GRUPO BIMBO
NOURISHING A BETTER WORLD

Nourishing a BETTER WORLD

2017 Integrated Annual Report

About Us

We are the largest baking company in the world[1] and a key participant in snacks, generating US $14.1 billion[2] in net sales in 2017. Our main product lines include fresh and frozen sliced bread, buns, cookies, snack cakes, English muffins, bagels, pre-packaged foods, tortillas, salted snacks and confectionery products, among others, in 32 countries throughout the Americas, Europe, Asia and Africa. Our shares trade on the Mexican Stock Exchange (BMV) under the ticker symbol BIMBO, and in the over-the-counter market in the United States with a Level 1 ADR, under the ticker symbol BMBOY.

[1] Source: IBISWorld Global
[2] Based on an average FX rate of Ps. 18.94 in 2017

Nourishing a Better World

This is our slogan. For **72 years, we have provided high-quality products to consumers** as part of our mission to provide delicious and nutritious baked goods and snacks in the hands of all.

"We have a firm conviction to develop actions to encourage **healthy habits**"

Alfred Penny, President of Bimbo Bakeries USA

(GRI: 102-46)

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In Memoriam

"We should see our daily work as a mission, a passion and an adventure"

Don Lorenzo Servitje, founder of Grupo Bimbo
1918-2017

2017 Highlights

(GRI: 201-1, 102-7, 102-8, 305-1, 305-2, 305-3, 403-2)

Set a record of the number of clients served, reaching **more than 3 million points of sale**

Entered 10 new countries, significantly enhancing our global profile

11.4 years

Accessed capital, strengthening our debt profile by increasing the average tenor to 11.4 years

Strong sales growth supported by solid organic performance and acquisitions

4% decrease of diesel consumption for primary transportation vs. 2016, accumulating 31% in the last 7 years

Acquired East Balt Bakeries, Bays Foods, Adghal Group, Ready Roti and Stonemill Bakehouse, **diversifying and broadening our leadership in the baking industry**

47% of our product portfolio is in the **Best & Better** categories*

Snaps Sea Salt
Air-popped popcorn without preservatives, artificial colors or trans fats

1st place in Merco's ranking, **as the most responsible company in Mexico,** since 2014

*According to Grupo Bimbo's Nutritional Profiling System
(Calculation based on products that represent 80% total sales
+ new launches)

Key figures

Economic and financial
(millions of Mexican pesos)

Net sales	Operating income	Adjusted EBITDA	Net majority income	Market capitalization
267,515	**17,472**	**27,288**	**4,630**	**204,636**
6.1% increase	*3.4% decrease*	*6.9% decrease*	*21.5% decrease*	

Environmental

1,569,252
Direct (Scope 1,2,3) CO_2e emissions **(Ton)**
1% reduction vs. 2016

303,050
(Ton) total waste
92% recycling

4,886,204 m^3
water consumption
18% reduction vs. 2009

Social

+ 138,000
Total associates worldwide

1.96
Accident rate
15% decrease vs. 2016
400 fewer accidents

$123
in Donations
(millions of pesos)

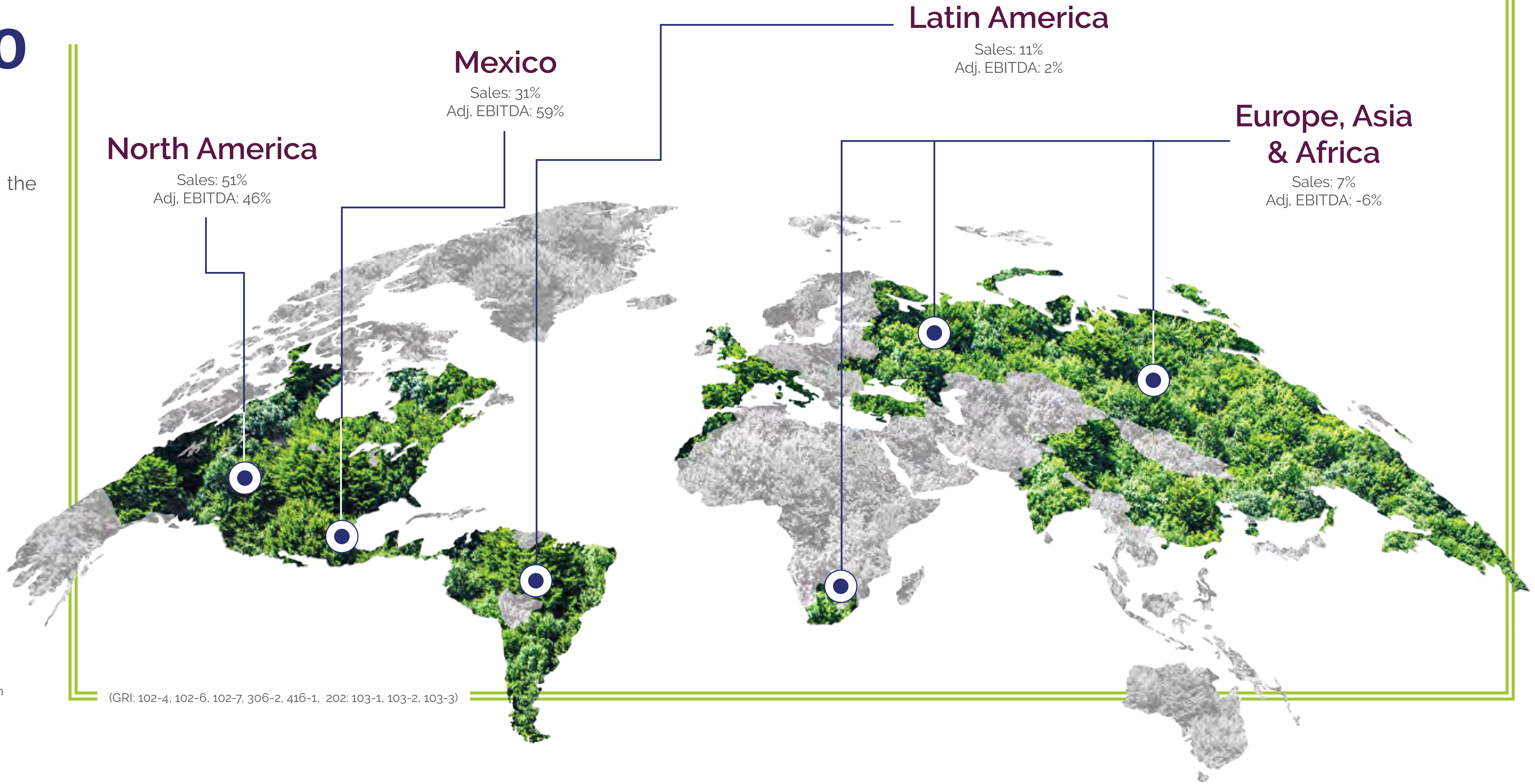
Gansito
#1 cake in its category

Grupo Bimbo Today

We are the largest baking Company in the world with presence in **32 countries.**

"Integrity **should not only be seen as compliance with the law, rules and procedures; it goes beyond that,** it is part of our culture."

Daniel Servitje, Chairman & CEO



Our footprint

196 plants

+58,000 routes

+3.0 m points of sale

EBITDA: Earnings before interests, taxes, depreciation, amortization and other non-cash items

(GRI: 102-4, 102-6, 102-7, 306-2, 416-1, 202: 103-1, 103-2, 103-3)

Our Brands

(GRI:102-2)

We have developed more than 100 enduring and meaningful brands with top of mind awareness in the markets where we operate.

5 Brands +US $1 BILLION

2 Brands + US $500 Million

5 Brands + US $250 Million

10 Brands + US $100 Million

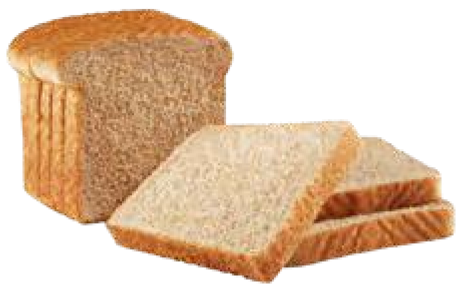
Source: Internal information on estimated retail sales by brand during the last 12 months as of September 30, 2017

"We strive to maintain **an emotional bond with our consumers and to develop customer** loyalty through our brands**"**

Gabino Gómez, Executive VP

Our products hold a strong leadership position across markets

We develop and offer products with superior quality that nourish and delight our consumers, provide clear information on the nutritional profiles of our products and promote health and wellness initiatives that encourage healthy lifestyles.



Sliced bread

USA	Canada	Mexico	Latin America	EAA
#1	#2	#1	#1	#1[4]

Buns and rolls

USA	Canada	Mexico	Latin America	EAA
#1	#1	#1	#1	#1[5]

Bagels

USA	Canada	Mexico	Latin America	EAA
#1	#1	•	—	#1[7]

English Muffins

USA	Canada	Mexico	Latin America	EAA
#1	#1	•	—	—

Cookies

USA	Canada	Mexico	Latin America	EAA
•	•	#2	•	—

Cakes

USA	Canada	Mexico	Latin America	EAA
#2	#1	#1	#1 (1)	#2

Pastries

USA	Canada	Mexico	Latin America	EAA
#2	•	#1	#2 (2)	#1 (6)

Tortillas

USA	Canada	Mexico	Latin America	EAA
•	#1	#1	#1	•

Salty Snacks

USA	Canada	Mexico	Latin America	EAA
•	•	#2	•	•

Confectionery

USA	Canada	Mexico	Latin America	EAA
•	—	#1	•	—

— Not applicable
• GB market share not within top 2
#1 or #2 GB Market share position
(1) Excludes Ecuador and Peru, where GB is #2. (2) Excludes Peru, where GB is #1. (3) Market share position for the countries where GB participates in each category.
(4) Excludes China and India. (5) Excludes U.K., Portugal (GB #2) and India. (6) Excludes China, Morocco and U.K. (7) Only in the U.K.
Source: Nielsen, IRI and Company Information

Letter from the Chairman & CEO

(GRI: 102-14, 102-15, 102-32, 200: 103-1, 103-2, 103-3)

Dear shareholders:

2017 was **a transition year** in terms of reinvestment and restructuring to create long-term value and drive profitability.

The year was marked by several challenging circumstances, including a difficult global economic and political environment and the severe natural disasters we experienced in some of our geographies. Internally, we also faced the restructuring of our Frozen business, as well as operational issues in our U.K. and Chinese markets.

However, **this year's milestones** make me feel very proud of Grupo Bimbo. Here is a snapshot:

- We captured strategic opportunities to enter ten new countries, through the acquisitions of: Ready Roti in India, a dynamic and growing market; Adghal Group in Morocco; and most recently East Balt Bakeries, now Bimbo QSR, which gives us a leading position within the high-growth QSR business, enabling us to serve customers and quick-service restaurants in a new way.

- We also completed two small but strategic acquisitions in the markets where we currently operate: Stonemill in Canada and Bays English Muffins in the United States.

- In addition to this, we set a record for the number of customers served on a frequent and regular basis through our DSD system, with more than three million points of sale reached globally.

- We have always believed in investing for a brighter future; 2017 was no exception, we worked on a deep industrial **transformation**, having successfully integrated 32 plants into our manufacturing footprint and closed ten, resulting in the creation of a lean and efficient foundation for our supply chain.

- On the road to our 2020 Vision, we created the Global Transformation Office to accelerate our ten strategic initiatives. In the meanwhile, we launched our business accelerator, ELEVA, which offers funding, mentoring and potential commercial alliances to promising startups. This new venture multiplies our possibilities for success in the search for innovation in products and processes.

- Having said so, all these initiatives where aimed at **driving profitability** for the long run. Among our more than US$680 million investment in CAPEX, we started up a LEED Gold certified plant in Bogota and another one in Tepeji del Rio, Mexico.

- We invested US $70 million in the integration of Donuts Iberia in Europe, which has been a complex process but is already yielding positive results. Similarly, the investments in migrating to a new enterprise technology brought more visibility, improved analytics, and a leap forward for our planning, execution and reporting capabilities.

- During the year, the deployment of zero base budgeting generated approximately $160 million dollars in savings.

- Given the current situation in Venezuela, we changed our accounting method for this operation's financial results to a Fair Value basis, while continuing to serve this market the best we can.

- We accessed capital, supporting our strategy to drive the expansion of Grupo Bimbo's industry leadership, while enhancing our financial profile by increasing the average tenor of our debt to 11.4 years and maintaining health and flexibility in our balance sheet.

- These would not have happened without **taking care of our people, our communities and our environment.** For example, our Safety Incident Rate improved by 15%, with a reduction of 400 accidents.

- As part of our **sustainability** strategy we created a department to focus our efforts on renewable energies. In addition, even with our acquisition-driven growth in the year, we managed to maintain stable environmental performance across our plants.

- We continue to remain strongly committed to the ten principles of the UN Global Compact, as well as to the 17 UN Sustainable development goals.

Although the economic and political outlook for 2018 is uncertain, I am excited for the path ahead, and feel confident about our future growth in the marketplace, and our prospects for increased profitability and financial health.

I anticipate a strong year towards our Vision of *transforming the baking industry and expanding our global leadership to better serve more consumers.*

DANIEL SERVITJE
Chairman and CEO

(GRI: 102-16)

Nourishing a Better World

OUR CULTURE IS SUPPORTED BY OUR MISSION, VISION, PURPOSE AND BELIEFS. WE ARE MOTIVATED TO BE AN ETHICAL, INNOVATIVE AND PRODUCTIVE COMPANY.

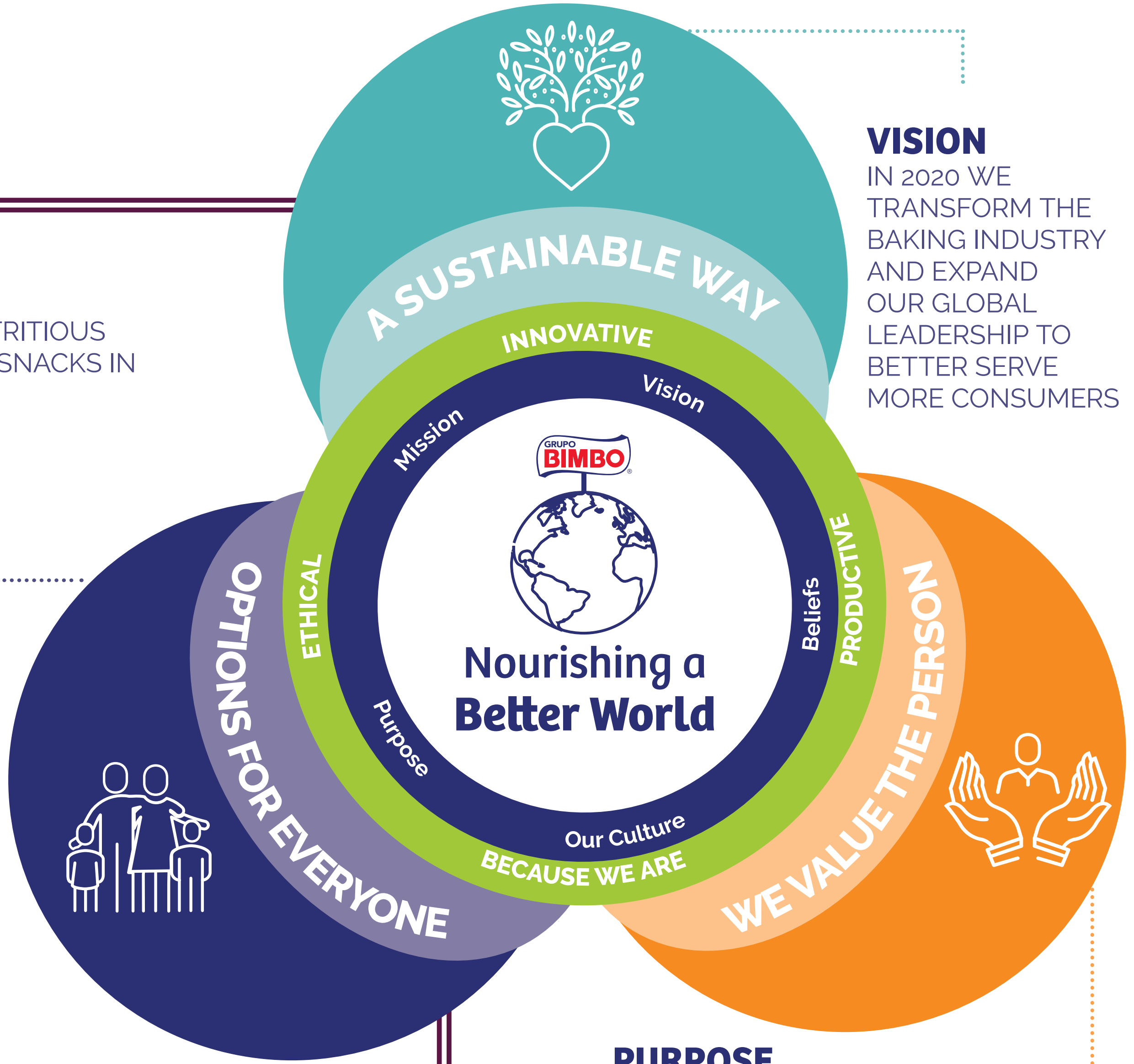
Thomas' Bagels
Is one of the Top 100 brands in the U.S.

GRUPO BIMBO
NOURISHING A BETTER WORLD

MISSION
DELICIOUS AND NUTRITIOUS BAKED GOODS AND SNACKS IN THE HANDS OF ALL

“Digitizing processes, with agile methodologies, highly engaged and talented teams, to build a sustainable, highly productive and deeply humane company”

Raúl Obregón Servitje,
Chief Transformation Officer



VISION
IN 2020 WE TRANSFORM THE BAKING INDUSTRY AND EXPAND OUR GLOBAL LEADERSHIP TO BETTER SERVE MORE CONSUMERS

PURPOSE
BUILDING A SUSTAINABLE, HIGHLY PRODUCTIVE AND DEEPLY HUMANE COMPANY

We Walk a Sustainable Way

(GRI 102-16, 102-31, 412-1)

We generate economic development, wellbeing for the communities and care for the environment.

With Options for Everyone

Our products are made with superior quality that nourishes and delights. We promote healthy lifestyles.

We Value the Person

We recognize the dignity of the person. We value their talent, experience, knowledge and virtues.

We care for our environment and act in consequence

We work on innovations that prove a sustainable mindset

We value the person and respect human rights

We work to create and promote sustainable communities

As part of our strategy, we have adopted the Sustainable Development Goals to help eradicate poverty, protect the planet and ensure prosperity for all.

About this Report

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

This is our seventh Integrated Annual Report, which contains global results of our economic, social and environmental activities for the period between January 1 and December 31, 2017, unless otherwise indicated.

Through a materiality analysis we have identified the material aspects that impact the economy, environment and society which results are presented in the report.

Using qualitative and quantitative information, this document covers the annual activities of the following regions: Mexico, the United States & Canada, Latin America, Asia and Iberia, unless indicated in each standard. It does not include India, Morocco and QSR operations as these were only recently acquired.

On the other hand, Moldex Mexico, Tenjo 2 Colombia and Cordoba and Frozen Argentina, as well as the Organization of Donuts Iberia (8 Plants), are included as of this year in our report.

It is important to mention that we have not considered for this report the data of the following plants since they stopped working during 2017. Also, those plants that closed in 2017, but will remain in operation:

BBU
- Sunbury, PA
- Owensboro, KY
- Sioux Falls, SD
- Lubbock, TX

South America
- Bimbo Agua de Piedra
- Bimbo Argentina - Martinez

CANADA
- Plant - St. Come Linieres, QC

MATERIALS
- Information covers the 12-month period ended October 2017
- Renewable materials include corrugated carton, folding carton and paper
- We are only considering packaging for renewable materials
- "Plastic Polyethylene (PE) resin for trays" excludes renewable materials
- Information gathering process

For the first time as Grupo Bimbo we reported emissions of Nox, Sox, COVs, PM10 and PM2.5 from manufacturing processes, as well as waste generation and recycling from Bimbo China.

Regarding corporate governance, during 2017 we reported changes in our Executive Committee, due to the fact that in the month of August, Mr. Guillermo Jorge Quiróz Abed, who was our CFO, retired from the company and his position was occupied by Mr. Diego Gaxiola Cuevas. Likewise, Mr. Raúl Obregón Servitje occupied the position of Chief Transformation Officer in the month of March, and Mr. Rafael Pamias Romero joined the company as Senior VP in the month of November.

"This report has been prepared in accordance with the GRI Standards: Core option", and the Food Processing Sector Supplement. In addition, we have added the information that must be included in the Mexican Stock Exchange Sustainable IPC Index, and it does not contain an external verification.

Our contribution to the 10 principles of the UN Global Compact, as well as to the 17 Sustainable Development Goals is indicated throughout the report as well as restatements of any information.

For further information on our materiality analysis, stakeholder engagement, risk management, governance and policies, please refer to the GRI Index in page. 107 which contains the respective links to our website. For information on our sustainability strategy and management, visit: **https://grupobimbo.com/en/sustaintability/sustainability-strategy**

Building a Sustainable, Highly Productive and Deeply Humane Company

(GRI 203: 103-1, 103-2, 103-3, 301-307: 103-1, 103-2, 103-3, FP5, FP8)

SUSTAINABLE

All our operations comply with our sustainable way which is our sustainability strategy with four pillars: Wellbeing, Planet, Community and Associates.

Through our Planet Pillar, our actions are aimed to reduce the impacts in the environment and to take care of resources for future generations.

We are focused on reducing our carbon and water footprint, waste management, improving our supply chain and protecting biodiversity. It is based in complying with the laws and regulations of the countries where we operate, promoting compliance with procedures and good practices, monitoring, evaluating and improving environmental indicators and impacts as well as the development of innovative technologies to improve processes.

HIGHLY PRODUCTIVE

"In Grupo Bimbo we are convinced that the food industry must actively take part in joint actions, to positively impact the health of current and future generations".

Through our Wellbeing Pillar, we must continue working on our commitments aligned with the World Health Organization strategies and recommendations: create and innovate a wide range of nutritious and good tasting products with an improved nutritional quality, offering accessible, transparent and understandable labelling information to our consumers with a strict compliance with local and global regulations, responsible advertising focused on marketing to children, promote healthy lifestyles for our associates and consumers and strengthen our alliances with strategic players.

Our global Quality Policy, defines our commitment to food safety to assure our foods are always safe.

DEEPLY HUMANE

412: 103-1, 103-2

Through our Associates Pillar, we take care of the wellness and safety of our associates, as well as their personal and professional development. As a global company, diversity and inclusion are top priorities.

Our people are and have always been the most important. From our origin and throughout the history of Grupo Bimbo, the person is the center of our purpose where Human Rights are implicit.

We promote a culture of sustainability, among our associates, which strengthens the reputation of our company with the whole community in the countries in which we operate.

Through our Community Pillar, we approach communities and become part of them, to work as a sustainable company. Each of the communities in which we have undertaken operations, has specific challenges that require attention and support. Through actions oriented to education, community development and health, we work in partnership with Non-Governmental Organizations (NGOs) to face the challenges of the communities in which we have presence.

https://www.grupobimbo.com/sites/default/files/FGB-EIR-01-Grupo-Bimbo-Global-Sustainability-Policy.pdf

With Options for Everyone

Our commitment is to offer products that satisfy our consumer needs, providing clear information on the nutritional profiles while promoting health and wellness initiatives that encourage healthy lifestyles.

OUR STRATEGIC PRIORITIES

- Product innovation and nutritional quality improvement
- Healthy lifestyles & Healthy eating habits promotion and physical activity
- Product labeling
- Responsible marketing practices aimed to children
- Alliances and research

Artesano
Artisanal style bread with only 89 calories per slice

(GRI 416: 103-1, 103-2, 103-3, FP4, FP5, FP8)

1. PRODUCT INNOVATION AND NUTRITIONAL QUALITY IMPROVEMENT

One of the most significant lines of action within our Health and Wellness strategy, remains that of improving the nutritional profiles of our product portfolio, through deep consumer understanding, innovative technologies, processes and ingredients, focusing in different geographic and demographic zones.
We achieve this along four lines of action:

- Step up launches of **products with better nutritional profiles** aligned to the new eating trends and dietary patterns
- Increase use of **positive nutrients and ingredients**
- Developing products that help cover **nutritonal deficiencies**: facing the issue of undernourishment
- **Portion control**

In order to understand the offer of our products based on their nutritional quality, we developed an internal nutrimental profiling system that evaluates nutritional characteristics, assigns a final score and classifies each product in one of four categories:

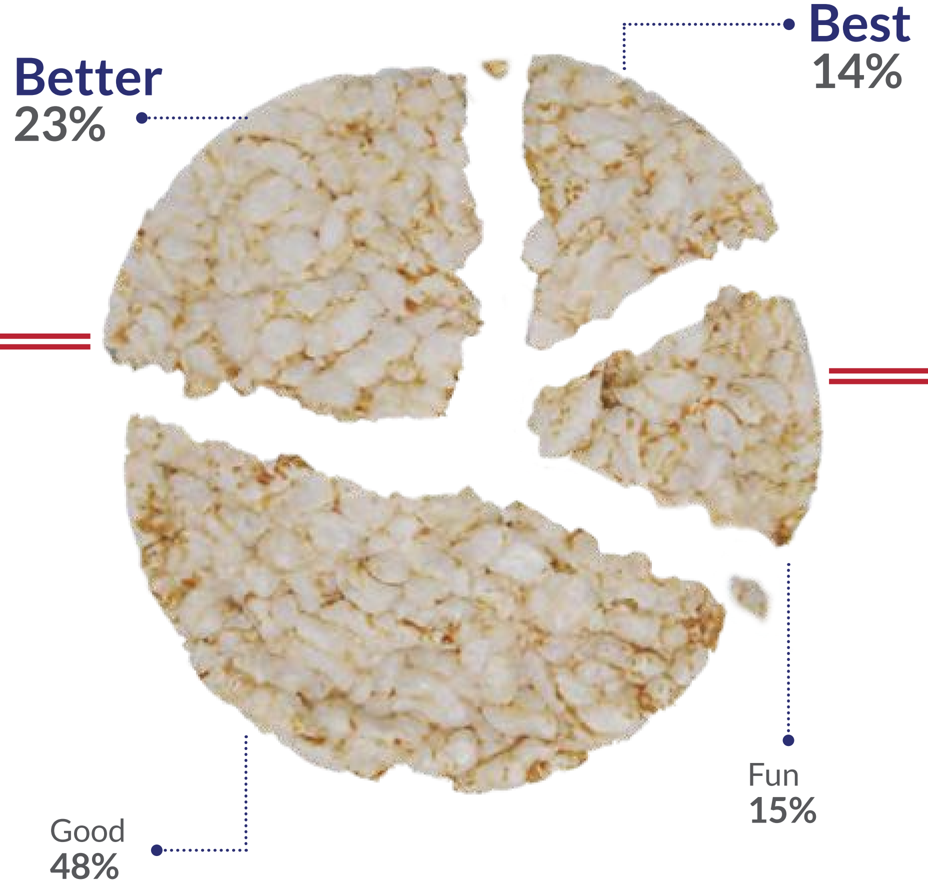
1. **BEST:** Represents the highest nutritional quality standard within the products categorization, due to their balance and content
2. **BETTER:** Products with good nutritional quality that are part of Grupo Bimbo's portfolio
3. **GOOD:** Products that may be consumed in alternate consumption due to their nutritional features
4. **FUN:** Products with the lowest score within the products portfolio, which are focused on a specific moment for consumption in our diets

Innovated **148 "Best and Better"** products **in 2017**
460 reformulated products

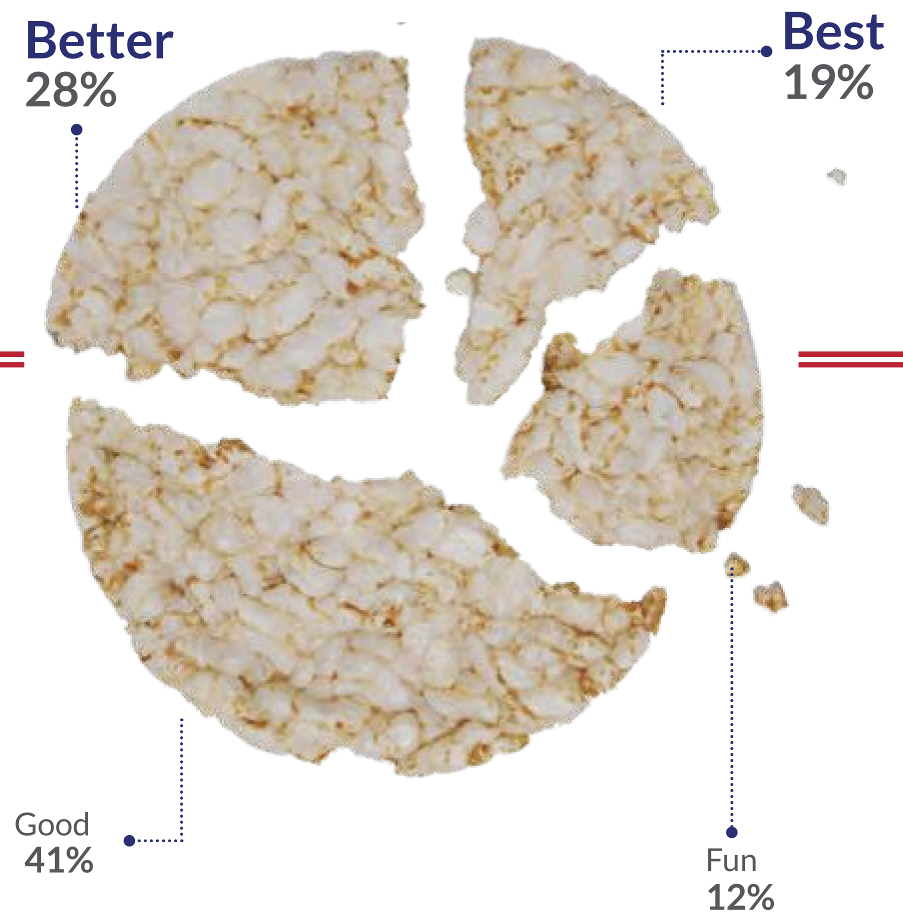
(GRI 416-1, 416-2)

Innovation & Reformulation

Nutrient profile distribution of product portfolio Grupo Bimbo 2016



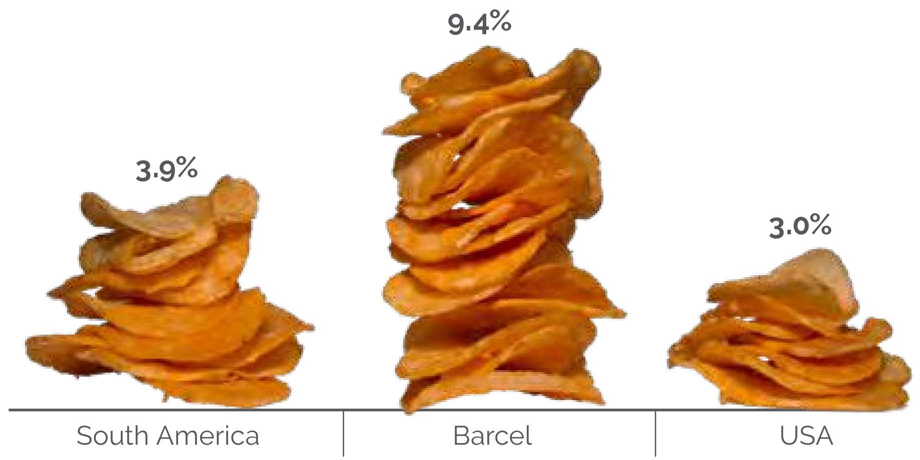
Nutrient profile distribution of product portfolio Grupo Bimbo 2017



10 percentage points increase for Best + Better categories 2016 vs. 2017

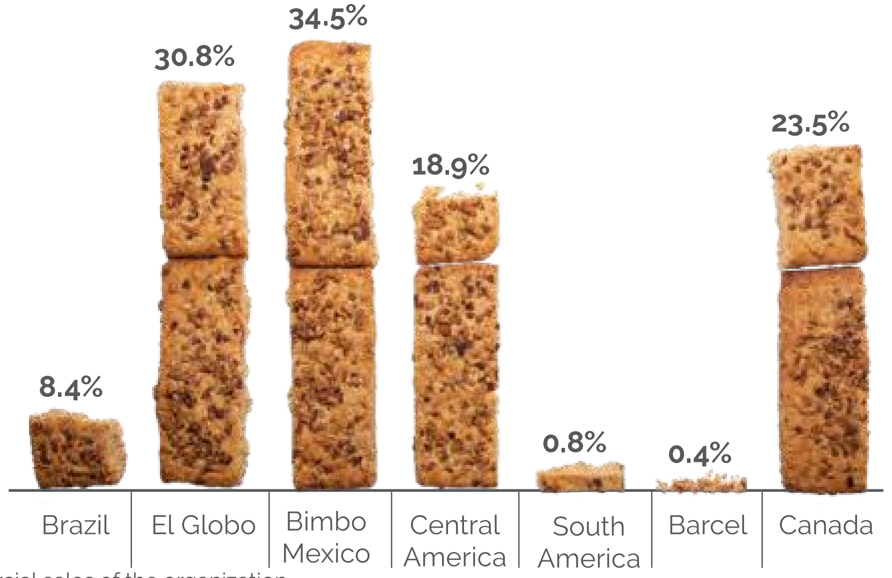
(GRI: 416: 103-1, 103-2, 103-3, 416-1, 416-2, FP5, FP6)

Sodium reduced products 2017 sales*



*vs. comercial sales of the organization

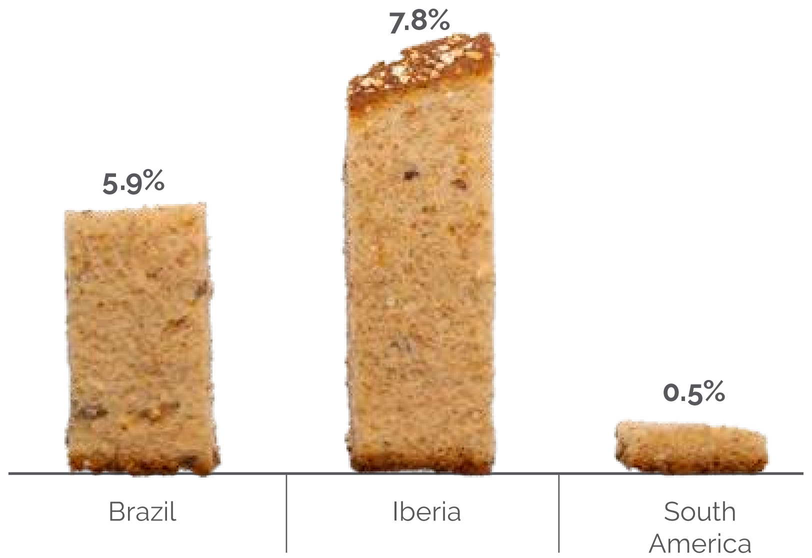
Saturated Fats reduced products 2017 sales *



*vs. comercial sales of the organization

135 plants with Global Food Safety Initiative standards 10% more than in 2016

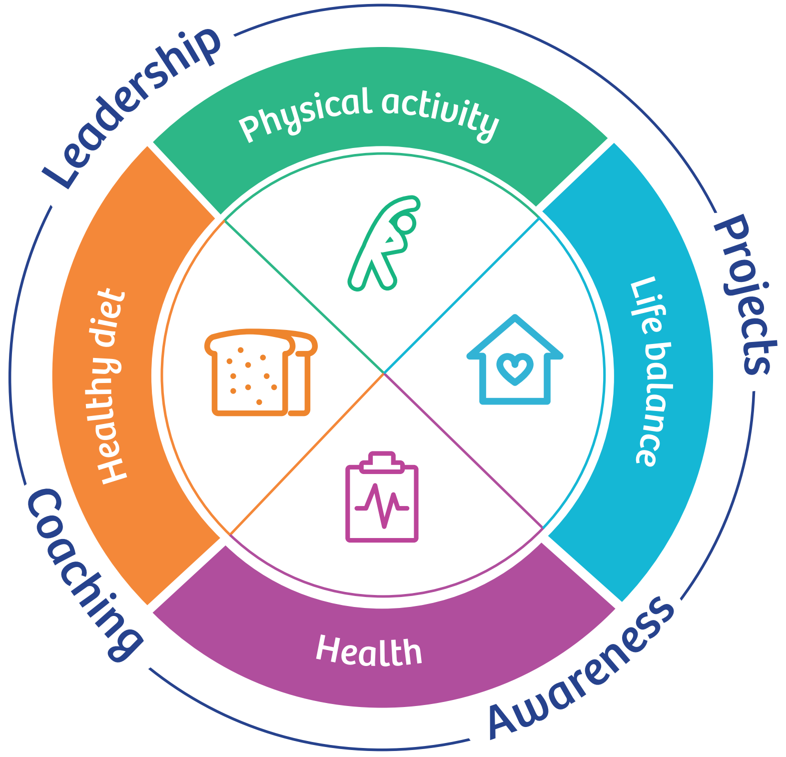
Sugar reduced products 2017 sales*



*vs. comercial sales of the organization

2. Promoting Healthy Lifestyles, Healthy Eating Habits And Physical Activity

Grupo Bimbo is committed to providing a work environment in which our associates' health and safety are protected, and to promoting healthy lifestyles conducive to full human development and a more efficient operation.



Using 4 pillars and 4 lines of action, we seek to strengthen a continuous training process for our associates, so they can manage healthier lifestyles in which everyone can make the best choices and decisions to benefit their safety and wellness. This Model is designed to be the backbone of our wellness initiatives, which are aligned with our Foundations for Safety and Wellness, "We are capable of building a balanced life".

As of May 2017, we have a Functional Wellness Policy directed at Organization's leaders to promote implementation of the action plans defined in each pillar.

We also have two indicators to measure the results of our program:

1. **Commitment Survey:** Evaluates how our associates rate the Wellness Program, in their country.

2. **Internal Wellness Certification:** Classifies the progress achieved by the internal Wellness program of each Organization, in relation to the Safety and Wellness Model.

Every injury can be avoided

We must work safely

We are responsible for each other's wellness

As a world class company, we must offer exemplary health and safety performance and constantly improve wellness

We are capable of building a balanced lifestyle

We are capable of building a balanced lifestyle;
Working safely and caring for our wellness
"contributes to building a sustainable, highly productive and deeply humane company".

We have materials, with which to promote among our associates the right diet and the adoption of healthy lifestyles. These materials include a Guide to Healthy Eating, a Family Cookbook, menus, recommendations for the entire family, a calorie counter program, infographs on various health and nutrition issues, as well as workshops and talks by healthcare professionals. We also provide health and diet information at our **www.nutriciongrupobimbo.com** website.

Our company was recognized in 2017 by the Workplace Wellness Council - Mexico as a health responsible company.

As part of our commitment to the World Health Organization (WHO), we focus our efforts on three fronts:

1. **Brand positioning:** participant in 7 health and nutrition congresses and expos in 2017 as well as our program of medical visits.

2. **Wellness associates:** Health and Wellness Strategy, nutrition consultations, Grupo Bimbo's healthy company cafeterias.

Bimbo Mexico
10 of 15 are certified
7 of 12 are recertified

Barcel
2 of 7 are certified
2 are recertified

3. **Education and Communication:** web page, social networks, radio, magazines, newspapers and TV, alliances with civil associations such as the Mexican Diabetes Federation (FMD) and the Celiac Support Association of Mexico (ACELMEX).

Promotion of Physical Activity

All our work places have activation departments and programs on exercise and other forms of physical activity programs. These programs include ones on Active and Healthy Corporate Challenge, Scale Your Peak Challenge, Live Healthy #EsPorMi, and sports tournaments, among others.

Global Energy Race

Bimbo's Global Energy Race is part of our commitment to work continuously in actions that encourage the adoption of healthy lifestyles such as the promotion of correct diets and physical activity. It is known that exercising regularly provides multiple benefits to people.

Our Global Energy Race is also an event with cause: for each kilometer a participant runs, Grupo Bimbo donates two slices of bread to food banks. In 2017, thanks to each of the participants, more than one million 200 thousand slices donated to those who need it most.

During 2017, we expanded global participation:

- 26% over 2016 levels, and surpassed our goal by 122%
- 25% of all our runners were associates, their family members or friends

Associate participation	2016	2017	↑ Goal
Mexico	9,597	12,672	↑ 32%
Global	20,405	25,676	↑ 26%

(GRI 102-31)

Country	City	Bread slices donated
USA	Long Beach	38,580
	Philadelphia	20,850
	Dallas	15,380
	Orlando	16,260
	Phoenix	12,870
Mexico	Mexico City	244,792
	Guadalajara	52,190
	Monterrey	40,902
	Puebla	41,524
	Veracruz	32,988
	Merida	23,654
Panama	Panama	16,460
Costa Rica	San Jose	21,986
Honduras	San Pedro Sula	10,212
Nicaragua	Managua	10,044
El Salvador	San Salvador	21,820
Ecuador	Guayaquil	34,632
Guatemala	Guatemala	26,812
Colombia	Bogota	73,368
	Cartagena	34,186
	Cali	27,650
Argentina	Buenos Aires	42,540
Chile	Santiago	42,354
Paraguay	Asuncion	22,500
Peru	Lima	33,048
Uruguay	Montevideo	44,134
Brasil	Porto Alegre	20,400
	Sao Paulo	66,640
	Rio de Janeiro	63,920
Portugal	Lisboa	25,000
Spain	Barcelona	32,522
	Canarias	
	Madrid	48,540
China	Beijing	60,000
UK	Sheffield	11,762
Canada	Toronto	10,764
	Vancouver	3,084
	Quebec City	4,450
TOTAL	Bread Slices	1,348,818

21 countries

37 cities

+103,645 runners

Futbolito Bimbo tournaments:

Futbolito Bimbo is our girls and boy's soccer tournament organized since 1959. In 2017 it celebrated its 54th edition in Mexico.

Mexico

Presence in the **32** states of the Mexican Republic

45 locations throughout the National Territory

2,707 schools

4,423 teams

134,976 hrs of physical activity

1,449 girls' teams / 2,974 boys' teams

32,530 boys and **15,653** girls Mexico

USA

210 teams

+3,200 girls and boys

Chile

80 teams

+800 boys and girls

(GRI: 417: 103-1, 103-2, 103-3, 102-12, 417-1, 417-2)

3. Labeling

Nutritional information, plays an important role in disseminating essential information on the nutritional value and composition of our products. We are committed to stepping up our efforts, to provide consumers easily accessible, transparent and understandable information, they can use to make informed decisions when purchasing and consuming our products.

One of the most important action lines aligned to these objectives is to include in all our packages a simple front of packaged (FOP) label, in addition to our basic nutritional information:

Grupo Bimbo FOP labeling characteristics:

1. List of key nutrients to highlight: energy (calories), saturated fats, total sugars and sodium.
2. Located on the frontal panel to facilitate its reading.
3. Nutrient content with a reference to the percentages of daily requirements in the general population's diet.
4. Clear, relevant, readable and understandable format.
5. Science-based, verifiable and objective information, applicable to all food and non-alcoholic beverages categories without exception.

99% of portfolio with nutritional information

100% of portfolio include ingredient lists

100% regulations compliance

99% compliance in FOP labeling*

*New acquisitions are not included

4. Responsible Marketing Aimed to Children

Our advertising campaigns are truthful and promote the strengthening of ethical values. For that reason, our TV ads reflect a positive focus on morality as well as toward ethnic, religious and political differences.

In fulfillment of commitments we have established with the International Food and Beverage Alliance (IFBA) and our internal Pledge, we have agreed that advertising directed at children under 12, will use only common nutritional criteria based on accepted dietary guidelines, and that we will abstain from advertising to those under 12 with any types of marketing covered under the agreement.

(GRI 419: 103-1, 103-2, 417-2, 417-3, 419-1, FP8)

5. Alliances and Research

We have developed alliances with the authorities, the academic community, research institutes, NGOs and society, that allow us to develop comprehensive programs to achieve a positive impact on consumers wellness.

1. ***Centro Internacional de Mejoramiento de Maíz y Trigo* (CIMMYT)**
   Collaboration agreement, with the objective of stimulating sustainable agriculture practices, that guarantee food security of the growing population in Mexico and Latin America.
2. **International Food and Beverage Alliance (IFBA)**
   Companies'commitment letter, with Mexicans Health, to endorse their support to the National Strategy for the Prevention and Control of Overweight and Obesity.
3. **The Consumer Goods Forum (CGF)**
   Memorandum of Understanding with the PAHO Foundation in favor of health and well-being in Latin America. Health & Well-being pilot program, aimed at consumers, to acquire healthier lifestyles, through nutritional education and the promotion of an active life, implemented in 8 stores in the city of Bogota, Colombia, with an impact on 12,389 consumers.
4. ***Centro de Experimentación y Seguridad Vial México* (CESVI)** (Experimental and Mexican Road Safety Center) ISO 39001 in Road Safety.
5. ***Alianza Latinoamericana de Asociaciones de la Industria de Alimentos y Bebidas* (ALAIAB)** (Latin American. Associations Alliance for the Food and Beverage Industry)
6. **Access to Nutrition Index (ATNI).**
7. **ELEVA**

During 2017, Bimbo Ventures, our unit dedicated to finding and promoting high potential projects at Grupo Bimbo, in association with BlueBox Ventures, Latin America's largest accelerator and venture capital firm, specializing in incubation and startup investments, successfully completed the 1st cycle of ELEVA Food Technology Accelerator.

Increased importance was given, to working closely with start-ups in the search for innovative solutions that may offer options to improve product nutritional profiles or may offer final products with the best nutritional profile, to impact our global portfolio.

Sanissimo Quinoa Rice Cracker
Is the #1 seller of our rice cake portfolio

"In GB innovation is and will be a priority, **an unlimited source of competitive advantage"**

Rafael Pamias, Executive VP

We Care for the Environment

(GRI 301-307: 103-1, 103-2, 103-3)

We develop sustainable actions that can reduce our environmental impacts and take care of our resources and the planet for future generations.

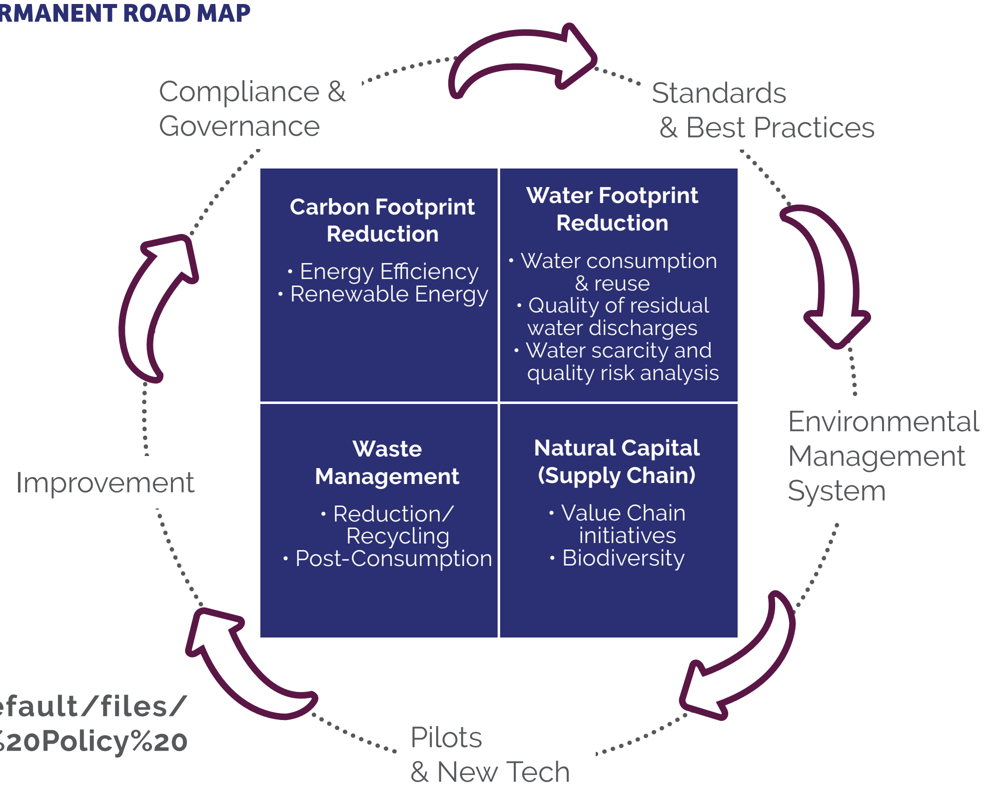
At Grupo Bimbo we are committed to applying good environmental practices in all value chain of each of our products. We have adopted a comprehensive, long-term commitment to assure the efficient use of our resources and seek new technologies in relation to our carbon and water footprint, waste management , use of renewable resources and improving all aspects of our value chain; as our strategy defines.

(GRI 102-46)
We have defined material environmental issues, based on assessments of aspects and impacts, including verification of our operations' performance, legal compliance, management of environmental indicators and specific requirements made by stakeholders parties.

Mission: Live environmental management and make it a competitive advantage for the company

Vision: For our environmental performance to lead to our recognition by 2020 as an agent of change

PERMANENT ROAD MAP



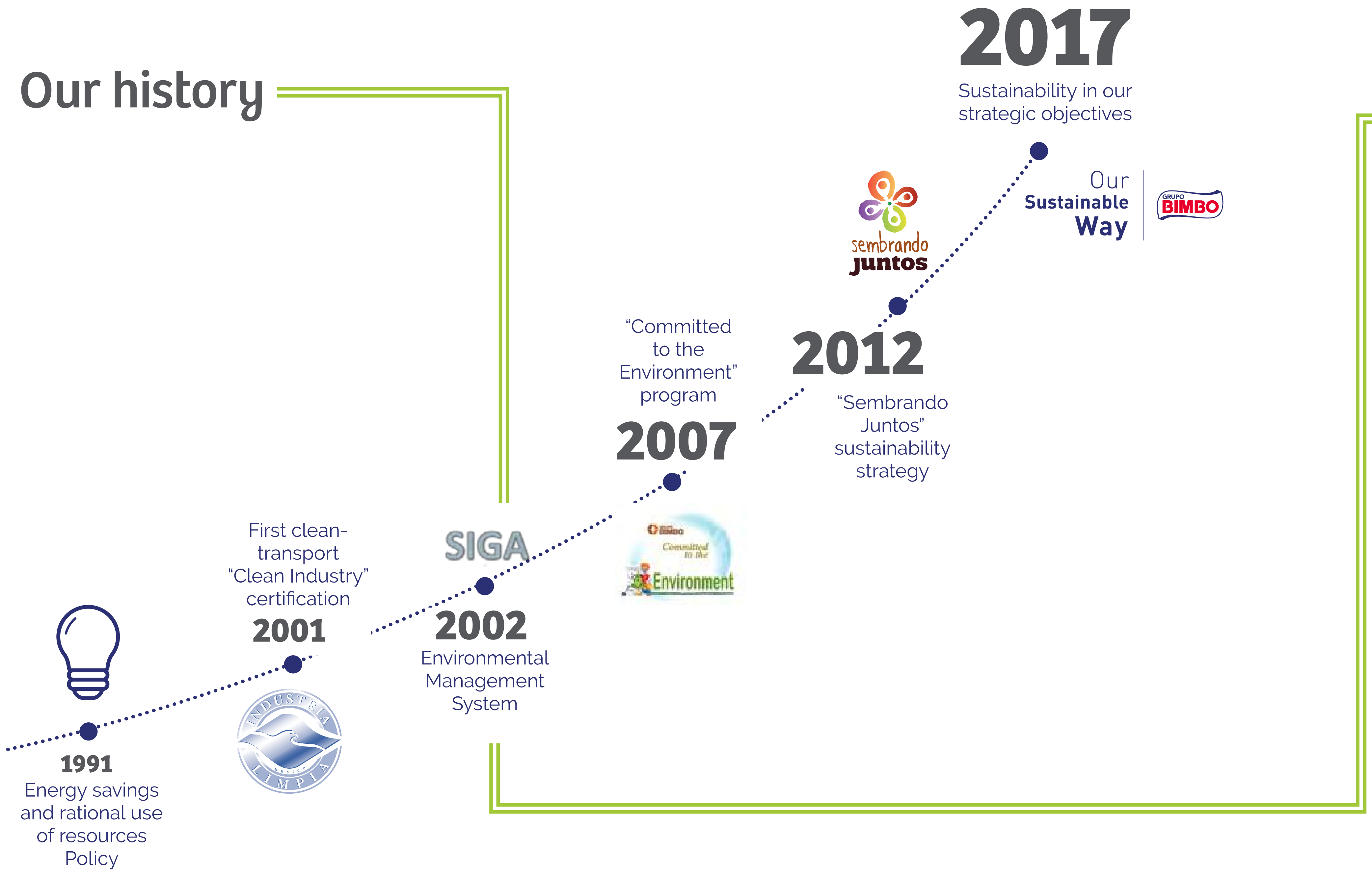
https://www.grupobimbo.com/sites/default/files/FGB-EOP-01%20Global%20Environmental%20Policy%20%28External%29.pdf

"We work to bring delicious and nutritious food into everyone's hands, with the LOWEST IMPACT, throughout all the stages of our value chain"

Javier González Franco, Executive VP

Grupo Bimbo Corporate Headquarters, Mexico

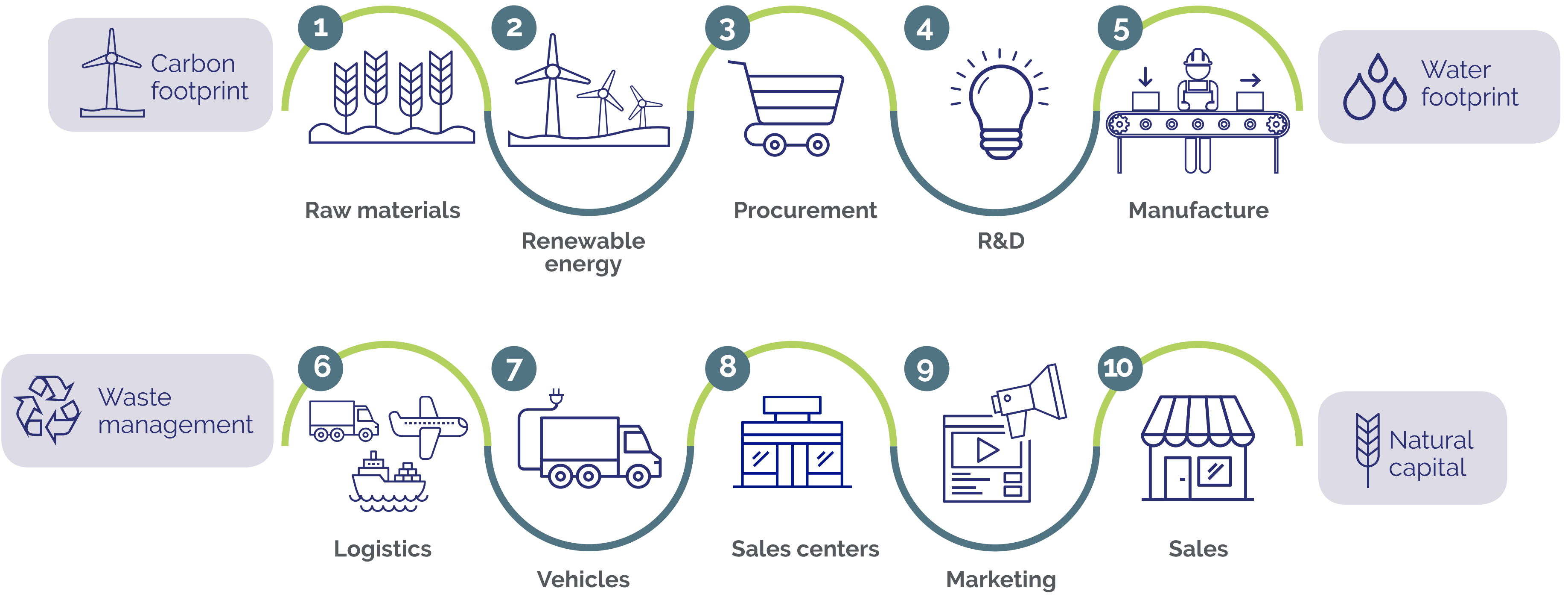
Our history



Sustainability value chain

(GRI 102-9)

From our strategy we are aware of our value chain's environmental impacts. This year we conducted a plan for each of the global functional areas in our value chain, that projected clear actions for lowering the company's environmental risks over the coming years to reach the goals, as well as for gauging our impacts along the entire chain.



Carbon Footprint (Climate change)

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

We have set the goal of mitigating climate change, improving and consolidating technologies related to renewable energy, energy efficiency, and energy and fuel resource reduction, transitioning toward an energy system based on renewable technologies, to achieve a reduction of 10% to 2020 in our carbon footprint, and 80% electricity from renewable sources.

Renewable Energy

(GRI 201-2)

Through "Piedra Larga" wind farm, we continue to supply wind power to 52 of our plants, 131 sales centers, 57 El Globo stores, and 2 distribution centers, as well as our corporate headquarters building. The damage the wind farm suffered in relation to the September, 2017 earthquake in Oaxaca, led to a 34% reduction in our clean energy production from 826,973 GJ in 2016 to 545,802 GJ in 2017. We expect to compensate for that loss during the current year, and will continue to advance toward our 2020 target, of providing clean energy to most of our sites in all Grupo Bimbo.

The Metropolitan Distribution Center will be the largest solar energy system in Mexico rooftops and the second largest in Latin America, with 2.2 MW power installed. In total, *"Bimbo Solar"*, will avoid 2,500 tons of CO_2e emissions annually, equivalent to reducing oil use by 3,115 barrels or planting 120,000 trees.

In its first stage ***"Bimbo Solar"* will consolidate 33 systems that together will have an installed capacity of 3.7 MW** on 24 sales centers, 7 El Globo Stores, the Corporate building in Mexico City and the Metropolitan Distribution Center, which is currently in construction.

Piedra Larga wind farm Oaxaca, Mexico

Manufacture

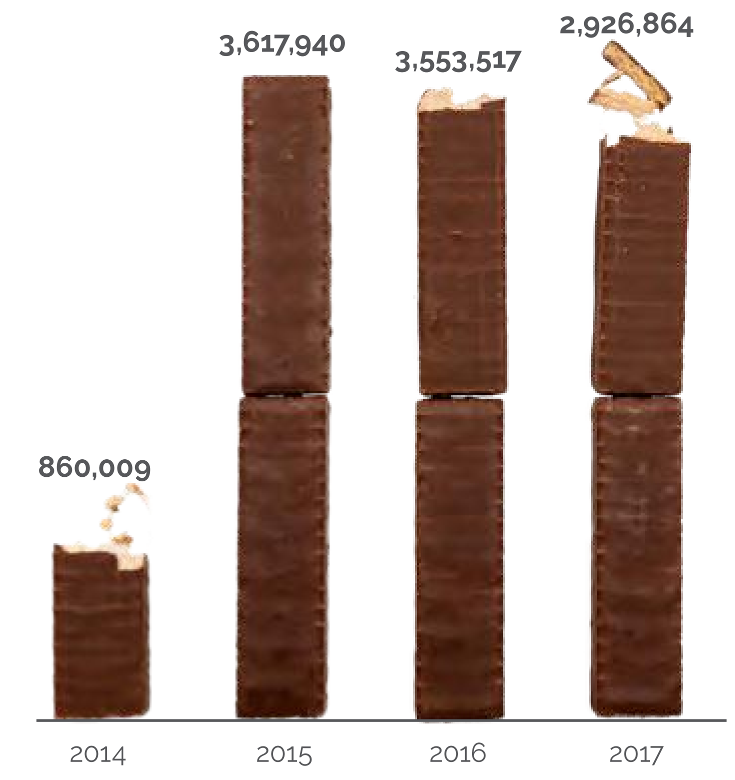
(GRI 302-1, 302-2)

We continue to work globally to develop new technologies and initiatives that allow us to lower our CO_2e emissions and achieve efficiencies in our operations' energy consumption.

Our main energy indicators are detailed in the following tables.

TOTAL ENERGY OUTSIDE THE ORGANIZATION (3RD PARTY)

Total Fuel Consumption from non-renewable sources



BBU was recently named a 2018 Energy Star Partner (EPA) of the Year. On Friday, April 20, 2018 in Washington, DC. BBU was the first company in the food sector ever to be awarded.

All of BBUs bakeries participate with EPA Energy Star.

- 14 have received the EPA Energy Star Certification
- 7 have received the EPA Energy Star Challenge

For more information about Grupo Bimbo Certifications **https://grupobimbo.com/en/grupo-bimbo-awards**

INDIRECT ELECTRICITY CONSUMPTION

Grupo Bimbo in GJ	2012	2013	2014	2015	2016	2017
Total indirect consumption of energy from suppliers.	3,072,959	2,473,933	2,243,755	3,099,895	2,910,352	3,310,551
Wind energy	136,186	758,392	787,786	799,490	826,973	596,496
Total	3,209,145	3,232,325	3,031,541	3,899,385	3,737,325	3,907,047

TOTAL ENERGY WITHIN THE ORGANIZATION

Grupo Bimbo in GJ	2012	2013	2014	2015	2016	2017
Total Fuel Consumption from non-renewable sources	20,413,615	17,346,175	14,650,377	16,136,786	16,406,769	16,517,848
Electricity Consumption	3,209,145	3,232,325	3,031,541	3,899,385	3,737,325	3,907,047
Total Energy Consumption	23,622,759	20,578,499	17,681,919	20,036,171	20,144,094	20,424,895

Total Energy Consumption 1% decrease
23,351,759 GJ /2017 vs. 23,697,611 GJ/2016

3% decrease of the company's total energy consumption, from non renewable fuels (LPG gas, CNG, diesel, gasoline) vs. 2016 equivalent to 515,574 GJ

Energy consumed by 784,740 100 watts bulbs in a year (lit 5 hrs per day)

Global initiatives to reduce energy consumption

(GRI 302-3, 302-4, 302-5)

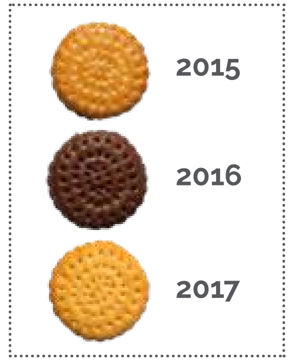
The most replicated initiative to reduce energy consumption was the implementation of more than 95% of LED lamps in Mexico, Colombia, Argentina, Canada, BBU and China, together with the installation of high efficiency motors and equipment update.

RENEWABLE ENERGY

CO_2e

9% reduction of CO_2e from use of LPG in our manufacturing processes

3,459 ton CO_2e vs. 2016



Energy Intensity Ratio

(GRI 302-3)

*Scope 1,2 &3 (2015 and 2016 vehicles included, 2017 vehicles and donuts included)

(GRI 302-1, 302-2)

ENERGY CONSUMPTION

Grupo Bimbo in GJ	2012	2013	2014	2015	2016	2017
Natural gas in plants	8,038,092	8,124,529	7,344,243	8,217,035	8,483,167	8,862,003
LP gas in plants	453,960	464,720	499,672	590,921	619,084	609,854
Diesel in plants	24,867	13,827	61,357	60,851	114,698	58,413
Other fuels in plants (fuel oil)	92,567	120,108	113,036	118,370	140,971	123,565
GJ Sub-total in Plants	8,609,486	8,723,184	8,018,308	8,987,177	9,357,919	9,653,835
Natural gas in vehicles	-	123	2,805	21,204	73,569	32,084
LP gas in vehicles	44,759	25,693	23,022	28,445	18,021	46,917
Diesel in vehicles	9,650,926	6,461,793	4,548,479	4,680,394	4,405,656	4,222,307
Gasoline in vehicles	2,108,443	2,135,382	2,057,527	2,419,516	2,551,603	2,562,705
Other fuels in vehicles (ethanol)	-	-	236	51	-	-
GJ Sub-total in Vehicles	11,804,129	8,622,990	6,632,069	7,149,609	7,048,850	6,864,012
Natural gas in 3rd party vehicles				111,140	126,351	110
Diesel in 3rd party vehicles	-	-	860,009	3,506,800	3,426,909	2,926,321
LP gas 3rd party vehicles					241	389
Gasoline 3rd party vehicles					16	45
GJ Sub-total in 3P Vehicles	-	-	860,009	3,617,940	3,553,517	2,926,864
Total direct consumption of energy from non-renewable primary sources (purchased)	20,413,615	17,346,175	15,510,386	19,754,726	19,960,286	19,444,712

* Data for years between 2014 and 2017 include only 10 months; data for the plants was updated in the February 2018 report.

1% reduction of CO_2e direct emission per product ton (efficiency) manufactured vs. 2016, due mainly to the results obtained in primary distribution, equivalent to 7,095 ton CO_2e

The CO_2e absorption capacity of 1,419 Encino trees

49% reduction of Diesel consumption in manufacturing processes vs. 2016
3 consecutive years of reductions

The CO_2e absorption capacity of 843 Oak trees vs. 2016

Logistics & Sales Centers

(GRI 305-3, 305-5)

We implemented a series of initiatives during 2017, that help us to improve fuel efficiency and reduce CO_2e emissions from transport vehicles. The most significant are listed below:

1. **Trailer redesign**
   In Mexico, replaced 35 ft. trailers with a 20-pallet capacity (40 pallets in a double trailer configuration), with a 42 ft. trailer with 24 pallets (48 pallets in a double trailer configuration). These modifications allowed us to transport 17% more pallets per trip.
2. **We had 82 intermodal rail hauls** in 2017, between Mexico City and Mexicali, achieving 82 railway trips.
3. **For the first time,** in Grupo Bimbo Mexico, we have a distribution center with a LEED GOLD (Leadership in Energy & Environmental design) certification that together with the one in Tenjo Colombia, are a recognition to the company´s environmental commitment.

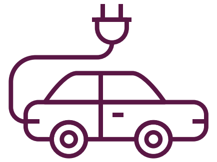
On a global level, during 2017, **several energy practices were employed that allowed us to sustain preexisting levels of factory environmental performance,** even as we operated 20 more factories than in 2016.

Vehicles

We continue working on developing innovations and looking for new technology that can improve our fleet performance in order to decrease our CO_2e emissions.

Mexico

- Clean Transportation Program: we obtained environmental ministry certification for a seventh consecutive year.
- Self-regulation Program: We have units certified under a voluntary covenant with the governments of Mexico City and the State of Mexico to voluntarily lower CO_2e emissions.
- We have 130 vehicles with particle filters, technology with which emissions to the environment are significantly reduced, with greater fuel efficiency.
- Use of alternative fuels and renewable energy in Mexico. We have 350 electric distribution vehicles that were designed and manufactured by Moldex, a subsidiary of Grupo Bimbo. Also, in the US operations, we have 191 LPG route vehicles, 79 CNG route Vehicles and 59 CNG tractors.
- Moldex: Calculations and testing were conducted to optimize the yield of the 17 Guadalajara trucks, leading to the redesign of battery banks and chargers for better performance. We also achieved delivery of prototypes one and two for Mexico City and much progress was made to assure delivery of units three and four by February 2018.
- Tire renewal: The retreading of tires, reduces carbon dioxide emissions and extends tire life. This approach also avoids the toxic waste entailed in worn-tire disposal.
- Acquisition of equipment with Euro 3 (4%), Euro 4 (15%) and Euro 5 (5%) technology expanding to 13 the number of specialized units for yard management logistics and bringing the vehicular fleet in Mexico to 35 units while increasing to 23% those with Euro 5 technology. This new technology lowers contaminants thanks to the new units' use of urea in the combustion process.



350 electric vehicles in circulation + 80 new for 2018

185 natural gas vehicles (CNG)

Colombia

- Bimbo Colombia, consolidated as the first Colombian company to acquire 3 Euro 4 technology transport vehicles, with selective catalytic reduction, and the entire fleet in Spain rates Euro 5.
- Lower in CO_2e emissions and greater fuel savings through a reduction in idling time as well as by raising awareness among drivers.

USA

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

China

- We are developing an electric vehicle with a battery that only requires 10 hours to completely recharge, and an operating range of 120 km in summer and 80 km in winter. In addition to the use of sustainable technology, the vehicle achieves its greatest savings on the level of fuel and maintenance. We currently have 231 tricycles that are covering routes totaling 2,187,780 km.

(GRI 305-1, 305-2, 305-3, 305-5, 305-6)

CO_2e EMISSIONS (TON)

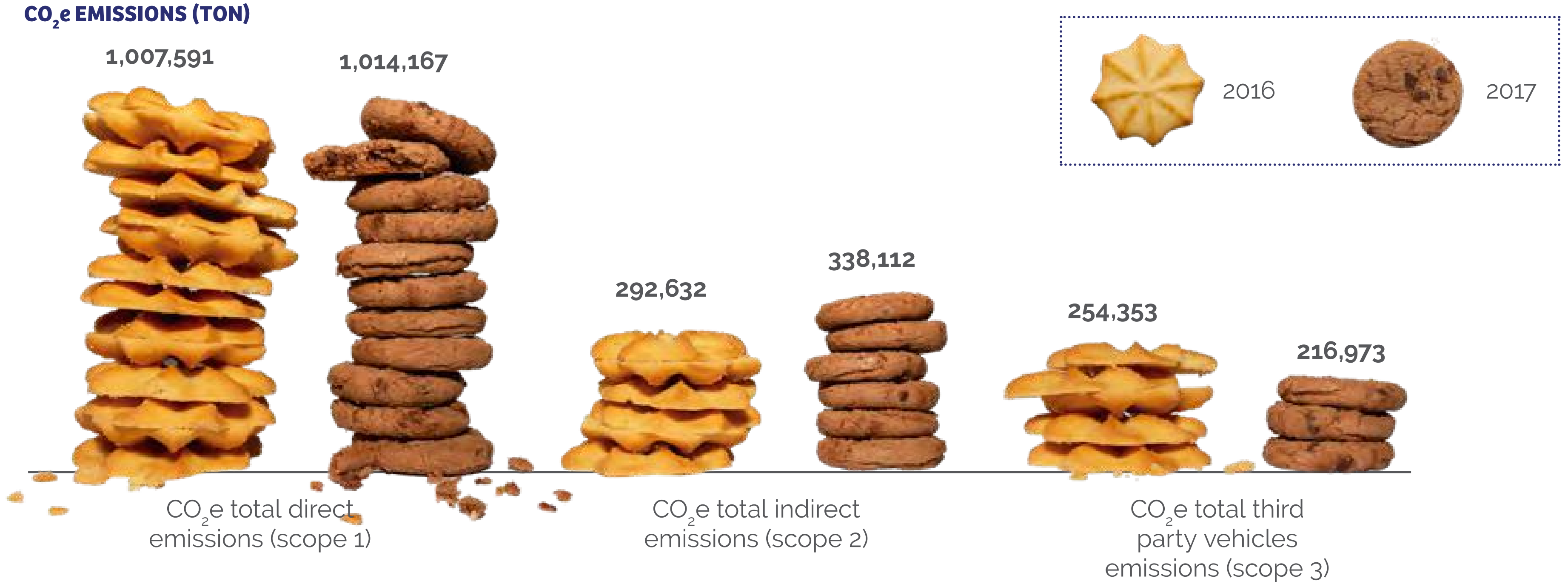
Grupo Bimbo	2012	2013	2014	2015	2016	2017
CO_2e total direct emissions (scope 1)	1,353,721	1,103,823	909,995	996,822	1,007,591	1,014,167
CO_2e total indirect emissions (scope 2)	424,327	300,472	268,290	294,956	292,632	338,112
CO_2e total third party vehicle emissions (scope 3)	-	-	62,040	259,282	254,353	216,973
TOTAL CO_2e EMISSIONS FOR GB	1,778,048	1,404,295	1,240,325	1,551,060	1,554,575	1,569,252

*We improved with policies and programs the data for outsourcing

4,222,306 GJ diesel consumption from primary transport / -4% vs. 2016 / -31% in the last 7 years

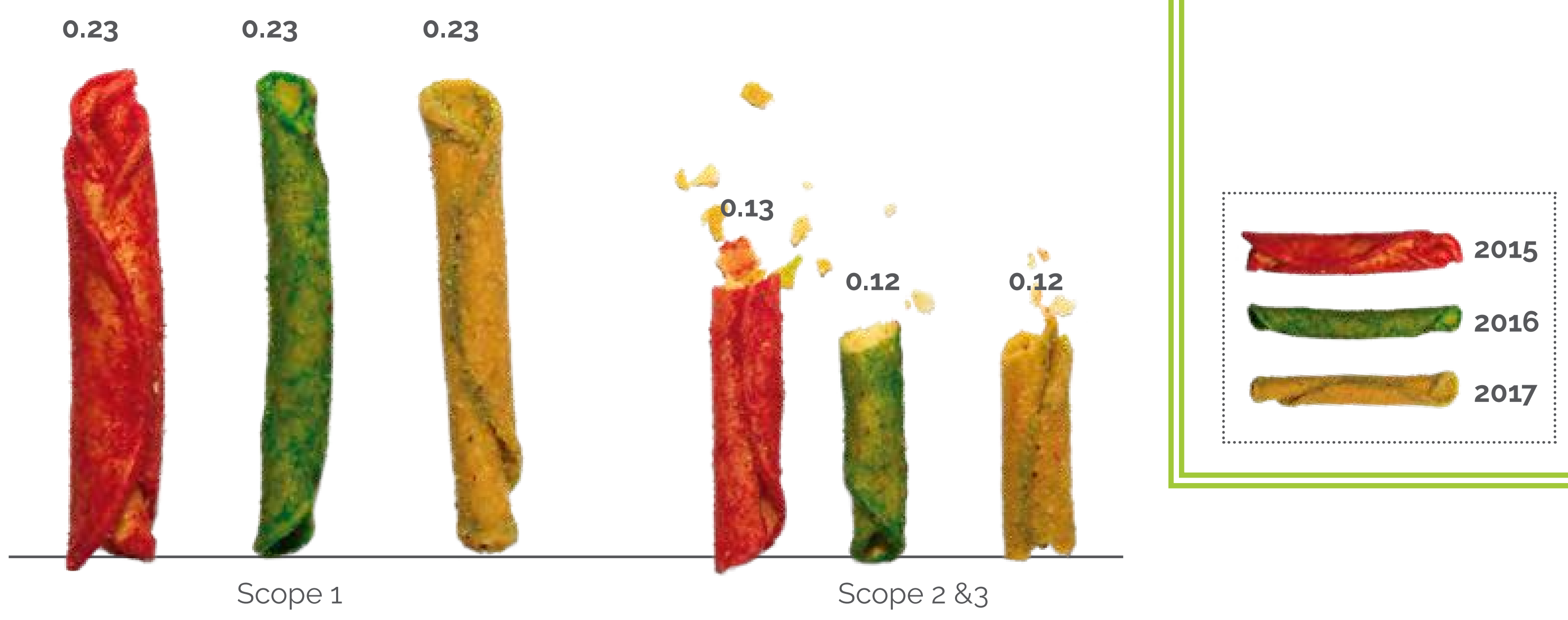
Avoid **144,107 Ton** CO_2e vs. 2010

CO_2e EMISSIONS (TON)



(GRI 305-4)

CO_2e EINTENSITY RATIO



*Scope 1,2 & 3 (2015 and 2016 vehicles included, 2017 vehicles and donuts included.

(GRI 305-7)

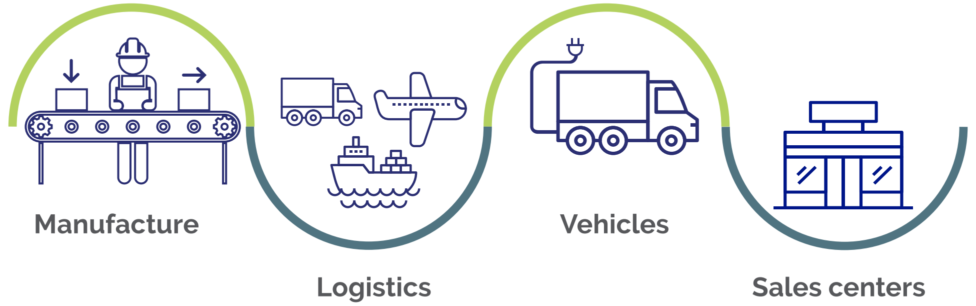
OTHER SIGNIFICANT ATMOSPHERIC EMISSIONS

Grupo Bimbo	2016*	2017**
Nox (kg)	129,441	378,746
Sox (kg)	777	3,582
PM10 (kg)	-	41,426
PM2.5 (kg)	-	41,313
OVs (kg)	-	22,313

*Nox and Sox 2016 only USA
** All Grupo Bimbo except Donuts, Morocco, India and BQS

Water footprint

In Grupo Bimbo we promote technologies to reduce water consumption in our cleaning and manufacturing processes. We guarantee water treatment and reuse of water and we seek to reduce our consumption by increasing 10% efficiency by 2020.



Manufacture & Vehicles

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

Throughout the company, we promote technologies for reducing water consumption in our manufacturing and cleaning processes and seek to improve wastewater quality for reuse.

(GRI 102-30, 102-31)

To identify how many of our plants are in areas that could eventually experience water stress and prepare the company to deal with future water related scenarios, during 2017 we conducted water risk mapping, using aqueduct's global water risk mapping tool developed by the World Resources Institute. The next step will be to devise a plan for critical installations involving new technologies.

Main initiatives:

- Elimination of 100% cooling towers in Mexico and Central America operations. More than 24 rain water collection systems installation, to provide water for vehicle washing. (10 in Costa Rica, 9 in Guatemala, 3 in Honduras, 1 in El Salvador and 1 in Mexico) Reduction in sanitary services consumption in our operations: reusing treated wastewater in toilets and y water-free urinals.
- Reuse of treated water for services and irrigation in Argentina, Central America and Mexico.

New Tech in water treatment systems. Villahermosa, Mexico

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

WATER CONSUMED m³

Global	2012	2013	2014	2015	2016	2017
Surface and Ground water	1,548,221	1,334,810	1,272,597	1,191,666	1,187,965	1,128,159
Rainwater collected	-	3,965	-	-	-	1,535
Municipal water supplies or water utilities	3,264,032	3,160,999	2,873,455	3,497,057	3,473,158	3,756,510
Total	4,812,253	4,499,773	4,146,052	4,688,723	4,661,123	4,886,204

18% reduction on water consumption per ton in manufacturing processes, since 2009.

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

In the last years, we have upgraded all water treatment technology, and replicated best practices to reduce consumption in all our plants.

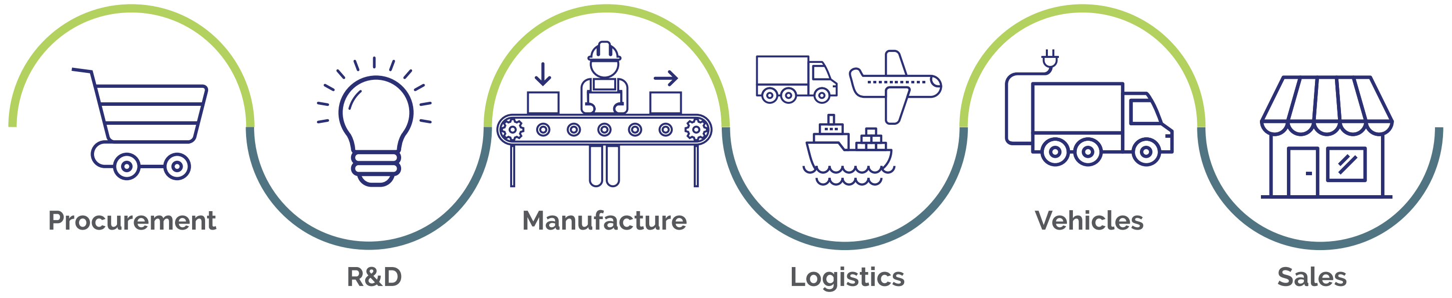
Global m³	2012	2013	2014	2015	2016	2017
Total volume of water treated and reused	416,003	1,523,300	431,222	420,744	452,646	537,779
% of water treated and reused from the total volume consumed	**9%**	**34%**	**10%**	**9%**	**10%**	**11%**

19% increase in waste water treatment from plants, compared to 2016, reaching a 25% cumulative increase of 106,557 m³ in the last 3 years.

43 Olympic pools
10,656 water tank trucks

Waste management (Global)

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



We improved our products performance, reducing waste and developing better packaging, allowing these to be valued. We also promoted reduction and recycling actions throughout our value chain, to achieve at least 90% recycling in our operations, post-consumption programs in the different organizations in partnerships with other companies, as well as 30% food waste reduction in the company.

Our global waste management strategy, consists of stratifying the waste and working on its reduction within the value chain. All our waste is treated locally.

(GRI 301-2, 306-2)

Waste, tons	2014	2015	2016	2017
Recyclables	230,818	254,689	272,078	271,861
Non-recyclables	12,715	14,260	15,696	21,414
Special handling	10,049	8,935	8,206	9,289
Hazardous waste	978	1,258	896	486
Total waste disposal	254,560	279,142	296,876	303,050
Total Waste sent to beneficial uses	240,867.00	263,624.00	280,283.70	281,150.00
Percentage of Total Waste recycled/reused	94.62%	94.44%	94.41%	91.99%

*Bimbo Asia does not report waste as they have yet to be trained in this regard. Canada only reports production waste.
For the first time we are reporting waste for Bimbo Asia and in the case of Bimbo Canada we are only considering Food Waste. Th e data excludes Donuts, Morocco, India and BQS recycling programs.

30 Plants
with 0 waste to landfill

PROCUREMENT
(GRI 301-1, 301-3)

Total packaging acquired in 2017
207,272 Ton

Renewable materials used in 2017
131,823 Ton

Non-renewable materials used in 2017
75,449 Ton

Percentage of renewable materials in 2017
63.60%

Material	Metric Ton 2017
Corrugated carton	86,920
Folding carton	44,446
Plastic PE resin	39,855
Plastic PP resin (Transparent)	18,174
Metallic Polypropylene	9,963
Aluminum (foil)	478
OPS	3,909
PET	2,626
Plastic PP resin (Printed)	108
Twist-Tie	64
Specialty Paper - Wax	126
Paper	457
Cornstarch bio plastic tray	145

Plastic PE resin for trays is not considered

(GRI 301-1, 301-2, 301-3)
In Grupo Bimbo, we improve the use of packaging technologies looking for recyclability, reduction and circular economy.

207,272 Ton total packaging purchased

92% Total Waste inmanufacturing processes is reused/recycled

46% reduction in hazardous waste from factory maintenance compared to 2016

21 more 20 Ton **Torton trucks** vs. 2016

PERCENTAGE OF PACKAGING USED THAT IS RECYCLED INPUT MATERIALS

Material	Metric Ton 2017
Corrugated carton	15,201
PET trays min 50% from recycled waste	826
Paper recycled in corrugated cases	38,052
Recycled HIPS	66
Folding Carton	39,325
Recycled Materials (Tons)*	**93,471**
Share of recycled materials	45.10%

*Plastic PE resin for trays is not considered

93,471 ton of recycled materials
45.1% of all packaging obtained by Grupo Bimbo

R&D
GLOBAL INNOVATION (GRI 301: 103-1, 103-2, 103-3)

Packaging optimization projects are regarded as a priority at Grupo Bimbo and form part of our Packaging Management Strategy. The strategy's general objective, is to find technological solutions that can be implemented at all Grupo Bimbo organizations. For that reason, we promote research of technologies, that help us to lower the environmental impact of the waste we generate.

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

On the level packaging reduction, in Mexico we validated the use of a polyethylene formula, that improves the mechanical properties of bags, allowing for 12% caliber optimization in the case of White Breads and 17% on Whole Wheat Breads. Moreover, each organization's local technical teams, developed package optimization projects: Bimbo Bakeries managed to lower caliber 15% on Sara Lee bread bags and 8% on Arnold Brownberry and Oroweat Wide Breads. The implementation is scheduled for 2018.

Barcel Mexico harmonized the structure used for packaging snacks and reduced the use of 31 ton of plastic for the year.

2.3 million kg global reduction in the use of plastic since 2010 with new technologies to reduce the thickness of our packaging

Bimbo Iberia replaced the double packaging system for Thins by eliminating the outer polyethylene bag and now uses only polypropylene packaging that was traditionally reserved for the unprinted inner bag; that change led to a savings of at least 40% of the packaging material used for this product.

Bimbo Frozen improved its bag formula for fermented bread by increasing its mechanical properties using lineal polyethylene to reduce by 5% the packaging losses and waste released into the environment.

For its part, Chile developed the packaging optimization project that made it possible to reduce plastic usage by close to 230 ton.

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

Logistics

Waste reduction initiatives:

Mexico

- Implementation of a logistics harness that allows for product packaging.
- Monitor battery use in lifting equipment (forklifts and hydraulic lifts).

Post consumption

In 2017 we collaborated for the first time with ECOCE in Mexico in-waste collection, at various Futbolito Bimbo events and four Global Energy race sites. We also conducted pilot tests of wrap per collection at some supermarket chains through the ECOCE mobile collection program for collecting flexible polyethylene (bags) that can be exchanged for basic and recycled products through eco-points (kg).

The company participates in different countries post consumption recycling programs, such as Mexico, Brazil, Spain, England and Canada.

Natural Capital (Supply chain)

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

We developed plans for every global functional area that forms part of our value chain, including clear environmental risk reduction actions for the coming years, as well as improved assessment of our impacts throughout the chain. We currently have information on the factories, primary and secondary distribution.

SUPPLY CHAIN

Sustainable agriculture

As part of our commitment to work towards a sustainable path, and based on the Global Agriculture Policy, in 2017 we signed a collaboration agreement with the International Maize and Wheat Improvement Center (CIMMYT), to promote sustainable agricultural practices for the growing populations of Mexico and Latin America, which entails:

- Implementation of a model of integrated trade and responsible corn and wheat procurement in Mexico.
- Promoting sustainable agricultural practices to enhance farmer productivity to strengthen the entire value chain.
- Raising the incomes of small-scale producers in the most vulnerable regions through more competitive and profitable conditions.
- Caring for the environment

The pilot projects we will conduct, will be with our strategic allies: Cargil for corn in the Bajio region as well as the states of Mexico and Hidalgo, and Bunge for wheat in the states of Sinaloa and Sonora, Mexico.
https://www.grupobimbo.com/sites/default/files/FGB-EPR-02%20%20Grupo%20Bimbo%20Supplier%20Code%20of%20Conduct.pdf

Global palm oil policy

In 2017, in partnership with The Forest Trust (TFT), we engaged with direct suppliers representing 95% of the company's palm oil and palm kernel volume. (In 2016, engagement was focused on 90% of volume.) This has included communicating the person at Grupo Bimbo responsible for sourcing commitment, collecting mill level traceability data (95% traceability achieved for top suppliers), and tracking policy implementation with first tier suppliers. For suppliers for whom baseline policy implementation data was collected in 2016, we have been able to identify progress & gaps and follow-up directly with them to agree upon concrete opportunities and specific milestones for stronger policy implementation. We have also supported on-the-ground engagement with palm oil producers in our supply chain in Central and South America, where most of our palm oil volume originates.
https://www.grupobimbo.com/sites/default/files/FGB-EPR-02-Global-Palm-Oil-Policy.pdf

Animal wellness in egg production

We have created the Global Egg Policy to be socialized with our main vendors and to be able to define minimum requirements for ensuring our vendors worldwide abide by global animal welfare standards.

Signatory of the Cerrado Manifesto in Brazil

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

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

Mexico success story

(GRI 304-2, 304-3)

To be an agent of change in Mexican agriculture, supporting the development of farmers who grow the products we are interested in, to assure supply, lower imports, generate productivity, and become more sustainable. Our main initiatives are:

Water
In keeping with the *Instituto Nacional de Investigaciones Forestales, Agrícolas y Pecuarias* (INIFAP) planting protocol, watering is reduced to 4 times (0-45-75-100 days).
Water reduction of 807,600 m3/ha (2 million l = 2,000 m3 ha)
(Calculated for seed where watering is reduced (4/5), we confirmed that in the Bajio region, only the irrigations called for in the protocol were applied.)

Agriculture
The CIMMYT methodology for wheat and corn will be applied, and we have a tool for measuring the amounts to be applied. This is carried out for agricultural conservation purposes.

Within the 5-5.5 ton/ha average, according to the CIMMYT methodology for responsible management. The strategy is directed at reducing tillage and irrigation costs.

Silvopasture system for goats
With this project, we increased the goat milk production and continued the use of corn silage as a fertilizer to reduce deforestation.

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

Reforestamos México
In 2017, along with *Reforestamos México, A.C.,* we joined forces with 61 companies, investing resources and more than 13,800 volunteers, to reforest 196.45 hectares of woodland area and support the conservation of 947.26 hectares of forest ecosystems in Mexico.

According to information provided by *Reforestamos México A.C.*, reforestation actions in Bosque de la Primavera in Jalisco, the Parque Nacional Cumbres of Monterrey, Nuevo Leon, and the Nevado de Toluca in the State of Mexico, have an estimated 76.00% survival index as of 2017. However, to have updated information for 2018, an external agent is conducting field assessments in each area where trees were planted.

Each of the reforestation efforts are supported during the first three years with a series of maintenance activities that greatly increase survival rates and generate related social benefits in the form of temporary jobs for people from the supported communities.

LOCATION OF REHABILITATED HABITAT

Nevado de Toluca
in the State of Mexico
Flora and Fauna Protection Area
Hectares restored109.25
Hectares maintained 297.26

La Primavera
in the State of Jalisco
Flora and Fauna Protection Area
Hectares restored 55.50
Hectares maintained 650

Tzitzio
in the State of Michoacan
Ecological Restoration Area
Hectares restored 1.00

Sierra de Manantlan
in the State of Colima
Ecological Restoration Area
Hectares restored 1.00

Parque Educativo
in the State of Veracruz
Ecological Restoration Area
Hectares restored 1.00

Cuenca de la Soledad, Pinal del Zamorano, Temascatio and Parque Bicentenario
in the State of Guanajuato
Ecological Restoration Area
Hectares restored 7.00

Ciénega de González, El Pajonal, Huasteca, Laguna de Sánchez and San Juan Bautista
in the State of Monterrey
National Park Protected Area
Hectares restored 6.50

Bicentenario, Rafaela Padilla and Teleferico
in the State of Puebla
Recreational Park Protected Area
Hectares restored 3.50

Sierra de Tepotzotlan
in the State of Mexico
State Park Protected Area
Hectares restored 4.70

Joya la Barreta and El Cimatario
in the State of Queretaro
Recreational Park Protected Area
Hectares restored 6.75

Kai Lu´um
in the State of Yucatan
Recreational Park Protected Area
Hectares restored 0.25

Total Hectares restored **196.45**
Total Hectares preserved **947.26**
Total Volunteers **13,807**

Among our 2017 success stories, we should mention the "Sustainable Livestock Experience Exchange" organized May 11 and 12 by *Reforestamos México*, at which livestock ranchers from neighboring El Zapotal Private Reserve in Tizimin municipality, Yucatan, Mexico, shared their sustainable livestock good practice experiences with 18 ranchers from five localities in Quintana Roo and Campeche states, and where cattle farming is the main cause of deforestation, due to the need for great extensions of pasture land (0.6 cattle/ha).

For that reason, it has been shown that Silvopastoral Systems (SSPi), offer a very good alternative, as they offer the best environmental services and greatest productivity. They also avoid the release of CO_2e deposits in the ground and conserve the site's biodiversity.

A result of that meeting, the participants decided to set SSPi implementation and sustainable livestock good practice commitments for their land.

Young Forest Entrepreneur

Young Forest Entrepreneur is an initiative of *Reforestamos México A.C.*, with the support of Grupo Bimbo, CONAFOR, INADEM and BBVA Bancomer, which promotes the talent and business vision of young people in Latin America, through which we seek to increase their skills to develop initiatives in the forestry sector, that promote sustainable resources management and provide ecological solutions to deforestation.

In the 2017 edition, we gathered more than 1,300 forestry students, and received 112 proposals, with the participation of 60 Mexican and Latin American universities. The winner on this occasion was the Thara Project of a young entrepreneur from the Agrarian University of La Molina, in Lima, Peru.

We will continue with this program in 2018, with the main objective of disseminating the event and invite key audiences to participate in the next edition, since we are convinced that we must trust on the development of change agents that can impact the communities as well as improve our planet for future generations.

PROCUREMENT

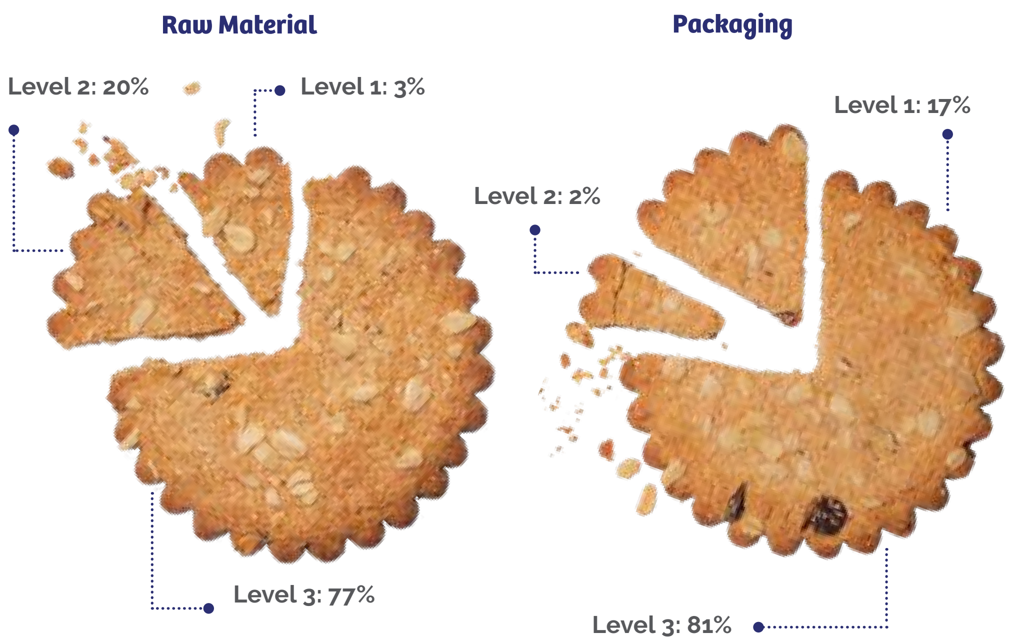
(GRI 308-1, 308-2, 414: 103-1, 103-2, 103-3, 414-1, 414-2)

In keeping with our 2020 strategy, in 2016 in Mexico we conducted a pilot test with some suppliers, and for 2017 we defined the survey to be applied to all our suppliers of Raw Materials and packaging. The purpose of the survey was to determine the state of the three sustainability pillars that we currently work with in both categories and based on that information design a joint effort strategy to impact our sustainability pillars.

(GRI 308-2)

Step one of the Green Purchasing Project is to conduct the sustainability survey, to identify each supplier's potential risks in relation to each input handled within the environmental pillar. The survey classifies three levels of compliance: 1 basic, 2 intermediate and 3, the highest levels.

OUR 2017 MAIN RESULTS:



Wheat Crop Pilot, Mexico

"Build to last, build to **transform**"

Reynaldo Reyna, Chief Services Officer

DESEO PROGRAM (GRI 412-3, FP5)

Develop external business partners (suppliers), promoting a culture of continuous improvement in operations, verifying compliance with the minimum requirements we have set for the various categories for achieving food safety, quality, environmental and occupational safety in the Small Medium Enterprises (SMEs) suppliers.

Total SMEs	Number of SMEs in program	% Progress
948	466	49%

Scope

The program is directed at micro, small and medium sized companies that are authorized Grupo Bimbo suppliers. The program covers eight categories: food, packaging, freight, maintenance services, building maintenance, vehicles, visibility and maquila.

Development

There are 5 stages to the process:

1. An initial meeting in which we report on SNE requirements.
2. Implementation process and clearing up any doubts. During this stage, the supplier must cover all the requirements asked of them by Grupo Bimbo.
3. Verification process with a company (SME) visited the suppliers' premises to verify, using a checklist approved by Grupo Bimbo, compliance with every point requested. The process includes reviewing documents and onsite inspections.
4. SNE process of delivering the action plan. In this stage, the supplier proposes the actions to mitigate or eliminate the problems detected during the verification, along with a deadline for redressing the issues and the name of the person to oversee monitoring of the process.
5. Verification at Grupo Bimbo installations. This stage only applies to the categories of overall maintenance, visibility and building maintenance.

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

We are Active Agents of Community Development

(GRI 413: 103-1, 103-2, 103-3, 413-1, 413-2, FP4)

17 PARTNERSHIPS FOR THE GOALS

We work in partnership with NGOs to face the challenges of the communities in which we have a presence, to give them back some of what we receive from them.

Alongside NGOs, non-governmental agencies, society, the private and public sectors and through voluntary donations in money and in-kind, on behalf of the company and our associates, we support initiatives focused on wellness, healthy diets, physical activity, environment, community development and education. Also, in case of natural disasters, Grupo Bimbo makes a match to economic donations from associates.

47% of our associates in Mexico contributed through voluntary donations for NGOs and natural disasters

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

DONATIONS PROGRAM

Along with organizations from around the world, through Grupo Bimbo's and associates donations, we support a range of actions that such organizations undertake, and which directly benefit communities and society in general.

Region	Economic Donations	Product Donations	Total Donations
Mexico	67	39	106
USA/Canada	57	548	605
Latin America	18	237	255
Total	**142**	**824**	**966**

For the year, we recorded 966 economic and product donations worth a combined $123 million pesos, and in support for more than 900 associations.

VOLUNTEERING

At Grupo Bimbo we are committed to society and the world to contribute and face the challenges in an effort to fulfill the Mission of our Volunteer program.

Our volunteering program includes both economic and in-kind donations plus free time contribution from our associates.

Through our program with our more than 22,000 volunteers we support NGOs around the world which develop initiatives to promote healthy diets, wellness, education and care of the environment.

It is important to mention that for the first time Argentina, Chile, Paraguay and Peru, simultaneously carried out volunteer activities. The associates from these countries participated by giving their time, during a weekend day, with their families, which enriched the activity.

Bimbo Argentina: We paint your school

This action was carried out within the framework of the Corporate Management Volunteer Program and the Diversity and Inclusion Program. More than 20 associates participated with their families, where six classrooms were painted, as well as the corridors of High School 14, in the town of Derqui of Pilar Partido, Argentina, which nearly 100 children attend.

Ideal Chile: A good neighbor related to our culture of Diversity and Inclusion

Together with the Good Neighbor and *Fundación Mi Parque*, 30 volunteers from Bimbo Chile, worked on the recovery project of the four playgrounds of "Arturo Perez Canto" Kindergarden, located in the Quilicura district. This institution is located in one of the most vulnerable areas of the sector, where more than 130 boys and girls attends from elementary school, medium school and high school levels of more than 6 nationalities.

Paraguay: We improve the study conditions of young people

Volunteering was carried out at the Dr. Fernando de la Mora School, where volunteers painted the classroom and planted several flowers, with the objective of improving the study conditions of the young people who attend this school.

Bimbo Peru: we planted 50 fig trees for the *Sagrada Familia Residence*

A group of Bimbo Peru associates, got together to fulfill Brother Miguel´s dream to have green areas and large trees where children could play, teaching them the importance of reforestation and environmental care, through the donation of 50 fig trees, which were planted by our volunteers together with the school children.

VOLUNTEERS IN 2017

USA & Canada	Mexico	Latin America	Asia
1,159	**18,101**	**3,335**	**120**

Total **22,715**

(GRI 419: 103-1, 103-2, 103-3, FP4)

"We seek to transcend and endure **through sustainable actions that contribute to the** development of our associates and the communities **where we live and work , committed with long term value creation"**

Raúl Argüelles Díaz González,
Chief HR and Corporate Affairs Officer, CSO

NATURAL DISASTERS

In keeping with our Natural Disaster Policy, the Global Institutional Relations Department –in the case of Mexico– oversees operating and managing fund resources; channeling all the requests for donations and/or economic support the Organizations receive and submitting them to approval by the Social Investment Committee. It must also issue a report to the Committee, every six months on all the support awarded.

Social Investment Committee
Determine the type of support to provide the community. Authorize the company's contribution, in-kind and economic, in accordance with what our associates donate.

In the case of economic disbursements, it should set the amount.

Organizations´ Human Relations Office
Send bulletins inviting associates to make voluntary donations.

Register the support given and report to the Institutional Relations Office on the donations made.

VP of the affected Organization
Must report the disaster to the company's Global Institutional Relations Department, which then brings the matter to the attention of the Social Investment Committee.

Country´s Operations Office
Determine the product to be donated and execute the local coordination as part of current policy.

In 2017, due to the earthquakes that affected Mexico, our associates supported the victims with in-kind and economic donations. For each peso they gave, Grupo Bimbo donated two more pesos.

Through our associates' donations and the company's participation, the funds collected in September 2017 in Mexico were assigned to Support on Natural Disasters, for associates and communities affected by last year's earthquakes.

	Amount in MXN	Cause
Economic donations from associates **$8.3 M** Grupo Bimbo matched 2 pesos per each peso from associates **$16.6 M**	**Total Donation Bimbo and Associates $24.9M**	• Support for the reconstruction of 18 public Schools in Mexico • Support to 300 associates that were affected by the earthquake in 2017
Bimbo Canada, Marketing with cause	**$0.8M**	• Mexican Red Cross Nursing and Emergency School
Global Energy Race donation	**$1.75 M**	
194,000 product pieces donation	**$4.2 M**	• Support for earthquakes relief in Mexico
494 Trips to support community, delivering groceries to affected locations = **3,131** ton	**$5.4 M**	

Total Donation **$+37 Million pesos**

(GRI 203-1)

GOOD NEIGHBOR

The Good Neighbor program, which we have merged with our Bimbo Volunteers Program, has developed to detect existing needs in the vicinities of our plants, and in this way to implement projects that benefit our neighbors.

Since the program's launch in 2012, we have contributed 586 projects around the world, helping the communities adjacent to our work centers. These include aspects such as infrastructure improvement, the redesign and restoration of public and private spaces, and repairs, among others.

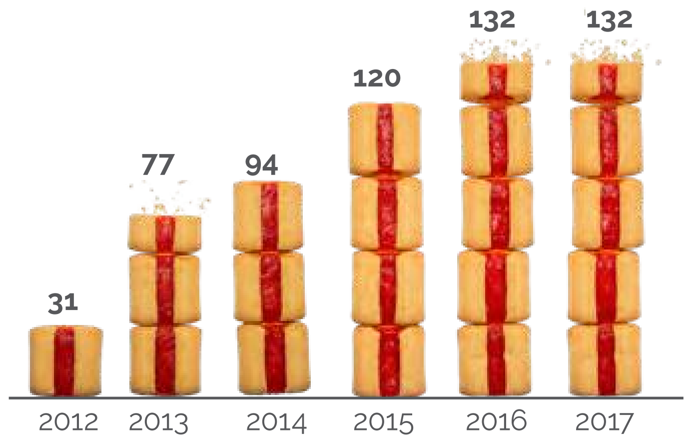
COMPLETED PROJECTS

Plant/Distribution Centers	2017 Finaliged Project
Mexico	37
USA & Canada	69
Latin America	24
Asia	1
Europe	1
Grupo Bimbo Grand Total	132

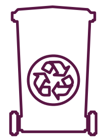
Progress on Good Neighbor Program

+ 580
Good Neighbor
projects since 2012

PROGRESS ON GOOD NEIGHBOR PROGRAM



"DESIERTO DE LOS LEONES ORGULLOSAMENTE LIMPIO" PROGRAM



23 cleaning days / 18 ton of collected waste in Mexico

Our Environmental and Social Program arose as an extension of the *Limpiemos Nuestro México*, National Campaign, created by the Fundación Azteca, and sponsored by Grupo Bimbo. Its main purpose is to raise awareness among park visitors and residents in the area about how best to manage the solid waste generated in the forest.

As part of the initial phase of the Program, we achieved the following in 2017:

1. Installation of 4 containers for solid waste, at diverse locations in the area and one for inorganic solid waste located in the former convent. Each of them, was adapted to comply with Mexico City's Norms on waste management.
The project's enviromental leaders have conducted inspections, to assure the proper use and maintenance of the containers, and the members of the "Brigada de los Leones" (Lions Brigade) in charge of cleaning the park, have been given maintenance training and equipment.
2. During 2017, 180 volunteer brigades conformed by families from Cuajimalpa, Mexico, participated in Environmental Education and Clean-up Days.
3. We organized 27 Environmental Education Days helping 1,280 people to understand the importance of the environment preservation.
4. We conducted 22 informational tours around the park. As part of the planned activities, visitors were invited to collect waste misplaced on forestry areas and provided them with collection bags branded with the program's image. 420 families participated (between June and December).
5. We offered a workshop called "Solid Waste Management in the *Desierto de los Leones* National Park" to provide park residents waste disposal and usage tools, an initiative that had an impact on 100 individuals.
6. We generated a diagnosis and proposals on handling solid waste and presented it to the local authorities in the Cuajimalpa, Mexico to establish commitments.
7. We developed the "Zero Styrofoam in *Desierto de los Leones*" project, through which we managed to get 10 businesses near the former convent to sell biodegradable containers.
http://www.limpiemosnuestromexico.com

Líderes del mañana (Tomorrow leaders)

Through the *Líderes del Mañana Distinction*, we support the leadership and academic talent of brilliant young people – associates relatives- as well as professional and personal development opportunities, through scholarships in conjunction with TEC of Monterrey. We also give them collaborative activities, expanding their vision on the world of business, academic skills and a commitment to become transforming agents.

Speak Up Line

At Grupo Bimbo, beliefs constitute an essential part of our philosophy which always seek to create and provide the best conditions for equal labor, a culture of safety, diversity and inclusion which applies our golden rule: Respect, Fairness, Trust and Care.

We strengthen and promote the Code of Ethics among our associates and Board of Directors, as well as the Code of Conduct among our suppliers. To follow up on its compliance we have a program of Direct Communication: "*Linea Comenta*" (Speak Up Line) which provides an opportune and trustworthy communication channel to attend any comments about non-compliance of the codes, and which allows us to follow up and solve any report. The program is available to associates and suppliers at the different operating sites of Grupo Bimbo. We are sure that this tool will allow us to work with opportunity in the areas found with need of improvement on the different processes. Speak Up Line Committees attend and quickly resolve all reports in accordance to the policy.

Plant visit program

The plant visit program allows us to get closer, listen and share entertaining and learning experiences for our visitors.

We receive children and young people of all ages, from elementary schools to university, foreign educational institutions, people with different abilities, seniors and special guests, consumers, suppliers and other stakeholders.

Our program remains highly successful. Visitors to Grupo Bimbo's plants learn not only how we make our products but we also share with them talks about different aspects of manufacturing processes, quality control and care for the environment as well as promoting healthy lifestyles, balanced meals, and the importance of being physically active.

767,738 visitors in Mexico

155,504 visitors in Latin America

Total **923,242** visitors

INCIDENTS 2017 BY TYPE (GRI 102-17, 102-33,102-34)

Labor Relations	Code of Ethics violations	Sexual harassment	Diversity and Inclusion	Safety and Wellness	Suppliers
556	**212**	**35**	**18**	**15**	**2**

Total **838** in 20 countries

Argentina

We Value the Person

(GRI 102-8, 401: 103-1, 103-2, 103-3, 406: 103-1, 103-2, 103-3)

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

Respect, Fairness, Trust and Care is our Golden Rule

In Grupo Bimbo we are globally committed to strive every day to be the preferred place to work in the industry, assuring we have exemplary leaders who are dedicated to our beliefs, as well as associates loyal to our vision, promoting a culture of diversity, inclusion and non-discrimination, that supports Safety and Wellness, and human development.

Our Associate Pillar's mission is to contribute to our purpose of being "A Sustainable, Highly Productive and Deeply Humane Company".

Our vision is to lead with superior Safety and Organizational Health, aligning ourselves with continuous improvement.

We are the largest baking company in the world, with more than **138,000** diverse associates from 32 countries

We understand that one of our main tasks is to provide people with productive work and contribute to their development. Each of our work centers, is responsible for hiring the people needed to implement its processes, and to that end we work to provide visibility regarding hiring conditions, requirements and job openings. Each year we compile this information to analyze the data and better understand the way our company works on the level of hiring, turnover and retention.

Mexico
Associates on payroll 76,446
Outsourcing 444
Total 76,890

USA & Canada
Associates on payroll 25,693
Outsourcing 431
Total 26,124

Latin America
Associates on payroll 21,214
Outsourcing 1,897
Total 23,111

Asia
Associates on payroll 1,332
Outsourcing 31
Total 1,363

Europe
associates on payroll 4,602
Outsourcing 413
Total 5,015

Total in Grupo Bimbo payroll
129,287 associates
Outsourcing 3,216
Total 132,503

132,503
Total Associates
in Grupo Bimbo

*Total does not include India (2368), Morocco (267), BQ (2,307), Soltex (20), Bays BBU (106), Aryzta BBU (600), which together total more than 138,000 associates.

(GRI 202-2)

PERCENTAGE OF TOP EXECUTIVES WHO HAIL FROM LOCAL COMMUNITIES

Mexico **89.7%**	USA & Canada **90.5%**	Latin America **32.0%**
Asia **50.0%**	Europe **64.3%**	Total Grupo Bimbo **80.1%**

Employment

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

We contribute to the goal of being a sustainable, highly productive and deeply humane company through the balance of having the proper number of people contributing their labor from their specific job position, post, and rank, and the compensation that each one receives, which is competitive in relation to the industry average, providing internal equity. We also have two policies that manage our associates' part or full-time assignment.

It is important for our stakeholders to be aware of our turnover rates, as they convey a sense of stability and confidence, in a company in the hands of experienced and motivated associates, that are evaluated year after year.

VPs local participation has increased. 82% **local VP´s** worldwide

Regions	Active personnel (at December 2017)	Departures (2017) Total departures	Number of new hires Total new associates	Total new associates who quit the job within the year	Turnover %	Percentage of new associates vs. global total new associates
Mexico	76,444	17,187	13,681	7,271	22	63
Associates under 30	18,847	8,585	8,019	4,580	46	37
Associates between 30 & 50	49,851	7,682	5,577	2,635	15	26
Associates over 50	7,746	920	85	56	12	-
USA & Canada	25,684	2,996	2,967	756	11	14
Associates under 30	3,158	690	1,130	292	22	5
Associates between 30 & 50	10,813	1,238	1,321	344	11	6
Associates over 50	11,713	1,068	516	120	9	2
Latin America	21,211	5,707	3,369	1,298	26	15
Associates under 30	6,080	2,223	1,806	727	37	8
Associates between 30 & 50	13,505	3,117	1,494	550	23	7
Associates over 50	1,626	367	69	21	23	-
Asia	1,331	576	180	237	43	1
Associates under 30	251	198	62	103	79	-
Associates between 30 & 50	1,026	361	118	134	35	1
Associates over 50	54	17	-	-	31	-
Europe	4,602	1,714	1,607	901	37	7
Associates under 30	586	478	375	334	82	2
Associates between 30 & 50	2,504	1,011	968	487	40	4
Associates over 50	1512	225	264	80	15	1
Total Global	129,272	28,180	21,804	10,463	22	100
Associates under 30	28,922	12,174	11,392	6,036	42	52
Associates between 30 & 50	77,699	13,409	9,478	4150	17	43
Associates over 50	22,651	2,597	934	277	-	4

*Does not include India (2,368), Morocco (267), BQ (2,307), Soltex (20), Bays BBU (106), Aryzta BBU (600)
*Does not include, owing to a lack of age data: 8 Canada, 2 Barcel Mexico, 1 Moldex, 1 China, 2 South America and 1 Central America.

WOMEN AT EXECUTIVE LEVEL

2015
14%

2017
24%

(GRI 401-3)

PARENTAL AUTHORIZATION

Country	Associates who had the right to take time off work for maternity / paternity		Associates who used their right to take time off work for maternity / paternity		Total associates who returned to work after the permit		Total associates who retain their work after one year of having returned to work		Indicator of return to work		Rate of retention	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Mexico	2,531	496	2,531	496	2,530	463	2,530	463	100%	93%	100%	100%
Central America	89	111	89	111	88	108	88	108	99%	97%	100%	100%
South America	135	90	135	89	135	89	135	89	100%	100%	100%	100%
Brazil	81	69	81	69	81	65	68	49	100%	94%	84%	75%
Asia	27	129	27	129	27	128	26	75	100%	99%	96%	59%

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

CHILD LABOR

We do not hire child labor. As part of the selection process, when a candidate is accepted, valid documentation (tax registration, birth certificate, or other official ID) must be provided, showing the person is of working age. Our Human Relations Department's hiring area, directly conducts the recruitment process and makes certain that the candidates are adults.

We conduct systematic reviews in which we check our associates' age and seniority to make sure that no one underage is employed at our work centers. And we have no job positions regarded as dangerous.

We are working with our suppliers to assure they respect the labor rights of associates, as well as hiring only people of legal working age.

GB UNIVERSITY

(GRI 404: 103-1, 103-2, 103-3, 410-1, 412: 103-1, 103-2, 103-3)

TRAINING AND DEVELOPMENT

Training is of fundamental importance to Grupo Bimbo, and we constantly seek to share information campaigns that motivate our associates to take courses offered by our "GB University". Those in charge of the development committee for each organization, oversee and monitor the annual training and development plan.

Each year the Organizations deliver a training and development plan that specifies the total number of sessions, and each month they review how well the plan is being implemented.

The annual goal is to have 10 hours or more of training per associate, in each organization. A record is kept for each organization of the number of hours spent online and, in the classroom, information that is used to better assess the progress achieved each year. It is also important for all the associates to take Human Rights courses, and we have prepared Institutional courses that deal with this subject.

TOTAL HOURS OF TRAINING

(GRI 102-7, 404-1)

	GBTALENT				WORKING STRUCTURE					
Associates category	Total training hours		Average hours of training per associate		Associates			% Associates		
	Female	Male	Female	Male	Female	Male	Total	Female	Male	Total
Hourly & Staff	189,315	812,108	10	9	19,275	93,533	112,808	17%	83%	100%
Supervisors	72,907	291,017	34	28	2,159	10,269	12,428	17%	83%	100%
Managers, Directors, VPs & Presidents	17,887	52,409	18	17	977	3,074	4,051	24%	76%	100%
World Total by Level	280,109	1,155,534	13	11	22,411	106,876	129,287	17%	83%	100%

Population data excludes outsourcing

12 hours of training per woman/ 10 per man

(GRI 412-2)

TOTAL HOURS OF ASSOCIATE HUMAN RIGHTS TRAINING

CUSUPE
Total associates 129,287
3,111 associates trained = 2.41%

Diversity and inclusion
Total associates 129,287
3,796 associates trained= 2.94%

Respect in the workplace
Total associates 129,287
220 associates trained = 0.17%

(GRI 404-2, 201-3)

During the year, we implemented 24 associates skill building courses and programs for helping with the transition. These include the Onboarding Program all our associates are given when they join the company, as well as other courses directed at leadership positions, Development Managers, hourly personnel, managers and directors.

We have also conducted 2 assistance transition programs, developed to facilitate continuity in managing career terminations resulting from retirement or outplacement, directed at associates over 60 in Mexico. The immediate supervisor along with local Human Relations area, is responsible for directing associates toward Grupo Bimbo transition programs.

(GRI 404-3)

With our associates' full knowledge, at least once a year, we conduct a performance assessment based on criteria known to the associate and that person's supervisor. This review can include an evaluation by the immediate supervisor, peers or a broader range of associates, and may also involve human relations area.

These evaluations are useful not only for associates development, but also contribute to human relations management and development within the Organization.

TALENT EVALUATION (GRI 404-2, 404-3)

	GBTALENT				WORKING STRUCTURE					
Associates category	**Associates who received a regular performance and career development review during the reporting period"**		**% of associates who received a regular performance and career development review during the reporting period"**		**Associates**			**% Associates**		
	Female	**Male**	**Female**	**Male**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Hourly & Staff	12,145	63,648	65%	68%	18,650	92,989	111,639	17%	83%	100%
Supervisors	1,939	8,806	93%	94%	2,090	9,412	11,502	18%	82%	100%
Managers, Directors, VPs & Presidents	891	3,637	91%	94%	982	3,864	4,846	20%	80%	100%
World Total by Level	14,975	76,091	69%	72%	21,722	106,265	127,987	17%	83%	100%

Population data (excludes outsourcing) calculated by the end of May 2017, when the performance evaluation period in Grupo Bimbo concludes

69% of women and **72% of men** have received a performance review

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

Our Compensation Policy is based on a "Total Rewards" model that takes on a comprehensive approach to compensation, benefits, development and career, and working environment. This approach includes a plan for assuring that compensation is competitive against market.

Our Policy has been developed considering a better quality of life for associates as well as their wellness. For our Mexico operations, we launched a Maternity and Paternity Policy in 2017, which offers flexible arrangements, leaves of absence and part time jobs. Operations outside Mexico follow the criteria set out in their respective countries' laws. We also developed our new Global Policies for Temporary and Long-term assignees, that will benefit our associates who move to another country where we are present.

At Grupo Bimbo we are developing new and creative initiatives that can reward high-performance associates.

(GRI 401-2)

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

Only lists those benefits offered in more than 40% of the countries where GB operates, and to at least one level in the hierarchy.
Latin America (South: comprises Argentina, Chile, Peru, Uruguay, Paraguay. Central: comprises Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Venezuela).
Iberia comprises Spain and Portugal.

PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION RATIO

(GRI 102-39)

Mexico
Bimbo Mexico
Ratio increase in total annual Compensation*
3.0

United States
Bimbo Bakeries USA
Ratio increase in total annual Compensation*
3.3

Canada
Bimbo Canada
Ratio increase in total annual Compensation*
1.16

Chile
South America
Ratio increase in total annual Compensation*
1.10

Colombia
Central America
Ratio increase in total annual Compensation*
1.0

Brazil
Bimbo Brazil
Ratio increase in total annual Compensation*
3.3

*Number of times that the highest paid associate saw an increase in the percentage of total annual compensation in relation to the median percentage increase in all other associates' total annual compensation.
The data corresponds to the 6 countries with the most significant operations in terms of 2017 estimated sales and number of salaried associates.
Calculation includes full time salaried associates, excluding those on part-time, specific project and those assigned to international posts, associates occupying regional posts in the countries under consideration and those associates that were not included in the annual raise because they were promoted or are new hires.
The total annual compensation considers annual income based on: base salary, guaranteed compensation, incentives, commissions, short and long-term incentives.

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN* (GRI 405-2)

Mexico
Bimbo Mexico
Administrative **1.1**
Supervisors **1.0**
Executives and Directors **0.7**

United States
Bimbo Bakeries USA
Administrative **1.0**
Supervisors **0.9**
Executives and Directors **1.0**

Canada
Bimbo Canada
Administrative **0.8**
Supervisors **0.9**
Executives and Directors **1.0**

Chile
South America
Administrative **0.8**
Supervisors **1.0**
Executives and Directors **1.1**

Colombia
Central America
Administrative **1.1**
Supervisors **0.9**
Executives and Directors **0.7**

Brazil
Bimbo Brazil
Administrative **1.0**
Supervisors **1.1**
Executives and Directors **0.9**

* Ratio of women's average earnings compared to the annual compensation of men, by job level.
The data corresponds to the 6 countries with the most significant operations in terms of 2017 estimated sales and number of non-operating associates.
Calculation includes full time non-operating associates, excluding those on part-time, specific project and those assigned to international posts, associates occupying regional posts in the countries under consideration.
The total annual compensation considers annual income based on: base salary, guaranteed compensation, incentives, commissions, short and long-term incentives.

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

We pay above minimum wage in all countries where we are present and make sure the employment and hiring conditions, cover, the minimum required by labor law.

In addition, the compensation of each associate is determined considering performance evaluations, which recognize the achievement or outstanding performance against their established goals and the skills ,as well as, the financial results of our company in each country and globally.

Every associate's compensation package, corresponds to the person's job position and what is paid for a similar position in the market in question with the responsibilities and the required experience, education and skills profile.

The wage information used in these comparisons and the respective wage level data are provided by third party consultancies recognized worldwide in labor matters.

RATIOS OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE (GRI 202-1)

		USD DATA REPORTED IN 2018				LOCAL CURRENCY ORIGINAL DATA	
			DEFINITIVE			REPORTED BY ASSOCIATE	
		COUNTRY MINIMUM WAGE	GB MINIMUM WAGE	RATIO	EXCHANGE RATE AT JAN 11,2018	COUNTRY MINIMUM WAGE *	GB MINIMUM WAGE **
Mexico	Bimbo	137.65	420.84	3.06	19.26	2,650.80	8,104.31
	Barcel	137.65	324.58	2.36	19.26	2,650.80	6,250.56
	El Globo	137.65	233.3	1.69	19.26	2,650.80	4,492.80
	Corporate	137.65	779.63	5.66	19.26	2,650.80	15,013.73
	Moldex	137.65	248.46	1.81	19.26	2,650.80	4,784.70
United States		1,160.00	2,254.31	1.94	1	1,160.00	2,254.31
Canada Bread ***		1,634.11	1,997.36	1.22	1.25	2,039.43	2,492.78
Central America		353.05	376.76	1.07	-	-	-
South America		414.21	732.34	1.77	-	-	-
Brazil		293.46	587.56	2.00	3.24	951.15	1,904.38
Asia		365.87	425.69	1.16	6.4	2,342.04	2,725.00
United Kingdom		1,648.46	1,679.23	1.02	0.74	1,218.94	1,241.69
Iberia		918.03	1,266.52	1.38	0.84	767.66	1,059.06
Average		575.03	871.27	2.01	-	-	

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

ETHICS (GRI 102-17)

"We are a Community to which each of the Organizations belongs, **sharing the same purpose and beliefs and working with shared processes and systems.**

This allows us to pursue common projects, create shared synergies, and enjoy an environment conducive to our associates productively performing, **expressing themselves and having the freedom to assume measured risk and operate effectively. We are convinced of our need to act with integrity".**

Daniel Servitje
Chairman and Chief Executive Officer

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

Our Code is subscribed every year through Grupo Bimbo's internal global associates' website.

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

2017 WORLD'S MOST™ ETHICAL COMPANIES®
WWW.ETHISPHERE.COM

DIVERSITY AND INCLUSION (GRI 405: 103-1, 103-2, 103-3, 405-1, 405-2)

+47,000 hours of "Leading in a Diverse and Inclusive Culture in Grupo Bimbo Seminar"

Our Diversity and Inclusion strategy is specifically focused on generating an inclusive culture in which people from different backgrounds and experiences, have the opportunity to develop and contribute in the transformation of the industry.

Each organization establishes its own action plan based on the most relevant local needs and this is replicated globally.

We provide all our associates Diversity and Inclusion training courses, we conduct open and diverse recruitment processes as well as an Executive Development Program. It is important to note that gender is not a factor used in setting the wages of our associates.

GLOBAL HIGHLIGHTS 2017

USA
- Womens' Forum continuity and roll out of the network across the country with 42 events.
- Graduation of 12 executive women in the Leadership Circles Program.

Barcel
- Launched the program of diversity of generations.

Brazil
- Launched the program "In your shoes" to generate synergies among the functional areas and to foster inclusion.

Corporate
- Graduated 16 participants from the Leadership Circles and started the 2nd generation with 3 mentors and +30 women.

Others
- A Diverse Candidate Slate Guideline was launched globally to foster diversity in the executive and above levels.
- Diversity & Inclusion Week, Month and Day are organized in Iberia, Brazil and Latin Centro.

Talking about Diversity & Inclusion in Grupo Bimbo has become the new norm. Four years ago we started contributing little by little to the global program to generate greater awareness among our associates about the meaning of living in an inclusive culture, where everyone can feel they belong and can have the same development opportunities.

Through the Belief, **"We Value the Person"** we recognize that diversity enriches us and inclusion strengthens us.

Grupo Bimbo seeks to make the most of the talent of each associate so that they can thrive and make things happen every day.

BOARD MEMBERS DIVERSITY

Between 30 and 50 years
2 Board Members / 12%

More than 50 years
15 Board Members / 88%

2 Women 12%
15 Men 88%

Total
Board Members: **17**

1 United States / 6%

1 Spanish / 6%

15 Mexican / 88%

WORKFORCE BY AGE

AGE RANGE MEXICO

	Under 30	%	30 to 50	%	Over 50	%	Total
Administrative and hourly personnel	17,596	23.0%	43,524	56.9%	6,430	8.4%	67,550
Supervisors	1,230	1.6%	5,509	7.2%	885	1.2%	7,624
Executives and Directors	72	0.1%	819	1.1%	379	0.5%	1,270
TOTAL	18,898	24.7%	49,852	65.2%	7,694	10.1%	76,444

3 associates are not in this report: MOLDEX (1) and Barcel (2) since there is an error in their age registration, the 3 belong to the Administrative level

AGE RANGE UNITED STATES AND CANADA

	Under 30	%	30 to 50	%	Over 50	%	Total
Administrative and hourly personnel	2,729	10.7%	8,780	34.4%	9,764	38.2%	21,273
Supervisors	197	0.8%	1121	4.4%	926	3.6%	2,244
Executives and Directors	53	0.2%	946	3.7%	1,042	4.1%	2,041
TOTAL	2,979	11.7%	10,847	42.4%	11,732	45.9%	25,558

Not including 134 associates for whom we lack age data or for whom the birthday was improperly recorded. Frozen (126) of whom 2 are executive, 97 operating and 27 administrative, and Bimbo Canada (8) who belong to the operating level

AGE RANGE LATIN AMERICA

	Under 30	%	30 to 50	%	Over 50	%	Total
Administrative and hourly personnel	5,821	27.4%	1,1771	55.5%	1,372	6.5%	18,964
Supervisors	268	1.3%	1,485	7.0%	170	0.8%	1,923
Executives and Directors	2	-	247	1.2%	75	0.4%	324
TOTAL	6,091	28.7%	13,503	63.7%	1,617	7.6%	21,211

3 associates are not in this report: South America- no date of birth (2)
Central America- no date of birth (1). 2 are supervisors and 1 administrative

AGE RANGE ASIA

	Under 30	%	30 to 50	%	Over 50	%	Total
Administrative and hourly personnel	229	17.2%	886	66.6%	37	2.8%	1,152
Supervisors	20	1.5%	106	8.0%	8	0.6%	134
Executives and Directors	2	0.2%	35	2.6%	8	0.6%	45
TOTAL	251	18.9%	1,027	77.2%	53	4.0%	1,331

1 administrative associate is not in this report: China (1) there is no information about him

AGE RANGE EUROPE

	Under 30	%	30 to 50	%	Over 50	%	Total
Administrative and hourly personnel	543	11.8%	2,040	44.3%	1,149	25.0%	3,732
Supervisors	22	0.5%	274	6.0%	205	4.5%	501
Executives and Directors	21	0.5%	195	4.2%	153	3.3%	369
TOTAL	586	12.7%	2,509	54.5%	1,507	32.7%	4,602

Complete report

WORKFORCE BY GENDER

Mexico
Administrative and hourly personnel
58,052 Men / 75.9%
9,501 Women / 12.4%

Supervisors
6,385 Men / 8.4%
1,239 Women / 1.6%

Executives and Directors
1,018 Men / 1.3%
252 Women / 0.3%

Total
65,455 Men / 85.6%
10,992 Women / 14.4%

76,447

USA Canada
Administrative and operating
16,735 Men / 65%
4,670 Women / 18%

Supervisors
1,947 Men / 8%
297 Women / 1%

Executives and Directors
1,530 Men / 6%
513 Women / 2%

Total
20,212 Men / 79%
5,480 Women / 21%

25,692

Latin America
Administrative and operating
15,338 Men / 72.3%
3,627 Women / 17.1%

Supervisors
1,428 Men / 6.7%
497 Women / 2.3%

Executives and Directors
261 Men / 1.2%
63 Women / 0.3%

Total
17,027 Men / 80.3%
4,187 Women / 19.7%

21,214

Europe
Administrative and operating
2,766 Men / 60%
966 Women / 21%

Supervisors
418 Men / 9%
83 Women / 2%

Executives and Directors
234 Men / 5%
135 Women / 3%

Total
3,418 Men / 74%
1,184 Women / 26%

4,602

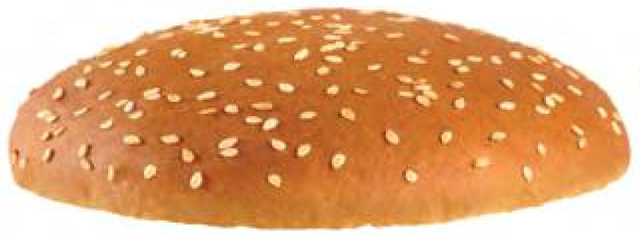
Bimbo China
Administrative and operating
642 Men / 48%
511 Women / 38%

Supervisors
91 Men / 7%
43 Women / 3%

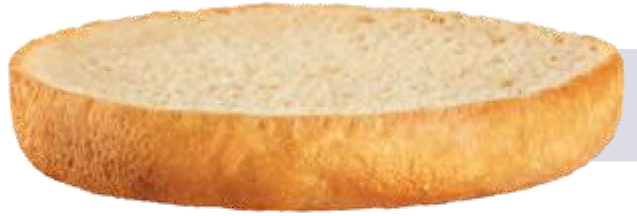
Executives and Directors
31 Men / 2%
14 Women / 1%

Total
764 Men / 57%
568 Women / 43%

1,332



"**The Company** must be a **positive** factor in people's lives"



Pablo Elizondo, Executive VP

BIMBO QSR

Leading foodservice supplier globally

Safety and Wellness

(GRI 403: 103-1, 103-2, 103-3, 403-1, 403-2, 403-4, 410: 103-1, 103-2, 103-3)

1.96 incident rate 15% decrease vs. 2016 / **400 fewer accidents**

Our Labor Relations VP, addresses any issues with labor unions to bolster the main security objectives considered in our Safety Model.

- reverse the incident rate trend
- reach zero accidents
- consolidate day by day a safety culture

The Model includes all Grupo Bimbo associates at every level of the organization, to whom we are committed to provide a safe and healthy working environment, as well as a culture of safety and wellness among our associates, their families and the communities in which we work, based on our Global Safety Policy and Global Wellness Policy.

(GRI 102-30, 102-31)

Our Central Committee on Safety and Wellness –comprised of our organizational and personnel directors and safety leaders– work day in and day out to implement measures that allow us to correct any unsafe situation in our work centers, identifying risks and searching for best practices for avoiding accidents at work.

The Committee is provided with the results reported by the subcommittees of each of the organizations, which consist of their health and safety and maintenance teams, associates with initiatives on matters of Safety and Wellness and by labor union leaders. Furthermore, we conduct safety training and provide information capsules before every meeting of associates.

https://www.grupobimbo.com/sites/default/files/health-and-safety.pdf

*As of September, BF accidents are being reported by BBU and BC; the number of these organizations' associates does not yet include those of BF, which, therefore, continues to appear as an organization.
*Not considering new acquisitions.

Injuries
Mexico 1,586
USA & Canada 425
Latin America 311
Europe 156
Asia 6

Hours worked
Mexico 181,581,015
USA & Canada 51,723,693
Latin America 52,952,009
Europe 9,069,098
Asia 3,827,764

Fatalities
Mexico 0
USA & Canada 0
Latin America 0
Europe 0
Asia 0

Lost Days Rate
Mexico 59.27
USA & Canada 105.33
Latin America 31.91
Europe 82.52
Asia 13.74

Days of disability
Mexico 53,812
USA & Canada 27,239
Latin America 8,449
Europe 3,742
Asia 263

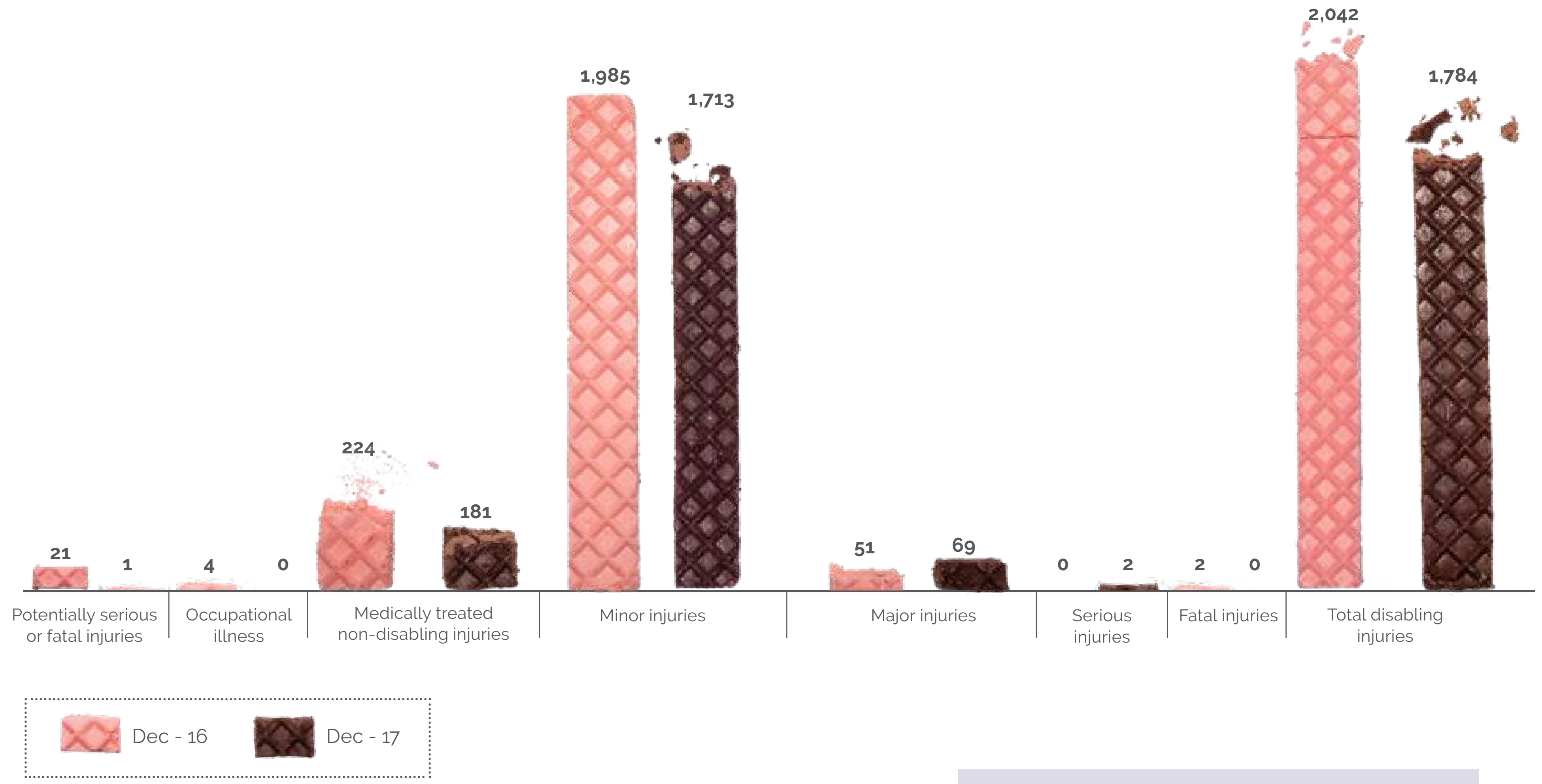
Average Headcount
Mexico 74,542
USA & Canada 26,151
Latin America 21,546
Europe 4,602
Asia 1,491

Occupational diseases
Mexico 0
USA & Canada 0
Latin America 0
Europe 0
Asia 0

Absentee Rate
Mexico 11.66
USA & Canada 8.91
Latin America 7.91
Europe 18.57
Asia 2.20

Injuries Rate
Mexico 1.75
USA & Canada 1.64
Latin America 1.17
Europe 3.44
Asia 0.31

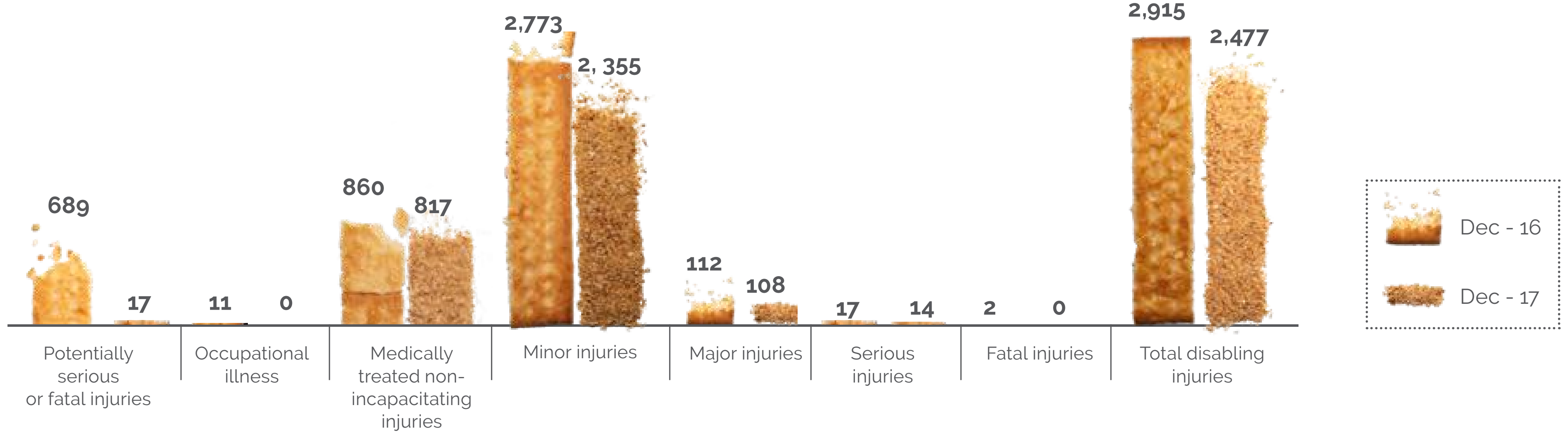
INCIDENT RATES BY BUSINESS AREA COMMERCIAL INJURIES CLASSIFICATIONS



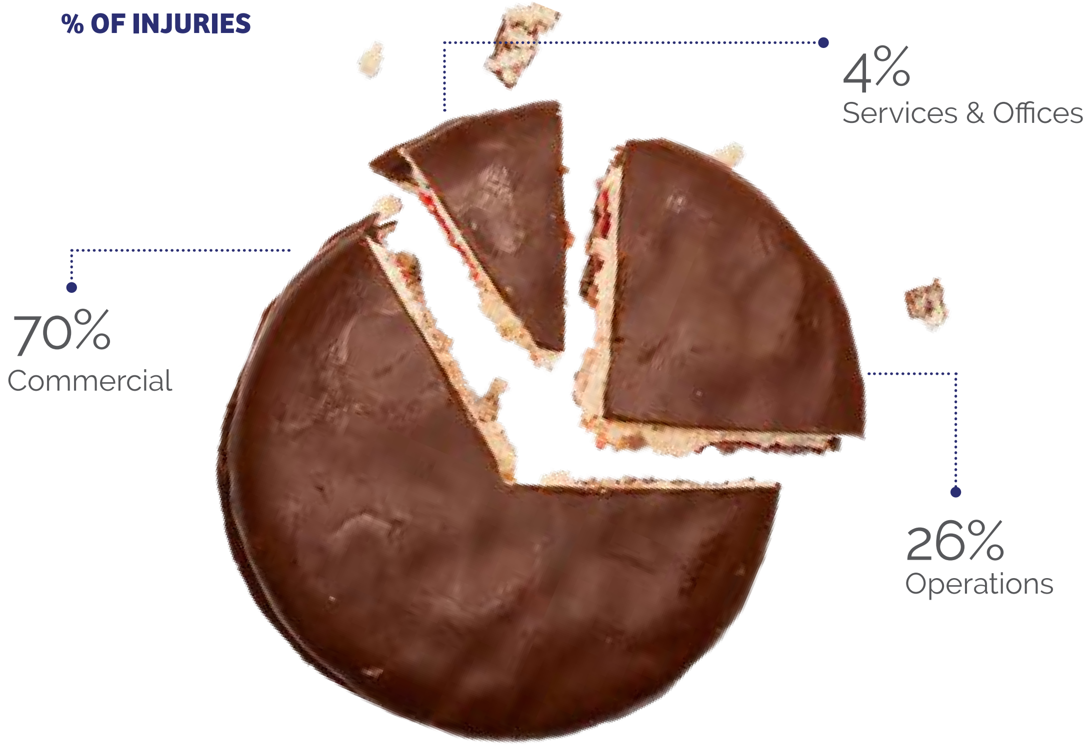
INCIDENT RATE BUSINESS AREA

Commercial	Operations	Services and offices
2.42	**1.31**	**0.74**

ALL INCAPACITATING INJURIES



% OF INJURIES



We have a detailed registry of occupational illnesses, lesser, greater **and serious injuries and fatalities that we use to develop better indicators of injuries and fatality rates per organization.** We strictly abide by the legal guidelines of the countries where we have operations.

Performance Review

(GRI 201-2)

NET SALES
Consolidated net sales rose 6.1% in 2017, primarily reflecting organic growth in Mexico and acquisitions including Bimbo QSR, Ready Roti, Adghal Group and Donuts Iberia.

Mexico: 2017 net sales in Mexico rose 10.9%, driven by continued volume gains in every channel, notably the convenience and traditional, as well as price increases slightly below inflation, and a favorable price mix. The sweet baked goods, snacks and confectionery categories outperformed, supported by increased client reach, good performance of Vital and Panditas brands, as well as new product launches like Kracao chocolate, under the Ricolino brand.

North America[1]: Net sales increased 1.8% on a cumulative basis primarily due to good performance of the snacks category, strategic brands in the U.S. and the bread category in Canada, to Exchange rate benefit, and a 0.4% contribution from the integration of the US operation of Bimbo QSR. Nonetheless, continued pressure in the private label, premium and frozen categories continued to weigh on sales.

Latin America[2]: Net sales declined 1.7%, affected by the change of accounting method for the Venezuelan operation implemented on June 1, 2017. Excluding Venezuela, sales increased reflecting volume growth in the Latin South and LatAm Central divisions, notably in Argentina and Colombia; the latter benefited from the new plant that boosted sales for the buns category.

Outperformance in the traditional channel due to ongoing market penetration also contributed to growth in the period.

EAA (Europe, Asia & Africa): Sales in 2017 increased 48%, mainly driven by acquisitions completed during the last twelve months, including Bimbo QSR, Ready Roti, Adghal Group and Donuts Iberia, which contributed with 45% of the cumulative growth. However, organic performance was affected by integration-related delays in Iberia, and production difficulties in a line in the U.K. and the plant in China.

GROSS PROFIT
Cumulative consolidated gross profit increased 4.9%, while the margin contracted 60 basis points to 53.4%. This was due to higher raw material costs in Mexico arising from a stronger US dollar reflecting hedges in place, as well as the impact of the aforementioned slower sales growth in Iberia coupled with a different business mix in this region due to the incorporation of Bimbo QSR. These effects were somewhat offset by commodity favorability in North America and Latin America.

"2017 was an important year **for our transformation path, continuous** innovation initiatives, **our pursuit of the groundwork to boost our profitability going forward and maintain financial flexibility"**

Diego Gaxiola Cuevas, Chief Financial Officer

PROFIT BEFORE OTHER INCOME & EXPENSES
Profit before other income & expenses declined 3.9% in the year, while the margin contracted 80 basis points. This was due to a combination of the following factors:

"Takis is now present in 15 countries and became the salty snack corn category #4"

[1] North America region includes operations in the United States and Canada
[2] Latin America region includes operations in Central and South America

I. The impact of the above-mentioned costs pressure in Mexico, which was partially offset by strong volume performance and efficiencies coming from cost reduction initiatives such as zero-base budgeting;
II. Higher distribution expenses in Canada, related to soft performance in the frozen category and two labor disruptions in Canada, which have been resolved; and
III. Higher general expenses in Latin America, due to the change of accounting method in Venezuela, an operation that had previously contributed to profitability.

OPERATING INCOME

Operating income declined 3.4% from the prior year, with a 60-basis point contraction in the margin to 6.5%, due to the abovementioned operational pressures in some markets coupled with higher integration expenses arising from the Donuts Iberia acquisition, as expected, with approximately US$70 million expensed in 2017. These factors were somewhat offset by:

I. A slight non-cash benefit in North America, arising from the valuation of the multi-employer pension plans ("MEPPs") liability;

Matcha red bean filling Bread
The only matcha product of Beijing commercial breads

II. Lower restructuring expenses in North America; and
III. A reduction in non-cash charges vs. the prior year.
In 2017, a Ps. 1,054 million non-cash impairment charge was taken, which was lower compared to the prior year figure.

COMPREHENSIVE FINANCIAL RESULT

Comprehensive Financial Result totaled Ps. 5,755 million in the period, compared to Ps. 4,591 million in the last year, an increase of Ps. 1,164 million, which reflects the impact of the depreciation of the bolivar and a higher loss from the net monetary asset position in Venezuela, as compared to a gain from the net monetary asset position in the same period of last year, as well as higher indebtedness level, derived from recent acquisitions.

NEW MAJORITY INCOME

Net majority income declined 21.5%, with a 60-basis point contraction in the margin t 1.7%, attributable to operating income pressure, higher financing costs and a higher effective tax rate of 52.6%. This tax rate included the following effects:
I. A one-time non-cash charge of Ps. 706 million arising from the enactment of the Tax Cuts and Jobs Act ("Tax Reform") in the U.S.;
II. Inflationary effects on the monetary financial positions and nondeductible expenses i Mexico;
III. The effect of not recognizing deferred tax benefits in some countries; and
IV. Higher tax rates in some countries, mainly due to improved earnings in the U.S. Earnings per share totaled Ps. 1.0, compared with Ps. 1.3 in 2016.

ADJUSTED EBITDA

Adjusted EBTIDA decreased 6.9%, with a margin contraction of 140 basis points to 10.2%. The contraction of North American full year EBITDA margin is the result of a non-recurring 4Q16 inventory adjustment.

FINANCIAL STRUCTURE

Total debt at December 31, 2017 was Ps. 94.3 billion, compared to Ps. 82.5 billion at December 31, 2016. The 14.3% increase was primarily due to the acquisition of Bimbo QSR.

Average debt maturity was 11.4 years with an average cost of 5.2%. Long-term debt comprised 97% of the total; 60% of the debt was denominated in US dollars, 20% in Mexican pesos, 17% in Canadian dollars and 3% in Euros.

The total debt to adjusted EBITDA ratio was 3.5 times compared to 2.8 times at December 31, 2016. The proforma ratio, including Bimbo QSR EBITDA, stood at 3.3 times. The net debt to adjusted EBITDA ratio was 3.2 times compared to 2.6 times at December 31, 2016.

Board and Management

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

BOARD OF DIRECTORS

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

AUDIT & CORPORATE PRACTICES COMMITTEE

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

EVALUATION & RESULTS COMMITTEE

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

FINANCE & PLANNING COMMITTEE

José Ignacio Mariscal Torroella, Chairman
Ricardo Guajardo Touché
Luis Jorba Servitje
Raúl Carlos Obregón del Corral
Daniel Javier Servitje Montull
Javier de Pedro Espínola

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

www.grupobimbo.com/en/corporate-governance

* Independent

Executive Management

Daniel Javier Servitje Montull
Chairman & Chief Executive Officer

Pablo Elizondo Huerta
Executive VP

Javier Augusto González Franco
Executive VP

Gabino Gómez Carbajal
Executive VP

Diego Gaxiola Cuevas
Chief Financial Officer[1]

Raúl Argüelles Díaz González
Chief HR and Corporate Affairs Officer

Raúl Obregón Servitje
Chief Transformation Officer[2]

Reynaldo Reyna Rodríguez
Chief Services Officer

Alfred Penny
President of Bimbo Bakeries USA

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

Ricardo Padilla Anguiano
President of Barcel, S.A. de C.V.

Rafael Pamias Romero
Senior VP[3]

Little Bites
#1 Selling mini muffins:
- Containing no hight fructose corn syrup
- Zero grams of trans fat per serving

[1]Guillermo Jorge Quiroz Abed / Chief Financial Officer (Jan/17 - Aug/17)
Diego Gaxiola Cuevas / Chief Financial Officer (Aug/17 - Dec/17)
[2]Raúl Obregón Servitje / Chief Transformation Officer (Mar/17 - Dec/17)
[3]Rafael Pamias Romero / Senior VP (Nov/17 - Dec/17)

Audit and Corporate Practices Committee Report

(GRI 102-33)

Mexico City, March 22, 2018

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

Dear Sirs,

In conformity with the provisions of the Securities Market Act, the corporate charter of this Company and the Regulations of the Audit and Corporate Practices Committee of Grupo Bimbo, S.A.B. de C.V. (the "Group" or the "Company"), I hereby present to you the report of the activities carried out by the Audit and Corporate Practices Committee (the "Committee") during the year ended December 31, 2017. In carrying out our work, we abided by the recommendations established in the Code of Best Corporate Practices.

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

INTERNAL CONTROLS

(102-29)

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

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

CODE OF ETHICS

(GRI 102-17)

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

The independent auditors that provide these services were the same as in preceding years, and a single firm is responsible for auditing the results of all the operations and countries where Grupo Bimbo has a presence, except for the recent acquisitions performed during 2017 in India and the business denominated Bimbo QSR, where they were supported by other firms, who reported the result of their audits to Deloitte for consolidation purposes within the financial statements of Grupo Bimbo, S.A.B. de C.V. and Subsidiaries.

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

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

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

In addition, we conducted an evaluation of the services of the external auditing firm for the year 2016 and were promptly informed of the preliminary financial statements.

Finally, during 2017 was carried out the contest process for the election of the external auditor for the period 2018-2022, as well as the election of the Transfer Pricing advisor, where Big 4 firms participated: Deloitte, KPMG, EY y PwC, being EY the one elected to be the external auditor, and PwC the advisor on Transfer Pricing matters.

INTERNAL AUDIT

(GRI 102-20)

We reviewed and approved the annual work plan and activities budget for 2017. 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.

We reviewed and approved the transformation program to strengthen the Internal Audit Department.

FINANCIAL INFORMATION AND ACCOUNTING POLICIES

(GRI 102-21)

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 International Financial Reporting Standard 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

(GRI 102-29, 102-30)

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

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

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

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

COMPLIANCE WITH OTHER OBLIGATIONS

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

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

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

TRANSACTIONS WITH RELATED PARTIES

We reviewed and recommended for approval by the Board of each and every related party transaction requiring approval by the Board of Directors for fiscal year 2017, as well as for recurring transactions that are expected to be conducted in fiscal year 2018 that require Board approval.

EVALUATION OF MANAGEMENT

(GRI 102-27, 102-28)

We reviewed and recommended for approval by the Board the designation, evaluation and compensation of the Chief Executive Officer as well as the members Bimbo's Executive Committee in 2017.

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

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

Sincerely,

Edmundo Vallejo Venegas

Chairman of the Audit and Corporate Practices Committee

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

(GRI 102-45)

Mexico City, March 22, 2018

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

In my capacity as chairman of the Audit and Corporate Practices Committee (the "Committee") of Grupo Bimbo, S.A.B. de C.V. (the "Company"), and in accordance with point e), section II of Article 42 of the Securities Market Act, I hereby present you the opinion of the Committee regarding the content of the report of the Chief Executive Officer regarding the financial situation and results of the Company for the year ended December 31, 2017.

In the opinion of the Committee, the accounting and information policies and criteria followed by the Company and used to prepare the consolidated financial information are appropriate and sufficient, and consistent with international financial reporting standards. Therefore, the consolidated financial information presented by the Chief Executive Officer reasonably reflects the financial situation and results of the Company as of December 31, 2017 and for the year ended on that date.

Sincerely,

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

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GRUPO BIMBO
NOURISHING A BETTER WORLD

CONSOLIDATED Financial Statements

Grupo Bimbo, S. A. B. de C.V. and Subsidiaries
For the years ended December 31, 2017, 2016 and 2015,
and Independent Auditors' Report Dated March 12, 2018

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Grupo Bimbo, S. A. B. de C .V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2017, 2016 and 2015, and the consolidated statements of income, consolidated statements of income and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2017, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for professional Accountants (IESBA Code)* and with the Ethics Code issued by the Mexican Institute of Public Accountants (*IMCP Code*), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

Goodwill and intangible assets

Goodwill of $63,426 and intangible assets of $56,194 (millions of pesos), represent 46% of total consolidated assets as of December 31, 2017.

The Entity has determined the recoverable value of its cash generating units (CGU), based on the methods established in International Accounting Standard (IAS) 36 "Impairment in the value of the assets". If the recoverable value is lower than the book value, goodwill and intangible assets could require an impairment to their value.

Management used the methods allowed under IAS 36, for making estimates regarding future cash flows, discount rates and growth rates based on management's perspective of the business future outlook, and alternatively considered prices from an active market (multiples of comparable companies) and recent transactions for a similar asset (multiples of previous transactions), adjusting the fair value obtained for such CGU's through a related disposal or sale cost. The valuation of these assets were considered a significant risk in our audit.

Audit response

Due to the significant judgments used in the valuation models for the determination of the recoverable values, with the assistance of our valuation experts we questioned the premises and criteria used by management in such models by performing, among others, the following procedures:

- We conducted an independent assessment of the discount rates, growth trends and methodology used in the preparation of the impairment test model.
- We tested the integrity and accuracy of the impairment models.
- We performed sensitivity tests of the impairment model for changes in the assumptions.
- We considered the adequacy of the Entity's disclosures in relation to its impairment tests, sensitivity analyses and the variations in the key assumptions used.

The results of our audit procedures were satisfactory.

Information different from the consolidated financial statements and the auditor's report

Management is responsible for the other information, which will include the information included in the annual report (but does not include the consolidated financial statements or our audit report). The annual report is expected to be available to us after the date of this audit report.

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

In relation to our audit of the consolidated financial statements, our responsibility will be to read the other information, when it is available, and when we do so, to assess whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or appears to contain a material misstatement. If based on the work performed we conclude that there is a material misstatement in the other information, we would have to report such event.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial consolidated reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Group with a statement that we have complied with relevant ethical requirements regarding independence, and we have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance of the Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Alejandro González Anaya
March 12, 2018

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

Consolidated Statements of Financial Position

As of December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

ASSETS	Notes	2017	2016	2015
Current assets:				
Cash and cash equivalents		$ 7,216	$ 6,814	$ 3,825
Accounts and notes receivable- net	5	24,806	24,069	19,047
Inventories- net	6	8,368	7,428	5,509
Prepaid expenses		975	806	861
Derivative financial instruments	13	682	305	885
Guarantee deposits for derivative financial instruments	13	417	1,140	1,501
Assets available for sale	8	26	148	502
Total current assets		42,490	40,710	32,130
Non-current assets:				
Notes receivable from independent operators		557	807	950
Property, plant and equipment- net	8	82,972	74,584	58,073
Investment in shares of associated companies	9	2,764	2,124	2,106
Derivative financial instruments	13	2,592	3,448	3,346
Deferred income taxes	17	6,288	9,779	10,705
Intangible assets- net	10	56,194	49,938	42,535
Goodwill	11	63,426	62,884	49,196
Other assets- net		1,966	891	592
Total assets		$ 259,249	$ 245,165	$ 199,633

(Continue)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2017	2016	2015
Current liabilities:				
Current portion of long-term debt	12	$ 2,766	$ 2,150	$ 8,282
Trade accounts payable		18,796	16,652	13,146
Other accounts payable and accrued liabilities	18	23,538	22,260	16,245
Due to related parties	16	955	853	401
Income tax	17	1,073	1,043	646
Statutory employee profit sharing payable		1,286	1,185	1,110
Derivative financial instruments	13	241	372	3,208
Total current liabilities		48,655	44,515	43,038
Non-current liabilities:				
Long-term debt	12	91,546	80,351	59,479
Derivative financial instruments	13	–	3,352	1,707
Employee labor obligations and workers' compensation	14	30,638	30,917	25,932
Deferred income taxes	17	4,682	4,952	3,359
Other liabilities		6,704	6,002	4,259
Total liabilities		182,225	170,089	137,774
Stockholders' equity:	15			
Capital stock		4,227	4,227	4,227
Reserve for repurchase of shares		667	720	770
Retained earnings		60,180	56,915	52,146
Accumulated translation effects of foreign subsidiaries		7,144	10,259	2,107
Remeasurement effects of employee benefits		459	(101)	669
Valuation effects of cash flow hedges	13	90	(590)	(964)
Equity attributable to owners of the Entity		72,767	71,430	58,955
Non-controlling interests in consolidated subsidiaries		4,257	3,646	2,904
Total stockholders' equity		77,024	75,076	61,859
Total liabilities and stockholders' equity		$ 259,249	$ 245,165	$ 199,633

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos, except earnings per common share)

	Notes		2017		2016		2015
Net sales		$	267,515	$	252,141	$	219,186
Cost of sales	19		124,763		115,998		102,421
Gross profit			142,752		136,143		116,765
General expenses:							
Distribution and selling			102,801		96,395		84,245
Administrative			18,388		17,320		14,298
Integration costs			2,929		2,108		1,933
Other general expenses	20		1,162		2,236		2,168
	19		125,280		118,059		102,644
Operating income			17,472		18,084		14,121
Net financing costs							
Interest expense			5,872		5,486		4,576
Interest income			(314)		(249)		(212)
Exchange gain, net			118		5		18
Monetary position (gain) loss			79		(650)		(192)
			5,755		4,592		4,190
Equity in income of associated companies			234		121		47
Income before income taxes			11,951		13,613		9,978
Income tax expense	17		6,282		6,845		4,063
Consolidated net income		$	5,669	$	6,768	$	5,915
Net income attributable to owners of the Entity		$	4,629	$	5,898	$	5,171
Net income attributable to non-controlling interests		$	1,040	$	870	$	744
Basic and diluted earnings per common share		$	0.98	$	1.25	$	1.10
Weighted average number of shares outstanding (000's)			4,703,200		4,703,200		4,703,200

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

		2017		2016		2015
Consolidated net income	$	5,669	$	6,768	$	5,915
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss:						
Net change in actuarial gain (loss) on defined benefit plans of labor obligations		571		(1,032)		877
Income taxes relating to these items		(11)		263		(315)
		560		(769)		562
Items that may be reclassified subsequently to profit or loss:						
Hedges of net investments in foreign operations, net		2,492		(10,853)		(7,109)
Exchange differences on translating foreign operations		(4,685)		18,763		8,121
Net fair value loss on hedging instruments entered into for cash flow hedges		977		602		(1,105)
Income taxes related to these items		(1,330)		(115)		2,466
		(2,546)		8,397		2,373
Other comprehensive income for the year		(1,986)		7,628		2,935
Total comprehensive income for the year	$	3,683	$	14,396	$	8,850
Comprehensive income attributable to owners of the Entity	$	2,754	$	13,654	$	8,126
Comprehensive income attributable to non-controlling interests	$	929	$	742	$	724

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

	Capital stock	Reserve for Repurchase of shares	Retained earnings	Accumulated other comprehensive income (loss)	Equity attributable to owners of the Entity	Non-controlling interests in consolidated subsidiaries	Total stockholders' equity
Balances as of January 1, 2015	$ 4,227	$ 916	$ 46,975	$ (1,143)	$ 50,975	$ 2,627	$ 53,602
Consolidation effect of structured entities	–	–	–	–	–	(447)	(447)
Decrease in reserve for repurchase of shares	–	(146)	–	–	(146)	–	(146)
Balances before comprehensive income	4,227	770	46,975	(1,143)	50,829	2,180	53,009
Consolidated net income for the year	–	–	5,171	–	5,171	744	5,915
Other comprehensive income	–	–	–	2,955	2,955	(20)	2,935
Total comprehensive income	–	–	5,171	2,955	8,126	724	8,850
Balances as of December 31, 2015	4,227	770	52,146	1,812	58,955	2,904	61,859
Distribution of dividends	–	–	(1,129)	–	(1,129)	–	(1,129)
Decrease in reserve for repurchase of shares	–	(50)	–	–	(50)	–	(50)
Balances before comprehensive income	4,227	720	51,017	1,812	57,776	2,904	60,680
Consolidated net income for the year	–	–	5,898	–	5,898	870	6,768
Other comprehensive income	–	–	–	7,756	7,756	(128)	7,628
Total comprehensive income	–	–	5,898	7,756	13,654	742	14,396
Balances as of December 31, 2016	4,227	720	56,915	9,568	71,430	3,646	75,076
Consolidation effect of structured entities	–	–	–	–	–	(530)	(530)
Increase in non-controlling interest	–	–	–	–	–	212	212
Distribution of dividends	–	–	(1,364)	–	(1,364)	–	(1,364)
Decrease in reserve for repurchase of shares	–	(53)	–	–	(53)	–	(53)
Balances before comprehensive income	4,227	667	55,551	9,568	70,013	3,328	73,341
Consolidated net income for the year	–	–	4,629	–	4,629	1,040	5,669
Other comprehensive income	–	–	–	(1,875)	(1,875)	(111)	(1,986)
Total comprehensive income	–	–	4,629	(1,875)	2,754	929	3,683
Balances as of December 31, 2017	$ 4,227	$ 667	$ 60,180	$ 7,693	$ 72,767	$ 4,257	$ 77,024

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos)

	2017	2016	2015
Cash flows from operating activities:			
Income before income taxes	$ 11,951	$ 13,613	$ 9,978
Adjustments for:			
Depreciation and amortization	8,761	8,436	7,050
Loss (profit) on sale of property, plant and equipment	702	(219)	132
Equity in income of associated companies	(234)	(121)	(47)
Impairment of long-lived assets	545	1,246	1,839
Multi-employer pension plan provision	89	473	359
Interest expense	5,872	5,486	4,576
Interest income	(314)	(249)	(212)
Changes in assets and liabilities:			
Accounts and notes receivable	(591)	(1,020)	1,373
Inventories	(898)	(1,097)	(297)
Prepaid expenses	(205)	159	(183)
Trade accounts payable	2,041	518	735
Other accounts payable and accrued liabilities	(3,645)	4	(317)
Due to related parties	140	452	(388)
Income tax paid	(4,420)	(4,703)	(3,884)
Derivative financial instruments	331	309	(2,161)
Statutory employee profit sharing	154	65	(2)
Employee labor obligations and workers' compensation	949	(735)	(446)
Assets available for sale	(111)	460	11
Net cash flows generated by operating activities	21,117	23,077	18,116

(Continue)

	2017	2016	2015
Investing activities:			
Acquisition of property, plant and equipment	(13,446)	(13,153)	(9,604)
Acquisition of businesses, net of cash received	(12,482)	(3,966)	(1,641)
Proceeds from sale of property, plant and equipment	333	1,033	726
Increase of distribution rights in structured entities	(523)	(45)	(1,060)
Other assets	(1,281)	(379)	8
Dividends Received	24	24	–
Investments in shares of associated companies	(9)	(78)	(45)
Interest collected	314	249	212
Net cash flows used in investing activities	(27,070)	(16,315)	(11,404)
Financing activities:			
Proceeds from long-term debt	40,772	34,687	13,954
Payment of long-term debt	(26,904)	(31,888)	(15,928)
Payment of financial derivative instruments related to long-term debt	(2,117)	(1,707)	–
Interest paid	(4,429)	(4,465)	(3,899)
Distribution of dividends	(1,364)	(1,129)	–
Payments of interest rate swaps	(1,401)	(1,288)	(1,384)
Collections of interest rate swaps	1,596	1,405	1,623
Deposits in guarantee accounts of derivative financial instruments	392	52	–
Net cash flows obtained (used in) from financing activities	6,545	(4,333)	(5,634)
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects	(190)	560	175
Net increase in cash and cash equivalents	402	2,989	1,253
Cash and cash equivalents at the beginning of the year	6,814	3,825	2,572
Cash and cash equivalents at the end of the year	$ 7,216	$ 6,814	$ 3,825

As of December 31, 2017, 2016 and 2015, there were no material non-monetary transactions.

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017, 2016 and 2015
(In millions of Mexican pesos, except otherwise indicated)

1. Activities and significant events

Activities **–** Grupo Bimbo, S. A. B. de C. V. and Subsidiaries ("Grupo Bimbo" or "the Entity") is mainly engaged in the production, distribution and sale of fresh and frozen bread, buns, cookies, pastries, muffins, bagels, packaged products, tortillas, salted snacks and confectionery, among others.

The Entity operates in different geographical areas that represent the reporting segments used by the Entity that are Mexico, USA and Canada ("North America"), Organization Latin America ("Latin America") and Europe, Asia and Africa ("EAA").

Corporate offices are in 1000 Prolongación Paseo de la Reforma, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Zip Code 01210, Mexico City, Mexico.

During 2017, 2016 and 2015, net sales of Bimbo S. A. de C. V. and Barcel, S. A. de C. V, classified in the Mexico segment, represented approximately 30%, 29% and 32%, respectively, of consolidated net sales. During 2017, 2016 and 2015, net sales of subsidiaries Bimbo Bakeries USA, Inc. ("BBU"), and Canada Bread Company Limited ("Canada Bread" or "CB"), which are classified in the "North America" segment represented approximately 52%, 54% and 53%, respectively, of consolidated net sales.

SIGNIFICANT EVENTS –

Acquisitions 2017

Acquisition of the East Balt Bakeries ("Bimbo QSR")

On October 15, 2017, through its subsidiaries Bimbo Bakeries USA, Inc. and Bimbo S.A. de C.V., the Entity acquired 100% of the stock of East Balt Bakeries ("Bimbo QSR") for US$650 million that were paid as follows:

	Million US Dollar	Mexican pesos
Transaction amount	650	$ 12,196
Economic rights payment	(60)	$ (1,126)
Amount paid for stock	590	$ 11,070
Liabilities assumed from former owners	(76)	$ (1,429)
Total amount paid	514	$ 9,641

Bimbo QSR is a Company leader in foodservice. It produces bread rolls, english muffins, tortillas, bagels, artisan bread and other baked products mainly for Quick Service Restaurants along the world. Established in 1955 on Chicago, IL, East Balt employs 2,200 associates approximately around the world and operates 21 plants on 11 countries in United States of America, Europe, Asia, Mid East and Africa, including two related parties. The Company produces near to 13 million of baked products to serve more than 10,000 locations. This acquisition promotes Grupo Bimbo's global strategy growth in segments and markets with high growth.

Financing sources

To finance this acquisition, it was used financing resources available under long-term lines of credit and the issuance of local bond Bimbo 17. Subsequently, the balance drawn of the line of credit was refinanced with resources obtained in the issuance of the Bimbo International Bond 47.

Accounting effects of the acquisition of Bimbo QSR

The valuation and recording of the acquisition was performed in accordance with IFRS 3, *Business Combinations*. The allocation of definitive fair values are preliminary in these consolidated financial statements, so the information presented below is subject to change; the definitive amounts will be concluded during the twelve months subsequent to the date of acquisition. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed, which were recognized for the acquisition performed on October 15, 2017, at the exchange rate in effect on the transaction date:

Amount paid on the transaction		$ 9,641
Recognized amounts of identifiable assets and liabilities assumed:		
Cash and cash equivalents	746	
Accounts receivable	908	
Inventories	323	
Property, plant and equipment	3,577	
Intangible assets	4,690	
Other assets	2,374	
Deferred taxes	152	
Total identifiable assets		12,770
Goodwill		3,095
Total assets acquired:		15,865
Short-term liabilities	1,274	
Long-term liabilities	4,950	
Total liabilities assumed		6,224
Acquired investment value		$ 9,641

Consolidated figures

The following table presents the amounts that Bimbo QSR contributes to the consolidated figures of Grupo Bimbo for the 77 days elapsed from October 15, 2017 to December 31, 2017:

	Consolidated January 1 to December 31, **2017**	Bimbo QSR October 15 to December 31, **2017**
Net sales	$ 267,515	$ 2,175
Income from operations	$ 17,472	$ 61
Controlling interest	$ 4,629	$ (22)

	As of December 31, 2016	
	Consolidated	Bimbo QSR
Total assets	$ 259,249	$ 15,373
Total liabilities	$ 182,225	$ 2,557

Consolidated net sales and consolidated net income, if Bimbo QSR had been consolidated from January 1, 2017, would have been $275,939 and $4,666, respectively.

Acquisition of Ready Roti India Private Limited

On May 25, 2017, the Entity acquired, through its subsidiary Bimbo Holanda B.V., 65% of the shares of Ready Roti India Private Limited, in the Republic of India. This company is leader in New Delhi and surrounding rural areas. Produces packaged bread, pizza bases and salty and sweets pastries; with leading brands such as Harvest Gold® and Harvest Select®. It generates annual sales of around 48 million US dollars, has four plants and more than 500 employees.

Acquisition of Bay Foods, Inc.

On September 19, 2017, the Entity acquired, through its subsidiary Bimbo Bakeries USA, Inc., ("BBU") 100% of the shares of Bay Foods, Inc., in the United States of America. Bays is a producer of refrigerated English muffins in the country, complementing the presence of the Company in a new channel.

Acquisition of Stonemill Bake house Limited

On March 2, 2017, the Entity acquired, through its subsidiary Canada Bread, 100% of the shares of Stonemill Bakehouse Limited. This company is leader in the production of artisan baking products using natural ingredients, no genetically modified foods and certified organic ingredients; this acquisition strengthens presence in the Canadian market.

Acquisition of Compañía Pasteleria y Salados, "COPASA"

On March 30, 2017, the Entity acquired, through its subsidiary Bakery Iberian Investments, S.L.U., 100% of the shares of Compañía Pasteleria y Salados, "COPASA" in Morocco. Such company produces and distributes bread products and has three plants.

Accounting effects of the acquisitions

The valuation and recording of the acquisition of Bay Foods and Stonemill, were performed in accordance with IFRS 3.

The valuation and recording of the acquisition of Ready Roti and COPASA were performed in accordance with IFRS 3. The allocation of definitive fair values will conclude over the 12 months following the acquisition.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed, which were recognized for the acquisitions performed at the exchange rate in effect on the transactions date:

Acquired date	Ready Roti May 25	Bay Foods Sep 19	Stonemill March 2	Copasa March 30
Amount paid on the transaction	$ 1,305	$ 1,210	$ 401	$ 60
Recognized amounts of identifiable assets and liabilities assumed:				
Cash and cash equivalents	603	13	–	41
Accounts receivable	20	45	38	3
Inventories	37	12	16	11
Property, plant and equipment	189	66	133	115
Identifiable intangible assets	5	822	227	53
Other assets	9	8	5	–
Total identifiable assets	863	966	419	223
Goodwill	911	717	131	111
Total assets acquired:	1,774	1,683	550	334
Short-term liabilities	254	60	32	274
Long-term liabilities	3	413	117	–
Total liabilities assumed	257	473	149	274
Non-controlling interest	212	–	–	–
Value of the investment acquired	$ 1,305	$ 1,210	$ 401	$ 60

2016 Acquisitions

Acquisition of Panrico

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

The sales agreement, signed in July 2015, was for €190 million. After one year, with the authorization of the Spanish National Commission for Markets and Competition and the Portuguese Competition Authority, as well as the Spanish Supreme Court's ruling on the validity of the Employment Regulatory File (ERE) signed by Panrico in the year 2013, the transaction was concluded. As the payment was made on a deferred basis, the final figure paid was €214 million, equivalent to $4,418 million. Such amount includes the part of the brand loaves business, which was sold immediately afterwards.

The bread brands of Panrico, as well as other bread-related assets and derivatives in Spain, Portugal and Andorra, were sold simultaneously, together with the plants at Gulpilhares (Portugal) and Teror (the Canary Islands), to Adam Foods S.L.

Donuts Iberia is one of the leading companies in the bread industry in Spain and Portugal; it operates in the categories of loaves, sweet breads and bread rolls. The acquisition includes leading brands such as Donuts®, Qé!®, Bollycao®, La Bella Easo® and Donettes®, among others.

Financing sources

To finance the transaction, Bakery Iberian Investment used financing available under long-term lines of credit denominated in euros.

Accounting effects of the acquisition of Bakery Donuts Iberia.

The valuation and recording of the acquisition was performed in accordance with IFRS 3, *Business Combinations*. The allocation of definitive fair value concluded in 2017. The following table summarizes the fair value of the assets acquired and liabilities assumed, which were recognized for the acquisition performed on July 21, 2016, at the exchange rate in effect on the transaction date:

Amount paid on the transaction		$ 4,418
Recognized amounts of identifiable assets and liabilities assumed:		
Cash and cash equivalents	670	
Accounts receivable	249	
Inventories	194	
Property, plant and equipment	3,388	
Identifiable intangible assets	1,553	
Other assets	408	
Total identifiable assets		6,462
Goodwill		1,370
Total assets acquired:		7,832
Current liabilities	2,023	
Deferred income tax	724	
Long-term liabilities	667	
Total liabilities assumed		3,414
Value of the investment acquired		$ 4,418

Goodwill determined as a result of the valuation of this acquisition was $1,370, which is justified mainly due to expected synergies.

Consolidated figures

The following table presents the amounts that Donuts Iberia contributes to the consolidated figures of Grupo Bimbo for the 163 days elapsed from July 21, 2016 to December 31, 2016.

	Consolidated January 1 to December 31, 2016	Donuts Iberia July 21 to December 31, de 2016
Net sales	$ 252,141	$ 3,056
Income from operations	$ 18,084	$ 17
Controlling interest	$ 5,898	$ (3)
Consolidated net income	$ 6,768	$ (3)

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

Consolidated net sales and consolidated net income, if the acquisitions of Donuts were included, as of January 1, 2016, would have been $255,769 and $6,556, respectively.

In May and December 2016, two frozen bread companies were acquired in Argentina and Colombia, for the amount of $68 million and $151 million, respectively. At the close of 2017, the valuation and recording of the acquisitions were performed in accordance with IFRS 3, *Business Combinations*.

2015 Acquisitions

Acquisition of Saputo

On February 2, 2015, the Entity acquired, through its subsidiary Canada Bread, 100% of the shares of Saputo Bakery, Inc., which on the same day, changed names to Vachon Bakery, Inc. ("Vachon"). Such company is leader in the production and sale of bakery products in Canada and strengthens the Entity's position in the country. The acquisition includes leading brands such as Vachon®, Jos Louis®, Ah Caramel®, Passion, Flakie® and May West®, among others. The acquisition cost was $1,369.

Funding sources

To finance the transaction, Canada Bread used financing resources available under existing long-term committed credit lines.

Accounting effects of the acquisition of Vachon

The valuation process and the acquisition were performed in accordance with International Financial Reporting Standard ("IFRS") 3, *Business Combinations*. The following table presents the fair value of the assets acquired and liabilities assumed that were recognized for the acquisition on February 2, 2015 using the exchange rate as of the date of the transaction:

Consideration transferred		$ 1,369
Fair value of identifiable assets acquired and assumed liabilities:		
Accounts receivable	84	
Inventories	60	
Property, plant and equipment	778	
Intangible assets	431	
Other assets	10	
Total identifiable assets		1,363
Goodwill		604
Total acquired assets		1,967
Current liabilities	136	
Deferred tax liability	179	
Long-term liabilities	283	
Total assumed liabilities		598
Acquired investment value		$ 1,369

Goodwill recorded in 2015 as result of this transaction totaled $604, which is representative of the expected synergies from the acquisition.

Asset acquisition

During 2015, the Entity acquired, through its subsidiary Canada Bread, certain assets of Sobey's West, Inc. and Italian Home Bakery, for a total amount of $272. The acquisitions were comprised mainly of property, plant, equipment, and intangible assets.

2. Basis of preparation

Application of new and revised International Financial Reporting Standards

a. *Amendments of new and revised International Financial Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year*

In the current year, the Entity had no impact on its consolidated financial statements for the application of new or amended IFRSs, issued by the International Accounting Standards Board ("IASB") that are mandatorily effective on or after January 1, 2017.

Amendments to IAS 7: Provide disclosures

The Entity had applied the amendments for the first time on current year. Amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes on cash flows.

The Entity's liabilities arising from financing activities consist of borrowings (note 12) and certain other financial liabilities (note 13). A reconciliation between the opening and closing balances of these items is provided in note 12. Consistent with the transition provisions of the amendments, the Entity has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 12, the application of these amendments has had no impact on the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

The Entity had applied the amendments to IFRS 12 included on the Annual Improvements for 2014-2016 Cycle for the first time on current year. The rest of amendments are not mandatory yet and have not been early adopted by the Entity.

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has no effect on the Entity's consolidated financial statements, as none of the Entity's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. *New and revised IFRSs in issue but not yet effective*

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[1]
Amendments to IFRS 2	Classification and measurement of share-based payments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 40	Transfers of Investment Property[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a specific date to be defined.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2015 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Entity anticipates that the application of IFRS 9 in the future may have not a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review, which is expected to conclude during first quarter of 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances. (see note 3 v).

The management of the Entity anticipates that the application of IFRS 15 in the future may have not a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review, which is expected to conclude during the first quarter of 2018.

IFRS 16, Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2016 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of –use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, IFRS 16 requires extensive disclosures.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity administration is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although given the nature of its operations it would expect significant impacts. However, it is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Entity administration do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements. This is because the Entity already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

c. *Consolidated Statements of Income and Other Comprehensive Income*

The Entity presents the statement of income in two statements: i) the consolidated statement of income, and ii) the consolidated statement of income and other comprehensive income and loss. The expenses in the statement of income are presented based on their function, because this is the practice of the sector to which the Entity belongs; the nature of these expenses is presented in Note 19. Additionally, the Entity presents the subtotal of income from operations, which, even though it is not required under IFRS, is included because it helps to better understand the economic and financial performance of the Entity.

d. *Cash flow statement*

The Entity presents the cash flow statement in accordance with the indirect method. It classifies the interest and dividends collected in investing activities, whereas the interest and dividends paid are presented in financing activities.

3. Summary of significant accounting policies

a. *Statement of compliance*

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

b. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities (derivative financial instruments) that are measured at fair value at the end of each period, as explained in the accounting policies below.

i. Historical cost
Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Basis of consolidation*

As of December 31, 2017, 2016 and 2015, the consolidated financial statements incorporate the financial statements of the Entity and those entities over which it exercises control, including structured entities ("SE"). Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

An SE is consolidated when the Entity concludes that it controls the SE based on the evaluation of the substance of the relationship with the Entity and the risks and benefits of the SE. The most significant subsidiaries are shown below:

Subsidiary	% of ownership	Country	Segment	Main activity
Bimbo, S. A. de C. V.	97	Mexico	Mexico	Baking
Barcel, S. A. de C. V.	98	Mexico	Mexico	Sweets and snacks
BBU	100	United States	North America	Baking
Canada Bread Corporation, LLC	100	Canada	North America	Baking
Bimbo do Brasil, Ltda.	100	Brazil	Latin America	Baking
Bimbo, S.A.U.	100	Spain and Portugal	EAA	Baking
Bakery Donuts Iberia, S.A.U.[1]	100	Spain and Portugal	EAA	Baking[1]
East Balt (Bimbo QSR)[2]	100	USA, Europe and Asia	North America and EAA	Baking[2]

1 Bakery Donuts was acquired on July 21, 2016, date in which the Entity took control over it.
2 East Balt (Bimbo QSR) was acquired on October 15, 2017, date in which the Entity took control over it, consolidated through BBU, Bimbo, S.A. de C.V. and Grupo Bimbo.

Subsidiaries are consolidated from the date on which control is transferred to the Entity and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired during the year are included in the consolidated statements of income and other comprehensive income results from the acquisition date, as applicable.

Since 2003, in Venezuela, there have been various exchange rate control provisions, which have restricted the free acquisition of foreign currency. This situation has made it impossible for companies to pay dividends and obligations denominated in foreign currency (purchase of raw materials, packaging, fixed assets, services, among others). Exchange regulations, together with others recently published, have significantly limited the capacity of the Group's subsidiaries in Venezuela to maintain their production process under normal conditions, which has resulted in severe restrictions to operate on a continuous basis the production, distribution and sale processes. As a result of the above, since Grupo Bimbo will continue its operations in Venezuela, with effect from June 1, 2017, the Entity changed the method under which it integrated the financial situation and the results of its operation in Venezuela in the consolidated figures of the Group, and as of this date values its investment in Venezuela at its fair value. This change resulted in a net impairment expense of $54, that was recognized in the statement of income for the period reported under other expenses.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All relevant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated on consolidation.

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions.

d. *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payments at the acquisition date (as of December 31, 2017, 2016 and 2015 the Entity does not have share-based payments);

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity has previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

e. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The long-lived asset (and asset disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value of assets less costs to sell.

f. Recognition of the effects of inflation

Inflationary effects are recognized in the consolidated financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS") and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2017, 2016 and 2015, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity. As of June 1, 2017, the Entity changed the valuation method of its investment in Venezuela, therefore, the effects of inflation were recognized until May 2017.

g. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Entity as lessee</u>

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

h. Foreign currency transactions

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 13).

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

i. Cash and cash equivalents

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, readily convertible into cash, maturing within three months from the date of purchase and are subject to insignificant risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value, fluctuations in value are recognized in income (see financial assets below). Cash equivalents consist primarily of investments in government debt instruments with daily maturities.

j. Financial assets

Financial assets are recognized when the Entity becomes part of the contractual arrangements of the instruments.

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Regarding trade receivables, the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

k. Inventories and cost of sales

Inventories are stated at the lower of cost and net realizable value. Cost is comprised of acquisition cost, import duties, transport, handling, loading, and storage cost at the customs and distribution centers; returns on purchases are deducted from cost. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Cost is determined by using the average cost method.

l. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost, net of accumulated depreciation and accumulated impairment losses. Balances from certain acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date, which became the deemed cost of such assets as of January 1, 2011 upon adoption of IFRS.

Cost include those costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost for expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss. Repairs and maintenance costs are recognized in profit and loss of the period they are incurred.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is determined using the straight-line method to distribute the cost of the asset down to its residual value during the estimated useful lives are as follows:

	Years
Infrastructure	15
Building foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Office furniture and fixtures	10
Computer equipment	3
Leasehold improvements	Term of the related lease

The Entity allocates the amount initially recognized in respect of an item of buildings and manufacturing equipment to its various significant parts (components) and depreciates each of such components separately.

The carrying value of an asset is reduced to its recoverable value, when the carrying amount exceeds its recoverable value.

An item of property, plant and equipment is derecognized when sold or when no future economic benefits arising from the continued use of the asset are expected. The gain or loss arising from the sale of assets results from the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in 'other expenses, net', in general expenses.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation.

m. Investments in associates

An associate is an entity over which the Entity has significant influence. Significant influence is the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results of operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non- current assets held for sale and discontinued.* Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate. When the Entity's share of losses of an associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The entity discontinues the use of the equity method from the date the investment ceases to be an associate or when the investment is classified as held for sale.

When the Entity reduces its ownership interest in an associate but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Entity, profits and losses resulting from the transactions with the associate are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate that are not related to the Entity.

n. Intangible assets

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of businesses in the USA, Canada, Spain, Argentina and certain trademarks in South America. Intangible assets are recognized at cost. Intangible assets acquired through an acquisition are recognized at fair value as of the acquisition date, separately from goodwill. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

Intangible assets are classified as having either finite or indefinite useful lives. Amortization of intangible assets with finite useful lives is recognized on a straight-line method over their estimated useful lives. Such assets are reviewed for impairment when there is an indicator of impairment. The amortization methods and useful lives of the assets are reviewed and adjusted, if necessary, annually, at the end of each reporting period. Amortization is recognized in profit and loss, within selling, distribution and administrative expenses. Intangible assets with indefinite useful lives are not amortized, but are at least tested annually for impairment.

o. Impairment of tangible and intangible assets, other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet available for use, are subjected to tests for effects of impairment at least every year, or more often if there is evidence that such assets could have been impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

p. Goodwill

Goodwill arising on acquisition of a business is carried at cost, which is determined as explained in the business acquisitions policy note above, less accumulated impairment losses, if any (see Note 11).

For purposes of impairment testing, goodwill is allocated to each cash-generating unit (or group of cash generating units) that is expected to benefit from the synergies of the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Entity's policy for goodwill arising on the acquisition of an associate is described at note 3m.

q. Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the issuance of financial liabilities (except for those financial liabilities classified as at fair value with changes through profit and loss) are deducted from the fair value of the financial liability. Subsequent measurement depends on the category in which the financial liability is classified.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Note 13 describes the category of each financial liability of the Entity.

r. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Presentation of the related gain or loss from changes in fair value of the derivative financial instrument depends on whether they are designated as hedging instruments, and if so, the nature of the hedging relationship. The Entity only holds derivative financial instruments classified as cash flow hedges and hedges of net investment in foreign operations.

The Entity documents all hedging relationships at the beginning of the transaction, including their objectives and risk management strategies for undertaking derivative transactions. Periodically, the Entity documents whether the derivative financial instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under "Valuation effects of cash flow hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of "Translation effects of foreign subsidiaries". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the "Exchange gain (loss), net" line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated other comprehensive income are reclassified to profit or loss on the disposal of the foreign operation.

s. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the needed disbursement to settle the present obligation, keeping in mind risks and uncertainties that surround the obligation. When a provision is valued using estimated cash flows to settle the present obligation, its carrying value represents the present value of such cash flows (when the effect of money's value in time is material).

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 *Revenues.*

t. Income taxes

Income tax expense comprises current tax and deferred tax.

1. Current income taxes

   Current income taxes are calculated in accordance with rates that have been enacted or substantively enacted as of the end of the reporting period for the countries in which the Entity operates and taxable profit is determined, and the related income tax expense is recorded in the results of the year in which it is incurred. In Mexico, the income tax determined related to the Impuesto sobre la renta ("ISR").

2. Deferred income taxes

   Deferred tax liabilities and assets are measured according to the tax rates and tax laws that have been enacted or substantively enacted as of the date of the report and that are expected to be applicable when the temporary differences reverse.

The deferred income tax is recognized on temporary differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities used for determining taxable income by applying the rate corresponding to these differences, including benefits from tax loss carryforwards and certain tax credits, if applicable. The liability for deferred income taxes are generally recognized for all temporary tax differences. An asset is recognized deferred tax for all deductible temporary differences to the extent that it is probable that the Entity will have future taxable income against which to apply those deductible temporary differences.

Deferred income tax is not recognized on the following temporary differences: i) amounts that arise from the initial recognition of assets or liabilities resulting from transactions other than in a business combination, that affects neither the accounting profit nor the taxable profit; ii) those related to investments in subsidiaries and associates, to the extent that it is not likely they will reverse in the foreseeable future and the reversal in within the control of the Entity, and, iii) those that result from the initial recognition of goodwill. The deferred income tax asset is recognized only to the extent that it is likely there will be future taxable profits against which it can be used.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Assets and deferred tax liabilities are offset when a legal right to offset assets with liabilities exists and when they relate to income taxes relating to the same tax authorities and the Entity intends to liquidate its assets and liabilities on a net basis.

3. Current and deferred tax for the year

   Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

u. Employee benefits from termination, retirement and statutory employee profit sharing ("PTU")

i. Pensions and seniority premiums

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity or a fund and will have no legal or constructive obligation to pay further contributions. The obligation is recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The amount recognized in the consolidated statement of financial position as a liability or asset for defined benefit plan represents the present value of the net defined benefit obligation (defined benefit obligation minus the fair value of plan assets). The present value of the net defined benefit obligation is determined based on the discounted value of estimated net cash flows, using interest rates tied to government bonds denominated in the same currency in which the benefits are to be paid and whose terms are similar to those of the obligation.

The Entity provides a bonus in cash to certain executives, which is calculated using performance metrics. The bonus is paid 30 months after being granted.

ii. Statutory employee profit sharing

In Mexico and Brazil, there is an obligation to recognize a provision for the statutory employee profit sharing when the Entity has a legal or constructive obligation, as a result of past events and the amount can be reliably estimated. PTU is recorded in profit or loss of the year in which it is incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

iii. Termination benefits

The Entity recognizes a liability for termination benefits only when the Entity is without realistic possibility of withdrawal from an offer to provide termination benefit to employees, or before, if it complies with the criteria for recognition of a liability related to a restructuring.

iv. Multi-employer pension plans ("MEPP")

The Entity classifies the multi-employer plans as defined contribution plans or defined benefit plans in order to determine the accounting for such plans. If the MEPP is classified as a defined benefit plan, the Entity accounts for its proportionate share of the defined benefit obligation, plan assets and costs associated with the plan in the same manner as for any other defined benefit plan. When sufficient information is not available to use defined benefit accounting for a MEPP, the Entity accounts for such plan as a defined contribution plan.

Liabilities related to the wind-up or the Entity's withdrawal from a multi-employer plan is recognized and measured in conformity with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

v. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account the estimated customer returns, rebates and other allowances.

Sale of products

Revenue from the sale of products is recognized when the goods are delivered, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods. The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

w. Reclassifications

Certain amounts within the consolidated financial statements at and for the year ended December 31, 2016 and 2015 have been reclassified for certain accounts to agree with the presentation used in 2017. Until December 31, 2016, the entity grouped in the same item all taxes payable. However it was decided to separate the income tax from the rest due to its relevance. Additionally, employee benefits identified as short-term were reclassified to long-term. The effects of these reclassifications were applied retrospectively in the balance sheet as of December 31, 2016 and 2015, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

	Balances as reported at December 31, 2016	Reclassifications	Balances reclassified at December 31, 2016
Other accounts payable and accrued expenses	$ 19,881	$ 2,379	$ 22,260
Income taxes payable	3,851	(2,808)	1,043
Employee benefits	30,488	429	30,917

	Balances as reported at December 31, 2015	Reclassifications	Balances reclassified at December 31, 2015
Other accounts payable and accrued expenses	$ 14,046	$ 2,199	$ 16,245
Income taxes payable	2,845	(2,199)	646

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical judgment in applying accounting policies

Consolidation of structured entities

As described in more detail in Note 7, BBU has entered into agreements with third party contractors ("Independent Operators"), in which they hold no direct or indirect interest but that qualify as structured entities ("SE"). The Entity has concluded that they have control with respect to certain independent operators, primarily with respect to rights or obligations to secure or grant financing, as well as the maintenance obligation related to distribution routes. In other cases, the Entity has concluded it does not exercise control over such independent operators.

b) Key sources of estimation uncertainty

1. *Useful lives, residual values and depreciation and amortization methods of long-lived assets*

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

2. *Goodwill impairment*

Determining whether goodwill is impaired involves calculating the greater of its value in use and fair value of the cash generating unit to which goodwill has been allocated. The calculation of value in use requires the Entity to determine the expected future cash flows from the cash generating units, using an appropriate discount rate to calculate the present value. Fair value is determined based on multiples of earnings before interest, depreciation and amortization and other non-cash items ("EBITDA"). For the determination of an appropriate multiple, the Entity identifies comparable entities.

3. *Fair value measurements*

Derivative financial instruments are recognized at fair value as of the date of the consolidated statement of financial position. Additionally, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes, although there is no risk of adjustment to the related carrying amount. A detailed description of the methodologies to determine fair values of derivative instruments as well as to determine fair value disclosures for long-term debt is included in Note 13. Finally, the Entity has acquired business that require fair value to be determined, at the date of acquisition, for consideration paid, identifiable assets acquired and liabilities assumed and non-controlling interest, as noted in Note 1.

The fair values described above are estimated using valuation techniques that may include inputs that are not based on observable market data. The main assumptions, used by management are described in the respective notes. Management considers the valuation techniques and selected assumptions are appropriate to determine fair values.

4. *Employee benefits*

Cost of defined benefit plans and MEPP provided to employees is determined using actuarial valuations that involve assumptions related to discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are sensitive to changes in assumptions.

5. *Determination of income taxes*

To determine whether a deferred income tax asset related to tax losses carryforwards is impaired, the Entity prepares tax projections to determine its recoverability.

6. *Employee benefits, insurance and other liabilities*

Insurance risks exists in the USA which respect to the liability for general damages to other parties, car insurance and employee benefits that are self-insured by the Entity with coverage subjected to specific limits agreed in an insurance program. Provisions for claims are recorded on a claim-incurred basis. Insurable risk liabilities are determined using historical data of the Entity. The net liabilities at December 31, 2017, 2016 and 2015 amounted to $5,085 $3,288 and $3,204, respectively.

5. Accounts and notes receivable

	2017	2016	2015
Trade receivables	$ 18,135	$ 17,249	$ 13,882
Allowance for doubtful accounts	(782)	(633)	(515)
	17,353	16,616	13,367
Notes receivable	146	56	170
Notes receivable from independent operators	430	386	468
Income, value –added and other recoverable taxes	5,907	5,605	4,206
Other receivables	970	1,406	836
	$ 24,806	$ 24,069	$ 19,047

The average credit terms on sales of goods in Mexico are 30 days, in the USA and EAA is 60 days, Canada is 21 days and Latin America, which includes the countries of Central and South America, is 30 days. Amounts past due but not impaired are not significant as of the dates of the consolidated statement of financial position. Amounts due over 90 days are 50% reserved and amount due over 180 days are 100% reserved.

6. Inventories

	2017	2016	2015
Finished products	$ 3,231	$ 2,883	$ 2,159
Orders in-process	160	116	79
Raw materials, containers and wrapping	3,703	3,465	2,784
Other	963	760	317
	8,057	7,224	5,339
Raw materials in-transit	311	204	170
	$ 8,368	$ 7,428	$ 5,509

7. Structured entities

The Entity, through BBU, enters into distribution agreements with independent operators that own distribution rights to sell and distribute the Entity's products via direct-store-delivery to retail outlets in defined sales territories. The Entity does not hold equity interest in any of the independent operator entities. Independent operators generally finance the purchase of distribution rights through note agreements with the Entity or a financial institution. Note agreements with a financial institution are, in the aggregate, partially guaranteed by the Entity. To maintain working routes and ensure the delivery of products to customers, the Entity, through BBU, assumes explicit and implicit commitments. The Entity has concluded that all the independent operators established as legal entities qualify as structured entities ("SE"), which in substance are controlled by BBU, principally through their guarantee of or providing actual financing, as well as the obligation that such subsidiaries have assumed to keep the routes operating. Based on this conclusion, SE's are consolidated by the Entity.

As of December 31, 2017, 2016 and 2015, the assets and liabilities of independent operators included in the accompanying consolidated financial statements are as follows:

	2017	2016	2015
Property – vehicles	$ 3,188	$ 3,118	$ 2,415
Intangible distribution rights	6,927	6,792	5,097
Total assets	$ 10,115	$ 9,910	$ 7,512
Current maturities of long-term debt:			
Obligations under finance leases	$ 658	$ 633	$ 481
Independent operator loans	42	49	38
Long-term debt:			
Obligations under finance leases	1,798	1,807	1,462
Independent operator loans	42	41	43
Due to affiliates (net of receivables)	5,139	5,135	3,905
Total liabilities	$ 7,679	$ 7,665	$ 5,929
Non-controlling interest	$ 2,436	$ 2,245	$ 1,583

Financing provided by BBU to independent operators that have been classified as SE's and consolidated, are eliminated in the accompanying consolidated financial statements.

Lease obligations presented within long-term debt on the consolidated statements of financial position are secured by the vehicles subject to leases and do not represent additional claims on the Entity's general assets. The Entity's maximum exposure for loss associated with independent operator's entities is limited to $84 of long-term debt of the independent operators as of December 31, 2017.

In addition, the Entity has sold certain equipment and distribution rights in the USA to the Entity's former employees and individuals, also considered as independent operators, but have not been classified as consolidated SE's. Such amount equals as of December 31, 2017, 2016 and 2015 $987, $1,193 and $1,418, respectively, which are presented in the statement of financial position as receivables from independent operators short and long term.

The Entity funds 90% of the distribution rights sold to certain independent operators at rates between 5% and 11%, with 120 months installments. Independent operators make an initial payment to the Entity for the remaining 10% of the purchase price. In most cases, an independent third party lender finances the down payment. Both the Entity and the financing of independent third parties are insured by the distribution rights, equipment, customer lists, and other assets. The independent third party lender has priority over the collateral.

8. Property, plant and equipment

Reconciliation of beginning and ending carrying values in 2017, 2016 and 2015 is as follows:

	Balances as of January 1, 2017	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2017
Investment:									
Building	$ 25,572	$	$ 1,080	$ 1,362	$ (1,904)	$ (148)	$	$ 552	$ 26,514
Industrial machinery and equipment	74,817	–	(307)	7,243	(2,833)	(3,342)	–	612	76,190
Vehicles	17,303	259	135	1,532	(899)	(918)	–	232	17,644
Office furniture	1,015	–	7	131	(6)	(63)	–	–	1,084
Computer equipment	5,003	–	(38)	930	(99)	(171)	–	1	5,626
Total investments	123,710	259	877	11,198	(5,741)	(4,642)	–	1,397	127,058
Depreciation:									
Building	(10,354)	(905)	(645)	(5)	286	(30)	(27)	(35)	(11,715)
Industrial machinery and equipment	(42,629)	(4,845)	4,887	21	1,431	2,994	(63)	(235)	(38,439)
Vehicles	(7,243)	(1,019)	(29)	1	410	753	(1)	(119)	(7,247)
Office furniture	(595)	(105)	42	(16)	6	59	–	–	(609)
Computer equipment	(3,913)	(632)	64	(1)	93	169	–	–	(4,220)
Total accumulated depreciation	(64,734)	(7,506)	4,319	–	2,226	3,945	(91)	(389)	(62,230)
	58,976	(7,247)	5,196	11,198	(3,515)	(697)	(91)	1,008	64,828
Land	7,701	–	897	49	(195)	(115)	(4)	71	8,404
Projects–in–progress and machinery in transit	8,055	13,187	386	(11,247)	(869)	(1)	–	255	9,766
Reclassified as assets available for sale	(148)	–	–	–	11	111	–	–	(26)
Net investment	$ 74,584	$ 5,940	$ 6,479	$ –	$ (4,568)	$ (702)	$ (95)	$ 1,334	$ 82,972

	Balances as of January 1, 2016	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2016
Investment:									
Building	$ 19,157	$ –	$ 1,302	$ 2,254	$ 2,695	$ (516)	$ –	$ 680	$ 25,572
Industrial machinery and equipment	55,462	–	6,219	6,168	8,057	(2,251)	–	1,162	74,817
Vehicles	13,868	285	60	2,477	871	(697)	–	439	17,303
Office furniture	713	–	124	137	68	(27)	–	–	1,015
Computer equipment	3,719	–	129	657	578	(80)	–	–	5,003
Total investments	92,919	285	7,834	11,693	12,269	(3,571)	–	2,281	123,710
Depreciation:									
Building	(8,264)	(1,256)	(924)	892	(1,129)	397	(5)	(65)	(10,354)
Industrial machinery and equipment	(28,800)	(4,353)	(5,778)	(900)	(3,912)	1,715	(160)	(441)	(42,629)
Vehicles	(6,295)	(956)	(51)	2	(318)	577	–	(202)	(7,243)
Office furniture	(385)	(80)	(113)	(1)	(48)	32	–	–	(595)
Computer equipment	(2,909)	(523)	(103)	6	(459)	75	–	–	(3,913)
Total accumulated depreciation	(46,653)	(7,168)	(6,969)	(1)	(5,866)	2,796	(165)	(708)	(64,734)
	46,266	(6,883)	865	11,692	6,403	(775)	(165)	1,573	58,976
Land	6,673	–	341	199	808	(454)	–	134	7,701
Projects–in–progress and machinery in transit	5,647	12,868	37	(11,891)	541	(125)	–	978	8,055
Reclassified as assets available for sale	(513)	(5)	–	–	(50)	420	–	–	(148)
Net investment	$ 58,073	$ 5,980	$ 1,243	$–	$ 7,702	$ (934)	$ (165)	$ 2,685	$ 74,584

	Balances as of January 1, 2015	Additions	Additions from business acquisitions (1)	Transfers	Translation effect	Retirements	Impairment	Revaluation for inflation	Balance as of December 31, 2015
Investment:									
Building	$ 16,971	$ –	$ 214	$ 1,350	$ 821	$ (326)	$ –	$ 127	$ 19,157
Industrial machinery and equipment	47,703	–	754	6,062	2,509	(1,784)	–	218	55,462
Vehicles	12,582	577	13	783	489	(628)	–	52	13,868
Office furniture	662	–	16	35	29	(29)	–	–	713
Computer equipment	3,267	–	7	409	256	(220)	–	–	3,719
Total investments	81,185	577	1,004	8,639	4,104	(2,987)	–	397	92,919
Depreciation:									
Building	(7,080)	(901)	–	(1)	(445)	224	(43)	(18)	(8,264)
Industrial machinery and equipment	(24,155)	(3,992)	–	(343)	(1,247)	1,361	(335)	(89)	(28,800)
Vehicles	(5,691)	(1,011)	–	65	(168)	542	(1)	(31)	(6,295)
Office furniture	(376)	(76)	–	87	(18)	25	(27)	–	(385)
Computer equipment	(2,441)	(458)	–	–	(221)	213	(2)	–	(2,909)
Total accumulated depreciation	(39,743)	(6,438)	–	(192)	(2,099)	2,365	(408)	(138)	(46,653)
	41,442	(5,861)	1,004	8,447	2,005	(622)	(408)	259	46,266
Land	6,093	–	272	251	263	(236)	(10)	40	6,673
Projects–in–progress and machinery in transit	5,128	9,027	143	(8,698)	47	–	–	–	5,647
Reclassified as assets available for sale	(188)	(294)	–	–	(31)	–	–	–	(513)
Net investment	$ 52,475	$ 2,872	$ 1,419	$ –	$ 2,284	$ (858)	$ (418)	$ 299	$ 58,073

(1) This column includes: i) acquisition of Stonemill, ii) Compañia de Pasteleria y Salados, iii) Ready Roti, iv) Bays, v) Bimbo QSR and vi) adjustments in purchased price allocation of Donuts Iberia, Panettiere and General Mills, booked in 2017; vii) acquisition of Bakery Donuts Iberia, viii) General Mills (Frozen Argentina), ix) Panettiere and x) acquisition of Vachon in 2015; and xi)adjustment in purchased price allocation of Canada Bread and Supan, booked in 2015.

Impairment losses recognized in the year

In 2017, 2016 and 2015, the Entity performed a review of unused buildings and industrial machinery and equipment, resulting in an impairment of $95, $165 and $418, respectively, recorded in profit and loss of the year. Impairment per segment: Mexico $20, USA and Canada $27, Latin America $25 and EAA $23 in 2017; Mexico $116, USA and Canada $26, Latin America $21 and Europe $2 in 2016; and Mexico $166, USA and Canada $33, Latin America $175 and Europe $44 in 2015.

9. Investment in shares of associated companies

The investments in associated companies are as follows:

Associated companies	% of ownership	2017	2016	2015
Beta San Miguel, S. A. de C. V.	8	$ 773	$ 625	$ 570
Mundo Dulce, S. A. de C. V.	50	342	332	349
Fábrica de Galletas La Moderna, S. A. de C. V.	50	277	259	232
Blue Label de México, S. A. de C. V. 1	48	45	124	274
Grupo La Moderna, S. A. de C. V.	3	236	223	207
Congelación y Almacenaje del Centro, S. A. de C. V.	15	180	164	137
Productos Rich, S. A. de C. V.	18	145	142	133
Fin Común, S. A. de C. V.	40	167	103	90
Solex Vintel Alimentos S. A.P.I. de C. V.2	49		33	25
B37 Venture, LLC	17	25	23	22
Bimbo de Venezuela, C.A.3	100	446		
Others	Various	128	96	67
		$ 2,764	$ 2,124	$ 2,106

All associated companies are incorporated and operate mainly in Mexico and are recognized using the equity method in the consolidated financial statements. Equity investments in Beta San Miguel, S.A. de C.V., Grupo La Moderna, S.A. de C.V., Congelación y Almacenaje del Centro, S.A. de C.V. and Rich Products, S.A. de C.V., are considered to be associated entities over which the Entity exercises significant influence, based on its representation in the Board of Directors.

(1) In 2017, 2016 and 2015, the Entity recorded an impairment of $50, related to goodwill recorded in the investment of associate Blue Label, S.A. de C.V.

(2) Solex Vintel Alimentos, S.A.P.I. de C.V. during 2017 became an Entity's subsidiary.

(3) On June 1, 2017, investment in Bimbo Venezuela, C.A. is recognized at its fair value.

10. Intangible assets

Following is an analysis of the balance of intangible assets by segment as of December 31 are:

	2017	2016	2015
Mexico	$ 2,704	$ 1,576	$ 1,613
North America	44,399	42,953	36,766
Europe	6,498	2,867	1,871
Latin America	2,593	2,542	2,285
	$ 56,194	$ 49,938	$ 42,535

As of December 31, 2017, 2016 and 2015, the detail of intangible assets is as follows:

	Average useful life	2017	2016	2015
Trademarks	Indefinite	$ 35,224	$ 35,289	$ 29,799
Use and distribution rights	Indefinite	7,619	7,330	5,508
		42,843	42,619	35,307
Trademarks	4 and 9 years	340	332	263
Customer relationships	18, 21 and 22 years	17,116	11,864	9,828
Licenses and software	8 and 2 years	2,162	1,661	1,108
Non-compete agreements	5 years	148	130	111
Others		1,167	38	38
		20,933	14,025	11,348
Accumulated amortization and impairment		(7,582)	(6,706)	(4,120)
		$ 56,194	$ 49,938	$ 42,535

The carrying amount of trademarks with indefinite life as of December 31, 2017, 2016 and 2015 was $1,730, $1,802 and $1,273, respectively.

The main customer relationships resulting from the acquisitions are:

	Acquisition year	Remaining useful life	Net value 2017	2016	2015
Weston Foods, Inc.	2009	9	$ 3,048	$ 3,548	$ 3,243
Sara Lee Bakery Group, Inc	2011	12	1,219	1,384	1,242
Canada Bread	2014	18	2,652	2,642	2,228
Bimbo QSR	2017	18	4,838	–	–
			$ 11,757	$ 7,574	$ 6,713

The intangible assets by geographical segment correspond to the following:

	2017	2016	2015
Mexico:			
Barcel	$ 931	$ 930	$ 930
El Globo	310	310	357
Bimbo	1,417	299	299
Others	46	37	27
North America:			
USA	32,694	33,078	28,682
Canada	10,036	9,875	8,084
Bimbo QSR – USA	1,669	–	–
EAA:			
Bimbo QSR – EAA	3,169	–	–
Spain	2,385	2,000	1,038
United Kingdom	890	867	833
Others	54	3	47
Latin America:			
Argentina	1,194	1,125	975
Brazil	526	495	432
Ecuador	405	424	459
Others	468	495	372
	$ 56,194	$ 49,938	$ 42,535

Reconciliation of beginning and ending carrying values in 2017, 2016 and 2015 is as follows:

Cost

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Others	Total
Balances as of January 1, 2015	$ 27,151	$ 4,061	$ 8,650	$ 471	$ 104	$ 38	$ 40,475
Additions	–	–	–	360	–	–	360
Structured entities	–	700	–	–	–	–	700
Acquisitions through business combinations	559	–	219	206	–	–	984
Effect of exchange rate differences on foreign currency	2,352	747	959	71	7	–	4,136
Balances as of December 31, 2015	30,062	5,508	9,828	1,108	111	38	46,655
Additions	10	–	–	–	–	–	10
Structured entities	–	714	–	277	–	–	991
Acquisitions through business combinations	802	–	–	–	–	–	802
Effect of exchange rate differences on foreign currency	4,747	1,108	2,036	276	19	–	8,186
Balances as of December 31, 2016	35,621	7,330	11,864	1,661	130	38	56,644
Structured entities		596	–	–	–	–	596
Acquisitions through business combinations	382		5,472	418	15	1,129	7,416
Effect of exchange rate differences on foreign currency	(439)	(307)	(220)	83	3	–	(880)
Balances as of December 31, 2017	$ 35,564	$ 7,619	$ 17,116	$ 2,162	$ 148	$ 1,167	$ 63,776

Accumulated amortization and impairment

	Trademarks	Use and distribution rights	Customer relationships	Licenses and software	Non-compete agreements	Others	Total
Balances as of January 1, 2015	$ (210)	$ (146)	$ (1,851)	$ (247)	$ (35)	$ (26)	$ (2,515)
Structured entities	–	8	–	–	–	–	8
Amortization expenses	(17)	–	(503)	(76)	(16)	–	(612)
Impairment	(356)	(74)	–	–	–	–	(430)
Effect of exchange rate differences on foreign currency	(165)	(35)	(315)	(51)	(5)	–	(571)
Balances as of December 31, 2015	(748)	(247)	(2,669)	(374)	(56)	(26)	(4,120)
Structured entities	–	35	–	–	–	–	35
Amortization expenses	–	(3)	(578)	(386)	(1)	–	(968)
Impairment	(440)	–	–	–	–	–	(440)
Effect of exchange rate differences on foreign currency	(553)	(51)	(544)	(59)	(6)	–	(1,213)
Balances as of December 31, 2016	(1,741)	(266)	(3,791)	(819)	(63)	(26)	(6,706)
Structured entities		(73)					(73)
Amortization expenses	(17)	(3)	(698)	(383)	(15)		(1,116)
Impairment	(61)						(61)
Effect of exchange rate differences on foreign currency	131	5	201	35	2		374
Balances as of December 31, 2017	$ (1,688)	$ (337)	$ (4,288)	$ (1,167)	$ (76)	$ (26)	$ (7,582)
Net balances as of December 31, 2015	$ 29,314	$ 5,261	$ 7,159	$ 734	$ 55	$ 12	$ 42,535
Net balances as of December 31, 2016	$ 33,880	$ 7,064	$ 8,073	$ 842	$ 67	$ 12	$ 49,938
Net balances as of December 31, 2017	$ 33,876	$ 7,282	$ 12,828	$ 995	$ 72	$ 1,141	$ 56,194

In 2017 impairment was recognized in the Dutch Country brand in the Mexico segment for $28, in the Dutch Country and Stroehmann brands in the North America segment for $33, in other expenses, net in the consolidated statement of income, and were the result of reduced sales of such brands.

In 2016 impairment was recognized in the Dutch Country brand in the Mexico segment for $93, in the Firenze, Grille, Maestro Cubano and Pan Catalán brands in the Latin America segment for $302, in the Ortiz brand in the Europe segment for $8 and in the Iron Kids and Colonial brands in the North America segment for $37, in other expenses, net in the consolidated statement of income, and were the result of reduced sales of such brands.

In 2015, the Entity recognized an impairment loss in the value of the trademarks Iron Kids and Beef Steak, in the North America segment for $168, and the trademarks Jinhongwei and Million Land in the Mexico segment for $120 and Fargo, Pasa Bimbo Bere in the Latin America segment for $68. In the aforementioned cases, the loss resulted from a decrease in sales of these brands.

The impairment of distribution and use rights refers totally to the USA operation, for the three years.

For the purpose of impairment tests, the fair value of trademarks was estimated using the relief from royalty valuation technique, using a range of royalty rates between 2% and 5%, being 3% the rate used for most trademarks.

11. Goodwill

Following is an analysis of the balance of goodwill by geographical segment:

	2017	2016	2015
Goodwill:			
Mexico	$ 1,334	$ 1,287	$ 1,268
North America	63,305	62,995	52,093
EAA	8,063	3,971	254
Latin America	3,038	3,107	2,434
	75,740	71,360	56,049
Accumulated impairment:			
Mexico	(560)	(577)	(500)
North America	(6,229)	(6,391)	(5,321)
EAA	(3,467)	–	–
Latin America	(2,058)	(1,508)	(1,032)
	(12,314)	(8,476)	(6,853)
	$ 63,426	$ 62,884	$ 49,196

Movements in goodwill during the years ended December 31, 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Balance as of January 1	$ 62,884	$ 49,196	$ 45,257
Acquisitions	4,518	3,793	336
Impairment	(389)	(204)	(941)
Reclassifications due to adjustments on acquisition values	(3,216)	–	–
Adjustments due to variations in exchange rates	(371)	10,099	4,544
Balance as of December 31	$ 63,426	$ 62,884	$ 49,196

Movement in accumulated impairment losses as of December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Balance as of January 1	$ 8,476	$ 6,853	$ 5,157
Impairment	389	204	941
Reclassifications due to adjustments on acquisition values	3,216	–	–
Adjustment due to variations in exchange rates	233	1,419	755
Balance as of December 31	$ 12,314	$ 8,476	$ 6,853

Allocation of goodwill to cash generating unit

When analyzing impairment, goodwill is allocated to cash-generating units ("CGU"), which are represented mainly by USA, Canada, Spain, and others.

Balances of goodwill assigned to each cash-generating unit, after impairment losses, are as follows:

	2017	2016	2015
EUA	$ 41,609	$ 42,102	$ 35,164
Canada	14,663	14,243	11,510
Spain	4,071	3,852	134
Other CGUs	3,083	2,687	2,388
	$ 63,426	$ 62,884	$ 49,196

USA

The recoverable amount of the UGE in the USA is estimated based on the greater of the value in use ("VU") and fair value less cost to sell ("FVLCTS"). This year the VRMCD was greater, and the Market Comparable methodology (GPC) was applied to estimate it, using EBITDA multiples from comparable companies.

To determine the recoverable amount through the GPC methodology, the average of the EBITDA multiples for the last 12 months and at the valuation date is used, from a selection of comparable companies. After applying the EBITDA of the last 12 months and at the valuation date of the USA cash generating unit (CGU), a Business Value (BV) is obtained. Subsequently each value is decreased by the net debt (debt with banks, net of cash and cash equivalents) and a similar weighting is applied to both values to reach a market value for stockholders' equity.

As such value represents the value of the minority interest, because it derives from using the price per share, a control premium of 20% is applied. Finally, the net debt is added and the value for working capital deficit (excluding cash and cash equivalents) is adjusted for the present value of the accumulated losses and disposal costs, to reach the VRMCD.

By applying the aforementioned methodology, the Entity concluded that there is no impairment in the goodwill of this CGU.

Honduras and Bimbo Frozen

The recoverable amount of the CGU of Honduras and Bimbo Frozen was determined for the higher of the value in use (VU) and FVLCTS. This year the VU was higher and to estimate it, the Cash Flow Discounted (CFD) methodology was applied.

To determine the value in use with the cash flow discounted model, management uses projections based on the two previous years and nine months in progress, and considers the 3 month expected cash flows, plus the next year budget and the long-term perspective. The main premises consist in the growth of sales (prices increases and volume increases in relation to its market share) and EBITDA, which are developed bases upon past years' trends and gradual expected productivity improvements, as well as operating efficiencies and volume absorption.

The annual cash flow is determined with the above mentioned elements, to which and appropriate discount rate that considers the weighted average cost of capital is applied. A terminal value is also included that represents a stable cash flow with inflationary growth. This value is compared to the carrying value of the CGU to determine if the investment is impaired.

By using this methodology, the Entity determined and impairment to the goodwill of the CGU Honduras. For Bimbo Frozen, a study performed by and independent expert determined no impairment, but based on a sensibility analysis at different discount rates. The Entity impaired the goodwill related to this CGU.

Rest of operations

For the rest of the CGU's the recoverable amount in UV was determined without any indicators of impairment. The methodology used was that of discounted flows, considering a discount rate and projections provided by the operations. The forecasted period considered was five years with a perpetual terminal value of the normalized flow with growth in line with the inflation of each of the countries in which they operate.

After applying this methodology, the Entity concludes that there are no indicators of impairment in the rest of the CGU's.

12. Long-term debt

	Fair Value	**2017**	2016	2015
International bonds –				
On November 10, 2017 the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$650 million maturing on November 10, 2047. Such bonds pay a fixed interest rate of 4.70% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity.	12,873	12,828	–	–
On June 27, 2014, the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$800 million maturing on June 27, 2024. Such bonds pay a fixed interest rate of 3.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 13.2.3 (b).	16,220	15,788	16,531	13,765
On June 27, 2014 the Entity issued a bond under U. S. SEC Rule 144 A Regulation S for US$500 million maturing on June 27, 2044. Such bonds pay a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were to refinance the Entity's debt, extending the average maturity. See note 13.2.3 (c).	10,129	9,868	10,332	8,603
On January 25, 2012, the Entity issued a bond under U.S. SEC Rule 144 A Regulation S for US$800 million maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50%, with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt, extending the maturity date.	16,631	15,788	16,531	13,765
On June 30, 2010, the Entity issued a bond under U.S. Securities and Exchange Commission ("SEC") Rule 144 A Regulation S for US$800 million maturing on June 30, 2020. Such bond pays a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were used to refinance the Entity's debt, extending the maturity date.	$ 16,680	$ 15,788	$ 16,531	$ 13,765

	Fair Value	**2017**	2016	2015
Local bonds –				
As of December 31, 2017, the Entity holds the following local bonds due as follows:				
Bimbo 17– Issued on October 6, 2017, maturing in September 2027, with a fixed interest rate of 8.18%.	9,462	10,000	–	–
Bimbo 16– Issued on September 12, 2016, maturing in September 2026, with a fixed interest rate of 7.56%.	7,415	8,000	8,000	–
Bimbo 12– Issued on February 10, 2012, maturing in August 2018, with a fixed interest rate of 6.83%. On October 18, 2017, the Entity prepaid this bond.	–	–	5,000	5,000
Bimbo 09–2– Issued June 15, 2009, maturing in June 2016, with a fixed interest rate of 10.60%. This bond was fully paid at maturity. See note 13.2.3 (d)	–	–	–	2,000
Bimbo 09U– Issued June 15, 2009 for the amount of 706,302,200 UDIs, maturing in June 2016, with a fixed interest rate of 6.05%. The UDI value at June 30, 2016 and at December 31, 2015 and 2015 was $5.4152, $5.3812 and $5.2704, Mexican pesos per UDI, respectively. This bond was fully paid at maturity. See note 13.2.3 (a and e)	–	–	–	3,801
Committed Revolving Credit Line (Multicurrency) – In October 2016, the Entity renewed and amended the terms and conditions of the committed multicurrency credit line, originally issued on April 26, 2010. According to the new terms and conditions the financial institutions engaged in this credit line are BBVA Bancomer S.A., Banco Nacional de México S.A., HSBC Bank USA N.A., HSBC Mexico S.A., Banco Santander (Mexico) S.A., JPMorgan Chase Bank N.A., Bank of America N.A., ING Bank N.V., the Bank of Tokyo–Mitsubishi UFJ Ltd., Mizuho Bank Ltd. The total amount is up to 2,000 million US dollars, maturing on October 7, 2021 and with an applicable interest rate of London Interbank Offered Rate ("LIBOR") plus 0.95% for the provisions in US dollars, Canadian Dealer Offered Rate ("CDOR") plus 0.95% for provisions in Canadian dollars, and Interbank Equilibrium rate ("TIIE") plus 0.725% for provisions in Mexican pesos.	–	–	–	–
There was withdraws from this credit line during 2015, primarily for the acquisition of Canada Bread and Supan. Withdrawals were made in US dollars, Canadian dollars and Mexican pesos. During 2017 and 2016, dispositions and prepayments were made. As of December 31, 2017 there is no outstanding balance.	–	–	–	1,854
Committed Revolving Credit Line (Euros)				
On November 6, 2015, The Entity contracted a committed credit line in Euros. The total amount is up to 350 million Euros, maturing on February 6, 2021 at a rate based on Euribor plus 1% The participating financial institutions are BBVA Bancomer S.A., ING Capital LLC y Bank of America N.A. As of December 31, 2017, the amount withdrew was 100 million euros and was used to cover working capital needs and to finance the acquisition of Donuts Iberia.	2,356	2,356	3,457	–
Secured working capital loans – The Entity occasionally enters into unsecured short–term loans to cover working capital needs.	–	–	–	–
Others – Certain subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2018 to 2022.	4,331	4,331	6,515	5,585
Debt issuance cost	(435)	(435)	(396)	(377)
	95,662	94,312	82,501	67,761
Less – Current portion of long–term debt	(2,766)	(2,766)	(2,150)	(8,282)
Long–term debt	$ 92,896	$ 91,546	$ 80,351	$ 59,479

At December 31, 2017, long–term debt matures as follows:

Year		Amount
2019	$	550
2020		15,795
2021		2,733
2022		16,053
2023 and thereafter		56,415
	$	91,546

The reconciliation between the debt values at the beginning and at the end of the 2017 fiscal year is as follows:

Financing		2017
Beginning balance	$	82,897
Loans obtained		40,772
Payment of loans		(26,904)
Exchange fluctuations		(2,018)
Ending balance	$	94,747

The committed dual–currency revolving credit facility, local bonds, international bond and syndicate bank loan are guaranteed by the principal subsidiaries of Grupo Bimbo. At December 31, 2017, 2016 and 2015, the Entity has complied with all the obligations, including financial ratios established in the loan agreements for the Entity and its subsidiaries.

13. Financial instruments

1. *Categories of financial instruments as of December 31, 2017, 2016 and 2015:*

	2017	2016	2015
Assets			
Financial assets:			
Cash and cash equivalents	$ 7,216	$ 6,814	$ 3,825
Accounts and note receivables, net	18,899	18,463	14,841
Derivative financial instruments	682	305	885
Guarantee deposits for derivative financial instruments	417	1,140	1,501
Total current assets	27,214	26,722	21,052
Non-current assets:			
Notes receivable from independent operators	557	807	950
Derivative financial instruments	2,592	3,448	3,346
Total financial assets	$ 30,363	$ 30,977	$ 25,348
Liabilities			
Financial liabilities:			
Bank loans	$ 2,766	$ 2,150	$ 8,282
Trade accounts payable	18,796	16,652	13,146
Other accounts payable	1,651	1,521	1,401
Due to related parties	955	853	401
Derivative financial instruments	241	372	3,208
Total current liabilities	24,409	21,548	26,438
Long-term debt	91,546	80,351	59,479
Derivative financial instruments		3,352	1,707
Total financial liabilities	$ 115,955	$ 105,251	$ 87,624

2. *Risk management*

During the normal course of its operations, the Entity is exposed to risks inherent with variables related to financing as well as variations in the prices of some of its raw materials that are traded in international markets. The Entity has established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks.

Main financial risks the Entity is exposed to are:

- Market risk
- Interest rate risk
- Foreign currency risk
- Price risk
- Liquidity risk
- Credit risk
- Capital risk

The Entity's Corporate Treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and credit risk that result from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of purchase prices of commodities and reviews the consistency of Entity's open positions in the futures markets with the Entity's corporate risk strategy. Both departments report their activities to the Risk Management Department. The main objectives of the Risk Management Department are as follows:

- Identify, evaluate and monitor external and internal risks that could significantly impact the Entity;
- Prioritize risks;
- Secure the assignment and monitoring of risk;
- Validate the functions and/or those responsible for risk management;
- Validate the progress in each of the prioritized risks; and
- Recommend future action to take.

Given that the variables the Entity is exposed are dynamic in behavior, hedging strategies are evaluated and monitored formally on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within the Entity. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

2.1 *Market risks*

The Entity is exposed to the financial risks associated with fluctuations in foreign currency and interest rates, which are managed by Purchases department. The Entity is also exposed to price risk related to certain commodities purchased in its operation, which is managed by commodities subcommittees. The Entity occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its results. The Entity considers that the derivative financial instruments it enters into provide flexibility that allows for greater financial stability, better earnings visibility and certainty regarding costs and expenses to be paid in the future.

The Entity determines the amounts and objective parameters of the primary positions for which the derivative financial instruments are entered into, with the objective of minimizing one or more of the risk exposures in a transaction or group of transactions associated with the primary position.

The Entity only enters into derivative financial instrument contracts with recognized financial institutions of well-known solvency and within the limits set for each institution.

The principal types of derivative financial instruments used by the Entity are:

a) Contracts that establish a mutual obligation to exchange cash flows on specific future dates, at the nominal or reference value (swaps):

1. Interest rate swaps to balance the mix of fixed and variable interest rates used for financial liabilities.
2. Cross currency swaps, to change the currency in which both the principal and interest of a financial liability are expressed.

b) Foreign currency exchange forwards;
c) Foreign currency exchange calls;

d) Commodity futures;
e) Options on commodities futures; and
f) Inputs swaps

Market risk exposure is monitored and reported on an ongoing basis to the responsible governing area within the Entity.

The Entity has established a policy that derivative financial instruments are entered into exclusively to hedge a risk. Accordingly, in order to enter into a derivative financial instrument contract, it must necessarily be associated with a primary position that exposes the Entity to a specific risk. Consequently, the notional amounts of the Entity's derivative financial instruments will be consistent with the amounts of the primary positions that are being hedged. The Entity does not enter into derivative financial instruments for speculative purposes. If the Entity decides to enter into a hedging strategy whereby options are combined, the net premiums paid/collected must represent a cash outflow, meaning the Entity should not enter into derivative financial instrument transactions for speculative purposes.

Derivative financial instruments are comprised as follows:

	2017	2016	2015
Assets:			
Current –			
Forwards on exchange rate	$ 33	$ –	$ 22
Forwards on raw materials	189	169	69
Swaps	–	–	794
Options exchange rate	114	–	–
Options premium	45	–	–
Futures contracts:			
Fair value of natural gas, diesel and soy oil	301	136	–
Total asset derivatives – current	$ 682	$ 305	$ 885
Long term swaps	$ 2,592	$ 3,448	$ 3,346

	2017	2016	2015
Liabilities:			
Current –			
Swap	$ (13)	$ –	$ (1,989)
Forwards on exchange rate	–	(9)	–
Futures contracts:			
Fair value of natural gas, diesel and soy oil	(228)	(363)	(1,219)
Total derivatives liabilities current	$ (241)	$ (372)	$ (3,208)
Long term swaps	$ –	$ (3,352)	$ (1,707)
Stockholders' equity:			
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	$ 144	$ (692)	$ (1,411)
Closed contracts for unused futures	(24)	(165)	(73)
	120	(857)	(1,484)
Deferred income tax, net	(30)	267	504
Accumulated other comprehensive income related to derivative financial instruments	$ 90	$ (590)	$ (980)

2.2 Interest rate risk management

The Entity is exposed to interest rate risk, mainly with respect to its financial liabilities. The risk is managed through an adequate mix of fixed and variable rates, which on occasion, is achieved by entering into derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they comply with the all criteria to be classified as such.

Management considers that its interest rate risk related to its financial assets is limited as their maturities are generally current.

The Entity held long-term debt that accrues interest at variable rates referenced to December 31,2017 a Euro Interbank Offered Rate ("EURIBOR"); as of December 31, 2016 the Canadian Dealer Offered Rate ("CDOR") and EURIBOR, and 2015 to Interbank Equilibrium Rate ("TIIE" for its acronym in Spanish), Units of investment ("UDIs" for its acronym in Spanish), CDOR and London Interbank Offered Rate ("LIBOR"), and entered into interest rate swaps to fix such interest rates. The swaps have been designated as cash flow hedges.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on balances exposed to interest rate risk, considering both derivative and non-derivative instruments at the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the interest rate risk during the period due to variances in the balances exposed to such risk. For floating rate instruments, for which the Entity has not contracted a hedge to fix the rate, the sensitivity analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 20 basis points in the one-month LIBOR, CDOR and EURIBOR and a change of 100 basis points in the 28 days TIIE represents management's best estimate of a reasonable potential change with respect to those rates. The Entity has fully mitigated interest rate risks related to fluctuations in the value of TIIE and UDI through interest rate swaps.

An increase/decrease of 20 basis points in LIBOR, would result in a decrease/increase in profit or loss of approximately $2.7 for the years ended December 31, 2015. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017 and 2016, the Entity did not maintain debt with this rate.

An increase/decrease of 20 basis points in CDOR would result in a decrease/increase in profit or loss of approximately $4.9 and $6.2 for the years ended December 31, 2016 and 2015, respectively. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017, the Entity did not maintain debt with this rate.

An increase/decrease of 100 basis points in TIIE, would result in a decrease/increase in the Entity's profit or loss of approximately $0.8, for the years ended December 31, 2015, respectively. Such amounts are not deemed significant to the results of the operations of the Entity. As of December 31, 2017 and 2016, the Entity did not maintain debt with this rate.

An increase/decrease of 20 basis points in the EURIBOR rate would result in a decrease/increase in the Entity's results for approximately $4.7, $6.9 and $0 for the years ended December 31, 2017, 2016 and 2015, respectively.

2.3 Foreign currency risk management

The Entity undertakes transactions denominated in a variety of foreign currencies and presents its consolidated financial statements in Mexican pesos; it also has investments in foreign operations whose currencies differ from the Mexican peso. Accordingly, it is exposed to foreign currency risk (i.e., the forecasted purchase of inputs, contracts and monetary assets and liabilities) and foreign currency translation risk (i.e. net investments is foreign subsidiaries). The main risk is with respect to the parity of Mexican pesos to US dollars, Mexican pesos to Canada dollars, and Canada dollars to US dollars.

Management of translation of foreign currency risk

The Entity has investments in foreign subsidiaries whose functional currency is other than the Mexican peso, which exposes it to the risk of foreign currency translation. Also, the Entity has contracted intercompany financial assets and liabilities with those foreign subsidiaries, in various currencies, therefore representing a foreign currency risk.

The risk is mitigated through the issuance of one or more loans denominated in currencies other than the functional currency to naturally hedge exposure to foreign currency and presented as a net investment in foreign subsidiaries within other comprehensive income.

As of December 31, 2017, 2016 and 2015, loans that have been designated as hedges on the net investment in foreign subsidiaries amounted to USD$2,650, $2,392 and $2,876 million, respectively.

As of December 31, 2017, 2016 and 2015, the amounts of loans that have been designated as hedges for net investment in foreign subsidiaries totaled CAD$965, $965 and $998 million, respectively.

As of December 31, 2017, 2016 and 2015 the amounts that have been designated as a hedge for long term intercompany asset positions are CAD$650 million for those years.

As of December 31, 2016 and 2015, the amount that has been designated as a hedge for long term intercompany liability positions are USD$2 and $8 million, respectively.

As of December 31, 2017 and 2016 the amount of the bank loan designated as a hedge for the investment in subsidiaries abroad is €100 and €160 million, respectively.

As of December 31, 2015, the amounts that have been designated as hedges for long-term intercompany loans are $2,017.

As of December 31, 2015, amounts that have been designated as hedges of intercompany long-term debt are €30 million for both years.

Management of foreign currency transactional risk

Risk management policy regarding foreign currency also contemplates hedging expected foreign currency cash flows, mainly related to future purchases of inputs. Such purchases qualify as hedged items, represented by "highly probable" forecasted transactions for purposes of hedge accounting. At the time the purchase occurs, the Entity adjusts the non-financial asset that is considered the hedged item for the gain or loss previously recognized in other comprehensive income.

Foreign currency sensitivity analysis

The sensitivity analyses below have been determined based on the balances exposed to foreign currency exchange rate risk for both derivative and non-derivative instruments as of the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the foreign currency exchange rate risk that existed during the year due to variances in the balances exposed to such risk.

A depreciation/appreciation of 1 peso per US dollar, represents management's estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $38, $12 and $54 in profit or loss for the years ended December 31, 2017, 2016 and 2015, respectively.

A depreciation/appreciation of 1 peso per Canadian dollar, represents management's estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $1, $0 y $0 in profit or loss for the years ended December 31, 2017, 2016 and 2015, respectively.

Detail of derivative financial instruments that hedge interest rate and foreign currency risk

Detail of the derivatives utilized to hedge the aforementioned risks and the fair value of such derivatives as of December 31 are as follows:

		2017	2016	2015
Swaps that modify the Bimbo 09U local bond currency and interest rate, current portion.	(a)	$ –	$ –	$ 794
Swaps that convert the 144A bond with maturity date June, 27, 2024 from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(b)	2,285	3,037	2,932
Swaps that convert the 144A bond with maturity date June 27, 2044, from American dollars into Canadian dollars and change the fixed interest rate in US dollars to fixed interest rates in Canadian dollars.	(c)	307	411	414
Total long term assets		$ 2,592	$ 3,448	$ 4,140
Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed, current portion.	(d)	$ –	$ –	$ (677)
Swaps that convert the Bimbo 09U local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(e)	–	–	(1,312)
Total current liabilities		$ –	$ –	$ (1,989)
Swaps long term that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed.	(f)	$ –	$ (3,352)	$ (1,707)

(a) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Entity entered into two foreign currency swaps for $1,000 and $2,000 that together hedge the entire Bimbo 09U issue and converts the debt from 6.05% in UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

(b) In order to convert the total amount of the 2024 International 144A Bond, in the amount of 800 USD million, from US to Canadian dollars, issued between June 30 and July 21, 2014, cross currency swaps were contracted for a notional amount of $240, $290, $110, $10.73, $108.34 and $99.3 Canadian dollars. All with an expiration date of June 27, 2024. These instruments receive 3.875% interest in USD and pay 4.1175%, 4.1125%, 4.1558%, 4.1498%, 4.1246% and 4.0415% interest in Canadian dollars, respectively.

(c) In order to convert a portion of the 2044 International 144A Bond, that amounts USD$500 million, from US to Canadian dollars, on July 21, 2014, a cross currency swaps was contracted in a notional amount of $107.4 million Canadian dollars, and its expiration date is June 27, 2044. This instrument receives 4.875% interest in US dollars and pays 5.0455%.

(d) In connection with the issuance of the Bimbo 09–2 local bonds, for a notional amount of $2,000 (equivalent to 155.3 USD million), in 2010 the Entity entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. Maturity is June 6, 2016. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fixed interest rate to be paid is 6.35%. This bond was fully paid at maturity.

(e) In order to convert the liability positions of instruments related to the issuance of the Bimbo 09-U bonds from Mexican pesos to US dollars, on February 17, 2011, the Entity entered into two foreign currency and interest rate swaps, with a notional amount, one for $1,000 (equivalent to 83.1 USD million) and the second for $2,000 (equivalent to 166.3 USD million), respectively. Maturity date is June 6, 2016. The exchange rates applicable to these instruments were set at $12.03 Mexican pesos per US dollar and interest was fixed at 6.47% and 6.53%, respectively. This bond was fully paid at maturity.

(f) In order to convert all the Bimbo 12 local bonds from Mexican pesos to US dollars, between February 14 and 17, 2012 the Entity entered into 6 cross currency swaps for a notional amount of $50, $50, $50, $72.1, $70 and 100 USD million respectively. All the instruments have a maturity date of August 3, 2018 and earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.33%, 3.27% and 3.25% respectively and were prepaid on October 18, 2017, with funds from the issuance of bond Bimbo17.

Foreign Currency Hedge

Based on its projections of expense, Corporate treasury has diverse obligations in USD, for which reason, at December 31, 2017, 2016 and 2015, it maintains a portfolio of options and forwards that result in a long-term position in forwards with monthly maturities of $115, $75 and $35 million USD, respectively, at an average exchange rate of $19.55 $20.49 and $16.71 Mexican pesos per USD.

In order to cover the needs in US dollars linked to various forecasted expenses, the Entity maintains in France a portfolio of forwards as of December 31, 2017 that resulted in a long dollar position with monthly maturities for a total of 2 million US dollars, an average exchange rate of 1.14 euros per US dollar.

As of December 31, 2017, 2016 and 2015, these aforementioned instruments have a net market value of $33, $(9) and $22, respectively.

In order to meet the needs of corporate treasury in US dollars tied to various forecasted transactions, the Entity held as of December 31, 2017, a portfolio of calls options that result in a long position, with quarter's maturity and notional amount of $120 million USD, at an average exchange rate of $21.00 pesos per USD.

As of December 31, 2017, these operations have a net fair value of $114.

As of December 31, 2017, 2016 and 2015, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Mexico. These instruments hedged a notional amount of $327.8, $132.9 and $131.25 million US dollars, respectively, fixing the exchange rate for the purchase of currency at a price of $19.55, $19.77 and $16.84 Mexican pesos per US Dollar.

As of December 31, 2016, the Entity contracted forwards to hedge exchange risk for capital investments related to the Mexico operation. These instruments hedged a notional amount of US $3.2 million, fixing the exchange rate for the purchase of foreign currency at an average exchange rate of $18.92 Mexican pesos per US Dollar.

As of December 31, 2017, 2016 and 2015, the Entity entered into a forward to hedge the exchange risks related to the purchase of commodities in Uruguay. This instrument hedges a notional amount of $3.9, $3.1 and $1.9 million USD and fixed the exchange rate at $29.84, $30.12 and $30.63 Uruguayan pesos per USD, respectively.

As of December 31, 2017 and 2016, the Entity had forwards to hedge currency risks of raw materials associated with the operation of Canada. Such instruments hedge a notional amount of $43.5 and $44.8 million USD and fixed the exchange rate at $1.27 and $1.32 CAD per USD, respectively.

As of December 31, 2017 and 2016, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Chile. These instruments cover a notional amount of US$10.9 and $3.4 million, fixing the exchange rate for the currency purchase at a price of $651.63 and $674.97 Chilean pesos per USD, respectively.

As of December 31, 2016, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Colombia. These instruments cover a notional amount of US$3 million fixing the exchange rate for the currency purchase at a price of $3,123.35 Colombian pesos per USD.

As of December 31, 2015, the Entity had forwards to hedge currency risk of raw materials associated with the operation of Argentina. These instruments cover a notional amount of US$12.8 million, fixing the exchange rate at a price of $11.98 Argentinean pesos per USD.

As of December 31, 2017, the Entity has forwards to hedge currency risk of raw materials associated with the operations in Russia. These instruments cover a notional amount of 1.8 million euros and 1.4 million US dollars, setting the average exchange rate for the purchase of foreign currency of 71.22 rubles per euro and 64.65 rubles per US dollar respectively.

As of December 31, 2017, the Entity has forwards to hedge currency risk of raw material and forecasted expenses associated with the operation in France. These instruments cover a notional amount of 4 million euros, setting the average exchange rate for the purchase of foreign currency 1.14 euro per US dollar.

As of December 31, 2017, 2016 and 2015, these operations have a net fair value of $189, $169 and $69, respectively.

As of December 31, 2017, the Entity has interest rate swaps to hedge cash flows related to bank loans of the operation in Italy. These instruments cover a notional amount of 19.2 million euros.

As of December 31, 2017, these operations have a net market value of $ (13).

2.4 Commodities price risk management

In accordance with the Entity's risk management policies, it enters into wheat, natural gas, and other commodities futures contracts to minimize the risk of variation in international prices of such inputs.

Wheat, the main input used by the Entity, together with natural gas, are some of the commodities hedged. The transactions are carried out in recognized commodity markets, and through their formal documentation are designated as cash flow hedges of forecasted transactions. The Entity performs prospective and retrospective effectiveness tests of the instruments to ensure they mitigate the variability of cash flows from fluctuations in the price of such inputs.

As of December 31, 2017, 2016 and 2015, the Entity has recognized, in other comprehensive income, closed contracts that have not yet been transferred to cost of sales due to the fact that the wheat under these contracts has not been used for flour consumption.

Detail of derivative transactions that hedge commodities price risk

As of December 31, 2017, 2016 and 2015, the contracted futures and their main characteristics were as follows:

	2017			2016			2015		
	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value	Number	Contracts Maturity	Fair Value
Diesel	2,538	Jan 18 to Jan 19	$ 202	3,191	Various	$ 38	–	–	$ –
Gasoline	1,285	Jan 18 to Dec 18	99	1,063	Various	35	–	–	–
Natural gas			–	384	Dec-17	45	–	–	–
Polyethylene			–	6,000	Mar-17	7	–	–	–
Soybean oil			–	600	Sep-17	11	–	–	–
Total current assets			$ 301			$ 136			$ –
Wheat	21,319	Mar 18 to Dec 18	$ (201)	15,052	Mar 17 to May 18	$ (361)	15,766	Mar 17 to Dec 17	$ (594)
Corn	169	Mar 18 to Jul 18	(2)	321	Mar 17 to May 18	(2)	308	Mar 17 to Dec 17	(5)
Soybean oil	489	Mar 18 to Sep 18	(1)	–	–	–	1,320	Mar 17 to Dec 17	7
Diesel	–	–	–	–	–	–	1,539	Various	(186)
Gasoline	–	–	–	–	–	–	3,347	Various	(391)
Natural gas	829	Dec 18	(24)	–	–	–	1,143	Various	(39)
Polyethylene	–	–	–	–	–	–	23,700	Jan 17 to Sep 17	(10)
Aluminum	–	–	–	–	–	–	360	Jan 17 to Sep 17	(1)
			$ (228)			$ (363)			$ (1,219)

The fair values of these financial instruments to cover the price risk in the raw materials are considered within level 1 of the fair value hierarchy.

Embedded derivative instruments - As of December 31, 2017, 2016 and 2015, the Entity has not identified any embedded derivative financial instruments that require bifurcation.

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

The fair value of financial assets and liabilities is determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active, liquid markets are determined with reference to their quoted market prices. Derivative financial instruments fall in this category, therefore, these instruments are considered as hierarchy level 1 according to the classification of fair value hierarchy described below.

The fair value of other financial assets and liabilities carried at fair value are determined in accordance with accepted pricing models, generally based on discounted cash flow analysis.

As of December 31, 2017, 2016 and 2015, the carrying value of financial assets and liabilities, does not vary significantly from their fair value.

Fair value of derivative financial instruments, is considered as level 2.

The fair value of market long-term debt, such as bonds, was determined based on the prices provided by Valuación Operativa y Referencias de Mercado S. A. de C. V. ("VALMER") which is an entity supervised by the Mexican National Securities and Banking Commission (Comisión Nacional Bancaria y de Valores), that provides prices for financial instruments. Such valuation is considered as Level 1, according to the hierarchy described as follows.

Fair value hierarchy

The amount of assets and liabilities in the consolidated statements of financial position, measured at fair value, are grouped into one of the following three hierarchy levels. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.5 *Liquidity risk management*

Corporate treasury is responsible for managing liquidity risk. Risk management allows the Entity to determine its short-, medium- and long-term cash flow needs, while seeking financial flexibility. The Entity maintains sufficient liquidity through an orderly management of its resources and permanently monitoring of cash flows, as well as maintaining a variety of credit lines (some of them committed) with bank institutions and proper management of working capital. These actions ensure the payment of future obligations. The Entity believes that due to the nature of its business, liquidity risk is low.

Obligations resulting from accounts payables, financial instruments and debt amortization are as follows:

	<1 year	< 1 year < 3 years	< 3 years < 5 years	> 5years
Debt	$ 7,880	$ 25,435	$ 26,304	$ 89,629
Trade accounts payable	18,796	–	–	–
Total	$ 26,676	$ 25,435	$ 26,304	$ 89,629

2.6 Credit risk management

Credit risk arises from the possible loss if a customer is unable to pay its obligations, loss on investments and principally the risk related to derivative financial instruments.

When accounts receivable to customers is impaired, the Entity recognizes an allowance for doubtful accounts. The allowance is increased for those accounts beyond 90 days past due, for fifty percent of the account and for the total when it reaches 180 days past due. The methodology used to determine the allowance has been applied consistently and the allowance has been historically sufficient to cover impaired unrecoverable accounts.

With respect to operations with derivative financial instruments related to interest rate and exchange rate hedges, and some commodities like natural gas, these instruments are entered into bilaterally with counterparties of high repute that meet certain criteria mentioned below, and who maintain a significant and continuous commercial relationship with the Entity.

These counterparties are deemed of high repute, as they are sufficiently solvent -based on their "counterparty risk" rating from Standard & Poor's - for short- and long-term obligations in local and foreign currency. The principal counterparties with whom the Entity has contracts with respect to derivative financial instruments are:

Banco Nacional de México, S. A., BBVA Bancomer, S. A., Barclays Bank, PLC W. London, Bank of America México, S. A., Citibank N.A., Merrill Lynch Capital Services, Inc., HSBC Bank, ING. Capital Markets, JP Morgan Chase Bank, N. A., Banco Santander, S. A., Mizuho Corporate Bank, Ltd, Mizuho Capital Markets Corporation and The Bank of Tokyo Mitsubishi ufj, Ltd, The Bank of Nova Scotia; Macquarie Bank Limited and Cargill, Incorporated.

Principal commodities derivatives financial instruments are contracted in the following recognized markets:

a. Minneapolis Grain Exchange (MGE)
b. Kansas City Board of Trade (KCBOT)
c. Chicago Board of Trade (CBOT)
d. New York Mercantile Exchange (NYMEX)

The entity monitors counterparty credit risks in a monthly basis and performs the related evaluations.

All derivative financial instrument transactions are performed under a standardized contract and duly executed by the legal representatives of the Entity and those of the counterparties.

Appendix and annexes to the contract, establish the settlement and other relevant terms in accordance with the manners and practices of the Mexican market.

Some derivative financial instrument contracts include the establishment of a security deposit or other securities to guarantee payment of obligations arising from such contracts. Credit limits that the Entity has with its counterparties are large enough to support its current operations; however, the Entity maintains cash deposits as collateral for payment of derivative financial instruments.

For those commodities future contracts executed in recognized, international markets, the Entity is subject to the regulation of those markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Entity.

2.7 Equity structure management

The Entity maintains a healthy relation between debt and equity, to maximize the shareholders' return.

As of December 31, 2017, 2016 and 2015, the equity structure and leverage ratio at the end of each period is as follows:

	2017	2016	2015
Debt (i)	$ 94,312	$ 82,501	$ 67,761
Cash and cash equivalents	(7,216)	(6,814)	(3,825)
Net debt	87,096	75,687	63,936
Stockholders' equity	77,024	75,076	61,859
Net debt to stockholders' equity	1.13 times	1.01 times	1.03 times

(i) Debt is comprised of bank loans and short- and long-term bonds, net of issuance costs pending amortization.

The Entity is not subject to any externally imposed capital requirements.

14. Employee benefits and workers' compensation

The net liabilities generated by employee benefits and long-term social security benefits by geographical segment, is comprised at December 31, 2017, 2016 and 2015 as follows:

	2017	2016	2015
Retirement and post-retirement benefits			
Mexico	$ 5,220	$ 4,929	$ 3,466
USA	2,341	3,232	3,707
Canada	1,078	984	758
EAA and Latin America	244	120	63
Total retirement and post-retirement benefits	8,883	9,265	7,994
Workers' compensation – USA	3,315	3,469	2,598
Multi- Employer Pension Plan – USA	17,474	17,394	14,851
Bonuses to employees, long term	966	789	489
Total net liability	$ 30,638	$ 30,917	$ 25,932

a. Mexico

The Entity has a defined benefit pension and seniority premium plan. The Entity is also required to pay termination benefit obligations, which do not qualify as post-retirement benefit plans under IFRS, for which reason a liability for the benefits is not recognized until the obligation occurs, generally upon payment. The Entity's funding policy is to make discretionary contributions. During 2017, 2016 and 2015, the Entity has not contributed to the plans.

Seniority premiums payment consist of a one–time payment of 12 days for each year worked based on the final salary, not exceeding twice the minimum wage, applicable at the payment date, established by law for all its personnel, as stipulated in the respective employment contracts. Such benefits vest for employees with 15 or more years of service.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2017, 2016 and 2015 by Bufete Matemático Actuarial, S.C., member of Colegio Nacional de Actuarios, A. C. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

b. USA

The Entity has established a defined benefit pension plan that covers eligible employees. Some of the benefits of the plan were frozen. The Entity´s funding policy is to make discretionary contributions. As of December 31, 2017, 2016 and 2015, the Entity contributed to such plan $908, $1,240 and $826, respectively.

The Entity also has established post-retirement employee welfare plans, which covers the medical insurance of certain eligible employees. The Entity has insurance and pays these expenses as they occur.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2017, 2016 and 2015 by Mercer, Inc., member of the Institute of actuaries in the U.S. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

c. Canada

The Entity has established a defined benefit plan for covering pension payments to eligible employees. Some of the benefits of unionized personnel plans were frozen. The funding policy of the Entity is to make discretionary contributions. The contributions made during 2017, 2016 and 2015 amounted to $198, $177 and $121, respectively.

The most recent of the plan assets and the present value of the defined benefit obligation actuarial valuations were performed as of December 31, 2017, 2016 and 2015 by Mercer (Canada), Inc. The present value of the defined benefit obligation, the labor cost of current service and past service cost were calculated using the method of projected unit credit.

The company also has established a defined contribution plan in which contributions are paid as incurred.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016	2015
Mexico			
Discount rate	7.94%	7.68%	7.50%
Expected rate of salary increase	4.50%	4.50%	4.50%
Inflation rate	3.50%	3.50%	3.50%
Expected weighted return	7.68%	7.50%	7.50%
Real weighted return	7.80%	2.96%	1.19%
USA			
Discount rate	4.04%	4.04%	4.25%
Expected rate of salary increase	3.50%	3.75%	3.75%
Inflation rate	2.50%	2.75%	2.75%
Expected weighted return	4.04%	4.25%	4.25%
Real weighted return	13.00%	7.90%	(2.50%)
Canada			
Discount rate	3.40%	3.80%	3.90%
Expected rate of salary increase	3.50%	3.03%	3.00%
Inflation rate	2.00%	2.00%	2.00%
Expected weighted return	3.80%	3.90%	3.90%
Real weighted return	10.30%	6.10%	3.70%

The amounts recognized in profit or loss with respect to defined benefit pension plans and post-retirement benefits:

	2017	2016	2015
Current service cost	$ 826	$ 706	$ 757
Interest cost	1,720	1,775	1,565
Interest income on plan assets	(1,319)	(1,300)	(1,134)
	$ 1,227	$ 1,181	$ 1,188

The net cost of the period was allocated $634, $668 and $212 in 2017, 2016 and 2015, respectively, in the consolidated statements of income as cost of sales and the remainder as general expenses. The interest on the obligation and the expected return on the plan assets are recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

	2017	2016	2015
Present value of defined benefit obligation	$ 35,566	$ 35,784	$ 32,253
Less - fair value of plan assets	26,762	26,453	24,149
	8,804	9,331	8,104
Add: retirement benefit Latin America	244	120	63
Less: current portion of retirement benefit	(165)	(186)	(173)
Present value of unfunded defined benefits	$ 8,883	$ 9,265	$ 7,994

Movements in the present value of the defined benefit obligation:

	2017	2016	2015
Present value of the defined obligation as of January 1	$ 35,784	$ 32,253	$ 30,086
Service cost	826	706	757
Interest cost	1,720	1,775	1,565
Actuarial loss on estimate of obligation	(41)	6	60
Effect of experience adjustments	(584)	624	(453)
Effect of changes in demographic assumptions	535	1,181	(675)
Effect of changes in financial assumptions	1,045	(407)	(1,359)
ABA Plan (1)	–	–	809
Assumed liabilities in business acquisition	–	–	2,083
Adjustment for fluctuation in currency exchange	(805)	4,790	3,330
Benefits paid	(2,914)	(5,144)	(3,950)
Present value of the defined benefit obligation as of December 31	$ 35,566	$ 35,784	$ 32,253

Movements in fair value of plan assets:

	2017	2016	2015
Plan assets at fair value as of January 1	$ 26,453	$ 24,149	$ 21,723
Interest income, and others	1,319	1,300	1,134
Actuarial (loss) gain	(88)	277	(1,402)
Employer contributions	1,106	1,416	947
ABA Plan (1)	–	–	660
Assets on business acquisition	–	–	1,783
Adjustment for fluctuation in currency exchange	(646)	3,831	2,520
Benefits paid	(1,382)	(4,520)	(3,216)
Plan assets at fair value as of December 31	$ 26,762	$ 26,453	$ 24,149

(1) In 2015, the Entity determined that the American Bakers' Association ("ABA Plan") pension plan, that had been determined to be a multi-employer pension plan, qualified as another defined benefit plan for retirement. Therefore, in 2015, this plan is presented as such.

Categories of plan assets:

	Fair Value of plan assets		
	2017	2016	2015
Equity instruments	$ 7,097	$ 8,200	$ 9,123
Debt instruments	16,939	14,020	11,384
Others	2,726	4,233	3,642
Total	$ 26,762	$ 26,453	$ 24,149

Fair value of the assets of the plan are measured using valuation techniques that include inputs that are not based on observable market data.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected wage increase. The sensitivity analysis presented below were determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

In Mexico, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $1,577 and $2,306, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $1,268 and $778, respectively.

In USA, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $2,540 and $2,566, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $102.

In Canada, if the discount rate increases/decreases 100 basis points, the expected benefit obligation would decrease/increase by $652 and $775, respectively.

If the expected wage increases/decreases 100 basis points, the defined benefit obligation would increase/decrease by $93 and 90, respectively.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Investment strategies in the actuarial and technical policy document of the Fund are:

- Asset mix on December 31, 2017 is 27% equity instruments, 63% debt instruments and 10% other instruments or alternative. The mix of assets as of December 31, 2016, is 31% equity instruments, 53% debt instruments and 16% other instruments or alternative and the mix of assets as of December 31, 2015 is 33% equity instruments, 54% debt instruments and 13% other instruments or alternative.

The technical committee of the Entity has the responsibility to define and monitor quarterly, strategy and investment policies in order to optimize the risk / return over the long term.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. Also, there has been no change to the process followed by the Entity to manage the plan assets compared to previous years

In Mexico, the average duration of the benefit obligation as of December 31, 2017 is 25.3 years. This number can be analyzed as follows:

- Active members: 31.12 years (2016: 26.9 years and 2015: 20 years)
- Retired members: 9.55 years (2016: 9.9 years and 2015: 11 years).

In USA, the average duration of the benefit obligation as of December 31, 2017 is 10.16 years. This number can be analyzed as follows:

- Active members: 15.93 years (2016: 9.12 years and 2015: 15 years);
- Deferred members: 17.25 years (2016: 9.16 years and 2015: 16 years), and
- Retired members: 9.24 years (2016: 10.14 years and 2015: 9 years).

In Canada the average duration of the benefit obligation as of December 31, 2017 is 13.4 years. This number can be analyzed as follows:

- Active members: 16.9 years (2016: 18.1 years and 2015: 16.2 years);
- Deferred members: 17.4 years (2016: 15 years and 2015: 18 years), and
- Retired members: 9 years (2016: 9.4 years and 2015: 8.7 years).

The amounts of experience adjustments are as follows:

	2017	2016	2015
Present value of defined benefits obligation	$ 35,566	$ 35,784	$ 32,253
Less – Fair value of plan assets	26,762	26,453	24,149
Underfunded status	$ 8,804	$ 9,331	$ 8,104
Experience adjustments on plan obligation and actuarial loss	$ (625)	$ 630	$ (393)
Experience adjustments on plan assets	$ (88)	$ 277	$ (1,402)

Multi-employer pension plans ("MEPP")

The Entity participates in benefit plans known as MEPPs. A MEPP is a fund in which several unrelated employers, in the same or similar industry, make payments to fund retirement benefits for unionized employees enrolled in the plan. Originally, it was set to facilitate the mobility of employees between companies in the same industry preserving pension benefits. Usually they are managed by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 30 MEPPs.

Unless the Entity determines that exit of the MEPP is highly probable, they are measured as a defined contribution plan, as the Entity does not have sufficient information to calculate the liability, due to the collective nature of the plan, and that the participation of the Entity is limited. The responsibility of the Entity is to provide contributions as set forth in the collective contracts.

Contributions to MEPPs for the years ended December 31, 2017, 2016 and 2015 amounted to $2,169, $2,308 and $1,663, respectively. The estimated contributions for 2018 are approximately $2,479. Annual contributions are charged to profit or loss of the year.

In the event that another employer(s) exits the MEPP without satisfying its obligation related to its exit, the non-covered amount is distributed to the other active employers. Generally, the distribution of the liability for the exit of the plan is based on the Entity's contributions to the plan compared to the contributions of the other employers in the plan.

When the exit of a MEPP is highly probable, a provision is recognized for the present value of the estimated future cash outflows, discounted at the accrual rate. The Entity recognizes the withdrawal liability related to two MEPPs for which a contract exits. The total liability related to MEPPs is included in the employee labor obligations line.

The provision for the MEPP mainly corresponds to the Entity's intention of exiting the plan.

During 2017, 2016 and 2015, the Entity recorded a charge to results for $301, $500 and $419 respectively, as result of update and restructure some MEPPs, of which $376, $382 and $301 respectively, affected financial integral cost and $75, $(118) and $(118) respectively, affected other income (expenses) net.

Liabilities recognized with respect to MEPPs are updated each year derived from changes in wages, aging and the mix of employees in the plan, which are recorded in results of the income year, in addition to amounts that are contributed regularly to different MEPPs.

The Entity has provisioned $17,474, that represent the withdraw estimation of some plans. The Entity has not provisioned for the MEPPs for which it has no intention to exit.

Welfare benefit plans USA

The Entity maintains a welfare benefit plan that covers certain eligible employees' postretirement medical expenses. Amounts correspond to expenses that are recorded in profit or loss as incurred. These obligations are classified as current or long-term welfare benefit plans and the amounts are included in the income statement. As of December 31, 2017, 2016 and 2015, these liabilities were:

	2017	2016	2015
Welfare benefit plans			
Current (a)	$ 498	$ 552	$ 505
Long-term	3,315	3,469	2,598
	$ 3,813	$ 4,021	$ 3,103

(a) Included in other accounts payable and accrued expenses.

15. Stockholders' equity

At December 31, 2017, 2016 and 2015, stockholders' equity consists of the following:

	Number of shares	Amount
Fixed capital		
Series A	4,703,200,000	$ 4,227
Total	4,703,200,000	$ 4,227

Capital stock is fully subscribed and paid–in and represents fixed capital. Variable capital cannot exceed 10 times the amount of minimum fixed capital without right of withdrawal and must be represented by Series "B", ordinary, nominative, no–par shares and/or limited voting, nominative, no–par shares of the Series to be named when they are issued. Limited voting shares cannot represent more than 25% of non–voting capital stock.

i. In the Ordinary General Assembly of Shareholders held on April 18, 2017, payment of dividends was declared for $1,364 meaning $0.29 cents per each of the shares representing the capital stock, from net tax income account, which were paid in cash on April 27 and 28, 2017.

ii. In the Ordinary General Assembly of Shareholders held on April 15, 2016, payment of dividends was declared for $1,129 meaning $0.24 cents per each of the shares representing the capital stock, from net tax income account, which were paid in cash on April 27, 2016.

iii. An additional income tax, in Mexico, Income Tax on dividends was enacted in 2016 of 10% when such dividends are distributed to individuals and persons residing outside the country. The income tax is paid via withholding and is considered a final payment by the shareholder. For foreigners, treaties to avoid double taxation may apply. This tax will apply to the distribution of profits generated beginning 2014.

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

v. Stockholders' equity, except restated paid–in capital and tax-retained earnings, will be subject to income taxes payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

vi. The balances in the stockholders' equity tax accounts at December 31 are:

	2017	2016	2015
Paid-in capital	$ 32,573	$ 30,515	$ 29,338
Net after-tax income as of 2013	60,416	51,474	43,329
Net after-tax income after 2014	–	–	–
Total	$ 92,989	$ 81,989	$ 72,667

16. Transactions and balances with related parties

Balances and transactions between the Grupo Bimbo and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note. Transactions between the Entity and other related parties are detailed further.

a. *Transactions with related parties, carried out in the ordinary course of business, were as follows:*

		2017		2016		2015
Expenditures for purchases of:						
Raw material						
Beta San Miguel, S.A. de C.V.	$	1,982	$	1,619	$	1,030
Frexport, S.A. de C.V.		902		798		661
Industrial Molinera Monserrat, S.A. de C.V.		336		313		300
Ovoplus del Centro, S.A. de C.V.		–		–		26
Makymat, S.A. de C.V.		43		41		–
Finished inventory						
Fábrica de Galletas La Moderna, S.A. de C.V.	$	634	$	629	$	537
Mundo Dulce, S.A. de C.V.		852		814		716
Pan–Glo de México, S. de R.L. de C.V.		167		138		48
Stationary, uniforms and others						
Efform, S.A. de C.V.	$	195	$	159	$	163
Galerias Louis C Morton, S.A. de C.V.		9		9		8
Proarce, S.A. de C.V.		101		60		123
Uniformes y Equipo Industrial, S.A. de C.V.		129		132		103
Financial services						
Fin Común Servicios Financieros, S.A. de C.V.	$	697	$	634	$	464

Transactions with related parties are carried out at market prices expected between independent parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful accounts in respect of the amounts owed by related parties.

b. *Accounts payable to related parties*

Net balances due to related parties are:

		2017		2016		2015
Beta San Miguel, S. A. de C. V.	$	615	$	479	$	190
Efform, S. A. de C. V.		49		33		31
Fábrica de Galletas La Moderna, S. A. de C. V.		118		67		53
Frexport, S. A. de C. V.		10		128		13
Industrial Molinera Montserrat, S. A. de C. V.		4		11		6
Makymat, S. A. de C. V.		12		13		–
Mundo Dulce, S.A. de C.V.		48		63		48
Pan–Glo de México, S. de R. L. de C. V.		22		11		10
Proarce, S. A. de C. V.		40		22		9
Fin Común Servicios Financieros, S.A. de C.V.		–		–		8
Uniformes y Equipo Industrial, S. A. de C. V.		37		25		22
Others		–		1		11
	$	955	$	853	$	401

c. *Compensation of key management personnel*

Compensation management and other key members of management during the year was as follows

		2017		2016		2015
Short-term direct benefits	$	659	$	783	$	601
Post-retirement benefits		817		607		653
	$	1,476	$	1,390	$	1,254

The compensation of management and key executives is determined by the Compensation Committee based on the performance of individuals and market trends.

17. Income taxes

Income taxes in México –

Mexican entities are subject to income tax ("ISR")

ISR -The rate was 30% in 2017, 2016 and 2015 and thereafter.

Income taxes in other countries –

Subsidiaries established abroad calculate the income tax on the individual results of each subsidiary and in accordance with the regulations of each country. USA has an authorization to file a consolidated income tax return. Spain has authorization to file a consolidated income tax beginning from the year 2013.

Each company calculates and pays under the assumption of individual legal entities. The annual tax return is submitted within six months following the end of the fiscal year; companies must make monthly payments during the fiscal year.

The tax rates applicable in other countries where the Entity mainly operates and the period in which tax losses may be applied, are as follows:

	Legal tax rate (%)			Due date tax loss
	2017	2016	2015	Carryforward
Argentina	30 (a)	35	35	5 (b)
Brazil	34	34	34	(c)
Canada	15 (d)	15 (d)	15	20
Spain	25 (e)	25 (e)	28	(f)
USA	21 (g)	35 (g)	35	(h)
Mexico	30	30	30	10

Tax losses caused by the Entity are mainly in the USA, Mexico, Brazil and Spain.

a) In December 2017, a fiscal reform was approved in Argentina, which reduced the federal corporate rate from 35% to 30% applicable for 2018 and 2019. In 2020, tax rate will be 25%.

b) Losses on sales of shares or other equity investments may only be offset against income of the same nature. The same applies to losses on derivatives. Foreign source tax losses may only be amortized with income from foreign sources.

c) Tax losses may be applied indefinitely, but may only be offset each year up to an amount equivalent to 30% of the net taxable profit for each year.

d) The general corporate income tax rate is a combination of the federal corporate income tax rate, of 15%, and relevant state (provincial) corporate income tax rates, where the Entity has a permanent establishment. State tax rates vary from 10% to 16%. Therefore, the combined tax rate may vary from 25% to 31%.

e) In November 2014, the tax rate was reduced to 28% for 2015, and 25% for the following years.

f) Tax losses have no expiration date, however but its application is limited to 25% of the net fiscal profit of the year.

g) In December 2017, a fiscal reform was approved in the USA, which reduced the federal corporate rate from 35% to 21% applicable from 2018.

h) Derived from the fiscal reform, the tax losses do not expire, however, its amortization was limited to 80% of the tax profit generated in the period.

Operations in the USA, Canada Argentina, Colombia, Guatemala, Panama, Honduras, Nicaragua and Ecuador are subject to minimum payments of income tax.

Details of provisions, effective tax rate and deferred effects

a. Income tax in profit and loss:

	2017	2016	2015
Income tax:			
Current	$ 4,444	$ 4,703	$ 3,884
Deferred	1,838	2,142	179
	$ 6,282	$ 6,845	$ 4,063

b. The reconciliation of the statutory and effective ISR rates in Mexico expressed as a percentage of income before taxes on income for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Income before taxes	$ 11,951	$ 13,613	$ 9,978
Statutory rate in Mexico	30%	30%	30%
ISR at statutory tax rate	3,585	4,084	2,993
Add (less) tax effects of the following items:			
Effects of fiscal reform in USA	706		
Inflationary effects on the monetary financial position	772	209	246
Nondeductible expenses, nontaxable revenues and other	237	967	575
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	310	156	(106)
Effects on the tax base values of property, plant and equipment	(243)	(130)	(137)
Participation in the results of associates	(70)	(37)	(14)
Change in unrecognized tax benefits	985	1,596	506
Income tax recognized in profit or loss	$ 6,282	$ 6,845	$ 4,063
Effective tax rate	52.6%	50.3%	40.7%

For the calculation of the deferred tax of the United States, the recognition of the active and passive positions as of December 31, 2017, was prepared considering the rate change from 35% to 21% in accordance with the provisions of IAS 12.

The impact of the change in rate resulted in an accounting register in results (without effect on cash flow) of $ 706 related to the operations of the United States

To determine deferred ISR at December 31, 2017, 2016 and 2015, entities applied the tax rates expected to be in effect to temporary differences, based on the estimated reversal date of the temporary difference.

Certain companies that have tax losses have not recognized the deferred benefit as they do not believe they have projections of sufficient taxable income in order to recover the benefit of such losses. Unrecognized benefits were $11,237 in 2017, $8,301 in 2016 and $3,007 in 2015.

The main items originating a deferred income tax asset as of December 31, 2017, 2016 and 2015 are:

	December 31, 2016	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	**December 31, 2017**
Allowance for doubtful accounts	$ (402)	$ 200	$ –	$ –	$ –	$ (202)
Inventories and payments in advance	(62)	(25)	–	–	(5)	(92)
Property, plant and equipment	6,260	(1,968)	–	–	399	4,691
Intangible and other assets	12,491	(4,168)	–	–	752	9,075
Other reserves	(15,450)	5,775	11	–	(154)	(9,818)
Employee profit sharing	(335)	(35)	–	–	–	(370)
Tax loss carry forwards	(7,648)	3,346	–	–	(71)	(4,373)
Derivative financial instruments	–	(1,033)	1,033	–	–	–
Other items	319	(254)	297	(879)	–	(517)
Total (assets) liability, net	$ (4,827)	$ 1,838	$ 1,341	$ (879)	$ 921	$ (1,606)

	December 31, 2015	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2016
Allowance for doubtful accounts	$ (335)	$ (67)	$ –	$ –	$ –	$ (402)
Inventories and payments in advance	(33)	(29)	–	–	–	(62)
Property, plant and equipment	4,367	1,893	–	–	–	6,260
Intangible and other assets	9,928	2,563	–	–	–	12,491
Other reserves	(13,396)	(1,791)	(263)	–	–	(15,450)
Employee profit sharing	(313)	(22)	–	–	–	(335)
Tax loss carry forwards	(7,962)	314	–	–	–	(7,648)
Derivative financial instruments	–	(230)	230	–	–	–
Other items	398	(489)	(115)	525	–	319
Total (assets) liability, net	$ (7,346)	$ 2,142	$ (148)	$ 525	$ –	$ (4,827)

	December 31, 2014	Effects through profit or loss	Effects through comprehensive income	Translation effects	Business combinations	December 31, 2015
Allowance for doubtful accounts	$ (321)	$ (14)	$ –	$ –	$ –	$ (335)
Inventories and payments in advance	(12)	(21)	–	–	–	(33)
Property, plant and equipment	4,460	(349)	–	–	256	4,367
Intangible and other assets	8,317	1,436	–	–	175	9,928
Other reserves	(12,614)	(1,033)	315	–	(64)	(13,396)
Employee profit sharing	(318)	5	–	–	–	(313)
Tax loss carry forwards	(5,444)	(2,518)	–	–	–	(7,962)
Derivative financial instruments	–	2,121	(2,121)	–	–	–
Other items	603	552	(345)	(412)	–	398
Total (assets) liability, net	$ (5,329)	$ 179	$ (2,151)	$ (412)	$ 367	$ (7,346)

The deferred income tax assets and liabilities have not been offset in the accompanying consolidated statements of financial position as they result from different taxable entities and tax authorities. Gross amounts are as follows:

	2017	2016	2015
Deferred income tax asset	$ (6,288)	$ (9,779)	$ (10,705)
Deferred income tax liability	4,682	4,952	3,359
Total asset, net	$ (1,606)	$ (4,827)	$ (7,346)

c. As of December 31, 2017, tax loss carried forwards, pending amortization against future income taxes, expire as follows:

Years	Amount
2018	$ 293
2019	362
2020	1,000
2021	1,537
2022	1,038
2023	274
2024	109
2025	7,802
2026	9,832
2027	149
2028 and thereafter	33,328
	55,724
Unrecognized tax losses	(39,293)
Total	$ 16,431

18. Other accounts payable and accrued liabilities

	2017	2016	2015
Other payables:			
Other payables taxes	$ 3,074	$ 2,808	$ 2,199
Other accounts payable	1,702	1,597	1,456
	$ 4,776	$ 4,405	$ 3,655
Accrued liabilities:			
Staff remunerations and bonuses	$ 9,392	$ 9,989	$ 7,354
Fees and consulting	1,983	1,265	1,273
Advertising and promotions	1,973	1,740	1,228
Contingencies	1,738	883	378
Interest and bank fees	1,254	706	481
Supplies and fuels	1,109	1,302	907
Insurance and bonds	553	570	524
Miscellaneous taxes	191	884	71
Others	569	516	374
	$ 23,538	$ 22,260	$ 16,245

19. Cost and expenses by nature

Cost of sales and distribution, selling, administrative, and other general expenses presented on the consolidated statements of income, are comprised as follows:

	2017	2016	2015
Cost of sales			
Raw materials and manufacturing expenses	$ 116,635	$ 107,238	$ 95,008
Freight, fuel and maintenance	3,019	3,800	3,053
Depreciation	5,109	4,960	4,360
	$ 124,763	$ 115,998	$ 102,421

	2017	2016	2015
Distribution, selling, administrative and other expenses			
Wages and salaries	$ 56,834	$ 54,363	$ 41,229
Depreciation	2,523	2,330	2,078
Freight, fuel and maintenance	20,355	8,627	5,660
Professional services and consulting	8,211	18,324	13,358
Advertising and promotional expenses	10,365	9,738	7,935
Other	26,992	24,677	32,384
	$ 125,280	$ 118,059	$ 102,644

20. Other general expenses

a. Other general expenses are comprised as follows:

	2017	2016	2015
Tax incentives	$ (24)	$ (26)	$ (78)
Loss on sale of property, plant and equipment	389	(302)	124
Impairment of goodwill	389	575	991
Impairment of brand and distribution rights	61	613	430
Impairment fixed assets	95	–	418
Recovery on claims	(198)	(111)	–
Provision for updating MEPPs	89	473	359
Others	361	1,014	(76)
	$ 1,162	$ 2,236	$ 2,168

21. Commitments

Guarantees and/or guarantors

a. Grupo Bimbo, S.A.B. de C.V. along with certain subsidiary companies have issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain subsidiaries. The value of such letters of credit at December 31, 2017, 2016 and 2015 are US$301, US$366 and US$344 million, respectively. Additionally, the Entity maintains collateral guarantees associated with its subsidiaries for US $ 4.9 million.

b. The Entity entered into contracts, which requires it to acquire certain amounts of renewable energy for an 18-year period at a fixed price that will be updated according to changes in the INPC factors for the first 15 years. Even though the contracts have derivative financial instruments characteristics, they fall within the exception of "own-use"; therefore, they are recognized in the consolidated financial statements as the consumption of energy occurs. The estimated commitment to purchase energy in 2018 amounts to $319, and is to be updated annually based on inflation, for the remaining 13 years of the contract.

Lease commitments

The Entity has long-term commitments under operating leases, related to the facilities used to produce, distribute and sell its products. These commitments vary from 3 to 15 years, with a renewal option of between one and five years. Certain leases require the Entity to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. The Entity incurred on lease expense for $5,754, $4,861 and $4,136 for the years ended December 31, 2017, 2016 and 2015, respectively. The total amount of future minimum lease commitments is as follows:

Years	Operating leases	Finance leases Non-controlling Interest
2018	$ 3,467	$ 881
2019	2,880	754
2020	2,270	600
2021	1,751	421
2022	1,308	270
2023 and thereafter	4,854	115
Total minimum lease payments	16,530	3,041
Amounts representing interest	–	(550)
Present value of net minimum lease payments	$ 16,530	$ 2,491

22. Contingencies

Certain contingencies exist, of varying nature, that have arisen in the normal course of business of the Entity, for which management has evaluated the likelihood of loss as remote, probable or possible. Based on such evaluation, for those contingencies for which the Entity believes it is probable it will be required to use future resources to settle its obligation, the Entity has accrued the following amounts generated mainly in Latin America:

Type	Amount
Labor-related	$ 485
Tax-related	890
Civil-related	42
Other	321
Total	$ 1,738

Those contingencies for which management does not believe it is probable that it will be required to use future resources to settle its obligations and that are not expected to have a material adverse effect are not accrued until other information becomes available to support the recognition of a liability.

The Entity has restricted cash of $284 and pledged certain assets in Brazil amounting to an additional $676 as a guarantee of certain tax contingencies, which are presented in other long-term assets.

Derived from the purchase of property, plant and equipment elements and intangible assets in Brazil related to the Firenze brand in 2008, the Entity is subject to tax liens as a presumed successor to companies that participate in these actions. The court issued, inter alia, a precautionary measure ordering the restriction of part of the accounts receivable for the sale of brand products "Firenze". The Entity has guaranteed the ongoing tax litigation, through cash deposits and assets for $284 and $512, respectively. Collateral deposits are presented within other long-term assets. As of December 31, 2017, $53 has been provisioned from the fees accrued by the legal advisors for the monitoring and control of litigation related to the indicated brand. It is expected that these legal issues will be resolved in the medium term. The legal advisors estimate that the resolution of said litigation is favorable to Bimbo do Brasil.

23. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four geographical zones: Mexico, North America, Latin America and Europe. Segment revenue is comprised of bread (for all segments) and confectionery products (Mexico and USA only).

The following presents the condensed financial information by reportable segment based on the geographical areas in which the Entity operates for the years ended December 31, 2017, 2016 and 2015:

2017

		Mexico		North America		Latin America		EAA		Consolidation eliminations		Total
Net sales	$	90,367	$	137,662	$	28,602	$	18,658	$	(7,774)	$	267,515
Operating income (loss) (*)	$	13,753	$	7,701	$	(1,284)	$	(2,395)	$	(303)	$	17,472
Depreciation, amortization, impairment and other non-cash	$	2,198	$	4,941	$	1,835	$	823	$	20	$	9,817
EBITDA (*)(**)	$	15,951	$	12,642	$	551	$	(1,572)	$	(283)	$	27,289
Net income of controlling stockholders	$	7,284	$	1,946	$	(3,001)	$	(3,025)	$	1,425	$	4,629
Interest income	$	(550)	$	(169)	$	(39)	$	(16)	$	460	$	(314)
Interest expense	$	4,449	$	1,459	$	377	$	47	$	(460)	$	5,872
Total assets	$	60,640	$	145,155	$	23,265	$	31,822	$	(1,633)	$	259,249
Total liabilities	$	111,896	$	52,016	$	9,409	$	9,723	$	(819)	$	182,225

2016

		Mexico		North America		Latin America		EAA		Consolidation eliminations		Total
Net sales	$	81,455	$	135,219	$	29,100	$	12,607	$	(6,240)	$	252,141
Operating income (loss) (*)	$	13,141	$	7,161	$	(2,453)	$	(351)	$	586	$	18,084
Depreciation, amortization, impairment and other non-cash	$	2,379	$	5,572	$	2,733	$	530	$	–	$	11,214
EBITDA (*)(**)	$	15,520	$	12,733	$	280	$	179	$	586	$	29,298
Net income of controlling stockholders	$	6,606	$	2,370	$	(3,596)	$	(940)	$	1,458	$	5,898
Interest income	$	(459)	$	(162)	$	(70)	$	(133)	$	575	$	(249)
Interest expense	$	4,096	$	1,463	$	439	$	63	$	(575)	$	5,486
Total assets	$	47,837	$	154,417	$	27,080	$	17,188	$	(1,356)	$	245,165
Total liabilities	$	98,880	$	56,398	$	10,535	$	5,757	$	(1,511)	$	170,089

2015

		Mexico		North America		Latin America		EAA		Consolidation eliminations		Total
Net sales	$	75,597	$	116,399	$	24,272	$	8,258	$	(5,340)	$	219,186
Operating income (loss) (*)	$	111,236	$	5,024	$	(1,310)	$	(917)	$	88	$	14,121
Depreciation, amortization, impairment and other non-cash	$	2,294	$	4,641	$	1,829	$	484	$–		$	9,248
EBITDA (*)(**)	$	13,530	$	9,665	$	519	$	(433)	$	88	$	23,369
Net income of controlling stockholders	$	5,827	$	1,462	$	(1,662)	$	(1,222)	$	766	$	5,171
Interest income	$	(372)	$	(190)	$	(30)	$	(181)	$	561	$	(212)
Interest expense	$	3,527	$	1,221	$	361	$	15	$	(548)	$	4,576
Total assets	$	42,528	$	130,148	$	19,332	$	8,745	$	(1,120)	$	199,633
Total liabilities	$	82,525	$	45,890	$	6,690	$	3,224	$	(555)	$	137,774

(*) Amount does not include intercompany royalties.
(**) The Entity determines EBITDA as operating income plus depreciation, amortization, impairment and other cash items.

For the years ended December 31, 2017, 2016 and 2015 the sales to its largest customer represented 12%, 13% and 11.8% respectively of consolidated net sales of the Entity, which corresponds mainly to the regions of Mexico and the US and Canada. There are no other customers whose sales exceed 10% of total consolidated sales.

24. Subsequent event

In February 12, 2018 Grupo Bimbo announced an agreement to acquire Mankattan Group ("Mankattan"), a key participant in the baking industry in China.

Mankattan employs 1,900 associates and operates four plants that serve the thriving urban markets of Beijing, Shanghai, Sichuan, and Guangdong, along with their surrounding areas. Its portfolio includes bread, pastries and yudane (a Japanese style sandwich bread), as well as other bakery products that are distributed through the traditional and modern channel and fast food restaurants.

This transaction is still subject to the satisfaction of customary closing conditions, including regulatory approvals.

25. Consolidated Financial statements issuance authorization

On March 12, 2018 the issuance of the accompanying consolidated financial statements was authorized by Lic. Daniel Servitje Montull, Chief Executive Officer, and the Board of Directors of the Entity. Consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the Entity stockholders' approval at the General Stockholders' meeting, where they may be modified, based on provisions set forth by Mexican General Corporate Law.

Stakeholder Information

(102-1, 102-3, 102-5, 102-53)

Stock exchange:	**Mexican Stock Exchange (BMV)**
BMV Ticker:	**BIMBO**
ADR Level 1 Ticker:	**BMBOY**
Corporate headquarters:	**Corporativo Bimbo, S.A. de C.V.** Prolongación Paseo de la Reforma No. 1000 Colonia Peña Blanca Santa Fe Delegación Álvaro Obregón, CP 01210 Mexico City **+52 55 5268 6600**
Investor relations contact:	**ir@grupobimbo.com**
Institutional relations contact:	**sustentabilidad@grupobimbo.com**
Online:	**www.grupobimbo.com** **twitter.com/Grupo_Bimbo** **facebook.com/GrupoBimbo**

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