on October 7th, 2023. The proceeds will be used to refinance the remaining US$200 million of the 2020 notes maturing in June, while the remainder will be used for increasing the Company's liquidity, prioritizing flexibility and financial strength as a preventive measure due to the current environment. With this, Grupo Bimbo currently has US$1.3 billion available in its committed credit facility for future disposals.

Grupo Bimbo, through its subsidiary Bimbo QSR, announced a joint venture with Food Town, the exclusive buns supplier and franchisee of McDonald’s in Kazakhstan. This joint venture, in which Grupo Bimbo holds 51% of share, strengthens the manufacturing footprint of Bimbo QSR and aligns its relationship with the Quick Service Restaurants (“QSR”) clients in Central Asia. This operation broadens Grupo Bimbo’s global presence to 33 countries and strengthens its leadership in the QSR industry, which is expected to have a compounded annual growth rate of 8.9%[1] by 2023 in Asia.

The Company completed the acquisition of Lender's Bagel from ConAgra, which has a production plant.

b) BUSINESS DESCRIPTION

1. Main Activity

1.1 Strategy and Strengths

All of the Group's actions are driven by its purpose of building a sustainable, highly productive and deeply humane company. The Group is committed to transform the baking industry by implementing innovative, efficient and sound business practices aimed at consolidating its position as the largest baking and snacks company in the world in terms of sales and one of the world's top food companies. To achieve its goals, the Group has set in motion plans to execute the following key strategies:

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

Global Presence. The Group plans to continue expanding its global reach and strengthening local execution to quaranty the quality and freshness of its products. Developed markets present an opportunity to consolidate its leading position and market share through actions aimed at increasing penetration while emerging markets offer high growth opportunities as a result of rising income trends, reduced assortment and low penetration. The Group expects to capture opportunities from its global presence and become the preferred supplier to its customers by leveraging on its brand equity and experience in the markets where the Group operates, improving its distribution capabilities to enhance efficiency and penetration. In addition, to better anticipate the purchase decisions of its customers, the Grupo plans to further invest on new technologies to achieve superior execution at the point of sale. The Group plans to continue focusing on what it believes are the most promising opportunities, such as the momentum of the food service industry and the different segments of the snacks industry (salty snacks, sweet snacks and confectionery), by implementing a disciplined strategy to operate and invest in the Group's global business. For example, to strengthen its position in the QSR industry, Bimbo recently reorganized its internal operations. Similarly, the Group reorganized its QSR Bimbo division of snacks division to separate the salty snack and confectionery operations. The approach of the Group's capital efficiency is essential for allocating resources to the right markets, channels and correct categories. Grupo Bimbo continuously studies the trends, tastes and needs of its consumers in each one of its markets using state-of-the-art tools in order to develop and implement actions to better satisfy their needs and preferences. These stuies combined with the information retrieved at the Group's points of sale and through different distribution channels allows it to customize products and promotions that satisfy the diverse and changing needs of its customers. Also, this information allows Grupo Bimbo to adjust its go-to-market and respond with greater precision to the needs and motivations of customers, which combined with flawless operating performance, enables the Group to deliver the right products for each point of sale at the right time with the highest freshness and quality. The Group's sophisticated data gathering and processing systems provide the Group's management with valuable insight of its customers' behavior and ongoing corporate performance at each point of sale. Grupo Bimbo makes significant efforts to increase localization and integration of its brand delivery experience and monitor

performance across its distribution channels to achieve continued growth as the Group redefines the baking industry and build customer trust. To stay ahead of customer demands, the Group plans to continue tracking customers through every distribution channel while offering innovative marketing programs to increase volumes and purchase frequency. Through this strategy, the Group intends to reinforce its identity as a highly efficient global company with strong local character.

Winning Innovation. One of the Group's key strategies is to satisfy the demand of products resulting from megatrends of the global baking and snacks industries. The increasing use of new digital tools and onsite actions to retrieve information from its consumers is expected to make its innovation process more robust by accelerating product development and enabling the Group to adapt more quickly to, and lead, consumer trends. The Group has seven innovation centers established in strategic locations to conduct research and application of technologies as well as market testing laboratories kind of kitchens that allow to mix science with the art of baking aimed at testing and analyzing consumers' preferences. Furthermore, innovation in production (from automation of production lines with advanced engineering, to efficiency in packaging processes) enhances product freshness and quality while boosting productivity and reducing costs. Through Bimbo's QSR division the Group is able to quickly adjust its production capabilities to yield customized products and satisfy seasonal client demands. The Group intends to continue exceeding its customers' expectations and increase the recognition of its brands and frequency of consumption of its products through superior quality and innovation across its various categories. The Group also intends to continue to leverage on its portfolio of leading brands as a platform to launch innovative, value added and relevant products and develop new product lines, formats and categories. For example, in the United States during 2018, the Group launched organic varieties of the premium brand Oroweat, a high quality specialty bread approved for marketing as USDA Organic and Non-GMO Project Verified by the United States Department of Agriculture (USDA). The Group commitment to the well-being of its consumers is a key driver of its innovation efforts. The Group plans to continue with the enhanceing the nutritional value of its products simplifying the recipes and providing a minimum nutritional quality in every product and its categories, while providing clear information to its customers on its nutritional content and its ingredients. Developing innovative and differentiated products and leading the pace of change of the global baking and snacks industries remains the driving force for the Group's growth and value creation, and a key element to consolidate and increase its market position.

Culture of Continuous Improvement. Grupo Bimbo believes that a culture of continuous improvement, efficiency and effective execution is crucial to continue driving productivity and profitability, and further consolidate its leading position. A cost-efficient structure is a key element to optimize resources, creating a resilient business model that allows the Group to strengthen its brands and boost its volumes and profitability. Grupo Bimbo strives to continue providing products that nourish and delight while reducing waste, improving and simplifying its production processes, procurement and supply chain and distribution network to become a low-cost, efficient and highly productive company operating under the highest environmental standards. Grupo Bimbo periodically invests in its plants and equipment to improve the efficiency of its production processes. For example, in 2019, as part of its multi-year asset transformation process, the Group inaugurated a new state-of-the-art distribution center in Mexico City. In addition, in 2019 the Group made capital expenditures of approximately USD$680 million, of which the 75% was used in investments to manufacturing activities to improve production capacity and efficiency where necessary, the remainder was allocated to optimizing the distribution network and investments in technology. Grupo Bimbo intends to continue working to achieve additional efficiencies, strengthen its competitiveness and improve its profitability through continuous investments in production facilities and machinery, while leveraging its expertise. In addition, the Group continues requiring Zero Base Budget in all its operations, expanding the global purchasing strategy, investing proactively on restructuring opportunities and digitalizing its processes across the supply chain, these initiatives allow the Group to optimize costs and achieve operational efficiencies. The Group's goal is to consolidate a spending culture that supports long-term growth and transformation through the reallocation of relevant savings to value added initiatives. Grupo Bimbo expects to leverage its capabilities as the leader in the fast-growing quick service restaurant industry to transfer technology and know-how that will enable it to become a more flexible and faster producer. The Group strives to maintain low-cost operation witht a focus on environmentally sustainable and effective cost controls that will create value that we can pass to its consumers.

Constant Growth, While Boosting Profitability and Cash Flow Generation. The Group seeks to capitalize on its business strengths to continue growing organically and through strategic acquisitions. In particular, the Group continuously expands its existing brand and product portfolio, solid asset base and geographic footprint to increase the markets in which it operates. Grupo Bimbo believes these strengths provides it with a platform of scalable approach and therefore take advantage of the opportunities of the industries in which the Group participates to continue growing while boosting profitability and cash flow generation. For example, its global platform allows the Group to successfully implement cross border strategies such as the introduction of its local products into international markets, which has proven successful in the case of the Artesano, Villagio and Rustik, snacks such as Takis, Salmas, Little Bites, Pingüinos cupcakes as well as Donuts, among others. The Group believes that China and India are markets that offer high potential for continuous growth in the long term and plans to continue expanding in these markets through the offer of quality products elaborated with innovative techniques. The Group uses ingredients and flavours that appeal to specific tastes in function of the region of the consumers and their preferences, while offering Western-style products to meet the growing demand in Asia for international products and changes in dietary trends. Grupo Bimbo seeks to expand its geographic reach while maintaining a strategic balance between developed markets and high-growth markets. Grupo Bimbo intends to enhance diversification and increase penetration across distribution channels to reach a broader consumer base. Through its division Bimbo QSR, the Group expects to take advantage of a high growth industry with attractive margins. The Group is committed to deliver products for every lifestyle and preference, pursuing "stomach share" at every consumption occasion, in more homes and more markets every day. In addition, the Group plans to leverage on its business platform and experience in the snacks category to target on-the-go consumption. Snacking has evolved into an actual meal category as a result of consumers' active, mobile lifestyles. To satisfy on-the-go consumer's demand, the Group has introduced innovative products and adjusted the format of some of its products to make them more portable, easy/fast, value priced and shareable. As Grupo Bimbo benefits from the scale and scope of its organization, the Group believes that remaining on top of the needs of its consumers and exceeding their expectations is a key component of its strategy to achieve continued growth and build consumer trust. In the face of its recent growth, the Group plans to challenge itself every day to improve its products, its operating efficiency, profitability and cash flow generation.

Commitment to the Group's Associates. Grupo Bimbo seeks to be a deeply humane company and, since the beginning of its operations, its associates' wellbeing and safety have been and will continue to be the top priority. The Group's more than 136,000 associates everyday contribute to the quality and competitiveness of each Bimbo product, and are of vital importance to its continued growth and success. The engagement of its associates and their commitment to the Group's culture is paramount to the organization. The Group's associates are key in the process of understanding its markets and consumer needs and preferences, to better anticipate changes and respond effectively to new trends. The Group is committed to enhance its associates' skills at all levels and offer them additional opportunities to achieve their full potential. As a result of this commitment, in 2019 Grupo Bimbo provided more than 2.5 million training man-hours to its associates. In addition, the Group invests in its associates through Grupo Bimbo University, its in-house multiplatform training and development system covering an extensive range of courses on leadership and technical skills. The Group's personnel management model is designed to transmit the Group's passion to serve its customers, suppliers, shareholders and communities, and inspire pride in its organization. Grupo Bimbo believes its efforts have resulted in a skilled, highly capable and loyal team. Since 2016, the Group completed the deployment of a global digital platform to manage, develop and retain the talent, providing its associates guidance on career prospects. For the Group, a safety culture with measurable results is of utmost importance, and is committed to providing a risk-free work environment that ensures the physical integrity of associatess and fosters healthy lifestyles. This commitment is based on the Global Safety Policy, which determines the responsibilities of the senior management team and associates in general. The Company's risk prevention strategy is based in 4 pillars: Leadership, People, Processes and Structures, permanently seeking objectives such as consolidating a culture of safety and well-being, reducing the number of accidents and self-managing healthy lifestyles. Through security actions, prevention standards and technical regulations developed especially for processes have been implemented, as well as strategies focused on achieving a life balance and improving the health of associates. This has allowed to maintain a downward trend in accident rates; however, the Group continues working towards achieving zero accidents. For that purposes, the Company has strengthened adherence to procedures and regulationsthat support a culture of safety and heath that is reflected inside and outside of the workspace. Among the

achievements of 2019, the following stand out: reduction of 289 accidents vs. 2018 and reduction of 1,006 accidents in the last 5 years, implementation of the zero tolerance clause in the Global Safety Policy, reduction of more than 60% of days of absenteeism due to work accidents and the increase in the timely detection of cases of risk to health in all organizations.

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

The strengths of the Group

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

Leading Global Baking and Snacks Company. According to IBISWorld (January 2020), Grupo Bimbo is a global consumer food company, the leader in the baking industry and a relevant player in the snacks industry, in terms of sales. The quality and breadth of its products allows the Group to offer its consumers a wide range of enticing and high-quality alternatives for every meal and each other consumption occasion. The Group has a leading position in most of its categories and many of its brands have a strong "top-of mind awareness" in the markets where the Group operates. The Group's enduring and meaningful brands allow it to present the Group cohesively across its distribution channels and geographic markets while serving as proxied for the quality and reliability of its products. The Group believes that its geographic diversification with a balanced presence in emeging and developed markets, its solid asset base and its experience and knowledge of consumer preferences and consumption patterns in the markets where it operates, combined with the Group's commitment to innovate, enhance the nutritional profile of its products, its operating efficiency and its capacity to generate cash flow, provide the Group with a significant advantage over its competitors. In addition, the scale and strength of the production platform and distribution network, along with the Group's reinvestment and long-term view business model allow the Group to respond quickly and effectively to the diverse and changing needs of the markets it serves in a cost effective manner. Grupo Bimbo believes that its leading market position is a key component for its growth.

Unique Portfolio of Top-Recognized Brands. The Group's brands are a key element for its unique positioning and differentiation. After more than 70 years in the baking industry, the Group has achieved a strong track record of creating and managing a range of both strategic global and national brands, such as Bimbo®, Oroweat®, Thomas®, Barcel® and Marinela®, among others, to identify a portfolio of healthy and premium products. The Group's brands are leaders in the markets and categories in which it participates. According with IRI figures, Thomas'® is the number one brand in the English muffins and bagels categories in the United States. In Canada, Dempster's® is one of the leading bread brands. In Mexico, the iconic Bimbo® brand is currently the market leader in the bread category, and Marinela® is currently the market leader in the sweet baked goods category. In Spain, Donuts® is an iconic brand for sweet baked goods. In the 2019 "Brand Footprint" study published by Kantar Worldpanel, Bimbo brand appears in the most chosen consumer brand within the food sector in Latin America and the fifth globally. The Group strives permanently to maintain an emotional bond with its consumers and to develop customer loyalty through its brands. As a

result of the operation expansion, the Group has acquired local brands while introducing products with local features marketed under its global brand names. The Group has a strong brand equity that enables it to innovate and launch line extensions and new products. Each of the Group's brands is targeted to a specific consumer segment and supported by a comprehensive marketing plan.

Extensive Direct-Distribution Network and State-of-the Art Production Facilities. Grupo Bimbo has an extensive world-class direct-distribution network and strategically located state-of-the-art automated production facilities. The Group's global reach combined with its strong local execution allows it to guarantee the quality and freshness of its products. The Group's distribution network has one of the largest fleets in America and approximately 59,000 distribution routes worldwide. Grupo Bimbo believes it has mantained a highly efficient and sophisticated logistics operation to address distribution requirements across the markets it serves. The Group's network allows it to distribute every day its products to more than 3 million points of sale to meet the needs of every type of customer from hypermarkets to family-owned businesses, and to the food-service distribution channel. The Group's fleet travels in the aggregate the equivalent to 110 trips around the world every day. In addition, the Group has state-of-the-art and sustainable production facilities that allow it to operate efficiently, reduce waste and optimize energy and water usage. Its sound and reliable production platform includes 194 plants located in 32 countries, enabling the Group to produce more than 46 million packages of products every day. The Group's extensive distribution network combined with its highly efficient productive assets ensure product availability anytime and everywhere where the Group operates and enables it to adapt its approach and response to the diverse and changing needs of its customers, including with respect to demand and frequency of delivery, in a cost-effective manner, which the Group believes results in strong customer loyalty. To respond quickly and effectively to changes in demand and consumer preferences, the Group uses flexible, top-notch technology that can shift production among products in different price-point categories and formats in a short time frame. Grupo Bimbo continuously invests in the improvement of its distribution network and production facilities. In 2019, such investments totaled approximately of the amount of $15,067 million pesos. The Group believes that an efficient production platform and extensive distribution network will continue to support its profitable growth and market penetration.

Strategic Product, Channel and Geographic Diversification with Balanced Presence in Emerging and Developing Markets. The Group believes that its diversified and balanced portfolio of products provides value to its distribution channels, allows it to reach a broad consumer base and gives access to a wide range of consumption occasions. Since 2000, the Group evolved from a strong local leader to a global participant. The Group's disciplined approach to acquisitions and organic growth is centered on expanding its geographic footprint across developed and emerging markets (which represented 57.0% and 43.0% of its net sales for the year ended December 31, 2019, respectively), strengthen the Group's presence in its different distribution channels, adapting its product portfolio and strategies to the regions where the Group operates, achieving economies of scale and realizing important revenue and cost synergies. The Group's global character is reflected in the geographic diversification of its revenue stream that reduces reliance on any single geographic region and currency to drive performance. In the last five years the Group has increased its exposure to international markets primarily through acquisitions. In 2012, 40.0% of the Group's revenue derived from its operations in Mexico, while in 2019 its operations in Mexico accounted for 33% of its revenue. The Group believes that its strategic geographic footprint, in addition to its global scale and global marketing, positions the Group ahead of its competitors to take advantage of the highly fragmented baking industry, the development of new markets such as Asia and the growth potential of alternate distribution channels such as QSR. The Group's presence in developed and emerging markets allows it to face the diversity of growth opportunities and the pace of change in the industries in which the Group participates. The breath of the Group's capabilities allows it to serve traditional, modern, food services and other channels.

Innovative Product Development. The Group offers its consumers a variety of baked goods and snacks under a broad range of categories, pricing levels, flavors and presentations to cover every meal, consumption occasion and consumer profile. The Group continuously invests in market research, ethnographic research, product preference, analysis of the nutritional value of the products and the food safety and quality standards. Grupo Bimbo has gained a deep understanding of its consumers and markets as a result of its experience and research, the investment in technology and the input from its sales force that allows it to retrieve and analyze key information of its consumers and identify the elements considered

priorities in order to recognize the Group as their preferred supplier. The quality of the Group's market intelligence allows it to both track and create new market trends and place the right products for each point of sale at the right time. Access to this information, combined with the Group's consumer knowledge, expertise, flexible production capabilities and distribution network allows the Group to satisfy changing consumer demand and anticipate trends, such as "sustainable", "on-the-go" and "healthy" trends that have recently emerged. In addition, consumers are increasingly developing responsible and informed consumption habits and demand for transparency from food companies. In line with this trend, Grupo Bimbo continuously reformulates its products and improves its packaging, to improve its nutritional content through the reduction of nutrients to limit (sugars, saturated fats, trans fats and sodium) and the addition of nutrients to promote (fiber, protein, among others). Similarly, Grupo Bimbo frequently improves its packaging to provide clean labeling to continue being the choice of preference for its consumers.

In 2019, as part of its commitment to quality and the importance of offering delicious and nutritious products to consumers, the Group achieved 83% of global compliance with the goals on maximum limits established for the content of critical nutrients (added sugars, saturated fats, trans fats and sodium) and and complied with minimum limits for the contribution of positive nutrients (protein and fiber) in all categories. Likewise, the packaging is friendly to the environment through technologies for the recycling of wrappings, the use of biodegradable and compostable packaging, compatible with the circular economy. Through the Group's seven innovation centers and its strategic alliances with institutions, doctors and experts, as well as with food and health regulatory authorities and research centers, the Group aims to continue offering value-added, differentiated and relevant products to maintain and grow its leadership in the baking and snacks industry. Innovative products successfully introduced across its markets include Nutrella® in Brasil and in the rice cookies category, Sanissimo® arrived to Colombia in 2019. Other new healthy products are Pan Vital®, Salmas®, Kicao®, The Rustik Bakery® and Oroweat Organics line.

Efficient Production Capabilities and Low-Cost Business Model. The Group believes that its capacity to operate efficiently and at low cost is a fundamental advantage that will allow it to continue growing and place its products in the hands of all people. The Group's commitment to operate efficiently increases its ability to provide consumers with high-quality products at the lowest possible cost. The Group dynamically manages and revises its supply, production and distribution processes to achieve cost reductions throughout the supply chain. The Group's initiatives aimed at becoming a low-cost producer include obtaining cost savings from waste reduction and generating economies of scale along the production chain. In 2016, Grupo Bimbo introduced the "Zero Based Budget" initiative which continues to allow it to identify additional areas of cost optimization and capture and sustain savings across every function of the organization. In line with the Group's global procurement initiative, it selects the most competitive suppliers of raw materials based on a several factors, including price competitiveness, timely delivery, response time, quantity, quality and innovation. Grupo Bimbo uses state-of-the-art technology to increase efficiency, reduce waste and optimize the use of energy and water in its production plants and sales centers. In addition, Grupo Bimbo frequently reviews the location of its production facilities and sales centers based on the demographics, needs and trends in each market to optimize resources. For example, in the United States, the integration and restructuring efforts that were implemented in 2008 and 2012 with the acquisitions of Weston and Sara Lee, helped transform the Group into one of the largest suppliers in the consumables category, operating in a high level with fewer resources than the entities that were acquired. In order to better position the Group within the competitive environment and optimize its production facilities and footprint, in 2019, seven facilities were closed and eighteen production lines were relocated to operate more efficently. The Group believes that its focus on cost control allows it to improve its supply and distribution chains, transfer value to the customers and consumers, and increase its profitability, competitiveness and quality.

Experienced Management Team and Strong Commitment of the Group's Associates. The Group's strong senior management team has successfully developed and consolidated its market leadership by focusing on effective and rapid response to the constantly changing consumer demands and competitive environment in the markets in which the Company operates. The Group's management team has implemented innovative ideas and best practices in production and distribution across the organization and has successfully identified, completed and integrated over 40 acquisitions during the past ten years which have resulted in significant synergies and growth. The Group's management team is committed to maintain transparency and accountability with respect to its shareholders and the market and has implemented

corporate governance practices beyond those required by applicable law. The focus on profitability, reinvestments and consistent cash flow generation has historically provided Group Bimbo with a resilient balance sheet to grow organically and through its acquisitions. While the Group believes that its management team has the depth, leadership, expertise and motivation to execute the growth strategy, the Group is conscious that an experienced management team is not enough to ensure consumer satisfaction and loyalty. Every day, the Group's more than 136,000 associates contribute to the quality and competitiveness of each "Bimbo" product and are one of its core competitive advantages. Grupo Bimbo associates are part of its brand delivery experience and a crucial element to maintain its brand-customer relationship, which distinguishes the Group from its competitors as a deeply humane company.

Sustainability Commitment and Distinctive Corporate Culture. The Group's commitment to actions that benefit its associates and communities, and its culture of passion, dedication and unwavering commitment to customer service are grounded in the Group's way of doing business. The Group's sustainability efforts are are focused on the health and wellness of consumers, the preservation of the planet, the progress of the communities where it operates and the development of its associates. Grupo Bimbo strives to provide its consumers with memorable experiences at every consumption occasion and support their overall well-being by offering products with high nutritional value through responsible marketing campaigns, providing transparent information, and promoting sports, healthy eating habits and healthy lifestyles. Initiatives on community development include donations to, and sponsorship of, educational institutions, sports institutions and reforestation programs, as well as investments to support urban infrastructure, recreational facilities, green areas, schools and natural disaster relief. The Group's efforts to preserve the planet are focused on promoting environmental care and reducing its carbon footprint, water consumption and residues production, as well as transferring these practices to its supply chain. The Group is committed to reducing food waste by 50% in its operations, and the use of recyclable, biodegradable, or compostable packaging by 2025. Additionally, in 2018, the Group joined the RE100 initiative, with a commitment to operate with 100% renewable electricity by 2025, an initiative led by The Climate Group that has been combined with the Bimbo Group's voluntary report in the Carbon Disclosure Project (CDP) since 2014. As part of the actions aimed at the commitment, solar roofs have been installed in the majority of its facilities in Mexico for a total of 20 MW, including the Group's distribution center, which has the largest sunroof in the country and the second largest in Latin America. Another of the main areas of focus in the Company is the safety, well-being and professional growth of its associates. The Group has taken actions aimed at improving the safety and wellbeing of the Group's associates and consumers that include the launching of healthcare-related campaigns, conducting medical checkups and promoting sporting activities, such as the Global Energy race which had more than 118,776 participants in 2019. Grupo Bimbo sustainable business model has allowed it to be part of the Sustainability Index of the Mexican Stock Exchange since its inception in 2011 and the FTSE4Good Emerging Index since 2017. The Group believes its commitment to sustainability provides its customers with additional reasons to trust the Group's brands and strengthen their loyalty while continue offering career plans that enable it to adapt the development of its associates to its corporate growth needs.

1.2) Business Units

	Net sales for the periods ended December 31,		
Region	**2019**	**2018**	**2017**
	(in millions of Mexican pesos)		
North America	144,005	143,968	137,779
Mexico	102,688	100,327	90,783
Latin America	27,144	28,341	28,753
EAA	26,555	25,899	18,951
Consolidated eliminations	(8,566)	(9,215)	(7,781)
Total	**291,926**	**289,320**	**268,485**

Region	Number of production plants*
North America	77
Mexico	37
Latin America	32
EAA…….	48

United States

In the United States, the Group conducts its operations mainly through BBU and Barcel USA with 53 plants and 1 plant, respectively. In addition, the Group operates the QSR business in the United States through Bimbo QSR USA.

BBU

As of January 2019 BBU is recognized to be the largest baking company in the United States according to IRI and IBISWorld. The Group established its leading position through several major acquisitions, such as Sara Lee (2011) and Weston Foods US Inc. (2009), followed by significant integration and restructuring work across the entire supply chain.

BBU has the most extensive geographic presence of the baking industry in the United States, where the Group has renowned brands in every market segment of the industry, with a portfolio that serves a variety of price points and consumption occasions, from breakfast to dinner and festive meals. According to information from IRI, BBU holds the number one position in the following categories of bread: Premium bread under the brand ABO®, buns and rolls with Ball Park® and English muffins with Thomas®. In the category of sweet cakes holds the second position after Flowers (Nature's Own) and Mckee-Little Debbie, respectively. Currently, BBU operates 53 production plants across the United States and has a nationwide distribution network. BBU maintains strong relationships with large retailers and small convenience stores across the United States, which enhances its ability to market its products, reaching 50 states with a presence of 83.4% in American households, according to IRI.

BBU has a brand portfolio comprised of leading national brands, such as Thomas'® English muffins and bagels, Sara Lee® for sliced bread, Ball Park's® for buns, Entenmann's® for snack cakes, and premium brands such as Arnold®, Brownberry® and Oroweat®; and regional brands, such as Mrs. Baird's®, Freihofer's®, Stroehmann® and Heiners®. BBU also produces and distributes some of Grupo Bimbo's Mexican brands, such as Bimbo® and Marinela®, in the United States. In addition to selling under its own brands, BBU participates in several categories in the private label segment, targeted to a strategic group of customers.

In the United States, Grupo Bimbo also produces, distributes and commercializes frozen bread, and buns in two production plants in the United States. Grupo Bimbo sells these products under the leading brands Wholesome Harvest®, California Gold Sourdough®, Grace Baking® and Tenderflake®.

BBU's extensive distribution network has allowed the business to significantly expand its market share in the United States. The Group's main distribution channels are large retailers, convenience stores and the food service industry, the latter has recently been reinforced with the recent acquisition of Bimbo QSR strengthening its presence in the United States with three production facilities.

BBU is headquartered in Horsham, Pennsylvania.

Barcel USA

Barcel USA is the Group's U.S. based salty snacks and confectionery division. Currently Barcel USA, produces salty snacks locally and also imports salty snacks from the manufacturing facilities located in Mexico. In addition, Barcel USA imports all of its confectionery to commercialize in different chains throughout the United States.

Barcel USA portfolio includes diverse brands, such as one of the Group's most popular brand Takis®, one of the fastest growing salty snacks of the Group, as well as Barcel Artisan Style Kettle chips, Churritos Stix and Hispanic confitery brands as Ricolino® and Dulces Vero®

Barcel USA is headquartered at Coppell, Texas. The location has the only salty snacks plant in the United States with three production lines. The distribution of products is handled primarily with a "direct distribution model" (DSD) in addition to an important growing business of direct sales to customers through cross channel marketing.

Canada

On May 23, 2014, the Group completed the acquisition of Canada Bread, one of Canada's largest baking companies, which represented the Group's entrance to the Canadian market. With the addition of this business, Bimbo expanded its geographic presence in North America, reaching a consumer base in Canada and expanding its product portfolio by including frozen bread as a new line of business for the Company. Canada Bread is now known as Bimbo Canada.

Since then, Bimbo Canada has grown, both organically and through acquisitions. On February 2, 2015, Vachon Bakery Inc., Canada's leading producer of snack cakes, was acquired. On March 29, 2015, two production plants were acquired from one of the Company's major customers. On July 13, 2015, Italian Home Bakery was acquired, introducing artisanal capabilities into the Canadian network. Finally, on March 2, 2017, Stonemill Bakehouse was acquired, further expanding the artisan capabilities of the company and introducing slow-release organic products.

Bimbo Canada´s current core business is the manufacturing and sales of baking products, including fresh and frozen bread, buns and rolls, bagels, English muffins, tortillas and pastries and frozen tarts. Bimbo Canada has several leading brands most of which hold the first or second position in their respective categories, as corroborated by Nielsen's data. Popular brands include Dempsters®, Villagio®, POM®, Bens®, Grace Baking®, Tenderflake® and Goldminer®. In addition to selling branded products, the Company also participates in several categories in the private label segment. The Group maintain strong relationships with large retailers across Canada, which enhances its ability to commercialize its products.

There are currently 18 production plants in Canada. Distribution is either through a warehouse or through a large direct distribution network, operated mainly by independent distributors.

The headquarters are located in Etobicoke, Ontario, Canada.

Mexico

Currently, the Group operates 37 production plants across the country, with a nationwide owned distribution network. Its distribution goes from small convenience stores, mom & pops, large retailers, self-service supermarket chains, hypermarkets, price clubs, and other institutional clients with whom it maintains strong relationships.

Bimbo

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

According to internal research, the Group´s brands have high consumer recognition in the Mexican market and are supported by one of the country's most extensive distribution network. The foregoing, has allowed the Company to become a solid player in the packaged bread market in the country, with continued gains in market share as consumer preferences evolve and it introduces innovative products.

Despite the fact that the baking market continues to be very competitive and fragmented in Mexico, according to information from Nielsen, Bimbo is the market leader in the category of pastries and ranks second in terms of sales in the cookies category. Moreover, according to Nielsen, Bimbo is the manufacturer with the highest sales in the cereal bars category through the Branfrut®, Multigrano®, Doble Fibra® and Plus Vita® brands, offering variety to its consumers. Bimbo has maintained its position as the most sought-after wheat tortilla brand, also having a longer shelf life in the wheat flour tortilla market. The Milpa Real® and Saníssimo® brands are leaders in the *tostadas* market according to Nielsen data.

Bimbo’s headquarters are located in Mexico City.

<u>Barcel and Ricolino</u>

The subsidiaries of the Group, Barcel and Ricolino, produce, distribute and commercialize salty snacks and confectionery products including fried chips, peanuts, corn-based salty snacks, lollipops, marshmallows, chocolates, chocolate-covered marshmallows, chewing gum and gummy candies. Among its main brands are Takis®, Chips®, Hot Nuts® and Snaps®. In addition, its products such as Golden Nuts® and Big Mix® are in constant growth, as well as Bubulubu®, Panditas® and Paleta Payaso® of Ricolino. Barcel is the second manufacturer with highest sales in the snack category in Mexico according to Nielsen. Derived from a strong organic growth and acquisitions, Barcel has consolidated its position as a key player in the snack market offering innovative and well-differentiated products.

Barcel and Ricolino have increased its presence and customer base with an expanding presence and a complementary product portfolio in the U.S. as well as through exporting its products to 20 and 15 countries, respectively.

Barcel headquarters are located in Lerma, in the State of Mexico.

<u>Latin America</u>

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

The Group also operates in Venezuela and Argentina, economies that according with the IFRS qualify as hyperinflationary. Even though for financial purposes the Group no longer consolidates its subsidiaries in Venezuela, it was chosen to classify its financial equity investments in equity in its subsidiaries in Venezuela as equity and alternative financial instruments designated at fair value, as it intends to maintain these investments for the foreseeable future.

The Group has 32 production plants with an extensive distribution network designed to each of the markets in the countries in which it participates. Moreover, the Group adapts its business model, distribution systems, brands, marketing plans, flavors and other characteristics of the products to local preferences to achieve a higher level of execution of the points of sale, maintaining the quality standards of the Group. Its main products in the region include packaged bread, sweet baked goods, toasted bread, tortillas, pita, bread, pizza crust, cakes, snack cakes and muffins, cookies, *alfajores*, snacks, frozen bread and confectionery, all of which are sold under the brands Bimbo®, Pullman®, Artesano®, Plus Vita®, Nutrella®, Saníssimo®, Vital®, Fargo®, Pan Todos®, Ana Maria®, Ideal®, Nutra Bien! ®, Crocantissimo® and Supan® among others. The innovation for these brands arises from the processes of deep understanding of the consumer and the markets from insights and identification of their needs. Through investments in

technology and feedback from the sales force, it has been possible to analyze key consumer information, as well as their priorities.

In recent years, the Company has steadily increased its market penetration in the traditional distribution channel while strengthening its relationships with retailers across Latin America, which favors its ability to commercialize its products.

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

Europe, Asia and Africa (EAA)

The Group has been a leader in the baking industry in Spain and Portugal since 2011, and, since 2014, in the United Kingdom. The Group operates 48 production plants in Europe, Asia and Africa and an extensive distribution network serviced mainly by independent distributors, reaching self-service supermarket chains and other institutional customers. It also serves the QSR industry in certain countries in Europe, Asia, and Africa.

The operations in Europe, Asia and Africa have its headquarters in Madrid, Spain.

Europe

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

According to Nielsen, Grupo Bimbo is the leading player in the packaged bread industry in Spain and Portugal. It operates twelve production plants in Spain and two in Portugal and an extensive distribution network to secure that its products are delivered on time to its clients.

Panrico, a company acquired in 2016 excluding the category of sliced bread, was founded in 1962 and currently is one of the leading players in the baking industry in Spain and Portugal, that participates in the sweet baked goods and buns categories. The acquisition of Panrico allowed Grupo Bimbo to include well-positioned brands to its portfolio, such as Donuts®, Qé!®, Bollycao®, La Bella Easo® and Donettes®, among others. This transaction strengthened the Group’s profile in Spain and Portugal through synergies, as well as complementing its distribution network and production facilities, as a result the Group is becoming the leader in the branded sweet baked goods category.

In the United Kingdom the Company participates in the fresh and frozen baking business and commercialize its products under the New York Bakery Co. ® brand, leading manufacturer company of bagels, according to IRI.

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

Asia

The Group has been operating in Asia since 2006 through its subsidiary Bimbo China, which produces and distributes of bread, sweet backed goods, cookies and ready-to-eat food, among others, mainly under the Bimbo and Mankattan brands.

The Group's operations in Asia have grown through acquisitions. On June 29, 2018, the Group completed the acquisition of Mankattan, the second most relevant player in the baking industry in China in terms of sales. As a result of this acquisition, there are five plants in China. Mankattan is engaged in producing and distributing packaged bread, pastries, cakes, buns, and yudane (a Japanese-style sandwich bread), among other products, which are distributed through traditional and modern channels to customers.

Mankattan has presence in the markets of Beijing, Shanghai, Sichuan and Guangdong, along with their surrounding areas. This acquisition complemented the already existing operations in China, in terms of brand products and channels. It also represented an opportunity to create significant synergies, especially in Northern China, by optimizing the supply chain to better serve consumers.

The main markets in China are in Beijing, Tianjin, and Hebei province, where constant growth is maintained in the distribution channel suitable for the local market. As a result of the development of the distribution network and products with a long shelf life, it has been possible to sell products in regions more distant to China. Grupo Bimbo, being a pioneer in the packaged bread market, has developed new products, including rolls filled with sweet beans, bread stuffed with enchilada meat and Western-style products in order to satisfy the growing demand for international products in the Asian daily diet. In China, the Group is the second largest player in the packaged bread category according to Euromonitor market data. Bimbo China headquarters are located in Beijing, China.

In India, on May 25, 2017, the Company entered into an agreemnt with the then-existing equity holders of Ready Roti, through which it acquired 65% of the participation of the company. Ready Roti is one of the leading baking companies in New Delhi and its metropolitan area which produces packaged bread, pizza dough, and salty and sweet buns; with leading brands like Harvest Gold® and Harvest Selects®. With this acquisition, the Group expanded its geographic footprint by entering a new market, further increased its presence in, and exposure to, emerging markets, and supported its geographic and product diversification, in line with its strategy to become one of the world's top food companies. Harvest Gold is the leading player in the bread category in the North Capital Region of Delhi (Delhi-NCR), after having started operating 25 years ago.

According to information from the World Bank, China and India are the first and second most populous countries, and the second and seventh largest economies in terms of GDP. During 2018, China's and India's GDP grew on average 6.1% and 4.8% respectively. Grupo Bimbo maintains a continuously growing distribution network that adapts to these local markets, and to further expand in these markets, it plans to offer quality products crafted with innovative techniques. Also, ingredients and flavors are used that appeal to the tastes and preferences of specific consumers in the region, while offering Western-style products to meet the growing demand in Asia as well as changes in dietary trends.

Africa

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

Bimbo QSR

The Group increased its geographic presence, diversifying its distribution channels and expanding its capabilities in the QSR industry with the acquisition of East Balt Bakeries in 2017, now Bimbo QSR. This new division is expected to boost its global expansion strategy in what the Group believes is a fastgrowing market with attractive margins that provides a unique opportunity to develop its value creation objectives through long-term and stable relationships with its customers.

The Group believes that its QSR division is the leading supplier in the world for the QSR industry, with a presence in 90.0% of the global QSR market. The Group's global product portfolio and capabilities include unique bun shapes, textures and formats, as well as sweet baked products. Proudly, the Group supplies restaurant chains around the world with high-quality products from its 23 high-speed plants located in 11 countries. Bimbo QSR provides tailormade solutions to meet customers' unique needs, while meeting applicable food safety and regulatory compliance standards. From classic round buns to unique artisan formats, we have the operational expertise to create the custom sandwich carrier that is perfect for any menu.

In Europe, Bimbo QSR has presence in France, Italy, Russia, Switzerland, Turkey and Ukraine. In addition, the Group serves clients in the United States, South Africa, Morocco, China and South Korea, improving the manufacturing footprint globally.

The results of operations of its Bimbo QSR division are integrated in the results of operations of the applicable geographic business segment.

The Bimbo QSR headquarters are located in Chicago, United States.

1.3) Products

During more than 70 years Grupo Bimbo has developed a diversified portfolio of over 13,000 products under its renowned brands to cover every meal, consumption occasion and segment.

Within the Group's portfolio of renowned brands includes seven brands under which retail sales for 2019 accounted for above U.S.$1 billion; one brand sold more than U.S.$500 million, five with more than U.S.$250 million and seven brands that sold more than U.S.$100 million.

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

a. Innovation

As one of the largest food companies in the world in terms of sales, Grupo Bimbo has always focused on offering delicious and nutritious products to its consumers. The Group's success is based on constantly adapting to consumer needs and preferences. Grupo Bimbo has the experience and knowledge of the preferences and consumption patterns in the regions where it operates. The commitment to innovate and improve the quality of its products, provides it with a significant advantage over its competitors. The Group is committed in offering innovative products in line with industry trends, and is also committed in offering healthy options and creating innovative production lines. As a result of the Group's continuous investments in research and technology, it has improved the nutritional value of its existing products, introduced new and healthy options and continued to extend the shelf life of its products to further benefit the consumers. Through its innovations, the Group reinforced its identity as a global company with local presence through a constant pipeline of new products that seek to enhance its consumer base.

The Group has a solid track record in creating innovative products, reflecting a deep understanding of consumer preferences, its commitment in promoting health and wellness through market research and testing programs. Innovation provides an informed consumer a choice of alternative products which can be part of healthy lifestyles. Grupo Bimbo aims to continue to be one of the leading innovators within its product categories and to continue introducing new products.

Grupo Bimbo maintains its commitment to work continuously in actions that foster the adoption of healthy lifestyles through the improvement of its products, promotion of adequate diets and frequent practice of physical activity, in order to become a local and global benchmark regarding health and well-being initiatives. As the leading baking company in the world in term of sales, the Group works to harness all the factors that have a positive impact on the well-being of its consumers and associates.

Improvement of nutritional profiles of the Group's product portfolio innovations in technology, processes and ingredients, aligned with the health and well-being strategy, continues to be one of the most relevant action lines of the Company. Grupo Bimbo strives to find the proper balance between nutrition and taste in its products. Therefore, since 2008, the Group became a member of International Food and Beverage Alliance to implement the Global Strategy of the World Health Organization on Diet, Physical Activity and Health, with five fundamental commitments:

- Developing healthier products with improved nutritional value;

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

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

In 2018, Grupo Bimbo updated the Global Health and Wellness Policy setting new nutritional guidelines that consider the following points:

1. Nutritional profiles considering nutrients to be restricted (saturated fats, trans-fatty acids, sodium and sugars) and ingredients and nutrients to be added (fiber, proteins, whole grains, among others) in all the product categories
2. Consumption patterns
3. Target audience
4. Responsible use of additives by eliminating those that are not well perceived by the consumers and leaders of interest
5. External validation (Rayner Methodology), which provides a 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.

Under these new guidelines in the portfolio, it has been defined a strict commitment to increase the nutritional quality of the product portfolio. This change modifies the complying achievements of past years, on the basis of a 26% global compliance with these new guidelines.

The work with institutions, doctors and experts, as well as with food and health regulatory authorities is important to achieve continuous improvement of the nutrient profile of the Group’s products. Equally, to promote the competitiveness of the Group’s products, Grupo Bimbo created strategic alliances with universities and research centers to develop new technologies for its product development program. Grupo Bimbo maintains strategic alliances with research centers, such as the International Maize and Wheat Improvement Center (CIMMYT) and recognized institutes like the Whole Grains Council, Consumer Goods Forum and the International Food and Beverage Alliance (IFBA). In addition, the Health and Welfare action platforms remain aligned to those defined by the World Health Organization (WHO) in order to adopt internationally-recognized strategies and best practices. The Group participates in the Access to Nutrition Index (ATNI), which evaluates the strategy of the world’s major food and beverage producers regarding their nutrition-related commitments, practices and performance. It has developed innovative products with unique nutritional characteristics such as low levels of cholesterol, fat, salt and sugar to meet the needs of different populations.

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

- The launch of biodegradable packaging technology which, unlike normal polyethylene, is broken down up to ten times faster than conventional polyethylene packaging; and

- The development of products with healthy ingredients and no artificial preservatives such as Bimbo Vital® Apple & Nuts and Cranberry & Nuts in Mexico, to provide consumers products with full nutritional benefits, aligned to new market trends.

In 2018, the Group launched its Eleva accelerator, which is focused on the transformation of the food sector by investing in promising startups that bring technology to the following areas: (i) inputs and new formulas that improve the quality of current products, (ii) finished products with differentiating ingredients, (iii)

packaging developments that reduce environmental impact and help maintain the quality of the product, (iv) optimization of resources in the supply chain and waste management, (v) production processes , (vi) supply chain efficiency and waste reduction, (vii) commercialization, (viii) payment control and sales increase, and (ix) improved business intelligence.

Additionally, the Group created Acelerada, a standalonet business unit of BBU focused on encouraging innovation and business disruption through new go-to market strategies, embracing new channels of distribution, developingnew approaches to the business, and using technology for business improvement. Acelerada was created to research market trends and find out why companies fail, to disrupt the status quo and help ensure the Group's longevity.

b. Seasonality

In most categories, the Company's products show seasonal behavior, with greater levels of consumption during holidays, rainy seasons, and seasons characterized by low temperatures. In order to stabilize the demand for its products, the Group has developed various promotions and advertising campaigns, as well as new product launchings during times of lower consumption in its different operations, which do not coincide as a result of its diverse geographic footprint.

1.4) Production Processes

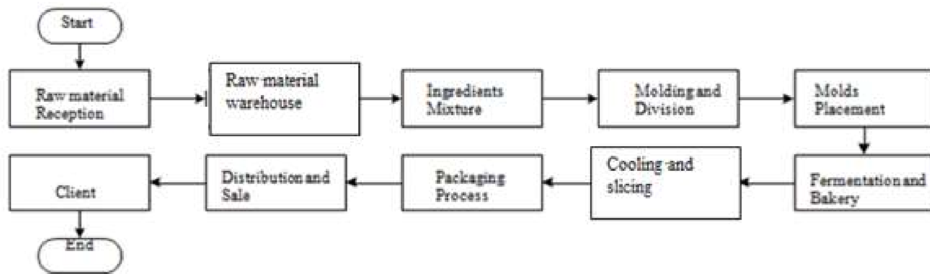
a. Production Processes

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

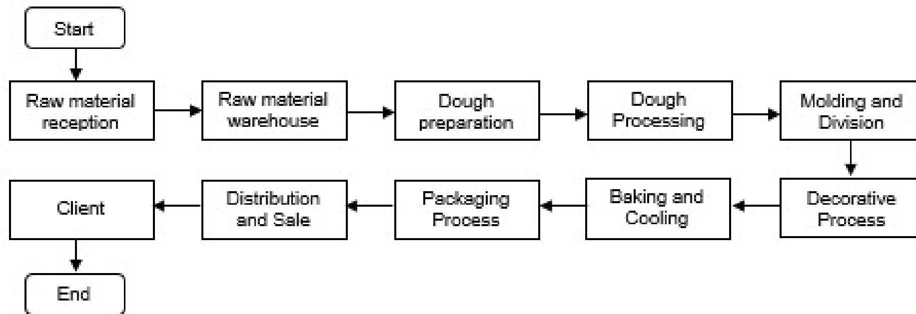
As part of the Group's strategy to respond to the changing needs of the market, it has implemented and continuously updates innovative systems to increase the capacity, quality, and production potential of its facilities. Grupo Bimbo aims to locate its production plants and sales centers optimally in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

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

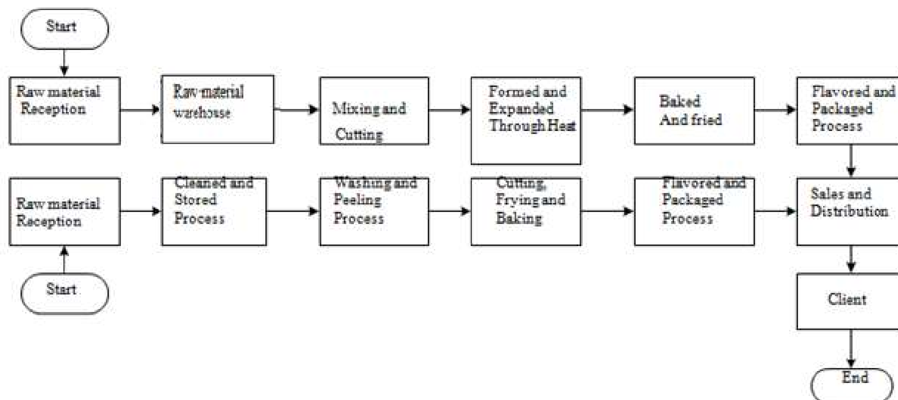
PACKAGED BREAD



SWEET BAKED GOODS



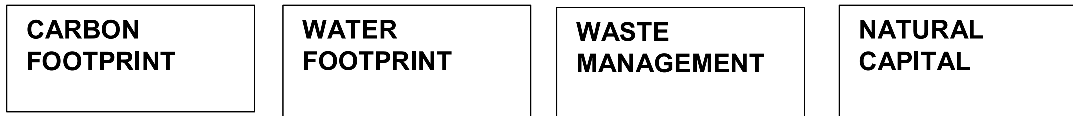
SALTY SNACKS



b. Environmental Strategy

Planet Pillar

This environmental strategy is divided in four strategic lines of action:



Grupo Bimbo has the commitment to the application of day-to-day environmental management to efficiently use resources and improve all aspects of the value chain, having within the strategic business decisions, the commitments to generate economic, social and environmental value.

The relevant environmental matters have been determined through the assessments of issues and impact on the environmental performance indicators of the direct operations, the legal compliance, and customers' requirements, the management of such indicators and specific requirements of the relevant parties.

The strategy focuses on two main parts, the first related to efforts within plants and direct operations and the second to initiatives in each area of the value chain.

Within the plants there is a focus on compliance with standards defined in a list of good environmental practices, the monitoring of indicators for continuous improvement of the environmental performance of each operation and the implementation of new technologies that help to reduce impact.

For the Planet Pillar, Grupo Bimbo has goals for 2025:

- 100% Renewable Electric Energy
- 100% Recyclable, biodegradable or compostable packaging
- 100% Paper and cardboard from certified sustainable sources
- 50% reduction in food waste
- Gradual replacement of HFC refrigerants with natural or low heating potential that are combined with the 2020 goals of energy efficiency, water and waste recycling and deforestation.

During 2019, Grupo Bimbo received and maintained the following awards for its environmental performance:

- United States: 16 plants with *Energy Star* certification and one plant with the *Energy Star Challenge for Industry* recognition for reducing energy consumption by 10% in 5 years (maximum recognition of any company in the entire food industry in the US)
- Mexico: 32 plants with "Clean Industry" and 3 with the recognition "Environmental Excellence"
- Costa Rica: a plant with the "Blue Flag" recognition, awarded for the commitment and effort to reduce the Carbon Footprint; a plant with "Energy Efficiency Award" by the electric energy provider, for intelligent energy management in real time
- Venezuela: 1 plant received the "I am Responsible in the Environmental Category" award, for having eight consecutive years in joint work with non-profit Non-Governmental Organizations (NGOs) for the recycling of plastic and glass waste on the Venezuelan coasts .
- Argentina: a plant recognized for its participation in the first Network of Learning in Energy Management Systems in the Industry of Argentina, within the framework of a triangular cooperation project between Argentina, Mexico and Germany.
- Chile: a plant has received the certification under the third clean production agreement from the Sustainability and Climate Change Agency for its performance in the established goals.
- Colombia: A recognition was received by the Bogota City Hall and the Mobility Secretary as one of the companies with the highest logistics efficiency in the city, mainly for delivery schedules at unconventional times and the use of an efficient delivery fleet from the point from an operational and environmental point of view. For the second consecutive year, the carbon neutral footprint

certificate was obtained in its transport fleet. The recognition occurs in Bogotá and is granted by CO2Cero, an entity that accompanies ICONTEC (Colombian Technical Standards Institute) who are the competent state entity for this issue.
- Europe: 8 with ISO 14001 certification
- 396 vehicles within the Clean Transportation program in Mexico.
- 5 work centers in Mexico, the United States and Colombia with LEED (Leadership in Energy and Environmental Design) certification, one of which is platinum level, the highest of its kind.

Carbon Footprint

As part of the environmental strategy, the Carbon Footprint section refers to actions related to the energy efficiency in the operations and transportation, use of renewable energies and alternative fuels, as well as the choice and migration to ecological refrigerants.

With all these actions, during 2019 Bimbo achieved a reduction of 10% of its global emissions compared to 2018, which is equivalent to more than 185,000 tons of CO_2.

Energy Efficiency in Plants

Grupo Bimbo is committed in reducing the environmental impact generated in the Value Chain, seeking, adopting and replicating the best Energy Efficiency practices within its operations. An example of this is the participation of Bimbo México in the Voluntary Agreement program with the Energy Regulatory Commission, which seeks to implement an Energy Management System based on the ISO 50001 standard. In addition, Bimbo Frozen in Argentina has been recognized for its participation in the first Network of Learning in Energy Management Systems in the Industry of Argentina within the framework of a triangular cooperation project between Argentina, Mexico and Germany.

The Company continues in the process of implementing global mandatory practices to improve the energy performance of its operations. These practices range from lighting, high-efficiency equipment and different technologies. In conjunction with other actions, a reduction of more than 59,000 tons of CO_2 has been achieved due to the efficiency in the use of fuels in plants compared to 2018.

A high-level replication practice is that of chimney heat recovery, to reduce the consumption of thermal energy, as in operations in Mexico, Canada, the United States, China, France and Italy.

Energy Efficiency in Supply Chain

During 2019, the Group made the report on the scope of three of its supply chains, through the Carbon Disclosure Project (CDP) program. This information allows the Group to have more detail about the emissions generated in its supply chain.

Through the involvement of suppliers, 85 suppliers reported information through the CDP Climate Change questionnaire, which represents 88% adherence to the program for the total number of guests, a figure higher than the Latin American average of 68%.

54% of participating suppliers have some type of initiative to mitigate climate risks and reduce emissions, and 45% have emission reduction goals. The objective for the following years is to develop capacities in the chain towards managing climate emissions, risks and opportunities.

Energy Efficiency in the Distribution

Through projects such as Supply Chain Master Footprint and Max Cube, the optimization of the node network is sought and the continuous search for the use of transportation satisfying the demand of its consumers, increasing the profitability of the business, and in turn reducing the impact on the environment.

In 2019, different initiatives were carried out, such as improving tray/tub quotas, optimizing routes based on volume, better inventory management within sales centers and distribution centers, and the use of different

digital packages. The foregoing allows the Group to define the best location and distribution of its products through simulations, directly impacting the optimization of its routes, the use of transport and, consequently, the reduction of CO_2 emissions.

For the distribution of Barcel products, 179 rail trips were made. This modality is used door-to-door for trips greater than 500 km, thus avoiding the use of ground-powered units.

Grupo Bimbo has 1,148 vehicles with Euro 6 technology in Spain and 2,397 with Euro 5 technology in Mexico, where 173 of them are in primary distribution. These vehicles have a set of requirements that regulate the acceptable limits for emissions of combustion gases from new vehicles, using the Selective Catalytic Reduction (SCR) system, to comply with the most demanding environmental standards, in what refers to emission of exhaust gases. The AdBlue® solution is used as a reducing agent. Units equipped with this technology have a catalyst that transforms polluting NOx gases into nitrogen and water vapor.

Renewable Energy

Grupo Bimbo signed the RE100 commitment in which by the year 2025 all operations must be 100% supplied with renewable electrical energy.

Some of the advances that the Company has had are the following:

- Mexico: The operation of the Piedra Larga Wind Farm is restored, which in normal operation supplies 70% of the electrical energy consumed in this country, thus avoiding the emission of 180,000 tons of CO_2 per year.
- Chile: In March, the largest sunroof in South America was inaugurated at its Bimbo Ideal plant. The 2.3 MW system allowed it to supply 30% of the energy consumed at the site, equivalent to ceasing to emit 1,217 tons of CO_2 per year.
- Peru: First country in Latin America to be 100% renewable through the combination of solar panels on the roof of the Callao plant. 20% of the site's consumption is generated, and the entry into operation of a Power Purchase Agreement (PPA) of a hydroelectric plant, which will supply the remaining 80%, which will allow it to stop emitting 4,437 tons of CO2 per year.
- United States: In July, the Santa Rita East wind farm came into operation, the generation of which will allow it to cover 100% of the energy consumed, equivalent to ceasing to emit 260,000 tons of CO_2 per year.
- Conclusion Bimbo Solar in Mexico: 72 sites with solar roofs in operation in Mexico, whose generation will allow it to stop emitting 12,800 tons of CO_2 per year

With all of the above, in 2019 Grupo Bimbo has reached 43% of Renewable Electric Power with installed power to generate 80% of Renewable Electric Power from 2020.

Alternative Fuels in Distribution

Grupo Bimbo has been characterized by innovation and the development of new initiatives that positively impact the environment, such is the case of the development and adoption of alternative fuels in its vehicle fleet.

Currently Grupo Bimbo has 603 electric vehicles globally, 1,329 natural gas vehicles which circulate in Mexico, Colombia, the United States and some other countries, and 92 vehicles that circulate Ethanol and 603 with LP Gas.

A success story is the development of electrical units by Moldex, a subsidiary of Grupo Bimbo, which since 2012 has been working on the engineering and production of these vehicles. The goal is for the next four years, starting in 2020, to grow its fleet of electric delivery vehicles in Mexico by 4,000 units.

The energy with which the current vehicles are supplied comes from the Piedra Larga wind farm, located in Oaxaca, thus complying with a virtuous and sustainable circle, being the way these technologies complement each other in the strategy.

Currently, the Group is the company with the largest fleet of electric delivery vehicles in Mexico and one of the largest in Latin America.

Refrigerants

Grupo Bimbo participates in the first natural refrigerants fair organized by Schecco "ATMOsphere America" where it has identified the regulatory context for refrigeration in North America and benchmarked suppliers, retailers, and other companies.

Within the Consumer Goods Forum (CGF) it participates with a publication within its compendium of Success Cases where Grupo Bimbo is one of the few food companies and the only one in the baking industry that made public its position and actions related to the progress of its refrigeration commitment in the production processes.

Water Footprint

Grupo Bimbo has invested in technology and innovation to achieve optimal results in terms of reducing the water footprint, under three lines of action: Reduction in water consumption in its processes, treatment and reuse to return it to nature in the best conditions and the incorporation of alternative sources such as rainwater harvesting.

Consumption

To reduce water consumption, the Company encourages the responsible use of water by promoting practices such as efficient cleaning processes in operations where it seeks to standardize its processes with dry and/or semi-wet cleaning practices, as well as the adoption of technologies that save and improve their use. One of these technologies is steam cleaning, which allows the amount of water used to be reduced without compromising the food safety of its processes. Currently, there are 93 plants using this practice.

All these efforts have allowed it to reduce its consumption in operations such as Mexico, Central America, South America and Spain with more than a 10% reduction compared to its base line (2016).

Treatment and Reuse

Grupo Bimbo has had a constant improvement in the treatment and reuse of water over the years, which, in some of its operations, use it for different purposes such as irrigation of green areas, sanitary services and washing of its vehicles.

The Group has increased the reuse of water in its operations by 9% compared to the previous year. Today it has 82% of reuse of total treated water. Globally, Grupo Bimbo own 89 treatment plants and in the rest of its plants it ensures treatment with external services.

It also continues to work on the modernization of its treatment plants to make the operation more efficient and improve its quality.

In its Sales Centers, it currently has 297 washing arches with lower consumption in vehicle workshops and 113 water recycling centers in vehicle washing agencies; both with technology that allows the reuse of water in the same process.

Use of alternative sources

Today there are 108 work centers with rainwater harvesting, storage and utilization systems, which is used for different services and infiltration.

Residual Management

The Group works on the reduction and recycling of all waste in its work centers, in addition to having projects focused on specific actions on 2 major subjects: Food Waste and Materials and Packaging Management, obtaining the following results:

Food Waste
Grupo Bimbo established as a goal for 2025 the reduction of 50% of the food waste generated in its operations.

One of the strategic projects along the value chain is the reduction of food waste, in order to seek comprehensive solutions to reduce their generation as well as to reinforce sustainable solutions.

A success story is War on Waste (WoW), a strategic initiative in its manufacturing processes. It is called "war" because it focuses on eliminating waste and generating an identity and "ownership" in each of the operations to achieve it.

Grupo Bimbo seeks to add value to the business through the alignment and standardization of performance indicators for waste, the replica of all those good practices and, above all, promoting and strengthening the culture of zero waste.

War on Waste is an initiative made up of 5 pillars, each with specific indicators, approaches and working methods, adapted to the needs of each plant or operation. As a first step, it is always recommended to carry out an in-depth analysis of the current situation of the operation and to determine that main opportunity area that is affecting the performance of the indicator.

War on Waste has been a strategic global initiative in which a communication and dissemination strategy was required through internal digital media and follow-up by all levels in the countries where it operates to increase its reach and adoption.

This success case began in the manufacturing processes and work is being done to replicate the model in the value chain, adding to the efforts already made in the rest of the chain and adapting these concepts as a way of working at Grupo Bimbo. With this, the Company seeks to be a company with world-class performance and sustainable seed beds.

Materials and Packaging Management
In continuity with the established goal of having 100% of recyclable, biodegradable, or compostable packaging by 2025, different projects and initiatives have been promoted in three established lines of action. In first instance, design is sought to reduce unnecessary materials, search for simple and easy to recycle materials, as well as the application of packaging technologies that reduce the material used, preserving the physical and mechanical properties for protection of the products. In parallel, the Group works on the production processes and in the reduction and recycling of the waste generated, as well as circular economy exercises with the supplier for the secondary packaging of raw materials. Finally, a collaborative work is sought with governments, organizations and other industries, to encourage post-consumer recycling. The results obtained in the three pillars are shown below:

Design
During 2019 new technologies were developed with the aim of minimizing the amount of plastic used in packaging, ensuring the quality and safety of products. With this initiative, the reduction of approximately 3.3 million kilograms of plastic packaging has been achieved, in a period that goes from 2010 to date, which is equivalent to ceasing to emit around 5,500 tons of CO_2.

Additionally, this year the d2w technology (family of additives that control the useful life of plastic) was endorsed by different Universities and Research Centers worldwide, such as the University of Clermont in France. This technology allows polyethylene and polypropylene packaging to biodegrade outdoors under the ASTM 6954 standard.

Also, during 2019, the first compostable packaging for bread in Latin America was launched under the Vital® brand. This allows the packaging to be disposed of with organic waste and biodegrade under the EN13432 standard, in a homemade or industrial compost process.

In 2020 Grupo Bimbo will continue promoting Research and Development of new technologies with the firm purpose of caring for the environment and achieving its commitment by 2025.

Recycling in production processes
At Grupo Bimbo, reduction and recycling actions are promoted throughout the value chain, to achieve at least 90% recycling of all its waste in operations worldwide. During 2019, globally, this recycling goal has been exceeded with 92.5% of the use of its waste, 6% more than in 2018, which reflects the following results:

- 43 plants globally with zero waste to landfill
- 144 plants with recycling percentage above 80%
- 56 plants compost the sludge resulting from water treatment in treatment plants
- 24% reduction in total waste generated at plants compared to 2018

In addition to the above, there are some circular economy projects with suppliers where they return packaging of raw materials so that they are reintroduced into the flow of their processes, as well as packaging suppliers that have post-industrial recycling practices within their own processes.

Encourage post-consumer recycling
At Grupo Bimbo, alliances are essential for the development of strategies that allow them to give a value to materials and make recycling attractive, which is why operations encourage participation in post-consumer programs.

- In Mexico, since 2016 the Group has been actively working in Ecology and Business Commitment (ECOCE,) a non-profit environmental civil association, created and sponsored by the consumer products industry for the proper management of packaging and packaging waste in Mexico. ECOCE promotes the recycling of post-consumer plastic films in social, institutional and mobile collection programs for the collection of waste and its exchange for basic consumer products. ECO CHALLENGE is a program that focuses on collection within schools, promoting and communicating the environmental culture and importance of the correct separation of waste. During 2019, in collaboration with all the participating industries, 900 tons of flexible packaging were collected through their programs.
- In the United States, 2 of its plants participate in collaboration with TerraCycle so that the packaging of all bread, buns, bagels and English muffins is recycled.
- In Canada, the Group participates in 5 post-consumer management programs within the Stewardship program where 2,350 tons of plastic have been recovered.
- In Europe, the Group participates in Ecoembes (Spain) and Punto Verde (Portugal) where, through these programs and the participation of the different sectors, it participate in post-consumer collection and recycling is promoted.
- In Brazil, the Group participates in the De As Mãos para o Futuro (DAMF) program where, in conjunction with more than 214 associates, recycling is promoted in 22 municipalities and it has been possible to recover 533K tons of packaging.

Natural Capital

The commitment of its suppliers towards compliance with the environmental strategy is of great importance to Grupo Bimbo. From their hiring, the code of conduct and the obligation to comply with them are extended, which covers issues related to ethics, anti-corruption laws, quality, food safety, working conditions and environmental standards.

During 2019, at the global level, a specific materiality assessment was carried out for Grupo Bimbo's agricultural supply chains in order to identify regional products and priorities related to economic, environmental and social impacts. Grupo Bimbo consulted with NGOs, clients, business organizations, scientific institutions, suppliers and internal stakeholders to understand these priorities.

The most relevant topics for stakeholders were:

i. Labor Issues: health and safety, child labor, forced labor, access to equality for women and the minimum wage.

ii. Environmental Issues: deforestation, water management, air quality (including greenhouse gas emissions - GHG -), and destruction of native vegetation.

When stakeholders were asked which products they considered most relevant to Grupo Bimbo, palm oil was the first option, unanimous among stakeholders, and soy was in second place.

Impacts, risks and climate action by suppliers

As part of Grupo Bimbo's strategy to eliminate deforestation in its supply chain, in 2019 the company entered the CDP Supply Chain Forests program, which objective is to collect information about the production and processing of raw materials, specifically soy, paper and cardboard, allowing management and action together with suppliers against deforestation. The mission of the initiative goes beyond collecting data regarding raw materials, as it includes purposes of awareness, training and development of suppliers, seeking to increase their level of resilience against impacts related to forestry. With the results of the first year of the program, we will seek to understand how providers act on the issue and what their points of improvement are.

At the same time, the Group participates in the CDP Supply Chain program for Climate Change where a total of 96 suppliers are invited from intensive categories such as: airlines, cars, tires, energy, paper and cardboard (packaging and indirect), in order to know the opportunities and encourage suppliers to improve their performance and continue to favor the implementation of sustainable practices in their operations.

A record level of engagement was achieved within the CDP program in Latin America, both in the area of Climate Change and Forests, being the first time that a member of this program manages in its first year to exceed the average level of responses.

Paper and Cardboard (Certified sources 100% commitment)

As part of the packaging commitment, the Group seeks to ensure that all purchases of paper and cardboard packaging are deforestation-free by 2025 through sustainable certification, involving suppliers of such materials through the Supply Chain program in the Forest area. During 2019, the responses of its main suppliers of paper and cardboard were collected and evaluated in terms of certification systems, therefore, based on these data, gaps and opportunities for collaboration between suppliers and the Company were identified to continue advancing in the fulfillment of the commitment.

For the following years, the focus of the initiative with the supply chain will be to communicate the best practices in the market on this and other issues, as well as the risks and opportunities related to combating deforestation.

Agriculture

Sustainable agriculture is one of the engines for the Company, which is why it works with strategic suppliers for the implementation of the Global Agriculture Policy. Among the strategic global inputs are: palm oil, soy and egg from the point of view of animal welfare. Additionally, it works with alliances in different geographies to minimize social and environmental risks in agricultural inputs, as well as to promote good practices for conservation agriculture.

- **Palm Oil**
  During 2019, Grupo Bimbo worked with 17 most representative suppliers, inviting them to participate in both the traceability exercise and the evaluation to measure the level of compliance with the global palm oil policy.

  As for EPI, as of this year the process achieved an evolution regarding the collection of information, now using a platform that allows providers to share information in a simpler way and that at the same time allows the Company share its results in a more structured way, generating analytics and templates of its results.

  The EPI process was closed with feedback calls to suppliers where a dialogue is established with them to communicate their main strengths and opportunities so that, jointly, commitments are defined. These commitments will be reviewed in the following EPI process to verify their level of compliance.

  As for the traceability exercise, the target group were the 17 suppliers, which represent 95% of global spending. With this exercise, Bimbo has achieved 94% traceability.

In parallel, the Company continues to support landscape transformation projects in Chiapas, Mexico, to conserve forests while addressing the needs of small farmers.

- **Soy**
  During 2019, a traceability exercise was carried out that consisted of mapping the soybean supply chain in Brazil of one of its most important suppliers in this region. With this, the monitoring priorities related to the conversion of the critical habitat of Cerrado, Brazil were identified. Between August and October 2019, Grupo Bimbo undertook with its main direct soy supplier to carry out the traceability of this input.

  Grupo Bimbo is in the process of defining follow-up actions based on this traceability exercise and will detail the next steps in its Action Plan for the Implementation of the Global Agriculture Policy 2020.

- **Animal Welfare (Cage Free Eggs)**
  During 2019, Grupo Bimbo worked on the implementation of the Global Egg Policy, which is aligned with international principles of animal welfare. In addition, there was progress with the rest of the organizations in the implementation of this policy. In this sense, collaboration was formalized with Human Society International, a global non-profit organization that has a solid base of experience in animal welfare issues. The purpose of the collaboration is to integrate their recommendations into the process of migrating cage-free chickens to eggs.

Representative Cases
Some of the most representative efforts and actions in the supply chain are the projects carried out in Mexico and Colombia, their progress is described below:

- **SMES**
  Grupo Bimbo supports SMES, through specific growth and development programs. An example in Mexico is the DESEO program, where since 2013, continuous improvement has been promoted in the operations of small and medium-sized suppliers, by verifying compliance in quality, environmental, social, food and occupational safety aspects to strengthen the Group supply chain. Currently, there are 485 SMEs in the program.
- **Sustainable Supply**
  In Mexico, the Green Procurement project continues, where raw material and packaging suppliers that could have significant environmental impacts were identified and prioritized. These suppliers were sent a survey on Sustainability aspects, which identifies compliance with the economic, social and environmental pillars. In the environmental pillar, the actions that are being implemented to have better management are identified. During 2019, efforts were focused on 10 suppliers of Raw Material and 4 suppliers of packaging. Of the suppliers that have answered the survey, there is a

level of compliance of 78% with the environmental criteria evaluated. Regarding the missing aspects, no supplier has been detected with a significant negative environmental impact that prevents the Group from continuing with the commercial relationship.

- **Sustainable Corn and Wheat**
  Since 2018, with the signing of a collaboration agreement with the International Center for Corn and Wheat Improvement (CIMMYT), practices for sustainable agricultural production and responsible sourcing in Mexico continue to be promoted and supported. For this, 2 pilots were promoted: corn in 2018 and wheat in 2019, resulting in visible and measurable benefits.
- **Sesame**
  In Colombia, there is an inclusive chain project in sesame, which aims to improve the quality of life of small producers. Through an inclusive link with BIMBO and NUTRESA, it seeks to build a competitive, sustainable and profitable business for both parties. The progress of this project is 68%.

Biodiversity

- ***Reforestamos Mexico***
  In 2019, Reforestamos México, A.C. supported by Grupo Bimbo, joined efforts with 90 companies that invested resources and the collaboration of more than 17,680 volunteers to reforest 133.95 hectares of forest in 12 states of the country.
- **Alliances**
  To advance knowledge between natural capital and the value chain, in 2019 the methodology of the Natural Capital Protocol was applied to a water care project in one of the production plants located in the municipality of Lerma, State of Mexico. The results of this pilot test will serve to improve internal decision-making processes on environmental management issues. The application of the methodology was carried out with the support of Reforestamos México, the German Cooperation Agency and PwC México, within the framework of the Mexican Alliance for Biodiversity and Business, of which Grupo Bimbo is a founding member and has actively participated since 2017.

The Natural Capital Protocol is a tool created by different relevant international actors, united by the Natural Capital Coalition. This tool offers a support framework for companies that want to identify, measure and value their impacts and dependencies, direct and indirect, on natural capital.

c. Inventory

Raw Materials

The quality and continuous supply of the Group's raw materials are critical factors in its production process. The Group has adopted rigorous supply policies under whch it requires its suppliers to adhere to detailed specifications for raw materials and to provide quality control certificates for their products. The Group also conducts laboratory testing on raw materials supplied by third parties and routinely inspect the suppliers' production plants and facilities

The Group has developed an integrated and efficient supply chain of raw materials and packaging, and works continuously to improve its efficiency, creating long-standing relationships relationships with suppliers who adhere to the Group's high-quality standards. Grupo Bimbo seeks to maintain low supply costs without sacrificing the quality of raw materials. Cost savings are achieved through waste reductions, economies of scale in procurement, production and distribution, among other initiatives focused on becoming a low-cost producer. For example, the Group had significant savings in 2019 as a result of the centralization of its global procurement processes.

Wheat flour is the main raw material and the Group reviews its relationship with its main wheat suppliers on an ongoing basis. Wheat is generally traded in U.S. dollars and is subject to price fluctuations depending upon factors such as weather, crop production and worldwide supply and demand, among others. The Group continuously enters into hedging arrangements to manage its exposure to price fluctuations and ensure the timely supply of its main raw materials. See "Risk Factors - Risks related to Business, Industry

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

Other important raw materials for the Group's lines of business are sugar, edible oils, fats and eggs, as well as the plastics used to package its products.
The Group has minority interests in some of its major suppliers of eggs and sugar. In addition to these raw materials, the Group also buys plastic packaging from a number of suppliers. The Group is not dependent on any supplier in any market in which it operates.

The Group's raw materials are managed using the first-in, first-out method to preserve the freshness of its products. Due to the nature of the Group's products, its inventories of raw materials, mainly perishable products, have a high turnover rate. Grupo Bimbo receives most of its supplies on a continuous basis, in some cases, with daily deliveries.

The Group's corporate offices lead the negotiations of its main raw materials with the suppliers, while its inventories are managed directly by each plant and storage facility. Local plants and storage facilities also manage and directly place orders for raw materials that may be obtained locally.

Finished Products

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

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

d. Quality System

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

The Company continuously implements quality control systems tailored to the individual needs of each product line and it has adopted the highest international standards, driven by its commitment to ensure the satisfaction of its customers. This system involves quality control and food safety, providing enhanced customer service, promoting and preserving a healthy labor environment and respecting the environment to contribute to the overall development of the community. Given the importance of food quality and safety, one part of the Group's quality control system is aimed at controlling and continuously improving the quality of consumables, processes and finished products. With the implementation of the quality control system the Group has won several awards over the years, such as the recognition as one of the World's Most Ethical Companies 2019, for the fourth consecutive year.

The Group has earned the loyalty of its customers by adhering to the most rigorous international standards in the food industry, certified by independent organizations and agencies with a recognized international reputation. Recently, 144 of its plants have a food safety standard recognized by the GFSI (Global Food Safety Initiative), whose mission is to provide continuous improvement in management systems to manage the safety of food for consumers around the world. The BRC Standard is awarded by the British Retail Consortium and seeks to establish a standard for due diligence and supplier approval for food producers throughout the world..

1.5) Prices

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

1.6) Responsible Marketing

Grupo Bimbo is a world leader in the baking industry, so it assumes the responsibility of always going further to feed a better world. Achieving this requires things be done differently. That is why marketing is carried out in a comprehensive and responsible way, valuing the person and establishing commitments for their well-being.

This year the document "This is How We Do Marketing" was developed and published. In this document guidelines are listed that, hand in hand with strategic partners, better marketing actions are carried out, promoting a healthy environment for consumers and customers.

To strengthen this initiative, Grupo Bimbo developed a Global Communication and Advertising Policy for children, which aims to establish general guidelines for the creation of socially responsible advertising specifically focused on children under 12 years of age.

"Above The Line" and "Bellow the Line" advertising has been carried out for products that meet nutrition criteria, aligned with global standards and scientific evidence. Advertising campaigns on television and other media, directed to children, promote healthy lifestyles. Television programs have been selected, as well as other media and digital media that align with the Company's values.

In the same way, in compliance with the agreements established with the IFBA, the internal Pledge and the World Federation of Advertisers, the advertising directed to children under 12 years is only for products that meet common nutrition criteria that are based on dietary approved guidelines in addition to the fact that the Group does not carry out advertising or marketing for children under 12 years of age that are not covered in that agreement.

1.7) Technology and Information Systems

Grupo Bimbo uses information systems known as *ERP, CRM, BI & Analytics*, to make decisions, automate, streamline and optimize its activities, for both operational and management levels, which have been developed in various stages.

The operational information systems link processes that include planning and receipt of materials, production control, sales process and integration with clients. As a result, this provides greater control and operational efficiency. Additionally, the Group has advanced planning solutions for supply and distribution, using a similar on demand platform.

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

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

Grupo Bimbo has a policy of continuous technological modernization that helps meet the needs of the operations, of the business, and of regulatory compliance in the locations where it operates. The Group is currently upgrading all of its ERP, Commercial Execution and Business Intelligence platforms throughout a

world-class Software as a Service strategy. This is a strategic and multi-year work program whereby analysis and administration of the accounting, financial, procurement, manufacture, logistics and human resources transactions are faster. Additionally, platforms supporting logistics, transportation and supply chain are being upgraded.

2) Distribution Channels

Grupo Bimbo uses direct distribution channels to deliver its product in more than 3 million points of sale.The Group believes that this has been key to its success. For example, it has developed one of the largest fleets in America with approximately 59,000 distribution routes around the world.

With an average life of seven years, the Group believes to have one of the largest fleets in the world. The following table shows the composition of this fleet.

Delivery	Transportation	Towing	Others	Third parties	Total
41,184	1,309	6,456	5,936	15,976	70,861

The Group has more than 1,700 sales centers, each of which depends on the operations of one or several production plants. Every day the products are distributed from the plants, agencies and warehouses, which may house more than one brand.

The Group's sales force distributes its products to its customers from its distribution centers according to predetermined itineraries. Currently, all routes can both deliver products and pick-up returned products from consumers on each visit. Products may be returned by the Group's customers if they were not sold and are replaced by fresh products without cost to the customers. The products that are picked up are considered no longer fresh although they could be consumed, because we pick them up a few days prior to their expiration date.

We handle returned products by delivering the product for sale to outlets that sell "yesterday's bread," where the product is offered for sale from two to four days at a lower price (these outlets may be owned and operated by the Compnay or operated by third parties); or selling the product by weight for use as cattle feed.

Each product is displayed for sale in accordance with its shelf life, which varies from seven days, in the case of bread, or several months, in the case of chocolates, cookies and snacks.

Based on the production and sale levels, visits to each customer may be daily, every three days, two times a week or weekly. The Group classifies its customers according to their purchase volume, type of distribution channel and by individual characteristics. The Group's customers include hypermarkets, supermarkets, price clubs, family-owned businesses, foodservice, including institutional customers, fast food chains and schools, vending machines operators and traditional customers (such as grocery stores). The Group has the ability to tailor an approach and response to its customers' diverse and changing needs, including with respect to frequency of delivery, in a cost-effective manner.

The Group directly operates all of the routes in Mexico and most of the routes in Latin America. Over half of the routes in the United States and most of the routes in Canada and Europe are operated by independent operators. The Company generally enter into long-term contracts with these independent operators under which they agree to exclusively sell its products. Terms of these contracts also specify which territories independent operators will cover and the compensation which is based on sales performance. The Group has strict control over brand management, marketing strategies and pricing and a right to buy contracts from each of the independent operators in under certain limited circumstances. The Group adapts its distribution model to every country in which it operates. For example, it believes the use of independent operators in certain markets reduces distribution costs and increases flexibility to efficiently add points of sale, while maintaining the quality of the services.

3. Main Customers

Grupo Bimbo has reached more than 3 million points of sale in the markets where it operates. It also has a strong relationship with its customers and strive to understand and meet their specific needs. The Group has a diverse customer base among and within the countries it operates, ranging from large retailers to small convenience stores (this type of customer is more relevant in emerging markets), as well as institutional customers (such as quick service restaurants, schools, vending machines, among others) and e-commerce platforms, such as Amazon, Freshdirect®, Peadpod® and ShopRite®, among others.

The chart below includes the main customers per region:

Region	Type of Customer	Relevant Customers
Northamerica		
United States	Supermarket chains, price clubs, food service chains, institutional customers and small convenience stores.	Wal-Mart, Kroger, Albertsons and Ahold.
Canada	Retailers, foodservice chains and other large institutional clients.	Sobey's, Metro, Costco, and Wal-Mart.
Mexico	Small convenience stores, large retail stores, supermarkets, warehouses, price clubs, convenience stores and government-owned supermarkets.	Wal-Mart, Oxxo, Soriana, and Costco. The Group also serves large fast food chains and other institutional clients, such as 3G Capital (Burger King), KFC and McDonald's.
Latin America	Small convenience stores, supermarket chains and hypermarkets.	Wal-Mart, Grupo Casino, Cencosud and Grupo Carrefour. The Group also serves large food chains and other institutional clients, such as McDonald's, Wendy's and Burger King, and 3G Capital.
Europe, Asia, Africa		
Europe	Supermarkets, hypermarkets and foodservice chains.	Tesco, Grupo Carrefour, DIA, Corporación Mondragón, Sainsburys, Jeronimo Martins and 3G.
Asia	Retailers and food service chains.	McDonald's, Wendy's, Burger King and KFC.
África	Retailers and food service chains.	Burger King, Wendy's, KFC and McDonald's.

The Group's largest customer, Wal-Mart, represents approximately 12% of total sales for the year ended December 31, 2019. No other customer represented, individually, more than 10% of total sales for such period.

4) Patents, Trademarks, Licenses and Other Contracts

4.1. Trademarks

Grupo Bimbo's most important brands, slogans and logos are protected by trademarks in the countries in which the Group operates and in many other countries. The Company produce and/or commercializes over 13,000 products and sold under its mre than 100 renowned brands, including,Bimbo®, Oroweat®, Thomas®, Barcel®, Marinela®, Enternmann's®, Sara Lee®, Takis®, Ricolino®, Tia Rosa®, Artesano®, Dempster's®, Ball Park®, Villaggio®, Mrs. Baird's®, Donuts®, Pullman®, Lara®, Ideal®, POM®, Arnold®, Brownberry®, New York Bakery Co. ®, Milpa Real®, Supan®, Fargo®, Monarca®, Ana Maria®, Los Sorchantes®, Mankattan®, Harvest Gold®, among others.

Currently, the Company has approximately 7,185 brand files and registries in Mexico and more than 22,077 abroad. The Group has brands registries in Africa, North and South America, Asia, Europe and Middle East. However, the trademark for Bimbo is held by others in Chile, Puerto Rico and certain European countries. The trademark for Marinela is held by third parties in El Salvador and Honduras. Therefore, the Company's products in those countries are sold under the brands Ideal and Marinela, respectively, notwithstanding that the Company's designs and packages are used in those countries. In addition, the Company also operate registered websites targeting consumers in each of the geographies in which we operate.

4.2. Patents and Copyrights

Patents

The protection of the inventions through patents is of paramount importance to the Company. A significant portion of the equipment used in the production has been developed by the Research and Development Department, which regularly requests patent protection in Mexico and abroad for new technology.

As of the date of this report, we had approximately 178 patents (including industrial designs and utility models) in Mexico and 289 abroad, mainly in the United States, Canada, Argentina, Chile, China, Colombia, Korea, Costa Rica, El Salvador, the Philippines, Guatemala, India, Peru, the Czech Republic, Taiwan, Turkey, Venezuela and theEuropean Union.

Copyrights

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

Litigation

Currently, the Group is part of various legal procedures and investigations arising in the normal course of its business that are routine in nature and incidental to the operations of its business. Litigation and investigations may include class actions involving consumers, shareholders, associates, disabled people, tax inquiries and claims related to commercial, labor, economic competition, intellectual property, civil, commercial, debt or environmental matters. Grupo Bimbo will continue to be subject to legal procedures and investigations. See "Risk Factors - Risks related to Business, Industry and Supply - The Group's operations are subject to general litigation risks".

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry collusion among several entities participating in the bread supply chain, including Canada Bread, which was acquired by the Group in 2014 in connection with the pricing conduct dating back to 2001. As of the date of this report, the investigation by Canada's Competition Bureau is ongoing and certain parties involved have admitted inappropriate conduct. Neither the group nor its subsidiaries have admitted to any such conduct. Both the Group and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Group was notified of twelve class actions initiated by groups of consumers and/or consumer associations filed against all the parties allegedly involved in Canada's

Competition Bureau investigation, including Canda Bread. The Group cannot assure that the outcome of this investigation or these actions will not have a material adverse effect on its business, financial condition, results of operations or prospects.

4.3. Contracts

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

5.) Applicable Law and Tax Status

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

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

The Group is subject to the General Health Law (*Ley General de Salud*), the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), the Metrology and Standardization Federal Law (*Ley Federal sobre Metrología y Normalización*), the Federal Labor Law (*Ley Federal del Trabajo*), the Federal Duties Law (*Ley Federal de Derechos*), the Customs Law (*Ley Aduanera*), the Federal Law for Administrative Procedures (*Ley Federal del Procedimiento Administrativo*), the Federal Law for the Protection of Personal Data in Possession of Private Sector People (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), the Federal Antitrust Law (*Ley Federal de Competencia Económica*), the General Law of Administrative Responsibilities (*Ley General de Responsabilidades Administrativas*), the Federal Law for the Prevention and Identification of Operations with Resources of Illicit Origin (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*), and the Social Security Law (*Ley del Seguro Social*), as well as to several of its regulations.

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

In environmental matters, the Group must obtain operating licenses, prepare statements as a company generating hazardous waste, register the Company as a company generating hazardous and non-hazardous waste, as well as management plans for the latter. It also must have environmental licenses, wastewater discharge permits and waste separation permits, concession agreements for the use and exploitation of national waters, among others. In the event of opening new facilities or expanding existing ones, the Group must obtain environmental impact assessments and risk analysis, construction licenses and licenses for land use.

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

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

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

Tax Status

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

In Mexico, the Group is subject to Income Tax, the tax rate of Income Tax in 2019 was 30% pursuant to the Income Tax Law of 2014 which shall remain the same for subsequent years. Regarding income tax in other countries, which the Company's subsidiaries must assess, this calculation is performed individually pursuant to the specific regimes of each country. Specifically, the U.S. is authorized to file a consolidated income tax return, and Spain to file a consolidated income tax return staring from the 2013 fiscal year.

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

6) Associates

Since its incorporation the Group has a personnel policy aimed to align the Company's interests with those of its associates; the outcome has been an excellent labor relationship. The Company has been looking to extend this philosophy to the companies that has acquired.

The Company places great importanceon the selection of the personnel, performs ongoing evaluations, and provides continuous guidance and training to its associates. The company works to address the concerns of its associates and to promote personal and professional development in the Company

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

	As of December 31		
	2019	**2018**	**2017**
Unionized associates	83,971	86,984	86,729
Non-unionized associates	52,376	51,448	51,442
Total	**136,347**	**138,432**	**138,171**

The Group has developed the Personnel Relations Policy that allows it to maintain a positive relationship with unionized personnel. Most of the Group's operations have collective labor agreements, which are negotiated in accordance with the applicable labor provisions in each of the countries where the Group operates.

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

Grupo Bimbo currently has labour relationships with several unions. In the United States, with the International Brotherhood of Teamsters and Bakery, Confectionery, Tobacco and Grain Millers International Union; in Mexico, with the *Sindicato Nacional de Trabajadores Harineros, Panificadores de Alimentos, del Transporte, Similares y Conexos de la República Mexicana* and the *Sindicato Nacional de Trabajadores de la Industria Alimenticia, Similares y Conexos de la República Mexicana*; and in Canada, with the International Brotherhood of Teamsters, CSN (Conféderation des Syndicats Nationaux), UFCW (United Food and Commercial Workers International Union), Unifor and IUOE (International Union of Operating Engineers).

The Group strives to live its philosophy as a sustainable, highly productive and people-oriented Company placing great emphasis on its relationship with its associates, remaining committed to developing and supporting socially responsible and environmentally sustainable initiatives. The Group has the perspective that worker satisfaction and an active attitude towards social responsibility are essential factors for the development of a strong corporate culture and for maintaining consumer loyalty.

7) Environmental and Social Performance Indicators

118,776+ people from 33 cities and 21 countries participated in the Global Energy Race	7 innovation centers, 1 food lab and 1 kitchen lab work on improving the nutritional profiles and developing new products	10% reduction in CO2 emissions vs 2018 as a result of energy efficiency actions, the use of renewable energy, alternative fuels and efficiency in logistics and distribution	16 plants with Energy Star certificate in the United States for having a score of 75 or more according to the performance indicator with which it is measured	Ps. 110.1 million donated to 296 Nonprofit Associatioons
+1.5 million slices of bread were donated to local food banks in line with the commitment to give 1 slice of bread per covered kilometer in the race	82% of the products comply with the maximum limits established for the content of critical nutrients (added sugars, saturated fats, trans fats and sodium)	92.5% of the waste generated in production processes was recycled	44 plants successfully implemented waste management processes to entirely eliminate landfill deliveries and 144 plants recycle over 80% of the residues	192 Good Neighbor projects took place across the plants, to improve the quality of life for thousands of people
+89,000 boys and girls participated in the *Futbolito Bimbo* tournament	603 electric vehicles globally and 1,329 natural gas vehicles circulating in Mexico, Colombia, the United States and some other countries; 92 with Ethanol and 603 with LP Gas	108 work centers with rainwater collection systems	+74,000 people, among associates, relatives and friends participated in volunteer programs of Grupo Bimbo	The reuse of water in operations increased by 9% compared to the previous year, and today there is 81% of reuse of total treated water
95% traceability in top suppliers of palm oil	Mexico: The operation of the Piedra Larga Wind Farm is restored, which in normal operation supplies	81% of the reuse of treated water globally, which is used for gardening water and carwash	Reduction of 289 accidents vs. 2018 and 1,006 accidents in the last 5 years	23,765 associates received integrity training, equivalent to 83.9% of the total of associates from

	70% of the electrical energy consumed in this country, thereby avoiding the emission of 180,000 tons of CO_2 per year	services, among others.		administrative to executive categories, through GB-University

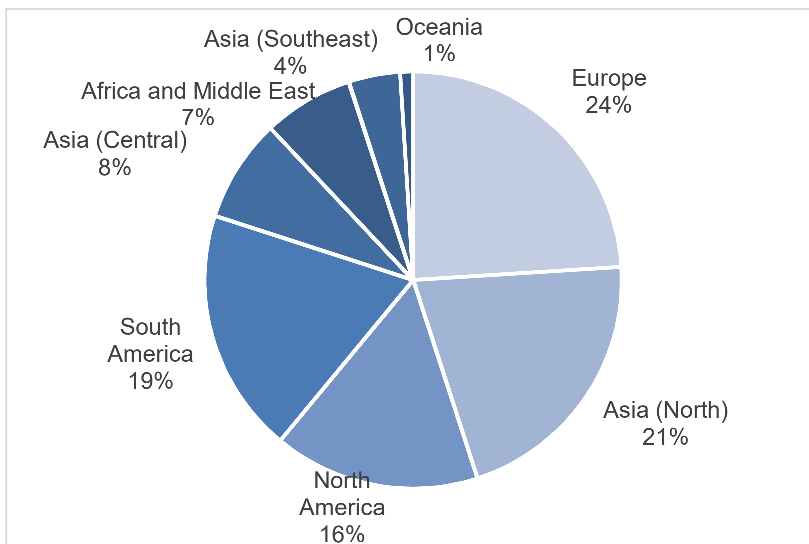
8) Market Information

8.1 Baking Industry General Overview

According to IBISWorld, growth in the baking industry will be higher between 2019-2024, with industry revenue expected to increase at an average annual rate of 4.8% to more than U.S.$741.6 billion over the five years to 2024. Growth in emerging markets primarily results from changing consumer diets that incorporate a greater range of wheat-based products and markets such as Europe and the United States, have remained stable over the past five years. Certain markets, including the United States and Europe, have shown a shift towards functional bread products, which include healthy ingredients such as organic grains, calcium, vitamins and minerals, fruit infusions, and cleaner labels.

The Group believes that rising consumer awareness of nutritional issues represents an opportunity for continued growth in both emerging and mature markets through the launching of innovative, special and free-from ingredient products.

The following graph shows the revenue breakdown by region of the global baking industry (January 2020).



Source: IBISWorld, "Global Bakery Goods Manufacturing" January 2020.

Market Concentration

The industry remains highly competitive and fragmented, most players consist of small local bakeries. The three major global players are estimated to account for less than 10.0% of the market, with no single player controlling more than 5.0% of the global market. Industry leaders, including Grupo Bimbo, Mondelez International, and Campbells, are currently driving the industry's consolidation through their ongoing acquisition strategies.

The table below shows the estimated market share of the major global players in the baking industry according to GlobalData:

Participant	Estimated market share
Grupo Bimbo, S.A.B. de C.V.	4.4%
Mondelez International	3.5%
Campbells Soup Company	1.2%

Source: GlobalData, 2018

Quality and price continue to be two main factors for competition in the industry, which is why the industry's largest companies are driven mainly by brand recognition, product differentitation and the ability to deliver high-quality products that appeal to the needs and tastes of consumers.

Sales Channels and Distribution Network

Grupo Bimbo categorizes the industry's sales channels into four main categories: traditional ("Mom & Pops"), modern (supermarkets, convenience stores, and others), QSR and others (such as food service, (other than QSR), wholesale, vending machines, and other retail locations.

Supermarkets continue to account for most of the industry's global sales, mainly in markets such as North America and Western Europe. Emerging markets, such as South America, North Asia and Eastern Europe, tend to rely more on traditional channels.

It is important to mention that the distribution network is becoming wider as recent advances in technology and packaging have increased the durability of bakery products and therefore the possibility to be delivered over longer distances.

Industry Outlook

According to IBISWorld (January 2020), the key external drivers for the global industry moving forward include:

- GDP of BRIC countries: an increase in the demand for bread and other baking products,
- Global consumer spending: from an overall increase in disposable income, and
- World price of sugar and wheat: The rise or fall of two of the major inputs in baking products are likely to affect the producers' margins, although any additional costs will probably be passed on to consumers.

Most of this growth is expected to originate from rising demand in emerging markets, specifically Latin America, Asia, and Eastern Europe. Meanwhile, growth in mature markets will depend highly on the successful introduction and traction of organic, gluten-free options in line with the recent trend.

The Baking Industry by Country/Region

North America

North America, according to IBISWorld, represents 16.0% of the global industry's revenue as of 2019. It is considered to be a mature market with established brands and its future growth is expected to come from healthier baked goods. Thus, differentiated products, solid cost controls and distribution efficiency are key performance drivers in this market.

The group operates in the U.S. market through Bimbo Bakeries USA, Inc., or BBU, and Bimbo Frozen. Its main competitors in the U.S. include: Flower Foods, Pepperidge Farm and other private label brands.

The main participants in the Canadian fresh baking market are Bimbo Canada, and George Weston Limited. The Group also participates in the frozen category through Bimbo Frozen.

Mexico

According to GlobalData, the baking and cereals industry is expected to grow at a compound annual rate of 3.7% from 2015 to 2020. In terms of products, tortillas and packaged bread remain staple products in the country and are expected to continue to do well.

The most relevant competition is the significant number of artisanal bakeries, small family-owned bakeries and the in-store bakeries in supermarkets, in addition to regional packaged bread competitors such as Dulcipán, El Panqué, Pan Filler, among others.

Grupo Bimbo is leader in the packaged bread market in Mexico, with its iconic Bimbo® brands.

The major competitors in the cookies category include global market participants such as Gamesa, a PepsiCo. brand, Nabisco, Mondelez International, and mexican local market participants such as Cuétara, and Dondé. As of 2018, the Group is the Mexican snack cake market leader and the number two cookie producer in terms of sales under its Marinela®, Lara®, Gabi®, Bimbo®, Tia Rosa® and Suandy® brands, according with information from Nielsen. The Group is a leading participant in cereal bars and its main competitors in this category are the Kellogg Company, Quaker and General Mills.

The Group also participates in the packaged tortilla market (four and corn) with its Tía Rosa®, Milpa Real®, Del Hogar® and Wonder® brands, which compete mainly with products from Gruma and Maseca. Tía Rosa is the brand with the highest sales in the tortilla category in Mexico. Additionally, Milpa Real® and Sanissmo® brands have the highest sales within the *tostadas* category in Mexico, according with information from Nielsen.

Latin America

The South America region, which includes countries like Brazil, Argentina, Chile, Paraguay and Uruguay is the third largest segment in terms of industry revenue, accounting for an estimated 19%, according to IBISWorld (2019); however, the market penetration of packaged bread remains relatively low.

The strongest competition comes from the significant number of artisanal bakeries, small family-owned bakeries and bakeries in supermarkets. Grupo Bimbo leads the packaged bread market in every Latin American country in which it operates, in the categories of sliced bread, buns and rolls, with strong local brands such as Pullman®, Plus Vita®, Nutrella®, Fargo®, Ana Maria® and Lactal®, as well as regional brands such as Bimbo®. It also has a solid presence in the categories of bread, cakes and tortillas with brands such as Ana Maria®.

Europe, Asia and Africa

Europe, Asia and Africa, together represent almost 60% of the global baking goods market according to IBISWorld (2019). Western Europe is the largest global market for baking products. The participation of private labels and artisanal bakeries is significant in the region. As is the case globally, the industry remains highly fragmented in the continent with more than 16,000 companies competing in the European bread and baking products industry, according to IBISWorld (2019). The vast majority of these players are small artisanal bakeries, adding to the fragmentation.

In Europe, the Company primarily operates through Bimbo Iberia, Bimbo UK and Donuts (formerly owned by Panrico). The Company is the market leader in the branded packaged bread market in Spain and Portugal, with participation in the bread and sweet baked goods categories under the brands Bimbo®, Silueta®, Martínez® and Donuts®.

In the United Kingdom, Grupo Bimbo ia a leading producer in bagels, croissants and pain au-chocolat markets, with the brand New York Bakery Co®. The principal competitors in that market are Weight Watchers, Kings Mill and other private label players. In addition, the Company holds a leading position in the United Kingdom in the *vienoisserie* category.

According to IBISWorld, Asia accounted 32% of the global baked goods industry during 2019 and is currently one of the fastest growing regions, driven by Japan, South Korea, China and Hong Kong. Central Asia, where bread-related items such as naan and roti are essential in everyday meals, represented approximately 8% of global industry revenues. This is expected to keep growing as the demand for Western-style baked goods increases. In China's, the growth has been driven by sustained economic prosperity, increased urbanization, more working women, and the growing influence of Western cultures and diets.

The Group has been pioneer in developing the packaged bread market in China, in the categories of packaged baked goods, cakes and tortillas, by adapting its products to local preferences such as bread filled of sweet beans, green tea and spicy meat. The Company participates in the Chinese market principally through its brand Bimbo® and Mankattan®.

In India, we are also a baking leader in New Delhi. Currently, brands in the region include Harvest Gold® and Ready Roti®, among others. As for Africa, the Company manufactures snacks cakes in Morocco through the Belle® brand.

The Global Foodservice and Quick Service Restaurant Channels

Recent growth of the quick service restaurants industry has been driven by increasing consumer disposable income, the increasing prevalence of Western-style food as well as growing demand from emerging economies.

According to IBISWorld, most fast food chains are expected to continue introducing new healthy foods. This trend, coupled with continued expansion in emerging economies, estimates that industry revenue will grow at an annualized rate of 2.4% to USD$965 billion over the next five years through 2024.

Among the product categories of the global quick service restaurants industry, burgers account for the top product categories with 34.3% market share, followed by sandwiches with 11.3%, chicken with 10.5%, pizza and pasta with 8.8% based on IBISWorld research.

The Group believes it is well positioned to benefit from the future potential growth in the quick service restaurants industry in the world based on East Balt Bakeries' (now Bimbo QSR) existing presence through established operations in the U.S., China, South Korea, France, Spain, Italy, Portugal, Switzerland, the United Kingdom, Russia, Ukraine, Turkey, Morocco and South Africa. The Group also participates in Latin America, including Mexico, by serving major foodservice customers.

The Snacks Industry

According to GlobalData, snacks represent a large and diverse segment of the broader packaged food market, with estimated global sales of U.S.$128 billion. With urbanization and longer working hours, consumers eat snacks for convenience, increasingly replacing meals.

The global snacks segment considers categories such as confectionery, salad snacks and candy.

Relevant Markets

The Group participates in the snack industry in North America, Latin America and Europe.

In the North American snacks market there is a participation mainly through the Takis® and Barcel® brands. Takis® has 1.8% market share within the category of processed snacks in the United States and Canada and a 4.3% participation in the the tortilla chips subcategory in such countries. In addition, Takis® is the fourth global leading tortilla chips brand according to GlobalData.

According to information of GlobalData, in Mexico, Barcel® has a market share of 17.4% in the snack industry, the second largest position. In Latin America, the brand holds a share participation of 3.98%.

The Ricolino® brand is the second largest within the confectionery category, capturing 8.4% of the market. Within sweet snacks, the Marinela® brand holds a share participation of 17.15%, holding the first place in Mexico.

European snacks consumers prefer artisanal & premium products. Private label accounts for 16.3% of the European snacks market compared to 7.5% of the overall global snacks market. In Europe, the Group operates mostly with Ortiz®, Bimbo® and Donuts® brands in savory snacks category.

9) Corporate Structure

Grupo Bimbo is a holding company that, as of December 31, 2019 was a direct or indirect owner of shares in its seven primary operational subsidiaries. The table shown below lists the most important companies, their main activity and the equity holding percentage held by Grupo Bimbo in each one of them.

Subsidiary Companies	Main Activity	Shareholding
Bimbo, S.A. de C.V.	Baking	97%
Barcel, S.A. de C.V.	Snacks	98%
Productos Ricolino, S.A.P.I. de C.V.[1]	Confectionery	98%
Canada Bread Corporation, Ltd.	Baking	100%
Bimbo Bakeries USA, Inc.	Baking	100%
Bimbo do Brasil, Ltda.	Baking	100%
Bakery Iberia Investments, S.L.U.	Baking	100%

[1]On November 1, 2019, Barcel S.A. de C.V spun off the confectionery business, arising as a result of the spin-off Productos Ricolino S.A.P.I de C.V.

[2]Bakery Donuts Iberia was acquired on July 21, 2016, the date it obtained control.

10) Main Assets Description

10.1 Facilities

a. Production Plants

As of December 31, 2019, Grupo Bimbo operates 194 production plants worldwide distributed as follows:

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

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

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

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

- 25 in Europe, in Spain, Portugal, the United Kingdom, Italy, France, Switzerland, Ukraine, Russia.
- 17 in Asia, in China, India, Turkey and South Korea.
- 6 in Africa, Morocco and South Africa.

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

The Group maintains a comprehensive insurance program for all the production plants in order to transfer all risks through specific provisioning.

In 2019, the Group made capital expenditures in the amount of approximately $680 million US dollars, which were financed with own resources.

The location of the Company's main plants per region are shown below.

MEXICO

	Number of plants
Bimbo S.A.	26
Organización Barcel	6
Ricolino	4
Moldes y Exhibidores, S.A. de C.V.	1
TOTAL	**37**

NORTH AMERICA

	Number of plants
Bimbo Bakeries USA	53
Organización Barcel	1
Bimbo Frozen	6
Bimbo Canada	14
Bimbo QSR	3
TOTAL	**77**

LATIN AMERICA

South	Number of plants
Argentina	5
Brazil	6
Peru	2
Paraguay	1
Uruguay	1
Chile	2
TOTAL	**17**

Central	Number of plants
Guatemala	1
El Salvador	1
Honduras	1
Costa Rica	1
Panama	1
Colombia	7
Venezuela	1
Ecuador	2
TOTAL	**15**

EUROPE

	Number of plants
Spain	12
Portugal	2
Switzerland	1
France	3
Italy	2
Ukraine	1
Russia	1
United Kingdom	3
TOTAL	**25**

ASIA

	Number of plants
China	10
India	5
South Korea	1
Turkey	1
TOTAL	**17**

AFRICA

	Number of plants
South Africa	2
Morocco	4
TOTAL	**6**

The following table shows the capacity utilization percentage of the production in all the Company's operations as of December 31, 2019:

Organization and type of product	
Bimbo, S.A. de C.V. Bread, buns & rolls, doughnuts, cakes, toasts, cookies, cakes, waffer cookies, tortillas	53%
Bimbo Bakeries USA Bread, buns & rolls, doughnuts, cakes, pies, tortillas, *tostadas*, muffins and cakes	61%
Latin South Organization Bread, buns & rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	35%
Latin Central Organization Bread, buns & rolls, doughnuts, toasts, cookies, pastries and tortillas	47%
Barcel, S.A. de C.V. Snacks	67%

Productos Ricolino, S.A.P.I. de C.V. Sweets, confectionery and chocolates.	58%
Bimbo Iberia Bread, buns, doughnuts, flatbread, toasts and cereal bars	44%
Bimbo Canada Bread, cakes, rolls, tortillas, muffins and cereal bars	46%
Bimbo Frozen Baguettes, artisan bread, bagels, Danish bread and pie	45%
Bimbo Brazil Bread, buns & rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	36%
Bimbo United Kingdom Bagels, croissants	64%
Bimbo China Bread, pastries, cakes, tortillas and cookies.	62%

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

b. Agencies

As an important part of its distribution process, the Company has approximately 1,800 sales centers, each of which is supplied by one or more production plants. These centers may be exclusive for some of its brands or may handle several brands making use of the same infrastructure.

10.2) Asset Management

In order that the Group's operations are not suddenly interrupted, an asset management model has been developed focused on having preventive, predictive and collaborative maintenance programs applied to all the Company's assets, including machinery productive, diverse equipment and vehicular fleet. The objective is that all the Group's facilities and equipment present optimum operating conditions and appearance, and that they not only comply with all government rules and regulations, but, in the first instance, maintain a climate of well-being and safety for the associates and the communities in which the Company serves.

The Asset Management Model continually assesses the impact of predictive maintenance on business continuity, reliability and profitability, seeking to be the benchmark in the industry, through the inclusion of modern diagnostic technologies and monitoring of component conditions, both of the productive machinery as of diverse equipment and the vehicular fleet.

In this regard, the Company allocates approximately 4.4% of the net sales to the asset management described aboved. During the last year, it has been allocated nearly 5% of its sales in investments to support the growth, equipment modernization and productivity of its lines. All these resources have been financed with the Company’s own resources.

10.3) Guarantees on Assets

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

10.4) Insurance

In addition to traditional insurance that covers assets against fire and natural phenomena, the Group has solutions that protect cybersecurity against intrusions that alter the operation of the Group, as well as its Board of Directors or any other position of command that is exposed to obligations and responsibilities in the performance of its position, with respect to errors and omissions derived from the daily functions of such position.

Thus, its facilties as well as third parties liabilities are covered by specific insurance policies regarding the risks the Group copes with.

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

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

11) Judicial, Administrative or Arbitration Processes

Currently, Grupo Bimbo is involved in several legal proceedings, which are considered part of the ordinary course of business and incidental to its operations. Except as described in this Annual Report, Grupo Bimbo has no judicial, governmental or arbitration proceedings against it (including proceedings pending or that may be reported) of which it has knowledge for twelve months prior to the date of this Annual Report, that may have or have had in the recent past, a material adverse effect on its financial position or its operation results. Moreover, at the date of this Annual Report, the Company does not fall within the circumstances established in Articles 9 and 10 of the Bankruptcy Act (Ley de Concursos Mercantiles) and has not been declared or may be declared in bankruptcy.

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry collusion among several bread suppliers, including Canada Bread from 2001 to 2017. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved, have admitted inappropriate conduct. Canada Bread has not been charged with any offenses. Both the Group and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Group was notified of certain class actions initiated by groups of consumers and/or consumer associations against all the parties allegedly involved in Canada's Competition Bureau investigation.

12) Shares Representing the Capital Stock

At the date of this Annual Report, the theoretical value of Bimbo's share capital totaled $4,156,000,000.00 (four thousand million one hundred fifty six millions pesos 00/100 M.N.), represented by 4,626,000,000 outstanding Series "A" common nominative shares, with no par value, fully subscribed and paid, all of them representing the minimum fixed portion without right of withdrawal of the capital stock. See Note 15 to the Audited Financial Statements.

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

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

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

On July 30, 1998, Bimbo made a capital increase, in the fixed portion, through the issuance of 60,000,000 (sixty million) common, nominative, Serie “A”, with no par value shares and, derived from it and from the exchange of shares, the fixed capital remained in the amount of $2,299,288,054.00 (two thousand two hundred and ninety-nine million eighty-eight thousand fifty-four pesos 00/100 M.N.).

On May 7, 2002, Bimbo approved a total modification of the company’s bylaws and a capital reduction for a total amount of $397,555,574 (three hundred ninety seven million five hundred fifty five thousand five hundred seventy four pesos 00/100 M.N.) and the cancellation of 245,800,000 (two hundred forty five million eight hundred thousand) common, Serie “A”, nominative treasury shares.

On April 15, 2011, Bimbo carried out a split of the shares representing its capital stock, making outstanding Issuance 2011-I, through which the Company’s capital stock was not modified and remained represented by 4,703,200,000 (four thousand million seven hundred three million two hundred thousand) shares.

13) Dividends

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

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

During 2019, dividends were paid on a basis of $0.45 (forty five cents) per share.

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

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

Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2019, 2018 and 2017, the legal reserve, in historical Mexican pesos, was of an amount of $500,150,000.00 (five hundred million one hundred fifty thousand pesos 00/10 M.N.).

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

The balances of the net worth tax accounts as of December 31 were:

		2019		2018		2017
Restated contributed capital account (CUCA)	$	29,892	$	32,404	$	30,911
Net taxed profits account (CUFIN)		76,438		69,310		60,416

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

3) FINANCIAL INFORMATION

	2019	2018	2017
Net sales	291,926	289,320	268,485
Operating profit	20,419	18,509	17,472
EBITDA	33,427	31,705	27,289
Net Majority Income	6,319	5,808	4,629
Basic earnings per ordinary share	1.36	1.24	0.98
Dividend per share	0.45	0.35	0.29
Total assets	279,081	263,316	259,249
Short-term portion of long-term debt	5,408	1,153	1,885
Long-term debt	81,264	88,693	91,546
Total equity	78,311	84,575	77,024

Note: amounts in millions of Pesos.

a) FINANCIAL INFORMATION PER BUSINESS, GEOGRAPHIC ZONE AND EXPORT SALES

Grupo Bimbo, through its main subsidiaries, is mainly engaged in the production, distribution and commercialization of sliced bread, buns & rolls, pastries, cakes, cookies, English muffins, bagels, tortillas and flatbreads, salty snacks, confectionery, among others. The Company manufactures more than 113,000 products. The sale of that products constitutes Grupo Bimbo's only line of business. The division between baking products, salty snacks and confectionery goods referred to in this Annual Report is an organizational division, the only purpose of which is to achieve administrative efficiencies and which derive from historical reasons. In some cases, such division is shown exclusively in order to differentiate the market for such products. Grupo Bimbo has no significant export sales.

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

	For the years ended December 31:		
	2019	2018	2017
	Total Sales		
Mexico	102,688	100,327	90,783
North America	144,005	143,968	137,779
Latin America	27,144	28,341	28,753
EAA	26,655	25,899	18,951
Consolidated eliminations	(8,566)	(9,215)	(7,781)
	Operating Profit		
Mexico	15,966	15,750	13,753
North America	6,094	5,100	7,701
Latin America	(1,337)	(529)	(1,284)
EAA	136	(1,481)	(2,395)
Consolidated eliminations	(440)	(331)	(303)
	Adjusted EBITDA		
Mexico	18,621	18,200	15,951
North America	13,866	12,994	12,642
Latin America	(1)	732	551
Europa	1,382	105	(1,572)
Consolidated eliminations	(441)	(326)	(283)
	Total Assets		
Mexico	68,556	63,569	60,640
North America	153,634	142,161	145,155
Latin America	23,494	22,387	23,265
EAA	35,072	36,468	31,822
Consolidated eliminations	(1,675)	(1,269)	(1,633)

b) REPORT ON SIGNIFICANT DEBT

The Company's relevant financing facilities are described below.

As of the date of this Annual Report, the Group is up to date in the payment of principal and interest of all its relevant loans.

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

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

a. International Senior Notes:

1. On June 30, 2010 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act 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 Company's debt, extending the average maturity. On October 8, 2019, the Company made a partial payment of USD 600 million, the remaining current debt is USD 200 million.

2. On January 25, 2012 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act for USD 800 million, maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.

3. On June 27, 2014 the Company issued bonds under Rule 144 A and Regulation S of the U.S. Securities Act for (i) USD 800 million, maturing in 2024 and (ii) USD 500 million maturing in 2044. Such bonds pay a fixed interest rate of 3.875% and 4.875%, respectively payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.

4. On November 10, 2017 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act 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 Company's debt, extending the average maturity.

5. On September 6, 2019 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act for USD 600 million, maturing on September 6, 2049. Such bond pays a fixed interest rate of 4.000% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.

b. Local bonds (*Certificados Bursátiles*)

1. Bimbo 16 - Issued on September 14, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such bond pays a fixed interest rate of 7.56%. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.

2. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such bond pays a fixed interest rate 8.18%. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity as well as the partial payment of Bimbo QSR acquisition.

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

2. Revolving committed line of credit (multicurrency)

On May 2018, the Company 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 to the new terms and conditions, the financial institutions engaged in this facility 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., Mizuho Bank, Ltd. The total amount is up to USD$2 billion, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced in USD$400 million. The drawdowns against this facility 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 Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros. As of December 31, 2019, there is a balance drawn on this facility of USD$5 million.

4) Other Loans

Certain subsidiaries have entered into direct loans to meet mainly their working capital needs. The maturity dates for such loans range from 2020 to 2025, which generate interest at various rates.

Summary of Affirmative and Negative Covenants and Acceleration Causes

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

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

c) MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read together with the Audited Financial Statements, including the notes thereto. Unless otherwise stated, all amounts herein are expressed in million Mexican Pesos and were prepared according to IFRS. Consolidated figures include the effects of inter-region eliminations.

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

The audited consolidated financial statements are expressed in Mexican pesos. The financial information that concerns us as of the end of year (December 31, 2019) is included in this annual report and is presented in US dollars solely for the convenience of the reader.

Factors that affect the results of operations and financial condition of the Group

The main factors that affect the results are:

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

Sales volume. The consolidated sales volume is impacted by general economic conditions, product prices, new product launches and the extent and effectiveness of its advertising and promotion.

Cost of advertising and promotion. The Group supports its brands and products as well as new product launches through extensive advertising and promotions adapted to its brands and targeted to consumers in the specific markets in which it operates. In general, the Group increases advertising and promotional spending during periods where the Group experiences pressure on sales volume.

Prices of products. Prices for its products are impacted by the cost of raw materials and distribution as well as the Special Excise Tax (IEPS by Spanish acronym), tax imposed in Mexico on its products in Mexico and the price sensitivity of consumers in the various food categories and markets in which it operates.

Distribution efficiencies. The Group constantly review its distribution processes to reduce costs and increase efficiency across its organization. For example, the Company implemented initiatives that have improved its sales execution and leveraged its distribution, including customizing sales execution by customer type.

Exchange rates. The consolidated financial statements are expressed in Mexican pesos. The Group generates revenue mainly in Mexican pesos and US dollars and, to a lesser extent, in other local currencies in the countries where it operates. As a result, differences in the currency exchange rate can impact its financial statements, particularly with respect to the results of operations in United States and Canada.

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

Acquisitions

The following table shows major acquisitions that the Company completed in the past three years:

Year	Company acquired / Assets	Country
2019		
August 6	Mr. Bagels Limited	United Kingdom
2018		
December 17	Nutra Bien	Chile
June 28	Mankattan	China
May 31	El Paisa	Colombia
March 27	International Bakery	Peru
2017		
October 15	East Balt Bakeries	11 countries in North America, Europe, the Middle East, Africa and Asia
September 19	Bay Foods Inc.	United States of America
May 25	Ready Roti	India
March 30	Adghal	Marroco
March 2	Stonemill	Canada

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company'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 may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. The effects of changes in accounting estimates are recognized in the period of the change and future periods if the change affects both current and subsequent periods.

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 Business Partners") in which it holds no direct or indirect interest but that qualify as structured entities (SE). The Company has concluded that some of these structured entities meet the requirements to be consolidated in accordance with IFRS 10 Consolidated Financial Statements.

Key sources of estimation uncertainty

Useful lives, residual values and depreciation and amortization methods of long-lived assets. As described in Note 3, the Company annually reviews the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and intangible assets. Additionally, for intangible assets, the Company determines whether their useful lives are finite or indefinite. During the periods presented in the consolidated financial statements, there were no modifications to such estimates.

Impairment of goodwill and intangible assets. Determining whether goodwill has been impaired involves calculating the recoverable amount of cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount requires the Company to determine the higher between the fair value less cost of disposal and value in use, where the value in use is determined based on the future cash flows that cash-generating units are expected to produce and an appropriate discount rate to calculate the present value of future cash flows.

Fair value measurements. Derivative financial instruments are recognized in the statement of financial position at fair value as of the reporting date. In addition, the fair value of certain financial instruments is disclosed in Note 17, mainly with respect to long-term debt, though there is no risk of adjustment to the related carrying amounts. In addition, the Company has acquired businesses for which it is required to determine the fair value of the consideration paid, the identifiable assets acquired, liabilities assumed and, if applicable, the non-controlling interest at the date of the acquisition, as described in Note 1.

The fair values 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 Company considers that the valuation techniques and assumptions selected are appropriate for the determination of the fair values.

Employee benefits. The cost of defined benefit plans and MEPPs that have been considered as defined benefits is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in the assumptions.

Recoverability of deferred income taxes. To determine whether the deferred income tax asset related to tax losses carryforwards is impaired or if it will be recovered in the future, the Company is based on the tax projections it prepares.

Employee benefits, insurance and other liabilities. Insurance risks in the United States such as to the liability for general damages to third parties, and employee benefits are self-insured by the Company with coverage that is subject to specific limitations agreed in an insurance program. Provisions for claims are recorded on an incurred-claim basis. Insurable risk liabilities are determined using the Company's historical data. As of December 31, 2019, 2018 and 2017, the net liability amounted to $4,650, $4,757 and $5,085, respectively.

1. Results of Operations

Comparative analysis of fiscal years ended on December 31, 2019 and 2018

Net Sales

Net sales during 2019 grew 2.5%, excluding FX effect, as a result of organic growth in Mexico and EAA, coupled with strategic bolt-on acquisitions completed during the period; including FX effect, net sales increased 0.9%.

Net sales	2018	2017	% Difference
North America	144,005	143,968	0.0
Mexico	102,688	100,327	2.4
Latin America	27,144	28,341	(4.2)
Europe, Asia, Africa	26,655	25,899	2.9
Consolidated eliminations	(8,566)	(9,215)	7
Consolidated	**291,926**	**289,320**	**0.9**

Mexico: For the full year net sales improved by 2.4%, primarily reflecting strong volume growth across most categories, particularly buns, cookies and cakes and every channel, with the convenience channel outperforming.

North America: Net sales remained flat, primarily due to continued execution of the portfolio optimization strategy implemented in the second quarter in the US, which was offset by strategic brands growth in the US, strong performance in Canada and the sweet baked goods and snacks categories throughout the region. The competitive environment in the premium category and compression of the private label category in the US continued to be a challenge.

Latin America: Net sales decreased 4.2% attributable to a weak performance in Brazil and Argentina and FX rate pressure, which was offset by strong results across the Latin Centro and Latin Sur divisions, with Chile and Peru outperforming.

EAA (Europe, Asia and Africa): Net sales grew 2.9%, driven by the good performance of Iberia and Bimbo QSR, with outperformance from the bread and sweet bread categories.

Gross Profit

Gross profit presented a slight improvement of 0.1%, with a margin contraction 40 basis points, primarily reflecting higher raw material costs.

	Years ended on December 31, (in millions of pesos)		
Region	**2019**	**2018**	**%**
Mexico	57,280	56,498	1.4
North America	76,895	76,901	0
Latin America	12,022	12,969	(7.3)
EAA	9,679	9,597	0.9
Consolidated eliminations	(2,134)	(2,314)	NA
Consolidated	**153,742**	**153,651**	**0.1**

Operating Profit

Operating income for 2019 increased 10.3% and the margin expanded 60 basis points, as reflection of good operating performance across most regions. Partially offset by the non-cash charges related to the adjustment of the Multi-Employer Pension Plans ("MEPPs") liability registered in the second and third quarters, as well as restructuring investments mainly in North America and extraordinary expenses in Brazil.

	Years ended on December 31, (in millions of pesos)		
Region	**2019**	**2018**	**%**
Mexico	15,966	15,750	1.4
North America	6,094	5,100	19.5
Latin America	(1,337)	(529)	>100
EAA	136	(1,481)	NA
Consolidated	**20,419**	**18,509**	**10.3**

Comprehensive Financial Result

Comprehensive Financial Result totaled $8,560 million pesos in the year, 22.4% higher whrn compared to the previous year. The increase was mainly related to a one-time expense from the US$600 million liability management transaction of the 2020 notes, a loss in the net monetary asset position in Argentina and the implementation of IFRS16.

Taxes

In 2019, taxes recorded a 3% decrease, for a total of $4,733 million, while the effective tax rate was 39.1%, compared to 41.8% in 2018.

Net Majority Income

Majority net income increased 8.8% and the margin expanded 20 basis points, due to the improved operating performance and a lower effective tax rate, which stood at 39.1%.

Earnings per share totaled Ps. 1.36, compared to Ps. 1.24 in 2018.

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

Adjusted EBITDA	2019	2018	%
Mexico	18,621	18,200	2.3
North America	13,866	12,994	6.7
Latin America	(1)	732	NA
EAA	1,382	105	>100
Total	**33,427**	**31,705**	**5.4**

Adjusted EBITDA during 2019 increased 5.4% with with a margin expansion of 50 basis points, attributable to positive operating performance in most regions and lower general and administrative expenses resulting from productivity initiatives.

Financial Structure

Total debt at December 31st, 2019, was Ps. 86.7 billion, compared to Ps. 89.8 billion on December 31st, 2018.

Average debt maturity was 13.3 years with an average cost of 6.1%. Long-term debt comprised 94% of the total; 57% of the debt was denominated in US dollars, 38% in Mexican pesos and 5% in Canadian dollars.

The net debt to Adjusted EBITDA ratio was 2.4 times compared to 2.6 times at December 31st, 2018.

The Company invested Ps. 1.8 billion in its share buyback program, buying back approximately 46.6 million shares.

Comparative analysis of fiscal years ended on December 31, 2018 and 2017

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 of International Bakery in Peru, el Paisa in Colombia, Mankattan in China and Nutra Bien in Chile.

Net sales	2018	2017	% Difference
North America	143,968	137,779	4.5
Mexico	100,327	90,783	10.5
Latin America	28,341	28,753	(1.4)
Europe, Asia Africa	25,899	18,951	37.1
Consolidated eliminations	(9,215)	(7,781	NA
Consolidated	**289,320**	**268,485**	7.8

Mexico:
Net sales in Mexico rose 10.5%, primarily driven by strong volume growth in every channel especially the traditional, and every category, mainly cakes, buns and sweet baked goods, as well as new product launches such as 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: 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.

Latin America: 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: 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 6.9% 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.

	Years ended on December 31, (in millions of pesos)		
Region	**2018**	**2017**	**%**
Mexico	56,498	50,410	12.1
North America	76,901	74,246	3.6
Latin America	12,969	13,353	(2.9)
EAA	9,597	7,215	33.0
Consolidated eliminations	(2,314)	(1,504)	NA
Consolidated	**153,651**	**143,720**	**6.9**

Operating Profit

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.

In 2018, a charge was recorded that did not generate cash flows of $907 million of pesos corresponding to the impairment of long-lived assets.

	Years ended on December 31, (in millions of pesos)		
Region	**2018**	**2017**	**%**
Mexico	15,750	13,753	14.5
North America	5,100	7,701	(33.8)
Latin America	(529)	(1,284)	58.8
EAA	(1,481)	(2,395)	38.2
Consolidated	**18,509**	**17,472**	**5.9**

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.

Taxes

In 2018, taxes registered a decrease of 22%, for a total of $4,897 million, while the effective tax rate was 41.8%, compared to 52.6% in 2017, mainly due to the Tax Reform, enforced in the United States.

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.

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

EBITDA Adjusted	2018	2017	%
Mexico	18,200	15,951	14.0
North America	12,994	12,642	2.8
Latin America	732	551	32.9
EAA	105	(1,572)	NA
Total	**31,705**	**27,289**	**16.2**

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

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.

2. Financial position, liquidity and capital resources

a. Internal and external liquidity sources

BIMBO has internal and external sources of traditional liquidity available, which have been already used in the past. The Company's liquidity is based on its own operations and historically, it has had sufficient levels of its own capital. In the past the Group has had access to bank financings and to the domestic and international capital and debt markets.

Likewise, BIMBO has obtained various credit lines from several financial institutions. Notwithstanding the foregoing, the Company cannot assure that it will have access to the sources of capital mentioned above.

BIMBO has not had any cyclical credit requirements and generally, financing needs are associated with growth operations and not with working capital.

b. Debt level

The table contained in “Selected Financial Information” contains information on the Company’s debt at the end of the last three fiscal years. See Section “3. FINANCIAL INFORMATION - Selected Financial Information”. There is no cyclicality in the Company’s financing requirements.

Significant Indebtedness

International Bonds (Senior Notes)

1. On June 30, 2010 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act 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 Company’s debt, extending the average maturity. On October 8, 2019, the Company made a partial payment of USD 600 million, the remaining current debt is USD 200 million.

2. On January 25, 2012 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act for USD 800 million, maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company’s debt, extending the average maturity.

3. On June 27, 2014 the Company issued bonds under Rule 144 A and Regulation S of the U.S. Securities Act for (i)USD 800 million, maturing in 2024 and (ii) USD 500 million maturing in 2044. Such bonds pay a fixed interest rate of 3.875% and 4.875%, respectively payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company’s debt, extending the average maturity.

4. On November 10, 2017 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act 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 Company’s debt, extending the average maturity.

5. On September 6, 2019 the Company issued a bond under Rule 144 A and Regulation S of the U.S. Securities Act for USD 600 million, maturing on September 6, 2049. Such bond pays a fixed interest rate of 4.000% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company’s debt, extending the average maturity.

International Bonds (Subordinated Notes)

On April 17, 2018, Grupo Bimbo, S.A.B. de C.V. issued a perpetual subordinated bond of USD 500 million under Rule 144 A and Regulation S of the US.

Local bonds (Certificados Bursátiles)

1. Bimbo 16 - Issued on September 14, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such bond pays a fixed interest rate of 7.56%. The proceeds from this issuance were used to refinance the Company’s debt, extending the average maturity.

2. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such bond pays a fixed interest rate 8.18%. The proceeds from this issuance were used to refinance the Company’s debt, extending the average maturity as well as the partial payment of Bimbo QSR acquisition.

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

Revolving committed line of credit (multicurrency)

On May 2018, the Company 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 to the new terms and conditions, the financial institutions engaged in this facility 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., Mizuho Bank, Ltd. The total amount is up to USD$2 billion, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced in USD$400 million. The drawdowns against this facility 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 Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.

As of December 31, 2019, there is a balance drawn on this facility of USD$5 million.

See Section “3. FINANCIAL INFORMATION – c) Report on Significant Debt”.

Other Loans

Certain subsidiaries have entered into direct loans to meet mainly their working capital needs. The maturity dates for such loans range from 2020 to 2025, which generate interest at various rates.

Events of Default

For a description of the events of default contained in the material financings of the Company, see “See Section “3. FINANCIAL INFORMATION – c) Report on Significant Debt”.

Liquidity

Liquidity represents the ability of the Group to generate sufficient cash flows from operating activities to meet its obligations as well as its ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from the capital resources that consist primarily of current and potentially available funds for use in achieving its objectives. Currently, the Group’s liquidity needs arise primarily from working capital requirements, debt payments, capital expenditures and dividends. In order to satisfy its liquidity and capital requirements, the Group primarily relies on its own capital, including cash generated from operations, and committed credit facilities.

The Group believes that its cash from operations, its existing credit facilities and its long-term financing will provide sufficient liquidity to meet its working capital needs, capital expenditures, debt payments and future dividends.

Commitments

Grupo Bimbo, S.A.B. de C.V. 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, 2019, 2018 and 2017, the value of such letters of credit is USD286, USD 307 and USD 301 million, respectively.

c. Treasury Policies

The Company maintains treasury policies consistent with its financial obligations and operating requirements and maintains its financial resources invested in highly liquid, non-speculative and low-risk instruments. Grupo Bimbo’s treasury maintains several currencies, especially currencies of countries in which the Company operates.

d. Material committed capital expenditures

At the date of this Annual Report, the Company had no material committed capital expenditures.

e. Changes in the Balance Sheet

Below is information on the cash flows generated by the operations, investing and financing activities during 2019, 2018 and 2017. The table contained in the Section "3. FINANCIAL INFORMATION - a) Selected Financial Information" includes certain financial ratios that show changes in the financial status of the Company during these years.

Cash Flows from Operating Activities

For fiscal year ended December 31, 2019 and 2018

For the year ended December 31, 2019, the net cash flow from operations increased by $7,538 million to $28,520 million compared to $20,982 million in 2018. This increase is mainly due to the entry of IFRS 16 having an impact of $4,151 million and the revaluation of the provisions of the plans multi-employer pension plans with an impact of $2,540 million.

For fiscal year ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash flow from operations decreased by $188 million to $20,982 million compared to $21,170 million in 2017. The cash flows remain steady primarily due to the gross income of 2018 which had a $243 million difference compared to 2017; the operation flows increased derived from accounts receivable from customers, other accounts receivable, inventory and suppliers, as well as the payment of mayor benefits to associates and social provisions, which counteract the positive net cash flows generated by the operation activities.

Cash Flow from Investing Activities

For fiscal year ended December 31, 2019 and 2018

For the year ended December 31, 2019, net cash used in investing activities decreased by $5,519 million to $(12,872) million compared to $(18,391) million in 2018, mainly as a result of lower acquisitions which decrease $3,506 million and a decrease in investment in fixed assets of $1,950 million.

For fiscal year ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash used in investing activities decreased by $8,679 million to $(18,391) million, compared to $(27,070) million in 2017, primarily due to minor acquisitions which decrease $8,882, since the only acquisitions were of $3,600 (Mankattan, El Paisa, International Bakery and Nutra Bien.

Cash Flow from Financing Activities

For the year ended December 31, 2019 and 2018

For the year ended December 31, 2019, net cash used in financing activities increased by $14,281 million to $(16,603) million compared to $(2,322) million of net cash used in financing activities for the year ended the December 31, 2018, mainly as a result of the entry of IFRS 16 having an impact of $4,784 million, the effect of $8,986 million by having issued a perpetual bond in 2018 and an increase in the repurchase of shares by $ 640 million.

For the year ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash provided by financing activities decreased by $8,814 million to $(2,322) million pesos, compared to $6,492 million in net cash provided by financing activities for the year ended on December 31, 2017, primarily due to a decrease of the disposition of debt and an increase in the debt services costs of $2,851 million and an increase in the repurchase of shares of $1,054 million pesos.

Borrowings from Banks and Other Financial Institutions

The total consolidated indebtedness decreased from Ps.89,846 million as of December 31, 2018, to Ps. 86,672 million as of December 31, 2019, primarily as a result of the appreciation of the peso against the dollar.

On September 6, 2019, the Group made a issuance of senior notes for $600 million with maturity in 2049 and a fixed rate of 4.00%, with the purpose of refinancing existing debt and other general corporate purposes.

On May 2018, the Company 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 to the new terms and conditions, the financial institutions engaged in this facility 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., Mizuho Bank, Ltd. The total amount is up to USD$2 billion, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced in USD$400 million. The drawdowns against this facility 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 Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.

On November 10, 2017 the Company issued a bond for USD 650 million, maturing in 2047 and a fixed interest rate of 4.70% to refinance the Company's debt and other general corporate purposes.

On June 27, 2014 the Company issued bonds for USD 800 million, maturing in 2024 and a fixed interest rate of 3.875% and a bond for USD 500 million maturing in 2044 and a fixed interest rate of 4.875%, both to refinance the Company's debt and other general corporate purposes.

On January 25, 2012 the Company issued a bond for USD 800 million, maturing in 2022 and a fixed interest rate of 4.50% to refinance the Company's debt and other general corporate purposes.

On June 30, 2010 the Company issued a bond for USD 800 million, maturing in 2020 and a fixed interest rate of 4.875% to refinance the Company's debt and other general corporate purposes

In addition, the Group has issued, and remain in force in the Mexican capital markets the following notes (certificados bursátiles). All the notes were issued under issuing programs authorized by the CNBV:

- Local Bonds (*certificados bursátiles*) issued on September 14, 2016 for Ps.8,000 million, maturing in September 2, 2026. Such bond pays a fixed interest rate of 7.56%.

- Local Bonds (*certificados bursátiles*) issued on October 6, 2017 for Ps.10,000 million, maturing in September 24, 2027. Such bond pays a fixed interest rate of 8.18%.

The following table sets forth the outstanding financial indebtedness as of the dates indicated below:

	As of December 31,			
	2019		**2018**	**2017**
	(in millions of U.S.$)	**(in millions of pesos)** [2]		
4.000% International Bond due 2049	600	11,307		
4.875% International Bond due 2044	500	9,423	9,841	9,868
3.875% International Bond due 2024	800	15,076	15,746	15,788
4.500% International Bond due 2022	800	15,076	15,746	15,788
4.875% International Bond due 2020	800	3,769	15,746	15,788
4.700% International Bond due 2047	650	12,249	12,794	12,828
Revolving Committed line of credit (euros)[5]	---	---	---	2,356
Revolving Committed line of credit (multicurrency)	---	95	---	---
7.56% Local Bonds[1] due 2026	409	7,706	7,830	8,000
8.18% Local Bonds[1] due 2027	511	9,633	9,723	10,000
Unsecured loans for working capital	41	770	---	---
Other bank loans[3]	114	2,152	2,783	3,450
Short-term portion of long-term debt	(286)	(5,408)	(1,153)	(1,885)
Debt issuance expenses	(31)	(586)	(363)	(435)
Long-term debt	**4,312**	**81,264**	**88,693**	**91,546**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8452 per U.S.$1.00, the exchange rate published by the Mexican Central Bank on December 30, 2019 in the Mexican Federal Official Gazette.
(2) The U.S. dollar amount for debt denominated in U.S. dollars represents the outstanding balance in U.S. dollars of such debt as of the relevant date, and are not translations of the respective Mexican peso amount using the convenience translation exchange rateof $18.8452 pesos per dollar. However, the total long-term debt in the U.S. dollar columns represents a translation of the respective amount in Mexican pesos using the convenience translation exchange rate used throughout this Annual Report and, therefore, does not constitute the sum of the individual debt amounts listed on the U.S. dollar columns.
(3) Certain of the subsidiaries of the Group have entered into direct loans to meet mainly their working capital needs, maturing from 2017 to 2025, which generate interest at various rates.
(4) The Revolving Committed Line of Credit in Euros was fully paid and cancelled on March 2, 2018 with funds borrowed under a Revolving Committed Line of Credit (multicurrenxy)

The aforementioned bank loans, international bonds and local bonds (*Certificados Bursátiles*) of the Company contain affirmative and negative covenants, as well as early termination causes. To date, all these covenants have been complied with.

The Group continuously evaluates financing alternatives, which in the future may include, among others, issuances of additional securities in the Mexican and the international capital markets, additional credit facilities, leases and securitization of all or any portion of the Group's assets.

Contractual Obligations

Grupo Bimbo, S.A.B de C.V., together with some of the subsidiaries, has guaranteed through letters of credit certain ordinary obligations, as well as some contingent risks associated with labor obligations of some subsidiaries. The value of such letters of credit as of December 31, 2019, 2018 and 2017 is USD$286 million, USD$307 million and USD$301 million, respectively. Since September 2019, the Company acts as guarantor in a voluntary North American payment program between providers and Bank of America, where they discount their bills. As of December 31, 2019, balances of $764 are maintained presented in accounts payable to suppliers.

The Company has established a trust that allows suppliers of its subsidiaries in Mexico to obtain financing through a factoring program executed by Nacional Financiera, SNC, as of December 31, 2019, 2018 and 2017, the amount of the liability amounts to $908, $963 and $881, respectively.

The Company has signed energy self-supply contracts in Mexico that commit it to acquire certain amounts of renewable energy for a period of 18 years at an agreed price that is updated by factors derived from the INPC, during the first 15 years. Even though the contracts have the characteristics of a derivative financial

instrument, they qualify for the exception of accounting for them as such, since they are for self-consumption, which is why they are recorded in the consolidated financial statements as energy consumption is incurred. The energy purchase commitment for 2020 is estimated at $310, which amount adjusted for inflation corresponds to the annual commitment of the remaining 11 years of the contract.

On September 5, 2019, the Company signed an energy self-supply contract in Argentina that commits it to acquire certain amounts of renewable energy for a period of 15 years, starting on January 1, 2020. Even though the contract has characteristics of a derivative financial instrument, qualifies for the exception of accounting for it as such, since they are for self-consumption, thus they will be recorded in the consolidated financial statements as energy consumption is incurred. The energy purchase commitment for 2020 is estimated at 1.8 million US dollars, an amount that corresponds to the annual commitment of the remaining 15 years of the contract.

Furthermore, on March 30, 2018, the Company signed through BBU, a 12-year virtual wind energy supply contract in the United States, which will be recognized as a financial asset measured at fair value with changes in results net of the effects of the associated deferred income and that will be accrued during the term of the contract. As of December 31, 2019, the net financial asset for $47 is presented in other long-term assets. During 2019, $48 was recognized in financial costs for the amortization of the liability and the changes in the fair value of the asset.

Other long-term commitments as of December 31, 2019, include the obligations resulting from financial instruments, accounts payable and debt amortization as follows:

	Less than 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years	Total
Debt and interests	$ 9,765	$ 23,481	$ 22,100	$ 88,217	$ 143,563
Lease liabilities	5,521	7,929	5,447	13,957	32,854
Derivate financial instruments	32	1,022	-	171	1,225
Trade payables and account payable to related parties	24,169	-	-	-	24,169
Total	$ 39,487	$ 32,432	$ 27,547	$ 102,345	$ 201,811

Quantitative and Qualitative Disclosure about Market Risk

During the ordinary course of its operations, the Group is exposed to risks inherent with variables related to financing as well as variations in the prices of some of its raw materials that are traded in international markets. The Group has established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks. Main financial risks to which the Group is exposed are: interest rate risk, foreign currency risk, price risk, liquidity risk, credit risk and equity risk.

The corporate treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and the credit risk that results from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of fluctuations in commodity prices and reviews the consistency of the open positions in the derivatives markets with the corporate risk strategy of the Group. Both departments report their activities to the Risk Management Department.

As a result of the dynamism of the variables to which the Group is exposed, hedging strategies are evaluated and monitored on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within the organization. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

The table below shows the integration of the financial derivatives portfolio for the periods indicated:

	As of December 31,		
	2019	2018	2017
	(in millions of Ps.)		
Assets			
Current assets:			
Forwards	---	37	33
Forwards on raw materials	---	---	189
Foreign exchange rate options	---	26	114
Unaccured option premiums paid	---	29	45
Swaps	---	---	---
Futures contracts:			
Fair value of raw materials, natural gas, diesel and soy oil	143	14	301
Total short-term derivative financial instruments	143	106	682
Total long-term derivative financial instruments	1,533	3,017	2,592
Liabilities			
Current liabilities:			
Swap	---	12	13
Foreign currency rate forwards	233	---	---
Forwards on raw material	325	76	---
Cross currency swap	8	---	---
Futures:			
Fair value of raw materials, natural gas, diesel and soy oil	107	791	228
Total short-term derivative financial instruments	673	879	241
Total long-term derivative financial instruments	437	347	---
Equity:			
Total valuation of cash flow hedges, net of accrued interest	-1,825	-490	144
Terminated contracts for unused futures	-16	2	-24
Deferred income tax, net	559	119	-30
Other comprehensive (loss) /income	-1,282	-369	90

For further information on the risk management policies, the derivative financial instruments and a sensitivity analysis on interest rates and currencies, see note 17 to the audited consolidated financial statements.

Off-Balance Sheet Arrangements

We do not currently have transactions involving off-balance sheet arrangements.

f. Unregistered transactions

As of December 31, 2019, 2018 and 2017 there were no material transactions resulting in cash flows.

Internal Control

The Company has an Audit & Corporate Practices Committee that performs audit activities, as well as other corporate practices activities set in the LMV, its bylaws and those determined by the Company's Board of Directors. The Audit & Corporate Practices Committee is comprised by at least three independent members appointed by the Shareholders' Meeting. The chairman of the committee is appointed by the General Shareholders' Meeting.

d) ESTIMATIONS, PROVISIONS AND CRITICAL ACCOUTING RESERVES

The Audited Financial Statements that form part of this Annual Report comply with IFRS. Their preparation requires that the Company's management make estimates and assumptions to assess some of the financial statement entries and to carry out disclosures required therein. However, actual results may differ from such estimates. The Company's management believes that such estimates and assumptions were appropriate considering the circumstances under which they were made.

The notes to the Audited Financial Statements contain a description of the most significant accounting policies of the Company, including the following:

1) *Compliance statement*

The consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the IASB.

2) *Basis of preparation*

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

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

a) **Historical cost**

Historical cost is generally based on the fair value of the consideration paid for goods and services.

b) **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 Company 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 classified 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 totality, 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

3) *Basis of consolidation*

As of December 2019, 2018 and 2017, the consolidated financial statements incorporate the financial statements of the Company and those entities over which it exercises control, including structured entities ("SE"). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

An SE is consolidated when the Company concludes that it controls the SE based on the evaluation of the substance of the relationship with the Company and the risks and benefits of the SE. The most significant subsidiaries are shown below:

Subsidiary	% of 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	Snacks
Productos Ricolino, S.A.P.I. de C.V.[1]	98	Mexico	Mexico	Confectionery
Bimbo Bakeries, Inc. (BBU)	100	U.S.	United States	Baking
Canada Bread Corporation, LLC	100	Canada	United States	Baking
Bimbo do Brasil, Ltda.	100	Brazil	Latin America	Baking
Bakery Iberian Investments, S.L.U.	100	Spain and Portugal	EAA	Baking

[1] On November 1, 2019, Barcel S.A. de C.V spun off the confectionery business, arising as a result of the spin-off Productos Ricolino S.A.P.I de C.V.

Subsidiaries are consolidated from the date on which control is transferred to the Company 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 are not owned by the Company and represents the minority interest that is recognized separately in the consolidated financial statements.

The political and economic situation in Venezuela has significantly limited the capacity of the Company's subsidiaries in Venezuela to maintain their production process under normal conditions. Because of the above, and since Grupo Bimbo will continue its operations in Venezuela, as of June 1, 2017, the Company changed the method under which it recognized the financial position and performance of its operations in Venezuela; therefore, at the date of these financial statements, the Company 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 other comprehensive income from January 1, 2018. The Company 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, 2019 and 2018, the Company recognized an impairment loss of $36 and $386 in other comprehensive income.

Profit or loss and each component of other comprehensive income are attributed to controlling and non-controlling interests even if it results in a deficit balance of the latter-

The balances and transactions between the consolidated entities have been eliminated in preparing the consolidated financial statements.

4) *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 Company to the former owners of the acquiree and the equity interests issued by the Company 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 I*ncome 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, 2019, 2018 and 2017, the Company does not have share-based payments);

- Assets (or group of assets) that are classified as held for sale and measured in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* that are measuredin accordance with this standard.

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 interest 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 Company 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 Company 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.

5) *Assets held for sale*

The Company 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. 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.

6) *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 Company's primary operations is as follows:

	2019 – 2017		2018 – 2016		2017 – 2015	
	Cumulative inflation rate	**Type of economy**	Cumulative inflation rate	Type of economy	Cumulative inflation rate	Type of economy
Mexico	**14.43%**	**Non-hyperinflationary**	15.69%	Non-hyperinflationary	12.71%	Non-hyperinflationary
USA	**6.24%**	**Non-hyperinflationary**	5.99%	Non-hyperinflationary	4.32%	Non-hyperinflationary
Canada	**6.11%**	**Non-hyperinflationary**	5.42%	Non-hyperinflationary	5.02%	Non-hyperinflationary
Spain	**3.11%**	**Non-hyperinflationary**	3.66%	Non-hyperinflationary	2.84%	Non-hyperinflationary
Brazil	**9.88%**	**Non-hyperinflationary**	13.46%	Non-hyperinflationary	20.87%	Non-hyperinflationary
Argentina	**126.27%**	**Hyperinflationary**	148.19%	Hyperinflationary	96.83%	Non-hyperinflationary

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

inflation were recognized through May 2017.

Starting in July 2018, the economy in Argentina qualified as a hyperinflationary economy; consequently, the Company's subsidiaries in that country recognized adjustments for the cumulative effects of inflation:

- Using inflation factors to restate non-monetary assets such as inventories, property, plant and equipment, net and intangible assets.
- Recognizing the net monetary position in the consolidated statement of profit or loss

As a result of the recognition of the effects of inflation, the Company 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

7) *Foreign currency transactions*

Exchange differences on monetary items are recognized in profit or loss, except in the following:

- 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 17), and

- 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 reporting currency

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos using theexchange rate prevailing 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 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 attributed to non-controlling interests as appropriate.

All accumulated differences in stockholders' equity from a foreign operation in the case of its sale are reclassified to profits or loss, that is, the sale of the Company's entire participation in a foreign operation, or a disposition that involves a loss of control in the subsidiary that includes a foreign operation, loss of joint arrangement or an associate that includes a partial foreign operation in which the retained interest becomes a financial instrument.

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 exchange of the reporting date. Exchange differences resulting from the translation are recognized in other comprehensive income.

The average exchange rates and closing exchange rates between the Mexican peso and the functional currencies of the countries of the main subsidiaries, are as follows:

	Average Exchange Rate			**Closing Exchange Rate**		
	2019	2018	2017	**2019**	2018	2017
US	**19.2616**	20.1529	19.1012	**18.8452**	19.6829	19.7354
Canada	**14.5108**	15.0496	14.9497	**14.2680**	14.4324	15.7316
Spain	**21.5632**	22.9400	22.6216	**21.1707**	22.5369	23.6687
Brazil	**4.8823**	5.1882	5.8001	**4.6754**	5.0797	5.9660
Argentina	**0.3997**	0.5324	1.0667	**0.3147**	0.5221	1.0442

8) *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.

9) *Financial assets*

All recognized financial assets are subsequently measured in their entirety, either at amortized cost or fair value, according to the classification of financial assets.

Financial Asset Classification

Financial instruments that met the following conditions are measured subsequently at fair value through other comprehensive income:

• 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 Company 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 other comprehensive income 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. At derecognition, cumulative gains and losses are not reclassified to profit or loss, and instead are recorded in retained earnings.

1. Accounts receivable

Trade accounts receivable and other accounts receivable that are non-derivative financial assets with fixed or determinable payments that are not traded on an active market, are classified as accounts receivable

and 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 interest is immaterial.

2. Impairment of financial assets

Financial assets other than financial assets at fair value through profit and loss are tested for impairment at the end of each reporting period.

The Company recognizes a provision for expected credit losses (ECLs) on trade receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company'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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering 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 using an allowance account. Trade receivables that are considered uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses is reversed by adjusting the allowance account. The amount of the changes in the allowance account is recognized in profit or loss of the year.

10) *Inventories and cost of sales*

Inventories are valued at the lower of either their cost or net realizable value.

Inventories are accounted for according to the following criteria:

- Raw materials, containers, packaging material 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

11) *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 Company's adoption of IFRS.

The cost includes those costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

The costs of expansion, remodeling or improvements that enhance the capacity or 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 following range useful lives of the assets, as follows:

	Years
Buildings:	
Infrastructure	**15 – 30**
Foundations	**35 – 50**
Roofs	**10 – 30**
Fixed facilities and accessories	**10 – 20**
Manufacturing equipment	**5 – 25**
Vehicles	**8 – 16**
Furniture and equipment	**5 – 18**
Computer equipment	**4**
Leasehold improvements	**The lower of either the related lease term or the useful life of the asset**

The Company 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 if 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 Company is the lessee are recognized at historic cost less the respective depreciation.

12) ***Right of use assets***

Right of use assets are initially measured at the present value of lease payments, less any lease incentives received and initial direct costs. Right of use assets are subsequently measured at cost net of accumulated depreciation, impairment losses and adjustments for any remeasurement of lease liabilities in accordance with IFRS 16.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets. If ownership of the underlying asset transfers to the lessee or the cost of the right of use asset reflects the exercise of a purchase option, depreciation is calculated over the useful life of the underlying asset.

Lease payments for low-value assets (less than USD 5,000) and short-term leases (less than 12 months) are recognized directly in profit or loss.

13) ***Investments in associates***

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the decisions regarding financial and operating policy of the investee but is not control or joint control over those policies.

The results and the net 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 Company's share of net assets of the associate since the acquisition date. When the Company's share of loss of an associate exceeds the Company's interest in that associate, the Company discontinues the recognition of its share of further losses.

On acquisition of the investment any difference between the cost of the investment and the Company'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 Company'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 Company 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 Company's interest in an associate is reduced, but the equity method is continued to be applied, the Company 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 Company and the associate are recognized in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associate.

14) ***Intangible assets***

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses. 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, otherwise are amortized.

Intangible assets with finite live 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.

15) ***Impairment of tangible and intangible assets, other than goodwill***

Annually, the Company assesses whether there is any indicator that its tangible and intangible assets, including the right-of-use asset, may be impaired. If any such indicator exists, the Company estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Company 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 units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet available for use, are tested for impairment on an annual basis, or more often if there is any indicator that the intangible asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal 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, such amount is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

On an annual basis, when there are signs that the value of an asset has significantly increased as a result of changes in the legal, economic, technologic or market environment or increases in the interest rates affecting the discount rate used to calculate the value in use of the asset in prior years, the Company evaluates the new recoverable amount of the asset in order to determine the amount of accumulated impairment to be reversed.

Further, when 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.

16) *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 12).

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 Company's policy for goodwill arising on the acquisition of an associate is described in Note 3m.

17) *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 17 describes the category of each financial liability of the Company.

18) ***Hedging activities and derivatives***

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered 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 Company 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 Company 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 Company 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 12 months. All other derivatives are accounted for as current assets or liabilities.

a) 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 Company 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 net economic hedge effects. 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 in the event it occurs.

19) ***Lease Liabilities***

Lease liabilities are initially measured at the present value of outstanding fixed and variable lease payments, discounted at the incremental borrowing rate of each country where the Company operates. The amount of lease liabilities is increased for the accretion of interest and reduced for the lease payments made and increased or reduced based on remeasurements to reflect the new measurements or amendments made to the lease agreements.

The estimated incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The Company calculates the incremental borrowing rate using observable inputs, market interest rates and its credit score.

Lease liabilities are recognized in the consolidated statement of financial position as short-term when the term of the lease is less than 12 months and long-term when it is more than 12 months.

20) *Provisions*

Provisions are recognized when the Company 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.

1. Uncertainty over tax treatments

The Company constantly evaluates the tax treatments of all its consolidated entities and identifies those with uncertainty as to their acceptance by the tax authorities. Considering the current circumstances of the reviews in process, as well as the tax treatments used by the companies, the Company calculates this uncertainty based on the conditions of each tax jurisdiction and the approach that best estimates the uncertainty, using the most likely amount method or the expected value method, as applicable, and recognizes the effects determined in profit or loss.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

21) *Income tax*

Income tax expense consists of current and deferred tax. Current and deferred taxes are recognized as either income or an expense in 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.

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 Company 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 the temporary differences will 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 Company recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i) those that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and do not affect neither the accounting profit or loss or taxable income;
ii) those associated with investments in subsidiaries and associates to the extent it is probable that the temporary differences will not reverse in the foreseeable future;
iii) those that arises from the initial recognition of goodwill. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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 profits 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 Company 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.

22) ***Employee benefits***

a. Pensions and seniority premiums

A defined contribution plan is a post-employment benefit plan 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 post-employment plan for which the Company has the obligation to provide the agreed benefits to current and former employees. 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 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 other comprehensive income 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 retirement obligations recognized in the statement of financial position include actuarial gains and losses in the defined benefit plans of the Company. The present value of the defined benefit obligation is determined based on the discounted value of estimated 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.

b. Statutory employee profit sharing

In Mexico and Brazil, the Company 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.

c. Short-term employee benefits

The Company recognizes a benefits liability that corresponds to employees with respect to wages and salaries, annual vacations, short-term bonuses and sick leave in the service period in which it is rendered.

d. Termination benefits

A liability is recognized for termination benefits when the Company cannot withdraw its offer to provide termination benefits and/or when it recognizes the related restructuring costs.

e. Long term bonus

The Company 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, and it is recognized in profits or loss in the year it accrues.

f. Multi-employer pension plans (MEPPs)

The Company classifies multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If a MEPP is classified as a defined benefit plan, the Company accounts for its share in 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 Company accounts for such plan as a defined contribution plan recognizing in profit or loss the amount of the paid contributions

Exit payments or withdrawal from a multi-employer plan are recognized and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

23) *Revenue recognition*

Revenue primarily comes from contracts with customers for the sale of products and is recognized when control of the goods is transferred to the customer, given the performance obligation satisfaction in that moment, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. When determining the transaction price, the Company considers the effects of variable considerations (i.e. rights of return and rebates). Payments made to customers for commercial services are recognized as distribution and selling expenses.

Rights of exchange of products

Certain contracts provide a customer with a right to exchange the products within a specified period. The Company uses the expected value method to estimate the products that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. For goods that are expected to be returned, instead of revenue, the Company recognizes an estimated refund liability.

Rebates to customers

The Company provides retrospective rebates to certain customers when the conditions established in the contracts are met. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company 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.

24) *Reclassifications*

Certain captions shown in the consolidated financial statements for the years ended December 31, 2018 and 2017 as originally issued have been reclassified for uniformity of presentation with the 2019 financial statements. The effects of these reclassifications were recognized retrospectively in the statement of

financial position as of December 31, 2018 and 2017, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

	Reference	Balance as of December 31, 2018, as originally reported	Reclassifications	Balance as of December 31, 2018
Long term accounts receivable from independent business partners	(a)	$ 404	$ (404)	$ -
Other assets, net		$ 1,281	$ 404	$ 1,685
Net sales		$ 288,266	$ 1,054	$ 289,320
Cost of sales		$ 135,667	$ 2	$ 135,669
Distribution and selling expenses	(b	$ 108,630	$ 1,071	$ 109,701
Administration expenses		$ 19,241	$ (235)	$ 19,006
Other expenses, net		$ 4,364	$ 216	$ 4,580

	Reference	Balance as of December 2017, as originally presented	Reclassifications	Balance as of December 31, 2017
Long term accounts receivable from independent business partners	(a)	$ 557	$ (557)	$ -
Other assets, net		$ 2,412	$ 557)	$ 2,969
Net sales		$ 267,515	$ 970	$ 268,485
Sales cost		$ 124,763	$ 2	$ 124,765
Distribution and selling expenses	(b)	$ 102,801	$ 1.064	$ 103,865
Administration expenses		$ 18,388	$ (254)	$ 18,134
Other expenses, net		$ 1,162	$ 158	$ 1,320

(a) Grouping of long-term accounts receivable from independent business associates under other assets, net.

(b) Change in presentation of payments made to customers.

4) GOVERNANCE

a) EXTERNAL AUDITORS

The external auditor selection is entrusted to the Audit & Corporate Practices Committee, which recommends its hiring to the Board of Directors. The Board of Directors is the body that approves the hiring of the external audit firm and, if applicable, the additional or ancillary services to the external audit.

The Audit & Corporate Practices Committee conducts a tender for external audit services every 5 years, regardless of considering the possibility of doing so within a shorter period. The Committee selects from among the firms whose background, reputation, partners, international coverage, methodology and technology meet the expectations and needs of the Board of Directors, the Committee and the Company's Management.

In some cases, given the results of an evaluation of the services of the appointed firm, the Audit & Corporate Practices Committee may consider it necessary to change the partner of the relevant firm, for which it requests a slate of three candidates and chooses the one who will be in charge of auditing the Company's Financial Statements, in which case the relevant bidding process will not be carried out.

Since 2018, Mancera, S.C. (member of Ernst & Young Global Limited), has been in charge of auditing the Company's consolidated financial statements.

In the different reviews and reports which have been periodically made to the Group's Financial Statements, this audit firm has not issued an opinion with observations, notes or a negative opinion, nor has refrained from issuing an opinion in connection thereto.

During 2019, Mancera, S.C. rendered to Grupo Bimbo and its subsidiaries services other than audit, consisting among others a diagnosis of compliance with global policies, advisory regarding possible adquisitions and other financial advises.

b) TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTERESTS

In the ordinary course of business, Grupo Bimbo enters into commercial transactions with some of its affiliates, including in connection with the supply of raw materials, office supplies and uniforms for its associates.

These transactions are approved by the Board of Directors of the Company, except for transactions that (i) are not material, or (ii) are entered into in the ordinary course of business and on an arm's length basis. The transactions with related parties are reviewed by the Audit & Corporate Practices Committee prior to their approval or confirmation by the Board of Directors except for cases in which waivers represent less than 5% of Grupo Bimbo consolidated assets.

Grupo Bimbo shall continue to carry out transactions with its associate and affiliate companies in the future. Transactions with related companies are entered into on an arm's length basis; therefore, the Group considers that the terms are not less favorable than those which may be obtained in a comparable transaction with an unrelated company (see Note 15 of the Audited Financial Statements).

From January 1, 2019 and up to April 30, 2020, Grupo Bimbo has not engaged in any relevant transactions with related parties.

1) Transactions with related parties performed in the Group's ordinary course of business were the following ones:

		2019		2018		2017
Purchases of:						
Raw materials:						
Beta San Miguel, S.A. de C.V. (1)	**$**	**1,685**	$	1,653	$	1,982
Frexport, S.A. de C.V. (2)		**669**		659		902
Industrial Molinera Monserrat, S.A. de C.V. (2)		**-**		28		336
Finished goods:						
Fábrica de Galletas La Moderna, S.A. de C.V. (1)	**$**	**877**	$	758	$	634
Mundo Dulce, S.A. de C.V. (1)		**833**		504		852
Pan-Glo de México, S. de R.L. de C.V. (1)		**67**		74		167
Stationary, uniforms and other:						
Efform, S.A. de C.V. (1)	**$**	**276**	$	240	$	195
Proarce, S.A. de C.V. (2)		**84**		135		101
Uniformes y Equipo Industrial, S.A. de C.V. (1)		**120**		137		129
Financial services:						
Fin Común Servicios Financieros, S.A. de C.V. (1)	**$**	**810**	$	766	$	697

(1) Associated company

(2) Related party

Balances receivable due from related parties consist of unsecured accounts and are collectible in cash. No guarantees have been given or received with related parties. The Company has not recognized any expense in the current year or in prior years for uncollectible balances or bad debts with related parties.

2) Accounts payable to related parties are:

		2019		2018		2017
Beta San Miguel, S.A. de C.V.	**$**	**616**	$	563	$	615
Frexport, S.A. de C.V.		**148**		20		10
Fábrica de Galletas La Moderna, S.A. de C.V.		**129**		128		118
Mundo Dulce, S.A. de C.V.		**65**		53		48
Uniformes y Equipo Industrial, S.A. de C.V.		**30**		41		37
Proarce, S.A. de C.V.		**29**		22		40
Makymat, S.A. de C.V.		**18**		21		12
Pan-Glo de México, S. de R. L. de C.V.		**16**		28		22
Efform, S.A. de C.V.		**11**		25		49
Others		**2**		8		4
	$	**1,064**	$	909	$	955

c) MAIN OFFICERS AND SHAREHOLDERS

1) Board of Directors

In accordance with the corporate bylaws, the Company's management is entrusted to a Board of Directors and a Chief Executive Officer who performs the duties established by the Securities Market Law (*Ley del Mercado de Valores*). The members of the Board of Directors are elected, as a general rule, by the shareholders of the Company at the annual ordinary general Shareholders' Meeting, except when the Board of Directors appoints temporary directors without the intervention of a shareholders' meeting in the event of a resignation of a director or the lack of a designated alternate director. The Board of Directors shall be comprised by a minimum of five (5) and a maximum of twenty-one (21) directors, of which at least twenty-five percent (25%) shall be independent.

Each shareholder or group of shareholders holding at least ten percent (10%) or more of the capital stock is entitled to designate or revoke one (1) director of the Board of Directors. The Board of Directors meets at least once every quarter but at minimum once a year. The bylaws of Grupo Bimbo provide that the shareholders may elect an alternate director for each director. The alternate directors for the independent directors shall also have the independent character.

Independent Directors shall be those people who are not impeded to perform their duties free from conflicts of interest and that satisfy the requirements set forth in the Securites Market Law to be considered as such, the provisions derived from that law, and in the laws and regulations, stock exchanges or markets in the jurisdictions where the Group's securities are traded, as the case may be.

The Board of Directors appointed and ratified during the Ordinary General Shareholders' Meeting held on April 29, 2020 is comprised of eighteen (18) directors, who will remain in their positions until the people appointed to substitute them take possession; they may be reelected indefinitely and will receive the remuneration determined by the Ordinary General Shareholders´ Meeting. The following table includes the name of the members of the Board of Directors and the period during which they have acted as directors:

Board Members	Position	Gender*
Daniel Javier Servitje Montull	Director / Chairman	Male
José Ignacio Mariscal Torroella	Director	Male
Mauricio Jorba Servitje	Director	Male
María Luisa Jorda Castro	Director (I)	Female
Ricardo Guajardo Touché	Director (I)	Male
Arturo Manuel Fernández Pérez	Director (I)	Male
Luis Jorba Servitje	Director	Male
María Isabel Mata Torrallardona	Director	Female
Nicolás Mariscal Servitje	Director	Male
Javier de Pedro Espínola	Director	Male
Ignacio Pérez Lizaur	Director	Male
Edmundo Miguel Vallejo Venegas	Director (I)	Male
Jorge Pedro Jaime Sendra Mata	Director	Male
Jaime Chico Pardo	Director	Male
Estibalitz Laresgoiti Servitje	Director	Female
Mr. Jaime A. El Koury	Director (I)	Male
Rogelio M. Rebolledo Rojas	Director (I)	Male

Andrés Obregón Servitje	Director	Male
Luis Miguel Briola Clement(1)	Secretary	Male
Norma Isaura Castañeda Méndez(1)	Alternate Secretary	Female

(1) Secretary and alternate secretary of Bimbo are not members of the Board of Directors.
(I): Independent member of the Board of Directors. 38% of the members are independent.
* 16.66% of the members of the Board of Directors are women and 83.34% are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull is member of the Board of Directors of Grupo Financiero Banamex, S.A. de C.V., Coca-Cola Femsa, S.A.B de C.V., Instituto Mexicano para la Competitividad, A.C., The Global Consumer Goods Forum, Latin America Conservation Council (The Nature Conservancy), Stanford GSB Advisory Council and Aura Solar.

José Ignacio Mariscal Torroella

Mr. Mariscal Torroella is President of Grupo Marhnos and Chairman of the Committee of Una Sola Economía of the Mexican Business Coordination Council (*Consejo Coordinador Empresarial*). Mr. Mariscal Torroella is member of the Board, Executive Committee, Chairman of the Human Development Committee and Vice President for International Affairs of COPARMEX. Mr. Mariscal Torroella is member of the Board of Directors of Grupo Calidra, Grupo Financiero Aserta, City Express, Aura Solar, Ideas Conceptos y Espacios Museográficos, S.C. “Sietecolores, Ideas Creativas” and member of the advisory board of the Executive Commission of the Confederación USEM. He is also Chairman of the Fundación León XIII, Vice President of Fincomún Servicios Financieros Comunitarios and the former President and Member of the Board of UNIAPAC International and of the Foundation, and of the Monitoring Committee of IMDOSOC. Mr. Mariscal was member of BIAC and of the Comité de Asesores de Comercio e Industria of the OECD.

Mr. Mariscal Torroella is a brother-in-law of Daniel Javier Servitje Montull and uncle of Nicolás Mariscal Servitje.

Mauricio Jorba Servitje

Mr. Jorba Servitje is Member of the Board of Directors of VIDAX and the Board of Directors and Management of Promociones Monser, S.A. de C.V.

Mr. Mauricio Jorba Servitje is brother of Luis Jorba Servitje and cousin of Daniel Javier Servitje Montull.

Maria Luisa Jorda Castro

Ms. Jorda Castro is member of the Board of Directors of Orange España and a member of the Audit Committee of Orange. She is member of the Board of Directors of Merlin Properties and Chair of its Audit Committee. She is also member of the Board of Directors and member to the Audit and Control Committee of Tubos Reunidos, S.A. Member of the Board of Governors and Audit Committee of the Instituto de Consejeros y Administradores (ICA). She was a member of Jazztel’s board and a member of its Audit Committee. She has been chair of Jazztel’s Audit Committee.

In addition, Mrs. Jorda Castro has held several executive positions throughout her 30-year of her career, in various Management, Investment and Audit Committees. She was CFO of Grupo Deoleo, Internal Audit Director of SOS Corporación Alimentaria (now Deoleo, S.A.), and Internal Audit and Corporate Governance Director at Metrovacesa, CFO at the Corporación Empresarial ONCE, CFO at Grupo Alimentos y Aceites SA, and CFO at Testa (previously Prima Inmobiliaria) and Grupo Ayco (previously Inmobiliaria Alcázar).

Ricardo Guajardo Touché

Mr. Guajardo Touché is member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A. de C.V., Instituto Tecnológico y de Estudios Superiores de Monterrey, Grupo Fomento Económico Mexicano, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Alfa, S.A.B. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Grupo Aeroportuario del Sureste, S.A.B. de C.V., Grupo Coppel, S.A. de C.V. and Vitro, S.A.B. de C.V., as well as Vice-Chairman of Fondo para la Paz and Chairman of SOLFI and ChairmanSOLFI, Corporación de Microfinanzas.

Arturo Manuel Fernández Pérez

Mr. Fernández Pérez is the Dean of Instituto Tecnológico Autónomo de México or ITAM, and a member of the Board of Directors of Industrias Peñoles, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Valores Mexicanos, Casa de Bolsa, S.A.B. de C.V., Grupo Financiero BBVA Bancomer, S.A. de C.V., Grupo Profuturo, S.A.B. de C.V., and Fresnillo, plc.

Luis Jorba Servitje

Mr. Jorba Servitje is Chief Executive Officer of Frialsa Frigoríficos, Chairman the Board of Efform, S.A. de C.V. and of Texas Mexico Frozen Food Council, International Association of Refrigerated Warehouses, World Food Logistics Organization and World Group of Warehouses.

Mr. Jorba Servitje is brother of Mauricio Jorba Servitje and cousin of Daniel Javier Servitje Montull.

María Isabel Mata Torrallardona

Ms. Mata Torrallardona is the Chief Executive Officer of Fundación José T. Mata, A.C. and member of the Board of Directors of Tepeyac, A.C.

Ms. Mata Torrallardona is the wife of Mr. Javier de Pedro Espínola.

Nicolás Mariscal Servitje

Mr. Mariscal Servitje is Chief Executive Officer of Grupo Marhnos and member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural, A.C.

Mr. Mariscal Servitje is nephew of Daniel Javier Servitje Montull and of José Ignacio Mariscal Torroella. He is cousin of Mr. Andrés Obregón Servitje.

Estibalitz Laresgoiti Servitje

Mrs. Laresgoiti Servitje has a medical degree from Universidad Anáhuac, a Master's Degree in Immunology from the Instituto Politécnico Nacional, a Master's Degree in Neuroscience from the Oberta University of Catalonia and a Doctorate in Health Psychology from the Walden University of Minneapolis, MN. She is a speaker and a member of the Counseling Council of Mead Johnson Nutrition Clinical. She practices Immunology at the ABC Medical Center. She is a researcher and professor of Immunology and Psychology at ITESM. She is Professor of Basic and Advanced Statistics at the UNAM. She is Professor of Immunology in the Master of Science at the IPN. She is Professor of Immunology at the Universidad Panamericana. She is a member of the National System of Researchers at CONACYT.

Mrs. Laresgoiti Servitje is the niece of Daniel Javier Servitje Montull

Javier de Pedro Espínola

Mr. de Pedro Espínola is a member of the Board of Directors and Chief Financial Officer of MXO Trade S.A. de C.V. and member of the Board of Directors MXO Trade, S.A. de C.V., Global Biotherapeutics, Fundación José T. Mata and Grupo Colchones Restonic, S.A. de C.V.

Mr. de Pedro Espínola is the husband of Ms. Mata Torrallardona.

José Ignacio Pérez Lizaur

Mr. Pérez Lizaur is a Partner of Consultores Pérez Lizaur, S.C. He is a Member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural A.C. and Chair of the Corporate Practices Committee at Newell Rubbermaid Inc. He is also President of the Trustees and member of the Social Investment Committee and President of the Credit and Financial Risks Committee at Nacional Monte de Piedad (Mexico City).

Edmundo Miguel Vallejo Venegas

Mr. Vallejo Venegas is a professor of Business Policy at the Instituto Panamericano de Alta Dirección de Empresas (known in Spanish as "IPADE"), in Mexico City, and the former President and Chief Executive Officer of GE Latin America.

Jorge Pedro Jaime Sendra Mata

Mr. Sendra Mata is Manager of JJ Textiles, S.A. and of JRPVJ, Inc., and was member of the Board of Directors of db Homes S.A. and JRPVJ, Inc.

Jaime Chico Pardo

Jaime Chico Pardo is founding partner and President of ENESA, S.A. de C.V. and a member of the Board of Directors of Honeywell International Inc and Chicago Booth GSB.

Jaime A. El Koury

Jaime A. El Koury was partner of Cleary Gottlieb Steen & Hamilton LLP from 1986 to 2014. He is an alternate member in the Board of Directors of Coca Cola FEMSA, S.A.B. de C.V. since 2015. He graduated from Yale University as a Bachelor in Arts and Economics, and Juris Doctor and is authorized to practice law in New York and Puerto Rico.

Rogelio M. Rebolledo Rojas

Mr. Rogelio M. Rebolledo Rojas has a degree in Chemical Engineering from the UNAM and an MBA from the University of Iowa. He is member of the Board since July 2008, Chairman of the Audit Committee and Member of the Compensation Committee of Kellogg Company's. For 27 years, he held various key positions as CEO of the Mexican operations of Sabritas and Gamesa. Subsequently, as President of Frito Lay Latin America and Asia Pacific was a key element for the growth and expansion of the company. As President of the Board and CEO of Frito Lay International division, in the year 2000, Mr. Rebolledo assumed responsibilities for the European, Middle Eastern and South African markets. After his retirement from Frito Lay, he was CEO and Chairman of the Board of the Pepsi Cola bottling group in Mexico from 2004 to mid 2007. He was member of the Board of Directors of Clorox Company. He is currently a member of the Board of Directors of José Cuervo Internacional.

Luis Miguel Briola Clément

Mr. Briola Clément joined Grupo Bimbo in 2004 and serves as the General Counsel and Secretary of the Board of Directors since April 2005. Mr. Briola holds a law degree from Escuela Libre de Derecho and a Master Degree of Laws from Columbia University.

Norma Isaura Castañeda Méndez

Mrs. Castaneda Méndez joined Grupo Bimbo in 2007, acting as General Counsel. Mrs. Castañeda has a law degree from the Universidad Panamericana, has a specialty in Institutions of Administrative Law from the same house of studies and a Master of Laws from Duke University School of Law.

In the ordinary course of business, the Company has executed transactions with some of the companies, in which the members of its Board of Directors work or in which its key officers worked. Such transactions have been carried out on an arms-length basis and the Company considers that none of them is relevant.

1.1) Board of Directors' Powers

The Board of Directors establishes guidelines and general strategies to conduct the business and supervises its fulfillment accordingly.

The Board of Directors is the Company's legal representative, and has the broadest powers for the administration of the Company's businesses, with general power of attorney for lawsuits and collections, administrate properties and to exercise acts of ownership, without any limitation, in order to appoint and remove the chief executive officer, executives, managers, officers and attorneys-in-fact, and to determine their attributions, working conditions, compensations and guaranties and, in particular, to grant powers and faculties to managers, officers, lawyers and any other people in charge of the Company's labor relationship, to formulate internal work regulations, to call Shareholder Meetings and to execute their resolutions, appoint and remove external auditors and, in general, to carry out all acts and operations that correspond to them according to the laws and in accordance with the provisions of the by-laws.

The Company's Board of Directors also has the power to approve any transfer of the Company's shares, when such transfer represents more than 3% of the voting shares in one or more transactions.

Likewise, for the performance of its duties, the Board of Directors shall be aided by an Audit & Corporate Practices Committee, a Results Evaluation Committee and a Finance & Planning Committee, whose duties and integration are described herein below. See Section "4. GOVERNANCE – c) Administration and Shareholders".

1.2) Board of Directors' Resolutions

Each director is entitled to one vote at any meeting of the Board of Directors. Meetings of the Board of Directors are legally convened when at least the majority of the members are present. Resolutions at Board of Directors' meetings are valid when approved by the majority of directors present at the meeting. The Chairman of the Board of Directors has a deciding vote in the event of a draw. The resolutions taken outside a meeting of the Board of Directors, by unanimous vote, will be for all legal purposes as valid as if they had been adopted at the meeting of the Board of Directors, provided that they are confirmed in writing.

Pursuant to the Mexican Securities Market Law, any director who has a conflict of interest to vote in any transaction must disclose such fact to the Chairman and the Secretary of the Board of Directors and should abstain from voting on such transaction. Any director who violates this provision will be liable to the Company for any resulting damages or losses.

In addition, directors must keep confidential all acts, facts or events that have not been disclosed to the public generally, and must keep confidential any discussions held at each meeting.

1.3) Committees of the Board of Directors

The Board of Directors in order to perform its duties has the support of the following committees, which assist the Board of Directors in the administration of the Company.

2) Audit and Corporate Practices Committee

In accordance with the Mexican Securities Market Law and the Bylaws, the Company has an Audit & Corporate Practices Committee, comprised of at least three members who must all be independent, including its chairman. The chairman of the Audit and Corporate Practices Committee shall be appointed and/or removed from his position, exclusively, by the General Ordinary Shareholders´ Meeting and shall not be able to be the chairman of the Board of Directors. This Committee performs the audit activities, as well as those corporate practices activities established by the Securities Market Law, the Bylaws, and as determined by the Board of Directors.

The General Ordinary Shareholders Meeting held on April 29, 2019 ratified Edmundo Miguel Vallejo Venega as chairman of the Committee, and ratified Arturo Manuel Fernández Pérez, Ignacio Pérez Lizaur, Maria Luisa Jorda Castro and Jaime A. El Koury as members of the Audit & Corporate Practices Committee. All members are independent within the meaning of the Mexican Securities Market Law.

The main duties of the Audit & Corporate Practices Committee include to (i) supervise and assess the external auditors, as well as all the reports issued by them (including their opinion with respect to the financial statements), (ii) review and supervise the preparation of the financial statements for their approval by the Board of Directors, (iii) inform the Board of Directors of the status of the internal controls and procedures and the internal audit function of the Company, including irregularities that, where appropriate, it detects, (iv) supervise and draft opinions required under the Mexican Securities Market Law with respect to transactions with related parties and transactions representing 20% or more of the consolidated assets, (v) draft the opinions and request the directors and independent experts to prepare the reports required under the Mexican Securities Market Law, (vi) research and to inform the Board of Directors of any significant finding out of the ordinary course of business, (vii) review and analyze recommendations for improvements by the Shareholders, members of the Board of Directos, executive officers or third parties and take the corresponding actions to perform such recommendations, (viii) call for shareholders' meetings, (ix) supervise the performance of the instructions issued by the Board of Directors and shareholders to the chief executive officer, (x) supervise the mechanisms and internal controls performance that allow the controlled companies operations to comply with the applicable laws, (xi) such other responsibilities provided for in the Bylaws and the Mexican Securities Market Law.

The Audit and Corporate Practices Committee may meet at any time. The meetings of this committee are regarded as legally convened when the majority of its members are present and its resolutions will be valid when approved by a majority of the present members at the meeting. The Chairman of the Audit and Corporate Practices Committee has a deciding vote in the event of a draw.

Based on the professional profiles of the members of the Audit & Corporate Practices Committee, the Company considers that such members may be deemed financial experts.

The Chairman of the Audit & Corporate Practices Committee must prepare an annual report on the activities corresponding to the committee and submit it for the approval of the Board of Directors.

3) Evaluation and Results Committee

The Evaluation and Results Committee is comprised of members of the Board of Directors who are appointed by the Board of Directors or the Shareholders´ Meeting.

On July 18, 2019, by means of the board meeting the members of the Results & Evaluation Committee were ratified as follows: Luis Jorba Servitje, who serves as Chairman of the committee, Nicolás Mariscal Servitje, Ignacio Pérez Lizaur, Daniel Javier Servitje Montull and Edmundo Miguel Vallejo Venegas, appointed by the Board of Directors.

The Results & Evaluation Committee is in charge of (i) analyzing and approving the general compensation structure for the executive officers and associates, and the general compensation policies, which include policies for increasing, decreasing and changing in general and individual compensation, except for the compensation of the Chief Executive Officer and other senior executive officers which is determined by the Board of Directors with the opinion of the Audit & Corporate Practices Committee, (ii) evaluating the results of operations of the Company and their impact on the compensation of the executive officers and associates, (iii) analyzing and revising the salary levels applicable to the executive officers and associates, including annual compensation plans and promotions and criteria for pension plans, (iv) requesting the opinion of an independent expert, if necessary, to appropriately comply with its duties, (v) requesting the executive officers and associates to prepare and provide the committee with the reports required to comply with its duties, (vi) acting as a consultation body for the Board of Directors in all aspects related to the associates, and (vii) coordinating all the activities related to other committees, as the case may be.

The Committee also works as advisory and evaluation body for the possible candidates for the Board of Directors, proposed by the shareholders or directors.

Based on the professional profiles of the members of the Evaluation and Results Committee, the Company considers that several of its members may be deemed financial experts.

4) Finance and Planning Committee

The Finance and Planning Committee is comprised of members of the Board of Directors, who are appointed by the Board of Directors or by the Shareholders' Meeting.

The Finance & Planning Committee is in charge of analyzing and presenting for the approval of the Board of Directors, the long-term strategies, and the investment and risk management policies.

The Finance & Planning Committee has the following powers: (a) to analyze and submit to the Board of Directors' approval, the evaluation of the long-term and budget strategies, as well as the Company's main investment and finance policies; (b) by the Board of Directors' express delegation, it may approve: (i) transactions which imply the acquisition or conveyance of properties with a value equal to, or lower than, three percent of the Company's consolidated assets; (ii) the granting of guaranties or the assumption of liabilities in an amount equal to, or less than, three percent of the Company's consolidated assets; (iii) investments in debt securities or in banking instruments, exceeding three percent of the Company's consolidated assets; provided, however, that these are made in conformity with the policies approved to that effect by the Board; c) to propose and, as the case may be, evaluate and periodically review policies for the performance of the Company's and its subsidiaries' treasury; d) request an opinion from independent experts in the cases it deems necessary, for the appropriate performance of its duties; e) to request from the Company's or its subsidiaries´ relevant executive officers and other associates, reports regarding the preparation of the financial information and of any other kind deemed necessary for the performance of its duties; f) to act as a consultation body for the Board of Directors in everything pertaining to the above mentioned duties, including financial matters, as well as in connection with the review and recommendation of investment projects and/or diversification of the Company and its subsidiaries, observing their congruence and profitability. Likewise, it shall coordinate activities related to the Company's other committees, when so required.

On July 18, 2019, by means of the Board of Directors meeting, the members of the Finance and Planning Committee were ratified, who are Messrs. José Ignacio Mariscal Torroella, who serves as Chairman of the Committee, Jaime Chico Pardo, Javier De Pedro Espínola, Ricardo Guajardo Touché, Luis Jorba Servitje, Rogelio Miguel Rebolledo Rojas and Daniel Javier Servitje Montull and, Mr. Nicolás Mariscal Servitje was appointed as new member of the Finance and Planning Committee, by the Board of Directors.

Based on the professional profiles of the members of the Finance & Planning Committee, the Company considers that several of its members may be deemed financial experts.

a. Self-assessment of the Board of Directors and other management bodies

Starting in 2017, Directors and their Committees implemented a self-assessment regarding Board and Committee performance as collegiate bodies in order to maintain Bimbo at the forefront of best corporate governance practices on a global level, as well as in the search for improvements and value creation for the Company, which will have an impact on the business results.

The benefits of the Board and Committees' self-assessment:

1. Transparency and continuous improvement regarding the tasks of the Directors and Committees.
2. Improve the Board's knowledge and understanding regarding the perspective that stakeholders have in the strategy and governance of the company.
3. Identify Governance processes in order to strengthen the experience of the Board, communications and meetings.
4. Strengthen the alignment between Grupo Bimbo's mission and vision, facilitating the prioritization of certain matters.

The matters in which the self-assessment focuses are: structure, composition, agenda development, responsibilities, tasks and duties, effectiveness (if such information has added value), communication, relationship with management, the long-term shareholders, reporting and follow up.

The self-assessment will take place annually in March starting in 2017, and may be updated as a result of global trends and results of previous self-assessments.

b. Code of Ethics and Compliance

Grupo Bimbo relies on self-regulated measures that govern its business practices. Its Code of Ethics covers general aspects such as policies for its interaction with society, government and competitors, as well as its associates, suppliers, consumers, customers, board members, partners and shareholders.

In 2013, the Group created an Ethics & Regulatory Compliance Committee, a collegiate body in charge of monitoring the compliance of Global Integrity Policies, and appointed, as of 2014, a General Counsel and Compliance Director, who will implement and monitor, and enforce the compliance program at Grupo Bimbo.

During 2014 the Board of Directors approved the Global Integrity Policy of Grupo Bimbo, updated on April 2018, which are binding to all board members, executives, associates, suppliers and third parties of the Group, who are instructed in the same periodicity and who are monitored regarding their compliance; this includes guidelines based on best practices and international standards on integrity and anti-corruption laws to ensure that individuals and entities acting on behalf of the Group do so with integrity and in compliance with the law; likewise it establishes a Code of Conduct for Suppliers Third Parties designed to ensure that parties who have business with Grupo Bimbo act with integrity and comply with the policies and the applicable laws.

The Ethics & Regulatory Compliance Committee is responsible for promoting the values contained in the Code of Ethics and its Global Integrity Policy and strengthening compliance with the regulatory framework of the countries in which Grupo Bimbo operates. The Ethics & Regulatory Compliance Committee is in charge of (i) developing and recommending policies and guidelines for the appropriate compliance with applicable law, (ii) reviewing and recommending improvements to the internal controls and procedures, (iii) checking internal audit programs and legal compliance enformcement programs, (iv) instructing and performing internal and external research, (v) sanctioning actions or behaviors against internal and external rules, laws and regulations, and (vi) enforcing compliance with the Code of Ethics, Code of Conduct, as well as compliance with policies and laws, and analyzes complaints related to any breach thereof.

Additionally, the Ethics & Regulatory Compliance Committee monitors anonymous claims made to the internal hotline by associates or third parties, which is accessed by e-mail: comenta@grupobimbo.com.

The main compliance issues that are overseen by the Ethics Committee and the General Counsel and Regulatory Compliance are: anti-corruption, restricted party transactions, money laundering, and data protection.

Additionally, the Executive Committee approved a new Economic Competition Policy in Mexico, which will strengthen internal practices and procedures in order to ensure a fair and competitive market.

In early 2015, the Board of Directors also approved the guidelines, policies and control mechanisms for the trading of securities made by the directors, officers and associates of Grupo Bimbo that have privileged and confidential information according to LMV.

c. Key Executive Officers

The following table shows the names of the Group's key executive officers as of the date of this Annual Report, their current position and their seniority in the Company. The CEO of the Group is appointed by the Board of Directors and maintains its position at the discretion of said board.

Name	Position	Age	Years with the Group	Gender*
Daniel Javier Servitje Montull	Chief Executive Officer and Chairman of the Board of Directors of Grupo Bimbo	60	37	Male
Diego Gaxiola Cuevas	Chief Global Financial Officer	48	3	Male
Javier Augusto González Franco	Senior Executive Vice President, Grupo Bimbo	64	42	Male
Raúl Ignacio Obregón Servitje	Chief Information & Transformation Officer	47	18	Male
Gabino Miguel Gómez Carbajal	Senior Executive Vice President, Grupo Bimbo	60	39	Male
Rafael Pamias Romero	Senior Executive Vice President, Grupo Bimbo	56	3	Male
Juan Muldoon Barrena	Chief People Officer	60	9	Male
Miguel Ángel Espinoza Ramírez	President of Bimbo Mexico	63	39	Male
Alfred Penny	President of Bimbo Bakeries USA	64	40	Male

- 100% of the key officers of the Company are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull has served as Chief Executive Officer of Grupo Bimbo since 1997, and as Chairman of the Board of Directors since 2013. He holds a degree in Business Administration from Universidad Iberoamericana, in Mexico. In 1987 he obtained an MBA degree from Stanford University. He joined Grupo Bimbo in February 1982, where he has been responsible for different positions, including VP of Bimbo, Chief Executive of Marinela and VP of Grupo Bimbo.

Diego Gaxiola Cuevas

Mr. Gaxiola Cuevas has served as Chief Financial Officer since August 2017. Mr. Gaxiola Cuevas has more than 20 years of experience in similar positions, including, most recently, having served as Chief Financial Officer of Alsea, a leading operator of quick service restaurants, coffee shops, and casual dining establishments in Latin America and Spain. Before Alsea, Mr. Gaxiola Cuevas worked for Grupo Desc. S.A.B. de C.V. in corporate finance and in Grupo Televisa, S.A.B. de C.V. he had various positions in finance. Mr. Gaxiola Cuevas holds a master's degree in finance from Universidad Anahuac and a bachelor's degree in business administration from Newport University and Universidad Iberoamericana.

Javier Augusto González Franco

Mr. González Franco has served as Executive VP of Grupo Bimbo since February 2014. He holds a degree in Chemical Engineering from Universidad Nacional Autónoma de México ("UNAM"), an MBA from Universidad Diego Portales, in Chile, an Advanced Management degree from Harvard University and a degree from the IMD in Switzerland. Mr. González Franco joined Grupo Bimbo in 1977 and has served as Assistant General Manager of Latin America, Deputy General Manager of Bimbo, President of Barcel and President of Bimbo.

Raúl Ignacio Obregón Servitje

Mr. Obregón Servitje has served as Chief Information and Transformation Officer since April 2017. He joined the Company in 2002 and has since served as Executive Chief Officer of Bimbo South America, Chief Corporate Officer of Sales, Chief Officer of Big Customers at Bimbo Mexico, General Manager of Bimbo Peru and also worked in Bimbo Bakeries USA. Prior to joining the Company, he worked at Citibank Mexico. Mr. Obregón Servitje holds a degree in Industrial Engineering from Universidad Iberoamericana, an MBA from Boston University and specialization courses from Harvard Business School.

Gabino Miguel Gómez Carbajal

Mr. Gómez Carbajal has served as Executive VP since early 2016 after being Chairman of Barcel Mexico and USA since January, 2008. Mr. Gómez Carbajal holds a degree in Marketing from ITESM, an MBA from Miami University and postgraduate studies at IPADE and Harvard. Mr. Gómez Carbajal joined the Company in 1981. Mr. Gómez Carbajal served as Vice President of Business Development, Vice President of Bimbo and Vice President of Latin America at the Company, based in Buenos Aires.

Rafael Pamias Romero

Mr. Pamias serves as Executive VP and holds a degree in Business Administration from ESADE (Barcelona), and a Master in International Management from the American Graduate School of International Management, Phoenix (Arizona). He has previously served as director and Brand Manager of Bonafont, Danone, Waters Division, among others. He has worked for more than 30 years at "Fast Moving Consumer Goods Companies".

Juan Muldoon Barrena

Mr. Juan Muldoon Barrena has been the Chief People Officer since July 2019. Mr. Muldoon holds a Bachelor of Business Administration from the Iberoamericana University and completed a Certification in Finance at Southern Methodist University and a Certification in Senior Management at the University Adolfo Ibáñez in Santiago, Chile.

His professional experience includes various positions at Grupo Bimbo, in the areas of marketing, exports and general management in Chile, Central America and the United States. He has been BBU's talent manager since 2011, and as of January 2015 he was Global Talent Director at Grupo Bimbo Corporate.

Miguel Ángel Espinoza Ramírez

Mr. Espinoza Ramírez has served as President of Bimbo Mexico since February 2014. He holds a degree in Industrial Engineering from Instituto Tecnológico de Chihuahua and has completed various programs at the IPADE and the Advanced Management Program in Harvard University. Mr. Espinoza Ramírez joined Grupo Bimbo in 1981 and among his previous positions, he has served as General Manager of Dulces y Chocolates Ricolino, Vice President of Barcel del Norte, Administrative Manager of Organización Barcel, President of Barcel, Commercial Manager of Bimbo, and later, President of South America Operations.

Alfred Penny

Mr. Penny has served as President of BBU since April 2013. From 1987 to 1997 he served as Controller in the Northeast of the U.S., as Director of Strategic Planning and Productivity and as General Manager of the Intermountain region for Kraft Baking. Mr. Penny was appointed as Vice President and General Manager of Entenmann's in 1997. Mr. Penny was appointed as Executive Vice President of George Weston Bakeries Inc., in 2007. Mr. Penny was appointed as Executive Vice President after the acquisition of Weston Foods Inc. by Grupo Bimbo in January 2009.

Except as provided above, there are no potential material conflicts of interest between the duties of key executives and their private interests. Key executives can be contacted at main headquarters of the Company. See section “1. GENERAL INFORMATION - b) Executive Summary - Company Information ”.

d. Compensation

Compensation to Directors and members of the Company’s Committees is determined by the General Ordinary Shareholders´ Meeting. Such compensation, as of the General Ordinary Shareholders´ Meeting held on April 29, 2019, is as follows: Directors receive $120,000 pesos per meeting attended in Mexico and $250,000 pesos per meeting attended abroad. The members of the Audit and Corporate Practices Committee receive $110,000 pesos per meeting attended. The members of the Finance and Planning Committee and the members of the Results and Evaluation Committee receive $55,000. The Company’s officers who are also Directors and/or members of any of the Committees shall not be entitled to receive any compensation. In 2019, the total amount corresponding to the compensation mentioned in this paragraph totaled approximately $22.43 million pesos.

Compensation to the Company’s management and other key members of the management for the year ended December 31, 2019 was $1,193,525. Said compensation is determined based on the performance of individuals and market trends and approved by the Board of Directors.

e. Virtual Shares Plan for Directors and Executive Officers

As of 2013, the Virtual Share Plan (known is Spanish as “Plan Acciones Virtuales por VEAB - *Valor Económico Agregado BIMBO*”) for executive officers and directive officers is in effect. This plan allocates an annual number of Virtual Shares in accordance with the seniority, salary of the officer and the results obtained by the Business Unit to which it is associated and the average share price of Bimbo in the BMV, in January of the following year. The number of Virtual Shares is paid 30 months after the average share price of Bimbo in the BMV in June through a taxable bonus.

f. Principal Shareholders

As of the date of this Annual Report 4,703,200,000 Series “A”, ordinary, nominative shares with no par value, representing the capital stock are authorized, and registered in the RNV (National Securities Registry) and have been listed on the BMV (Mexican Stock Exchange) since 1980 under the ticker symbol “BIMBO”.

During this period 77,200,000 (seventy seven million two hundred thousand) treasury stock (*acciones en tesorería*) were registered, therefore, the total amount of outstanding shares is of 4,626,000,000 (four thousand six hundred twenty six million) shares.

The companies mentioned herein below hold an interest of approximately 68% in BIMBO’s capital stock. The following table shows the information referring to the Principal Shareholders’ interest, in accordance with the Company’s Stock Transfer Book until December 31, 2019:

Shareholder	Number of Shares of Common Stock	Percentage Ownership of Common Stock
Normaciel, S.A. de C.V.	1,756,513,140	37.97
Promociones Monser, S.A. de C.V.	550,268,544	11.86
Banco Nacional de México, S.A. as fiduciary	296,265,488	6.40
Philae, S.A. de C.V.	232,692,104	5.03
Marlupag, S.A. de C.V.	161,213,536	3.48
Sendamos, S.A.P.I. de C.V.	150,000,000	3.24
Other	1,556,247,188	31.97
Total	**4,703,200,000**	**100%**

Regarding the above shareholders, Normaciel, S.A. de C.V. holds significant influence.

Moreover, the Company believes that Mr. Daniel Javier Servitje Montull, as Chief Executive Officer and Chairman of the Board of Directors, has significant influence on the management, conduct and execution of the business. Therefore, it could be considered that he has power of command.

To the best knowledge of the Company, no member of the Board of Directors or other key officer of Grupo Bimbo, individually, hold shares representing more than 1% and less than 10% of the outstanding shares of Grupo Bimbo.

g. Description of the labor inclusion policy or program

As of this date, Grupo Bimbo has gender diversity and labour inclusion policies that are aimed to ensure an environment of inclusion, free-harassment and no discrimination in the operations of the Group worldwide. The policies apply to all temporary and permanent personnel of Grupo Bimbo, as well as to the interaction with shareholders, customers and suppliers in their relationship with the Company. The Company's Global Personnel Division is in charge of preparing and updating these policies. In general terms, every associate of the Company must (i) reject the discrimination of any person and for any reason, establish and promote an environment of respect, avoiding the use of inappropriate, discriminatory, sexist or disqualifying language, (ii) avoid at all times discrimination in access to employment, working conditions, professional development, training and participation in decision-making processes, (iii) encourage the formation of diverse work teams and assignment of responsibilities equitable and not abuse the authority and use of the hierarchical position, (iv) promote an environment free of isolation, ridicule and jokes that denigrate people, promote harmony and good coexistence, (v) respect cultural differences and of opinion, and (vi) not conduct discriminatory behaviors by personal characteristics protected by law, including by reason of race, gender, religion, sexual identity or orientarion, nationality, age, disability or marital status. Likewise, the associates of Grupo Bimbo must not ignore an act or condition of harassment, abuse, discrimination and another that goes against the policies abovementioned. All associates who witness or are victims of these behaviors should report them to their direct manager, to the personnel area and/or in an internal hot line of Grupo Bimbo.

d) BYLAWS AND OTHER AGREEMENTS

As of December 30, 2005 the new Securities Market Law was published in the Official Gazette of the Federation (*Diario Oficial de la Federación*), which became effective on June 28, 2006, and in accordance with that BIMBO's Corporate Bylaws were amended by virtue of an Extraordinary Shareholders´ Meeting held on November 14, 2006. In that meeting, among other things, the total amendment to the Corporate Bylaws was approved, and was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of Mexico City under mercantile folio No. 9,506 on December 6, 2006. With the amendment to the Corporate Bylaws, the Company adjusted to the securities laws in effect.

Among the most relevant amendments are the ones regarding the creation of a regime applicable to the *sociedades anónimas bursátiles* (the shares of which are traded in the BMV) to improve their organization and functioning, as well as their responsibilities regime.

The Company is a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) incorporated under Mexican law. On November 14, 2006, at the General Extraordinary Shareholders' Meeting, the shareholders resolved to amend the bylaws entirely to comply with the provisions of the Mexican Securities Market Law applicable to publicly traded corporations and to adopt the form of a publicly traded stock corporation. Such amendment to the bylaws was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of Mexico City under mercantile folio No. 9,506 on December 6, 2006. A copy of the current bylaws has been filed with the CNBV and the BMV on June 10, 2014, and is available for review at the following websites: www.gob.mx/cnbv, www.bmv.com.mx and www.grupobimbo.com.

e) RIGHTS OF SHAREHOLDERS

Holders of Series "A" shares are entitled to one vote in the General Ordinary and Extraordinary Shareholders' Meetings. With no shares of this kind existing as of this date, the Company may issue, under the Securities Market Law, non-voting and/or limited voting shares. As the case may be, holders of Series "A" shares may not attend the Special Meetings held by the holders of non-voting and/or limited voting shares and neither have they voting rights in the Special Meetings held by the holders of non-voting and/or limited voting shares.

The holders of limited voting shares shall be entitled to attend and vote at a rate of one vote per each share, only and exclusively in the Special Meetings held by the holders of such shares and in the General Extraordinary Shareholders' Meetings held to discuss any of the following matters: a) transformation of the Company; b) merger with another company or companies, when the Company is the merged party; c) cancellation of the limited voting shares filing in the RNV and in domestic and foreign stock exchanges in which the same are registered, except in quoting systems or other markets not organized as stock exchanges; and d) any other matter provided for in the Securities Market Law.

Holders of limited voting shares may not attend General Ordinary Meetings, except in the events expressly provided for in the Securities Market Law. Neither may they attend the General Extraordinary Shareholders´ Meetings held to discuss matters in which they have no voting rights.

Additionally, shareholders holding limited or restricted voting shares, for each ten percent (10%) of the Company's capital stock that they individually or collectively hold, shall have the rights conferred in the Corporate Bylaws and the General Commercial Corporations Law.

Shareholders holding non-voting shares shall have the rights granted by the Securities Market Law.

f) SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

Under the bylaws of the Group, two types of shareholders' meetings may be held: ordinary and extraordinary. Ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings.

An annual ordinary shareholders' meeting must be convened and held at least once a year within the first four months following the end of each fiscal year to discuss the following, pursuant to the bylaws or the Mexican Securities Market Law, (i) the approval of the financial statements for the previous fiscal year, (ii) the annual reports prepared by the Audit & Corporate Practices Committee and the allocation of the profits for the previous year (including, if applicable, the payment of dividends), (iii) the appointment of members of the Board of Directors, (iv) the appointment of the chairman of the Audit & Corporate Practices Committee, (v) the increase or decrease of the variable capital and the issuance or cancellation of the corresponding shares, (vi) the determination of the amount that may be allocated to repurchase the shares, and (vii) the approval of any transaction representing 20% or more of the consolidated assets, during any fiscal year.

Extraordinary shareholders' meetings are those called at any time to consider any of the following matters (i) the extension of the duration or the dissolution of the Company, (ii) any increase or decrease in the fixed capital and the issuance of the corresponding shares, (iii) any public offering of the shares, (iv) any change in the corporate purpose or nationality, (v) any transformation, merger or spin-off involving the Company, (vi) any issuance of preferred stock, (vii) any redemption of the shares with retained net profits, (viii) any amendments to the bylaws, including amendments to change in control provisions, and (ix) any other matters for which applicable Mexican law or the bylaws specifically require a general extraordinary shareholders' meeting (x) the cancellation of the registry of the shares with the RNV.

All of the shareholders of Grupo Bimbo, duly registered in the shareholders' registry book, will be able to propose topics to be discussed in the Shareholders Meetings. The shareholders must send the proposals to the secretary of the Board of Directors, who will check them and if applicable, will submit them for the consideration of the Board of Directors in their following meeting, previous to the next ordinary or extraordinary shareholders meeting.

In the next Board of Directors ordinary meeting, the Board will analyze the proposals and will determine the suitability of including them in the agenda for the next ordinary or extraordinary shareholders meeting.

a) In case of approval, such topics would be included in the agenda for the next ordinary or extraordinary shareholders meeting.

b) In case of dismissal, the board would give notice to the respective shareholder.

The contact information of the secretary of the board is: secretaria.gb@grupobimbo.com

Shareholders' meetings may be called at any time by the chairman of the Board of Directors, the chairman of the Audit & Corporate Practices Committee or the secretary and alternate secretary of the Board of Directors. Any shareholder or group of shareholders representing at least 10% of the capital stock of Grupo Bimbo, including shares with limited or non-voting rights, has the right to request publication of a call to a shareholders' meeting. In addition, according to the bylaws, any holder of one share is entitled to request that the Board of Directors or the chairman of the Audit & Corporate Practices Committee to call a general shareholders' meeting in the event that no such general shareholders' meeting has been convened and held within two consecutive fiscal years or if the following matters have not been discussed at the general shareholders' meetings convened and held during such period (i) discuss, approve or modify the report prepared by the Board of Directors, (ii) the appointment of members of the Board of Directors, and (iii) the determination of the compensation for the directors.

Shareholders' meetings are required to be held in the corporate domicile of Grupo Bimbo, which is Mexico City. Calls for shareholders' meetings must be published in the Electronic System established by the Ministry of Economy or in one newspaper of general circulation in Mexico City at least 15 calendar days prior to the date of the meeting. Each call must set forth the place, date and time of the meeting and agenda for the

meeting. Calls must be signed by whoever calls them. From the date on which a call is published until the date of the corresponding meeting, all material information regarding the meeting must be available to shareholders at the corporate headquarters of the Company.

To be admitted to any shareholders' meeting, shareholders must submit their stock certificates or evidence of their shares deposited in the Indeval or any other institution authorized to act as securities depositary in accordance with the Mexican Securities Market Law, with at least 48 hours (computed in terms of business days) prior to the shareholders' meeting. Such stock certificates or evidence of their deposit must be exchanged for a certificate issued by the Company for that purpose, stating the name of the corresponding shareholder and the number of shares held. Such certificates shall serve as admission tickets for the shareholders' meeting. The members of the Board of Directors, the Chief Executive Officer and the external auditor may attend the shareholders' meetings.

Shareholders may be represented at shareholders' meetings through proxies’ fact appointed by means of a form prepared by Grupo Bimbo and made available to shareholders through broker-dealers or at the offices of the Company, at least 15 calendar days prior to the shareholders' meeting. Such forms must comply with the requirements of the Mexican Securities Market Law and its ancillary provisions.

Ordinary meetings are regarded as legally convened pursuant to a first call when at least 50% of the common shares representing the capital are present or duly represented. Any number of common shares represented at an ordinary meeting of shareholders convened pursuant to a second or subsequent call constitutes a quorum.

Resolutions at ordinary meetings of shareholders are valid when approved by a majority of the shares present at the meeting.

Extraordinary shareholders' meetings are regarded as legally convened pursuant to a first call when at least 75% of the shares representing the capital are present or duly represented. On a second or subsequent call, extraordinary shareholders' meetings are legally convened when at least 50% of the shares representing the outstanding capital are present or duly represented.

Resolutions at an extraordinary meeting of shareholders are valid when adopted by the holders of shares representing at least 50% of the capital stock.

g) SHAREHOLDERS’ MINORITY RIGHTS

Pursuant to the Mexican Securities Market Law, the bylaws include minority right shareholder protections, some of which have already been described above. These minority protections include provisions that allow:

a. Holders of at least 10% of the outstanding voting capital stock have the right to:

- request a call for a shareholders' meeting;
- request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and
- appoint one member of the Board of Directors and one alternate member of the Board of Directors.

b. Shareholders of 20% of the outstanding voting capital stock may oppose judicially to any resolution adopted at a shareholders' meeting and to request a court order to suspend the resolution temporarily, if the request is made within the following 15 days of the adjournment of the meeting where the resolution was made, provided that (i) the challenged resolution violates Mexican law or the bylaws, (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that the Company may suffer as a result of suspending the resolution, in the event that the court ultimately rules against the opposing shareholders.

c. Shareholders of 5% or more of the outstanding capital stock may initiate a liability action against some or all of the directors (for the benefit of the Company and not their personal benefit), for violations of their duty of care or duty of loyalty, in an amount equal to the damages or losses caused to the Company. Actions initiated on these grounds have a five-year statute of limitations.

Since 2016, contact information for the shareholders and/or members of the board was included in Grupo Bimbo's webpage.

Email: secretaria.gb@grupobimbo.com
Phone: +52 (55) 5268 6600
Address: Prolongación Paseo de la Reforma 1000, Col. Peña Blanca Santa Fe, Alcaldía. Álvaro Obregón, Ciudad de México, C.P. 01210, México.

5) CAPITAL MARKETS

a) SHAREHOLDING STRUCTURE

As of the date of this Annual Report, shares representing the Company's capital stock are Series "A" common, ordinary, nominative, with no par value shares, which are filed in the RNV. Such shares began quoted in the BMV in February 1980, when the Company carried out its initial public offer. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the Mexican Stock Exchange (BMV).

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

b) SHARE PERFORMANCE IN THE STOCK MARKET

The Following tables show the maximum, minimum and closing adjusted quoting prices in nominal pesos, as well as the volume of BIMBO's Series "A" shares in the BMV, during the indicated periods.

Annual	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Closing	
2011	28.47	23.07	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532'853,721
2018	46.46	35.07	39.15	592,951,520
2019	43.04	32.83	34.43	704,313,451

Quarterly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
4T13	44.14	38.00	40.20	156,556,062
1T14	40.20	32.53	35.24	162,076,946
2T14	39.88	35.18	38.07	132,364,415
3T14	43.17	38.29	38.94	129,206,788
4T14	40.90	35.60	40.70	97,381,271
1T15	44.49	37.81	43.26	137,895,407
2T15	44.33	40.26	40.66	124,190,771
3T15	43.87	39.12	42.81	110,934,043
4T15	49.04	42.54	45.95	108,253,348
1T16	53.91	45.02	51.07	127,121,339
2T16	57.84	47.80	57.22	188,060,532
3T16	59.86	50.49	51.11	152,784,422
4T16	53.41	44.43	47.01	153,629,314
1T17	48.51	45.45	46.59	113,411,734
2T17	47.12	44.79	45.60	155,633,455
3T17	44.47	42.61	43.97	129,533,839
4T17	44.14	42.19	43.51	134,274,693
1T18	46.78	39.78	39.78	144,417,012
2T18	43.66	35.07	38.69	141,984,460
3T18	40.69	37.07	39.91	148,735,153
4T18	40.66	36.38	39.15	157,814,895

1T19	40.58	35.67	40.58	141,525,473
2T19	43.04	39.06	40.03	154,903,199
3T19	40.90	32.83	35.99	167,447,955
4T19	36.96	32.93	34.43	171,802,415

Monthly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
January 2017	48.38	45.31	46.23	42,915,138
February 2017	48.44	45.85	47.42	30,199,786
March 2017	48.51	45.45	46.59	40,296,810
April 2017	47.80	45.17	46.08	38,056,824
May 2017	46.75	43.03	43.03	48,227,746
June 2017	47.12	44.79	45.60	69,348,885
July 2017	47.67	44.49	45.01	43,067,794
August 2017	45.02	42.80	43.34	48,794,396
September 2017	44.47	42.61	43.97	37,671,649
October 2017	45.88	43.97	44.32	37,415,786
November 2017	46.09	43.10	43.45	46,113,755
December 2017	44.14	42.19	43.51	50,745,152
January 2018	46.56	43.07	45.40	57,521,549
February 2018	46.31	43.73	44.11	44,966,055
March 2018	44.08	39.78	39.78	41,929,408
April 2018	43.66	39.38	43.53	35,455,949
May 2018	43.53	37.33	38.06	41,918,701
June 2018	38.69	35.07	38.69	64,609,809
July 2018	40.39	37.07	39.66	41,832,214
August 2018	40.66	38.26	39.75	44,392,447
September 2018	40.69	38.41	39.91	62,510,492
October 2018	39.86	36.38	38.05	52,690,226
November 2018	40.66	36.79	39.00	67,375,445
December 2018	39.93	37.77	39.15	37,749,224
January 2019	39.61	37.35	37.81	44,718,529
February 2019	38.47	35.67	38.23	59,765,315
March 2019	40.58	37.72	40.58	80,268,419
April 2019	42.22	40.00	42.22	48,867,134
May 2019	43.04	39.06	39.55	63,214,299
June 2019	41.32	39.10	40.03	50,955,729
July 2019	40.90	36.25	36.50	66,881,520
August 2019	36.17	32.83	35.07	80,164,444
September 2019	37.90	34.20	35.99	81,887,745
October 2019	36.96	33.61	35.74	42,623,621
November 2019	36.89	33.36	33.80	48,462,400
December 2019	34.88	32.93	34.43	36,504,296

c) MARKET MAKER

As of this date and during the fiscal year ended on December 31, 2019, the Company does not have a market maker.

6) RESPONSIBLE PERSONS

The undersigned represent under oath that, within the scope of our respective functions, we prepare the information regarding the Issuer contained in this Annual Report, which, to the best of our knowledge, reasonably reflects its condition. Furthermore, we represent that we are not aware of any relevant information that has been omitted or falsified in this Annual Report or that it contains information that could mislead investors.

Daniel Javier Servitje Montull
Chief Executive Officer and Chairman of the Board of Directors

Diego Gaxiola Cuevas
Chief Financial Officer

Luis Miguel Briola Clément
VP General Counsel

El suscrito, en mi carácter de socio y apoderado legal de Mancera, S.C., manifiesto bajo protesta de decir verdad, que los estados financieros consolidados que contiene el presente reporte anual de Grupo Bimbo, S.A.B. de C.V. por los ejercicios terminados el 31 de diciembre de 2019 y 2018, fueron dictaminados con fecha 18 de marzo de 2020, de conformidad con las Normas Internacionales de Auditoría.

Asimismo, el suscrito manifiesta que ha leído el presente reporte anual y basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tiene conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros consolidados dictaminados señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, el suscrito no fue contratado, y no realizó procedimientos adicionales con el objeto de expresar su opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros consolidados por él dictaminados.

Mancera, S.C.
Integrante de

Ernst & Young Global Limited

C.P.C. Adán Aranda Suárez
Socio y Apoderado legal de Mancera, S.C.
30 de abril de 2020

7) EXHIBITS

a) Audit Committee's opinion corresponding to the year ended as of December 31, 2019

b) Independent Auditor's Report to the Board of Directors and Shareholders of Grupo Bimbo, S.A.B. de C.V., corresponding to the years ended as of December 31, 2019 and 2018

c) Audited Financial Statements as of and for the years ended as of December 31, 2019, 2018 and 2017

d) Audit Committee's Report corresponding to the years ended as of December 31, 2019, 2018 and 2017

e) Audited Financial Statements as of and for the years ended as of December 31, 2018, 2017 and 2016

TRANSLATION FOR INFORMATION PURPOSES ONLY

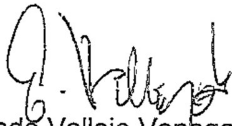
Mexico City, March 18, 2020

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 pursuant to the provisions of subsection e), section II of the Article 42 of the Securities Market Act, I hereby give you the opinion of the Committee regarding the content of the report of the Director General in relation to the financial situation and the results of the Company for the year ended as of December 31, 2019.

In the opinion of the Committee, the accounting and information policies and criteria, followed by the Company and considered in the preparation of the consolidated financial information, are adequate and sufficient and were prepared in accordance with the international financial reporting standards. Therefore, the consolidated financial information presented by the Chief Executive Officer reasonably reflects the financial position and results of the Company as of December 31, 2019 and for the year ended on said date.

Sincerely,



Edmundo Vallejo Venegas
Presidente del Comité de Auditoría y Prácticas Societarias de
Grupo Bimbo, S. A. B. de C. V.

TRANSLATION FOR INFORMATION PURPOSES ONLY

Mexico City, March 18, 2020

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

Dear members of the Board of Directors.

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, 2019. In carrying out the work, we abided by the recommendations established in the Code of Best Corporate Practices.

Based on the previously approved work plan, the Committee met seven 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.

The Committee learned about the functions of the Global Division for Internal Control and Risk Management during the year, specifically the Control Self-Assessment (AEC) activities, with positive progress and results in terms of the coverage achieved and the progress of the projects to global level and its coverage of different areas and organizations.

The Committee learned about the progress of the Identity Access Management (IAM) project and its subsequent phases. It was reported that work is being done with the PwC firm in the 3rd stage of this project to improve the governance model in this matter, prior to the implementation of the access and identity management tool scheduled for 2020.

The conclusions were presented to compare the current business risks highlighted by some global organizations, experts in this field, with the risks identified by Grupo Bimbo, both operational and transformational. The identified risks were divided into two groups: 1) risks not considered in the group's priority list, and 2) risks where the Committee requests confirmation that the Management

is treating it accordingly. The conclusions of this work were shared with the general management. The Enterprise Risk Management process was reported to already cover all organizations.

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

We were in constant contact with the representative of the EY firm to follow up on relevant matters and learn about the activities carried out during the year, in conjunction with the Company's Management. The audit of the consolidated financial statements as of December 31, 2019 is complete and the opinion was clean. As of 2019, the firm is one in all the countries in which the Company operates.

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 Committee authorized the review by EY of the report of the internal audit function in the review of the GRI (Global Reporting Initiative) reports, for the purposes of the annual report to Grupo Bimbo, detecting areas of improvement in the understanding of the indicators, the documentary evidence support and the final validation process of the report.

EY presented its recommendations on corporate governance in relation to operations with related parties. The Committee requested management to review the policies for operations with subsidiaries and related parties to incorporate the concepts related to the powers and authorities of the Management, the Audit and Corporate Practices Committee and the Board of Directors. It was agreed that the regular business operations of the business with related parties will be evaluated annually by Internal Audit, without having to report quarterly to the Audit and Corporate Practices Committee.

The result of the evaluation that EY carried out to the Internal Audit function was presented, where it was determined that Grupo Bimbo complies with the regulations of the Institute of Internal Auditors (IIA), in accordance with the definition of internal audit, the fundamental principles, the and the code of ethics issued by said Institute, which implies that, starting in 2020, all internal audit reports may indicate that they comply with IIA standards.

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, 2019 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 2019 and were promptly informed of the preliminary financial statements.

INTERNAL AUDIT

The audit plan for the year 2020 was approved, corresponding to a total of 418 audits in 29 different countries. The auditable universe between legal entities, factories, sales centers, systems and projects, among others, was reviewed in detail. In particular, a request was made to closely monitor the company's cybersecurity risks globally.

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.

The Committee authorized the Internal Audit Division to use the services of the firm Baker Tilly for internal audit work on finance and information technology, for the operations of Bimbo QSR in South Africa and China.

URITY

The report of the Global Chief Officer of Security and Protection was received, where he disclosed the relevant corporate risks, highlighting information theft, organized crime and labor infiltration. The relevant external and internal illicit acts were also reported, the use of inventory management systems in CVs and CEDIS being one of the most important control weaknesses. It was reported that this address is in the process of diagnosing the operations of BBU and Bimbo Canada.

INFORMATION TECHNOLOGIES

The Global Chief Officer of Systems Infrastructure presented a summary of the actions aimed at the prevention and mitigation of cybersecurity risk. This committee suggested management meet with external auditors to review best practices in the industry. Finally, it was suggested to reinforce the crisis containment plan and the business continuity plan, according to Grupo Bimbo's global policies on this matter.

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.

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 situation and progress of the activities related to the cases faced by the group in Canada and Brazil were reviewed based on the information generated, the opinion of the law firms handling the cases in both countries and the progress of the investigations carried out by local authorities.

The Global Fiscal Division presented the peculiarities of the BEPS and the progress made in carrying out the transfer pricing studies by PwC, their evaluation of the performance of this firm being very positive.

The Global Financial Planning Division commented on global insurance management, where it highlights the need to strengthen prevention for risks caused by natural disasters.

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

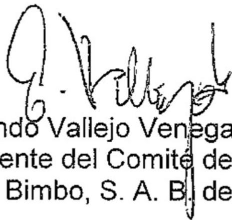
We reviewed and recommended for approval by the Board of each and every related party transaction requiring approval by the Board of Directors for fiscal year 2019, as well as for recurring transactions that are expected to be conducted in fiscal year 2020 that require Board approval.

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 2019 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.



Edmundo Vallejo Venegas
Presidente del Comité de Auditoría y Prácticas Societarias de
Grupo Bimbo, S. A. B. de C. V.

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

Consolidated Financial Statements

December 31, 2019, 2018 and 2017
with Independent Auditor's Report dated March 18, 2020

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

Consolidated Financial Statements

December 31, 2019, 2018 and 2017

Contents:

Independent auditor's report

Audited financial statements:

Consolidated statements of financial position
Consolidated statements of profit or loss
Consolidated statements of other comprehensive income
Consolidated statements of changes in equity
Consolidated statements of cash flows
Notes to consolidated financial statement

EY
Construyendo un mejor entorno de negocios

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Grupo Bimbo, S.A.B. de C.V. and Subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Bimbo, S.A.B. de C.V. and Subsidiaries as of December 31, 2019 and 2018 and its consolidated results and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

As mentioned in Note 2a) to the consolidated financial statements, on January 1, 2019 the Company adopted IFRS 16 "*Leases*", which establishes the principles for initial recognition, subsequent measurement, presentation and disclosure of leases. The Company decided to apply the modified retrospective approach for the IFRS 16 adoption.

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 Company 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 year ended December 31, 2017 were audited by other auditors, whose report dated March 12, 2018 expressed an unmodified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; thus, 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 the responsibilities related 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 11 and 12 to the consolidated financial statements as of December 31, 2019 the value of goodwill and intangible assets amounts to $114,112 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 requires significant judgements and significant 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 the Company's 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 Company to estimate its future cash flows in the impairment testing of the Cash Generating Units (CGUs) in our audit scope.

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

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

Business Combinations

Description of key audit matters

We have considered the allocation of the acquisition method to be a key audit matter, either preliminary or final, 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.

Note 3 to the accompanying consolidated financial statements includes disclosures regarding the Company's accounting policies in respect of the recognition of acquisitions and Note 1 includes the business acquisitions made during the year.

How our audit addressed the key audit matter

We involved our internal specialists, who assessed the key assumptions and methods used by Company management in the analysis of the purchase price allocation, either preliminary or final.

We analyzed the final and preliminary allocation of the purchase price of the acquisitions made during the year, as well as the accounting of the consideration transferred.

We evaluated the reasonableness of the Company's disclosures related to its business combinations and the final allocation of the purchase price in the consolidated financial statements.

Other information included in the 2019 annual report of the Company

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 presented 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 and the annual report submitted to the shareholders, 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit and Corporate Practices Committee is responsible for overseeing the Company'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 the 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 Company'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 Company'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 Company 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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

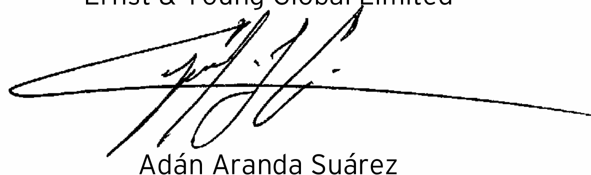
We communicate with the Company's Audit and Corporate Practices Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's Audit and Corporate Practices Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate 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 Company's Audit and Corporate Practices 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 18, 2020
Mexico City, Mexico

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

Consolidated statements of financial position

(Amounts in millions of Mexican pesos)

	Notes	December 31 2019	2018	2017
Assets				
Current assets:				
Cash and cash equivalents		$ 6,251	$ 7,584	$ 7,216
Trade receivables and other accounts receivable, net	5	26,198	25,950	24,806
Inventories	6	9,819	9,340	8,368
Prepaid expenses		1,188	1,098	975
Derivative financial instruments	17	143	106	682
Guarantee deposits for derivative financial instruments	17	325	619	417
Assets held for sale	8	273	154	26
Total current assets		44,197	44,851	42,490
Property, plant and equipment, net	8	84,341	87,243	82,972
Right-of-use asset, net	9	25,550	-	-
Investments in associates	10	2,871	2,645	2,318
Derivative financial instruments	17	1,533	3,017	2,592
Deferred income tax	16	4,590	3,886	6,288
Intangible assets, net	11	51,318	54,476	56,194
Goodwill	12	62,794	65,513	63,426
Other assets, net		1,887	1,685	2,969
Total		$ 279,081	$ 263,316	$ 259,249
Liabilities and equity				
Current liabilities:				
Short-term portion of long-term debt	13	$ 5,408	$ 1,153	$ 1,885
Trade accounts payables		23,105	21,074	19,677
Other accounts payable and accrued liabilities	14	18,473	23,055	21,800
Short-term lease liabilities	9	4,599	-	-
Accounts payable to related parties	15	1,064	909	955
Current income tax	16	115	256	1,073
Statutory employee profit sharing payable		1,183	1,423	1,286
Derivative financial instruments	17	673	879	241
Total current liabilities		54,620	48,749	46,917
Long-term debt	13	81,264	88,693	91,546
Long-term lease liabilities	9	20,741	-	-
Derivative financial instruments	17	437	347	-
Employee benefits	18	30,426	25,885	30,638
Deferred income tax	16	5,241	5,720	4,682
Other long-term liabilities	19	8,041	9,347	8,442
Total liabilities		200,770	178,741	182,225
Equity:	20			
Capital stock		4,156	4,199	4,225
Retained earnings		61,332	59,238	60,849
Equity financial instrument		8,931	9,138	-
Cumulative foreign currency translation effect from foreign operations		1,247	4,739	7,144
Actuarial (loss)/gain on defined benefit plans of labor obligations		(226)	3,131	459
Valuation of equity financial instrument		(422)	(386)	-
Unrealized (loss)/gain on cash flow hedges	17	(1,282)	(369)	90
Controlling interest		73,736	79,690	72,767
Non-controlling interest		4,575	4,885	4,257
Total equity		78,311	84,575	77,024
Total liabilities and equity		$ 279,081	$ 263,316	$ 259,249

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

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

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 years ended December 31 2019	2018	2017
Net sales		$ 291,926	$ 289,320	$ 268,485
Cost of sales	21	138,184	135,669	124,765
Gross profit		153,742	153,651	143,720
General expenses:				
Distribution and selling		110,234	109,701	103,865
Administrative		16,641	19,006	18,134
Integration costs		2,435	1,855	2,929
Other expenses, net	22	4,013	4,580	1,320
	21	133,323	135,142	126,248
Operating profit		20,419	18,509	17,472
Comprehensive financing cost:				
Interest expense	23	8,561	7,668	5,872
Interest income		(560)	(386)	(314)
Foreign exchange loss(gain), net		445	(85)	118
Loss (gain) on monetary position		114	(202)	79
		8,560	6,995	5,755
Share on profit of associates	10	249	194	234
Profit before income tax		12,108	11,708	11,951
Income tax	16	4,733	4,897	6,282
Consolidated net profit		$ 7,375	$ 6,811	$ 5,669
Controlling interest		$ 6,319	$ 5,808	$ 4,629
Non-controlling interest		$ 1,056	$ 1,003	$ 1,040
Basic earnings per ordinary share		$ 1.36	$ 1.24	$ 0.98
Weighted average number of shares (in thousands of shares)		4,651,529	4,689,122	4,701,910

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

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

Consolidated statements of other comprehensive income

For the years ended December 31, 2019, 2018 and 2017

(Amounts in millions of Mexican pesos)

	Notes	2019	2018	2017
Consolidated net profit		**$ 7,375**	$ 6,811	$ 5,669
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Valuation of equity financial instrument	**3c**	**(36)**	(386)	-
Net change in actuarial (loss)/gain on defined benefit plans of labor obligations		**(4,715)**	3,782	571
Income tax related to these items	**16**	**1,358**	(1,110)	(11)
		(3,393)	2,286	560
Items that will be reclassified subsequently to profit or loss:				
Effect of net economic hedge		**2,124**	820	2,492
Foreign operations currency translation effect of the year		**(5,321)**	(2,981)	(4,685)
Net change in unrealized (loss)/gain on cash flow hedges	**17**	**(1,353)**	(608)	977
Income tax related to these items	**16**	**(304)**	(97)	(1,330)
		(4,854)	(2,866)	(2,546)
Total other comprehensive loss		**(8,247)**	(580)	(1,986)
Consolidated comprehensive (loss)/income for the year		**$ (872)**	$ 6,231	$ 3,683
Comprehensive (loss)/income attributable to controlling interest		**$ (1,479)**	$ 5,230	$ 2,754
Comprehensive income attributable to non-controlling interest		**$ 607**	$ 1,001	$ 929

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

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

Consolidated statements of changes in equity

For the years ended December 31, 2019, 2018 and 2017

(Amounts in millions of Mexican pesos)

	Capital stock	Equity instruments	Retained earnings	Accumulated other comprehensive income	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
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 20)	(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 financial instrument issued, net	-	9,138	-	-	9,138	-	9,138
Equity financial instrument returns, net	-	-	(104)	-	(104)	-	(104)
Effects of the adoption of IFRIC 23 (Note 19)	-	-	(2,283)	-	(2,283)	-	(2,283)
Effects of the adoption of IFRS 9	-	-	32	-	32	-	32
Effects of the adoption of IFRS 15	-	-	(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 20)	(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
Equity financial instrument returns	-	-	(595)	-	(595)	-	(595)
Tax effect on equity financial instrument		(207)	178	-	(29)	-	(29)
Consolidation effect of structured entities	-	-	-	-	-	(917)	(917)
Dividends declared	-	-	(2,103)	-	(2,103)	-	(2,103)
Repurchase of shares (Note 20)	(43)	-	(1,705)	-	(1,748)	-	(1,748)
Balance before comprehensive income	4,156	8,931	55,013	7,115	75,215	3,968	79,183
Consolidated net profit for the year	-	-	6,319	-	6,319	1,056	7,375
Other comprehensive income	-	-	-	(7,798)	(7,798)	(449)	(8,247)
Consolidated comprehensive income	-	-	6,319	(7,798)	(1,479)	607	(872)
Balance as of December 31, 2019	$ 4,156	$ 8,931	$ 61,332	$ (683)	$ 73,736	$ 4,575	$ 78,311

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

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

Consolidated statements of cash flows

(Amounts in millions of Mexican pesos)

	Note	For the years ended December 31 2019	2018	2017
Cash flow from operating activities				
Profit before income tax		$ 12,108	$ 11,708	$ 11,951
Adjustments for:				
Depreciation and amortization	8, 9, 11	14,373	10,000	8,761
Loss/ (gain) on disposal of property, plant and equipment		17	14	702
Share on profit of associates		(249)	(194)	(234)
Impairment of long-lived assets		1,318	907	545
Multi-employer pension plan and other long-term liabilities	22	1,762	(401)	89
Current-year service labor cost	18	717	986	826
Interest expense	23	8,561	7,668	5,872
Interest income		(560)	(386)	(314)
Short-term and low value lease expenses	9	2,141	-	-
Changes in assets and liabilities:				
Trade receivables and other accounts receivable		(1,348)	(1,250)	(591)
Inventories		(876)	(1,194)	(898)
Prepaid expenses		(135)	(167)	(205)
Trade accounts payables		2,187	360	2,041
Other accounts payable and accrued liabilities		(3,406)	306	(3,592)
Accounts payable to related parties		156	(46)	140
Income tax paid		(3,961)	(4,327)	(4,420)
Guarantee deposits for derivative financial instruments		294	(202)	331
Statutory employee profit sharing payable		(241)	137	154
Employee benefits and workers' compensation		(2,197)	(2,809)	123
Assets classified as held for sale		-	(128)	(111)
Short-term and low value lease expenses		(2,141)	-	-
Net cash flows from operating activities		28,520	20,982	21,170
Investing activities				
Purchase of property, plant and equipment	8	(13,117)	(15,067)	(13,446)
Business combinations, net of cash received	1	(94)	(3,600)	(12,482)
Proceeds from sale of property, plant and equipment		470	599	333
Purchase of intangible assets	11	(264)	(760)	-
Increase of distribution rights in structured entities	11	(132)	(180)	(523)
Other assets		(89)	232	(1,281)
Dividends received	10	73	42	24
Interest received		330	386	314
Investments in associates	10	(49)	(43)	(9)
Net cash flows used in investing activities		(12,872)	(18,391)	(27,070)
Financing activities				
Loans obtained	13	22,594	8,024	40,772
Loans paid	13	(22,640)	(11,005)	(26,904)
Payment of derivative financial instruments related to debt		(1,070)	1,557	(2,117)
Interest paid		(5,681)	(7,280)	(4,429)
Equity financial instrument returns		(595)	(104)	-
Dividends paid		(2,103)	(1,646)	(1,364)
Leases payments	20	(4,784)	-	-
Equity instrument issued	9	-	8,986	-
Payment of interest rate hedges		(1,411)	(412)	(1,401)
Collection of interest rate hedges		835	665	1,596
Repurchase of shares	20	(1,748)	(1,107)	(53)
Guarantee deposits for derivative financial instruments		-	-	392
Net cash flows (used in)/from financing activities		(16,603)	(2,322)	6,492
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects		(378)	99	(190)
Net (decrease) increase in cash and cash equivalents		(1,333)	368	402
Cash and cash equivalents at beginning of year		7,584	7,216	6,814
Cash and cash equivalents at end of year		$ 6,251	$ 7,584	$ 7,216

For the years ended December 31, 2019, 2018 and 2017, there were no material non-monetary transactions.
The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations and significant events

Grupo Bimbo, S.A.B. de C.V. and Subsidiaries ("Grupo Bimbo" or "the Company") is a Mexican entity, primarily engaged in the production, distribution and sale of fresh and frozen bread, buns, cookies, pastries, muffins, bagels, tortillas, salty snacks and confectionery.

The Company operates in different geographical areas that represent the reporting segments it uses and which are Mexico, North America, Latin America and Europe, Asia and Africa ("EAA").

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

During 2019, 2018 and 2017, net sales of the subsidiaries located in the Mexico segment represented approximately 33%, 32% and 31%, respectively, of the Company's consolidated net sales. During the same periods, the net sales of the Company's subsidiaries located in the North America segment, represented approximately 49%, 50% and 51%, respectively, of the Company's consolidated net sales.

Significant events

Acquisitions 2019

Mr. Bagels business acquisition

On August 6, 2019, through its subsidiary Grupo Bimbo UK Limited, the Company acquired the bagels business to Mr. Bagel's Limited, for GBP 4 million, equal to $94. This acquisition mainly corresponds to manufacturing equipment and inventories.

Purchase agreement

On October 1, 2019, the Company reached an agreement to acquire the Cerealto Siro Foods Paterna plant in Valencia, Spain; which is engaged in making sliced bread and salty buns. This acquisition is subject to the authorization from the National Commission of Markets and Competition.

Acquisitions 2018

Acquisition of Mankattan Company ("Mankattan")

On June 28, 2018, through its subsidiary East Balt B.V., the Company 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 Company'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 Company recognized transaction costs of $66 under integration expenses.

Sources of financing

The Company 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 following table summarizes the 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:

	Preliminary fair value	PPA adjustments	Definitive fair value
Amount paid in the transaction	$ 2,921	$ -	$ 2,921
Amounts recognized for identifiable assets and liabilities assumed:			
Cash and cash equivalents	235	-	235
Accounts receivable	581	-	581
Inventories	79	-	79
Property, plant and equipment	682	290	972
Identifiable intangible assets	628	-	628
Other assets	46	-	46
Total identifiable assets	2,251	290	2,541
Goodwill	2,050	(290)	1,760
Total assets acquired	4,301	-	4,301
Total liabilities assumed	1,380	-	1,380
Value of acquired investment	$ 2,921	$ -	$ 2,921

The goodwill resulting from this acquisition was allocated to the EAA segment and mainly represents synergies expected from the combination of the pre-existing operation in China.

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 Company 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 had 350 employees.

Business acquisition in Colombia

On May 31, 2018, through its subsidiary Bimbo de Colombia, S.A., the Company 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-compete agreements.

Acquisition of Alimentos Nutra Bien S.A.

On December 17, 2018, through its subsidiary Ideal, S.A., the Company 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 Company's presence in the Chilean market.

Accounting effects of the acquisitions

The valuation and recognition process of the acquisitions of El Paisa in Colombia and International Bakery were concluded in 2018.

The valuation and recognition process of the acquisition of Alimentos Nutra Bien, S.A. in Chile was concluded in 2019.

The following table summarizes the fair values of the assets acquired and liabilities assumed that were recognized at the moment the acquisitions were made at the exchange rate prevailing 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 [1]	$ 137	$ 52	$ 750
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	248
Identifiable intangible assets	58	29	306
Other assets	5	-	-
Total identifiable assets	125	41	999
Goodwill [1]	101	11	204
Total assets acquired	226	52	1,203
Current liabilities	67	-	396
Long-term liabilities	22	-	57
Total liabilities assumed	89	-	453
Value of acquired investment	$ 137	$ 52	$ 750

[1] Includes adjustments to the purchase price made during 2019 regarding the acquisition of International Bakery and Alimentos Nutrabien.

Goodwill resulting from these acquisitions was allocated to the Latin America segment and mainly represents synergies expected from the combination of pre-existing operations in these countries.

Acquisitions 2017

Acquisition of Bimbo QSR, (formerly East Balt Bakeries)

On October 15, 2017, through its subsidiaries Bimbo Bakeries USA, Inc. and Bimbo S.A. de C.V., the Company acquired a 100%-stake in 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. It was stablished in 1955 in Chicago, IL and had approximately 2,200 employees and operated 21 plants in the United States and 11 countries in Europe, Asia, the Middle East and Africa, including two associated companies.

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

Sources of financing

To finance this acquisition, the Company 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 prevailing 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
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
Controlling interest	$ 4,629	$ (22)

As of December 31, 2017

	Consolidated	Bimbo QSR
Total assets	$ 259,249	$ 15,373
Total liabilities	$ 182,225	$ 2,557

Had Bimbo QSR been consolidated from January 1, 2017, 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 Company 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 generated annual sales of approximately USD 48 million and had four plants with more than 500 employees.

Acquisition of Bay Foods, Inc.

On September 19, 2017, the Company 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 Company's presence in a new channel.

Acquisition of Stonemill Bakehouse Limited

On March 2, 2017, the Company 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 Company's presence in the Canadian market.

Acquisition of Bimbo Morocco S.A.R.L.A.U (formerly, Compañía Pastelería y Salados ("COPASA")

On March 30, 2017, the Company acquired, through its subsidiary Bakery Iberian Investments, S.L.U., a 100%-stake in Bimbo 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 prevailing 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
Goodwill allocation	EAA	North America	North America	EAA

[1] It is comprised of $491 in 2018 and $212 in 2017.

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, which adoption is mandatory in the current year

In the current year, the Company 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, 2019.

The Company applied IFRS 16 for the first time, which establishes the principles for the recognition, measurement, presentation and disclosure of leases. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below:

Transition to IFRS 16

The Company decided to use the modified retrospective method for the adoption of IFRS 16 and therefore applied the following considerations in the transition:

1. To recognize the cumulative effect of the adoption of the new accounting standard as of January 1, 2019. Consequently, the financial information from prior years was not restated.

2. To use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and on lease contracts for which the underlying asset is of low value. Therefore, such leases will be recognized directly in profit or loss.

Below is presented a reconciliation between the values of commitments for operating leases as of December 2018 and the effect of adoption as of January 1, 2019:

Commitments for operating leases as of December 31, 2018	$	17,114
Plus:		
Effects of initial adoption for expected renewals of contracts		9,368
Other commitments not included as of December 31, 2018		1,241
	$	27,723

In order to discount operating lease commitments at nominal value, the Company used an annualized weighted average incremental interest rate of 3.8%.

Discounted lease commitments as of January 1, 2019	$	21,023
Plus:		
Commitments previously classified as finance leases		3,197
Lease liabilities as of January 1, 2019	$	24,220

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, a Company 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. During the year ended December 31, 2019, the Company did not perform modification, reduction or termination of the employee benefit plans.

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 into account 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*.

These amendments did not have an impact on the Company's 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.

The Company, during the year ended December 31, 2019, did not make any acquisition in stages.

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.

Since the current practice is in line with these amendments, the Company did not recognize an effect on the consolidated financial statements.

b) New and revised IFRS issued but not yet effective

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

Amendments to IFRS 3	Definition of a business [1]
Amendments to IAS 1 and IAS 8	Definition of material [1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture [2]

[1] Effective for annual periods beginning on or after January 1, 2020, with early adoption permitted.
[2] Effective for annual periods beginning on or after a certain date that has yet to be determined.

Amendments to IFRS 3 Definition of a business

The IASB issued amendments to the definition of a "business" to help entities determine whether an acquired set of activities and assets is a business or not. To be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

In addition, the IASB introduced an optional fair value concentration test. The purpose of this test is to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions carried out on or after January 1, 2020.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments establish that the gain or loss resulting from loss of control of a subsidiary that does not constitute a business in a transaction with an associate or joint venture accounted for using the equity method is recognized by the parent only to the extent of unrelated investors' interests in the associate or joint venture. The gain or loss resulting from the remeasurement at fair value of the investment retained in a former subsidiary (that has become an associate or joint venture that is accounted for using the equity method) is recognized in the profit or loss of the parent only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has not been determined by the IASB; however, early adoption is permitted. Company management expects the adoption of these amendments to have an impact on the Company's consolidated financial statements in the future if it engages in transactions of this kind.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to simplify the definition of material established in IAS 1 in order to improve the understanding of the existing requirements rather than to modify the underlying concept of materiality established by IFRS. The concept of obscuring material information with immaterial information has been included in the new definition. The IASB replaced the threshold 'could influence' with 'could reasonably be expected to influence' in the definition of material.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other standards and the Conceptual Framework that contained a definition of material or reference to the term materiality in order to ensure consistency across the standards.

The amendments will be applied prospectively for reporting periods starting on or after January 1, 2020.

Conceptual Framework of the IFRS

Together with the amended Conceptual Framework that became effective on the day of its publication on 29 March 2018, the IASB issued the Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, 3, 6 and 14, IAS 1, 8, 34, 37 and 38, IFRIC 12, 19, 20 and 22, and SIC 32. However, not all amendments updated the pronouncements with respect to including references to the existing version of the Conceptual Framework so that they refer to the revised Conceptual Framework. Certain pronouncements have only been updated to specify which version they refer to (the IASC Framework adopted by the IASB in 2001, the 2010 IASB Framework or the 2018 revised Framework) or to establish that the definitions in the standard have not been updated to the new definitions contained in the revised Conceptual Framework.

The amendments, which are actually updates, are effective for annual periods beginning on or after January 1, 2020.

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

The Company presents its profit or loss in two separate statements: i) the consolidated statement of profit or loss, and ii) the consolidated statement of comprehensive income. The Company's expenses are presented based on their function, which is consistent with the practice of the industry to which the Company belongs: the nature of these expenses is presented in Note 21. Although not required to do so under IFRS, the Company includes operating profit in the consolidated statement of profit or loss, since this item is an important indicator for evaluating the Company's operating results.

d) Statement of cash flows

The Company 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 Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

b) Basis of preparation

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

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 Company'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 Company 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 classified 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 totality, 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

c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and other entities according to IFRS 10.

The Company'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	Snacks
Productos Ricolino, S.A.P.I. de C.V. (1)	98	Mexico	Mexico	Confectionary
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

(1) On November 1, 2019, Barcel S.A. de C.V. spun off the confectionery business, arising as a result of the spin-off Productos Ricolino S.A.P.I de C.V.

Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date 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 are not owned by the Company and represents the minority interest that is recognized separately in the consolidated financial statements.

The political and economic situation in Venezuela has significantly limited the capacity of the Company's subsidiaries in Venezuela to maintain their production process under normal conditions. Because of the above, and since Grupo Bimbo will continue its operations in Venezuela, as of June 1, 2017, the Company changed the method under which it recognized the financial position and performance of its operations in Venezuela; therefore, at the date of these financial statements, the Company 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 other comprehensive income from January 1, 2018. The Company elected to classify irrevocably its equity investments in affiliates in Venezuela under this category as it intends to hold these investments in the foreseeable future. As of December 31, 2019 and 2018, the Company recognized an impairment loss of $36 and $386 in other comprehensive income.

Profit or loss and each component of other comprehensive income are attributed to controlling and non-controlling interest even if it results in a deficit balance of the latter.

All balances and transactions between the consolidated companies have been eliminated in preparing the consolidated financial statements.

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 Company to the former owners of the acquiree and the equity interests issued by the Company 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 Company 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, 2019, 2018 and 2017, the Company does not have share-based payments);

- Assets (or group of assets) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* that are measured in accordance with this standard

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 Company 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 Company reports provisional amounts for the items for which the accounting is incomplete. Such provisional amounts are adjusted during the measurement period 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 Company 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. 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 Company's primary operations is as follows:

	2019 – 2017		2018 - 2016		2017 – 2015	
	Cumulative inflation rate	**Type of economy**	Cumulative inflation rate	Type of economy	Cumulative inflation rate	Type of economy
Mexico	**14.43%**	**Non-hyperinflationary**	15.69%	Non-hyperinflationary	12.71%	Non-hyperinflationary
USA	**6.24%**	**Non-hyperinflationary**	5.99%	Non-hyperinflationary	4.32%	Non-hyperinflationary
Canada	**6.11%**	**Non-hyperinflationary**	5.42%	Non-hyperinflationary	5.02%	Non-hyperinflationary
Spain	**3.11%**	**Non-hyperinflationary**	3.66%	Non-hyperinflationary	2.84%	Non-hyperinflationary
Brazil	**9.88%**	**Non-hyperinflationary**	13.46%	Non-hyperinflationary	20.87%	Non-hyperinflationary
Argentina	**126.27%**	**Hyperinflationary**	148.19%	Hyperinflationary	96.83%	Non-hyperinflationary

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

Starting in July 2018, the economy in Argentina qualified as a hyperinflationary economy; consequently, the Company's subsidiaries in that country recognized adjustments for the cumulative effects of inflation:

- Using inflation factors to restate non-monetary assets such as inventories, property, plant and equipment and intangible assets.
- Recognizing the net monetary position in the consolidated statement of profit or loss.

As a result of the recognition of the effects of inflation, the Company 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) Foreign currency transactions

Exchange differences of monetary items 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 in order to hedge certain foreign currency risks (see Note 17); and
- 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 the reporting currency

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos using the exchange rate prevailing 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 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 attributed to non-controlling interests as appropriate.

All accumulated differences in stockholders' equity from a foreign operation in the case of its sale are reclassified to profits or loss, that is, the sale of the Company's entire participation in a foreign operation, or a disposition that involves a loss of control in the subsidiary that includes a foreign operation, loss of joint arrangement or an associate that includes a partial foreign operation in which the retained interest becomes a financial instrument.

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 exchange rate as of the reporting date. Exchange differences resulting from the translation are recognized in other comprehensive income.

The average exchange rates and closing exchange rates between the Mexican peso and the functional currencies of the countries of the main subsidiaries, are as follows:

	Average exchange rate			Closing exchange rate		
	2019	2018	2017	**2019**	2018	2017
USA	**19.2616**	20.1529	19.1012	**18.8452**	19.6829	19.7354
Canada	**14.5108**	15.0496	14.9497	**14.2680**	14.4324	15.7316
Spain	**21.5632**	22.9400	22.6216	**21.1707**	22.5369	23.6687
Brazil	**4.8823**	5.1882	5.8001	**4.6754**	5.0797	5.9660
Argentina	**0.3997**	0.5324	1.0667	**0.3147**	0.5221	1.0442

h) 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.

i) Financial assets

All recognized financial assets are subsequently measured totally, either at amortized cost or fair value, according to the classification of the financial assets.

Financial asset classification

Financial instruments that met the following conditions are measured subsequently at fair value through other comprehensive income:

- 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 Company 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 other comprehensive income 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. At derecognition, cumulative gains and losses are not reclassified to profit or loss, and instead are recorded in retained earnings.

1. Accounts receivable

Trade accounts receivable and other accounts receivable that are non-derivative financial assets with fixed or determinable payments that are not traded on an active market, are classified as accounts receivable and 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 interest is immaterial.

2. Impairment of financial assets

Financial assets other than financial assets at fair value through profit and loss are tested for impairment at the end of each reporting period.

The Company recognizes a provision for expected credit losses (ECLs) on trade receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company'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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering 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 using an allowance account. Trade receivables that are considered uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses is reversed by adjusting the allowance account. The amount of the changes in the allowance account is recognized in profit or loss of the year.

j) Inventories and cost of sales

Inventories are valued at the lower of either their cost or net realizable value.

Inventories are accounted for according to the following criteria:

- Raw materials, containers, packaging material 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.

k) 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 Company's adoption of IFRS.

The cost includes those costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management.

The costs of expansion, remodeling or improvements that enhance the capacity or 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 following range useful lives of the assets, as follows:

	Years
Buildings:	
Infrastructure	15 – 30
Foundations	35 – 50
Roofs	10 – 30
Fixed facilities and accessories	10 – 20
Manufacturing equipment	5 – 25
Vehicles	8 – 16
Furniture and equipment	5 – 18
Computer equipment	4
Leasehold improvements	The lower of either the related lease term or the useful life of the asset

The Company 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 if 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 Company is the lessee are recognized at historic cost less the respective depreciation.

l) Right of use assets

Right of use assets are initially measured at the present value of lease payments, less any lease incentives received and initial direct costs. Right of use assets are subsequently measured at cost net of accumulated depreciation, impairment losses and adjustments for any remeasurement of lease liabilities in accordance with IFRS 16.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets. If ownership of the underlying asset transfers to the lessee or the cost of the right of use asset reflects the exercise of a purchase option, depreciation is calculated over the useful life of the underlying asset.

Lease payments for low-value assets (less than USD 5,000) and short-term leases (less than 12 months) are recognized directly in profit or loss.

m) Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the decisions regarding financial and operating policy of the investee but is not control or joint control over those policies.

The results and the net 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 Company's share of net assets of the associate since the acquisition date. When the Company's share of loss of an associate exceeds the Company's interest in that associate, the Company discontinues the recognition of its share of further losses.

On acquisition of the investment any difference between the cost of the investment and the Company'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 Company'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 Company 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 Company's interest in an associate is reduced, but the equity method is continued to be applied, the Company 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 Company and the associate are recognized in the Company'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. 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, otherwise are amortized.

Intangible assets with finite live 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

Annually, the Company assesses whether there is any indicator that its tangible and intangible assets, including the right-of-use asset, may be impaired. If any such indicator exists, the Company estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Company 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 units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet available for use, are tested for impairment on an annual basis, or more often if there is any indicator that the intangible asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal 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, such amount is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

On an annual basis, when there are signs that the value of an asset has significantly increased as a result of changes in the legal, economic, technologic or market environment or increases in the interest rates affecting the discount rate used to calculate the value in use of the asset in prior years, the Company evaluates the new recoverable amount of the asset in order to determine the amount of accumulated impairment to be reversed.

Further, when 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 12).

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 Company'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 17 describes the category of each financial liability of the Company.

r) Hedging activities and derivatives

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered 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 Company 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 Company 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 Company 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 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 Company 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 net economic hedge effects. 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 in the event it occurs.

s) Lease liabilities

Lease liabilities are initially measured at the present value of outstanding fixed and variable lease payments, discounted at the incremental borrowing rate of each country where the Company operates. The amount of lease liabilities is increased for the accretion of interest and reduced for the lease payments made and increased or reduced based on remeasurements to reflect the new measurements or amendments made to the lease agreements.

The estimated incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The Company calculates the incremental borrowing rate using observable inputs, market interest rates and its credit score.

Lease liabilities are recognized in the consolidated statement of financial position as short-term when the term of the lease is less than 12 months and long-term when it is more than 12 months.

t) Provisions

Provisions are recognized when the Company 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.

Uncertainty over tax treatments

The Company constantly evaluates the tax treatments of all its consolidated entities and identifies those with uncertainty as to their acceptance by the tax authorities. Considering the current circumstances of the reviews in process, as well as the tax treatments used by the companies, the Company calculates this uncertainty based on the conditions of each tax jurisdiction and the approach that best estimates the uncertainty, using the most likely amount method or the expected value method, as applicable, and recognizes the effects determined in profit or loss.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

u) Income tax

Income tax expense consists of current and deferred tax. Current and deferred taxes are recognized as either income or an expense in 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.

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 Company 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 the temporary differences will 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 Company recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i) those that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and do not affect neither the accounting profit or loss or taxable income;
ii) those associated with investments in subsidiaries and associates to the extent it is probable that the temporary differences will not reverse in the foreseeable future;
iii) those that arises from the initial recognition of goodwill. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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 profits 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 Company 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.

v) Employee benefits

i. Pensions and seniority premiums

A defined contribution plan is a post-employment benefit plan 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 post-employment plan for which the Company has the obligation to provide the agreed benefits to current and former employees. 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 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 other comprehensive income 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 retirement obligations recognized in the statement of financial position include actuarial gains and losses in the defined benefit plans of the Company. The present value of the defined benefit obligation is determined based on the discounted value of estimated 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 Company 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.

iii. Short-term employee benefits

The Company recognizes a benefits liability that corresponds to employees with respect to wages and salaries, annual vacations, short-term bonuses and sick leave in the service period in which it is rendered.

iv. Termination benefits

A liability is recognized for termination benefits when the Company cannot withdraw its offer to provide termination benefits and/or when it recognizes the related restructuring costs.

v. Long-term bonus

The Company 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, and it is recognized in profits or loss in the year it accrues.

vi. Multi-employer pension plans (MEPPs)

The Company classifies multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If a MEPP is classified as a defined benefit plan, the Company accounts for its share in 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 Company accounts for such plan as a defined contribution plan recognizing in profit or loss the amount of the paid contributions

Exit payments or withdrawal from a multi-employer plan are recognized and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

w) Revenue recognition

Revenue primarily comes from contracts with customers for the sale of products and is recognized when control of the goods is transferred to the customer, given the performance obligation satisfaction in that moment, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. When determining the transaction price, the Company considers the effects of variable considerations (i.e. rights of return and rebates). Payments made to customers for commercial services are recognized as distribution and selling expenses.

Rights of exchange of products

Certain contracts provide a customer with a right to exchange the products within a specified period. The Company uses the expected value method to estimate the products that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. For goods that are expected to be returned, instead of revenue, the Company recognizes an estimated refund liability.

Rebates to customers

The Company provides retrospective rebates to certain customers when the conditions established in the contracts are met. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company 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.

x) Reclassifications

Certain captions shown in the consolidated financial statements for the years ended December 31, 2018 and 2017 as originally issued have been reclassified for uniformity of presentation with the 2019 financial statements. The effects of these reclassifications were recognized retrospectively in the statement of financial position as of December 31, 2018 and 2017, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

	Reference	Balance as of December 31, 2018 as originally reported	Reclassifications	Balance as of December 31, 2018
Long-term accounts receivable from independent business partners	(a)	$ 404	$ (404)	$ -
Other assets, net		$ 1,281	$ 404	$ 1,685
Net sales		$ 288,266	$ 1,054	$ 289,320
Cost of sales		$ 135,667	$ 2	$ 135,669
Distribution and selling expenses	(b)	$ 108,630	$ 1,071	$ 109,701
Administrative expenses		$ 19,241	$ (235)	$ 19,006
Other expenses, net		$ 4,364	$ 216	$ 4,580

	Reference	Balance as of December 31, 2017 as originally reported	Reclassifications	Balance as of December 31, 2017
Long-term accounts receivable from independent business partners	(a)	$ 557	$ (557)	$ -
Other assets, net		$ 2,412	$ 557	$ 2,969
Net sales		$ 267,515	$ 970	$ 268,485
Cost of sales		$ 124,763	$ 2	$ 124,765
Distribution and selling expenses	(b)	$ 102,801	$ 1,064	$ 103,865
Administrative expenses		$ 18,388	$ (254)	$ 18,134
Other expenses, net		$ 1,162	$ 158	$ 1,320

(a) Grouping of long-term accounts receivable from independent business partners under other assets, net.

(b) Change in presentation of payments made to customers.

4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Company'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 may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. The effects of changes in accounting estimates are recognized in the period of the change and future periods if the change affects both current and subsequent periods.

a) Critical judgment in applying accounting policies

Consolidation of structured entities

As described in more detail in Note 7, BBU has entered into agreements with third party contractors ("Independent Business Partners") in which it holds no direct or indirect interest but that qualify as structured entities (SE). The Company has concluded that some of these structured entities meet the requirements to be consolidated in accordance with IFRS 10 *Consolidated Financial Statements*.

b) Key sources of estimation uncertainty

1. Useful lives, residual values and depreciation and amortization methods for long-lived assets

As described in Note 3, the Company annually reviews the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and intangible assets. Additionally, for intangible assets, the Company determines whether their useful lives are finite or indefinite. During the periods presented in the consolidated financial statements, there were no modifications to such estimates.

2. Impairment of goodwill and intangible assets

Determining whether goodwill has been impaired involves calculating the recoverable amount of cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount requires the Company to determine the higher between the fair value less cost of disposal and value in use, where the value in use is determined based on the future cash flows that cash-generating units are expected to produce and an appropriate discount rate to calculate the present value of future cash flows.

3. Fair value measurements

Derivative financial instruments are recognized in the statement of financial position at fair value as of the reporting date. In addition, the fair value of certain financial instruments is disclosed in Note 17, mainly with respect to long-term debt, though there is no risk of adjustment to the related carrying amounts. In addition, the Company has acquired businesses for which it is required to determine the fair value of the consideration paid, the identifiable assets acquired, 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 Company 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 MEPPs that have been considered as defined benefits is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in the assumptions.

5. Recoverability of deferred income tax

To determine whether the deferred income tax asset related to tax losses carryforwards is impaired or if it will be recovered in the future, the Company is based on the tax projections it prepares.

6. Employee benefits, insurance and other liabilities

Insurance risks in the United States such as to the liability for general damages to third parties, and employee benefits are self-insured by the Company with coverage that is subject to specific limitations agreed in an insurance program. Provisions for claims are recorded on an incurred-claim basis. Insurable risk liabilities are determined using the Company's historical data. As of December 31, 2019, 2018 and 2017, the net liability amounted to $4,650, $4,757 and $5,085, respectively.

5. Trade receivables and other accounts receivable

	2019	2018	2017
Trade receivables	$ 17,128	$ 19,249	$ 18,135
Allowance for doubtful accounts and expected credit loss,	(711)	(706)	(782)
	16,417	18,543	17,353
Notes receivable	30	110	146
Income tax, value added tax and other recoverable taxes [1]	8,047	5,579	5,907
Other receivables	1,704	1,718	1,400
	$ 26,198	$ 25,950	$ 24,806

[1] During March 2019, the Company obtained certain favorable decisions on legal actions in Brazil related to some contributions, recognizing a right to recover of $734.

The average credit terms on sales of goods, that are not cash sales, is Mexico 30 days, 60 days in the United States and EAA, 21 days in Canada and 30 days in Latin America.

6. Inventories

	2019	2018	2017
Raw materials, containers and packaging materials	**$ 4,317**	$ 4,281	$ 3,703
Orders in progress	**99**	187	160
Finished goods	**3,517**	3,508	3,231
Spare parts	**958**	995	963
	8,891	8,971	8,057
Raw materials in transit	**928**	369	311
	$ 9,819	$ 9,340	$ 8,368

For the years ended December 31, 2019, 2018 and 2017, the Company recognized inventory outputs of $89,112, $86,985 and $81,691, respectively, in cost of sales.

7. Structured entities

The Company, through BBU, enters into agreements with independent business partners for distribution rights to sell and distribute the Company's products through direct deliveries to retail stores in certain sales territories. The Company does not hold equity interest in any of the entities controlled by the independent business partners, some of which, finance the purchase of distribution rights through loans from financial institutions with the Company´s support. To maintain the routes operational and ensure the delivery of products to customers, the Company assumes explicit and implicit commitments. The Company has concluded that all independent business partners that are legal entities qualify as Structured Entities (SE), primarily due to the financial and operative support they receive from the Company. Based on this, the SE are consolidated in the Company's financial statements.

An analysis of the assets and liabilities of independent business partners included in the consolidated financial statements as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Property – vehicles	**$ 3,097**	$ 3,208	$ 3,188
Distribution rights	**6,770**	7,084	6,927
Total assets	**$ 9,867**	$ 10,292	$ 10,115
Short-term portion of long-term debt:			
Obligations under finance leases	**$ 637**	$ 647	$ 658
Loans granted to independent business partners	**42**	44	42
Long-term debt:			
Obligations under finance leases	**1,718**	1,731	1,798
Loans granted to independent business partners	**46**	47	42
Debt with affiliated entities (net of accounts receivable)	**5,271**	5,472	5,139
Total liabilities	**$ 7,714**	$ 7,941	$ 7,679
Non-controlling interest	**$ 2,153**	$ 2,351	$ 2,436

Funding provided by BBU to independent business partners that have been classified as SE and consolidated are eliminated in the consolidated financial statements.

Long-term lease liabilities are secured by the vehicles subject to leases and do not represent additional claims on the Company's general assets.

In addition, the Company has sold certain distribution rights to former employees and other individuals, who are also considered independent business partners, but not structured entities.

The Company finances up to 90% of the distribution rights sell price to certain independent business partners. The loans receivable bear interest of between 5% and 11% annually, with a weighted average of 10%, and are payable in 120 monthly installments. Independent business partners make an initial payment to the Company for the non-financed 10% of the purchase price. In most cases, an independent third-party lender finances the down payment. Both the Company and the financing of independent third parties are guaranteed 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 2019, 2018 and 2017 is as follows:

	Balance as of January 1, 2019	Additions	Business combinations and PPA adjustments (1)	Transfers (2)	Translation effect	Retirements	Impairment	Inflation effect	Balance as of December 31, 2019
Investment:									
Buildings	$ 28,256	$ -	$ (117)	$ 2,326	$ (1,376)	$ (301)	$ -	$ 408	$ 29,196
Manufacturing equipment	82,214	-	(291)	7,965	(3,353)	(2,101)	-	645	85,079
Vehicles	18,107	-	10	(2,332)	(144)	(1,127)	-	(3)	14,511
Office equipment	1,235	-	(11)	396	(39)	(21)	-	4	1,564
Computer equipment	5,741	-	(18)	812	(202)	(324)	-	16	6,025
Total investment	135,553	-	(427)	9,167	(5,114)	(3,874)	-	1,070	136,375
Depreciation and impairment:									
Buildings	(12,326)	(1,803)	213	(1,252)	648	246	(52)	(149)	(14,475)
Manufacturing equipment	(41,653)	(4,934)	397	1,409	1,668	1,908	(296)	(492)	(41,993)
Vehicles	(7,137)	(918)	3	822	90	921	-	27	(6,192)
Office equipment	(707)	(97)	12	21	20	15	(1)	(2)	(739)
Computer equipment	(4,503)	(667)	17	5	160	318	-	(14)	(4,684)
Total accumulated depreciation	(66,326)	(8,419)	642	1,005	2,586	3,408	(349)	(630)	(68,083)
	69,227	(8,419)	215	10,172	(2,528)	(466)	(349)	440	68,292
Land	8,261	-	2	26	(385)	(21)	-	93	7,976
Construction in progress and machinery in transit	9,909	13,117	-	(14,374)	(365)	-	-	59	8,346
Less: Assets held for sale	(154)	-	-	(109)	9	(19)	-	-	(273)
Net investment	$ 87,243	$ 4,698	$ 217	$ (4,285)	$ (3,269)	$ (506)	$ (349)	$ 592	$ 84,341

	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 progress 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 progress 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

[1] This column includes: i) acquisition of Mr. Bagel business, ii) adjustments to the purchase price allocation of Mankattan and Alimentos Nutra Bien recognized in 2019, iii) acquisition of Alimentos El Paisa, iv) International Bakery, v) Mankattan and vi) Alimentos Nutra Bien and vii) adjustments to the purchase price allocation of Bimbo QSR, Ready Roti and Bays recognized in 2018; viii) acquisition of Stonemill, ix) Compañía de Pastelería y Salados, x) Ready Roti, xi) Bays and xii) Bimbo QSR and vxii) adjustments to the purchase price allocation of Donuts Iberia, Panettiere and General Mills recognized in 2017.

[2] Correspond mainly to transfers of buildings and equipment to right of use asset.

Impairment losses recognized during the year

In 2019, 2018 and 2017, the Company performed an impairment review of unused buildings and industrial machinery and equipment, resulting in recognition of an impairment loss in profit and loss of $349, $296 and $95, respectively. A breakdown of impairment by segment is as follows: Mexico $34, North America $9, Latin America $278 and EAA $28 in 2019; Mexico $(29), North America $280, Latin America $(5) and EAA $50 in 2018 and Mexico $20, North America $27, Latin America $25 and EAA $23 in 2017.

In addition, in 2018 the Company recognized impairment of $808 in its operation in Argentina, which was recognized in retained earnings (see Note 3f).

9. Right-of-use asset and lease liabilities

A reconciliation of the carrying amount of right-of-use asset at the beginning and at the end of 2019 is as follows:

	Balance as of January 1, 2019	Additions	Retirements	Early termination	Changes	Translation effect	Inflation effect	Balance as of December 31, 2019
Right-of-use:								
Buildings	$ 15,893	$ 4,643	$ (101)	$ (2,001)	$ 651	$ (169)	$ 1	$ 18,917
Vehicles	4,996	1,945	(74)	(471)	8	(127)	-	6,277
Others	134	43	(4)	(5)	1	(3)	-	166
	21,023	6,631	(179)	(2,477)	660	(299)	1	25,360
Assets under financial lease	5,076	170	(303)	-	-	(194)	-	4,749
Total right-of-use assets	26,099	6,801	(482)	(2,477)	660	(493)	1	30,109
Depreciation:								
Buildings	-	(2,864)	101	198	(10)	35	-	(2,540)
Vehicles	-	(1,218)	74	106	-	24	-	(1,014)
Others	-	(69)	4	3	-	1	-	(61)
	-	(4,151)	179	307	(10)	60	-	(3,615)
Assets under finance lease	(900)	(385)	303	-	-	38	-	(944)
Total accumulated depreciation	(900)	(4,536)	482	307	(10)	98	-	(4,559)
Right-of-use asset, net	$ 25,199	$ 2,265	$ -	$ (2,170)	$ 650	$ (395)	$ 1	$ 25,550

An analysis of changes in lease liabilities in 2019 is as follows:

	Capitalized operating leases	Finance leases	Total
Balance as of January 1	$ 21,023	$ 3,197	$ 24,220
Additions	6,631	170	6,801
Accrued interest	1,013	28	1,041
Payments	(4,446)	(338)	(4,784)
Early termination	(2,208)	-	(2,208)
Modifications	655	-	655
Foreign exchange effects	(4)	-	(4)
Translation effect	(262)	(119)	(381)
Balance as of December 31	22,402	2,938	25,340
Less – current portion	(3,916)	(683)	(4,599)
	$ 18,486	$ 2,255	$ 20,741

The maturity of long-term lease liabilities are as follows:

	Capitalized operating leases	Finance leases	Total
2021	$ 2,830	$ 638	$ 3,468
2022	2,431	596	3,027
2023	2,042	457	2,499
2024	1,691	280	1,971
2025 and thereafter	9,492	284	9,776
	$ 18,486	$ 2,255	$ 20,741

10. Investments in associates

An analysis of investments in associates as of December 31, 2019, 2018 and 2017 is as follows:

Associate	Activity	% equity interest	2019	2018	2017
Beta San Miguel, S.A. de C.V.	Sugar refinery	8	$ 968	$ 855	$ 773
Mundo Dulce, S.A. de C.V.	Confectionery	50	347	337	342
Fábrica de Galletas La Moderna, S.A. de C.V.	Cookies	50	321	313	277
Grupo La Moderna, S.A. de C.V.	Holding company	4	278	265	236
Congelación y Almacenaje del Centro, S.A. de C.V.	Warehousing	15	236	207	180
Fin Común Servicios Financieros, S.A. de C.V.	Financial services	41	180	161	167
Productos Rich, S.A. de C.V.	Baking	18	169	148	145
Other	Other	Various	372	359	198
			$ 2,871	$ 2,645	$ 2,318

The associate entities are incorporated and operate primarily in Mexico and are recognized using the equity method in the consolidated financial statements.

Beta San Miguel, S.A. de C.V., Grupo La Moderna, S.A. de C.V., Congelación y Almacenaje del Centro, S.A. de C.V. and Productos Rich, S.A. de C.V. are all considered associates, since the Company has significant influence over these companies given that it is a member of the Board of Directors of such associates.

A summary of the changes in the Company's investments in associates is as follows:

	2019	2018	2017
Balance as of January 1	$ 2,645	$ 2,318	$ 2,124
Acquisitions and capital contributions	49	175	9
Dividends received	(72)	(42)	(24)
Share on profit of associates	249	194	234
Decreases	-	-	(25)
Balance as of December 31	$ 2,871	$ 2,645	$ 2,318

11. Intangible assets

An analysis of intangible assets by geographical segment as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Mexico	$ 2,733	$ 2,926	$ 2,704
North America	39,769	42,428	44,399
EEA	7,576	7,971	6,498
Latin America	1,240	1,151	2,593
	$ 51,318	$ 54,476	$ 56,194

An analysis of intangible assets by item as of December 31, 2019, 2018 and 2017 is as follows:

	Useful life range	2019	2018	2017
Trademarks	Indefinite	$ 34,410	$ 35,314	$ 35,224
Use and distribution rights	Indefinite	7,734	7,928	7,619
		42,144	43,242	42,843
Trademarks	4 to 9 years	311	312	340
Customer relationships	7 to 40 years	17,526	17,870	17,116
Licenses and software	2 to 8 years	2,441	2,223	2,162
Non-compete agreements	2 to 5 years	158	165	148
Other		1,464	1,457	1,167
		21,900	22,027	20,933
Accumulated amortization and impairment		(12,726)	(10,793)	(7,582)
		$ 51,318	$ 54,476	$ 56,194

The accumulated impairment in the value of trademarks with indefinite useful lives as of December 31, 2019, 2018 and 2017 is $3,745, $2,939 and $1,730, respectively.

The main customer relationships that resulted from the Company's acquisitions are as follows:

	Year of acquisition	Remaining useful life	Net carrying amount 2019	2018	2017
Weston Foods, Inc.	2009	7	**$ 2,261**	$ 2,705	$ 3,048
Sara Lee Bakery Group, Inc	2011	10	**965**	1,114	1,219
Canada Bread	2014	16	**2,343**	2,388	2,652
Bimbo QSR	2018	23 to 38	**4,054**	4,351	4,838

Reconciliation of the carrying amount of intangible assets at the beginning and at the end of 2019, 2018 and 2017 is as follows:

Cost

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Other	Total
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
Translation effect	(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
Inflation effect	63	-	-	-	-	-	63
Translation effect	(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
Structured entities	-	132	-	-	-	-	132
Additions	-	-	-	264	-	-	264
Business combinations and PPA adjustments	133	-	247	-	1	16	397
Transfers	(34)	-	-	-	-	-	(34)
Translation effect	(1,004)	(326)	(591)	(46)	(8)	(9)	(1,984)
Balance as of December 31, 2019	$ 34,721	$ 7,734	$ 17,526	$ 2,441	$ 158	$ 1,464	$ 64,044

Accumulated amortization and impairment

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Other	Total
Balance as of December 31, 2016	$ (1,741)	$ (266)	$ (3,791)	$ (819)	$ (63)	$ (26)	$ (6,706)
Impairment in structured entities	-	(73)	-	-	-	-	(73)
Amortization expense	(17)	(3)	(698)	(383)	(15)	-	(1,116)
Impairment	(61)	-	-	-	-	-	(61)
Translation effect	131	5	201	35	2	-	374
Balance as of December 31, 2017	(1,688)	(337)	(4,288)	(1,167)	(76)	(26)	(7,582)
Impairment structured entities	-	(148)	-	-	-	-	(148)
Amortization expense	(18)	-	(765)	(579)	(8)	(232)	(1,602)
Impairment	(1,268)	-	(333)	-	(51)	-	(1,652)
Translation effect	51	-	64	61	15	-	191
Balance as of December 31, 2018	(2,923)	(485)	(5,322)	(1,685)	(120)	(258)	(10,793)
Impairment in structured entities	-	(99)	-	-	-	-	(99)
Amortization expense	(5)	-	(856)	(328)	(6)	(223)	(1,418)
Impairment	(847)	-	-	-	-	(6)	(853)
Translation effect	170	19	205	37	3	2	437
Balance as of December 31, 2019	$ (3,605)	$ (565)	$ (5,973)	$ (1,976)	$ (123)	$ (485)	$ (12,726)
Net balances as of December 31, 2017	$ 33,876	$ 7,282	$ 12,828	$ 995	$ 72	$ 1,141	$ 56,194
Net balances as of December 31, 2018	$ 32,703	$ 7,443	$ 12,548	$ 538	$ 45	$ 1,199	$ 54,476
Net balances as of December 31, 2019	$ 31,117	$ 7,169	$ 11,553	$ 465	$ 35	$ 979	$ 51,318

Amortization of intangible assets is recognized under administrative expenses.

In 2019, the Company recognized an impairment loss in other expenses associated to the value of trademarks of $847. The impairment loss was recognized in the following geographical segments: $201 in Mexico, $71 in Latin America and $575 in North America.

In 2019, the Company stopped considering certain trademarks in the North America segment with a carrying amount of $1,212 to have an indefinite useful life and beginning in 2020, these assets will be amortized over a remaining useful life of 40 years.

In 2018, the Company recognized an impairment loss associated to the value of trademarks of $401. The impairment loss was allocated in the following geographical segments: $45 in Mexico, $24 in Latin America, $327 in North America and $5 in EAA.

In addition, in 2018 the Company recognized an impairment loss in retained earnings associated to the value of trademarks, customer relationship and non-compete agreements in Argentina of $1,251 (see Note 3f).

In 2017, the Company recognized an impairment loss in other expenses associated to the value of trademarks of $61. The impairments loss was allocated in the following geographical segments: $28 in Mexico and $33 in North America.

The total amount of impairment in distribution rights corresponds to the Company'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.

12. Goodwill

An analysis of goodwill by geographical area is as follows:

	2019	2018	2017
Goodwill:			
Mexico	**$ 1,471**	$ 1,470	$ 1,334
North America	**59,950**	61,952	63,305
EAA	**10,444**	11,240	8,063
Latin America	**3,019**	3,461	3,038
	74,884	78,123	75,740

	2019	2018	2017
Accumulated impairment:			
Mexico	$ **(577)**	$ (569)	$ (560)
North America	**(6,122)**	(6,389)	(6,229)
EAA	**(3,486)**	(3,696)	(3,467)
Latin America	**(1,905)**	(1,956)	(2,058)
	(12,090)	(12,610)	(12,314)
	$ **62,794**	$ 65,513	$ 63,426

An analysis of movements in goodwill for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Balance as of January 1	$ **65,513**	$ 63,426	$ 62,884
Acquisitions in business combinations (Note 1)	**35**	2,663	4,518
Impairment	**(17)**	(331)	(389)
Transfers	**34**	-	-
Reclassifications due to adjustments to the values of business combinations	**(512)**	1,784	(3,216)
Translation effect	**(2,259)**	(2,029)	(371)
Balance as of December 31	$ **62,794**	$ 65,513	$ 63,426

An analysis of movements in cumulative impairment losses as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Balance as of January 1,	$ **12,610**	$ 12,314	$ 8,476
Impairment for the year	**17**	331	389
Reclassifications due to adjustments to the values of acquisitions	**-**	-	3,216
Translation effect	**(537)**	(35)	233
Balance as of December 31,	$ **12,090**	$ 12,610	$ 12,314

Key assumptions used in the value in use calculations

The key assumptions of the primary cash-generating units ("CGU´s") used in impairment tests are as follows:

	Discount rate			**Average growth**			**Capex over net sales**		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Mexico	**8.90%**	9.8%	10.7%	**3.10%**	6.1%	7.0%	**2.20%**	2.1%	3.0%
USA	**6.50%**	7.5%	8.5%	**5.33%**	3.6%	3.2%	**2.86%**	2.6%	2.1%
Canada	**6.25%**	6.0%	5.8%	**2.20%**	1.9%	4.8%	**3.00%**	3.7%	3.8%
Spain	**6.50%**	7.0%	6.5%	**2.10%**	2.1%	2.5%	**3.70%**	6.0%	7.4%
Brazil	**10.25%**	9.8%	11.3%	**5.20%**	9.4%	6.9%	**5.90%**	5.7%	3.8%

Allocation of goodwill to cash-generating units

When analyzing impairment, goodwill is allocated to the CGU´s, 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:

	2019	2018	2017
USA	**$ 40,396**	$ 42,227	$ 41,609
Canada	**13,335**	13,336	14,663
Spain	**1,175**	1,229	4,071
Other CGUs	**7,868**	8,721	3,083
	$ 62,774	$ 65,513	$ 63,426

USA

The recoverable amount of the CGU is the higher of the asset's value in use (VIU) and its fair value less costs to disposal (FVLCD). This year the VIU was higher and in order to calculate this amount, the Company applied the discounted cash flows method, which consists of applying a discount rate to the projected cash flows of the CGU. The discount rate used is the Weighted Average Cost of Capital (WACC), which considers the cost of capital contributed by the shareholder and the cost of debt. The projections applied have a 5-year horizon, plus the last perpetuity that considers the normalized flow plus an increment in line with the country's inflation rate.

After applying the aforementioned methodology, the Company concluded that there is no impairment in the value of the goodwill of this CGU.

Morocco

The recoverable amount of the CGU is estimated based on the greater between the VIU and FVLCTS.

To determine the recoverable amount, the Company used the discounted cash flows method, which considers a discount rate applied to projected cash flows of the CGU. The discount rate used is the Weighted Average Cost of Capital (WACC), which considers the cost of capital contributed by the shareholder and the cost of debt. The projections applied have a 5-year horizon, plus the last perpetuity that considers the normalized flow plus an increment in line with the country's inflation rate.

Based on the application of this methodology, the Company concluded that an impairment loss existed in the value of goodwill associated to this CGU of $201 in 2018, recognized in profit or loss.

Argentina

The Company applied the discounted cash flow method to this CGU and identified impairment of $121 in 2018 in the value of the goodwill associated to its CGU in Argentina, which was recognized in retained earnings (see Note 3f).

Rest of CGUs

For the rest of the CGUs, the value in use was higher than the carrying amount and no impairment losses were recognized.

13. Long-term debt

	Fair value	Book value 2019	Book value 2018	Book value 2017
International bonds -				
On September 6, 2019 the Company issued a bond under Rule 144 A and Regulation S of the Securities and Exchange Commission (SEC) for USD 600 million, maturing on September 6, 2049. Such bond pays a fixed interest rate of 4.000% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.	**$ 10,666**	**$ 11,307**	$ -	$ -
On November 10, 2017 the Company 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 Company's debt, extending the average maturity.	**12,885**	**12,249**	12,794	12,828
On June 27, 2014 the Company 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 Company's debt, extending the average maturity. See Note 17.2.3 (a) and (b) for more information.	**15,781**	**15,076**	15,746	15,788

	Fair value	**Book value 2019**	Book value 2018	Book value 2017
On June 27, 2014 the Company 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 Company's debt, extending the average maturity. See Note 17.2.3 (c) and (d) for more information.	**10,125**	**9,423**	9,841	9,868
On January 25, 2012 the Company 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 4.50% payable on a semi-annual basis. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.	**15,705**	**15,076**	15,746	15,788
On June 30, 2010 the Company 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 Company's debt, extending the average maturity. On October 8, 2019, the Company made a partial payment of USD 600 million, the remaining current debt is USD 200 million.	**3,816**	**3,769**	15,746	15,788
Local bonds -				
As of December 31, 2019, the Company 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%. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity as well as the partial payment of Bimbo QSR acquisition.	**9,499**	**9,633**	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%. The proceeds from this issuance were used to refinance the Company's debt, extending the average maturity.	**7,535**	**7,706**	7,830	8,000

	Fair value	Book value 2019	Book value 2018	Book value 2017
Revolving committed line of credit (multicurrency) -				
On May 21, 2018 the Company 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 Company made drawdowns against and payments to this line of credit. As of December 31, 2019, there is a withdrawn balance on this line of credit in USD and Mexican pesos.	**95**	**95**	-	-
Revolving committed line of credit (euros) -				
On November 6, 2015 the Company 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

	Fair value	**Book value 2019**	Book value 2018	Book value 2017
Unsecured loans for working capital - The Company occasionally enters into short-term unsecured loans to meet its working capital needs.	**770**	**770**	-	-
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.	**2,152**	**2,152**	2,783	3,450
Debt issuance expenses	**(586)**	**(586)**	(363)	(435)
	88,443	**86,672**	89,846	93,431
Less:				
Short-term portion of long-term debt	**(5,408)**	**(5,408)**	(1,153)	(1,885)
Long-term debt	**$ 83,035**	**$ 81,264**	$ 88,693	$ 91,546

As of December 31, 2019, maturities of long-term debt are as follows:

Year	Amount
2021	$ 58
2022	15,788
2023	309
2024	15,255
2025 and thereafter	49,854
	$ 81,264

The reconciliation of the Company's debt at the beginning and at the end of the year is as follows:

Debt	2019	2018	2017
Beginning balance	**$ 89,846**	$ 93,431	$ 81,803
Loans obtained	**22,815**	8,024	40,772
Loans paid	**(22,640)**	(11,005)	(26,904)
Amortization of debt issuance expenses	**(221)**	71	-
Effects of remeasurements	**(3,128)**	(675)	(2,240)
Ending balance	**$ 86,672**	$ 89,846	$ 93,431

All outstanding local bonds, international bonds and the syndicate revolving committed line of credit are guaranteed with the primary subsidiaries of Grupo Bimbo. As of December 31, 2019, 2018 and 2017, the Company has complied with the obligations established in its loan agreements, including the required financial ratios, such as leverage ratio (Debt/EBITDA) and interest ratio (EBITDA/interest expense).

14. Other accounts payable and accrued liabilities

	2019	2018	2017
Other accounts payable:			
Other taxes payable	$ 2,685	$ 3,166	$ 3,074
Other creditors	1,860	2,265	1,702
	4,545	$ 5,431	$ 4,776
Accrued liabilities:			
Personnel compensation and bonuses	$ 8,517	$ 11,083	$ 9,392
Fees and consulting	1,133	1,923	1,983
Advertising and promotion	909	1,264	1,973
Interest and bank fees	954	849	1,254
Supplies and fuel	713	1,084	1,109
Insurance and guaranty bonds	562	545	553
Taxes and contributions	563	145	191
Other	577	731	569
	13,928	17,624	17,024
	$ 18,473	$ 23,055	$ 21,800

15. Related party balances and transactions

Balances and transactions between Grupo Bimbo and its subsidiaries, which are related parties, have been eliminated in preparing the consolidated financial statements and are not disclosed in this note. Transactions between the Company and other related parties are detailed below.

a) Business transactions

Transactions with associate companies and related parties, carried out in the normal course of business, were as follows:

	2019	2018	2017
Purchases of:			
Raw materials:			
Beta San Miguel, S.A. de C.V. [(1)]	$ 1,685	$ 1,653	$ 1,982
Frexport, S.A. de C.V. [(2)]	669	659	902
Industrial Molinera Monserrat, S.A. de C.V. [(2)]	-	28	336
Finished goods:			
Fábrica de Galletas La Moderna, S.A. de C.V. [(1)]	$ 877	$ 758	$ 634
Mundo Dulce, S.A. de C.V. [(1)]	833	504	852
Pan-Glo de México, S. de R.L. de C.V. [(1)]	67	74	167

	2019	2018	2017
Stationary, uniforms and other:			
Efform, S.A. de C.V. [1]	$ 276	$ 240	$ 195
Proarce, S.A. de C.V. [2]	84	135	101
Uniformes y Equipo Industrial, S.A. de C.V. [1]	120	137	129
Financial services:			
Fin Común Servicios Financieros, S.A. de C.V. [1]	$ 810	$ 766	$ 697

(1) Associate company
(2) Related party

Balances receivable due from related parties consist of unsecured accounts and are collectible in cash. No guarantees have been given or received with related parties. The Company 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:

	2019	2018	2017
Beta San Miguel, S.A. de C.V.	$ 616	$ 563	$ 615
Frexport, S.A. de C.V.	148	20	10
Fábrica de Galletas La Moderna, S.A. de C.V.	129	128	118
Mundo Dulce, S.A. de C.V.	65	53	48
Uniformes y Equipo Industrial, S.A. de C.V.	30	41	37
Proarce, S.A. de C.V.	29	22	40
Makymat, S.A. de C.V.	18	21	12
Pan-Glo de México, S. de R. L. de C. V.	16	28	22
Efform, S.A. de C.V.	11	25	49
Other	2	8	4
	$ 1,064	$ 909	$ 955

c) Compensation of key management personnel

The compensation of the Company's management and other key members of management for the years ended December 31, 2019, 2018 and 2017 was $1,194, $1,789 and $1,476, respectively. This compensation is determined based on personnel individual performance and market trends and approved by the Board of Directors.

16. Income tax

Income tax in Mexico

The current and expected income tax rate for 2019, 2018, and 2017 and subsequent years is 30%.

On 30 October 2019, a series of tax reforms effective as of 1 January 2020 were approved in Mexico. The main changes are as follows:

1. Restrictions on the deduction of net interest
2. Restrictions on the deductibility of payments made to entities located in low tax jurisdictions
3. Re-characterization of transactions when the tax authorities conclude that there is no business reason for the transaction

As of December 31, 2019, the Company is in the process of evaluating the potential impacts of the aforementioned tax reforms.

Income tax in other countries

Subsidiaries established abroad calculate income tax or an equivalent of it based on the individual performance of each subsidiary and in accordance with the regulations of each country. In the U.S. the Company has an authorization to file a consolidated income tax return. From 2013, the Spanish operations have an authorization to file a consolidated income tax return. Beginning 2019, French subsidiaries have been authorized to file a consolidated income tax return.

Except for the subsidiaries mentioned above, each subsidiary calculates and pays income tax as an individual legal entity. The annual tax returns are filed within the six months following the end of the fiscal year. Additionally, the subsidiaries must make provisional payments during each fiscal year.

The tax rates applicable in other countries where the Company operates and the period in which tax losses may be applied, are as follows:

	Statutory income tax rate (%)					Expiration of tax loss carryforwards	
	2019		2018		2017		
Argentina	**30**	(a)	30	(a)	35	5	(b)
Brazil	**34**		34		34		(c)
Canada	**15**	(d)	15	(d)	15	20	(h)
Spain	**25**		25		25		(e)
USA	**21**	(f)	21	(f)	35		(g)
Mexico	**30**		30		30	10	

The tax losses generated by the Company 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% to 30% for 2018 and 2019.

(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 indefinitely carried forward 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 of 15%, and relevant state (provincial) corporate income tax rates where the Company 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% from 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.

(h) The Company's tax losses may be carried back against the three prior years.

Operations in the United States, Canada, Uruguay, Colombia, Guatemala, Panama, Honduras, Nicaragua and Ecuador are subject to minimum income tax payments or substitutive tax.

Analysis of provisions, effective tax rate and deferred effects

a) The Company's consolidated income tax is as follows:

	2019	2018	2017
Income tax:			
Current	$ 3,926	$ 3,510	$ 4,444
Deferred	723	1,387	1,838
	4,649	4,897	6,282
Uncertain positions	84	-	-
	$ 4,733	$ 4,897	$ 6,282

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, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Profit before income tax	$ 12,108	$ 11,708	$ 11,951
Statutory income tax rate	30%	30%	30%
Income tax at statutory tax rate	3,632	3,512	3,585
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	605	776	772
Non-deductible expenses and other	655	94	790
Non-taxable profit and tax incentives	(699)	(578)	(553)
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	(53)	(331)	310
Effects on tax values of property, plant and equipment	(253)	(246)	(243)
Share on loss of associates	(75)	(61)	(70)
Unrecognized available tax loss carryforwards	921	1,731	985
Income tax recognized in profit or loss	$ 4,733	$ 4,897	$ 6,282
Effective income tax rate	39.1%	41.8%	52.6%

To determine their deferred income tax as of December 31, 2019, 2018 and 2017, the Company'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.

a) The primary items that generate deferred income tax as of December 31, 2019, 2018 and 2017 are:

	Balance as of December 31, 2018	Effects through profit or loss	Effects through OCI	Reclassifications	Translation effects	Balance as of December 31, 2019
Allowance for doubtful accounts	$ (245)	$ (43)	$	$ -	$	$ (288)
Inventories and advanced payments	(44)	13	-	-	-	(31)
Property, plant and equipment	4,654	(1,048)	-	-	-	3,606
Intangible assets and other assets	10,367	442	-	-	(100)	10,709
Other reserves and provisions	(9,649)	(423)	(1,358)	-	-	(11,430)
Current employee profit sharing	(421)	69	-	-	-	(352)
Available tax loss carryforwards	(2,152)	1,523	-	(752)	-	(1,381)
Net economic hedge	-	(744)	744	-	-	-
Assets and liabilities for leases, net	-	(173)	-	-	-	(173)
Derivative financial instruments	-	431	(440)	-	-	(9)
Other items	(676)	676	-	-	-	-
Total (assets)/liabilities, net	$ 1,834	$ 723	$ (1,054)	$ (752)	$ (100)	$ 651

	Balance as of December 31, 2017	Effects through profit or loss	Effects through OCI	Effects through retained earnings and other	Translation effects	Business combinations	Balance as of December 31, 2018
Allowance for doubtful accounts	$ (202)	$ (48)	$ -	$ 5	$ -	$ -	$ (245)
Inventories and advanced payments	(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 as of December 31, 2016	Effects through profit or loss	Effects through OCI	Translation effects	Business combinations	Balance as of December 31, 2017
Allowance for doubtful accounts	$ (402)	$ 200	$ -	$ -	$ -	$ (202)
Inventories and advanced payments	(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)

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:

	2019	2018	2017
Deferred income tax asset	**$ (4,590)**	$ (3,886)	$ (6,288)
Deferred income tax liability	**5,241**	5,720	4,682
Total deferred income tax liability/(asset), net	**$ 651**	$ 1,834	$ (1,606)

The Company has determined that the undistributed earnings of its foreign subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019, there are undistributed earnings for temporary differences related to investments in subsidiaries and associates, for which no deferred tax liabilities have been recognized.

As of December 31, 2019, the Company's unused tax losses have the following expiration dates:

Year	Amount
2020	$ 482
2021	781
2022	784
2023	1,136
2024	1,401
2025	2,656
2026	10,694
2027	155
2028	21
2029 and thereafter	28,660
	46,770
Unrecognized available tax loss carryforwards	(41,716)
Total	$ 5,054

Certain subsidiaries that have tax losses have not recognized the deferred tax asset, since they do not have sufficient taxable income or projected earnings to estimate the time for recovery of such tax losses. Unrecognized accumulated benefits of such tax losses were $12,515 in 2019, $11,429 in 2018 and $11,237 in 2017.

Some 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, 2019, the Company expects to recover such tax losses through reversed temporary differences and future taxable profits.

17. Financial instruments

1. An analysis of financial instruments by category as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017	Category
Assets				
Financial assets:				
Cash and cash equivalents	$ 6,251	$ 7,584	$ 7,216	Fair value
Trade receivables and other accounts receivable, net	18,152	20,371	18,899	Amortized cost
Derivative financial instruments	143	106	682	Fair value
Guarantee deposits for derivative financial instruments	325	619	417	Fair value
Total current assets	24,871	28,680	27,214	
Other long-term assets	1,235	1,304	1,952	Amortized cost
Other long-term assets	652	381	1,017	Fair value
Derivative financial instruments	1,533	3,017	2,592	Fair value
Total assets	$ 28,291	$ 33,382	$ 32,775	

	2019	2018	2017	Category
Liabilities				
Financial liabilities:				
Short-term portion of long-term debt	**$ 5,408**	$ 1,153	$ 1,885	Amortized cost
Trade accounts payables	**23,105**	21,074	19,677	Amortized cost
Other accounts payable	**1,852**	2,243	1,651	Amortized cost
Accounts payable to related parties	**1,064**	909	955	Amortized cost
Derivative financial instruments	**673**	879	241	Fair value
Total current liabilities	**32,102**	26,258	24,409	
Long-term debt	**81,264**	88,693	91,546	Amortized cost
Derivative financial instruments	**437**	347	-	Fair value
Total liabilities	**$ 113,803**	$ 115,298	$ 115,955	

2. Risk management

During the normal course of its operations, the Company is exposed to risks inherent to different financial variables, as well as changes in the prices of some raw materials that are traded in international formal markets. The Company has established an orderly risk management process that assesses the nature and extent of those risks.

The primary financial risks to which the Company is exposed are:

- Market risks
- Interest rate risks
- Foreign currency exchange risks
- Commodity price risks
- Liquidity risks
- Credit risks
- Equity risks

The risk management process includes the following:

- Identify, assess and monitor external and internal risks that could have a significant impact on the Company;
- Prioritizing risks;
- Ensuring risk assignment and monitoring;
- Validating bodies and/or those responsible for risk management;
- Validating the progress made in the management of each prioritized risk;
- Making recommendations;
- Reviewing the consistency of open positions as compared to the corporate strategy.

Since the variables to which the Company is exposed are dynamic, hedging strategies are evaluated and monitored formally and periodically. Such strategies are reported to the relevant corporate governance body within the Company. 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 Company is exposed to interest rate and foreign currency exchange risks as well as to price risks related to the purchase of certain commodities. The Company occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its financial performance. The Company considers that derivative financial instruments it enters into provide flexibility that allows for greater financial stability and better visibility and certainty regarding future costs and expenses.

The Company 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 Company 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 Company 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 by the Company on an ongoing basis.

The Company'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 Company to a specific risk. Consequently, the notional amounts of the Company's derivative financial instruments must be consistent with the amounts of the primary positions that are being hedged. The Company does not contract derivative financial instruments to obtain pretended earnings from premiums. If the Company 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:

	2019		2018		2017	
	Book value	**Value in OCI**	Book value	Value in OCI	Book value	Value in OCI
Assets						
Current assets:						
Forwards	$ -	$ (30)	$ 37	$ (4)	$ 33	$ (33)
Forwards on raw materials	-	-	-	189	189	(20)
Foreign exchange rate options	-	26	26	88	114	(114)
Unaccrued option premiums paid	-	-	29	-	45	(45)
Futures:						
Fair value of raw materials, natural gas, diesel and soy oil	143	(129)	14	287	301	(165)
Total short-term derivative financial instruments	$ 143	$ (133)	$ 106	$ 560	$ 682	$ (377)
Non-current assets:						
Cross currency swap	$ 1,533	$ 545	$ 3,009	$ (903)	$ 2,592	$ (897)
Forwards	-	7	8	(8)	-	-
Total long-term derivative financial instruments	$ 1,533	$ 552	$ 3,017	$ (911)	$ 2,592	$ (897)
Liabilities						
Current liabilities:						
Swap	$ -	$ -	$ 12	$ 1	$ 13	$ (13)
Foreign currency rate forwards	233	(198)	-	-	-	9
Forwards on raw materials	325	(256)	76	(76)	-	-
Cross currency swap	8	26	-	-	-	-
Futures:						
Fair value of raw materials, natural gas, diesel and soy oil	107	680	791	(563)	228	135
Total short-term derivative financial instruments	$ 673	$ 252	$ 879	$ (638)	$ 241	$ 131
Total long term derivative financial instruments	$ 437	$ (1,168)	$ 347	$ (347)	$ -	$ (569)
Equity:						
Total valuation of cash flow hedges, net of accrued interest	$ (1,825)	$ (1,335)	$ (490)	$ (634)	$ 144	$ 836
Terminated contracts for unused futures	(16)	(18)	2	26	(24)	141
	(1,841)	(1,353)	(488)	(608)	120	977
Deferred income tax, net	559	440	119	149	(30)	(297)
Other comprehensive (loss)/income	$ (1,282)	$ (913)	$ (369)	$ (459)	$ 90	$ 680

2.2 Management of interest rate risk

The Company 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, 2019, the Company has long-term debt at variable rates referenced to the Euro Interbank Offered Rate ("EURIBOR") and the Mexico Interbank Floating Interest Rate ("TIIE" Spanish acronym). As of December 31, 2018 the Company had no long-term debt that bore interest at variable rates. As of December 31, 2017 a portion of the long-term debt accrued interest at the variable rate EURIBOR.

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 Company 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 EURIBOR would result in a decrease/increase in profit or loss of approximately $0.1 and $4.7 for the years ended December 31, 2019 and 2017, respectively.

An increase/decrease of 20 basis points in the TIIE would result in a decrease/increase in profit or loss of approximately $8 for the year ended December 31, 2019.

2.3 Management of foreign currency risk

The Company 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 Company is mainly exposed to foreign currency risk associated with the performance of the Mexican peso against the USD and the Canadian dollar and of the Canadian dollar against the USD.

- Management of foreign currency translation risk

The Company has investments in foreign subsidiaries whose functional currency is not the Mexican peso, which exposes it to foreign currency translation risk. The Company has contracted intercompany financial assets and liabilities with those foreign subsidiaries in various currencies, which also generate foreign currency translation risks.

Foreign currency translation risk is mitigated mostly through the designation of one or more loans denominated in these currencies to naturally hedge exposure to foreign currency as well as certain derivative financial instruments under the accounting method of net investment in foreign subsidiaries.

As of December 31, 2019, 2018 and 2017, the portion of loans in USD (described in Note 13) that have been designated as hedges on the net investment in foreign subsidiaries amount to USD 2,550, USD 2,550 and USD 2,650 million, respectively.

As of December 31, 2019, 2018 and 2017, the loans that have been designated as hedges on the net investment in foreign subsidiaries amount to CAD 290, CAD 290 and CAD 965 million, respectively (see Note 17, 2.3 (a)).

To test hedge effectiveness, the Company 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, 2019, 2018 and 2017, the amount designated as a hedge for long-term intercompany asset positions is CAD 630, CAD 650 and CAD 650 million, respectively.

As of December 31, 2017, the bank loan that has been designated as a hedge on the net investment in foreign subsidiaries amounts to EUR 100 million.

Management of transactional foreign currency risk

The Company'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 Company adjusts the non-financial asset hedged for the gain or loss previously recognized in Other Comprehensive Income.

Foreign currency exchange sensitivity

The sensitivity analyses below have been determined based on balances exposed to foreign currency exchange 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 a decrease/increase of approximately $48, $55 and $38 in profit or loss for the years ended December 31, 2019, 2018 and 2017, 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 a decrease/increase of approximately $0, $1 and $1 in profit or loss for the years ended December 31, 2019, 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 a decrease/increase of approximately $0, $1 and $0 in profit or loss for the year ended December 31, 2019, 2018 and 2017, respectively.

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, 2019, 2018 and 2017 is as follows:

a) Swaps maturing on June 27, 2024 that translate a portion of the 144A Bond of USD 800 million to Canadian dollars and change the fixed interest rate in USD to a fixed interest rate in Canadian dollars.

							Market value		
Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	2018	2017
270	USD	290	CAD	27-jun-2024	3.875%	4.1125%	$ 976	$ 1,091	$ 774
224	USD	240	CAD	27-jun-2024	3.875%	4.1175%	-	-	638
103	USD	110	CAD	27-jun-2024	3.875%	4.1558%	-	-	289
10	USD	11	CAD	27-jun-2024	3.875%	4.1498%	-	-	28
92	USD	99	CAD	27-jun-2024	3.875%	4.0415%	-	-	268
101	USD	108	CAD	27-jun-2024	3.875%	4.1246%	-	-	288
							$ 976	$ 1,091	$ 2,285

b) Swaps maturing on June 27, 2024 that translate the remaining portion of the 144A Bond of USD 800 million to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.

							Market value		
Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
100	USD	1,827	MXP	27-jun-2024	3.875%	8.410%	$ 90	$ 292	$ -
150	USD	2,744	MXP	27-jun-2024	3.875%	8.420%	132	434	-
76	USD	1,392	MXP	27-jun-2024	3.875%	8.387%	69	222	-
204	USD	3,855	MXP	27-jun-2024	3.875%	8.320%	41	463	-
							$ 332	$ 1,411	$ -

c) Swaps maturing on June 27, 2044 that translate a portion of the 144A Bond of USD 500 million to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.

							Market value		
Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
100	USD	1,829	MXP	27-jun-2028	4.875%	9.8385%	$ 95	$ 387	$ -
100	USD	1,918	MXP	27-jun-2044	-	1.1900%	130	-	-
							$ 225	$ 387	$ -

d) Swaps maturing on June 27, 2044 that translate a portion of the 144A Bond of USD 500 million to Canadian dollars and change the fixed interest rate in USD to a fixed interest rate in Canadian dollars.

							Market value		
Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
100	USD	107	CAD	27-jun-2044	4.875%	5.0455%	$ -	$ -	$ 307

e) Swaps maturing on June 30, 2020 that translate a portion of the 144A Bond of USD 800 million to Mexican pesos and change the fixed interest rate in USD to a fixed interest rate in Mexican pesos.

							Market value		
Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
100	USD	1,918	MXP	20-jun-2020	4.875%	9.438%	$ -	$ 120	$ -

f) Long-term forwards for forecasted transactions

		December, 2019		December, 2018		December, 2017		Market value		
Country	Currency	Notional amount	Average exchange rate	Notional amount	Average exchange rate	Notional amount	Average exchange rate	2019	2018	2017
Mexico	USD/MXP	-	-	46	21.12	-	-	$ -	$ 8	$ -

	2019	2018	2017
Total long-term financial assets	$ 1,533	$ 3,017	$ 2,592

g) Long-term forwards to hedge foreign currency risk related to raw materials and other:

		December, 2019		December, 2018		December, 2017		Market value		
Country	Currency	Notional amount	Average exchange rate	Notional amount	Average exchange rate	Notional amount	Average exchange rate	2019	2018	2017
Mexico	USD/MXP	12	20.15	-	-	-	-	$ 2	$ -	$ -
Canada	USD/CAD	8	1.32	-	-	-	-	2	-	-
								$ 4	$ -	$ -

h) Long-term forwards hedging forecasted transactions:

		December, 2019		December, 2018		December, 2017		Market value		
Country	Currency	Notional amount	Average exchange rate	Notional amount	Average exchange rate	Notional amount	Average exchange rate	2019	2018	2017
Mexico	USD/MXP	58	20.85	15	22.38	-	-	$ 37	$ 14	$ -

i) Interest rate swap that covers the variable rate in USD (LIBOR) in an amount of 160 USD. This instrument receives quarterly the LIBOR rate and delivers a semiannual fixed rate of 3.29%:

					Market value		
Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	2018	2017
160	USD	30-jun-2030	3-months LIBOR	3.2923%	$ -	$ 151	$ -
160	USD	30-jun-2030	3-months LIBOR	3.2865%	377	140	-
60	USD	30-jun-2030	3-months LIBOR	2.9965%	-	6	-
100	USD	30-jun-2030	3-months LIBOR	2.8406%	-	36	-
					$ 377	$ 333	$ -

j) Interest rate swap hedging forecasted flows related to financial leases in Italy:

					Market value		
Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
10	EUR	03-feb-2031	3-months Euribor	1.28%	$ 10	$ -	$ -
9	EUR	03-mar-2031	3-months Euribor	1.25%	9	-	-
					$ 19	$ -	$ -

	2019	2018	2017
Total long-term financial liabilities	$ 437	$ 347	$ -

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 forecasted transactions (i.e., notional amount and expected payment date). The Company 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, 2019, 2018 and 2017, the Company had the following forwards to cover forecasted transactions:

		December, 2019		December, 2018		December, 2017		**Market value**		
Country	**Currency**	**Notional amount**	**Average exchange rate**	Notional amount	Average exchange rate	Notional amount	Average exchange rate	**2019**	2018	2017
Mexico	EUR/MXP	**10**	**21.57**	-	-	-	-	$ -	$ -	$ -
Mexico	MXP/CLP	**1,075**	**39.67**	898	32.53	-	-	**12**	41	-
Mexico	MXP/USD	**225**	**20.35**	130	20.49	115	55	**221**	(25)	38
Mexico	USD/CLP	-	-	14	655.25	-	-	-	16	-
Netherlands	EUR/RUB	**4**	**70.75**	-	-	-	-	-	-	-
France	USD/EUR	-	-	3	1.27	4	1.14	-	5	(5)
								$ 233	$ 37	$ 33

As of December 31, 2019, the maturities of the aforementioned forwards 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 EUR	-	10	-	-	-	10
Average exchange rate	-	21.57	-	-	-	21.57
Mexico						
Notional amount MXP	-	1,075	-	-	-	1,075
Average exchange rate	-	39.67	-	-	-	39.67
Mexico						
Notional amount USD	33	62	50	55	25	225
Average exchange rate	20.38	19.61	20.96	20.58	20.43	20.35
Netherlands						
Notional amount EUR	-	4	-	-	-	4
Average exchange rate	-	70.75	-	-	-	70.75

As of December 31, 2018 and 2017, the Company had contracted the following interest rate swap for forecast flows related to finance leases in Italy:

					Market value		
Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	2019	Notional amount	Currency
10	EUR	03-feb-2031	3-months Euribor	1.28%	$ -	$ 6	$ 7
9	EUR	03-mar-2031	3-months Euribor	1.25%	-	6	6
					$ -	$ 12	$ 13

As of December 31, 2018 and 2017, the Company had contracted the following options:

		December, 2019		December, 2018		December, 2017		**Market value**		
Country	**Currency**	**Notional amount**	**Average exchange rate**	Notional amount	Average exchange rate	Notional amount	Average exchange rate	**2019**	2018	2017
Mexico	USD/MXP	-	-	150	21.00	160	21.00	$ -	$ 26	$ 114

As of December 31, 2019, the Company had the following cross currency swap maturing on June 30, 2020 that translates a portion of the 144A Bond of USD 800 million to Mexican pesos and changes the fixed interest rate in USD to a fixed interest rate in Mexican pesos.

Notional amount	Currency	Notional amount	Currency	Maturity	Interest rate charged	Interest rate paid	Market value 2019	2018	2017
100	USD	1,829	MXP	20-jun-2020	4.875%	9.438%	$ 8	$ -	$ -

As of December 31, 2019, 2018 and 2017, the Company had contracted the following forwards to hedge its foreign currency risk related to raw materials and other:

		December, 2019		December, 2018		December, 2017		Market value		
Country	Currency	Notional amount	Average exchange rate	Notional amount	Average exchange rate	Notional amount	Average exchange rate	2019	2018	2017
Argentina	USD/ARS	3	73.34	3	45.35	-	-	$ 7	$ 6	$ -
Canada	USD/CAD	103	1.32	65	1.30	43	1.27	27	(50)	(8)
Chile	USD/CLP	32	712.84	13	645.20	11	651.63	(31)	(18)	(13)
Colombia	USD/COP	5	3,471.73	-	-	-	-	4	-	-
Mexico	USD/MXP	301	20.40	299	20.69	328	19.55	306	143	217
Peru	USD/PEN	8	3.39	-	-	-	-	3	-	-
Uruguay	USD/UYU	5	38.12	6	33.38	4	29.84	1	2	(2)
France	USD/EUR	7	1.15	2	1.27	2	1.14	(2)	(3)	(3)
Russia	EUR/RUB	7	74.35	1	79.56	2	71.22	2	(1)	-
Russia	USD/RUB	2	66.67	2	65.35	1	64.65	8	(3)	(2)
								$ 325	$ 76	$ 189

As of December 31, 2019, the maturities of these forwards are as follows:

	<1 month	> 1 month < 3 months	> 3 months < 6 months	> 6 months < 9 months	> 9 months < 12 months	Total
Argentina						
Notional amount USD	1	1	1	-	-	3
Average exchange rate	67.81	72.52	78.03	-	-	73.34
Canada						
Notional amount USD	8	18	27	25	25	103
Average exchange rate	1.33	1.32	1.32	1.31	1.32	1.32
Chile						
Notional amount USD	3	7	9	7	6	32
Average exchange rate	686.21	694.79	702.15	719.15	750.95	712.84
Colombia						
Notional amount USD	-	1	3	1	-	5
Average exchange rate	-	3,459.49	3,461.68	3,518.6	-	3,471.73
Mexico						
Notional amount USD	32	66	82	79	42	301
Average exchange rate	20.65	20.30	20.32	20.43	20.43	20.40
Peru						
Notional amount USD	1	3	3	1	-	8
Average exchange rate	3.38	3.39	3.39	3.4	-	3.39
Uruguay						
Notional amount USD	2	2	1	-	-	5
Average exchange rate	36.80	38.36	39.13	-	-	38.12

	<1 month	> 1 month < 3 months	> 3 months < 6 months	> 6 months < 9 months	> 9 months < 12 months	Total
France						
Notional amount USD	1	1	2	2	1	7
Average exchange rate	1.15	1.15	1.15	1.15	1.15	1.15
Russia						
Notional amount EUR	2	2	1	1	1	7
Average exchange rate	73.03	73.71	76.27	77.59	78.07	74.35
Russia						
Notional amount USD	1	-	-	-	1	2
Average exchange rate	66.26	-	-	-	66.92	66.67

As of December 31, 2019, 2018 and 2017, the Company reclassified $281, $115 and $573, 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 forecasted transactions (i.e., notional amount and expected payment date). The Company 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 Company'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 supplies.

Wheat, the main supply used by the Company, 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 Company 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 supplies.

As of December 31, 2019, 2018 and 2017, the Company 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, 2019, 2018 and 2017 the principal characteristics of the Company's futures contracts are as follows:

	2019			2018			2017		
	Contracts			Contracts			Contracts		
	Number	Maturity	Fair value	Number	Maturity	Fair value	Number	Maturity	Fair value
Diesel	2,210	Jan-20 to Mar-21	$ 23	-	-	$ -	2,538	Jan-18 - Jan-19	$ 202
Gasoline	1,168	Jan-20 to Mar-21	33	-	-	-	1,285	Jan-Dec-18	99
Natural gas	-	-	-	548	Feb-Dec -19	14	-	-	-
Wheat	14,320	Feb-20 to Mar-21	58	-	-	-	-	-	-
Soybean oil	403	Jan-20 to Dec-20	29	-	-	-	-	-	-
Total current assets			$ 143			$ 14			$ 301

	2019			2018			2017		
	Contracts			Contracts			Contracts		
	Number	Maturity	Fair value	Number	Maturity	Fair value	Number	Maturity	Fair value
Wheat	-	-	$ -	12,211	Feb-Sep -19	$ 398	21,319	Mar-Dec-18	$ 201
Corn	-	-	-	-	-	-	169	Mar- Jul-18	2
Soybean oil	-	-	-	1,016	Mar-Dec – 19	23	489	Mar-Sep-18	1
Polyethylene	31,303	Jan-20 to Dec-20	63	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	1,000	Jan-20 to Jun-21	44	-		-	829	Dec-18	24
Total current liabilities			$ 107			$ 791			$ 228

As of December 31, 2019, 2018 and 2017, $597, $(339) and $213, 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, 2019, 2018 and 2017, the Company 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 Company'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, 2019, 2018 and 2017, 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 Company'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 valuations 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

Management of liquidity risk anticipates the Company's capacity to accomplish funds requirements in the short, medium and long terms, while seeking financial flexibility. The Company maintains sufficient liquidity through orderly managing its resources and constantly monitoring of cash flows, as well as maintaining 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 Company 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	$ 9,765	$ 23,481	$ 22,100	$ 88,217	$ 143,563
Lease liabilities	5,521	7,929	5,447	13,957	32,854
Derivative financial instruments	32	1,022	-	171	1,225
Trade payables and accounts payable to related parties	24,169	-	-	-	24,169
Total	$ 39,487	$ 32,432	$ 27,547	$ 102,345	$ 201,811

2.6 Management of credit risk

Credit risk arises from a potential loss the Company may incur as a result of clients not meeting their payment obligations, of loss from investments and with the counterparts with which financial derivative instruments are contracted.

The Company recognizes a provision for expected credit losses for trade receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical credit loss experience 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 money time value 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 highly reputed counterparties that meet certain criteria mentioned below, and with whom it is maintained a significant and ongoing business relationship.

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 Company'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 Company 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 Company 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 Company operates.

Some master agreements, appendices and annexes, through which bilateral derivative financial transactions are carried out, consider the establishment of cash deposits or other securities to guarantee payment of obligations arising from such contracts. The credit limits established by the Company with its counterparties are large enough to support its current operations; however, the Company maintains cash deposits as collateral for payment of certain derivative financial instruments.

For commodities future contracts executed in well-known international markets, the Company 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 from the Company.

2.7 Management of equity structure

The Company maintains a balance between debt and equity in order to maximize the shareholders' return.

As of December 31, 2019, 2018 and 2017, the equity structure and leverage ratio is as follows:

	2019	2018	2017
Debt [i]	$ 86,672	$ 89,846	$ 93,431
Cash and cash equivalents	(6,251)	(7,584)	(7,216)
Net debt	80,421	82,262	86,215
Equity	78,311	84,575	77,024
Net debt to equity	1.03 times	0.97 times	1.12 times

[i] Debt is comprised of bank loans and short- and long-term local bonds, net of unamortized issuance expenses.

The Company is not subject to any external capital requirements.

18. Employee benefits and social compensation

The net liabilities generated by employee benefits and long-term social compensation by geographical segment as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Retirement and post-retirement benefits			
Mexico	$ 6,180	$ 2,443	$ 5,220
USA	2,134	2,039	2,341
Canada	733	728	1,078
EAA and Latin America	330	296	244
Total liabilities from retirement and post-retirement benefits	9,377	5,506	8,883
Social compensation – USA	3,184	3,310	3,315
Multi-employer pension plans – USA	17,319	16,217	17,474
Long-term bonuses payable to employees	546	852	966
Total net liability	$ 30,426	$ 25,885	$ 30,638

a) Mexico

The Company has a defined benefit pension and seniority premium plan. The Company's funding policy is to make discretionary contributions. During 2019 the Company contributed to the plan assets $1,000; during 2018 and 2017, the Company 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, 2019, 2018 and 2017 by independent actuaries.

b) USA

The Company has defined benefit pension plans that cover eligible employees. Some of the benefits of the plans for non-unionized workers were frozen. The Company's funding policy is to make discretionary contributions. As of December 31, 2019, 2018 and 2017, the annual contributions made to the plan amount to $193, $258 and $908, respectively.

The Company has also established post-retirement social welfare plans, which cover the medical expenses of certain eligible employees. The Company 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, 2019, 2018 and 2017 by independent actuaries.

c) Canada

The Company has a defined benefit pension plan that covers eligible employees. Some of the benefits of the plan for unionized workers were frozen. The Company's funding policy is to make discretionary contributions. The contributions made to the plan in 2019, 2018 and 2017 amount to $152, $163 and $198, respectively.

The most recent actuarial valuations of the plan assets and of the present value of the defined benefit obligation were performed as of December 31, 2019, 2018 and 2017 by independent actuaries.

The Company has also established a defined contribution plan through which contributions are paid as incurred. For the years ended December 31, 2019, 2018 and 2017, the contributions made to the plan amount to $68, $46 and $48, respectively.

The principal assumptions used in the actuarial valuations are as follows:

	2019	2018	2017
Mexico:			
Discount rate [(1)]	**7.57%**	10.14%	7.94%
Salary increase rate	**4.50%**	4.65%	4.50%
Inflation rate	**3.50%**	3.65%	3.50%
Expected average weighted return	**10.14%**	7.94%	7.68%

[(1)] The (2.57%) decrease and 2.20% increase in the discount rate in 2019 and 2018, respectively, generated an actuarial loss and gain of approximately ($4,434) and $2,965 recognized in other comprehensive income, causing a significant variance in the defined benefit obligation.

	2019	2018	2017
USA:			
Discount rate	**3.15%**	4.20%	4.04%
Salary increase rate	**3.25%**	3.25%	3.50%
Inflation rate	**2.50%**	2.25%	2.50%
Expected average weighted return	**4.20%**	4.04%	4.04%
Canada:			
Discount rate	**3.10%**	3.90%	3.40%
Salary increase rate	**3.00%**	3.00%	3.50%
Inflation rate	**2.00%**	2.00%	2.00%
Expected average weighted return	**3.90%**	3.40%	3.80%

The assumptions related to the mortality rates used in the actuarial valuations are as follows:

	2019	2018	2017
Mexico:			
Mortality table	**EM5SA 2009**	EM5SA 2009	EM5SA 2009
USA:			
Mortality table	**MP-2019**	MP-2018	MP-2017
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	USA	Canada
2020	$ 336	$ 1,003	$ 264
2021	370	1,017	265
2022	395	1,048	263
2023	429	1,056	265
2024	456	1,087	266
2025 to 2030	2,324	5,196	1,338
	$ 4,310	$ 10,407	$ 2,661

An analysis of the amounts recognized in profit or loss and in other comprehensive income with respect to defined benefit plans is as follows:

Amounts recognized in profits and loss	**2019**	2018	2017
Current year service cost	$ **717**	$ 986	$ 826
Interest cost	**1,618**	1,656	1,720
Return on plan assets	**(1,282)**	(1,134)	(1,319)
	1,053	$ 1,508	$ 1,227
Actuarial (loss)/gain on defined benefits recognized in other comprehensive income:			
Mexico, USA and Canada:			
Actuarial (loss)/gain on estimate of obligation	**-**	7	(41)
Experience adjustments to plan obligations	**164**	(484)	(584)
Effect of changes in demographic assumptions	**(114)**	(33)	535
Effect of changes in financial assumptions [(1)]	**7,659**	(5,299)	1,045
Actuarial (loss)/gain on estimate of plan assets [(1)]	**(2,987)**	2,135	88
EAA and Latin America	**(7)**	(108)	(1,614)
	4,715	$ (3,782)	$ (571)
	$ **5,768**	$ (2,274)	$ 656

Of the current year service cost, $567, $714 and $634 in 2019, 2018 and 2017, respectively, were included 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 part of the comprehensive financing cost.

The amount recognized in the consolidated statement of financial position in respect of the Company's obligation regarding its defined benefits plans as of December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Present value of defined benefit obligation	$ **36,692**	$ 29,231	$ 34,995
Less - fair value of plan assets	**28,106**	24,247	26,762
	8,586	4,984	8,233
Plus - Retirement liability for Latin America and EAA	**330**	296	244
Plus – Net plan assets recorded in other assets	**604**	377	571
Less - current portion of retirement benefits recognized in accumulated deficit	**(143)**	(151)	(165)
Present value of unfunded defined benefits	$ **9,377**	$ 5,506	$ 8,883

An analysis of changes in the present value of the defined benefit obligation is as follows:

	2019	2018	2017
Present value of defined benefit obligation as of January 1	$ 29,231	$ 34,995	$ 35,784
Current year service cost	717	986	826
Interest cost	1,618	1,656	1,720
Actuarial (gain)/loss on estimate of obligation	-	7	(41)
Experience adjustments to plan obligations	164	(484)	(584)
Effect of changes in demographic assumptions	(114)	(33)	535
Effect of changes in financial assumptions [(1)]	7,659	(5,299)	1,045
Adjustment from fluctuation in exchange rate	(756)	(550)	(828)
Benefits paid	(1,827)	(2,047)	(3,462)
Present value of defined benefit obligation as of December 31	$ 36,692	$ 29,231	$ 34,995

An analysis of changes in the fair value of plan assets is as follows:

	2019	2018	2017
Fair value of plan assets as of January 1	$ 24,247	$ 26,762	$ 26,453
Return on plan assets	1,282	1,134	1,319
Actuarial (loss)/gain on estimate of plan assets [(1)]	2,987	(2,135)	(88)
Company contributions	1,345	375	1,106
Adjustment from fluctuation in exchange rate	(681)	(460)	(646)
Benefits paid	(1,074)	(1,429)	(1,382)
Fair value of plan assets as of December 31	$ 28,106	$ 24,247	$ 26,762

(1) Effects in 2019 and 2018 of the decrease and increase in the discount rate in Mexico, respectively.

Categories of plan assets:

	Fair value of plan assets		
	2019	2018	2017
Equity instruments	$ 6,605	$ 5,521	$ 6,993
Debt instruments	19,432	16,438	16,545
Other	2,069	1,933	2,676
	$ 28,106	$ 23,892	$ 26,214

The fair value of the equity and debt instruments shown above is measured based on market prices quoted in active markets.

The Company's technical committees are responsible for defining and monitoring the Company's investment strategy and policies on a quarterly basis in order to optimize the long-term risk/return.

Sensitivity analysis:

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.

The sensitivity analysis is presented considering a variation of 100 basis points, is as follow:

	Mexico	USA	Canada
Discount rate increase	(2,196)	(2,460)	(602)
Discount rate decrease	3,405	2,212	715
Salary increase rate increase	(51)	(213)	(56)
Salary increase rate decrease	2,965	189	68

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.

Duration of the defined benefit obligation

	2019	2018	2017
Mexico:			
Average duration	21.20	17.30	25.30
Active members	27.29	24.46	31.12
Retired members	9.56	7.97	9.55
USA:			
Average duration	12.27	14.03	10.16
Active members	13.89	15.87	15.93
Retired members	9.39	9.24	9.24
Deferred members	12.44	16.83	17.25
Canada:			
Average lifetime	13.10	12.40	13.40
Active members	16.8	15.70	16.90
Retired members	9.20	8.50	9.00
Deferred members	17.50	17.10	17.40

An analysis of the historical experience adjustments made is as follows:

	2019	2018	2017
Present value of defined benefit obligation	$ 36,692	$ 29,231	$ 34,995
Less - Fair value of plan assets	28,106	24,247	26,762
Deficit	$ 8,586	$ 4,984	$ 8,233
Experience adjustments to plan obligations and actuarial loss	$ 164	$ (477)	$ (625)
Experience adjustments to plan assets	$ 2,987	$ (2,135)	$ (88)

The Company expects to contribute of $1,995 to the retirement and post-retirement benefit plans in 2020.

Multi-Employer pension plans (MEPP)

The Company 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 and controlled by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 28 MEPPs, with an average participation in the plans of 13.40% compared to other participating entities.

Unless the Company 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 Company does not have sufficient information to perform the related calculations due to the collective nature of the plans and the Company's limited participation in the management of the plans. The Company's obligation to make contributions to the plan is established in the collective labor agreements.

For the years ended December 31, 2019, 2018 and 2017, the contributions made to the MEPPs amounted to $2,705, $2,734 and $2,169, respectively. The Company expects to contribute $2,075 in 2020. 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 Company's contributions to the plan compared to the contributions made by the other employers in the plan.

When it is highly probable that the Company 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 Company 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 Company's intention of exiting a plan.

During 2019, 2018 and 2017, the Company recognized $1,832, $(663) and $301, respectively, in profit or loss as a result of the updating and restructuring of certain MEPPs, of which $424, $397 and $376, respectively, were recognized in the comprehensive financing cost and $1,408, $(1,060) and $(75), respectively, in other income/(expenses), net (see Note 22).

Liabilities already 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 the amounts that are contributed to the different MEPPs.

The Company has created a provision of $17,319 for the estimated cost of exiting some of the plans. The Company has not created a provision for the MEPPs which it has no intention of exiting.

The Company reviews its contingent liabilities related to MEPPs in order to mitigate potential risks.

Social welfare benefit plan USA

The Company 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, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Social welfare:			
Short-term [(a)]	**$ 413**	$ 409	$ 498
Long-term	**3,184**	3,310	3,315
	$ 3,597	$ 3,719	$ 3,813

(a) Included in other accounts payable and accrued liabilities.

19. Other long-term liabilities

As of December 31, the other long-term liabilities are as follows:

	2019	2018	2017
Provisions	**$ 4,386**	$ 3,639	$ 1,738
Liabilities for withdrawals from multi-employer plans	**2,384**	2,461	2,373
Financial leases	**-**	1,982	2,771
Deferred compensation	**836**	787	803
Other	**435**	478	757
	$ 8,041	$ 9,347	$ 8,442

In the other long-term liabilities caption, the Company 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 Company has recognized the following amounts, which were generated mainly in Mexico and Latin America:

Tipo	2019	2018	2017
Labor	$ 789	$ 341	$ 485
Tax	1,000	850	890
Civil	254	44	42
Other	2	629	321
Uncertain tax positions	2,341	1,775	-
Total	$ 4,386	$ 3,639	$ 1,738

The movements in the Company's provisions and liabilities related to tax uncertainties as of December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Balance as of January 1	$ 3,639	$ 1,738	$ 883
Initial recognition of IFRIC 23 [1]	-	2,283	-
Net increases	1,464	645	1,383
Payments	(554)	(761)	(349)
Effect of foreign exchange differences	(163)	(266)	(179)
Balance as of December 31	$ 4,386	$ 3,639	$ 1,738

[1] Recognized in retained earnings.

As of December 31, 2019, the amount corresponding to tax, civil and labor lawsuits classified by the Company's internal attorneys as less than probable, but more than remote is $257. However, the Company considers that such lawsuits will not have a material effect on its consolidated financial position or operating results.

Brazil:

Because of the purchase of property, plant and equipment and intangible assets in Brazil in connection with the Firenze brand in 2008, the Company is subject to tax liens as the presumed successor to companies that participate in these legal 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 Company has guaranteed the ongoing tax litigation, through assets for $498. As of December 31, 2019, the Company has recognized provisions of $41 associated to the professional fees accrued by the legal advisors for the monitoring and control of litigations related to the referred 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.

The Company has guaranteed its labor and civil lawsuits through guarantee deposits of $204, which are presented as other non-current assets.

Canada:

The Competition Bureau of Canada started an investigation into alleged collusion between various participants of the baked goods industry, including Canada Bread although at date no formal accusations have been made against the Company. The Company is cooperating with the Canadian authorities in this process. In addition, Grupo Bimbo and Canada Bread have been required in twelve class actions in connection with such investigation. Given the status of this process as of December 31, 2019, the Company has not recognized a provision with regards to this matter.

20. Equity

An analysis of the Company's equity as of December 31 is as follows:

	2019		2018		2017	
	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	**(77,195,600)**	**(71)**	(30,628,536)	(28)	(2,095,171)	(2)
Total	**4,626,004,400**	**$ 4,156**	4,672,571,464	$ 4,199	4,701,104,829	$ 4,225

The Company's share capital has been fully subscribed and paid in and corresponds to the fixed share capital, represented by series "A" shares. The variable portion of the Company'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 Company's share capital.

i. At an ordinary shareholders' meeting held on April 29, 2019, the shareholders declared a cash dividend of $2,103, meaning, $0.45 cents per share, to be paid from the Company's net taxed profits account (CUFIN, Spanish acronym). These dividends were paid in cash on May 13, 2019.

ii. At an ordinary shareholders' meeting held on April 24, 2018, the shareholders declared a cash dividend of $1,646, meaning, 0.35 cents per share, which were paid out from the net taxed profits account (CUFIN) in cash on May 7, 2018.

iii. At an ordinary shareholders' meeting held on April 18, 2017, the shareholders declared a dividend of $1,364, meaning, 0.29 cents per share, which were paid out of the CUFIN in cash on April 27 and 28, 2017.

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 Company's legal reserve is included in retained earnings. In accordance with the Mexican Corporations Act, the Company 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 Company's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Company is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason. As of December 31, 2019, 2018 and 2017, the legal reserve is $500 (nominal amount) and is fully constituted.

vi. At ordinary shareholders' meetings held on April 29, 2019 and April 24, 2018, the shareholders agreed to increase the provision for repurchase of shares by $4,000 and $600 (nominal amount). The Company's provision for buybacks is included in its retained earnings. The approved (nominal) amount of the provision is $5,200, $1,200 and $600 as of December 31, 2019, 2018 and 2017, respectively. An analysis of movements in the provision is as follows:

	2019	2018	2017
Balance as of January 1	**$ 188**	$ 669	$ 721
Increases	**4,000**	600	-
Repurchase of shares	**(1,705)**	(1,081)	(52)
Balance as of December 31	**$ 2,483**	$ 188	$ 669

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 provisional payments) in the year of payment or either of the two immediately subsequent years.

viii. As of December 31, 2019, 2018 and 2017, the Company has the following tax balances:

	2019	2018	2017
Restated contributed capital account (CUCA)	**$ 29,892**	$ 32,404	$ 30,911
Net taxed profits account (CUFIN)	**76,438**	69,310	60,416

Equity financial 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 Company'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 financial instrument is presented in equity.

As of December 31, the value of the equity instrument is as follow:

	2019	2018
Perpetual subordinated bond - principal	$ 9,044	$ 9,044
Issuance expenses	(58)	(58)
	8,986	8,986
Current income tax	(67)	137
Deferred income tax	12	15
Perpetual subordinated bond - principal	$ 8,931	$ 9,138

As of December 31, 2019 and 2018, the Company made semi-annual coupon payments of $595 and $148 and recognized an income tax effect of $(178) and $(44), respectively, therefore, retained earnings decreased by $417 and $104, respectively.

21. 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:

	2019	2018	2017
Cost of sales:			
Raw materials and other manufacturing expenses	$ 128,570	$ 126,644	$ 116,622
Freight, fuel and maintenance	3,525	3,543	3,019
Depreciation	6,089	5,480	5,122
	$ 138,184	$ 135,669	$ 124,765
Distribution, selling, administrative and other expenses:			
Salaries and benefits	$ 57,653	$ 58,710	$ 56,834
Freight, fuel and maintenance	28,622	25,647	20,355
Advertising and promotional expenses	11,004	11,486	10,365
Depreciation and amortization	8,285	4,461	3,639
Professional services and consulting	6,389	5,816	8,211
Integration expenses	2,435	862	2,929
Other	18,935	28,161	23,915
	$ 133,323	$ 135,142	$ 126,248

22. Other expenses

Other general expenses are comprised as follows:

	2019	2018	2017
Tax incentives	$ (34)	$ (47)	$ (24)
(Gain)/loss on sale of property, plant and equipment	(28)	11	389
Impairment of goodwill	17	210	389
Impairment of trademarks and distribution rights	951	401	61
Restructuring expenses	724	3,438	-
Insurance claim recovery	(2)	(2)	(198)
MEPPs remeasurement	1,408	(1,060)	(75)
Provision for updating other long-term liabilities	354	659	164
Other	623	970	614
	$ 4,013	$ 4,580	$ 1,320

23. Interest expense

	2019	2018	2017
Interest on debt	$ 6,605	$ 6,608	$ 4,322
Lease liability interest	1,041	-	-
Interest on pension plans	336	522	401
Other financial costs	579	538	1,149
	$ 8,561	$ 7,668	$ 5,872

24. Commitments

Guarantees and/or guarantors

1. 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, 2019, 2018 and 2017, the value of such letters of credit is USD286, USD 307 and USD 301 million, respectively.

2. From September 2019, the Company acts as a guarantor in a voluntary program in North America for payments between its suppliers and Bank of America, where the suppliers discount their invoices. As of December 31, 2019, the corresponding balance of $764 is presented under accounts payable to suppliers.

3. The Company has a constituted a trust that allows the suppliers of its subsidiaries in Mexico to obtain loans through a factoring program offered by Nacional Financiera, S.N.C. (Nafinsa). As of December 31, 2019, 2018 and 2017, the amount of the liability is $908, $963 and $881, respectively.

4. The Company 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 2020 amounts to $310 which is to be adjusted annually for inflation for the remaining 11 years of the contract.

5. On 5 September 2019, the Company entered into an energy self-supply agreement in Argentina, which requires the Company to acquire certain amounts of renewable energy for a term of 15 years, starting on 1 January 2020. Although the agreement has the characteristics of a derivative financial instrument, it is exempt from being accounted for as a derivative since it is a self-supply agreement and therefore, the energy consumption will be recognized in the consolidated financial statements as incurred. The commitment to purchase energy for 2020 is estimated at USD 1.8 million, which corresponds to the annual commitment for the remaining 15-year term.

6. On March 30, 2018, the Company, through BBU, entered into a virtual wind energy supply agreement in the United States for a term of 12 years, which will be recognized as a financial asset measured at fair value through profit or loss, net of the related deferred revenue, which will accrue over the term of the agreement. As of December 31, 2019, the net financial asset of $47 is recognized under other non-current assets. In 2019, the Company recognized $48 under finance costs corresponding to the amortization of the liability and the changes in the fair value of the asset.

25. Segment Information

The information reported to the General Director for decision making in the Company´s operations for purposes of resource allocation and assessment of segment performance is focused on four geographical areas: Mexico, North America, Latin America and EAA.

The Company 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 Company operates for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019					
	Mexico	North America	Latin America	EAA	Eliminated on consolidation	Total
Net sales	$ 102,688	$ 144,005	$ 27,144	$ 26,655	$ (8,566)	$ 291,926
Sales between segments	$ (7,746)	$ (651)	$ (19)	$ (150)	$ 8,566	$ -
Consolidated net sales	$ 94,942	$ 143,354	$ 27,125	$ 26,505	$ -	$ 291,926
Operating profit (*)	$ 15,966	$ 6,094	$ (1,337)	$ 136	$ (440)	$ 20,419
Depreciation and amortization	$ 3,622	$ 7,679	$ 1,569	$ 1,503	$ -	$ 14,373
Impairment in intangible assets	$ 248	$ 683	$ 359	$ 28	$ -	$ 1,318
Other items not affecting cash flows	$ 3	$ 1,760	$ 1	$ 1	$ (1)	$ 1,764
Lease payments	$ (1,218)	$ (2,350)	$ (593)	$ (286)	$ -	$ (4,447)
EBITDA (*) (**)	$ 18,621	$ 13,866	$ (1)	$ 1,382	$ (441)	$ 33,427
Net profit - equity holders of the parent	$ 6,780	$ 501	$ (3,048)	$ (914)	$ 3,000	$ 6,319
Income tax	$ 4,172	$ 29	$ 208	$ 324	$ -	$ 4,733
Interest income	$ 685	$ 125	$ 179	$ 47	$ (476)	$ 560
Interest expense (***)	$ 6,503	$ 1,884	$ 567	$ 83	$ (476)	$ 8,561
Total assets	$ 68,556	$ 153,634	$ 23,494	$ 35,072	$ (1,675)	$ 279,081
Total liabilities	$ 115,749	$ 64,830	$ 10,993	$ 10,107	$ (909)	$ 200,770

	2018					
	Mexico	North America	Latin America	EAA	Eliminated on consolidation	Total
Net sales	$ 100,327	$ 143,968	$ 28,341	$ 25,899	$ (9,215)	$ 289,320
Sales between segments	$ (8,225)	$ (668)	$ (78)	$ (244)	$ 9,215	$ -
Consolidated net sales	$ 92,102	$ 143,300	$ 28,263	$ 25,665	$ -	$ 289,320
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	$ 90,783	$ 137,779	$ 28,753	$ 18,951	$ (7,781)	$ 268,485
Sales between segments	$ (7,638)	$ (84)	$ (33)	$ (26)	$ 7,781	$ -
Consolidated net sales	$ 83,145	$ 137,695	$ 28,720	$ 18,925	$ -	$ 268,485
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

(*) Does not include intercompany royalties.

(**) The Company determines EBITDA as operating profit plus depreciation, amortization, impairment and other non-cash items.

(***) Includes result from monetary position.

For the years ended December 31, 2019, 2018 and 2017 the sales to the Company's largest customer represented 12.47%, 12.55% and 12.53%, respectively, of the consolidated net sales of the Company, which correspond mainly to the Mexico and the US and Canada regions. There are no other customers whose sales exceed 10% of the Company's total consolidated sales.

26. Subsequent Events

On January 2, 2020, the Company, through its subsidiary BBU, acquired the Lender's brand frozen bagel business from Conagra Brands.

The outbreak of the Covid-19 virus that occurred in January 2020 in China and other countries where the Company operates could have an impact on the Company's operations and its consolidated financial results. However, at this moment, there are no elements to reasonably estimate such impacts since they depend on highly uncertain and unpredictable future events.

27. Authorization of the Consolidated Financial Statements

On March 18, 2020, the accompanying consolidated financial statements and these notes were authorized by the Company's Chief Executive Officer, Daniel Servitje Montull, and the Board of Directors, for their issue and subsequent approval by the shareholders, who have the authority to modify them in accordance with the Mexican Corporations Act.

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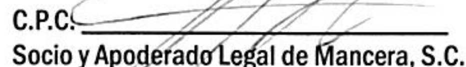
30 de abril de 2020

Grupo Bimbo, S.A.B. de C.V.
Paseo de la Reforma no. 1000
Colonia Peña Blanca Santa Fe
Álvaro Obregón
Código Postal 01210
Ciudad de México

En relación con lo dispuesto en el artículo 84 Bis de las Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores publicadas en el Diario oficial de la Federación el 19 de marzo de 2003, según la misma se haya modificado de tiempo en tiempo (la "Circular Única de Emisoras"), así como, lo requerido por el artículo 39 de las Disposiciones de Carácter General Aplicables a las Entidades y Emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de Auditoría Externa de Estados Financieros Básicos ("Circular Única de Auditores Externos"), en mi carácter de Auditor Externo de la Compañía y apoderado legal de Mancera, S.C., otorgo mi consentimiento para que Grupo Bimbo, S.A.B. de C.V. incluya en el reporte anual, al que hace referencia el artículo 33, fracción I, inciso a), numeral 5 e inciso b), numeral I.2, y el artículo 39 de la Circular Única de Auditores Externos, la opinión sobre los estados financieros que al efecto emití, correspondiente al ejercicio social concluido el 31 de diciembre de 2019 y 2018. Lo anterior, en el entendimiento de que previamente me cercioraré de que la información contenida en los estados financieros incluidos en el reporte anual, así como cualquier otra información financiera incluida en dichos documentos cuya fuente provenga de los mencionados estados financieros o del dictamen que al efecto emití y presente, coincida con la dictaminada, con el fin de que dicha información sea hecha del conocimiento público.

Mancera, S.C.
Integrante de
Ernst & Young Global Limited



C.P.C. ______________________
Socio y Apoderado Legal de Mancera, S.C.

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

Consolidated Financial Statements

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

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

Consolidated Financial Statements

December 31, 2018, 2017 and 2016

Contents:

Independent Auditor's Report

Audited Financial Statements:

- Consolidated Statements of Financial Position
- Consolidated Statements of Profit or Loss
- Consolidated Statements of Other Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

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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.

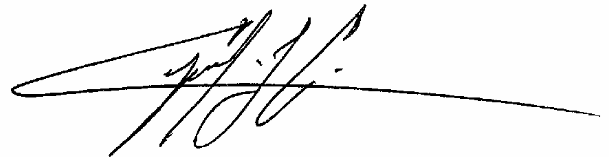
We communicate with the Entity's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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)

	Notes	December 31 2018	2017	2016
Assets				
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
Liabilities and equity				
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.

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

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.

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

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.

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

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.

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

Consolidated statements of cash flows

(Amounts in millions of Mexican pesos)

	Note	2018	2017	2016
		For the year ended December 31		
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)
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.

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**
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 grou$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 shown 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
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

	2018	2017	2016
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

	Fair value	Book value 2018	Book value 2017	Book value 2016
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
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

	Fair value	Book value 2018	Book value 2017	Book value 2016
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		2017		2016	
	Book value	**Value in OCI**	Book value	Value in OCI	Book value	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

	2018		2017		2016	
	Book value	**Value in OCI**	Book value	Value in OCI	Book value	Value in OCI
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	USA	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.

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

Manifestación conforme al artículo
39 y 84 Bis

Deloitte.

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Ruiz Urquiza, S.C.
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Al Presidente del Comité de Auditoría de

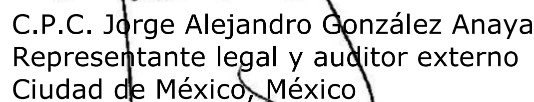
Grupo Bimbo, S. A. B. de C. V.

En los términos del artículo 39 de las Disposiciones de carácter general aplicables a las Emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos, publicadas en el Diario Oficial de la Federación ("DOF") del 26 de abril de 2018 y sus modificaciones posteriores (las "Disposiciones") y del artículo 84 Bis de las Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del mercado de valores publicadas en el DOF del 19 de marzo de 2003 y sus modificaciones posteriores (la "Circular Única de Emisoras"), en nuestro carácter de auditores externos independientes de los estados financieros consolidados por el año que terminó el 31 de diciembre de 2017 de **Grupo Bimbo, S. A. B. de C. V.**, manifestamos lo siguiente:

I. Que expresamos nuestro consentimiento para que la Emisora incluya en el reporte anual, el Informe de Auditoría Externa que al efecto emitimos.

II. Lo anterior en el entendido de que previamente nos cercioramos que la información contenida en los Estados Financieros Consolidados incluidos en el reporte anual, así como cualquier otra información financiera comprendida en dichos documentos cuya fuente provenga de los mencionados Estados Financieros Consolidados o del Informe de Auditoría que presentamos coincide con la auditada, con el fin de que dicha información sea hecha del conocimiento público.

Atentamente
Galaz, Yamazaki, Ruiz Urquiza, S.C.



C.P.C. Jorge Alejandro González Anaya
Representante legal y auditor externo
Ciudad de México, México

30 de abril de 2020

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

Manifestación conforme al artículo 33

El suscrito, en mi carácter de socio y apoderado legal de Galaz, Yamazaki, Ruiz Urquiza, S.C., manifiesta bajo protesta de decir verdad, que los estados financieros consolidados que contiene el presente reporte anual de Grupo Bimbo, S.A.B. de C.V. por el ejercicio terminado el 31 de diciembre de 2017, fueron dictaminados con fecha 12 de marzo de 2018, de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifiesto que he leído el presente reporte anual y basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tengo conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros consolidados dictaminados señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, el suscrito no fue contratado para realizar, y no realicé procedimientos adicionales con el objeto de expresar mi opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros consolidados dictaminados.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Miembro de Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Alejandro González Anaya
Socio y Apoderado legal de Galaz, Yamazaki, Ruiz Urquiza, S.C.

30 de abril de 2020

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