# ANNUAL REPORT

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

Annual Report filed pursuant to the general provisions applicable to securities issuers and other participants in the securities' market (*disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores)* for the fiscal year ended on December 31, 2013.

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

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

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

Ticker Symbol: "BIMBO".

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

Mexico City, Federal District, April 30, 2014

**RELEVANT INFORMATION WITH RESPECT TO THE NOTES (CERTIFICADOS BURSATILES) ISSUED BY GRUPO BIMBO, S.A.B. DE C.V. AS OF DECEMBER 31, 2013**

| Ticker Symbol | BIMBO 09 | BIMBO 09-2 | BIMBO 09U | BIMBO 12 |
|---|---|---|---|---|
| **Amount** | $5,000,000,000 | $2,000,000,000 | 706,302,200 UDIS | $5,000,000,000 |
| **Number of series in which the issuance is divided** | N.A. | N.A. | N.A. | N.A. |
| **Issuance Date** | June 15, 2009 | June 15, 2009 | June 15, 2009 | February 10, 2012 |
| **Maturity Date** | June 9, 2014 | June 6, 2016 | June 6, 2016 | August 3, 2018 |
| **Issuance Period** | 1,820 days | 2,548 days | 2,548 days | 2,366 days |
| **Interest rate** | Interest calculated by adding 1.55 percentage points to the 28-day Interbank Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio)* | Fixed rate of 10.60% | Fixed interest rate of 6.05% | Fixed interest rate of 6.83% |
| **Periodicity in payment of interest** | Every 28 days beginning on July 13, 2009 | Every 182 days beginning on December 14, 2009 | Every 182 days beginning on December 14, 2009 | Every 182 days beginning on August 10, 2012 |
| **Place and manner of payment of principal and interest** | The principal and interest due will be paid on their maturity date, by electronic funds transfer, at the registered office of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or atthe registered office of the Issuer. | | | |
| **Subordination** | Lien limitations / *Pari Passu* status | | | |
| **Maturity and Acceleration** | A single payment on the relevant maturity date. | A single payment on the relevant maturity date. The Company shall have the right to prepay, all (but not less) than all of the *Certificados Bursátiles* on any date, before the Maturity Date. | | |
| **Guarantee** | The *Certificados Bursátiles* are unsecured and shall be guaranteed (*avalados*) by the following subsidiaries Bimbo, S.A. de C.V., Barcel, S.A. de C.V. and Bimbo Bakeries USA, Inc. The *Certificados Bursátiles* must be guaranteed (*avalados*) by Subsidiaries of Grupo Bimbo that, individually or jointly, reach the Minimum Guarantors Requirement. At any time during the effectiveness of the *Certificados Bursátiles* and without the consent of the Holders of the *Certificados Bursátiles* or the Common Representative, Grupo Bimbo may release any Guarantor of its payment obligations pursuant to the *Certificados Bursátiles*, as well as substitute any Guarantor or include new Guarantors, as long as after such release, addition or substitution, the Minimum Guarantors Requirement is met, based on the most recent available audited annual consolidated financial statements. For purposes of the above, "Minimum Guarantors Requirement" means, as of the last day of each fiscal year, that the Guarantor's EBITDA represents at least seventy five percent (75%) of Grupo Bimbo´s Consolidated EBITDA for such fiscal year. The abovementioned will be calculated based on the most recent available audited annual consolidated financial statements of Grupo Bimbo. | | | |
| **Trustee** | N.A. | | | |

| Ticker Symbol | BIMBO 09 | BIMBO 09-2 | BIMBO 09U | BIMBO 12 |
|---|---|---|---|---|
| **Rating** | Standard & Poor's, S.A. de C.V. "mxAA+"<br>Fitch México, S.A. de C.V. "AA+(mex)"<br>Moody´s de México, S.A. de C.V. "Aa1.mx" | | | Fitch México, S.A. de C.V. "AA+(mex)"<br>Moody´s de México, S.A. de C.V. "Aa1.mx" |
| **Common Representative** | Banco INVEX, S.A., Institución de Banca Múltiple, INVEX | | | |
| **Depositary** | S.D. Indeval Institución para el Depósito de Valores S.A. de C.V. | | | |
| **Tax treatment** | The withholding rate of the income tax applicable, as of the date of the Supplement, to the interest paid in accordance with the *Certificados Bursátiles* is subject to: (i) for individuals and entities considered as residents of Mexico for tax purposes, to the provisions of articles 58, 160 and other applicable provisions of the Income Tax Law (*Ley del Impuesto Sobre la Renta*) in effect; and (ii) for individuals and entities considered as non-Mexican residents for tax purposes, to the provisions of articles 179, 195 and other applicable provisions of the Income Tax Law in effect. Potential investors shall consult their tax advisors with respect to the tax consequences of their investment in the *Certificados Bursátiles*, including the application of specific rules applicable to their particular situation. The current fiscal regime may be amended during the term of the Program and while the Issuance is in effect. | | | |

**Change of control**: In accordance with the terms of the Notes of Grupo Bimbo, S.A.B. de C.V., holders may accelerate the Notes in the event of a "change of control" (as such term is defined in the Notes certificate).

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

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

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

**In addition, unless otherwise indicated, the Company's information contained in this Annual Report is shown as of December 31, 2013.**

# 1) GENERAL INFORMATION

## a) Summary of Terms and Definitions

Unless otherwise indicated by the context, for the purposes of this Annual Report, the following terms shall have the meaning attributed thereto as follows, which shall be applicable both to singular and plural:

| Term | Definition |
|---|---|
| "Main Shareholders" | Shareholders holding the majority of BIMBO'S capital stock shares, which are Normaciel, S.A. de C.V., Promociones Monser, S.A. de C.V., Banco Nacional de Mexico, S.A. as trustee, Philae, S.A. de C.V., Distribuidora Comercial Senda, S.A. de C.V., and Marlupag, S.A. de C.V |
| "AIB" | American Institute of Baking. |
| "BASC" | Business Anti-Smuggling Coalition. |
| "BBU" | BBU, Inc., (Bimbo Bakeries USA), subsidiary of Grupo Bimbo that consolidates transactions in the United States of America. |
| "BIMBO", "Company", "Issuer", "Group" or "Grupo Bimbo" | Grupo Bimbo, S.A.B. de C.V., and, when the context so requires, including its consolidated subsidiaries. |
| "Bimbo Iberia" | Bimbo, S.A. |
| "Bimbo Foods" | Bimbo Foods, Inc. |
| "BIMBO XXI" | Project for the implementation of a rationalization of resources system |
| "BMV" | Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.) |
| "Bushel" | English capacity measure for grains and other solid products. |
| "Notes" | Negotiable instruments issued by the Company in accordance with the Securities Market Law, under the Notes Program (*Programa de Certificados Bursátiles*) and which are outstanding. |
| "CAGR" | Compound Annual Growth Rate. |
| "cake" | Cake in individual presentation. |
| "Canada Bread" | Canada Bread Company, Limited. |
| "CDOR" | Canadian Dealer Offered Rate. |
| "CFC" | Federal Competition Commission. |
| "China" | Popular Republic of China. |
| "CNBV" | National Banking and Securities Commission. |
| "Fast food" | Food ready to be eaten. |

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|---|---|
| "Board of Directors" or "Board" | Board of Directors of BIMBO |
| "Datamonitor" | An independent corporation engaged in the analysis of information and markets. |
| "Dollars" or "dollars" | Currency legal tender in the USA. |
| "Earthgrains" | Earthgrains Bakery Group, Inc. |
| "EBITDA" | Operating income plus depreciation, amortization, impairment and provision of multiemployer pension plans and other non-cash items. The Group's administration uses this measure as indicator of its operative results and of its financial status; however, it shall not be taken into consideration in isolation, as a net income alternative, as indicator of the operative performance or as substitute for the analysis of results reported in accordance with IFRS, because, among other things: (i) it does not reflect cash expenses, or future requirements for capital expenses or contractual undertakings, (ii) it does not reflect changes in, or cash requirements necessary for working capital, (iii) it does not reflect interest expenses; and (iv) it does not reflect any income tax in cash to be paid by the Group.<br><br>Due to the foregoing, the Group's EBITDA shall not be considered as a discretionary measure of cash available to invest in the Group's growth as a measure of cash that will be available in order for the Group to fulfill its obligations. EBITDA is not a financial measure recognized in accordance with IFRS and may not be compared with similar official measures presented by other companies in the industry, since not all companies use the same definition. Consequently, it shall be mainly focused in the results in accordance with IFRS and use the EBITDA measure only as a supplementary measure. |
| "USA" | United States of America. |
| "El Globo" | Gastronomía Avanzada Pastelerías, S.A. de C.V. |
| "ERP" | Enterprise Resource Planning. |
| "Audited Financial Statements" | The Company's consolidated financial statements, audited as of December 31, 2013 and 2012, which were prepared in accordance with the IFRS, as well as the respective notes, which are attached to this Annual Report. |
| "Corporate Bylaws" | Corporate Bylaws of BIMBO as amended from time to time. |
| "Europe" | Countries of the European Union where BIMBO carries out transactions. |
| "FDA" | Food and Drug Administration, a USA governmental agency. |
| "George Weston" | George Weston Bakeries, Inc., Entenmann's ProductsInc., Entenmann's, Inc. an Entenmann's Sales Company, Inc. (TSX: WN) |
| "Gruma" | Mexican Company engaged in the production of corn flour, tortillas, wheat flour and similar products. |
| "GYRU" | Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touche Tohmatsu, the Company's external auditors. |

| | |
|---|---|
| "HACCP" | Hazard Analysis and Critical Control Point. |
| "IASB" | International Accounting Standards Board responsible for issuing the International Financial Reporting Standars. |
| "IETU" | Business Flat Tax (*Impuesto Empresarial a Tasa Única*). |
| "IFRS" | International Financial Reporting Standards issued by the IASB. |
| "IMPI" | Instituto Mexicano de la Propiedad Industrial. |
| "Indeval" | S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. |
| "INPC" | National Consumer Price Index (*Índice Nacional de Precios al Consumidor).* |
| "ISO" | International Organization for Standardization. |
| "ISR" | Income Tax (*Impuesto sobre la Renta*). |
| "IVA" | Value Added Tax (*Impuesto al Valor Agregado*). |
| "Latin America" | Central and South America; comprises the countries of this geographical area where BIMBO carries out transactions. |
| "Libor" | London Interbank Offered Rate. |
| "LMV" | Securities Market Law (*Ley del Mercado de Valores*). |
| "Mexico" | United Mexican States. |
| "IFRS" | Financial Reporting Standards (*Normas de Información Financiera*) issued by IASB. |
| "NOM" | Mexican Official Standard (*Norma Oficial Mexicana*). |
| "WHO" | "World Health Organization" |
| "Packed bread" | Sliced and packed bread. |
| "Pesos", "pesos" or "$" | Currency of legal tender in Mexico. |
| "GDP" | Gross Domestic Product. |
| "PROFEPA" | Federal Environment Protection Bureau (*Procuraduría Federal de Protección al Ambiente).* |
| "PTU" | Employee Profit Sharing (*Participación de los Trabajadores en las Utilidades).* |
| "Annual Report" | This Issuer's Annual Report, prepared in accordance with the general provisions applicable to securities issuers and other securities market participants issued by CNBV. |
| "RNV" | National Securities Registry (*Registro Nacional de Valores*). |

| | |
|---|---|
| "TIIE" | Interbanking Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio* |
| "NAFTA" | North America Free Trade Agreement. |
| "USDA" | Food Safety and Inspection Service of the U.S. Department of Agriculture, a governmental agency of the USA. |
| "WFI" | Weston Foods, Inc., bakery business in the USA that was owned by George Weston Limited and which BIMBO acquired on January 21, 2009. |
| "WGC" | Whole Grains Council, an organization that helps the consumers to identify the foods prepared with whole grains and the benefits thereof. |

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

## b) Executive Summary

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

### 1. The Company

Grupo Bimbo is one of the largest bakery companies in the world and one of the largest food companies in the American continent, with a diversified portfolio of approximately 10,000 products and more than 100 renowned trademarks, including Bimbo, Oroweat, Arnold, Marinela, Thomas', Barcel, Sara Lee, Entenmann's, Ricolino, Tía Rosa, Pullman, Rainbo and Nutrella.

The Company is engaged in the production, distribution and commercialization of sliced and packaged bread, sweet bread, home-made type cakes, cookies, cereal bars, candies, chocolates, sweet and salted snacks, wheat tortillas, tostadas, goat milk caramel "cajeta" and fast food, among others.

Through the development of brands, fresh and quality products and continuous innovations, the Group has obtained a leading participation in the bakery products market in the USA, Mexico and countries of Latin America in which it operates and in Spain.

The Group operates in 19 countries, including USA, Mexico, Latin America, Spain and, to a lesser extent, Portugal and China. As of December 31, 2013, Group operated 144 production plants, with capacity to produce commercial amounts of a variety of products in its principal markets. In order to ensure the freshness and quality of its products, the Group has developed an extensive direct distribution network that has one of the largest distribution fleets in the American continent. As of December 31, 2013, the Group's distribution network included approximately 52,000 distribution routes, more than 1,600 distribution centers and reached more than 2.2 million sale points.

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

| | As of December 31 | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Net Sales | 176,041 | 173,139 | 133,496 |
| Operating Profit | 10,490 | 7,387 | 9,534 |
| EBITDA | 17,326 | 14,076 | 14,719 |
| Majority Net Income | 4,404 | 2,028 | 4,875 |

*Note: Figures in million pesos.*

The Group's general strategy is based on its corporate mission, that is, the development of its brands' value, and fundamentally, in the commitment to be a highly productive company and fully human, as well as innovative, competitive, oriented to its clients' and consumers' satisfaction, leader at an international level in the bakery industry and with a long term vision. See "The Company – Business Description" below.

Since 1980, Grupo Bimbo shares are traded in the BMV under the ticker symbol "BIMBO".

## 2. Financial Information

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

Figures corresponding to 2013, 2012 and 2011 are shown in nominal pesos of the date when generated, except for figures of some countries the inflation of which in the preceding three years was considered as hyper - inflationary and that, consequently, require to be re-stated at the closing currency and exchange rate. The updating of this figures effects are not relevant on the consolidated financial statements or on the information shown in this Annual Report.

## Consolidated Income Statement

| December 31: | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net Sales (1)** | **176,041** | **173,139** | **133,496** |
| Sales Cost | 83,942 | 85,354 | 65,396 |
| **Gross Profit** | **92,099** | **87,785** | **68,100** |
| Distribution and Sale Expenses | 66,882 | 65,635 | 48,270 |
| Administration Expense | 11,750 | 11,599 | 9,553 |
| General Expenses | 78,632 | 77,234 | 57,823 |
| **Profit (loss) before other income and expenses, net** | **13,467** | **10,551** | **10,277** |
| Other Net Income (Expenses) | 2,977 | 3,164 | 743 |
| **Utilidad (pérdida) de operación** | **10,490** | **7,387** | **9,534** |
| Net Interests | 2,878 | 2,822 | 2,328 |
| Exchange Profit (Loss) | (1) | 91 | (651) |
| Other Financial Income (Loss) | (81) | (103) | (127) |
| **Integral Financial Results** | **2,796** | **2,810** | **1,550** |
| Equity Income Associated Companies | (38) | 49 | 51 |
| **Profit before Income Taxes** | **7,656** | **4,626** | **8,035** |
| Caused Taxes | 2,712 | 2,639 | 2,777 |
| Deferred Taxes | 166 | (444) | 52 |
| **Income Taxes** | **2,878** | **2,195** | **2,829** |
| **Net Profit** | **4,778** | **2,431** | **5,206** |
| Controlling Stockholders | 4,404 | 2,028 | 4,875 |
| Non-Controlling Stockholders | 374 | 403 | 331 |
| Basic Earnings per Share | **0.94** | **0.43** | **1.04** |
| Dividend per Share | **0.350** | **0.165** | **0.15** |
| **Profit before Financing, Interest, Depreciation and Amortization** | **17,326** | **14,076** | **14,719** |

**Notes to the Consolidated Income Statements:**

(1) During 2013, 2012 and 2011 the net sales of Bimbo, S.A. de C.V., and Barcel, S.A. de C.V., located in Mexico represented approximately 41%, 40% and 48%, respectively, of the consolidated net sales. During 2013, 2012 and 2011 the net sales of BBU, located in the U.S., represented 44%, 45% and 39%, respectively, of the consolidated net sales.

**Consolidated Balance Sheet**

| December 31 | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cash and Cash Equivalents | 2,504 | 4,278 | 3,966 |
| Accounts and Notes Receivable – Net | 15,848 | 16,294 | 17,574 |
| Inventory, Net | 4,729 | 4,591 | 4,980 |
| Prepayments | 1,421 | 621 | 766 |
| Derivative Financial Instruments | 38 | 123 | 18 |
| Deposits in guaranty accounts of derivate financial instruments | 659 | 566 | 470 |
| Activo disponible para la venta | 54 | 665 | 703 |
| Total Current Assets | 25,253 | 27,138 | 28,477 |
| Long-Term Notes receivable from independent operators | 1,560 | 1,484 | 1,686 |
| Net Property, Plant and Equipment | 42,683 | 42,011 | 42,419 |
| Stock Investments in Associated Companies, Joint Ventures and other permanent investments | 2,132 | 2,142 | 1,803 |
| Derivative financial instruments | 695 | 533 | 417 |
| Deferred Income Taxes | 5,399 | 6,054 | 7,605 |
| Intangible Assets, Net | 26,977 | 26,690 | 28,193 |
| Goodwill - Net | 29,822 | 29,754 | 32,048 |
| Other Assets Net | 206 | 1,334 | 587 |
| **Total Assets** | **134,727** | **137,140** | **143,235** |
| Current Outstanding Long Term Debt Portion | 7,997 | 1,573 | 4,042 |
| Payable Accounts to Suppliers | 9,698 | 9,488 | 9,090 |
| Other Accounts Payable and Accrued Liabilities | 10,779 | 10,800 | 10,499 |
| Payable Accounts to Related Parties | 523 | 677 | 904 |
| Income Tax | 2,372 | 2,040 | 719 |
| Employee Profit Sharing | 876 | 750 | 756 |
| Derivative Financial Instruments | 1,033 | 237 | 222 |
| Total Outstanding Debt | 33,278 | 25,565 | 26,232 |
| Long Term Debt (1) | 32,332 | 40,398 | 41,950 |
| Employees Benefits and Social Security | 236 | 936 | 1,961 |
| Deferred Income Taxes (2) | 17,399 | 20,369 | 19,340 |
| Other Long Term Debt | 1,554 | 1,382 | 1,725 |
| Total Liabilities | 2,145 | 1,432 | 3,328 |
| | **86,944** | **90,082** | **94,536** |
| Controlling Stockholders | 45,619 | 44,736 | 46,664 |
| Non – Controlling Stockholders | 2,164 | 2,322 | 2,035 |
| **Total Net Worth** | **47,783** | **47,058** | **48,699** |

***Consolidated Balance Sheet Notes:***

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

| Additional Financial Information (million pesos as of December 31, 2013) | | | |
|---|---|---|---|
| **December 31** | **2013** | **2012** | **2011** |
| Depreciation and Amortization | 5,247 | 5,467 | 4,289 |
| Net Cash Flows from Operating Activities | 11,394 | 13,970 | 14,750 |
| Net Cash Flows from Investment Activities | (5,621) | (6,954) | (19,414) |
| Net Cash Flows from Financing Activities | (7,302) | (6,759) | 5,165 |
| Cash and Cash Equivalents at the End of Period | 2,504 | 4,278 | 3,966 |
| Operating Margin | 6.0% | 4.3% | 7.1% |
| EBITDA Margin | 9.8% | 8.1% | 11.0% |
| Majority Net Margin | 2.5% | 1.2% | 3.7% |
| Assets Return | 3.3% | 1.5% | 3.4% |
| Return on Invested Capital | 9.4% | 5.8% | 8.7% |
| EBITDA | 17,326 | 14,076 | 14,719 |
| Total Debt / EBITDA | 2.33 | 2.98 | 3.12 |
| Net Debt / EBITDA | 2.18 | 2.68 | 2.86 |
| EBITDA / Interest Expense | 5.51 | 4.22 | 5.33 |

## 3. Capital Markets

The authorized capital stock of Grupo Bimbo consists of Series “A” common shares, nominative, with no par value, registered in the Securities Section of the RNV. Such shares were publicly traded in the BMV on February 1980, when the Company carried out its initial public offering. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the Mexican Stock Exchange (BMV).

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

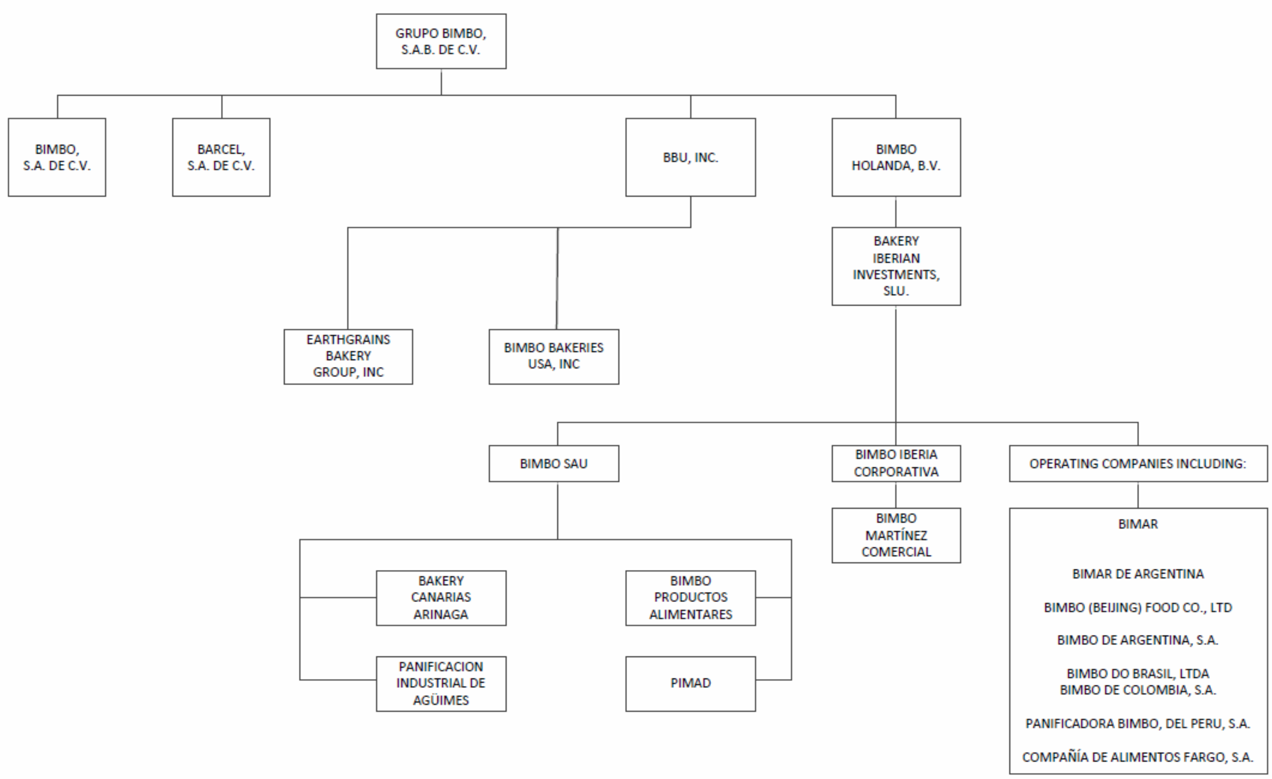
Since 2011, BIMBO is included in the Sustainable IPC Index of the BMV. This index allows the investors to follow the companies’ performance on environmental care, social responsibility and corporate governance matters.

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

| Year ended December 31 | Mexican Pesos per Share "A" | | | Shares "A" Operation Volume |
|---|---|---|---|---|
| | Maximum | Minimum | Closing | |
| 2009 | 22.99 | 22.99 | 21.64 | 571,582,400 |
| 2010 | 27.41 | 27.41 | 26.36 | 606,156,400 |
| 2011 | 28.47 | 28.47 | 28.47 | 577,729,900 |
| 2012 | 33.47 | 28.44 | 33.47 | 557,993,449 |
| 2013 | 45.80 | 31.72 | 40.20 | 597,627,669 |

## 4. Corporate Structure

The following table shows the main subsidiaries comprised in the Group's corporate structure as of December 31, 2013:



## c) Risk Factors

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

***Increases in prices and shortages of certain raw materials, fuels and utilities could increase the Groups' costs.***

Some of the Group's raw materials, including, among others, wheat flour, sugar, plastics used to package the Group's products and edible oils and fats, are subject to substantial price and supply fluctuations. The prices for raw materials are influenced by a number of factors, including the weather, crop production, transportation and processing costs, government regulation and policies and worldwide market supply and demand for raw materials. The prices of many commodities have recently been at record levels, and commodity markets are experiencing unprecedented volatility. Any substantial increase in the prices of raw materials that is not reflected as an increase of the price of the Company's products may adversely affect the Group's financial status, results of operations and cash flows. Any reduction in sales revenue as a result of competitive pressures would negatively affect profit margins and, if the Group's sales volumes fail to grow sufficiently to offset any reduction in margins, the Group's results of operations will suffer.

In addition, the Group's also relies on utilities to operate its business. For example, the Grupo Bimbo's bakeries and other facilities use natural gas, liquefied petroleum gas and electricity to operate and its distribution vehicles require gas and diesel fuel to deliver the Company's products. Due to these reasons, substantial future increases in prices for, or shortages of, these fuels or electricity could adversely affect the Group's financial status, results of operations and cash flows.

The Group enters into wheat, natural gas and other hedging arrangements to cover its exposure from increases in prices. Such contracts could cause the Group to pay higher prices for raw materials than those available in the spot markets.

***Competition could adversely affect the Group's results of operations.***

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

The Group competes with large national and transnational companies, local traditional bakeries, smaller regional operators; small family owned bakeries, supermarket chains with their own bakeries, grocery stores with their own in-store bakery departments or private label products and diversified food companies. To varying degrees, the Group's competitors may have strengths in particular product lines and regions as well as greater financial resources. The Group expects that it will continue to face strong competition in all of the Group's markets and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope.

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

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

The substantial majority of the Group's net sales derive from sales of products under brands that the Group owns. The brand names are a key asset of the Group business. Maintaining the reputation of the brands is essential to our ability to attract and retain retailers, consumers and employees and is critical to the Group's future success. Failure to maintain the reputation of the brands could have a material adverse effect on the Group's business, results of operations and financial status. If the Group fails, or appears to fail, to deal with various issues that may give rise to reputational risk, it could harm the business prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, safety conditions in operations, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in the Group's business.

The principal trademarks are registered in the countries in which the Group uses such trademarks. While the Group intends to enforce its trademark rights against infringement by third parties, the actions to establish and protect the Group's trademark rights may not be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Company's products on grounds that the Group's products violate their trademarks and proprietary rights. If a competitor were to infringe on the Group's trademarks, enforcing our rights would likely be costly and would divert resources that would otherwise be used to operate and develop the Group's business. Although the Group intends to actively defend the brands and trademark rights, the Group may not be successful in enforcing our intellectual property rights. See "The Company – Business Description – Patents, Licenses, Brands and Other Contracts".

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

Our success depends in part on our ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Changes in consumer preferences combined with our failure to anticipate, identify or react to these changes could result in reduced demand for our products, which could in turn adversely affect our financial status, results of operations and cash flows. In particular, demand for our products could be impacted by the popularity of trends such as low carbohydrate diets and by concerns regarding the health effects of fats, sugar content and processed wheat.

In addition, the Group's success depends in part on its ability to enhance product portfolio by adding innovative new products in fast growing, profitable categories as well as increasing market share in the existing product categories.

Introduction of new products and product extensions requires significant research and development as well as marketing initiatives. If the Group's new products fail to meet consumers ' preferences, then the return on that investment will be less than anticipated and the Group's strategy to grow net sales and profits may not be successful.

***Health and product liability risks related to the food industry could adversely affect the Group's business, results of operation and financial status.***

The Group is subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the availability and expense of liability insurance and the potential cost and disruption of mandatory product recalls. We may also become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of the Group's products causes injury, illness or death. A mandatory product recall or an adverse result in any such litigation could adversely affect the Group's financial status, results of operations and cash flows.

Any actual or perceived health risks associated with the Group's products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of the Group's products. Even if the products are not affected by contamination, the industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for the Group's products in the affected category. In addition adverse publicity about the safety and quality of certain food products, such as the publicity about foods containing genetically modified ingredients, whether or not valid, may discourage consumers from buying the Group's products or cause production and delivery disruptions.

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

***The Group relies on retailers and if they perform poorly or give preference to competing products, the financial performance of the Group could be negatively affected.***

The Group derives significant operating revenues from sales to retailers. The Group sells its products to non-traditional retailers, such as supermarkets and hypermarkets, and to traditional retailers, such as small family-owned stores. These retailers, in turn, sell the Group's products to consumers. Any significant deterioration in the business performance of the major customers could adversely affect the sale of products. Retailers also carry products that directly compete with the Group's products for retail space and consumer purchases. There is a risk that retailers may give higher priority to products of, or form alliances with, the Group's competitors or their own private labels other than with respect to products that the Group produces for such private labels. If retailers fail to purchase the Group's products, or provide our products with promotional support, our financial performance could be adversely affected.

***Further consolidation in the retail food industry may adversely impact profitability.***

As supermarket chains continue to consolidate and as mass merchants gain scale, the Group's larger customers may seek more favorable terms for their purchases of our products, including increased spending on promotional programs. Sales to the Group's larger customers on terms less favorable than the current terms could adversely affect the Group's financial status and results of operations.

***Changes in health-related regulations could have a negative impact on the Group's business.***

The Group's U.S. products and packaging materials are regulated by the U.S. Food and Drug Administration, or FDA, or, for products containing meat or poultry, the Food Safety and Inspection Service of the U.S. Department of Agriculture, or USDA. These agencies enact and enforce regulations relating to the manufacturing, distribution and labeling of food products. In addition, various states regulate the Group's U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of food products and imposing their own labeling requirements on food products.

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

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

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

The Group's success depends in part on its ability to be an efficient producer in a highly competitive industry. The Group periodically makes investments in its operations to improve the production facilities and reduce operating costs.

The Group may experience operational issues when carrying out major production, procurement, or logistical changes and these, as well as any failure by us to achieve the planned cost savings and efficiencies, could have a material adverse effect on the Group's business and consolidated financial position and on the consolidated results of the Group's operations and profitability.

***The Group may be subject to contingencies derived from its acquisitions.***

The Group's recent and future acquisitions of assets and entities, including, among others, the acquisition of Weston Foods Inc., or WFI, Earthgrains and Bimbo Iberia, may be subject to unknown or contingent liabilities for which the Group may have no recourse, or only limited recourse, against the former owners. Although in some of the Group's acquisitions the former owners agreed, or may agree, to indemnify the Group for certain breaches of their representations and warranties, such indemnification obligations in some cases may be subject to various materiality thresholds, and in some cases such obligations may have expired. As a result, the Group may not recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with the acquired assets and entities may exceed the Group's expectations, plus the Group may experience other unanticipated adverse effects, all of which may adversely affect the business, financial status and results of operations.

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

The Group may pursue further acquisitions in the future. The Group does not know if it will be able to successfully complete any acquisitions (including the acquisition of Canada Bread which is still pending to the date of this Annual Report) or whether we will be able to successfully integrate any acquired business into its business or retain key personnel, suppliers or distributors. The Group's ability to successfully grow through acquisitions depends upon its ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. These efforts could be expensive and time consuming, disrupt the ongoing business and distract management. If the Group is unable to integrate any acquired businesses effectively, including Canada Bread, the Group's business, financial status and results of operations will be affected.

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

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

***The current global uncertainty may adversely affect the Group's business and financial performance.***

The global economic slowdown and its lingering effects could negatively affect the Group's business, results of operations or financial status. When general economic conditions deteriorate, the demand for the Group's products may experience declines, and we may suffer reductions in its sales and profitability. In addition, the financial stability of its customers and suppliers may be affected, which could result in decreased, delayed or canceled purchases of the Group's products, increases in uncollectible accounts receivable or non-performance by suppliers. The Group may also find it more costly or difficult to obtain financing to fund operations or investment or acquisition opportunities, or to refinance its debt in the future.

The global economic slowdown has also negatively affected local credit markets and resulted in an increased cost of capital, which may negatively impact the ability of companies, including the Group's customers, to meet their financial requirements. If the global economy continues to deteriorate, the Group's business and financial performance may be affected.

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

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

***The Group may be subject to interruptions or failures in information technology systems.***

The Group relies on sophisticated information technology systems and infrastructure to support its business, including process control technology. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. The failure of any of the Group's information technology systems may cause disruptions in its operations, adversely affecting its net sales and profitability. The Group has business continuity plans in place to reduce the negative impact of information technology system failures on its operations, but these plans may not be effective.

***Failure to maintain the relationships with labor unions may have an adverse effect on financial results.***

The majority of the Group's workforce is represented by labor unions. While we have enjoyed satisfactory relationships with all of the labor organizations that represent the Group's associates and the Group believes its relationships with labor organizations will continue to be satisfactory, labor-related disputes may still arise. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage the Group's relationships with its customers and adversely affect its business and financial results.

In addition, the Group's results may be materially and adversely impacted as a result of increases in labor costs. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on the Group's consolidated operating results or financial status.

The Group's labor costs include the cost of providing benefits for employees. We sponsor a number of defined benefit plans for employees in the United States and Mexico, including pension, retiree health and welfare, active health care, severance and other post-employment benefits. We also participate in a number of multiemployer pension plans for certain of our manufacturing locations. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the assumed or actual rate of return on major plan assets, a change in the weighted-average discount rate used to measure obligations, the rate or trend of health care cost inflation, and the outcome of collectively-bargained wage and benefit agreements.

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

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

***Political events in the markets in which the Group operates may result in disruptions to its business operations and decreases in sales and revenues.***

The governments of the markets in which the Group operates exercise significant influence over many aspects of the economy of such markets. As a result, government action concerning the economy of such markets and the regulation of certain industries could have a significant effect on private segment entities, including the Group, and on market conditions, prices of and returns on securities from such markets.

The government of a market in which the Group operates may implement significant changes in laws, public policy and/or regulations that could affect such market's political and economic situation, which could adversely affect the Group's business. Social and political instability in such markets or other adverse social or political developments in or affecting such markets could affect the Group and its ability to obtain financing. It is also possible that political uncertainty in territories in which the Group operates may adversely affect financial markets.

Future political developments in the markets in which the Group operates, over which it has no control, may have an unfavorable impact on its financial position or results of operations.

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

The Group's operations in the United States, Mexico and other markets are subject to federal, state and municipal laws, regulations and official standards, relating to the protection of the environment and natural resources.

In the United States, the Group is subject to federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations include the Clean Air Act, the Clean Water Act and the Resource Conservation and Recovery Act and Superfund, which imposes joint and several liabilities on each responsible person.

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

Modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations may result in the need for investments that are not currently provided for in the Group's capital expenditures program and may otherwise result in a material adverse effect on the Group's business, financial status and results of operations.

***Developments in other countries may result in decreases in the price of the Group's securities.***

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors ' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia, Brazil and Greece.

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

***The Group's international operations exposes to risk of fluctuations in currency exchange rates.***

The Group generates significant revenues and incurs operating expenses and indebtedness primarily in foreign currencies, and to a lesser extent in Mexican Pesos. As of December 31, 2013, 2012 and 2011, the portion of the Group's revenues denominated in Mexican Pesos was $72,558, $69,847 million pesos and $63,840 million, respectively, while the portion of the Group's revenues generated in currencies other than the Mexican peso was $103,483, $103,292 and $73,081 million Pesos, respectively. Moreover, as of December 31, 2013, 2012 and 2011, our indebtedness denominated in Mexican Pesos was $17,453, $15,847 million and $13,692 million pesos, respectively, while the Group's indebtedness denominated in currencies other than the Mexican peso was approximately $22,862, $26,422 and $32,512 million Pesos, respectively. However, the amount of the Group's revenues denominated in a particular currency in a particular country typically varies from the amount of expenses or indebtedness incurred by the Group's operations in that country given that certain costs may be incurred in a currency different from the local currency of that country (i.e. the U.S. dollar).

This situation exposes the Group to potential losses resulting from currency fluctuations.

***Changes in tax laws could affect the operating results of the Group***

On December 11, 2013, an amendment to the Mexican Special Production and Services Tax Law (*Ley del Impuesto Especial sobre Producción y Servicios*) was published, and came into effect in January 2014. This law, among other things, establishes a new special tax on production and sale of non-staple foods as snacks, confectionery or food preparations made from cereals, if they exceed certain energy density. A tax rate of 8% will apply to the sale price of such products.

This new tax, or any other similar tax to be approved in the future, could result in an increase in the prices of the Group's products and, to the extent that such increase reduces sales, there is a risk that the results of operations, financial position or liquidity of the Group will be adversely affected.

***Impairment in the carrying value of goodwill or other acquired intangibles could negatively affect our consolidated operating results and net worth.***

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

***The Group may incur additional indebtedness in the future that could adversely affect its financial health and its ability to generate sufficient cash to satisfy the Group's outstanding debt obligations.***

- In the future, the Group may incur additional indebtedness that may have the following effects:
- limit the Group's ability to satisfy its obligations under the Notes and other debt;
- increase the Group's vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a portion of its cash flow from operations to servicing and repaying its indebtedness which may place the Group at a competitive disadvantage to its competitors with less debt;
- limit the Group's flexibility in planning for or reacting to changes in its business and the industry in which it operates;

- limit, along with the financial and other restrictive covenants of the Group's indebtedness, among
- other things, its ability to borrow additional funds, and
- increase the cost of additional financing.

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

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

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

***Corporate Structure.***

Grupo Bimbo is a holding company which principal assets consist of shares held in its subsidiaries. In addition, Grupo Bimbo, through its subsidiaries, is the owner of the Group's main trademarks. Pursuant to the above, the Group's income mainly depends upon the dividends and interests paid by its subsidiaries, as well as the royalties produced by trademark license agreements entered into by the Group.

With respect to the payment of dividends, regardless that as of today all subsidiaries have no contractual limitations for the payments of dividends to Grupo Bimbo, any financial agreement or any other agreement that impose a future restriction to its subsidiaries for the payment of dividends or the payment of any other amounts to Grupo Bimbo, may adversely affect the liquidity, financial situation and operation results of Grupo Bimbo.

### d) Other Securities

I. As of December 31, 2013, the following securities were registered by Grupo Bimbo in the RNV:

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

b. *Certificados Bursátiles*:

(i) Bimbo 12 - Issued on February 10, 2012 in the aggregate amount of $5,000,000,000 pesos maturing on August 3, 2018.

(ii) Bimbo 09 - Issued on June 15, 2009 in the aggregate amount of $5,000,000,000 pesos maturing on June 9, 2014.

(iii) Bimbo 09-2- Issued on June 15, 2009 in the aggregate amount of $2,000,000,000 pesos maturing on June 6, 2016.

(iv) Bimbo 09U- Issued on June 15, 2009 in the aggregate amount of 706,302,200 Investment Units (UDIs or *Unidades de Inversión*), maturing on June 6, 2016

II. Senior Notes

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

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

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

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

(a) The third business day following the date of the annual shareholders' meeting that approves its annual results, which must take place during the first four months of each year,

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

2. The annual financial statements together with the respective external audit opinion, as well as the audited annual financial statements of the associated entities, that contribute more than 10% the Company's earnings or consolidated assets,

3. Letter subscribed by the secretary of the board of directors, stating the current status of the shareholder's minutes meetings registry book, minutes of the board of directors book, share registry book and in the event of limited liability of variable capital corporations *(sociedades anónimas de capital variable)* the capital increase and capital decrease registry book.

4. Documents of the external auditor, referred to in Articles 84 and 84 Bis of the General Provisions.

(b) No later than April 30 of every year:

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

(c) No later than June 30 of every year:

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

II. <u>Quarterly Information</u>:

Within the 20 business days following the end of the first three calendar quarters and within the 40 business days following the end of the fourth calendar quarter of each fiscal year, the Company must report its financial statements and the economic, accounting and administrative information required by the corresponding electronic formats, comparing, at a minimum, the results for the relevant quarter against the financial statements for the previous fiscal year and an update of the annual report regarding the operating and financial discussions and analysis of the Company's business, pursuant to the applicable accounting regulation.

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

III. <u>Legal Information</u>:

(a) On the date of their publication, the calls for shareholder's meetings and the calls of the holders of the *Certificados Bursátiles*. Such calls must contain each and all of the items of the agenda to be discussed during the relevant meeting.

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

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

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

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

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

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

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

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

2. Notice for the delivery or exchange of shares or other securities.

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

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

(e) No later than June 30 of every third yeard, the notarization of the shareholder's meeting by means of which a restatement (*compulsa*) of the Company's by-laws has been approved, including the registration information in the Public Registry of Commerce, including such restatement.

IV. Repurchase of the Company's own shares

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

V. Relevant events:

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

**e) Relevant Changes to the Security Rights Registered with the RNV**

During the 2013 fiscal year there were no material changes in the capital stock of Grupo Bimbo and therefore such capital stock was represented as of December 31, 2013 by 4,703,200,000 shares.

**f) Use of Proceeds**

During the 2013 fiscal year, the Company did not register any securities in the RNV . Also, there are no proceeds obtained from the issuance of securities carried out in previous years, pendant to be used (see "Other Securities").

## g) Public Documents

In order review this Annual Report, please contact the Investment Relations site: www.grupobimbo.com/ir/

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In connection with the public information that has been delivered to the BMV, please check the following electronic addresses:

http://www.grupobimbo.com/ri
www.bmv.com.mx

The information available in such addresses is not a part of this Annual Report.

## 2) THE COMPANY

### a) Issuer's History and Development

**a. Legal backgrounds**

**Incorporation**

The Company was incorporated by public deed number 10670, dated June 15, 1966, granted before Tomás O'Gorman, Public Notary number 96 of the Federal District, the first official transcript of which was filed in the Public Registry of Commerce of the Federal District, in the Commerce section, under number 299, pages 377, volume 636, 3rd book.

**Corporate Name**

The Company was originally incorporated under the corporate name of Promoción de Negocios, S.A. In 1978 it changed its corporate name to Grupo Industrial Bimbo, S.A. and in 1981 it adopted the modality as *sociedad anónima de capital variable*. On August 24, 1999, the Company changed its corporate name to Grupo Bimbo, S.A. de C.V., and on November 14, 2006, by public deed number 30053, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of the Federal District, the first official transcript of which was filed in the Public Registry of Commerce of the Federal District in mercantile folio number 9506. On December 6, 2006, the Company adopted the modality of *sociedad anónima bursátil de capital variable*.

**Duration**

The Company's duration is indefinite.

**Domicile and Telephone Numbers**

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

**b. History**

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

**1945** Taking advantage of their experience in the bakery industry, Don Lorenzo Servitje Sendra and Don Lorenzo Sendra Grimau decided to create an American style packaged bread factory, to which they invited Don Alfonso Velasco, as well as Don Jaime Jorba Sendra and Don José T. Mata to participate as industrial partners. Another founder was Don Roberto Servitje Sendra, who collaborated since the inception as sales supervisor. Even though he did not participate as partner at the Company's inception, little by little Don Roberto Servitje acquired grater responsibilities and likewise participated in the decision making process. Later on he purchased BIMBO shares and, subsequently, he became General Director, position he left in 1994, when he was appointed chairman of the Board of Directors, in substitution of Don Lorenzo Servitje, who held such position since its foundation. For the creation of the packaged bread factory, the founding partners mainly took care of the needs posted by the market at that time; that is, a periodical and quality attention to the clients, and product freshness. To satisfy such needs, the products to be manufactured and the characteristics of the packing thereof were determined, in addition to putting in place direct distribution systems and the substitution of unsold products every two days. On December 2, 1945 Panificación Bimbo was formally founded in Mexico City

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

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

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

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

In connection with the pastries products, in the seventies decade, BIMBO launched the *Suandy* line into the market, whose products were prepared based on butter. This line was importantly enlarged in 1981.

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

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

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

**1986-1990** In 1986, after the crisis faced by Mexico during almost five years, BIMBO acquired Continental de Alimentos, S.A. de C.V., company which produced and commercialized the *Wonder* brand, until then BIMBO'S direct competitor in bread and cakes. As of 1989, the Group experienced an important expansion through other acquisition and the establishment of plants in the lines both of final consumer products and raw materials, material and equipment for internal consumption.

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

Additionally, the Company importantly expanded in the USA with the establishment and acquisition of several productive plants in different states in the border with Mexico. The following companies were acquired: Orbit Finer Foods, Inc., in 1993; Fabila Foods, Inc. and La Fronteriza, Inc., in 1994; C&C Bakery, Inc. and La Tapatía Tortillería, Inc., in 1995; and Pacific Pride Bakeries, with two plants (Suandy Foods Inc. and Proalsa Trading Co.), in 1996.

In 1992, the Company acquired the factory Galletas Lara, which allowed the formal entrance to the traditional cookie market, with “marías” kind and crackers, in which it did not participate with the *Marinela* trademark.

**1998** An important level of investments characterized 1998. In this year the Mrs. Baird’s planning company, sector leader in the state of Texas, USA, was acquired, and in Mexico operations were initiated in the Bimbo plant in La Paz, Baja California. Likewise, BIMBO’S expansion reached the European continent with the establishment in Germany of the confectionery goods distribution company, Park Lane Confectionery. Also that year, in order to focus on its main businesses, BIMBO carried out divestments in the preparation and distribution of ice-creams in Mexico and salted snacks in Chile.

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

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

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

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

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

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

In accordance with the synergies use and operative consolidation strategy, BIMBO initiated in1999 the administrative and operative merger of its companies in the USA, being consolidated as follows: Mrs. Baird’s Bakeries Business Trust, in the Texas market, and Bimbo Bakeries USA, Inc., in the California market.

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

In April 2000, the Company, through Ricolino, inaugurated two plants in the European Union, one in Vienna, Austria, and the other one in Ostrava, Czech Republic see "The Company – Business Description - Principal Activities".

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

**2001** 2001 highlighted the intense activity to consolidate the Group's presence in the regions where it participated and to make its operations more efficient. In March of that year, BIMBO acquired 100% of the capital stock of Plus Vita, Ltda., one of the largest bakery companies of Brazil, which produced packaged bread, sweet bread, cakes, rolls and toasted bread under brands considered among the most traditional and with the highest prestige in the Brazilian market, such as *Pullman*, *Plus Vita*, *Ana María*, *Muffs* and *Van Mill*, among others. Plus Vita operated three plants, located in Sao Paulo, Rio de Janeiro and Recife see "The Company– Business Description –Principal Activity – Strategy and Strengths".

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

In October of that same year, the Company concluded the sale process of its shares in the companies Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna, S.A. de C.V. to Grupo La Moderna, S.A. de C.V. The companies sold were owned by Grupo Bimbo and Grupo Mac'Ma, S.A. de C.V. and, therefore, the negotiation with La Moderna was jointly carried out. Through this transaction, La Moderna acquired 100% of the shares of Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna S.A. de C.V., and delivered as payment 4,500,000 shares representing 5.8% of its capital stock, from which 57.4% corresponds to Grupo Bimbo.

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

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

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

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

This acquisition responded to BIMBO'S strategy to build a leading bakery business in the USA.

With that, the Group's position in core markets, such as the states of California and Texas, has become stronger.

On December 11, 2002, BIMBO'S General Extraordinary Shareholder's Meeting agreed the merger of the Company with its subsidiary company Central Impulsora, S.A. de C.V. By virtue of such merger, the Company became holder of the Group's main trademarks

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

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

In July 2003, the Company informed about its participation as minority partner in a consortium headed by the Mexican businessman Fernando Chico Pardo. Such entity acquired certain ownership and debt rights of Compañía de Alimentos Fargo, S.A., of Argentina, and will procure its financial and operative restructuring.

**2004** On March 18, 2004, Grupo Bimbo announced the settlement to acquire the confectionery companies Joyco de México, S.A. de C.V., Alimentos Duval, S.A. de C.V. and Lolimen, S.A. de C.V., property of a group of Mexican shareholders, and the Spanish company Corporación Agrolimen, S.A. After obtaining all necessary authorizations, the purchase operation of the companies was completed on May, 2004.

Grupo Bimbo invested $290, from which $27 were used to pay financial liabilities. Through this investment, paid with Company's resources, Grupo Bimbo acquired two production plants, brands and leader products in the confectionery industry in Mexico, as Duvalín, Bocadín and Lunetas. These companies registered annual sales of approximately $500.

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

On July 20, 2005, the Company announced the acquisition, through a cash transaction that amounted $1,350, of Controladora y Administradora de Pastelerías, S.A. de C.V., pastries operator El Globo. Controladora y Administradora de Pastelerías, through El Globo, produces and commercializes fine pastries products. With this acquisition, Grupo Bimbo for the first time ventured in the retail commercialization of fine pastries products. After the relevant regulatory approval, the transaction was completed on September 23, 2005.

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

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

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

On June 19, 2006, BIMBO announced that it reached an agreement to acquire certain assets and trademarks of the "El Molino" pastries, in a transaction that amounted $42, that were settled with the Company's own funds. El Molino is one of the oldest and most traditional bakeries in Mexico. In the fiscal year ended as of December 2005, its sales amounted $45.

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

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

On October 2, 2007, BIMBO announced the acquisition of Temis for a sum that amounted $17. With this acquisition, BIMBO entered into the Paraguay market.

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

IBC is one of the largest bakeries and fresh bread and sweet bread distributor companies of the

United States. Among its main trademarks are Wonder®, Merita®, Home Pride®, Baker's Inn®, Hostess®, Drake's®, and Dolly Madison®. IBC operates more than 40 plants, 650 distribution centers, 6,400 routes and employs near to 25,000 collaborators.

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

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

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

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

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

The agreement included the payment of 33.81% of the verified unsecured indebtedness amount. Likewise, the Bond Holders committed to collaborate in order for Fargo to attain the culmination of the Meeting of Creditors (*Concurso Preventivo*) in which it is since June de 2002, as well as not to carry out any legal actions against it.

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

On February 21, 2008, BIMBO announced the acquisition of Firenze, also in Brazil, for a sum that amounted $185. The integration with Firenze allowed taking advantage of the strength in the *light* segment and continuing its development through the increase of the physical distribution of Firenze and Plus Vita trademarks.

On April 1, 2008, the Company announced the acquisition of Plucky, company located in Uruguay, for a sum that amounted $123. The company produces and commercializes confectionery goods products. With this acquisition, for the first time Bimbo ventures in Latin America in such market.

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

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

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

**2009** On January 21 2009, Grupo Bimbo announced that it completed the acquisition of the bakery business in the United States of WFI, owned by Dunedin Holdings S.à r.l., a subsidiary of George Weston Limited (TSX: WN), located in Toronto, as well as the acquisition of the related financial assets, having obtained the relevant regulatory approvals and permits. Such transactions were appraised in $2,380 and $125 million dollars, respectively. The aggregate payment of $2,505 million dollars was made through a financing of $2,300 million dollars, as well as with the Company's own funds. The consolidated operation in the United States, known as Bimbo Bakeries USA (BBU), became one of the largest bakery companies in the country, with a leading position in the bread, rolls, sweet bread and cake categories. The portfolio includes premium trademarks such as ARNOLD®, BIMBO®, BOBOLI®, BROWNBERRY®, ENTENMANN'S®, FRANCISCO®, FREIHOFER'S®, MARINELA®, MRS BAIRD'S®, OROWEAT®, STROEHMANN®, THOMAS'® and TIA ROSA®. The new operation provides employment to more than 15,000 collaborators operates 35 plants and distributes its products through more than 7,000 routes. Grupo Bimbo's consolidated results reflect the integration of WFI transactions as of January 21, 2009.

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

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

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

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

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

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

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

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

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

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

**2012** During 2012 Grupo Bimbo announced the construction of its sixth production facility located in Argentina, which is expected to begin operations on 2013, creating direct and indirect jobs. Likewise, Grupo Bimbo opened a new plant in Brasilia in order to improve the logistics of distribution and quantity of fresh products to consumers in local cities. Finally, Grupo Bimbo opened two sales centers in Yucatan, Mexico in order to integrate the different operations of leading brands.

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

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

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

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

During 2013, Grupo Bimbo announced at the General Shareholders' Meeting, the resignation of Roberto Servitje as Chairman of the Board of Directors of the Company effective as of July 1,

2013. Daniel Servitje, General Director, was appointed to succeed him from that date.

On October 2013, Grupo Bimbo signed an agreement with Visa Inc. of the Alliance Blue Label Mexico, with Blue Label Telecoms Limited and Nadhari, SA de CV, in order to allow their customers retail channel in Mexico, to accept electronic payments. This agreement with Visa allows small businesses that serve a large segment of the population in terms of sales volume of the Company nationwide, to accept electronic payments with Visa cards and other cards, and therefore, it can increase sales of the Company's products in their stores.

The table below is a summary of the material acquisitions carried out by the Company in the last 3 years and the price paid at the relevant time (figures are expressed in million pesos):

| Date | Company | Country | Sales |
|---|---|---|---|
| 2013 | | | |
| - | - | - | - |
| 2012 | | | |
| - | - | - | - |
| 2011 | | | |
| December 5, 2011 | Iberia | Spain and Portugal | 5,344 |
| November 6, 2011 | Sara Lee | EEUU | 24,955 |
| September 19, 2011 | Fargo | Argentina | 2,034 |

## c. Recent Developments

**Recent Developments after December 31, 2013 are the following:**

**Acquisition of Canada Bread**

On February 2, 2014, Grupo Bimbo announced that it had reached an agreement to acquire, for $ 1.830 billion Canadian dollars, all shares of Canada Bread, a Canadian public company listed on the Toronto Stock Exchange (TSX: CBY). Canada Bread has numerous recognized brands such as Dempster's ®, POM ®, Villaggio ®, Ben's ®, ® and McGAVIN MATIN BON'S.

Canada Bread maintains a strong relationship with major supermarkets and institutional channels in Canada and is recognized for its strong market position in all baking categories. Canada Bread employs about 5,400 employees, operates 25 plants in Canada, the U.S. and the UK and has the largest direct distribution network in Canada, serving more than 41,000 outlets.

At the date of this Annual Report, the acquisition of Canada Bread has not been completed.

## b) Business Description

### i) Principal Activity

### 1. Strategy and Strengths

The Group's general strategy is based on its corporate mission, this is, the development of the value of its brands and essentially, its compromise of being a highly productive and entirely human Company, as well as innovative, competitive and aimed at total customer and consumers satisfaction, being an international leader in the baked goods industry and with a long term vision. Likewise, the Company, through its general strategy is aimed at increasing its value, which is reflected in an increased shareholders value.

**The strategy of Grupo Bimbo**

- ***Develop Innovative New Products.*** The Group has successfully developed and introduced new products that have increased sales and satisfied consumers and strives to ensure that its products suit the tastes and budget of its consumers according to the customs, needs and trends, as well as providing nutritional value. The Group intends to continue investing in research and development to innovate across its product lines and new product categories, driving consumer demand and incremental revenue opportunities. The Group is a global company that strives to maintain a local character through a constant pipeline of new products that seek to address its diverse customer's needs and desires and enhance its customer and consumer base. For example, the Group developed a process to add "functional" ingredients to certain of its products to improve the health of its consumers by lowering cholesterol or enhancing mineral absorption. In addition, the Group is also one of the first consumer products companies in Latin America to introduce oxi-biodegradable packaging technology. The Group believes that the strength of its brands and its low-cost manufacturing base provides it an opportunity for continued expansion of its products.

- ***Continued Development of the Group's Brands.*** The Group has been able to create, nurture and manage successful brands, which reflects its deep understanding of consumer preferences and the rigor of its ongoing market research and testing programs. In most of its product categories, the Group's brands have an extraordinary "top of mind awareness" in the market based on its own market research. Bimbo's packaged bread is found in virtually every household in Mexico. The Group believes that this experience provides a platform for it to develop new product lines under its existing brands as well as entirely new categories. As it expands into new markets, the Group expects to increase the recognition of its existing brands in those markets (including the "Bimbo" brand in the United States) and strengthen its brand portfolio with new brands specifically targeted to those markets.

- ***Increase Market Penetration*.** To meet the needs of each of its customer segments, the Group uses a range of analytical tools to divide regions by distribution channel, size, brand and products and continuously develop new channels. The Group's recent market penetration efforts have resulted in customer base growth in almost every segment in Mexico, increased penetration of the United States convenience store channel and significant growth of its Latin American customer base. The Group intends to continue its efforts to increase market penetration expand its product base and enhance its brand recognition in the markets in which it has gained entrance. The Group believes that the strength of its brands and the reach of its distribution network provide a major opportunity for increased market penetration, including into the market for baked goods in the United States and Latin America and the Iberic Peninsula.

- ***Increase Efficiencies throughout its Business*.** The Group's growth has generated valuable economies of scale in production, distribution and marketing as well as dissemination of best practices and innovation. The Group remains focused on driving additional efficiencies and improved profitability in its business. In particular, the Group aims for constant improvement in the use of its production and distribution resources and in periodically reinvesting in its plants and equipment and it strives to maintain a low-cost operation with a focus on effective cost controls. For example, redesigning packaging that is lighter to reduce unit cost. In addition, the Group frequently evaluates the data generated by its sales force and its data mining techniques to improve execution at the point of sale and refine its inventory management. The Group also monitors its pricing structure in light of raw-material costs and inflationary pressure to maintain the optimal balance.

- ***Continued Growth***. The Group believes that it has benefited from its acquisition and integration of new brands and products and its expansion into new markets. The Group seeks to continue to expand its geographic reach through organic growth and to pursue selective strategic acquisitions in regions and categories that provide a platform for growth and acquisition of strong brands that complement its existing portfolio and increase the penetration of its brands. Given the fragmented nature of the food industry, the Group will continue to evaluate its expansion through organic growth as well as acquisition opportunities. The Group believes its presence in various markets around the world will provide it a platform for it to identify selective growth opportunities.

Regardless that the Company's management considers that the administration of the strategies described herein is the most convenient, it cannot guaranty that the strategies will have the expected effects on the Group's operations or that the same strategies will be maintained in the future, since the Group's management reviews periodically the orientation and impact of said strategies.

**Group's Strengths**

The Group has grown rapidly over the last five years and believes its business strengths will allow it to continue to grow and successfully fulfill its strategy:

- ***Leading Market Position***. The Group is one of the largest baked goods companies in the American continent, with a diversified portfolio of approximately 10,000 products and more than 100 renowned brands, which allows it to reach all market categories in most of the countries in which it operates. In accordance with Datamonitor, the Group is the number-one or number-two market participant in its primary markets (the United States, Mexico and Central and South America and Spain) in all its categories: bread and rolls, cakes and pastries, cookies, salted snacks, confectionery goods, tostadas and wheat tortillas. The other product lines are also top players in their respective markets.

- ***Strong Brand Recognition*.** The Group's brands are leaders in market recognition in the United States, Mexico and Latin America, Spain and Portugal. The Group believes its understanding of the need and preferences of its consumers allows it to offer them superior quality products at competitive prices. The Group also believes that its brands strength give it a competitive advantage and allows it to more effectively leverage its new product launches in the markets in which they operate. Through the acquisition of WFI, Dulces Vero, Fargo, Earthgrains, Beefsteak and Bimbo Iberia, the Group has significantly strengthened its brand portfolio in the United States, Mexico, Argentina, Spain and Portugal with brands including Thomas', Arnold Entenmann's, –Vero, Fargo, Lactal, Sara Lee, Earthgrains, Sunbeam, Rainbo Silueta, Martinez and Eagle. Each of the Group's brands is targeted to a specific audience and supported by a comprehensive marketing plan. Some of the brand symbols, such as the Bimbo bear, the Gansito goose and the Paleta Payaso clown have developed iconic status and are immediately recognizable to millions of consumers.

- ***Extensive Direct-Distribution Network***. The Group has developed an extensive direct- distribution network, which fields one of the largest sales fleets in the Americas and represents a major competitive advantage. Its network allows it to distribute products from its 144 production plants, 1,600 distribution centers and warehouses to more than 2.2 million points of sale every day to ensure the freshness and quality of its products and to meet the needs of every type of customer from hypermarkets to small convenience stores. The Group also maintains a highly efficient and sophisticated logistics operation to address distribution requirements across the markets it serves. Through the WFI and Earthgrains acquisitions, the Group has significantly extended its distribution network in the United States. The Group has also developed strong relationships with its customers that enable it to tailor its approach and response to their diverse and changing needs, including with respect to frequency of delivery, in a cost-effective manner. The Group believes this result in strong customer loyalty.

- ***Market Intelligence and Consumer Satisfaction*.** The Group offers its consumers, through its different brands, a wide variety of baked goods spanning a broad range of product types, pricing levels, flavors and sizes. The Group frequently expands and creates innovative product lines to address specific needs and desires of consumers, based on a unique understanding of their needs and preferences in the markets in which it operates. The Group has gained this unique understanding by continuously conducting market research and retrieving and analyzing key information from its consumers, including through the use of sophisticated technology by its sales force. Its market intelligence allows the Group to target the right products to each point of sale at the right time. The Group believes it is the leading innovator within its product categories and has consistently introduced new products that have been well received by consumers.

- ***Experienced Team*.** The Group's strong management team has proven industry expertise, with an average of 27 years working with it. Such team has successfully developed and consolidated the Group's market leadership by focusing on its baked goods business and by their effective and rapid response to the constantly changing consumer demands and competitive environment in the markets in which it operates. Such team has completed and integrated 45 acquisitions over the past 10 years and disseminated innovative ideas and best practices in manufacturing and distribution across the Group.

- ***Strong Corporate Culture with a social and environmental commitment*.** The Group places great emphasis on its relationship with its collaborators and it is committed to develop and support social responsibility and environmental sustainability initiatives. The Group considers essential in order to develop a strong corporate culture and high recognition from the clients that a solid satisfaction of the sale forces and an active social responsibility exist. For example, as part of the Group strategies on sustainability, agreements were attained to consume the majority of the energy required by its production plants in Mexico, through a wind farm project in the State of Oaxaca, Mexico, known as "Piedra Larga", which began operations on 2012. Also, on March 22, 2013, Bimbo inaugurated Barcel's West plant in the State of Jalisco, a 100% sustainable plant built according to the highest environmental standards. In addition to the Group's sustainable development efforts, it continuously introduces innovative products offering healthy options to its customers. See: The Company – Business Description, Principal Activity.

**2. Main Operations**

Grupo Bimbo is one of the largest baked goods companies in the world and one of the largest food companies in the Americas, with more than 10,000 products and more than 100 renowned brands, including Bimbo, Oroweat, Arnold, Marinela, Thomas', Barcel, Sara Lee, Entenmann's, Ricolino, Tía Rosa, Pullman, Rainbo y Nutrella. The Company produces, distributes and markets a wide variety of baked goods, sweet and salted snacks, wheat tortillas, tostadas, cookies, confectionary goods and packaged foods. Through the development of brands, of fresh products and of quality and of continuous innovations, the Group has obtained a leading participation in the bakery products market in the USA, Mexico, most of Latin America countries in which it recently operates, in Spain and Portugal.

Sin the Group's incorporation in 1945, Grupo Bimbo has expanded through organic growth, as well as through acquisitions and it has experienced a significant growth during the last years from 2008 to 2013, the Group's EBITDA increased from $9,829 million pesos to $17,326 million pesos (in nominal terms) to a compound annual growth rate or CAGR of 12.0%. Likewise, from 2008 to 2013, the Group's net sales in nominal terms grew to a CAGR of 16.4%, with a CAGR of 34.6% in USA, 5.9% in Mexico and 14.0% in Latin America. The increase in the USA was partly due to the acquisition of WFI in January 2009 and Sara Lee (Earthgrains) in 2011. After the acquisition of WFI in 2009, the Group became the largest participant in the baked products markers in the USA, where it has renowned brands in each of the market segments of the bread industry. Consistent with the Group's growth strategy, on November 6, 2011 the acquisition of Earthgrains was completed, on December 5, 2011 the acquisition of Bimbo Iberia and on April 5, 2013 the acquisition of the bran Beefsteak. With these acquisitions, the Group consolidated its penetration in the USA and initiated operations in the Iberia market through a leading baked goods business previously established.

Grupo Bimbo mainly operates in the following regions: USA, Mexico, Central and South America, Iberia Peninsula, and to a lesser extent, China. The Group sells its products in 19 countries: USA, Mexico, Argentina, Brazil, Chile, Colombia, Costa Rica, Salvador, Honduras, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela, Spain, Portugal and China. As of December 31, 2013, the Group operates 144 plants around the world, with capacity to produce and distribute commercial quantities of a variety of products in the primary markets. To ensure the freshness and quality of the products, the Group has developed an extensive direct-distribution network, which fields one of the largest sales fleets in the Americas. Its direct-distribution network consisted of approximately 52,000 distribution routes, more than 1,600 distribution centers and reaching more than 2.2 million points of sale.

The tables below set forth the Company's net sales in each of the main markets in which we operate as of December 31, 2013, 2012 and 2011, as well as the production plants the Company had in each of such markets as of December 31, 2013:

| Region | Net sales for the periods ended on December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| | (in millon Pesos) | | |
| United States | 79,767 | 78,927 | 53,810 |
| Mexico (1) | 73,179 | 70,491 | 64,368 |
| Central and South America | 21,822 | 22,674 | 18,352 |
| Iberia | 5,323 | 5,182 | 393 |
| **Consolidated** | **176,041** | **173,139** | **133,496** |

| Region | Production Plants* |
|---|---|
| United States | 63 |
| Mexico (1) | 41 |
| Central and South America | 31 |
| Iberia | 9 |

1. Includes Asia operations

## Business Units

### BBU, Inc.

BBU, Inc. has its main offices in Horsham, Pennsylvania and is the company which controls the Group's operation in the USA and which consolidates Bimbo Bakeries and its subsidiaries operations. BBU, Inc.'s operations mainly consist in the manufacture, distribution and marketing of packed bread, muffins, bagels and other baked products to commercial and institutional clients. This includes the distribution of products imported from México, mainly focused in the Hispanic market.

BBU is one of the leading baked goods market participant in the United States, where the Group considers it has renowned brands in every market segment of the bakery industry, with a portfolio that serves a variety of products with different price points and eating occasions, from breakfast to snacking to mealtimes. Currently, BBU operates 62 plants and approximately 60% of the distribution is carried out through independent operators.

BBU has an attractive brand portfolio comprised of leading national brands, such as Thomas' for muffins and bagels, Entenmann's snack cakes, Sara Lee and Bimbo's packaged bread, Arnold, Brownberry, Oroweat and Earthgrains for *premium* brands; and regional brands, such as Mrs. Baird's, Freihofer's, Stroehmann, Francisco, Holsum, Maiers, D'Italiano, Old Country, Boboli, Sunbeam, Rainbo, Heiners, Colonial and Beefsteak.

Grupo Bimbo has implemented an expansion strategy in the USA through several acquisitions, including Sara Lee Corporation, "Earthgrains" and WFI George Weston Bakeries in 2011 and 2009 respectively. Other acquisitions that have been carried out in the USA are the acquisition of Bimar Foods in 2010, Oroweat and Entenmann's in West USA, of George Weston in 2002, Four-S in California in 1999 and Mrs. Baird's in Texas in 1998.

Following the Earthgrains acquisition, the Group increased its range of products offered in the United States by 300 and incorporated 20 brands into its portfolio. Earthgrains' strong array of products in the bread and rolls category further consolidates our growth strategy in the United States. For example, as a result of this acquisition, BIMBO considers to have increased its market participation in the United States to 30% from 19% in the bread and rolls segment.

Additionally, BBU distributes renowned Mexican brands of the Group in USA. With the help of BBU's distribution routes, the Group has been allowed to significantly expand its market in the USA.

The main brands under which BBU commercializes its products are:

| Product Line | Brands |
|---|---|
| Packaged bread | *Arnold, Brownberry, Oroweat, Thomas´, Sara Lee, Bimbo, Stroehmann, Mrs. Baird's, Freihofer, Maier´s D´Italiano, Earthgrains, Colonial, Rainbo, Holsum, Sunbeam, Ball Park, and Heiner's, and Francisco's* |
| Sweet bread, cakes and cookies | *Entenmann's, Marinela, Bimbo, Mrs. Baird´s and Sara Lee* |
| Tortillas, pita and pizza crusts | *Tía Rosa, Boboli, Sahara* |

*BBU commercializes products under license agreements in certain parts of the United States.*

The following table shows the main brands in the United States:

**BBU' brands**

***Mexico***

**Bimbo**

Bimbo has been operating since 1945. It manufactures, distributes and sells sliced bread, sweet baked goods, buns, cakes, pastries, cookies, crackers, cereal bars, packaged wheat tortillas, and tostadas, among others.

Bimbo has a strong presence in Mexico where some of our products are considered staple products, such as our packaged bread. These products are marketed, among others, under the Bimbo, Oroweat, Marinela, Tía Rosa, Wonder, Milpa Real, Lara, Del Hogar, Gabi, Saníssimo, Lonchibón, Suandy and el Globo brands. These brands have high consumer recognition in the Mexican market and are supported by the country's most extensive distribution network, making the Group the leader in the packaged bread market in Mexico, with continued gains in market share as consumer preferences evolve. The Group is also the Mexican snack cake market leader and the number-two cookie and cracker producer. The Mexican baked goods market, however, remains highly competitive and fragmented. In the relatively new category of cereal bars, the Group has quickly established market leadership through our brands Branfrut, Multigrano, Doble Fibra and Plus Vita, demonstrating our ability to identify new consumer trends and satisfy them with innovative products. We have also steadily gained market share in packaged wheat tortillas market, as more Mexicans look for convenient, packaged wheat tortillas with longer shelf lives.

**Organización Barcel**

Organización Barcel is headquartered in Mexico City and manufactures, distributes and markets salted snacks, peanuts, and confectionery goods including chocolates, caramel lollipops, gum, goat milk caramel "cajeta" and gummy candies. Among its main brands are Barcel, the second-ranked salted-snacks and peanuts brand in Mexico, and Ricolino, Mexico's second-ranked candy and chocolate brands in Mexico, as well as Coronado, La Corona and Dulces Vero. Organización Barcel's products are also exported to the United States, Central America, the Caribbean and the Middle East. Organización Barcel has consolidated its position and increased its participation in the market by offering innovative products.

**Barcel** produces, distributes and sells salted snacks and peanuts. It has 6 facilities in Mexico and in 2012 it opened its first factory in U.S. With a solid second place in the Mexican market and the U.S., it has achieved a very good acceptance both among Hispanic consumers and among Anglo-Saxon origin consumers.

The main brands under which Barcel sells its products are:

| Product Line | Brands |
|---|---|
| Corn | *Takis, Runners, Chipotles, Tostachos and Tortillas Nachos.* |
| Chips | *Chips, Ondas, Toreadas and Papatinas* |
| Extrusions and Mixes | *Big Mix, Valentones and Spirrones* |
| Popcorn | *Karameladas Pop* |

***Ricolino*** produces, distributes and sells chocolates, chocolate covered marshmallows, chocolate covers, confectionary goods, caramel lollipops and gummy candies, acidulated tablets, gum, marshmallows, milk modifiers, traditional candies and goat milk caramel "cajeta", through four production facilities located in México. Likewise, Ricolino has important exportation operations to the United States, Central America and the Middle East.

The main brands under which Ricolino sells its products are:

| Product line | Brands |
|---|---|
| Marshmallow chocolates | *Paleta Payaso, Bubulubu, Paletón La Corona* |
| Chocolates and figures | *La Corona, Kranky, Chutazo, Canasta, Pollito, Chocosorpresa, Bon-o-bon* |
| Chocolate coverings | *Kranky, Pasitas* |
| Candied chocolate | Lunetas, Chocoretas, Almendras |
| Chocolate cookies | *Bocadin* |

| | |
|---|---|
| Chocolate spread | *Duvalín* |
| Gummies | *Panditas, Moritas, Dulcigomas, Gomilocas, Frutigomas* |
| Acidulated tablets | *Pecostias* |
| Confectionary goods | *Coronado, Duvaletas y Coroletas* |
| Goat milk caramel “cajeta” | Coronado, Yopi |
| Gum | Chick´s, Star Gum, Mas K |
| Milk modifiers | *Choco Kiwi* |

***Dulces Vero*** is the main producer, distributor and seller of lollipops, caramels and marshmallows in Mexico, with a great variety of chile-covered products.

Founded in the 50’s, it was acquired by Grupo Bimbo on December 3, 2010. Its products are produced in one factory.

| Product Line | Brands |
|---|---|
| Extruded marshmallow | *Trencitas, Redondo, Coloretes* |
| Starch gummies | *Pica Fresa, Pica Gomas, Sandigomas* |
| Candies | *Rellerindo, Rellenitos, Cojín de menta* |
| Candy lollipops | *Tarrido, Cupido, Bomba Chile, Mango con chile, Elote chile y Sandibrochas* |

**El Globo**

Is a pastry company founded in 1884, acquired by Grupo Bimbo in September 2005. El Globo produces, distributes and sells high-end pastries and artisanal bread under the El Globo, La Balance and El Molino brands, through 259 points of sale as traditional stores and islands. During the last 4 years, El Globo has developed a supplementary cafeteria business in the majority of its points of sale.

In late 2013, El Globo was restructured to incorporate production processes from Bimbo, S.A. de C.V., and to operate exclusively points of sale under the name of Tradition Bakery, S.A. de C.V. This change will benefit from the experience and level of implementation of Bimbo, S.A. de C.V. in the operation of the plants and their ability to grow in other available channels, and focus El Globo in consolidating the new business model and shopping experience at the points of sale.

Its products are high-end pastries and artisanal bread and are mainly aimed to the market’s superior levels. The principal categories of products are cakes, sweet and salted bread, coffee, drinks, gelatin, canapés, cookies, chocolates, ice cream, prepared foods, and complements. These products are sold under the following brands:

| Brands | |
|---|---|
| ***El Globo*** | EL GLOBO |
| ***La Balance*** | La Balance. pâtisserie |

| Brands | |
|---|---|
| ***El Molino*** | |
| ***Corazón de Café*** | |
| ***Alto Tango*** | |

The following table shows the main brands in Mexico:

**Brands in Mexico**

***Latin America***

Currently, the Group has operations in 14 countries in Central and South America: Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

The Group's operations in Latin America are headquartered in Buenos Aires, Argentina. OLA's main products include sliced bread, rolls, cakes, cookies, snack cakes, *alfajores*, corn and wheat tortillas. Currently, the Group operates 30 plants in 14 countries which represent a potential market of approximately 425 million consumers. In such countries Grupo Bimbo has developed particular distribution systems taking into consideration the specific social, geographic, economic and political environment of each country.

The main brands under which the Group sells its products in Central and South America are:

| Product Line | Brands |
|---|---|
| Packaged Bread and pastries | *Bimbo, Bontrigo, Breddy, Cena, Europa, Firenze, Fuch's, Holsum, Ideal, La Mejor, Los Sorchantes, Maestro Panadero, Monarca, Morán, Nutrella, Pan Todos, Rolly's, Pullman, Plus Vita, Pyc, Tradiçao, Trigoro, Tulipán, Wonder, Mamá Inés, Guadalupe, Pancatalán, Oroweat,* |
| Sweet bread | *Bimbo, Ideal, Laura, Pullman, Plus Vita, Valente, Pyc, Fargo.* |
| Cookies and cakes | *Ana María, Lagos del Sur, Maestro Cubano, Marinela, Marisela, Agua de Piedra, Maestro Artesano, Fargo.* |
| Confectionary goods | *Ricard, Ricolino* |

Grupo Bimbo decided to participate in the Latin American markets due to the great growth potential that they represent as a result of low penetration of traditional bread in comparison with packaged bread, also because of the consumption tendencies observed in the last years. See "The Company – Business Description – Principal Activity".

The next table shows consumption of packaged bread and traditional bread in some of the countries in the region:

| | Argentina | Brazil | Colombia | Venezuela |
|---|---|---|---|---|
| Traditional bread | 97.2% | 95.60% | 77.9% | 90.1% |
| Packaged bread | 2.5% | 4.1% | 17.1% | 7.8% |

*Source: Datamonitor. Includes the artisan and industrial Bread & Rolls category. Information as of 2013. Differences correspond to the "In-store" category.*

The following table shows the main brands in Latin America:

## Latin America brands

**Iberia**

In 2011, the Group completed the acquisition of Bimbo Iberia, Sara Lee Corporation's fresh bakery business in Spain and Portugal. Following the acquisition, the Group became a leader in the packaged bread market in Spain and has a strong presence in the bread, pastries and snacks categories in Spain and Portugal, with a portfolio of over 180 products, under the major brands Bimbo, Silueta, Ortiz, Martínez and Eagle. It has 9 production plants and 14 brands.

| Product Line | Brands |
|---|---|
| Sliced bread and buns | *Bimbo, Silueta, Pan de Horno, Oroweat, Ortiz, Sandwich Thins* |
| Sweet bread | *Bimbo, Martínez,* |
| Cakes and cookies | *Pantera Rosa, Tigretón, Bony, Bimbo, Tortazo* |
| Toast | *Bimbo, Ortiz, Silueta* |
| Snacks | *Eagle, Pop-up* |

The table below sets forth the main brands in Spain and Portugal:

**Bimbo Iberia Brands**

**Asia**

Bimbo Beijing Food Company is dedicated to the manufacture, distribution and marketing of more than 100 products under the Bimbo, Million Land and Jinhongwei brands, including the categories of packaged bread, cakes and confectionary goods. Bimbo Beijing has a production plant in Beijing Bimbo Beijing distributes fresh packed products in 20 cities.

The Company has developed new oriental-style bread products, with local tastes in order to fit in the Chinese market, satisfy specific regional tastes and develop a consistent demand for bread and similar products.

The principal markets are the cities of Beijing, Tianjin, Langfang, Baoding, Shijiazhuan, Taiyuan, Jinan, Shangai and Northeastern China such as Shenyang and Chang Chun. It is worth mentioning that the leverage of distributors and the long life products has permitted that the products reach Chinese provinces such as: Inner Mongolia, Guandong and Xinjian.

The following table shows the Group's main brands in China:

| Bimbo Beijing Brands |
|---|

## 3. Products

As of December 31, 2013, BIMBO produced more than 10,000 products under 100 renowned brands, the main lines of business of which were previously described. See "The Company – Business Description – Principal Operations". The Group's business has focused on a large array of products tailored to the local markets spanning from bread products, pastries and cakes to salted snacks and confectionery goods. Demand for the majority of the products offered by the Group varies depending on the season.

As part of the marketing program and to enhance the recognition and market penetration of the Company's brands, its various products have distinctly different packages designed to cater the desires and expectations of consumers in each market according to the Group's market research.

As part of the Group's commitment to health and wellness, and to adapt and anticipate changes in consumer preferences, Grupo Bimbo's formulas are constantly improving existing products and developing new product lines. In 2013, the Group improved the profile of 131 products, including by increasing grains, among other functional ingredients and by reducing the presence of sugar, salt and saturated fats.

### a. Innovation

Grupo Bimbo is constantly working on innovation and the identification, development and validation of sustainable technology alternatives applicable to products. As one of the largest global food companies focused on offering delicious and nutritious products, innovation is a cornerstone that has allowed the Company to stay in the consumers preferences understanding their needs through rigorous market research. Therefore, over the years, the Group's efforts have focused on various aspects, ranging from ingredients, processes and packaging, to flavors and textures to the different tastes and needs. Growth necessarily involves offering innovative products and Grupo Bimbo has this goal, always prioritizing nutritional quality.

The Group's innovation area has a fundamental role in its activities adding value through the generation of knowledge through the development of cutting edge technologies that are innovative, sustainable and applicable to products, processes and services. Similarly, it places the Company as an industry leader in Health and Wellness giving the consumer the possibility of deciding among the product alternatives, particularly those that should be included in a healthy diet where bread has a predominant place. The Group strives to achieve that its products satisfy its consumers taste and are prepared thinking on their customs and needs in each of the countries in which it operates. Also, it attempts at all times that its proposals are sustainable, resulting in the development of eco-friendly technologies that reduce the environmental impact of its products and processes.

The innovation process of Grupo Bimbo is supported by different platforms within which the knowledge generated is administrated:

In the Innovation platform, the Group seeks to apply existing technology, trends and ideas that are not currently focused or applied to the operations of Grupo Bimbo and that lead to the creation of new concepts and prototypes making a change or renovating the processes of products and services.

The Packaging platform, applies its expertise in the development and implementation of packaging materials and technologies focusing on innovative proposals that position Grupo Bimbo as a leader in sustainable packaging initiatives.

The Productivity platform manages the technical validation of all cost reduction and productivity initiatives and manages the relationship with different suppliers of the area of innovation.

The area of technical services supports the innovation process in its different stages for decision making to develop prototypes under a reengineering of design validation. This is achieved through the use of sensorial-based science, knowledge, process control (pilot plant), measurement and statistical design.

The Platform of Regulatory Affairs and Labeling establishes and reviews the compliance with guidelines according to the regulations of the countries where the Group produces and offers its products, seeking to operate within the highest global standards and to be in compliance with the existing regulatory framework.

The Nutrition platform manages all issues focused in highlighting and communicating the nutritional aspects of the Group's products. It sets strategies to promote appropriate diets and healthy lifestyles, as well as maintaining communication and partnerships with health professionals and opinion leaders in the field.

Regarding Health and Wellness, the Group focuses on the management and communication of the Group's commitments in this area. The program "Seeding Together for Your Wellness" ("*Sembrando Juntos por tu Bienestar*") is designed in accordance with the Global Strategy on Diet, Physical Activity and Health of the World Health Organization (WHO) and establishes the following five global action lines:

1. Products (Reformulation and Innovation for improvement in the nutritional profiles);
2. Nutritional information for consumers, constantly looking for it to be is easily understood and accessible;
3. Responsible Advertising and Marketing, looking to collaborate in the formation of responsible consumers;
4. Promoting physical and healthy lifestyles activities, which is of great importance in order to improve the health conditions of the population; and
5. Strategic Alliances.

Among the achievements and progresses that Grupo Bimbo has had in this topic, are the following:

- Since 2011, the nutritional improvement of more than 1,900 products derived from reductions in sodium, saturated fats and sugars.
- The launch of 360 products with healthier profiles in the past three years.
- Promotion of physical activity, with 135 actions in 2013, impacting 900 thousand persons.
- Promoting healthy lifestyles by providing information on good diets via articles, radio, TV and internet.
- Incorporating front labeling schemes (GDAs) in all its packages.

Grupo Bimbo seeks to promote creativity and the exchange of ideas through its four Institutes of Innovation and Nutrition located in Mexico, the United States and Brazil, developing new products and creating multidisciplinary working groups whose long-range efforts translate into medium-and long-term technological developments. In these institutes, the Group has laboratories and facilities which implement and test new ingredients, functionality and stability studies, new manufacturing processes and technologies, among others. It also has an Innovation Committee which authorizes products in progress that shall carry on until they reach test markets.

In the ongoing search for Grupo Bimbo's best options for its customers, the Group has focused on consolidating close partnerships with the scientific and academic, public and private communities in Mexico and in all the countries where it operates. Such partnerships support research and broaden the base of knowledge generation in health and wellness as well as food technology, with the firm intention of discovering new products of the highest quality with suitable nutritional profiles. Grupo Bimbo continuously improves the programs and agreements with strategic suppliers, institutes and research centers and universities, participating jointly in the development of research projects.

**b. Seasonality**

In most of the categories the products of the Company show a seasonal behavior, with larger levels of consumption in holiday seasons, rain season, and low temperature seasons. In order to stabilize the demand for its products BIMBO has developed various promotions and advertising campaigns and new products, which launches during the periods of lower consumption in the different operations, which do not coincide due to the Group's geographical coverage. See "The Company – Business Description- Principal Activity – Promotion and Publicity".

**4. Production Processes**

**a. Production Processes**

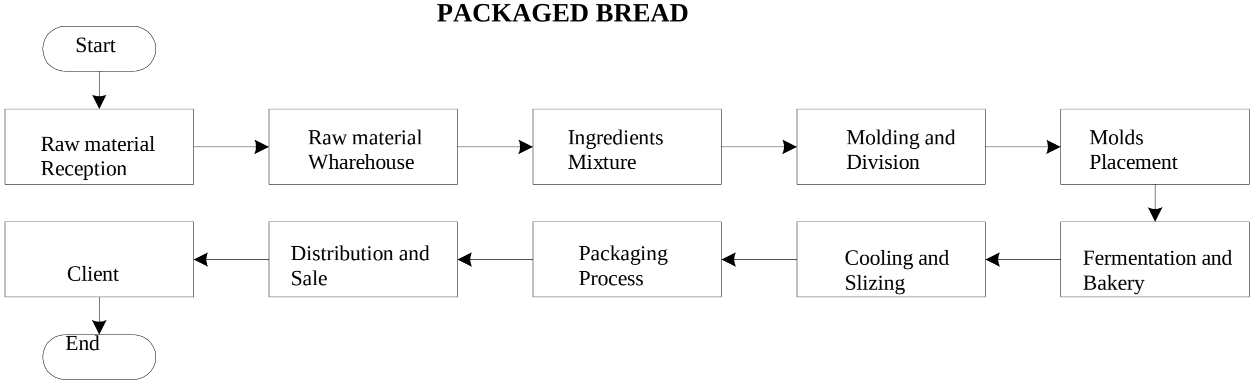
The Group's plants use state-of-the-art technology and equipment. The Group has adopted and implemented modern automated production processes for each of its lines of business and maintain strict operation and control systems, resulting in efficiencies throughout its production processes within a competitive cost structure. Some of its manufacturing plants may be programmed to manufacture a variety of products also contributing to production efficiencies. The production process of its products has slight variations between one another, but generally include the mixing of ingredients, baking, slicing, packaging and distribution of the products.

As part of its strategy to respond to the changing needs of the market, the Group has implemented and continuously updates innovative systems to increase the capacity, quality, and production potential of its manufacturing lines. To that end, the Group has redesigned its current facilities and incorporated new technology (either developed by the Group or acquired from third parties), significantly increasing capacity and reducing production costs.

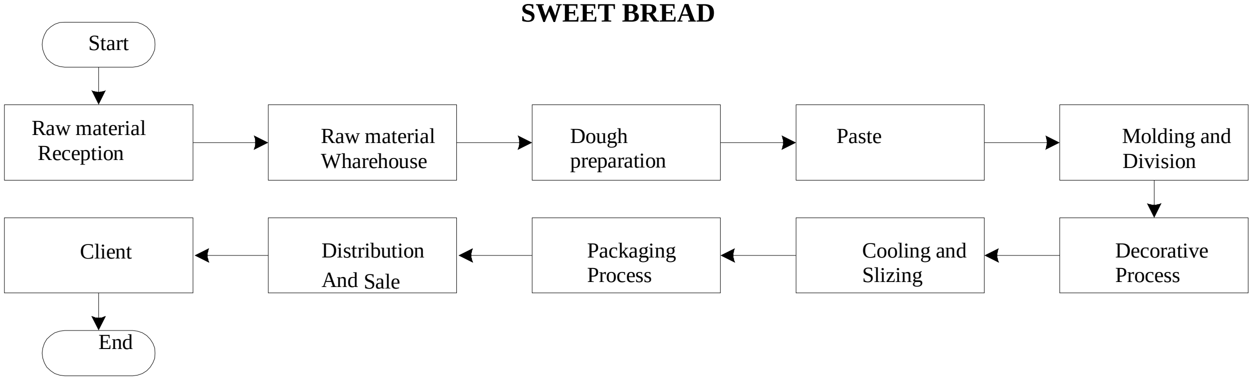
As a result of productivity improvements, and to take advantage of the resources of its production plants, each plant carries out its own analysis of its production processes and, together with the corporate support areas, the Group implements appropriate improvements.

The below chart, is an example of some process lines of packaged bread, sweet bread, frozen bread, and salted snacks. It is worth mentioning that the diagrams correspond to the main productive processes, which means that the production of other foods such as tortillas, chocolates and goat milk caramel "cajeta" etc. are different.

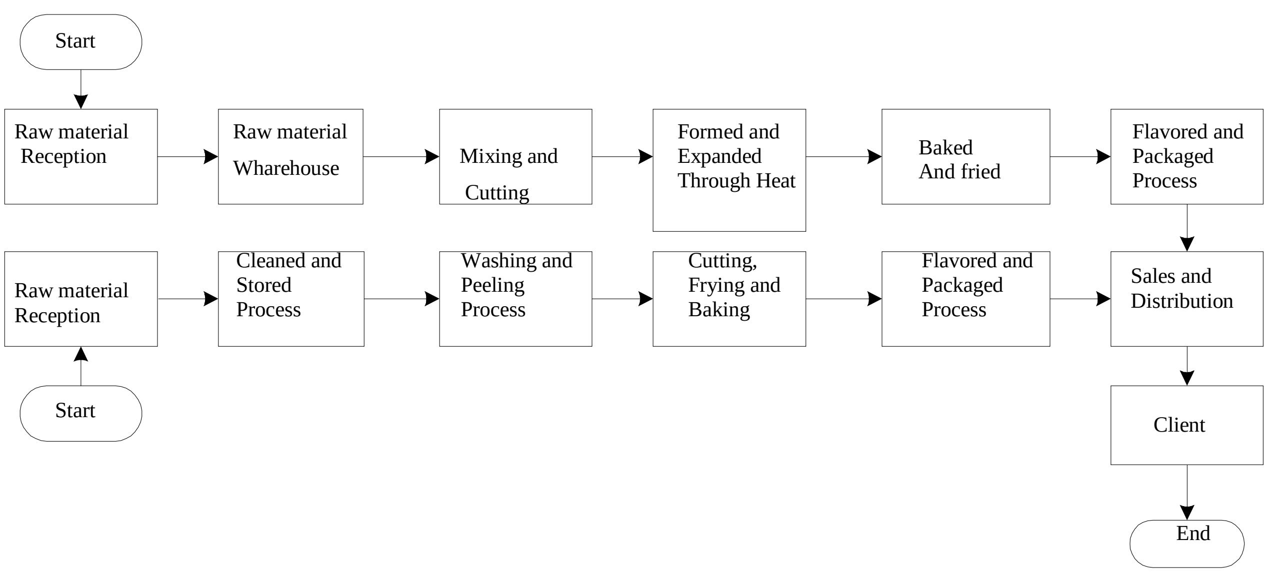
## PACKAGED BREAD




## SWEET BREAD




## SALTED SNACKS



**b. Raw Materials**

The quality and continuous supply of raw materials used by the Company for the preparation of its products are critical factors in its production process. The Group has established a rigorous acquisition system, which include specifications for each raw material and packing materials, reception of a quality certification (issued by each supplier), analysis of material in internal and/or external laboratories and a system to audit suppliers.

The Group has long-standing relationships with suppliers who adhere to its high quality standards. The Group seeks to maintain low supply costs without sacrificing quality of raw materials.

Wheat flour is its main raw material. Wheat is generally traded in U.S. dollars and subject to price fluctuations depending upon factors such as weather, production and international market supply and demand. The Group routinely reviews its relationship with its wheat flour suppliers and enters into hedging arrangements to minimize the wheat price volatility. See ―Risk Factors – Increases in prices and shortages of raw materials, fuels and utilities could cause the Group's costs to increase.

| Material | Mexico | EE.UU. | Iberia | Latin America |
|---|---|---|---|---|
| Wheat Flour | Grupo Altex<br>Harinera La Espiga<br>Horizon Milling (Cargill)<br>Harinera Irapuato<br>Harinas de Chihuahua | Archer Daniels Midland Company<br>Cereal Food Processor Incorporated<br>Conagra Foods Incorporated<br>Horizon Milling, Llc<br>Okeene Milling Company<br>Bay State Milling Company | Grupo Harantico S.L.<br>Harinera Vilafranquina S.A.<br>Harinera La Meta S.A.<br>Cerealis<br>Fills De Moreto S.A. | Bunge Alimentos S.A.<br>Nolston S.A.<br>Molino Rio Uruguay, S.A.<br>Molino Rio San José, S.A.<br>Cargill S.A.C.I.<br>S.A. C E I Francisco Cores Ltda.<br>Canepa Hnos S.A.I.C.A. Finaciera<br>Andres Lagomarsino E Hijo, S.A.<br>Molino Puente Alto, S.A.<br>Molino La Estampa, S.A.<br>Alicorp, S.A.<br>Molinos Modernos, S.A.<br>Harinas Del Istmo, S.A.<br>Molinos El Lobo, S.A. |
| Sweeteners (Sugar, fructose, glucose) | Beta San Miguel<br>Tate & Lyle México S. de R.L. de C.V.<br>Cpingredientes S.A. de C.V.<br>Cía. Química Industrial Neumann, S.A. de C.V.<br>Productos Abel Ha, S.A. de C.V.<br>Almidones Mexicanos S.A. de C.V.<br>Adm Bioproducts | Indiana Sugars Inc.<br>United Sugars Corporation<br>Domino Sugar Incorporated<br>Sweetener Products Company<br>Archer Daniels Midland Company | Acor & Tereos<br>Ebro - Nueva Comercial Azucarera (Sudzucker) | Ingenio y Refineria San Martin Del Tabacal SRL<br>Ingredion Argentina S.A.<br>Copersucar Trading A V V<br>Ingredion<br>Productos de maíz S .A.<br>Lodiser S.A.<br>Sucden Peru S. A.<br>Lansagro S.A<br>Riopaila Castilla S.A.<br>Sucden Peru S.A.<br>Levapan, S.A.<br>F.Pache, S.A. |

| Material | Mexico | EE.UU. | Iberia | Latin America |
|---|---|---|---|---|
| Edible Oils and Fats | Aarhuskarlshamn<br>Cargill de México<br>Ragasa Industrias Proteínas y Oléicos<br>Industrializadora Oleofinos<br>Cremería Americana, S.A. de C.V. | Archer Daniels Midland Company<br>Bunge Foods Corporation<br>Cargill Inc Soybean Oil Division<br>Perdue Farms Inc.<br>Stratas Foods, Llc. | Borges S.A.<br>Lipidos Santiga S.A.<br>DEOLEO, S.A.<br>Urzante S.L. | Bunge Alimentos S.A.<br>Aarhuskarlshamn Latin America S.A.<br>Alicorp S.A.<br>Camilo Ferron Chile S.A.<br>Team Food Chile, S.P.A.<br>Cargill S.A.C.I.<br>Compañía Argentina de Levaduras S.A.I.C<br>Dow Agrosciences Argentina S.A.<br>Dubor Canarias S.L.<br>Fábrica de Grasas y Productos Químicos Ltda.<br>Grascos Ltda.<br>Grasas y Derivados S.A.<br>Grades S.A.<br>Industrial Alpamayo S.A.<br>Olmeca, Sociedad Anónima<br>Team Foods Colombia S.A.<br>COUSA |
| Liquid and Powdered Eggs | Ovoplus del Centro, S.A. de C.V.<br>Avibel de México S.A. de C.V.<br>Granjas Orespi, S.A. de C.V.<br>Michael Foods, Inc<br>Socorro Romero Sánchez, S.A. de C.V.<br>Alimentos de la Granja S.A. de C.V. | Debelis Corporation<br>Sonstegard Foods Company<br>Pearsons Inc<br>General Mills finance incorporated<br>MG Waldbaum<br>Rose Acre Farms Inc | Arteovo, S.L.U.<br>Ovofoods S.A. | Alimentos de la Granja, S.A. de C.V.<br>Avícola Triple A S A S<br>Comercial Agricovial, S.A.<br>Establecimiento Avícola Las Acacias, S.R.L.<br>Negociaciones Vadis S.A.C.<br>Ovobrand S.A<br>Ovoprot International, S.A.<br>Ovosur, S.A.<br>Santa Reyes, S.A. |

Other important raw materials for the Group's lines of business are sweeteners, edible oils and fats and eggs, as well as plastics used to package its products.

The next table shows four of the most important raw materials and its major supplier in the markets they operate:

The Group holds a minority interests in some of its major suppliers of wheat flour, eggs and sugar. In addition to these raw materials, it also purchases plastic packaging from a number of suppliers. Currently, Grupo Bimbo is not dependent on any single supplier in any market in which it operates.

The raw materials are managed using the first-in first-out method to preserve the freshness of its products. Due to the products´ nature, inventories of raw materials, mainly perishable products, have a high turnover rate. The Group receives most of its supplies on a continuous basis, in some cases, with daily deliveries. The corporate team led the negotiations of the main raw materials with suppliers while inventories are directly managed by each plant and storage facility.

**c. Energy Consumption**

The main energetic that Grupo Bimbo consumes is electric energy, natural gas, liquefied petroleum gas (LP), gasoline and diesel.

In most of the productive installations, the Company has electric energy emergency systems, in order to ensure the energy supply. In this way, it guarantees the security of its workers, the quality of its products and its equipment, as a consequence of this, it minimizes the impact of any problem in the energy supply that the plant may have in the clients and consumers services.

Grupo Bimbo has focused in the implementation of renewable energy to meet its ongoing commitment to the environment and the welfare of future generations, and thus, in late 2012, it began the operation of the wind farm "Piedra Larga", the largest wind farm dedicated to a company in the food industry in Mexico and the world, which supplies renewable energy for almost all plants and major distribution centers of Grupo Bimbo in Mexico.

The operation of this park symbolizes a step towards a new technological era in Mexico, which consists in a sustainable energy development, friendly to the environment and society, with which Grupo Bimbo leads the biggest change to renewable energies in the food industry in Mexico and worldwide.

The wind farm is located in Union Hidalgo, in the State of Oaxaca, and was possible thanks to the strategic Alliance encouraged by the Government, the private initiative and financial institutions. Through the joint venture between Grupo Bimbo and Desarrollos Eólicos Mexicanos, S.A. de C.V. (DEMEX), affiliate company of the Spanish corporation Renovalia Energy, S.A., with an investment of approximately $200 million dollars.

Grupo Bimbo's "Reduction of Environmental Footprint" program has been developed throughout several years, under the highest performance standards and thus it is an effort acquiring more relevance.

Currently, the Groups manages the following action lines: Carbon Footprint Reduction, Hydric Footprint Reduction , Integral Waste Handlin and Natural Capital..

According to the Company's vehicle replacement program, every year the most efficient delivery and transportation units available are incorporated to the fleet. In case of requiring the transportation services of another supplier, the Company verifies that the supplier satisfies the standards established by Grupo Bimbo.

With respect to diesel and gasoline, used by the fleet of transportation and distribution, the Group has gas stations within its premises which are supplied regularly. Also Grupo Bimbo has a number of vehicles which run with LP gas and diesel instead of gasoline which are used in the large cities, in order to help to protect the environment.

In July 2012 Grupo Bimbo entered into an agreement with Mercedes-Benz to reflect its commitment of preserving the environment and using technological innovation as an essential tool for implementing sustainable actions at each stage of the productive chain. As a result of the above, the testing period of the "Sprinter" units formally began, which will go to the product distribution activities of the various brands of Grupo Bimbo, as such vehicles feature an ecologically efficient technology which allows better performance in terms of fuel consumption and a substantial reduction in emissions to the environment.

In 2013, the Group opened the first Eco Sales Center in downtown Mexico City, which aims to meet the needs of Grupo Bimbo's distribution in the Historical Center of the City. The vehicle fleet consists of 73 power units that do not generate emissions to the environment and assist in the mobility of this important area of the City. This Center integrates rainwater harvesting systems, water recycling for washing the vehicles, a wind turbine, green walls, solar cells and mechanisms of efficient lighting.

In spite of having a large number of premises and vehicles working in a continued way, the energetic consumption does not represent a considerable expenditure in relation to its costs, due to the efficiency in the design of the distribution routs and the control of the operation.

**d. Inventory**

**Production Inputs**

According to Grupo Bimbo's policies of keeping its products fresh in the market and considering that these are perishable, Grupo Bimbo manages at an operative level the totality of its inventories using the last-in-first-out method to assign costs to inventory.

Because of the nature of the products that the Company produces, it maintains high inventory turnover rates of production input, primarily those perishable products to a greater extent, as the necessary inputs, for the development of packaged bread, sweet bread, cakes and cookies. In Mexico, most of the inventories are located under Custody and are supplied on a recurring basis, even with a daily delivery rate.

The inventory administration of the production inputs is done through the classification of it according to its logistics:

- ***Locals***. The negotiation and supply of which is realized in the Regional Corporative, but its request and its storage are directly managed by each plant.

- ***Centralized.*** The negotiation of which is handled in a corporative, the supply and importation of which is made by the Regional Corporative.

**Finished Products**

The Group´s production plants and distribution centers are strategically located, which allows it to consolidate its operations in each region and to efficiently distribute its products. In addition, the Group has successfully implemented an interconnected system that allows it to synchronize its production capabilities with consumer demands, resulting in optimal levels of customer order management and thus, very low inventories of its finished products.

Once finished, the baked goods are immediately shipped to the distribution centers and points of sale. Inventories of salted snacks and confectionery goods have an average turnover rate of three days. Inventories of dried products, such as toasted bread and breadcrumbs, cookies, candies and chocolates, have a longer turnover rate, due to the nature of the products and the use of certain preservation technologies. The Group's high inventory turnover rate is driven by its customers´ needs based on daily orders and consumer behaviors.

**e. Quality Control System**

Quality is essential for the Group, and is one of its fundamental values. Over the past years Grupo Bimbo has strengthened the effectiveness of its quality systems in order to ensure safety and consistency of its products in the geographical areas in which it operates.

As a key element of its objective of being the best baking company in the world and a leader in the food industry, Grupo Bimbo has implemented a quality control system tailored to its individual needs and has adopted the highest international standards, driven by our strong commitment to ensure the satisfaction of its customers and consumers. This system involves quality control and food safety, providing enhanced customer service, promoting and preserving not only a healthy labor environment, but also creating an extraordinary place to work in, consolidating as a socially responsible company which is sustainable and leader in respecting the environment in order to contribute to the overall development of the community. Given the importance of food quality and safety, one part of its quality control system is aimed at controlling and continuously improving the quality of consumables, processes and finished products, as well as to ensure that the raw materials used are of excellent quality in accordance with the Group's standards. With the implementation of its quality control system the Group has won several awards, including the Premio Nacional de Calidad Mexicano in 2007.

The Group has earned the loyalty of its customers and consumers by its adherence to the most rigorous and recognized international standards in the food industry, certified by independent organizations and agencies with a recognized international reputation. For example, on March 1, 2012 the Ministry of Economy granted Barcel the National Quality Award 2011 in the Large Industrial Company category, for its plant in Lerma, Estado de México. This award has been granted by the Ministry of Economy for 23 years recognizing the quality and competitiveness of more than 100 companies and public and private institutions in the country, which are characterized by their high performance, innovation culture and sustainability in their operations. Also, at the end of 2012, 3 of the Group's plants were certified in ISO 9001-2000, 33 plants have the have obtained the Hazard Analysis & Critical Control Points certification, or HACCP, and 8 have also obtained Business Alliance for Secure Commerce certification, or BASC, 90 plants are certified in standards which are internationally accepted and recognized by the GFSI (Global Food Safety Initiative) such as V6 BRC / SQF V 7, and are intended to standardize the best practices in the food industry in a way that ensures a safe product. Moreover, the ISO 9001-2000 are a series of international standards that provide guidelines for a quality management system and HACCP is a management system in which food safety is addressed through the risk analysis and control of biological, chemical, allergenic and physical hazards from raw materials and production, procurement and handling, to manufacturing, distribution and consumption of finished products. BASC certification addresses and seeks to prevent the risks associated with drug traffic, terrorism and merchandise smuggling, by controlling operating processes, personnel, access, infrastructure, suppliers, and even customers. Grupo Bimbo has positioned itself not only as a benchmark in terms of quality, but as a proponent of scientific and technological development in the food industry by implementing the Panamerican Bimbo prize with which has been granted to various researchers in Mexico and other countries.

**5. Prices**

The Company's general policies regarding the prices of its products are based primarily in the general conditions of the market and in the input costs of production.

Grupo Bimbo works to continuously maintain low prices and offering their consumers more competitive prices according to the Company's optimization of the processes system.

The rise of the prices in the Group is not only because of the eventual costs rise. Other factors are taken into account such as, market and competition, product sensibility and its market, a general research of the environment (mainly economical) and the no repercussion of inefficiencies by BIMBO in the consumer price. In this manner the Company considers it has an integral price system that allows it to locate itself as one of the leaders in the industry.

It is worth mentioning that practically none of BIMBO's products is under any price controls in effect by any governmental authority of the countries where the Company operates. See "Risk Factor- Increases in prices and shortages of raw materials, fuels and utilities could cause an increase in our production costs".

**6. Publicity and Promotion**

Grupo Bimbo has attained to boost in an important manner the incorporation of internet and social networks platforms to broaden its brand communication scope, especially for teenagers and young people audiences, for which this channel is relevant and with more affinity, which has provided important results in the generation of communities and users' participation.

Notwithstanding that open television is the communication mean used to the greatest extent, it also uses other means, such as pay television, outside advertising, radio, press, mobile advertisement (through the signage of different vehicles where its products are transported) and, of course, digital means with a relevant growth in the last year.

Grupo Bimbo initiated the execution of new commitments in publicity and children promotions, following the World Health Organization's recommendations. Therefore, the orientation of its publicity encourages the adoption of healthy life styles, advertising only those products addressed to children under 12 years that comply with established nutrimental profiles, based on scientific evidence and world-wide standards.

Grupo Bimbo continues its strategy to carry out massive advertisement and promotion campaigns aimed at maintaining the image and growth of its leading products, supporting the new products that have been launched to the market, this with the support of advertisement agencies and independent media centers to develop and broadcast its advertising campaigns.

**7. Technology and information systems**

**a. Technology**

Through its own area of investigation and development, the Company focuses itself to the applied technology that specialized groups of baked goods, salted snacks and confectionary goods, use. Some of their most important research areas are: longer life for products on the shelf, new products development, extensions of product varieties, healthy and ethnic products, improving quality of the products, developing new ingredients and the optimization in the use thereof, research for the improving of agricultural products, quality control, process changes, processes automatization, lines of production analysis and packages changes.

Due to the everyday increase in demanding markets and consumers, the technologies used have had to evolution continuously to obtain the improvements in the processes and in the produced products. This is why functional ingredients such as fiber, whole grains, free-trans fatty acids, the inclusion of vitamins, prebiotics, inclusion on the products which has represented a technological challenges which had to be overcome in the various markets.

Generally, the productive processes of baked goods are not paid by royalties or bonuses for technical assistance or technology transferences. The contracts in relation to these aspects are fundamentally agreements with several universities and research institutions and centers as well as the development with providers. The agreements referent to the extent, compromises, technology property, confidentiality, publications, and responsibilities are determined through specified and particular agreements. All of the above is realized with the purpose of finding innovative and vanguard technologies on baked goods, tortillas, and other foods types.

Regarding the machinery supply, BIMBO has very selective provider policy. Various criteria are contemplated in order to acquire new machinery, such as, specialization, sophistication, manufacturer's technique, state of the art technology, labor conditions, and special emphasis on their security levels, their technical services supplied after the acquisition, price and payment conditions. Said criteria are aimed to ensure the rigorous levels of efficiency, productivity and environment friendly policies, as well as the high levels of quality in all BIMBO products.

The Company develops many designs of the related technology and automatisms; however regarding the manufacturing of the machinery the Company uses third parties. In this case with the purpose of protecting the ownership of the design created, the Company executes confidentiality agreements with the providers.

BIMBO´s technological developments are patented. See "The Company – Business Description - Patents, Licenses, Brands and Other Contracts".

BIMBO considers that the Company does not depend exclusively on any of its technology providers or technical assistance, due to the existence of various providers in these services.

**b. Information Systems**

Grupo Bimbo uses automatized information systems for both, operative levels as well as management levels, which have been developed in various stages. The operational information systems link processes which include planning and the reception of materials, production control, sale process and integration with clients.

On the other hand, the manager information systems have a synthesis of the operative information that has been concentrated in the various plants and agencies in all the business sectors.

One of the principal purposes of the integration of both information systems mentioned above, is that inside the organizational structure of Grupo Bimbo the maximum responsibility may be delegated to each of its members, including the lower levels of the organization chart. Thus, the Company can count with a decentralized system for the decision making. See “The Company- Business Description- Human Resources”.

Since 2001, BIMBO operates a business solution integrated by an ERP system, on a data base with the capacity to manage large volumes of information. For implementation at sales spots, BIMBO has developed solutions oriented to achieve a greater operational efficiency and consistency across the markets in which it operates. As a result, this gives Grupo Bimbo major control and operative efficiencies. In the past years, in order to continually improve its operation, Grupo Bimbo has used data processing services in the cloud with excellent results.

This has allowed BIMBO to have a standardized and centralized business model which simplifies the information, installed on a modern and robust technology infrastructure that enables the integration into all operations of the Company.

During 2013, Grupo Bimbo continued its integration efforts of Sara Lee in the U.S. and Fargo in Argentina, where it completed the integration of its operational systems. Also, it focused its efforts and resources to the implementation of the new version of its direct sales system in Mexico, Brazil, Central America and China.

Operations in China and Bimbo Iberia and Bimbo Argentina work under the concept of on-demand services through an outsourcing system, for both, infrastructure and applications. In both cases, ERP services are handled from Austin, Texas, and functional support is received from Mexico. Likewise, the Group has advanced planning solutions for supply and distribution, using a similar platform on demand.

**c. Climate Change**

Climate change has modified, and it is expected to continue modifying some consumption patterns, including those with respect to the Company's products. As mentioned above in the section "Environmental Performance", Grupo Bimbo has taken specific actions to prevent and warn consumers about the risks associated with environmental impact and climate change (see “The Company – Business Description - Environmental”). In addition to the environmental commitment of Grupo Bimbo, these actions are aimed, among other things, to prevent the decrease in demand for their products, although Grupo Bimbo cannot assure that such actions will achieve that result.

**ii) Distribution Channels**

Within the Group’s strategies, direct distribution to points of sales has been one of the key factors of its success; this is why in the commercial area more than 54,000 people are employed. The Company has developed one of the largest fleets in the American continent with approximately 52,000 distribution routes, 44,411 own units, 41,235 in delivery, more than 1,670 in transportation and around 4,556 supervision units, in addition to the foregoing, the outsourced distribution units and/or independent operators both in the United States and in Central and South America.

Every day, the sales department is in charge of visiting more than 2.2 million points of sale. The Company has more than 1,600 sale centers, each of which may operatively depend on one or several plants, even when it is not located near it. Distribution agencies may work with more than one brand.

The delivery vehicles fleet consists mainly in small and efficient units, as well as large sized units (*rabones*), for distribution to institutional customers. The primarily transportation, i.e. the factory to agency transportation, is performed through loaded semi-trailers, which can be single or double, depending on the applicable laws of the relevant country. As of December 31, 2013, the vehicles used by Grupo Bimbo around the world were distributed according to the following:

| Vehicles | | | | | Distribution Centers |
|---|---|---|---|---|---|
| Delivery | Transportation | Trailers | Others | Total | |
| 41,235 | 1,670 | 5,940 | 4,611 | 53,456 | 1,560 |

The fleet has an 8 year average age and new units are incorporated on an annual basis, whether due to replacement or growth, in order to improve the services to customers, reduce the environmental footpring and optimize operation costs.

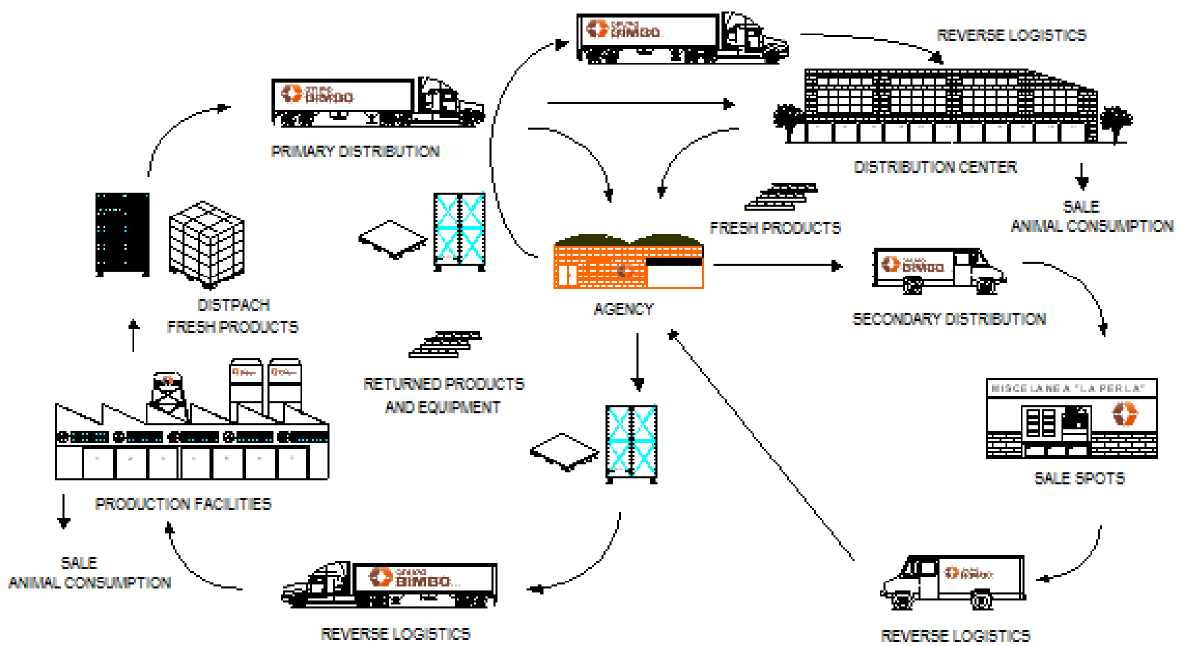
The sales area prepares an order for the production area a week in advance and, prior to the remittance of the product to the sales centers, it may be adjusted five, four or three days before, depending on the relevant product line and availability. Finished products are delivered to the dispatch area and are inspected to confirm the compliance with the Group's quality standards, a cross-platform may be made for its direct remittance to the sale centers (where the load is consolidated), or in order to configure the orders, in accordance with the amount requested by each Sale Center. Products are placed in plastic baskets and loaded in own or third-parties' trailers, which carry out the trips scheduled on a daily basis for the transportation and delivery to the sale centers.

At the sale centers, fresh products are downloaded from the trailers and are grouped in the area assigned for the reception and control thereof, to be subsequently distributed in accordance with the order of each route on the sales vans.

At the agency, salesmen go to their route to visit the customers in accordance with the scheduled itinerary. Currently, 100% of the own routes have a hand held, where they keep control per client of the products placed and removed in each visit. Products which are removed because they were not sold once the period established for their exhibition has expired are substituted with other fresh products without cost for the client. It should be clarified that, notwithstanding such products still may be consumed on the date when collected they do not have the "high freshness" quality.

Destination of the returned products may be as follows: (i) sale in "yesterday bread" outlets, where the returned product is offered for sale from two to four days at a lower price (these outlets may be owned and operated by BIMBO or operated by third parties); or (ii) selling the product by weight for use as cattle food.

## LOGISTICS AND DISTRIBUTION OF PRODUCTS




Each of the Group's salesmen visit an average between 25 and 30 customers of the traditional channel on a daily basis, while in the case of larger customers the daily average visits are between 3 and 6 customers. Based on its production and sale levels, visits to each customer may be daily, every three days, two times a week or weekly. The Company classifies its customers according to their purchase volume, type of distribution channel and by individual characteristics. The Company's customers include supermarkets, convenience stores, institutional customers, fast food chains, schools, customers with vending machines and traditional customers (such as grocery stores). It should be noted that the later represents a 67% of the total sales volume. See "The Company – Business Description- Main Customers".

In the United States due to the markets characteristics regarding type of clients and distances, the visit average is between 9 and 15 clients daily.

While the Group operates directly all routes in Mexico, around 61% of the routes in the USA are by independent operators. Generally, the Group signs long term agreements with these operators, who commit to exclusively sell the Group's products. The terms of these agreements describe which territories are to be covered by the independent operators and their compensation based on the sales carried out. The Group keeps a strict control on its brand handling, market strategies, prices and the right to purchase the agreements of each of the independent operators when circumstances so allow. The Group uses independent operators when convenient, in order to reduce distribution costs and to increase flexibility in order to efficiently cover sale points while maintaining its quality in the services.

Traditional channel sales are made principally with cash, even though credit schemes also exist. The credit conditions and discounts granted to medium and large clients vary according to the product and the client or supermarket chain.

### iii) Main Customers

Grupo Bimbo has more than 2.2 million points of sales and has strong relationships with its customers and strives to understand and meet their specific needs. Grupo Bimbo has a diverse client base among and within the countries in which it operates that range from large institutional customers to small family- owned businesses.

In the United States, most of its customers are supermarket chains, followed by price clubs, restaurant chains, institutional customers and convenience stores. Among its main customers in the United States are Basha's, Costco, Denny's, H.E.B., Kroger, Costco, Publix, Raley's, Safeway, Sam's, Supervalu, Target, Wal-Mart, Wegmans, 7 Eleven and the U.S. Army.

In Mexico, most of its customers are small family-owned convenience stores, but the Company also has a significant base of large institutional customers, including large retail stores, supermarkets, warehouses, price clubs, convenience stores and government-owned supermarkets, such as Al Super, Calimax, Casa Ley, Chedraui, Comercial Mexicana, Extra, H.E.B., Oxxo, 7 Eleven, Soriana, Smart and Wal-Mart. The Group also serves large fast food chains and other large institutional customers, such as Burger King, McDonald's, *Sistema Integral para el Desarrollo Integral de la Familia* (DIF) and hospitals belonging to the Mexican Social Security for Governmental Employees (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* (ISSSTE)) and the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*).

In Latin America, more than half of its sales are to supermarket chains and hypermarkets. Over the last three years the Company has invested to enter the traditional channel. Among its main customers in the region are Carrefour, Cativen, CBD, Cencosud, Central, Disco, Éxito Coto, Olímpica, Santa Isabel, Selectos, Supermercados Peruanos and Wal-Mart.

In Spain and Portugal, most of the Group's sales are made to retail supermarkets. The main consumers in Spain and Portugal include Mercadona, Carrefour, Eroski, Día, Grupo Corte Inglés, Alcampo, Burger King, Caprabo, Consum, AhorraMás, Gadisa, El Árbol, Miguel Alimentación and LIDL Supermercados.

On 2013 closing, the Group's main client, Wal-Mart, represented 14% of the consolidated sales. Except for Wal- Mart, individually, no client represents more than 3% of the Company's consolidated sales, therefore it does not depend on any of them.

### iv) Patents, Trademarks, Licenses and other Contracts.

#### 1. Brands and Logos

BIMBO's most important brands, slogans and logos are protected by trademarks in the countries in which the Group operates and in many other countries. The Company manufactures or commercializes more than 10,000 products with more than 100 well-known brands, including, among others, *Bimbo*, *Oroweat*, *Arnold, Brownberry, Marinela, Thomas´, Barcel, Sara Lee, Entenmann´s, Ricolino, Tía Rosa, Pullman, Stroehmann, Mrs. Baird´s, Fargo, Lactal, Freihofer´s, Wonder, Vero, Nutrella, Plus Vita, El Globo, Milpa Real, Lara, Coronado, Earthgrains, Maiers, Eureka!, Ana María, Gabi, La Corona, Del Hogar, Holsum, Heiners, Rainbo, Sunbeam, D´Italiano, Colonial, Firenze, San Luis Sourdough, Saníssimo, Lonchibón, Chick´s, Ball Pack, Beefsteak, Monarca, Cena, Summaid, Laura, Europa, Tradição, Fuchs, Mamá, Inés, Los Sorchantes and El Maestro Cubano*, from which BIMBO is holder in México and abroad. Such brands are relevant because they cover products or group of products representing an important sales volume.

Currently, the Company has approximately 6,961 brand files and registries in Mexico and more than 16,166 abroad. To this date, the Group has brands registries in all continents. However, the trademark for *Bimbo* is held by others in Chile and certain European countries, and the trademark for Marinela is held by third parties in El Salvador and Honduras, which were already registered by local producers. Therefore, the Company's products in those countries are sold under the brands *Ideal and Marisela*, respectively. Notwithstanding the Company's designs and packages are used in those countries. In addition to the foregoing, the Company has several has several dominium names registries related to the Company's most important brands.

Grupo Bimbo uses its brands in the national market through its subsidiaries (Bimbo, S.A. de C.V. and Barcel, S.A. de C.V., among others), and abroad through its subsidiaries in each country where it operates. Therefore the Group's most important brands are granted under licenses to each of the subsidiaries, through the relevant agreements. Likewise, some of the Company's subsidiaries abroad have own brands which they use in a direct manner.

**2. Patents and Copyright**

**Patents**

The protection of the Company's inventions through patents is of paramount importance and a common practice to integrate and consolidate the Group's intellectual capital. The Company operates primarily with machinery developed with state-of-the-art technology and it has a Research and Development Department which regularly requests patent protection to inventions in Mexico and abroad.

As of December 31, 2013, the Company had 179 requested and/or granted patents and/or industrial designs in Mexico and 174 abroad, mainly in the United States, Argentina, Chile, China, Colombia, Korea, Costa Rica, Salvador, Philippines, Guatemala, India, Peru, the Czech Republic, Taiwan, Turkey, Venezuela and the European Union.

**Copyright**

The main characters, publications, computer systems, logos and package designs used by the Company in its operations are protected by copyrights in Mexico and abroad.

**Litigation**

As of December 31, 2013, BIMBO is not a party, in Mexico or abroad, of any judicial, administrative or arbitration proceeding in connection with the intellectual property which is not within the ordinary course of business or which may have a significant adverse effect. See ―The Company – Business Description – Judicial, Administrative or Arbitration Processes.

**3. Contracts**

BIMBO maintains several contracts within the ordinary course of business, such as software licenses, raw materials supply, manufacturing, machinery purchase or lease, in-bond manufacturing agreements, distribution and commercialization agreements; which may be short, medium or long term agreements, depending on the needs and strategies for its operation.

Additionally, BIMBO executes the necessary agreements for the ordinary course of it business.

**v) Applicable Legislation and Tax Status**

The development of the Group's business is regulated by several laws, rules and regulations, and general governmental provisions the purpose of which is to ensure their correct performance. The rules relating to the environment, health, advertising and intellectual property are particularly relevant to the results of the Company.

In México some of the main applicable laws to BIMBO and its operations are the commerce, corporate governance and environmental regulation such as the Commerce Code (*Código de Comercio*), General Corporations Law (*Ley General de Sociedades Mercantiles*), Securities Market Law (*Ley del Mercado de Valores*), General Law of Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y Protección al Ambiente*), the National Water Law (*Ley de Aguas Nacionales*) and the General Law on the Prevention and Integrated Water Management (*Ley General para la Prevención y Gestión Integral de los Residuos*). Also, the following laws are applicable thereto: General Health Law (*Ley General de Salud*), Federal Law of Consumer Protection (*Ley Federal de Protección al Consumidor*), Federal Law on Metrology and Standardization (*Ley Federal sobre Metrología y Normalización*), Federal Labor Law (*Ley Federal del Trabajo*), Social Security Law (*Ley del Seguro Social*), Federal Rights Law (*Ley Federal de Derechos*), Customs Law (*Ley Aduanera*), Administrative Procedures Federal Law (*Ley Federal de Procedimiento Administrativo*), Personal Data Protection Federal Law (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), Federal Economic Competence Law (*Ley Federal de Competencia Económica*) and Industrial Property Law (*Ley de la Propiedad Industrial*).

In the same way, the Company is required to take the necessary actions to abide the following regulations and NOMs: Regulation of the General Law of Ecological Equilibrium and Environmental Protection in the Field of Environmental Impact (*Reglamento de la Ley General de Equilibrio Ecológico y Protección al Ambiente en Materia de Impacto Ambiental*); Regulation of the General Law of Ecological Equilibrium and Environmental Protection on Prevention and Control of Air Pollution (*Reglamento de la Ley General del Equilibrio Ecológico y Protección al Ambiente en Materia de Prevención y Control de la Contaminación de la Atmósfera*); Regulation of the General Law of Balance Ecological Environmental Protection in the Register of Emissions and Pollutant Transfer (*Reglamento de la Ley General del Equilibrio Ecológico y la Protección del Ambiente en Registro de Emisiones y Transferencias de Contaminantes*); Regulation of the General Law on the Prevention and Integral Management of Wastes (*Reglamento de la Ley General para la Prevención y Gestión Integral de los Residuos*); Regulation of the National Waters Act (*Reglamento de la Ley de Aguas Nacionales*); Regulation for the Determination of the payment of the no expiration Guaranty Quota of National Waters Rights (*Reglamento para la Determinación del pago de la Cuota de Garantía de no caducidad de Derechos de Aguas Nacionales*); Regulation of Sanitary Control of Products and Services (*Reglamento de la Ley General de Salud en Materia de Publicidad*); Rules of the Federal Commission For Protection Against Health Risks (*Reglamento de Control Sanitario de Productos*); Rules of the Federal Commission for Protection Against Health Risks (*Reglamento de la Comisión Federal para la Protección contra Riesgos Sanitarios*); Rules of the General Health Law Sanitary Control in the Field of Activities, Establishments, Products and Services (*Reglamento de la Ley General de Salud en Materia de Control Sanitario de Actividades, Products and Services*); Regulations on Safety and Hygiene at Workplaces (*Reglamento de Seguridad e Higiene en el Trabajo*); NOM-030-SCFI-2006, Commercial Information-declaration of quantity on the label-specifications (*Información comercial- Declaración de cantidad en la etiqueta*) NOM-050-SCFI-2004, Commercial Information Products general labeling (*Información comercial-Etiquetado general de productos*); NOM-051-SCFI-1994 – General Requirements for food-labeling and pre-packaged soft-drinks (*Especificaciones generales de etiquetado para alimentos y bebidas no alcohólicas preenvasados*); NOM-186-SSA1/SCFI-2002, Products and services: Cocoa products and derivates I. Cacao. II Chocolate. III Derivates, Health Specifications Trade Name (*Productos y servicios: Cacao, productos y derivados, I. Cacao. II Chocolate. III Derivados, Especificaciones Sanitarias Denominación comercial*); NOM-086-SSA1-1994 Goods and Services. Food and non-alcoholic Beverages with modifications in its composition. Nutritional Specifications (*Bienes y servicios. Alimentos y bebidas no alcohólicas con modificaciones en su composición. Especificaciones nutrimentales*); NOM-251-SSA1-2009 Hygiene practices for processing foods, beverages or nutritional supplements (*Prácticas de higiene para el proceso de alimentos, bebidas o suplementos alimenticios*); NOM-015-SCFI-2007, Commercial Information Labeling of Toys (*Información comercial- Etiquetado para juguetes*); NOM-247-SSA1-2008, Products and Services. Cereals and their Products. Cereals, cereal flour, meal or semolina, Based Foods, grains, edible seeds, flour, meal or semolina or mixtures thereof. Bakery Products. Provisions and Sanitary and nutritional specifications (*Productos y servicios. Cereales y sus productos. Cereales, harinas de cereales, sémolas o semolinas. Alimentos a base de: cereales, semillas comestibles, de harinas, sémolas o semolinas o sus mezclas. Productos de panificación. Disposiciones y especificaciones sanitarias y nutrimentales*). Test Methods, NOM-028-SCFI-2007, Commercial Practices information elements collectable promotions and/or promotions through sweepstakes and contests, (*Prácticas comerciales-Elementos de información en las promociones coleccionables y/o promociones por medio de sorteos y concursos*); NOM-002-SCFI-2011 Pre-packed products. Net, Tolerance, Verification Methods (*Productos Preenvasados-Contenido Neto-Tolerancias y Métodos de Verificación*); among others.

Regarding environmental regulation, the Company has to fulfill the following procedures and requirements: operating license manifest, hazardous waste generating entity, records of hazardous and non-hazardous generating entity, hazardous and non-hazardous waste management plan, environmental permits, discharge of wastewater permit, waste separation, concession titles to use and exploit national waters, among others, and in for new plants or expansions should have documents as the environmental impact study and risk analysis, construction license, land use permits, etc.

Furthermore, the following regulations are also applicable to the Group's operations: The Law for the Institute of the National Housing Fund For Workers (*Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores*), The Law of Roads, Bridges and Federal Motor Carriers Act (*Ley de Caminos, Puentes y Autotransporte Federal*), The Mexican Social Security Institute Law (*Ley del Instituto Mexicano del Seguro Social*), The Federal Tax Code (*Código Fiscal de la Federación*),the Public Service Act Power and their respective rules (*Ley del Servicio Público de Energía Eléctrica*); Advanced Electronic Signature Law (*Ley de Firma Electrónica Avanzada*);Public Private Associations Law (*Ley de Asociaciones Público Privadas*); Business Chambers and Confederations Act (*Ley de Cámaras Empresariales y sus Confederaciones*), Migration Law (*Ley de Migración*) and their respective regulations, Rules of Weight, Volume and Capacity of the Transportation Vehicles that transit Federal Roads and Bridges *(Reglamento sobre el Peso, Dimensiones y Capacidad de los Vehículos de Autotransporte que transitan en los Caminos y Puentes de Jurisdicción Federal*); Transit Rules in Roads and Bridges of Federal Jurisdiction (*Reglamento de Tránsito en Carreteras y Puentes de Jurisdicción Federal*); as well as provisions of state and municipal orders, such as the State Transit and Transportation Regulations (*Reglamentos de Tránsito y Trasporte Estatales*).

In the United States, the Company shall mainly comply with by the following regulations: the *Clean Water Act*, the *Safe Drinking Water Act*; the *Clean Air Act*, for which the Company has to install oxidative catalytic converters in the facilities that require it; *Oil Pollution Prevention Act, Emergency Planning and Community Right-to-Know Act of 1986 "EPCRA", Resource Conservation and Recovery Act "RCRA"*, Occupational *Safety and Health Act*, regulated by the *Occupational Safety and Health Administration* (OSHA), and *Bioterrorism Act* among others.

In Latin America, while the obligations under existing regulations differ in each of the jurisdictions, the Group must meet the following basic requirements on environmental permits: industrial settlement permits and approval of environmental and/or territorial (land use) impact studies, municipal consents, environmental approval of the facilities (environmental licenses or certificates of environmental suitability) and for the new plants or expansions, annual environmental renewals, or other intervals established in the relevant jurisdiction, registration of food products and food production establishments, performance of obligations related to the handling of hazardous, non-hazardous and pathogenic or special waste, zoning permits and exploitation of surface and/or underground water premits, permits to control and discharge or dump liquid effluents, control and monitoring of emissions to the atmosphere, registration and control of chemical precursors and other examinable products, enabling of fuel tanks, enabling of pressurized equipment, final disposal of PCBs and asbestos, noise control, vibration and odors emitted and contributions in connection with compliance regarding health, safety and occupational health.

In Spain and Portugal**,** the Group must comply with the following basic requirements of environmental regulations: have an updated activity license, have an environmental license, be authorized as potentially polluting activity for the atmosphere, have the emission sources registered, carry out the regulatory emission controls, have the refrigeration towers notified to the Administration, carry out clean-ups, disinfections and periodical analysis to the refrigeration towers, have the concession for water utilization (wells), have the residual water pouring permit, carry out periodical analysis to residual water, comply with the residual water pouring levels, be authorized as industrial waste producers, be authorized as toxic and hazardous waste small producers, handle all wastes with authorized handlers, produce the annual report on industrial waste production, be adhered to an Integral System for Packing Handling, collaborate with the corporate plane for packing prevention, carry out an annual packing statement.

Grupo BIMBO's plants satisfy all the established guidelines and procedures. Due to the variations of the law, the Company establishes updating with respect to the normative changes, and adequate to applicable laws in different countries, states, and municipalities where the Group's plants are located. It should be noted that BIMBO's internal policy covers a series of additional requirements.

As indicated in section "Risk Factors - Risks Related to the Group's Business and the Industry - Compliance with environmental and other governmental laws and regulations could result in additional expenditures or liabilities", modification or enactment of environmental laws, including laws related to climate change could require additional investment for Grupo Bimbo, which could affect its results of operations.

BIMBO's operations are also subject to specific technical regulations. In Mexico, the most relevant are:

- NOM-001-SEMARNAT-1996. Maximum permissible limits of pollutants in waste water discharges to national properties.

- NOM-002-SEMARNAT1996. Maximum permissible limits of pollutants to urban or municipal sewage systems.

- NOM-052-SEMARNAT-2005. Establishes the characteristics, identification procedure, classification and lists of hazardous wastes.

- NOM 085- SEMARNAT-2011. Atmospheric pollution – Maximum permissible emission levels of combustion equipment for indirect heating and the measurement thereof.

- NOM 043–SEMARNAT-1993. Sets the maximum permissible levels of emissions, to the atmosphere of solid particles from stationary sources.

- NOM 161-SEMARNAT 2011. Establishes the criteria for classifying special handling waste and determines which are subject to a management plan, listing, a procedure for inclusion or exclusion to that list, as well as the elements and procedures for the creation of management plans.

- NOM-001-STPS-2008 Buildings, premises, facilities and areas in the workplace - Safety conditions.

- NOM-002-STPS-2010. Safety, prevention and protection conditions and firefighting policies in work centers.

- NOM-019-STPS-2011. Creation, integration, organization and functioning of the safety and hygiene commissions.

- NOM-025-STPS-2008. Lighting conditions in workplaces.

- 68-SCT-2-2000-Land Transportation - federal motor carrier and passenger services, tourism, freight and private transport, physical-mechanical and safety conditions for operation on roads and bridges under federal jurisdiction.

- NOM-012-SCT-2-2008. On the weight and maximum dimensions that can move the motor carrier vehicles that travel through the general means of communication of the federal jurisdiction.

- NOM-043-SSA2-2012. Basic health services. Promotion and health education in food matters.

**Tax Status**

Grupo Bimbo and its subsidiary companies are taxpayers and legal entities which are required to comply with the tax provisions of each of the countries where they are established.

***Income taxes in Mexico***

The Company is subject to ISR and IETU until 2013.

ISR – The rate was 30% for years 2013 and 2012 and according to the new 2014 ISR Law will be 30% for year 2014 and thereafter.

IETU – Since 2014, the IETU was abrogated, and thus, until December 31, 2013, this tax was applicable to revenues as well as deductions and certain tax credits, based on cash flows of each fiscal year. The rate was 17.5%.

Until 2013, the income tax incurred was the higher of ISR and IETU.

From 2013, deferred income tax is calculated only due to the abrogation of the flat tax.

***Income taxes in other countries***

The Group's subsidiaries established abroad, calculate ISR on the individual results of each subsidiary and in accordance with the regulations of each country. (See Note 17 of the Audited Financial Statements attached to this Annual Report)

**vi) Human Resources**

From its foundation BIMBO has a personnel policy aimed to harmonize the Company's interest with those of its workers; this has led to the consolidation of an excellent labor relationship. This situation has been recognized not just by the Group's collaborators, but also by the business and academic community. The Company has sought to extend this philosophy to the companies that become part of the Group.

This has been endorsed with BIMBO´s recognition as one of the top five leading companies in México, according to the surveys conducted by HayGroup and the magazine, "Gestión de Negocios".

The Company pays special attention on the selection of its staff, which the Company seeks to keep informed about the financial and operational situation of the Group. BIMBO also makes periodic assessments of performance, directs and promotes the Company's personal and professional training.

The following table shows the number of Group collaborators, unionized and nonunionized, over the past three years:

| | As of December 31 | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| Unionized | 82,534 | 84,516 | 81,819 |
| Nonunionized | 42,881 | 40,835 | 44,928 |
| **Total** | **125,415** | **125,351** | **126,747** |

BIMBO handles a series of internal guidelines that allow it to maintain a positive relationship with unionized staff. Most of the Group's companies have a collective bargaining agreement, which is reviewed annually in relation to the tab of wages and every two years for the rest of its content.

It should be noted that since its inception, the Group has been marked to promote and preserve a healthy work environment. Therefore, BIMBO has earned several times Company recognition as an admirable Company by the Confederation of Workers of Mexico (CTM) and the Mexican labor authority itself.

The majority union of the Group has a record, as authorized by the Ministry of Labor and Social Welfare (STPS), as an External Training Agent, which endorses his guidance and interest in designing courses and training to their members.

The main trade unions with which BIMBO maintains employment in Mexico are:

- National Union of Flour, Bakers, Transportation and Allied Workers of Mexico (CTM).
- National Union of Food Industry and Allied Workers of Mexico (CTM).

Additionally, BIMBO has labor relationships with unions in the US, such as the International Brotherhood of Teamsters and the Bakery, Confectionary, Tobacco and Grain Millers International Union.

Of the total BIMBO unionized workers, 66% are affiliated with such unions.

Internationally, it should be noted that the relations in the countries where BIMBO operates have pursued the same policies of cooperation. In some countries, even the Company's labor model has served as a role model.

### vii) Environmental Performance

Grupo Bimbo understands that social responsibility brings the possibility to adopt best management practices and allows adherence to international standards that allow the Company an opportunity to be compared in a worldwide context and provides a training scheme that empowers individuals in their professional and personal life.

For these reasons in 2012 "Seeding Together" was born, as a new platform that guides the actions of the Group under a premise of joining efforts for the benefit of society, the environment and development, through a strategy focused on four pillars: Wellnes, Planet, Community and Contributors.

Under this new concept, the Group is working on the integration of its value chain in socially responsible activities that provide direct benefits to consumers and the community in general. These actions constitute a comprehensive program focused on social development; care, conservation and rescue of the environment; an improvement in the nutritional profiles of the products and actions to provide better working conditions for its employees.

Through the pillar "Seeding Together for a Better Planet" ("*Sembrando Juntos por un mejor Planeta*") Grupo Bimbo works in 4 main lines in order to reduce the environmental footprint: carbon footprint, water footprint, integral waste management and natural capital.

Carbon footprint: the Group has achieved significant reductions that contribute to reducing the carbon footprint, such as reducing direct energy consumption of non-renewable sources by 1'105, 51.58 Giga Joules. On the other hand, it increased by 345'670,150.78 Kilowatts time, its renewable energy consumption, through to the launch of the Piedra Larga wind farm. In addition, the Group achieved a saving of 12'143, 283.27 Giga Joules derived from the use of fuels.

Water Footprint: During 2013, the Group achieved a consumption reduction of 625,755.20 cubic meters of water at Grupo Bimbo.

Integral waste management: This program helped reduce by more than 50%, the amount of raw materials used for the manufacture of products and packaging. Additionally, the Company recycled more than 135,000 tons of waste.

Natural Capital: pillar that works with Reforestamos Mexico and other companies added to the project, 89 hectares of forests were reforested, with the participation of 8,900 volunteers.

### viii) Market Information

*Unless otherwise stated, references to market size, consumption, market shares and other references in the next section, are based on information from Datamonitor, which the Company believes are reasonable.*

## 5. Bakery Industry's General Overview

### Mexico

Bread industry in Mexico comprises, in first place, the traditional bread, which receives several names depending on the geographical region. This industry produces a great variety of bread manufactured in approximately 45 thousand traditional bakeries in Mexico. During the last years, in this same sector, a great number of supermarket chains have integrated their own in-store bakery departments.

In second place, the bakery industry, which in 2013 reached a value of $13,959 million dollars (Datamonitor includes *bread & rolls (without tortilla), cakes & pastries, cookies, morning goods* categories). Per capita consumption rises to 41.9 kilograms per year and expenditures associated with this is $120.1 dollars.

BIMBO has a strong recognition in the cookies category, through its *Marinela*, *Lara*, *Gabi*, *Bimbo*, *Tía Rosa* and *Suandy* brands. There are several competitors in this market, but the main one is Gamesa, a company pertaining to PepsiCo, which according to Nielsen as of December 31, 2013 has a market penetration of more than 50%, while BIMBO is second-ranked, with 37% in value.

Traditionally, white bread has been the most popular bread in Mexico, with a strong penetration in households. However, with the adoption of healthier diets by the consumers, white bread consumption has decreased and sales of substitute products, such as whole-grain breads, have increased.

Given that the packaged bread manufactured by BIMBO has more than 65 years of existence in the market, it has achieved to penetrate in the households of many Mexican families. It should be added to the foregoing that it is foreseen that the demand of this kind of product will continue increasing due to the growing incursion of women in the labor market.

The country's rural areas are not distant from this way of life therefore, thanks to the enlargement of the road network BIMBO can arrive to a great number of homes in the countryside, thus, collaborating with the feeding of this population sector.

Currently there are several competitors in the packaged bread market, whose brands have a local presence, such as: Dulcipán, S.A. de C.V., which prepares products under the *Don Toño* brand in Mexico City, and El Panqué, S.A. de C.V., with *El Panqué* brand, in central Mexico specially in the state of Durango. Additionally, in the cities of Mexico and Mérida, through self-service stores, the competitors are: Pan Filler, S.A. de C.V. which produces, under the *Pan Filler* brand, specialties bread (black, rye and German bread) under the *Pan Filler* brand; Industrializadora de Alimentos del Sureste, S.A., with the packaged bread *Boni Bon* brand, and Panadería El Cometa, S.A. de C.V., with the packaged bread *Don Rico* brand, and the *La Superior* brand competing in the state of San Luis Potosí. In 2009 Walmart introduces at a national level its packed bread and buns own brand under the Great Value brand. In Sinaloa there is *Pan Panama* and in the country's northern border there are the following brands which import packaged bread and rolls: *Nature's Own* and *Butter Krust*, produced by Flowers Foods, Inc. and *Hill Country* produced by the supermarket chain H.E.B. Likewise, in the border of Baja California Norte there is packaged bread under the *Bontri*, *Pantry Select* and *Sara Lee* brands, mainly. In the case of Ciudad Juarez, there is competence from Flowers Foods with products imported from the USA

BIMBO holds a share in the bakery market of approximately 37% in value (including *bread & rolls (without tortilla), cakes & pastries, cookies, crackers morning goods)*. The foregoing allows supposing that the Company has a broad growth potential.

In the bars category with less than a development decade, competence has been strong, seeking for alternatives to provide the consumers that wish to have a healthier feeding. In 2013, BIMBO kept its leadership in this category through innovation. Its main competitors in this segment are Kellogg's, Quaker and other importation bars.

However, it is important to highlight that the main competence faced by BIMBO in respect to its bakery lines is integrated with nearly 45 thousand traditional bakeries and in the considerable presence of bakeries in the supermarket chains, which gave an impulse to their private label packaged bread since 2009.

**United States**

BIMBO participates in USA through BBU, engaged in the production, distribution and commercialization of packed bread and sweet bread to retail and institutional customers. The main brands include *Arnold, Brownberry, Oroweat, Thomas, Stroehmann, Freihofer, Dutch Country, Maier's, D'Italiano, Entenmann's,* *Bimbo, Marinela, Mrs. Bairds, Sara Lee, Earthgrains, Holsum, Colonial, Rainbo, Sunbeam and Heiners*. BBU is one of the most important players in this country's industry. Some of its competitors are Flowers Foods, Pepperidge Farm and regional products, in addition to private brand products. The packed bread industry in the USA is much more competitive than in Latin America and consumers are more interested in low-carb diets and whole-grain breads. It is a mature market with established brands. However, the product differentiation, solid pricing initiatives and distribution density and their efficiency are key factors in the results of this market.

United States represents the second largest market of the bread industry per income and production in accordance with the IBIS World. In 2013, in accordance with Datamonitor, in the United States de market value of the bread industry (including *bread & rolls (without tortilla), cakes & pastries, cookies, morning goods)* is of approximately $49,191 million dollars, which is equal to a per capita consumption of 39.7 kilos per year, with an expense used for this item of $155 dollars. Bread industry in the US is highly fragmented, being three the major scale producers.

At the beginning of the preceding decade, the industry was affected by low-carb diets. However, the industry has adapted well to this new trend and bread sales have recovered, attracting consumers to breads with added nutritional values as well as healthy alternatives. Bread market has recovered its way, supported by campaigns such as *"Grains for Life"* by the *American Bakers Association* and *American Millers Association*. The Company has introduced a variety of whole-grain products and a sophisticated series of healthy products. BBU offer products under the *Oroweat, Arnold and Brownberry* brands with a strong presence in the healthy bread sector. Other brands owned by BBU such as *Thomas'* are highly differentiated products due to their originality with low competence in private brands.

The private brand sector, especially in the white bread category, is a key sector that has continued growing against the low-cost brands. Regional BBU brands are mainly affected by this trend; however, since each of these brands is the great favorite at a regional level, the possibility of being affected is lower than the secondary local brands.

In the last years, consumers in the United States have shown a greater preference for large retail chains, therefore the mixture of sales channels has changed significantly. Traditional supermarket chains have been challenged by large retailers such as Walmart, Sam's Club, Costco and Target.

Inflation in raw materials has been the biggest challenge for the bread industry in the United States, particularly increases to wheat costs, energies and costs in connection with health. The industry faced a hyperinflation period in 2007 and 2008 when the costs of wheat flour were above 10 Dollars per Bushel. Wheat costs averaged $7.3 and $7.8 Dollars per Bushel in 2013 and 2012, respectively. Grupo Bimbo currently has risk management policies in order to mitigate the risk due to changes in raw material prices.

**Latin America**

The Group actively participates in Latin America, where the consumers' behavior and preferences are very similar to those observed in Mexico. The Latin American countries where the Company operates are: Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. In the case of Nicaragua, even though it has no facilities, it distributes its products through strategically located agencies.

In global terms, the Company's market participation in the bakery industry in these countries is below 10%.

**Asia**

After a long investigation and analysis period, in 2006, Grupo Bimbo initiated operations in the Asian continent. China was selected as the country which offers the best economic and potential growth conditions in the region, therefore, through the acquisition of a bakery company with a strong presence in the city of Beijing, BIMBO ventured in this market.

**1. Wheat Flour Tortilla Industry General Overview**

BIMBO has a national presence in the market for wheat flour tortillas, participating with its brands Tía Rosa, Del Hogar and Wonder, offering a range of products to meet different tastes and needs of consumers.

Consumption of wheat flour tortillas is high in different areas of the country, the most representative being the North, Northwest, Southeast and Bajío, where a large amount of tortilla producers offer their products locally.

The second producer in Mexico is Gruma, which distributes its products in the North of the country and nationally through chain stores. It has its largest market in the United States, where it leads with a wide variety of products.

This is a product that is highly regionalized, because it can be found in a wide range of tortillas, different in formulation and in size, according to the customary use of the product in each location.

**2. Salted Snack Industry General Overview**

At 2013 closing, the salted snack industry in Mexico, including the peanut category, had an estimated market value of $47,949.9 million pesos, which represented a 15.1% increase compared with the preceding year.*

It is calculated that 76% of people have consumed snacks (corn, potato and extruded) in the preceding month and 60% peanuts. **

The greater proportion of snack consumers is not limited to do it in a certain place and they consume them both inside and outside home.

The most purchased presentation is the individual-size presentation which is mainly acquired in grocery stores, while presentations other than the traditional bag, as well as large presentations are mainly acquired in self-service stores.

*Barcel* holds the second place in the salted snacks market, including peanuts, in Mexico with a 21.4% share in the market in value as of December 2013, after Sabritas, company owned by PepsiCo. which has a 68.4% share as of December 2013. Taking into account that BIMBO initiated in 1977 its participation in these segments, it has achieved a very good position within these markets and has a positive trend, because it has built its brand image from differentiated products.*

Barcel has 37 years of history in the salted snack market and as part of the Group, it is a 100% Mexican company with national presence. The distribution of its products has national coverage, in addition to its presence in the USA with the Takis, Churritos, Tostachos, Chipotles, Chip's, Chicharrones, Hot Nuts, Runners and Barcel Peanuts brands.

It is important to mention that upon 2013 closing, Barcel is the manufacturer with greater increase in market share from January (19.8%) to December (21.7%) 2013, because it grew above the category. The growth is present, among other factors, due to the good performance of the chip's brand in the chip segment, in which Barcel grew from 23.9% in January to 28.7% in December in 2013, in the total value in Mexico.*

** Source: Nielsen, RIE Dec. 2013.*
*** Source: U&A Brain, 2012.*

**3. Confectionery Goods Industry General Overview**

The confectionery industry in Mexico is highly diversified and competitive. It is conformed of more than 2,000 various players which comprise both small companies and large worldwide competitors. The confectionery market can be broken down into three major segments: (i) sweets (41% of value and 59% of total volume), which includes lollipops, gum, marshmallow (covered and simple), spreads, chocos, pulp, wrapped candies and covered treats, (ii) gums (32% of the value and 21% of total volume), which includes chewing gums with and without sugar; (iii) chocolates (27% of value and 19% of total volume), which includes domestic and imported chocolate bar, surprise and fine filled chocolates.

The sugar candy segment is highly fragmented in such 3 broad categories aforementioned. Within the category of chocolates, there are 2 subcategories: chocolate candy and chocolate fillings. On the other hand, sugar candy is fragmented into 10 subcategories: sweets participate in 8 subcategories: Palettes, Sweets, Pulps, Gummies, Simple Marshmallow, Covered Marshmallow, Cream, Mazapán, Typical Sweets and Powder; Chewing gum includes 6 subcategories: Covered with and without sugar, Bomb, Slab, Compressed and with filling*.

The dynamism in this market demands a constant innovation as well as offering new high quality products. One main characteristic of the confectionery goods products is that they are based in "fashion" and in a mainly child and youth market. Therefore, it has been forced to adapt to the consumers preferences in the last years.

*Organización Barcel* participates in all the confectionery goods segments and in addition there are second-ranked in the market with 18.6% in the market share per value. The main competitors faced Organización Barcel are: Adams, Canels, Ferrero, Mars, Hershey's, De la Rosa, Nestlé, Sonric's, EFFEM and Turin.**

**ix) Corporate Structure**

Grupo Bimbo is a holding company which, as of December 31, 2013 was a direct or indirect owner of shares in its 5 primary operational subsidiaries. The table shown below lists the most important corporations, their main activity and the equity holding percentage held by Grupo Bimbo in each of them.

| Subsidiary Companies | Main Activity | Holding |
|---|---|---|
| Bimbo, S.A. de C.V. | Baking | 97% |
| Barcel, S.A. de C.V. | Candies and Snacks | 97% |
| Bimbo Bakeries USA, Inc. | Baking | 100% |
| Bimbo do Brasil, Ltda. | Baking | 100% |
| Iberia | Baking | 100% |

**x) Main Assets Description**

**1. Premises**

**a. Production Plants**

As of December 31, 2013, Grupo Bimbo had 144 production plants distributed as follows:

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

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

- 31 in Central and South America; in Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Honduras, Guatemala, Panama, Paraguay, Peru, Uruguay and Venezuela.

- 1 in China.
- 9 in Europe; in Spain and Portugal.

The Group owns approximately 93% of the production plants, and leases the remaining 7%.

In 2013, the Company carried out capital investments for approximately $543 million dollars, which were financed with own funds.

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

# MEXICO

| | Number of plants |
|---|---|
| Bimbo S.A | 29 |
| Organización Barcel | 10 |
| Moldes y Exhibidores | 1 |
| **TOTAL** | **40** |

# METROPOLITAN AREA

# USA

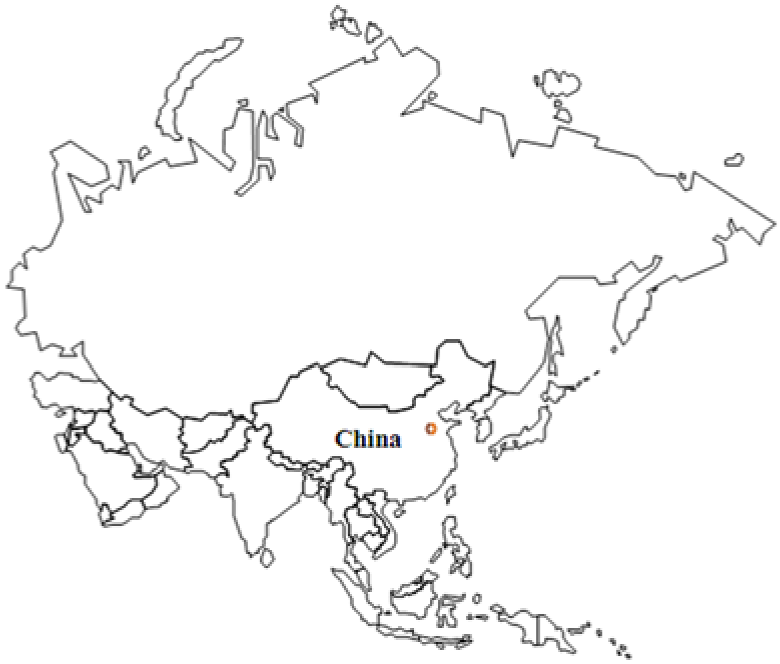
| | Number of plants |
|---|---|
| Bimbo Bakeries USA | 62 |
| Organización Barcel | 1 |
| **TOTAL** | **63** |

# LATIN AMERICA

| Latin Sur | Número de plantas |
|---|---|
| Argentina | 5 |
| Brasil | 8 |
| Perú | 1 |
| Paraguay | 1 |
| Uruguay | 3 |
| Chile | 2 |
| **TOTAL** | **20** |

| Latin Centro | Número de plantas |
|---|---|
| Guatemala | 1 |
| El Salvador | 1 |
| Honduras | 1 |
| Costa Rica | 1 |
| Panamá | 1 |
| Colombia | 4 |
| Venezuela | 2 |
| **TOTAL** | **11** |


# ASIA




# IBERIA

The following table shows the utilization percentage of the major capital investment lines' installed capacity as of December 31, 2013:

| Organization and type of product | |
|---|---|
| **Bimbo, S.A. de C.V.** | |
| Bread, rolls, doughnuts, sponge cakes, toasted, cookies, cakes, suavicremas, wheat tortillas | 55% |
| **BBU** | |

| | |
|---|---|
| Bread, rolls, doughnuts, sponge cakes, pies, tortillas, tostadas and chips | 55% |
| **LAS**<br>Bread, rolls, doughnuts, sponge cakes, toasted, cakes, cookies, Swiss roll, puff pastry and tortillas | 40% |
| **LAC**<br>Bread, rolls, doughnuts, toasts, cookies, cakes, flour wheat tortillas | 49% |
| **Barcel, S.A. de C.V.**<br>Snack and confectionery godos | 51% |
| **Bimbo Iberia**<br>Bread, buns, thins, toasts and bars | 63% |
| **Organización Asia**<br>Bread, buns | 20% |

The utilized capacities were calculated based on 168 productive hours per week. Hours are used as measuring parameter because the mixture of the different products of each line implies the utilization of different volumes and weight, which impedes the direct comparison of all products and lines capacities.

**b. Agencies**

As an important part of its distribution process, the Company has approximately 1,600 distribution agencies, each of which operatively depends of a specific plant, even though it is not located nearby.

**2. Asset Maintenance**

In order for Grupo Bimbo's operations not to be suddenly affected, there is a policy to have preventive predictive maintenance programs, applied to all its assets, including several equipment and vehicular fleet. The purpose is that all the Group's premises and equipment present optimal operation and appearance conditions, and that they do not only comply with the governmental rules and regulations, but that, in first instance, they maintain a wellbeing and safety environment for the personnel.

When the situation so requires, the corrective maintenance is used. However, such situation occurs eventually and, therefore, it does not represent a habit in the Company.

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

**3. Guaranties on Assets**

On the date of this Annual Report, the Company has not created liens on its important assets.

**4. Insurance**

Grupo Bimbo has worldwide formal insurance policies that adequately cover its properties in case of risks such as fire or any other natural phenomenon, as wells as business interruption. Grupo Bimbo also considers that it has adequate coverage to cover damages caused to others.

In the case of the vehicular plant, Grupo Bimbo's policy is not to resort to a conventional insurance therefore, it created a "self-insurance" program, based both on the available cash flows and high discipline on its vehicle maintenance and handling policy, although the Group complies with the local regulations by having coverage for third party liability in every region.

In accordance with the above, the Company has workshops for repairs of its vehicles because according to a study, such repairs are cheaper than paying an insurance policy, considering the proportion they represent in relation to the total amount invested in the vehicles comprising its fleet and the low rate of road accidents.

**xi) Judicial, Administrative or Arbitration Processes**

BIMBO and some of its subsidiaries face certain judicial processes as a consequence of their ordinary course of business. As of December 31, 2013, there was no knowledge that the Group or its subsidiaries, its directors, principal shareholders or key officers are involved in judicial, administrative or arbitration processes that have had or might have a material adverse effect on the Company's or its subsidiaries' operation results and financial status.

As of the date of this Annual Report, the Company does not fall within the circumstances established in Articles 9 and 10 of the Bankruptcy Law (*Ley de Concursos Mercantiles*) and has not been declared, nor it may be declared, bankrupt.

**xii) Shares Representing the Capital Stock**

As of the date of this Annual Report, BIMBO'S capital stock at nominal value amounts $4,227 million pesos, represented by 4,703,200,000 outstanding Series "A" common nominative shares, with no par value, fully subscribed and paid, all of them representing the minimum fixed portion without right of withdrawal of the capital stock (see Note 15 to the Audited Financial Statements).

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

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

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

On April 28, 2011, BIMBO carried out a split of the shares representing its capital stock, making outstanding Issue 2011-I, through which the Company's capital stock was not modified and remained represented by 4,703,200,000 shares.

**xiii) Dividends**

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

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

Dividends paid during 2013 and 2012 amounted:

| Year | Number of outstanding Series "A" shares (thousand) | Dividends per Series "A" share | Total amount of dividends paid (million pesos) |
|---|---|---|---|
| 2012 (April) | 4,703,200 | 0.15 | $705 |
| 2013 (April) | 4,703,200 | 0.165 | $776 |
| 2013 (December) | 4,703,200 | 0.35 | $1,646 |

Historically, the Company has paid dividends derived from profits generated during each period. The Company´ management considers that this situation will continue in the future, however, it may not assure that this will happen.

Retained profits include the legal reserve. In accordance with the General Corporation and Partnership Law, from the fiscal year net profits minimum 5% shall be separated to form the legal reserve, unit the amount thereof represents 20% of the capital stock at nominal value. The legal reserve may be capitalized, but it shall not be distributed unless the company is dissolved, and shall be reconstituted when it decreases due to any reason. As of December 31 2013 and 2012, its par value was $500.

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

The net worth fiscal accounts balances as of December 31 are:

| | 2013 | 2012 |
|---|---|---|
| Contribution capital account | $ 27,354 | $ 26,310 |
| Net tax profit account | 35,958 | 26,175 |
| Total | $ 63,312 | $ 52,485 |

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

## 3) FINANCIAL INFORMATION

### a) Selected Financial Information

| | As of December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| Net Sales | 176,041 | 173,139 | 133,496 |
| Operational Profit | 10,490 | 7,387 | 9,534 |
| EBITDA | 17,326 | 14,076 | 14,719 |
| Majority Net Income | 4,404 | 2,028 | 4,875 |
| Basic and diluted earnings per common share | 0.94 | 0.43 | 1.04 |
| Dividends per share | 0.35 | 0.165 | 0.15 |
| Total Assets | 134,727 | 137,140 | 143,235 |
| Current Outstanding Long Term Debt Portion | 7,997 | 1,573 | 4,042 |
| Long term debt | 32,332 | 40,398 | 41,950 |
| Total net worth | 47,783 | 47,058 | 48,699 |

Note: amounts in millions of Pesos.

(See Note 3 of the Audited Financial Statements attached to this Annual Report)

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

Grupo Bimbo, through its main subsidiaries, is mainly engaged in the production, distribution and commercialization of packaged bread, sweet bread, home-made type cakes, cookies, cereal bars, candies, chocolates, sweet and salted snacks, packaged wheat tortillas, tostadas, goat milk caramel “cajeta” and fast food. The Company manufactures more than 10,000 products. The sale of such products constitutes Grupo Bimbo’s only line of business. The division between bakery products, and salted snacks and confectionery goods referred to in this Annual Report is an organizational division the only purpose of which is to achieve administrative efficiencies and which derives from historical reasons. In some cases, such division is shown exclusively in order to differentiate the market for such products. On one hand, Grupo Bimbo has no significant export sales.

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

| | As of December 31, (1) | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| | Net Sales | | |
| Mexico (1) | 73,179 | 70,491 | 64,368 |
| USA | 79,767 | 78,927 | 53,810 |
| Latin America | 21,822 | 22,674 | 18,352 |
| Iberia | 5,323 | 5,182 | 393 |
| | Operating Profit | | |
| Mexico (1) | 9,556 | 7,922 | 7,534 |
| USA | 2,613 | 1,118 | 3,058 |
| Latin America | (1,168) | (1,101) | (949) |
| Iberia | (545) | (570) | (81) |
| | EBITDA | | |
| Mexico (1) | 11,595 | 9,735 | 9,206 |
| USA | 5,798 | 5,027 | 5,295 |
| Latin America | 103 | (253) | 319 |
| Iberia | (204) | (451) | (73) |
| | Total Assets | | |
| Mexico (1) | 42,436 | 45,287 | 46,585 |
| USA | 71,790 | 72,718 | 79,870 |
| Latin America | 19,278 | 19,750 | 20,169 |
| Iberia | 3,103 | 3,886 | 4,101 |

*(1) Includes transactions in Asia.*

### c) Report on Significant Debt

The Company's relevant financings are described herein below. As of the date of this Annual Report, the Group is current in the payment of principal and interest of all its relevant loans.

As of December 31, 2013, the Company has complied with all the covenants, including several financial ratios established in credit agreements entered into by the Company and its subsidiaries.

**International and Local Notes (*Certificados Bursátiles*)**

**(a) International Senior Notes**

1. Issued on January 25, 2012, for $800,000,000 dollars, maturing in 2022. Issued under Rule 144A and Regulation S. Such notes accrue interest at a fixed rate of 4.50% with semiannual interest payments. The proceeds from this issuance were used to refinance Group's debt and for corporate general expenses.

2. Issued on June 30, 2010 under Rule 144A and Regulation S for $800,000,000 dollars, maturing on June 30, 2020. Such notes accrue interest at a fixed rate of 4.875% with semiannual payments. The proceeds from this issuance were mainly used to refinance the Company's debt.

Such issuance is guaranteed by the Group's main subsidiaries.

**(b) Notes (*Certificados Bursátiles*)**

As of December 31, 2013, the Company had issued Notes (*Certificados Bursátiles*) which are described below.

1. Bimbo 12 – Issued on February 10, 2012, for $5,000 million pesos maturing on august 2018 and with an interest rate applicable to such issue of 6.83%.

2. Bimbo 09- Issued on June 15, 2009 for $5,000 million pesos maturing on June 2014 with an interest rate applicable of 28-day TIIE plus 1.55%.

3. Bimbo 09-2- Issued on June 15, 2009 for $2,000 million pesos maturing on June 2016 with an interest rate of 10.60%.

4. Bimbo 09U- Issued on June 15, 2009 for 706,302,200 Investment Units (UDIS) maturing on June 2016, earning a 6.05% fixed interest rate of. The UDI value as of December 31, 2013 was of $5.06.

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

**1. Committed revolving multicurrency line-of-credit**

In December 2013, the Company renegotiated and modified some of the terms and conditions of committed revolving multicurrency line of credit opened originally on April 26, 2010.

According to the new terms and conditions, there are nine financial institutions committed. The total amount of this line is up to $2,000 million dollars, maturing on March 13, 2019 and accruing and interest rate of LIBOR plus 1.00% for disbursements in dollars, CDOR plus 1.00% for disbursements in Canadian dollars and TIIE plus 0.75% for disbursements in Pesos. As of December 2013, this credit line had not been drawn.

**2. Bank loan in Euros**

On October 24, 2011, the Company executed a long term loan with a European banking institution for an amount of 65 million euros paying interests EURIBOR plus 1.00%, maturing on July 17, 2014. The funds obtained were used to finance the acquisition of Sara Lee Iberia. In 2013, this loan was prepaid.

**3. 2011 syndicated bank loan**

On April 26, 2011, the Company entered into a long term bank loan in an amount of $1,300 million dollars, whith Bank of America, N.A., as administrative agent, and a bank syndicate. This bank loan amortizes on a semiannual basis from October 2014 to April 20, 2016. The Company pays interest at Libor + 1.10%.

The proceeds obtained were used to refinance obligations originally retained to finance the acquisition of BFI and to partially pay for the acquisition of Sara Lee. On January 2012, the Company prepaid $1,102 million dollars with the funds obtained from loans acquired in 2012. In 2014, the Company paid the total amount of this loan.

**4. Other loans**

Some of the Group's subsidiaries have entered into loans mainly to cover their working capital needs, with maturity dates ranging between 2013 and 2018, which accrue interests at diverse rates.

**Summary of Affirmative and Negative Covenants and Acceleration Causes**

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

| Affirmative Covenants | Negative Covenants | Events of Default[3] |
|---|---|---|
| Provide periodical financial information and information of relevant events | Do not modify its main business activity | Non-payment of interest |
| Preserve its legal standing and the necessary permits to perform its operations | Do not to merge, liquidate or sell its "material assets" | Disclose false or inaccurate relevant information |
| Use the funds for the agreed purpose | Do not engage in transactions with "affiliates" unless they are in arm's length or in case of certain exceptions | Failure to comply with any affirmative or negative covenants |
| In the case of the Local Notes, maintain registration with the RNV | Do not allow its "material subsidiaries" to have restrictions to pay dividends to its shareholders | Failure to pay principal or interest on a debt for more than U.S. $ 60 million, or if any "material debt" is accelerated and requires the Company to pay an amount greater than U.S. $ 60 million |
| Comply with tax and labor obligations | Do not create "liens" except for any "permitted liens" | If the Company or any of its "material subsidiaries" is declared insolvent or bankrupt |
| Maintain a *pari passu* payment priority | | If a judgment is passed against the Company, requiring the payment of an amount greater than U.S. $ 60 million |
| | | If the Company fails to pay any social security or housing quotas. |
| | | If assets representing more than 20% of the "total consolidated assets" of Grupo Bimbo are expropriated, and if the compensation for such expropriation is not applied in the substitution of the expropriated assets within a 180-day term |
| | | If the Company rejects the validity of the Notes |
| | | If there is a "change of control" |

[3] Each of the loans, bonds and notes (certificados bursátiles) establish the requirements to exercise acceleration.

In general, the negative and affirmative covenants, as well as the events of default, under the Notes issued in Mexico are stricter than those contained in the international bonds issued by the Company. The negative and affirmative covenants and events of default in bank loans of the Company described in this section are, with some particular differences of the banking market, similar to those contained in the Notes.

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

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

**i) Results of Operations**

**Comparative analysis of fiscal years ended on December 31, 2013 and 2012**

**Net Sales**

Net sales amounted $176,041 million pesos in 2013, which is equal to a 1.7% increase when compared to 2012. This was mainly due to the strong growth of local currency in all regions, which was partially offset by the unfavorable impact of the exchange rate in Latin America and the U.S. By region, the net sales increased as follows:

| Net Sales | 2013 | 2012 | % Change |
|---|---|---|---|
| Mexico | 73,179 | 70,491 | 3.8% |
| USA | 79,767 | 78,927 | 1.1% |
| Latin America | 21,822 | 22,674 | -3.8% |
| Iberia | 5,323 | 5,182 | 2.7% |
| **Consolidated** | **176,041** | **173,139** | 1.7**%** |

In Mexico, sales increased 3.8% to $73,179 million pesos, which was due to higher average prices, that had a negative impact on volumes.

In the United States, net sales increased 1.1%, to $79,767 million pesos, showing strong growth, with a good volume performance in all channels especially in the category of sweet bread; results in terms of pesos were partially offset by unfavorable currency conversion effect of 3%.

In Latin America, sales diminished 3.8%, for a total of $21,822 million pesos, as a result of the unfavorable impact of the currency exchange rate, which offset the positive growth in local currency.

In Iberia, net sales increased 2.7% to $5,323 million pesos in 2013, due to a good volume performance, especially in the category of sweet bread, as well as the launch of new products, regardless of the adverse economic situation which put pressure in prices.

**Gross Margin**

Gross profit increased 4.9% to $92,099 million pesos, with an expansion of 1.6 percentage points of the margin, which resulted in 52.3%. This is mainly due to the stability in the costs of raw materials and a more efficient manufacturing footprint in the U.S., as well as the reduction in costs of raw materials in Latin America, Iberia and Mexico, the latter reflecting the interest rate benefit in dollar-denominated commodities.

**General Expenses**

General expenses increased 1.8% to $78,632 million pesos, or 44.7% expressed as net sales percentage;

this smalll increase of 10 base points in comparison with 2012, was due to i) higher marketing and distribution expenses in México and ii) a non-cash charges for the deterioration of goodwill and brands for $403 million pesos in Mexico and the United States. These factors were largely offset by the benefits derived from: i) the synergies and waste reduction initiatives in the United States; ii) operational improvements in Latin America; and iii) a more efficient cost structure in Iberia.

**Operating Profit**

On a consolidated basis, operating income increased 42% to $10,490 million pesos as a result of the performance at a gross result level, the effect of the general expenses and to the charges in item “Other Incomes and Expenses” which included: i) non-cash charges in the U.S. related to Multi-employer Pension Plans ($368 million pesos in 2013, against $1,102 billion in 2012); and ii) lower integration expenses ($1,834 million in 2013, compared with $1,950 million pesos in 2012). These benefits were partially offset by: i) an extraordinary non-cash charge in Latin America of $586 million (of which $545 million pesos correspond to a restructuring process implemented in Brazil during this year); and ii) a charge of $211 million dollars to build a non-cash provision for an account receivable arising from a withheld tax in Iberia, reflecting a more conservative approach to the recovery of this benefit.

| Operating Profit | 2013 | 2012 | % Change |
|---|---|---|---|
| Mexico | 9,556 | 7,922 | 20.6% |
| USA | 2,613 | 1,118 | >100% |
| Latin America | -1,168 | -1,101 | 6.1% |
| Iberia | -545 | -570 | -4.4% |
| **Consolidated** | **10,490** | **7,387** | **42.0%** |

**Comprehensive Financing Costs**

In 2013, a cost of $ 2,796 billion was recorded, against one of $ 2,810 million in 2012. This was attributable to lower interest payments in 2013 as a result of a stronger peso and lower average debt; this was partially offset by a reduction in interest income resulting from lower cash position.

**Taxes**

In 2013, expenditures for taxes increased 31.1% to $2,878 billion, while the effective tax rate decreased to 37.6% compared with 47.5% in 2012. This was mainly due to: i) the abrogation of the IETU deferred, according to the new tax reforms in Mexico; and ii) a minor negative impact as a result of not registering the benefits of the deferred tax on tax losses in Brazil, in line with the approach from 2012.

**Net Income of Controlling Stockholders**

Majority net income was more than double, from $ 2,028 billion in 2012 to $ 4,404 billion in 2013, while the margin expanded 1.3 percentage points, at 2.5%, as a result of operating performance, stable financing and a lower effective tax rate.

**Operating Profit before Depreciation and Amortization (EBITDA)**

EBITDA totaled $17,326 million pesos in 2013, reflecting an increase of 23.1% compared to 2012. EBITDA margin was 9.8%, 1.7 percentage points higher than in 2012.

| EBITDA | 2013 | 2012 | % Change |
|---|---|---|---|
| Mexico | 11,595 | 9,735 | 19.1% |
| USA | 5,798 | 5,027 | 15.3% |
| Latin America | 103 | -253 | <-100% |
| Iberia | -204 | -451 | -54.8% |
| **Consolidated** | **17,326** | **14,076** | **23.1%** |

**Financial Structure**

At closing of 2013, the cash position of the Company amounted to $2,504 million pesos, compared to $4,278 million pesos in 2012.

Total debt was $40,329 million pesos, compared to $41,971 million pesos as of December 31, 2012. The average maturity is 5 years, with a profile in which debt maturities and currencies are aligned with expected cash flows. The ratio of total debt to EBITDA was 2.3 times, against 3.0 times as of December 2012.

**Comparative analysis of fiscal years ended on December 31, 2012 and 2011**

**Net Sales**

Net sales amounted $173,139 million in 2012, which is equal to a 29.7% increase when compared to 2011. This was mainly due to the consolidation of acquisitions and the solid organic growth in Mexico and Latin America. By region, the net sales increased as follows:

| Net Sales | 2012 | 2011 | % Change |
|---|---|---|---|
| Mexico | 70,491 | 64,368 | 9.5% |
| USA | 78,927 | 53,810 | 46.7% |
| Latin America | 22,674 | 18,352 | 23.6% |
| Iberia | 5,182 | 393 | >100 |
| **Consolidated** | **173,139** | **133,496** | 29.7**%** |

In México sales increased 9.5% to $70,491 million pesos, which is attributable to the equable growth in the volumes of all channels and categories, backed up by initiatives aimed at improving the execution in the sales spots.

In the United States, net sales increased 46.7%, to $78,927 million pesos, due to the acquisition of Sara Lee and, to a lesser extent, a favorable exchange rate in the first nine months of the year, which helped to thwart the weak sales volume recovery.

In Latin America, a 23.6% growth was reported in net sales, for a total of $22,674 million pesos. The foregoing was the result of the penetration efforts in the whole region, mainly on the integration and detail channels of Fargo in Argentina. These effects were relatively countered by a lower consumption rate in Brazil.

In Iberia, net sales corresponding increased to $5,182 million pesos in 2012. This amount does not correspond to measured performance in 2011, which was comprised by only 28 days.

**Gross Margin**

In 2012, the consolidated gross result amounted $87,785 million pesos, which is equal to an additional 28.9% over 2011, while the gross margin decreased 0.3 percentage points to 50.7%. Although the average price of raw materials was lower during the second half of the year, performance was affected by the unfavorable impact of exchange rates, mainly in Mexico, during most of the year.

**General Expenses**

General expenses amounted $77,234 million pesos, a 33.6% increase as compared to 2011. Likewise, the sales percentage increased 1.3 percentage points, to 44.6%, as a result of a combination of: i) a higher expense structure of Sara Lee's operations in the United States and Spain; ii) investments related to increasing market penetration in Latin America and the United States, and iii) the non-monetary charges related to the distribution and IT restructuring process in Brazil.

These effects were partially offset by the profits from synergies and waste reduction initiatives in the United States, resulting in approximately $120 million dollars during the year. Also, in accordance with IFRS, the financial costs related to pension funds in Mexico and the United States, which had been previously recorded as an operating item, were reclassified as a financial expense (and, thus, had an impact on the Comprehensive Financing Result).

**Operating Profit**

On a consolidated basis, operating income decreased 22.5% to $ 7,387 million pesos. The operating performance above was further affected by the other income and expenses items during the year, which included: i) integration costs by $ 1,950 million, in the U.S. $ 1,553 million, Iberia $213 million, Latin America $121 million and Mexico $64 million, ii) a non-monetary charge in the United States related to two multi-employer pension plans of $1,102 million, and iii) the provision of a non-monetary labor cost to cover obligations from previous years as a result of new labor law with retroactive application in Venezuela for $ 88 million. This resulted in a decrease of 2.9 percentage points in the consolidated margin, which was positioned at 4.3%.

| Operating Profit | 2012 | 2011 | % Change |
|---|---|---|---|
| Mexico | 7,922 | 7,534 | 5.1% |
| USA | 1,118 | 3,058 | -63.4% |
| Latin America | -1,101 | -949 | 16% |
| Iberia | -570 | -81 | >100% |
| **Consolidated** | **7,387** | **9,534** | **-22.5%** |

**Comprehensive Financing Costs**

In 2012, a charge of $2,810 million pesos was recorded, against one of $1,550 million pesos in 2011. This increase is explained because of the combination of: (i)an increase in the interest expense attributable to a higher rate for the extension of the average term of the Company's debt, ii) the reclassification of financial expenses in respect of pension funds in Mexico and the United States, which had been previously reported p as an operating item, and iii) a foreign exchange loss of $ 91 million pesos, against a profit of $ 651 million pesos in the previous year, mainly due to the cash amounts in dollars used to acquire the Sara Lee fresh bakery business.

**Taxes**

During 2012, the effective tax rate was of 47.4%, against 35.2% in 2011. This was mainly due to a more conservative approach with respect to the expected recovery of tax losses in Brazil, according to IFRS, which suggests that the depreciation of the losses recorded in previous years may take longer than originally planned. To reflect the foregoing, during the period a tax charge was recorded to partially cancel the deferred tax benefits.

**Net Income of Controlling Stockholders**

In 2012, net income of controlling stockholders decreased 58.4%, to $2,028 million pesos, while the margin showed a 2.5 basis points contraction, to 1.2%. This result is explained because of the operative performance and the increase in financing costs, as well as in the effective tax rate.

**Operating Profit before Depreciation and Amortization (EBITDA)**

EBITDA totaled $14,076 million pesos in 2012, reflecting a decrease of 4.4% compared to 2011. EBITDA margin was 8.1%, 2.9 percentage points lower than in 2011.

| EBITDA | 2012 | 2011 | % Change |
|---|---|---|---|
| Mexico | 9,735 | 9,206 | 5.7% |
| USA | 5,027 | 5,295 | -5.1% |
| Latin America | -253 | 319 | <100% |
| Iberia | -451 | -73 | >100% |
| **Consolidated** | **14,076** | **14,719** | **-4.4%** |

**Financial Structure**

At closing of 2012, the cash position of the Company amounted to $4,278 million pesos, compared to $ 3,966 million pesos in 2011.

Total debt was $41,971 million pesos, compared to $45,992 million pesos as of December 31, 2011. The average maturity is 5.9 years, with a profile in which debt maturities and currencies are aligned with expected cash flows. The ratio of total debt to EBITDA was 3.0 times, from 3.1 times as of December 2011.

**ii) Financial position, liquidity and capital resources**

**a. Internal and external liquidity sources**

BIMBO has available traditional internal and external liquidity sources, which it has used in the past. The Company's liquidity is based in its own operations and, historically has had sufficient levels of own capital. On the other hand, in the past the Group has had access to bank financings and to the domestic and international capital and debt markets.

Likewise, BIMBO has obtained several lines of credit from several financial institutions which, in the majority of cases, have remained unused. Notwithstanding the foregoing, the Company cannot assure that it will have access to the sources of capital mentioned above. BIMBO has not had any cyclical credit requirements.

**b. Debt level**

The table contained in "Selected Financial Information" contains information of the Company's debt at the end of the last three fiscal years. See "Selected Financial Information". There is no cyclicality in the Company's financing requirements.

**Significant Indebtedness**

***International bonds (Bonos Internacionales)***

Issued on January 25, 2012 under Rule 144A and Regulation S for $800 million dollars, maturing in January 25, 2022.

Issued on June 30, 2010 under Rule 144A and Regulation S for $800 million dollars maturing on June 30, 2020.

***Local Notes (Certificados Bursátiles)***

During 2012 the Company issued Notes maturing in August 2018, with a fixed rate of 6.83%, such notes were added to those issued during 2009. See ―Financial Information – Report on Significant Debt.

***2011 syndicated bank loan***

On April 26, 2011, the Company obtained a long term bank loan for an amount of $1,300 million dollars, in which Bank of America, N.A. participated as administrative agent and a bank syndicate. This bank loan amortizes on a semiannual basis from October 2014 to April 2016. On January 2012, the Company paid in advance $1,102 million dollars with the proceeds obtained with the loans acquired in 2012. During 2014, the Company prepaid the total bank loan amount.

***Committed revolving multicurrency line-of-credit***

The Company has a committed multicurrency line of credit in which nine financial institutions participate, which was executed on April 26, 2010 and amended and restated on December 2013 to reach an amount of up to $2,000 million dollars, with maturity date as of March 13, 2019 and an interest rate of LIBOR+1.00% for disbursements in pesos and TIIE + 0.75% for disbursements in Pesos. During 2014, this credit line was modified to include the possibility of disbursing in Canadian dollars at an interest rate CDOR+1.00%. This line of credit is guaranteed by the Company's main subsidiaries.

***Bank loan in Euros***

On October 20, 2011 the Company executed with HSBC, a long term bank loan in an amount of €65 million Euros, maturing on October 2014. During 2013, the total amount of the loan was prepaid.

***Other loans***

Some of the Group's subsidiaries have contracted direct loans to mainly finance their own working capital needs. Such loans accrue interest at different rates and mature between 2014 and 2018.

***Events of Default***

For a description of the events of default contained in the material financings of the Company, see "Financial Information – Report on Significant Debt".

**Liquidity**

Liquidity represents the ability of the Group to generate sufficient cash flows from operating activities to meet its obligations as well as its ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from capital resources that consist primarily of current and potentially available funds for use in achieving its objectives.

Currently, the Group's liquidity needs arise primarily from working capital requirements, debt payments, capital expenditures and dividends. In order to satisfy its liquidity and capital requirements, the Group primarily relies on its own capital, including cash generated from operations, and committed credit facilities. The Group believes that its cash from operations, its existing credit facilities, and its long-term financing will provide sufficient liquidity to meet its working capital needs, planned capital expenditures, future contractual obligations and payment of dividends.

***Commitments***

Grupo Bimbo, and its subsidiaries, through letters of credit, has insured certain labor obligations and contingent risks of some of its subsidiaries. The value of such letters of credit as of December 31, 2013, 2012 and 2011, amounts $218, $221 and $214 million dollars, respectively.

The Company executed self-supply energy agreements by means of which it commits to purchase certain amounts of energy for a renewable period of 18 years at an agreed price which is updated in accordance with the Mexican Consumer Price Index (INPC), during the first 15 years. Even though these agreements have the characteristics of a derivative financial instrument, they can be qualified as an exception of such, as they are for personal consumption; therefore, they are recorded in the financial statements as energy consumption is consumed.

**c. Treasury Policies**

The Company maintains treasury policies consistent with its financial obligations and operating requirements and maintains its financial resources invested in highly-liquid, non-speculative and low-risk instruments. Grupo Bimbo’s treasury maintains several currencies, especially currencies of such countries in which the Company operates.

**d. Material committed capital expenditures**

As of the date of this Annual Report, the Company had no material committed capital expenditures.

**Both issues are guaranteed by the Group’s main subsidiaries.**

**g. Changes in the Balance Sheet**

Below is information on the cash flows generated by the operations, investments and financing activities during 2012 and 2011. The table contained in the section “Selected Financial Information” includes certain financial ratios that show changes in the financial status of the Company during such years.

***Cash Flows from Operating Activities***

*For fiscal year ended December 31, 2013 and 2012*

For the fiscal year ended December 31, 2013, net cash flow from operations decreased by $2,576 million Pesos to reach $11,394 million, compared to $13,970 million in 2012, primarily due to a reduction in accounts payable.

*For fiscal years ended December 31, 2012 and 2011*

For the fiscal year ended December 31, 2012, net cash flow from operations decreased by $780 million pesos to settle at $13,970 million pesos, compared to $14,750 million pesos in 2011, mainly as a result of the fall in the United States operating income because of the integration of Sara Lee.

***Net Cash Flows from Investing Activities***

*For the year ended December 31, 2013 and 2012*

For the fiscal year ended December 31, 2013, net cash used in investing activities decreased by $1,333 million Pesos to $5,621 million pesos, compared to $6,954 million pesos in 2012, primarily as a result of income from the sale of certain assets.

*For fiscal years ended December 31, 2012 and 2011*

For the fiscal year ended December 31, 2012, net cash used in investing activities decreased by $12,460 million pesos to settle at $6,954 million pesos as compared to $19,414 million pesos in 2011, primarily as a result of the lesser allocation of funds to the acquisition of business, as compared to the preceding year, when Grupo Bimbo acquired Sara Lee in the United States and Iberia.

***Net Cash Flows from Financing Activities***

*For the year ended December 31, 2013 and 2012*

For the year ended December 31, 2013, net cash provided by financing activities increased by $543 million pesos to reach $7,302 million pesos, compared to $6,759 million pesos in 2012, primarily due to an increase in the payment of dividends, which paid dividends two years in advance.

*For fiscal years ended December 31, 2012 and 2011*

For the fiscal year ended December 31, 2012, net cash from financing activities decreased by $11,324 million pesos to settle at $6,759 million pesos as compared to $5,165 million pesos in 2011, mainly as a result of payments of loans granted for the acquisitions in the United States and Iberia.

**f. Off-Balance Sheet Transactions**

As of December 31, 2013, the Company had no significant transactions that were not recorded in the Audited Financial Statements.

**iii) Internal Control**

The Company has an Audit Committee that performs the activities set forth in the LMV, as well as such other corporate practices activities set forth therein and by the Company's Board of Directors. The Audit Committee is comprised by at least three independent members appointed by the Board of Directors or the Shareholders' Meeting. The chairman of the committee is appointed by the General Shareholders' Meeting.

**e) Reserves**

The Audited Financial Statements that form a part of this Annual Report comply with IFRS. Their preparation requires that the Company's management make estimates and assumptions to asses some of the financial statements entries and to carry out disclosures required therein. However, actual results may differ from such estimates. The Company's management believes that such estimates and assumptions were adequate considering the circumstances under which they were made.

The notes to the Audited Financial Statements contain a description of the most significant accounting policies of the Company, including the following:

a. ***Statement of compliance***

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

b. ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost

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

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 share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Grupo Bimbo, S.A.B. de C.V. and the subsidiaries 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 | Main activity |
|---|---|---|---|
| Bimbo, S. A. de C. V. | 97 | Mexico | Baking |
| Bimbo Bakeries USA, Inc. | 100 | United States | Baking |
| Barcel, S. A. de C. V. | 97 | Mexico | Sweets and snacks |
| Bimbo do Brasil, Ltda. | 100 | Brazil | Baking |
| Panificación Industrial Vergel, S.L. ("Iberia") | 100 | Spain and Portugal | Baking |

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income (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.

Balances and transactions between consolidated entities have been eliminated in these consolidated financial statements.

Changes in investments in the Entity's subsidiaries that do not result in the Entity losing control are recorded 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, 2013 and 2012 the Entity does not have share-based payments); and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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

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

e. ***Assets available for sale***

Non-current assets and groups of assets are classified as held for sale if their carrying value is expected to be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or group of assets held for sale) is available for immediate sale in its present condition. 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.  Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

f. ***Recognition of the effects of inflation***

Inflationary effects are recognized in the financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS"), and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2013 and 2012, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity.

g. ***Leasing***

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

- <u>The Entity as lessor</u>

The rental income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized using the straight-line method over the term of the lease.

- <u>The Entity as lessee</u>

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

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 in accordance with the Entity's general policy on borrowing costs (see Note 3.i). 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h. ***Foreign currency transactions***

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 Currency Units 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is 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. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

j. ***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.

k. ***Financial assets***

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. <u>Effective interest method</u>

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. <u>Financial assets at FVTPL</u>

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses)' line item. Fair value is determined in the manner described in Note 13.

3. <u>Held-to-maturity investments</u>

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

4. Assets classified as held for sale

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Entity that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Entity also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 13. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of assets classified as held for sale are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

5. 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.

6. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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 of 30 days in Mexico, 60 days in USA and 30 days in Central and South America ("OLA"), as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7. <u>Derecognition of financial assets</u>

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

l. ***Inventories and cost of sales***

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

m. ***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, as permitted by IFRS 1.

Any increase in the revaluation of land and buildings is recognized in other comprehensive income, except reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to earnings as it reduces expenditure by decreasing previously made. A decrease in the carrying amount that originated from the revaluation of such land and buildings is recognized in income to the extent it exceeds the balance, if any exist, in the revaluation reserve for properties related to a previous revaluation of that asset.

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. Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to the cost of the asset.

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.

Depreciation on revalued buildings is recognized in income. In case of subsequent sale or retirement of revalued property, the revaluation surplus attributable to the revaluation reserve remaining properties is transferred directly to retained earnings.

Freehold land is not depreciated. Depreciation of the other property, plant and equipment is calculated using the straight-line method, to write-off the cost of the assets to their residual values over their estimated useful lives, 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 lease contract |

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.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying value of an asset is reduced at its residual value, when the carrying amount exceeds its residual value.

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 income (expense) line.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation based on useful lives on the same basis as owned assets.

n. ***Associates and joint ventures***

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures 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 or a joint venture 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 or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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 requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture 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 or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

o. ***Intangible assets***

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of business in the USA, Iberia and Compañía de Alimentos Fargo, S.A. ("Fargo") and certain trademarks in South America, and are recorded at their fair value on acquisition date. Subsequent to initial recognition; intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

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

p. ***Impairment of long lived assets, other than goodwill***

The Entity reviews the carrying amounts of long–lived assets other than goodwill, when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the fair value less costs to sell. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to profit or loss, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the Entity's products, competition and other legal and economic factors. For the purposes of impairment analysis, the assets are grouped into identifiable smaller cash generating groups (cash generating unit). Long-lived assets with indefinite lives, other than goodwill, are tested for impairment at each reporting date.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q. ***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 (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 acquisition.

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 3.n. below.

r. ***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; transaction costs directly attributable to the issuance of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Subsequent measurement depends on the category in which the financial liability is classified.
Financial liabilities are classified as either "Financial liabilities at fair value through profit or loss" or "Other financial liabilities". Note 13 provides further detail regarding financial liabilities.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities are classified as at FVTPL when they are designated as at FVTPL (and comply with certain conditions to be directly classified as such) or when they are held for trading. The Entity has not designated financial liabilities as at FVTPL. Derivative financial instruments are classified as trading, except those designated and effective as hedging instruments (the specific accounting policy for derivative financial instruments is explained in more detail within the note 13).

<u>Other financial liabilities</u>

Other financial liabilities, mainly including borrowings and trade and other payables, are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized using the effective interest method.

*The effective interest method* is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, (or when appropriate a shorter period), to the net carrying amount on initial recognition.

<u>Derecognition of financial liabilities</u>

The Entity derecognizes a financial liability when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

s. ***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 instruments is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The fair value of derivative financial instruments used as hedging instruments is disclosed in Note 13.

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 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. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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 forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

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

t. ***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.

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 estimated amount required to be settled and the amount initially recognized less cumulative amortization recognized.

u. ***Income taxes***

Income tax expense comprises current tax and deferred tax. Current and deferred tax are recognized in the consolidated statement of income, 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.

In Mexico, income taxes are comprised of regular income tax (*Impuesto Sobre la Renta* or "ISR") and a business flat tax (*Impuesto Empresarial a Tasa Única* or "IETU"), and are recorded when incurred. Through December 31, 2013, current tax is the higher of ISR or IETU, which are based on taxable profit or cash flows of the year, respectively.

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.

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 as of the end of the reporting period. In Mexico, through December 31, 2012, to recognize the deferred tax, the Entity determines, based on tax projections, whether it expects to incur ISR or IETU, and recognizes the deferred taxes respective tax is expected to be payable on the year on the respective tax base that is expected to be incur each year. As a result of the elimination of IETU in the 2014 Fiscal Reform, IETU has been eliminated; accordingly, deferred IETU has also been eliminated as of December 31, 2013.

The deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the corresponding tax bases 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.

The deferred income tax is recognized using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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, 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 it can be used against.

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.

v. ***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 Entity early adopted International Accounting Standard ("IAS") 19, *Employee Benefits*, as of January 1, 2011.

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 cash payments to certain executives, which is calculated using performance metrics. The payment, net of ISR withheld, is used to purchase shares of the Entity. The employee may dispose of such shares, even if he or she leaves the Entity.

ii. ***Statutory employee profit sharing***

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

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.*

w. ***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 goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, 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.

## 4) ADMINISTRATION

### a) External Auditors

The external auditor selection is entrusted to the Audit Committee, the retaining of which is recommended to the Board of Directors. The Board of Directors is the body that approves the retaining of the external audit firm.

The Audit Committee carries out a bid of the external audit services every 5 years, regardless of considering the possibility of doing it within a shorter periodicity. The Committee selects among the firms which due to background, reputation, partners, international coverage, methodology and technology, better cover the expectations and needs of the Board of Directors, the Committee and the Company's Administration.

In some cases, given the results on the services evaluation of the selected firm, the Audit Committee may consider sufficient to change the partner of the relevant firm, for which it requests a slate of three candidates and chooses the one that will be in charge of auditing the Company's Financial Statements, in which case the relevant bidding process will not be carried out.

Since 2002, Galaz, Yamazaki, Ruiz Urquiza, S.C. (member of Deloitte Touche Tohmatsu), has been in charge of auditing the Company's consolidated financial statements. Until 2007, it supported its opinion, through other independent auditors' report. Since 2008, Galaz, Yamazaki, Ruiz Urquiza, S.C. carries out the Financial Statements audit without being based in other firms´ opinions.

In the different reviews and reports which have been periodically made to the Group's Financial Statements, such auditors firm has not issued no opinion with a qualification or a negative opinion, nor has it refrain from issuing an opinion in connection thereto.

During 2013, Galaz, Yamazaki, Ruiz Urquiza, S.C. rendered to the Company services other than audit, consisting in surveys on transfer prices, preparation of statements for the IVA (VAT) return and tax advisory services. For the rendering of such services, the Company paid $11,041,921 to Galaz, Yamazaki, Ruiz Urquiza, S.C., which amount represented 14% of the total disbursements made to such firm.

### b) Transactions with related persons and conflicts of interests

In the ordinary course of its activities, BIMBO carries out commercial transactions with some associate or affiliate corporations. BIMBO contemplates to continue carrying out transactions with its associate and affiliate companies in the future. Transactions with related companies are entered into on an arm's length basis therefore the Group considers that the terms are not less favorable than those which may be obtained in a comparable transaction with an unrelated company (see Note 16 of the Audited Financial Statements).

a. Transactions with related parties performed in the Group's ordinary course of business were the following ones:

| | 2013 | 2012 |
|---|---|---|
| Income for: | | |
| Interest collected | $2 | $1 |
| Disbursements for: | | |
| Purchase of raw materials | $5,562 | $5,741 |
| Finished products | $1,292 | $1,341 |
| Office supplies, uniforms and others | $709 | $488 |
| Financial services | $338 | $- |

Sales and purchases were made at market value, discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current period or prior periods regarding irrecoverable debts or doubtful accounts related to amounts owed by related parties.

b. Net balances payable to related parties are:

| | 2013 | 2012 |
|---|---|---|
| Beta San Miguel, S.A. de C.V. | $108 | $51 |
| Efform, S.A. de C.V. | 24 | 28 |
| Fábrica de Galletas La Moderna, S.A. de C.V. | 63 | 89 |
| Frexport, S.A. de C.V. | 83 | 82 |
| Grupo Altex, S.A. de C.V. | 150 | 243 |
| Industrial Molinera Montserrat, S.A. de C.V: | 15 | 32 |
| Makymat, S.A. de C.V. | 8 | 8 |
| Mundo Dulce, S.A. de C.V. | 8 | 58 |
| Ovoplus del Centro, S.A. de C.V. | 10 | 5 |
| Pan-Glo de México, S. De R.L. de C.V. | 7 | 11 |
| Paniplus, S.A. de C.V. | 25 | 21 |
| Proarce, S.A. de C.V. | 15 | 39 |
| Uniformes y Equipo Industrial, S.A. de C.V. | 7 | 10 |
| **Total** | $ 523 | $ 677 |

In connection with transactions with related parties, the Company's main suppliers are:

- Grupo Altex and some of its subsidiaries related to wheat flour and related raw materials;
- Proarce, S.A. de C.V., related to trays used in the Company's production processes; and
- Ovoplus del Centro, S.A. de C.V., as main egg supplier.
- Beta San Miguel, S.A. de C.V. as main sugar supplier.

**c) Administrators and Shareholders**

**Board of Directors**

In accordance with the corporate bylaws, the Company's administration is entrusted to a Board of Directors and a General Director (Chief Executive Officer) that perform the duties established by the Securities Market Law (LMV). The Board of Directors must be comprised of a minimum of (5) and a maximum of twenty one (21) directors, of which at least twenty five percent (25%) must be independent directors. For each director an alternate director must be appointed, provided that the alternate Directors of the independent Directors shall also be independent. The members of the Board of Directors may be shareholders or persons outside the Company.

Independent Directors shall be those persons which are not impeded to perform their duties free from conflicts of interest and that satisfy the requirements set forth in the LMV to be considered as such, the provisions derived there from, and in the jurisdiction laws and regulations and stock exchanges or markets in which the Company's securities are traded, as the case may be.

The Board of Directors appointed and ratified during the General Extraordinary Shareholders' Meeting held on April 8, 2014, is comprised, of eighteen 18 regular directors, which will remain in their positions until the persons appointed to substitute them take possession. The following table shows the names of the members of the Board of Directors and the period during which they have acted as directors:

| Regular Directors | Seniority in Office | Position |
|---|---|---|
| Daniel Javier Servitje Montull | 20 | Director / Chairman |
| José Ignacio Mariscal Torroella | 25 | Director |
| Raúl Carlos Obregón del Corral | 20 | Director |
| Mauricio Jorba Servitje | 17 | Director |
| Henry Robert Davis Signoret | 15 | Director (I) |
| Ricardo Guajardo Touché | 10 | Director (I) |
| Agustín Irurita Pérez | 10 | Director (I) |
| Arturo Manuel Fernández Pérez | 8 | Director (I) |
| Luis Jorga Servitje | 8 | Director |
| Maria Isabel Mata Torrallardona | 8 | Director |
| Nicolás Mariscal Servitje | 6 | Director |
| Fernando Francisco Lerdo de Tejada Luna | 3 | Director |
| Javier de Pedro Espínola | 3 | Director |
| Ignacio Pérez Lizaur | 3 | Director (I) |
| Thomas Stanley Heather Rodríguez | 2 | Director (I) |
| Edmundo Miguel Vallejo Venegas | 2 | Director (I) |
| Jorge Pedro Jaime Sendra Mata | 1 | Director |
| Jaime Chico Pardo | Less tan 1 year | Director (I) |
| Luis Miguel BriolaClement(1) | 7 | Secretary |

*(1) Secretary and alternate secretary of BIMBO y do are not a part of the Board of Directors.*
** Independent Director*

*Daniel Javier Servitje Montull* is nephew of Don Roberto Servitje Sendra and cousin of Luis and Mauricio Jorba Servitje. The latter are sons of Don Jaime Jorba Sendra (RIP). Lorenzo Sendra Mata is cousin of Don Roberto Servitje Sendra.

Herein below are the companies where the Directors are working as key executives or as members of boards of directors:

*Daniel Javier Servitje Montull* is a member of the Board of Directors of Grupo Financiero Banamex, Coca-Cola FEMSA, the Mexican Institute for Competitiveness AC, Providers Council of Walmart Mexico, The Global Consumer Goods Forum and Latin America Conservation Council (The Nature Conservancy)

*José Ignacio Mariscal Torroella* is CEO of Marhnos Group, Chairman of the Committee for a Single Business Economics Coordinator, Vice President of Community Financial Services Council Fincomún. He is a member of the Board of Directors of the Company Calidra, Aserta, the Executive Committee of the Confederation and UNIAPAC USEM Foundation.

*Carlos Raúl Obregón del Corral* is Managing Partner of the Aliance, Strategy and Corporate Governance and Proxy Governance Corporate Partner. Member of the Board of Directors of Grupo Palacio de Hierro, Invermat, Altamira and Distributor Credit Union Circle CCK. He is an independent member of the sub-committee for evaluation and funding of the National Infrastructure Fund and member of the Governing Board of the Autonomous Institute of Mexico.

*Mauricio Jorba Servitje* is Chairman of the Board of Directors of Iberia Bimbo, a member of the Board of VIDAX and Member of the Board of Management and Promotions Monser.

*Henry Robert Davis Signoret* is the President of Promotora DAC. Is member of the Board of Directors of Kansas City Southern, Telefónica Móviles Mexico, S.A, de C.V., Afianzadora Aserta Insurgentes S.A. and member of the Technical Committee of FIBRA 1.

*Ricardo Guajardo Touché* is member of the Board of Directors of Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), Fomento Económico Mexicano (FEMSA), Coca-Cola FEMSA, Grupo Financiero BBVA Bancomer, Grupo Industrial Alfa, El Puerto de Liverpool, Grupo Aeroportuario del Sureste (ASUR) and Grupo Coppel. He is the vice president of Fondo para la Paz, Communal Fund for the extreme poverty area and president of SOLFI, Microfinance Corporation.

*Agustín Irurita Pérez*. He is for life member of the Board of Directors of the Cámara Nacional de Autotransporte de Pasaje y Turismo, as well as member of the Board of Directors of Afianzadora Aserta, Fincomún Servicios Financieros Comunitarios, Grupo Comercial Chedraui and national director and member of the Executive Commission of the Confederación Patronal de la República Mexicana.

*Arturo Manuel Fernández Pérez* is the Director of the Autonomous Technological Institute of Mexico (ITAM) and a member of the Board of Directors of Industrias Peñoles S.A.B. de C.V., Grupo Nacional Provincial S.A.B. de C.V. and Grupo Palacio de Hierro, S.A.B. de C.V.

*Luis Jorba Servitje* is Chief Executive Officer of Frialsa Frigoríficos, Chairman of the Board of Directors of Efform and member of the Board of Directors of Texas Mexico Frozen Food Council, of International Association of Refrigerated Warehouses and of the World Food Logistics Organization.

*María Isabel Mata Torrallardona* is CEO of the Foundation Jose T. Mata and member of the Board of Directors of Tepeyac.

*Nicolás Mariscal Servitje* is the CEO of Marhnos Group. He is VicePresident of the Mexico-Guatemala COMCE Business Committee and member of the Board of Directors of the Mexican Foundation for Rural Development.

*Fernando Francisco Lerdo de Tejada Luna* is currently the President and Chief Executive Officer in Asesoría Estrategia Total, S.C. and is member of the Board of Directors of Consultoría Estratégica Primer Círculo, S.C., Fundación Mexicana para el Desarrollo Rural, A.C. and Club de Golf Chapultepec, S.A.

*Javier de Pedro Espínola* is Administrative and Financial Director in MXO Trade, S.A. de C.V. and is Chairman of the Board of Test Rite de Mexico, S.A. de C.V. He is member of the board of directors of Global Biotherapeutics, MXO Trade, S.A. de C.V. and Fundación José T. Mata.

*Ignacio Pérez Lizaur* is partner in Consultores Pérez Lizaur, S.C. and is member of the board of directors of Central American Bottling Corporation (Guatemala), Fundación Mexicana para el Desarrollo Rural (Mexico DF) and Newell Rubbermaid Inc. (Atlanta, USA).

*Edmundo Vallejo Venegas* was President and Chief Executive Officer of General Electric Latinoamérica. He is currently professor of Corporate Politics in the Instituto Panamericano de Alta Dirección de Empresa.

*Thomas Stanley Heather Rodriguez* currently serves as managing partner of Rtich, Mueller, Heather and Nicolau, SC in Mexico City. Member of the Board of Directors of Grupo Financiero Scotiabank and subsidiaries Gsf Telecom Holdings SAPI Ltd., Member of the Advisory Council of the International Financial Institutions Harvard University. He is a permanent member of Best Corporate Practices Committees of the Business Coordinating Council.

*Jorge Pedro Jaime Sendra Mata* is Director of JJ Textiles, S.A. and member of the Board of Directors of Advanced Design Center, INC, db Homes, S.A. and JRPVJ, Inc.

*Jaime Chico Pardo*, is currently Founding Partner and President of ENESA, S.A. de C.V. He is member of the Board of Directors of Honeywell Internacional Inc, AT&T Inc and Chicago Booth GSB.

*Luis Miguel Briola Clement* is secretary of the board of directors of Grupo Bimbo since April 8, 2005.

In the ordinary course of its businesses, the Company has executed transactions with some of the companies in which the members of its Board of Directors work or in which its relevant officers worked. Such transactions have been carried out on an arms-length basis and the Company considers that none of them is relevant.

**Board of Directors Powers**

The Board of Directors is the Company's legal representative, and has the broadest powers for the administration of the Company's businesses, with general power of attorney for lawsuits and collections, administrate properties and exercise acts of ownership, without any limitation, in order to appoint and remove the General Director, directors, managers, officers and attorneys-in-fact, and to determine their attributions, work conditions, compensations and guaranties and, particularly, to grant powers to managers, officers, attorneys and any other persons in charge of the Company's labor relationship.

Likewise, the Board of Directors has the power to approve the Company's budgets and any amendments to the budget taking into account the results being reported, as well as to authorize extraordinary entries.

The Company's Board of Directors has also powers to approve any transfer of the Company's shares, when such transfer implies more than 3% of the voting shares.

Likewise, for the performance of its duties, the Board of Directors shall be aided by an Audit and Corporate Practices Committee, an Evaluation of Results Committee and a Finance and Planning Committee, the duties and integration of which are described herein below. See "Administration– Intermediate Administration Bodies".

**Key Executive Officers**

The following table shows the names of the Group's key executive officers as of the date of this Annual Report, their current position and their seniority in the Company:

| Name | Position | Age | Years with the Group |
|---|---|---|---|
| Daniel Javier Servitje Montull | President of Board of Directors and Chief Executive Officer Grupo Bimbo | 55 | 32 |
| Guillermo Quiroz Abed | Chief Financial and Administration Officer | 61 | 15 |
| Reynaldo Reyna Rodríguez | Vice President of Strategic Analysis and Information | 59 | 12 |
| Raúl Argüelles | Chief Human Relations Officer | 50 | 2 |
| Guillermo Sánchez Arrieta | Operations Auditing Director | 60 | 35 |
| Javier A. González Franco | Chief Executive Officer of Bimbo, S.A. de C.V. | 58 | 36 |
| Gary Prince | Deputy Chief Executive Officer of Grupo Bimbo. | 62 | 5 |
| Pablo Elizondo Huerta | Assistant Chief Executive Officer | 60 | 36 |
| Alfred Penny | President of BBU | 58 | 5 |
| Miguel A. Espinoza Ramírez | General Manager of Bimbo, S.A. de C.V. | 56 | 33 |
| José Manuel González G. | Bimbo Iberia | 48 | 22 |
| Gabino Gómez Carbajal | Chief Executive Officer of Barcel, S.A. de C.V. | 54 | 32 |
| Ivan Chiu Yat | Chief Executive Officer of Organización Asia | 48 | 1 |
| Juan Nosti Busquets | Chief Executive Officer El Globo | 47 | 14 |
| Jorge Esteban Giraldo Arango | Chief Executive Officer Organización Latin Centro. | 60 | 9 |
| Raúl Obregón Servitje | Chief Executive Officer Organización Latin Sur | 41 | 15 |
| Ricardo Padilla Anguiano | Chief Executive Officer Bimbo Brazil | 60 | 32 |

*Daniel Javier Servitje Montull* serves as Grupo Bimbo’s Chief Executive Officer since 1997 and Chairman of the Board of Directors of Bimbo since 2013. He holds a degree in Business Administration from Universidad Iberoamericana, in Mexico. In 1987 he obtained the Master of Business Administration degree from Stanford University, in California, USA. He joined the Group in February 1982, serving several positions such as Executive Officer of Organización Bimbo, Chief Executive Officer of Organización Marinela and Vice-President of Grupo Bimbo.

*Guillermo Quiroz Abed* is Administration and Finance Executive Officer, in charge of the Financial, Comptroller and Legal departments of Grupo Bimbo, since February 1999. He obtained a degree in Actuarial Studies from Universidad Anáhuac, in Mexico, and an MBA degree from IPADE. He is a member of the Board of Directors of Grupo Altex.

*Reynaldo Reyna Rodríguez* serves as Vice President of Strategic Analysis and Information since January 2010. He studied Industrial and Systems Engineering in ITESM and holds a master’s degree in Operations, Analysis and Finance from Wharton, in the University of Pennsylvania, USA. In May 2001 he joined the Group and served as Corporate General Manager, BBU’S General Manager and Executive Vice-President of BBU West.

*Raúl Argüelles* is Chief Human Relations Officer of Grupo Bimbo since January 2013. He is an Industrial Engineer from the Universidad Nacional de Mexico and a Masters in Managerial Engineering from Stanford University. Additionally, he has completed courses and seminars in business schools of Stanford, Harvard and Michigan universities. His professional experience includes serving as manager in various private companies in the areas of Human Resources, Corporate Affairs and Institutional Relations. He joined the Group in 2011 as Director of Personnel of Bimbo, SA de CV

*Guillermo Sánchez Arrieta* serves as Director of Auditing since 1998. He holds a degree in Accounting from Universidad Autónoma de Hidalgo and studied an MBA in IPADE. He joined the Group in 1978, and among his main positions are the following ones: Productos Marinela Comptroller, Corporate Comptroller of Organización Bimbo and Barcel, and General Manager of Ricolino and Barcel Mexico.

*Javier Augusto González Franco* serves as Assistant President of Grupo Bimbo since February 2014. He holds a degree in Chemical Engineering from UNAM and an MBA from Universidad Diego Portales, in Chile, the Advanced Management Program by Harvard Universtity and Breakthrough Program by IMD in Switzerland. He joined the Group in 1977 and has served different positions, such as Chief Executive Officer of Bimbo, S.A. de C.V., Assistant General Manager of OLA, Assistant General Manager of Organización Bimbo and President of Barcel, S.A. de C.V.

*Gary Prince* serves as Deputy Chief Executive Officer of Grupo Bimbo since April 2013. Gary Prince joined George Weston Limited in July 1974. He served as President of Stroehman Bakeries, L.C. in USA until July 2001. He was appointed President of Weston Foods and George Weston Bakeries that year, after the acquisition made by such company of Best Foods Baking Company from Unilever. In January 2009, when Grupo Bimbo acquired Weston Foods Inc., he was appointed President of BBU.

*Alfred Penny* is President of BBU since April 2013. From 1987 to 1997 he was part of Kraft Baking serving as Comptroller in North East USA, Strategic Planning and Productivity Manager, as well as General Manager of the Intermountain region. In 1997 he was appointed Vice-President and Chief Executive Officer of Entenmann's, Inc. In 2007, he was appointed Executive Vice-President of George Weston Bakeries Inc. In January 2009, when Grupo Bimbo acquired Weston Foods Inc., he was appointed Executive Vice-President of BBU.

*Pablo Elizondo Huerta* serves as Assistant Chief Executive officer of Grupo Bimbo since January 2008. He holds a degree in Chemical Engineering from Universidad Nacional Autónoma de Mexico (UNAM) and the Advanced Management Program by Harvard Universitiy. He joined the Group in 1977 and served several positions such as General Manager of Wonder in Mexico City, General Manager of Bimbo in Hermosillo, Director of Organización Latinoamérica, General Central Corporate Manager, General Corporate Manager of Bimbo, S.A. de C.V. and General Director of Bimbo, S.A. de C.V.

*Miguel Ángel Espinoza Ramírez* is General Director of Bimbo, S.A. de C.V. since February 2014. He holds a degree in Industrial Engineering from Instituto Tecnológico de Chihuahua, he studied the D-1 Business Administration program in IPADE and the Advanced Management Program in the University of Harvard. He joined the Group in 1981 and has served positions such as General Manager of Dulces y Chocolates Ricolino, General Manager of Barcel del Norte, Chief Administrative Officer of Organización Barcel and Chief Executive Officer of the same corporation, he is subsequently appointed as Commercial Director for Bimbo, S.A. and Chief Executive Officer of Organization Latin Sur.

*José Manuel González Guzmán* is President of Bimbo Iberia. He has studies in Administration and Finance, as well as specialization studies in Marketing and Advertisement in Universidad Panamericana. He attended D1 of IPADE, as well as seminars on strategies and new market trends (CIES). He joined Grupo Bimbo in June 1991. He has served in several positions as Executive, Brand Manager and Marketing Director. In the Sales Area he carried out process through all positions until reaching Commercial Regional Director in Bajío, subsequently in Centro Sur, and his last appointment was General Director of El Globo.

*Gabino Gómez Carbajal* serves as President of Barcel, S.A. de C.V. since January 2008. He holds a degree in Marketing from ITESM, and MBA from IPADE and the University of Miami. He joined the Group in 1981, and among his previous positions are: Vice-President of the Business Development Division, Assistant General Manager of Organización Bimbo, General Manager of OLA and General Manager of Bimbo, S.A. de C.V.

*Ivan Yat Chiu* is Director of Asia Organization since July 2013. Has degrees in Marketing from the University of Lancaster, England, and an MBA from the Kellogg Management School at Northwestern University in Chicago. He has 24 years of experience in management and executives. His last position prior to joining Grupo Bimbo was in Pepsico, as Vice President and General Manager of North China.

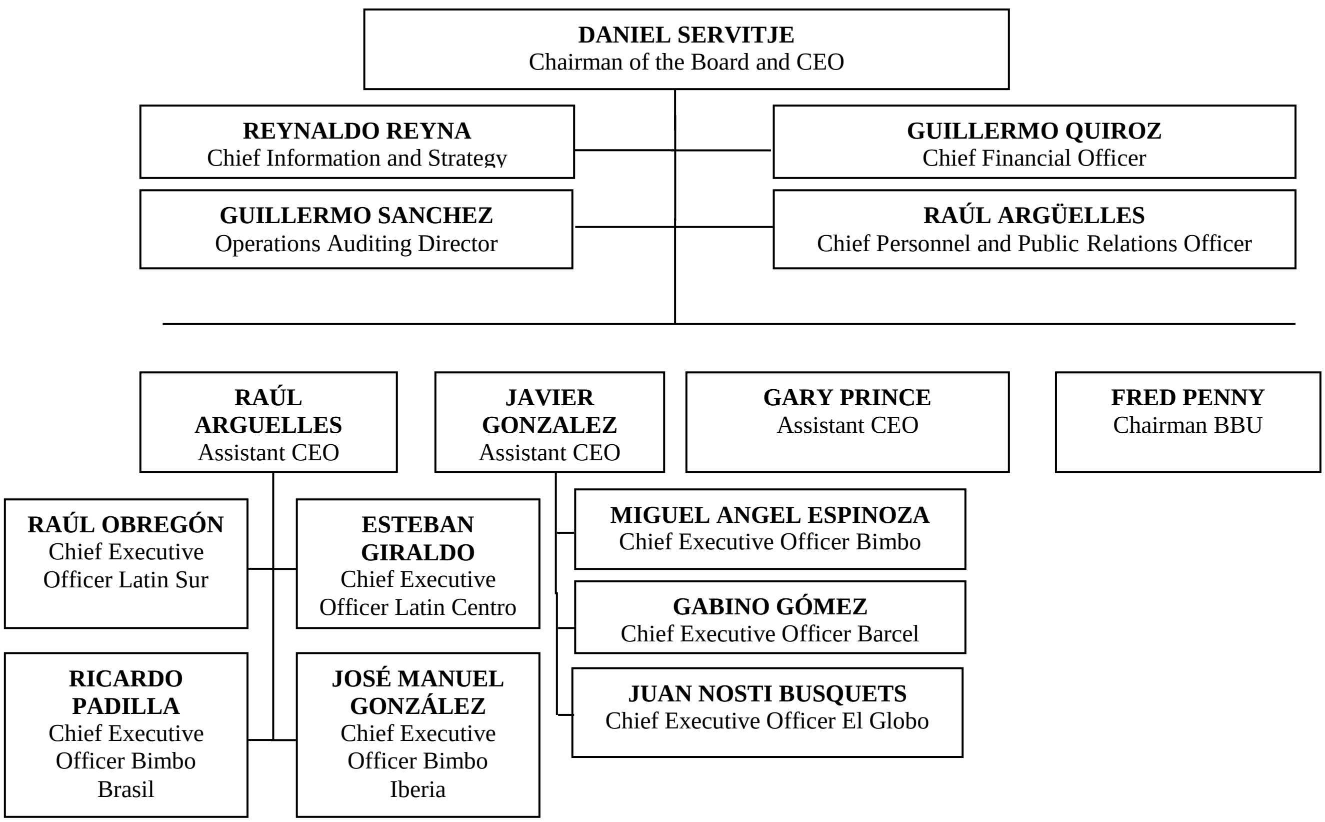
*Juan Nosti Busquets* is President of El Globo since December 2011. He holds a degree in Marketing and an MBA degree from ITESM. He joined Grupo Bimbo in 2000 as Manager of Grupo Ricolino, he was Cookies Marketing Manager, Media and Licenses Manager, Director in Galletas Marinela Category, Marketing Director in Panes Bimbo. He was in Sales training and was Marketing Director in Bimbo.

*Jorge Esteban Giraldo Arango* is President of Organización Latinoamérica Centro since July 2010. He holds a degree in Electronic Engineering. He has attended High Management courses in the University of Chicago (London), Instituto de Empresa-IE (Madrid, Inalde (Bogota). He joined Grupo Bimbo on June 1st, 2004 in charge of the General Management of Bimbo de Colombia.

*Raúl Obregón Servitje* is Director General of South Latin Organization since February 2014. Has studied Bachelor of Industrial Engineering at the Iberoamericana University and Masters in Business Administration from Boston University. Joined Grupo Bimbo in 1998 and has held various positions such as Regional Corporate Sales Manager and Regional Sales Manager at BBU, Peru General Manager, Director of Sales Clients Big Bimbo Organization and Corporate Sales Director.

*Ricardo Padilla Anguiano* is CEO of Bimbo Brazil since December 2012. He is Public Accountant with a degree from the University of Guadalajara and graduated from Senior Management Program Business IPADE. He joined the Group in 1981 and has held various positions such as General Manager North West Bimbo, Bimbo Bimbo Gulf and San Luis and Director, Bimbo, SA de C.V.

The following is an organization chart of the Group's key officers, in effect as of the date of this Annual Report:



**Compensation**

Compensation to the Directors and members of the Company's Committees is determined by the General Ordinary Shareholders´ Meeting. Such compensation, as of the General Ordinary Shareholders´ Meeting held on April 8, 2014, is as follows: Directors receive $70,000 pesos per meeting attended. The members of the Finance and Planning and Evaluation and Results Committees receive $40,000 pesos per meeting attended. Members of the Audit Committee receive $80,000 pesos. The Company's officers who are also Directors and/or members of any of the Committees shall not be entitled to receive any compensation. In 2013, the total amount corresponding to the compensation mentioned in this paragraph amounted approximately $318 million pesos

Compensations paid to key officers for the fiscal year ended as of December 31, 2013 amounted approximately $474 million pesos, which represented 0.6% of the Company's total consolidated general expenses. Such amount includes payments for salaries, vacation bonus, legal year-end bonus, bonus for goal achievement and annual results bonus. Bonuses paid by the Company are determined based on the individual performance of its collaborators, while the annual results bonus also contemplates a factor which is determined by the financial results achieved by the Company.

Likewise, the amount accrued by the Company and its subsidiaries for the key officers´ pension plans is of $533 million pesos.

**Executives and Directors Virtual Shares Plan**

As of 2013, the Virtual Share Plan ("Plan Acciones por VEAB - *Valor Económico Agregado BIMBO*") for executive officers and directive officers is in effect. This plan allocates an annual number of Virtual Shares in accordance with the level, the salary of the officer and the results obtained by the Business Unit to which it is associated and the average share price of Bimbo in the BMV, in January of the following. The number of Virtual Shares is paid 30 months after the average share price of Bimbo in the BMV in June through a taxable bonus.

**Faculties Board of Directors**

The Board of Directors is the legal representative of the Company, and has the broadest faculties for the administration of the affairs of the Company, with power of attorney for lawsuits and collections, managing goods and exercise acts of ownership, without limitation, for appoint and remove the CEO, directors, managers, officers and agents, and to determine their duties, working conditions, wages and guarantees and, particularly, to grant powers of attorney to managers, officials, lawyers and others who are responsible for labor relations of the Company.

Similarly, the Board has authority to approve the budgets of the Company and changes made in the budget that are made according to the reported results, as well as authorize extraordinary items.

The Board of Directors of the Company also has the authority to approve any transfer of shares of the Company, when the transfer involves more than 3% of the shares entitled to vote.

Also, the Board of Directors, for the execution of its functions is assisted by and Audit and Corporate Practices Committee, a Committee on Performance Evaluation and Finance and Planning Committee, whose functions and incorporation are described below. See "Directors and Shareholders - Interim Management Bodies."

**Intermediate Administration Bodies**

The Company has the following committees, which are in charge of assisting the Board of Directors in the Company's administration:

**Audit and Corporate Practices Committee**

El Audit and Corporate Practices Committee is comprised of a minimum of three independent directors appointed by the Shareholders´ Meeting. The chairman of the Audit and Corporate Practices Committee shall be appointed and/or removed from his position, exclusively, by the General Shareholders´ Meeting.

The Audit and Corporate Practices Committee performs the audit activities established by the Securities Market Law, as well as those corporate practices activities established by the same law and determined by the Board of Directors. The Audit and Corporate Practices Committee performs, among others, the following activities: a) provide an opinion to the Board of Directors on matters of its competence under the Securities Market Law; b) evaluate the performance of the corporation that renders the external audit services, as well as to analyze the report, opinions and information prepared and subscribed by the external auditor; c) discuss the Company's Financial Statements with the persons responsible for the preparation and review thereof, and based thereon, recommend or not the approval thereof to the Board of Directors; d) inform the Board of Directors the status of the Company's internal control and external audit or those of the corporations controlled by the Company; e) prepare the opinion referred to in Article 28, paragraph IV, clause c) of the Securities Market Law and submit it to the consideration of the Board of Directors for its subsequent presentation to the Shareholders' Meeting; f) support the Board of Directors in the preparation of the reports referred to in Article 28, paragraph IV, clauses d) and e) of the Securities Market Law; g) overview that the transactions referred to in Articles 28, paragraph III and 47 of the Securities Market Law, are carried out in accordance with the provisions set forth to that effect in such articles, as well as to the policies derived therefrom; h) request the opinion from independent experts in the cases it deems it convenient, for the adequate performance of its duties or when requested under the law; i) request from the Company's key officers and other employees or from the corporations controlled thereby, reports regarding the preparation of financial information and of any other kind which it deems necessary for the performance of its duties; j) investigate the possible defaults of which it is aware, to the transactions, guidelines and operation policies, internal control system and internal audit and accounting recording, whether of the same Company or of the corporations controlled thereby; k) receive opinions from the shareholders, directors, key officers, employees and, generally, from any third party, in respect to the matters referred to in the preceding clause, as well as to carry out the actions deemed admissible at its judgment, in connection with such opinions; l) request periodical meetings with the relevant officers, as well as the delivery of any kind of information in connection with the Company's internal control and internal auditor of the corporations controlled by the Company; m) inform the Board of Directors of the relevant irregularities detected when performing its duties and, as the case may be, of the corrective actions adopted or to propose those to be applied; n) call Shareholders' Meetings and request that the items deemed pertinent are included in such meetings' agenda; o) overview that the General Director complies the resolutions of the Company's Shareholders' Meetings and Board of Directors' Meetings, in conformity with the instructions which, as the case may be, are issued by the relevant meeting; p) overview that mechanisms and internal controls which allow to verify the Company's actions and transaction and those of the corporations controlled thereby established are aligned to the applicable regulations; q) issue opinions in respect with related parties transactions; and r) issue opinions in respect with the appointing, evaluation and removal of the Chief Executive Officer and other relevant directors as well as in respect with policies for the integrated compensation of the Chief Executive Officer and other relevant directors of Grupo Bimbo, as well as to put in place methodologies which allow to review the fulfillment of the above mentioned.

The General Ordinary Shareholders Meeting held on April 08, 2014, ratified the following persons as members of the Audit Committee: Arturo Fernández Pérez, Thomas Heather Rodríguez, Agustín Irurita Pérez, Ignacio Pérez Lizaur, Edmundo Miguel Vallejo Venegas and Henry Davis Signoret as chairman

Based on the professional profiles of the members of the Audit and Corporate Practices Committee, the Company considers that such members can be deemed financial experts.

**Evaluation and Results Committee**

The Evaluation and Results Committee is comprised by members of the Board of Directors, who are appointed by the Board of Directors or the Shareholders´ Meeting. This Committee is in charge of: a) analyzing and approving the structure and any form of compensation made to all the Company's and its subsidiaries' officers and collaborators, as well as the general compensation policies for the Company's and its subsidiaries' officers and collaborators, including increases, reductions or modifications to compensations, whether general or individual, except for the one corresponding to the General Director and its relevant directive officers, powers which are entrusted to the Board of Directors, with the Corporate Practices Committee's prior opinion; b) evaluating the Company's and its subsidiaries' results, as well as the repercussion thereof in the compensation to the Company's officers and collaborators; c) analyzing and, as the case may be, issue an opinion in connection with wages tables applicable to the Company's and its subsidiaries' officers and collaborators, including annual compensation and promotion plans, and criteria for the pension plans; d) requesting the independent experts' opinion in the cases it deems it convenient, for the adequate performance of its duties; e) requesting to the Company's or its subsidiaries' relevant directive officers and other collaborators, any kind of report deemed necessary for the performance of its duties; f) acting as consultation body for the Board of Directors in connection with everything pertaining to the Company's and its subsidiaries' personnel; and g) coordinating activities related to the Company's other committees, when the case so requires.

Through a Board of Directors meeting held on April 24, 2014, Messrs. Thomas Heather Rodríguez, Edmundo Vallejo Venegas and Nicolas Mariscal Servitje, Daniel Servitje Montull, and Raúl Obregón del Corral as chairman were ratified as members of this Committee.

Based on the professional profiles of the members of the Evaluation and Results Committee, the Company considers that several of such members may be deemed as financial experts.

**Finance and Planning Committee**

The Finance and Planning Committee is comprised of members of the Board of Directors, who are appointed by the Board of Directors or by the Shareholders' Meeting. The Finance and Planning Committee has the following powers: a) to analyze and submit to the Board of Directors' approval the evaluation of the long-term and budget strategies, as well as the Company's main investment and finance policies; b) by the Board of Directors' express delegation, it may approve: (i) transactions which imply the acquisition or conveyance of properties with a value equal to or lower than three percent of the Company's consolidated assets; (ii) the granting of guaranties or the assumption of liabilities in an amount equal to or lower than three percent of the Company's consolidated assets; (iii) investments in debt securities or in banking instruments, exceeding three percent of the Company's consolidated assets, provided however that the same are made in conformity with the policies approved to that effect by the Board; c) propose and, as the case may be, evaluate and periodically review policies for the handling of the Company's and its subsidiaries' treasury; d) request the opinion from independent experts in the cases it deems it convenient, for the adequate performance of its duties; e) request to the Company's or its subsidiaries´ relevant directive officers and other collaborators, reports regarding the preparation of the financial information and of any other kind deemed necessary for the performance of its duties; f) act as consultation body for the Board of Directors in everything pertaining to the above mentioned duties, including financial matters, as well as in connection with the review and recommendation of investment projects and/or diversification of the Company and its subsidiaries, observing their congruence and profitability. Likewise, it shall coordinate activities related to the Company's other committees, when the case so requires.

Through a Board of Directors meeting held on April 24, 2014, Ricardo Guajardo Touché, Luis Jorba Servitje, Raúl Obregón del Corral, Guillermo Quiroz Abed, Daniel Servitje Montull, Javier De Pedro Espíndola as chairman, and José Ignacio Mariscal Torroella.

Based on the professional profiles of the members of the Finance and Planning Committee, the Company considers that several of such members may be deemed as financial experts.

**Code of Ethics**

During 2013, Grupo Bimbo formed an Ethics Committee and Regulatory Compliance, which reports directly to the Board of Directors, the Audit Committee and the General Executive Office and aims to promote the ethical values of the Group which are set out in its Code of Ethics, and to strengthen regulatory compliance to which Grupo Bimbo is subject in various countries in which it operates. Grupo Bimbo has a Code of Ethics approved by its Board of Directors.

The Code of Ethics sets out the commitments of Grupo Bimbo with society, government and competitors, as well as its employees, suppliers, consumers, customers, partners and shareholders. Therefore, the Code of Ethics is the pattern of behavior in its daily operation. The process of research, monitoring and resolution of deviations is reported quarterly to the Audit Committee of the Board of Directors.

In addition to the Code of Ethics, there is a Corporate Governance Code of the Company, which is a set of various documents governing the Group's corporate governance and containing the bylaws, regulations of the various committees of the Board of Directors, and major policies applicable to the operation of the main governing bodies of the Company.

Among the internal policies applicable to directors and executive officers, are the following: l. Related Party Transactions; II. Waivers; III. Use or Enjoyment of Goods; IV. Communication of relevant events to shareholders and public investors, V. Restrictions of Operations with Securities; and VI. Non Public Information.

Regarding regulatory compliance, the Committee is responsible for formulating and recommending policies to the Board of Directors and the Chief Executive Office, reviewing and recommending improvements to controls and internal procedures, coordinate internal audit programs and monitoring compliance, conducting special internal investigations or independent, manage anonymous lines of internal communication with employees and third-party complaints and punish conduct violating internal or external regulations provisions.

The main compliance issues that are the subject of the Ethics Committee and Regulatory Compliance are: Anticorruption, Restricted Party Transactions, Antitrust, Money Laundering, Data Protection.

Regarding the above topics Grupo Bimbo has a zero tolerance policy towards the realization of any conduct or activity that violates any provision of law in countries in which it operates in matters of Anticorruption, Restricted Party Transactions, Antitrust, Money Laundering, as well as maintaining the commitment to establish the necessary mechanisms to protect Personal Client, Supplier and Employee Data in accordance with applicable laws.

**Principal Shareholders**

As of the date of this Annual Report 4,703,200,000 Series “A”, ordinary, nominative, with no par value shares, representing the capital stock are authorized, and registered in the RNV (National Securities Registry) and listed on the BMV (Mexican Stock Exchange) since 1980 under the ticker symbol “BIMBO”.

Except for Mr. Roberto Servitje Sendra, none of the Company’s shareholders or relevant directive officers has an individual direct interest in BIMBO’S capital stock exceeding 1%.

The companies mentioned herein below hold an interest of approximately 67% in BIMBO’S capital stock. The following table shows the information referring to the Principal Shareholders’ interest, in accordance with the Company’s Stock Transfer Book as of April 8, 2014:

| Name | No. of shares | Capital stock % |
|---|---|---|
| Normaciel, S.A. de C.V. [a] | 1,756,513,140 | 37.3 |
| Promociones Monser, S.A. de C.V. [b] | 550,268,544 | 11.7 |
| Banco Nacional de México, S.A. as Trustee | 263,280,212 | 5.6 |
| Philae, S.A. de C.V. | 232,692,104 | 5.0 |
| Distribuidora Comercial Senda, S.A. de C.V. | 174,960,000 | 3.7 |
| Marlupag, S.A. de C.V. | 161,213,536 | 3.4 |
| Others | 1,564,272,464 | 33.2% |
| **Total** | **4,703,200,000** | **100%** |

*(a) Without being independently verified, to BIMBO'S knowledge this is a company controlled by Mr. Daniel Servitje Montull, Chairman of the Board of Directos, Chief Executive Officer of Grupo Bimbo, and his family members.*

*(b) Without being independently verified, to BIMBO'S knowledge this is a company controlled by the Jorba Servitje family.*

To BIMBO'S knowledge and based in the foregoing information, no person exercises control, significant influence or command power (as such concepts are defined in the Securities Market Law) in BIMBO, except for Mr. Daniel Servitje Montull, Chairman of the Board of Directors and Chief Executive Officer.

## d) Corporate Bylaws and other Agreements

As of December 30, 2005 the new Securities Market Law was published in the Official Gazette of the Federation (*Diario Oficial de la Federación*), which became effective on June 28, 2006, and in accordance with which BIMBO'S Corporate Bylaws were amended by virtue of an Extraordinary Shareholders´ Meeting held on November 14, 2006. Among other thing, in such meeting the total amendment to the Corporate Bylaws was approved, which was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of the Federal District, and filed in the Public Registry of Commerce of this city under mercantile folio No. 9506, dated December 6, 2006. With the amendment to the Corporate Bylaws, the Company adjusted to the securities law in effect.

Among the most relevant amendments are the ones regarding the creation of a regime applicable to the *sociedades anónimas bursátiles* (the shares of which are traded in the BMV) to improve their organization and functioning, as well as their responsibilities regime.

### 1. Rights Granted by Shares

Holders of Series "A" shares are entitled to one vote in the General Ordinary and Extraordinary Shareholders' Meetings. Without any shares of this kind existing as of this date, the Company may issue, under the Securities Market Law, non-voting and/or limited voting shares. As the case may be, holders of Series "A" shares may not attend the Special Meetings held by the holders of non-voting and/or limited voting shares and neither have they voting rights in the Special Meetings held by the holders of non-voting and/or limited voting shares.

As the case may be, the holders of limited voting shares, shall be entitled to attend and vote at a rate of one vote per each share, only and exclusively in the Special Meetings held by the holder of such shares and in the General Extraordinary Shareholders' Meetings held to discuss any of the following matters: a) transformation of the Company; b) merger with another company or companies, when the Company is the merged party; c) cancellation of the limited voting shares filing in the RNV and in domestic and foreign stock exchanges in which the same are registered, except in quoting systems or other markets not organized as stock exchanges; and d) any other provided for in the Securities Market Law.

As the case may be, holders of limited voting shares may not attend General Ordinary Meetings, except in the events expressly provided for in the Securities Market Law. Neither may they attend the General Extraordinary Shareholders´ Meetings held to discuss matters in which they have no voting rights.

Additionally, shareholders holding limited or restricted voting shares, for each ten percent (10%) of the Company's capital stock that they individually or collectively hold, shall have the rights conferred in the

Corporate Bylaws and the General Corporation and Partnership Law.

Shareholders holding non-voting shares shall have the rights granted by the Securities Market Law.

**2. Pre-emptive Rights and Capital Stock Increases**

In capital stock increases, the Company's shareholders shall have, in proportion to the number of shares owned by such shareholders of a series in respect to the total number of shares issued and subscribed of such series prior to the increase, a pre-emptive right to subscribe a number of shares sufficient in order to keep their equity holding, except for: (i) share issues made under Article 53 of the Securities Market Law; (ii) own shares acquired which become treasury shares and are placed among the investing public under such Law; (iii) those resulting from the conversion of debentures or any other debt instruments, capital instruments or which have features of both issued by the Company in shares, with the General Extraordinary Shareholders' Meetings prior approval; (iv) the Company' merger; and (v) the event of any capital stock increase due to subscription and payment in cash or in kind or due to the capitalization of liabilities, in which the Company shall not be required to obtain that the shares or any series or kind, or any foreign securities which represent them, are registered before other than the securities authorities of the United Mexican States and, in that regard, the Company shall not be required to accept the subscription and payment made by shareholders if such acceptance results in any obligation to be discharged by the Company under the indicated terms.

The pre-emptive right set forth in the preceding paragraph shall be exercised by the shareholders within a period not than 15 calendar days following the date when the Meeting's resolution which decrees the capital stock increase is published in the Official Gazette of the Federation (*Diario Oficial de la Federación*) and any other daily newspaper of major circulation in the corporate domicile. This pre- emptive right shall be exercised in accordance with the provisions established to that effect by the Board of Directors.

The Company may not issue new shares until the preceding ones have not been fully paid, without prejudice of the provisions applicable to the issuance of shares which are not subscribed, and unless the previously issued shares are to be used, in terms of a resolution of the Meeting which approved the issuance thereof, to satisfy any obligations to be discharged by the Company and approved by the Shareholders.

The Board of Directors is empowered to offer for subscription and payment to third parties shares which are not subscribed by the Shareholders after the expiration of the term set forth in the preceding paragraphs in order to exercise the pre-emptive right, in the capital stock increases decreed, it being understood that the Price at which such shares will be offered may not be lower than the one at which they have been offered to the Company´ Shareholders for their subscription and payment.

**3. Shareholders'Meetings and Voting Rights**

In terms of the Corporate Bylaws, the Shareholders' Meetings may be Extraordinary, Ordinary and Special. The General Extraordinary Shareholders' Meetings are those held to discuss any of the matters referred to in Article 182 of the General Corporation and Partnership Law or those held to discuss the cancellation of the Company's shares filing in the RNV and in other domestic or foreign stock exchanges in which they are quoted, except quoting systems or other markets not organized as stock exchanges. General Ordinary Meetings are all those held to discuss matters which are not of the General Extraordinary Meetings' competence and specifically those held to discuss the matters referred to in Articles 180 and 181 of the General Corporation and Partnership Law. Special Meetings are those held to discuss matters which might affect the rights of one single share series and shall be subject to the provisions applicable to the General Extraordinary Meetings. General Ordinary Meetings, as well as, as the case may be, Special Shareholders meetings regarding limited voting shares, shall be held at least once annually, and in the case of Special Meetings, they shall be held prior to holding the Annual General Ordinary Shareholders' Meeting. General Extraordinary Meetings shall be held whenever it is necessary to discuss any of the subject matters of such Meetings.

In terms of the provisions set forth in the Corporate Bylaws and in the Mexican law, in order for an Ordinary Shareholders Meeting to be deemed as legally held upon first call, at least fifty percent (50%) of the ordinary shares shall be represented in the Meeting and resolutions thereof shall be valid if adopted by the majority vote of the shares represented in the Meeting. In case of second or subsequent call, the General Ordinary Shareholders' Meetings may be validly held regardless of the number of ordinary shares represented in the Meeting and resolutions shall be valid when adopted by the majority vote of the shares represented in the Meeting.

In order for General Extraordinary Shareholders' Meetings held to discuss matters in which limited voting shares have no voting rights, to be validly held upon first call, at least seventy five percent (75%) of the ordinary shares shall be represented therein and resolutions shall be valid if adopted by the affirmative vote of shares representing at least fifty percent (50%) of the Company's ordinary shares. In case of second or subsequent call, Extraordinary Shareholders' Meetings held to discuss matters in which the limited voting shares have no voting rights, may be validly held if at least fifty percent (50%) of the Company's ordinary shares is represented therein and resolutions shall be valid when adopted by the affirmative vote of the shares representing, at least, fifty percent (50%) of the Company' ordinary shares.

In order for, as the case may be, a Special Meeting called to discuss matters concerning to limited voting shares to be deemed legally held upon first call, at least seventy five percent (75%) of the limited voting shares shall be represented therein, and resolutions shall be valid when adopted by the affirmative vote of shares representing fifty percent (50%) of the limited voting shares. In case of second or subsequent call, Special Shareholders' Meetings may be validly held if at least fifty percent (50%) of the limited voting shares is represented, and resolutions shall be valid when adopted by the affirmative vote of shares representing, at least fifty percent (50%) of the limited voting shares.

Calls to the Shareholders' Meetings shall be made by the Chairman of the Board of Directors or of the committees performing duties regarding corporate practices and audit, or by the Secretary of the Board of Directors or the substitute thereof. However, holders of shares with voting rights, even limited or restricted voting rights, representing at least ten percent (10%) of the capital stock may request that a General Shareholders' Meeting is called under the terms set forth in Article 50 of the Securities Market Law. Any shareholder or share owner shall have the right to request in writing to the Board of Directors or to the chairmen of the committees that carry out audit and corporate practices duties, to call a General Shareholders' Meeting in any of the events referred to in Article 185 of the General Corporation and Partnership Law. If the call is not made within 15 days following the request, such call shall be made by a competent judge of the Company's domicile, having previously notified the relevant request to the Board of Directors.

The Shareholders or their representatives who, at least forty eight (48) hours prior to the date and time set for the Meeting, computed in business days, show their share certificates and/or evidences on the share certificates deposited in a duly authorized institution for the deposit of securities, in terms of the Securities Market Law shall be admitted in the Meetings. Such evidences shall be exchanged for a certificate issued by the Company in which the name and number of shares represented by the Shareholder shall be indicated. Such certificates shall serve as admission cards for the Meetings. Members of the Board of Directors, the general director and the individual appointed by the corporation providing external audit services, may attend the Company's Shareholders' Meetings.

The Company's Shareholders may be represented in the Shareholders' Meetings by persons evidencing their legal capacity through the proxy forms prepared by the Company and made available through the securities market intermediaries or in the same the Company, at least fifteen (15) calendar days prior to each Meeting. Such forms shall satisfy all the requirements determined by the Securities Market Law and the supplementary provisions thereof.

**4. Minority Shareholders' Rights**

All minority holders shall have the rights which, as such, are conferred by the General Corporation and Partnership Law, the Securities Market Law and the Corporate Bylaws.

Shareholders holding voting right shares, even limited or restricted voting rights, for each ten percent (10%) of the Company' capital stock that they individually or collectively own, shall be entitled to: a) appoint one director in a General Shareholders' Meeting and the respective alternate director thereof. Such appointment may only be revoked by the other Shareholders when at the same time the appointment of all other Directors is revoked, in which case the substituted persons may not be appointed with such capacity during twelve months subsequent to the revocation date; b) require the Chairman of the Board or of one of the committees carrying out the duties regarding corporate practices and audit, at any time, to call a General Shareholders' Meeting, without the percentage set forth in Article 184 of the General Corporation and Partnership Law being applicable, c) request to adjourn the voting for three (3) calendar days of any matter in respect to which they are not sufficiently informed, observing the terms and conditions set forth in Article 50 of the Securities Market Law.

**5. Limitation to acquire shares**

The corporations controlled by BIMBO, in terms of the Securities Market Law, may not directly or indirectly acquire shares representing the Company's capital stock to which they are linked or negotiable instruments representing those shares.

**6. Repurchase by BIMBO of its own shares**

Under its Corporate Bylaws, BIMBO may acquire shares representing its own capital stock through the stock Exchange, at the current market price, in terms of Article 56 of the Securities Market Law.

Own shares owned by the Company or, as the case may be, treasury shares, without prejudice of the provisions set forth in the General Corporation and Partnership Law, may be placed among the investing public, in this last case, without the capital stock increase corresponding to the Shareholders' Meeting requiring a resolution of any kind, nor a resolution of the Board of Directors, regarding the placement thereof.

**7. Cancellation of Shares Filing**

Cancellation of the Company's shares filing in the RNV, whether request by the same Company or by resolution adopted by the CNBV, shall be carried out under the terms set forth in the Securities Market Law and the supplementary provisions thereof.

**8. Administration Intermediate Bodies**

Under the Corporate Bylaws, the Company has three different administration intermediate bodies, which support the Board of Directors in the Company's administration. Such bodies are: the Audit and Corporate Practices Committee, the Finance and Planning Committee, and the Evaluation and Results Committee see "Administration – Administrators and Shareholders".

**9. Other Contracts and Agreements**

In accordance with the Company's Corporate Bylaws, any transfer of shares representing three percent (3%) or more of voting shares issued by the Company intended to be carried out by a shareholder or in addition to previous transactions, or by a group of shareholders linked among them, may only be carried out with the Board of Directors' prior approval. In case the Board of Directors denies such approval, it shall designate one or more purchasers for the shares, which shall pay to the interested party the price recorded in the BMV. In case the shares are not filed in the RNV, the price to be paid shall be determined in conformity with the market current price, in accordance with the General Corporation and Partnership Law.

On April 9, 2008 the Company informed the investing public that it received a notice from its shareholders Normaciel, S.A. de C.V., Marlupag, S.A. de C.V., Promociones Monser, S.A. de C.V., Distribuidora Comercial Senda, S.A. de C.V., and Philae, S.A. de C.V., owners of approximately 61% of the Company's shares outstanding, reporting that Shareholders Agreements have been executed, through which the reciprocally grant to each other, during the subsequent seven years, the right of first refusal for the acquisition of Grupo Bimbo shares which they own. Likewise, Normaciel, S.A. de C.V., grants to the other above mentioned companies, the joint sale right, in the event of selling its shares to a third party.

As of the date of this Annual Report among the shareholders there are no other agreements the effect of which is to delay, prevent, differ or making the Company's change of control more onerous, or agreements such as those set forth in Article 16, paragraph VI of the Securities Market Law, nor limiting the corporate rights conferred by the shares.

Likewise, as of the date of this Annual Report, there are no corporate bylaws clauses or agreements among shareholders limiting or restricting the Company's Board of Directors or its shareholders.

## 5. CAPITAL MARKETS

### a) Shareholding structure

As of the date of this Annual Report, shares representing the Company's capital stock are Series "A" common, ordinary, nominative, with no par value shares, which are filed in the RNV. Such shares began being quoted in the BMV in February 1980, when the Company carried out its initial public offer. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the Mexican Stock Exchange (BMV).

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

**b) Share behavior in the Securities Markets.**

The Following tables show the maximum, minimum and closing adjusted quoting prices of BIMBO's Series "A" shares in the BMV, during the indicated periods.

| Annual | Pesos per Series "A" share Maximum | Minimum | Closing | Volume of Series "A" shares traded |
|---|---|---|---|---|
| 2009 | 22.99 | 9.98 | 21.64 | 571,582,400 |
| 2010 | 27.41 | 20.56 | 26.36 | 606,156,400 |
| 2011 | 28.47 | 23.07 | 28.47 | 577,729,900 |
| 2012 | 33.47 | 28.44 | 33.47 | 557,993,449 |
| 2013 | 45.80 | 31.72 | 40.20 | 597,627,669 |

| Quarterly | Pesos per Series "A" share Maximum | Minimum | Closing | Volume of Series "A" shares traded |
|---|---|---|---|---|
| 1Q09 | 15.03 | 9.98 | 13.15 | 221,587,600 |
| 2Q09 | 18.11 | 13.00 | 17.49 | 200,339,600 |
| 3Q09 | 19.41 | 16.00 | 18.76 | 186,764,800 |
| 4Q09 | 22.99 | 18.22 | 21.64 | 228,156,000 |
| 1Q10 | 27.20 | 20.56 | 27.20 | 198,866,400 |
| 2Q10 | 27.41 | 22.20 | 22.99 | 212,834,000 |
| 3Q10 | 25.19 | 22.40 | 23.08 | 176,609,600 |
| 4Q10 | 27.01 | 23.04 | 26.36 | 286,156,800 |
| 1Q11 | 26.61 | 23.07 | 25.05 | 134,507,200 |
| 2Q11 | 28.00 | 24.80 | 27.13 | 141,288,900 |
| 3Q11 | 28.24 | 23.54 | 26.39 | 167,709,700 |
| 4Q11 | 28.47 | 26.08 | 28.47 | 134,224,100 |
| 1Q12 | 30.51 | 28.44 | 29.84 | 135,013,283 |
| 2Q12 | 32.75 | 29.04 | 32.75 | 147,410,120 |
| 3Q12 | 33.22 | 28.70 | 32.04 | 134,705,257 |
| 4Q12 | 33.47 | 30.11 | 33.47 | 140,864,789 |
| 1Q13 | 39.49 | 31.72 | 39.49 | 126,872,859 |
| 2Q13 | 41.63 | 34.12 | 39.25 | 147,526,605 |
| 3Q13 | 45.80 | 37.10 | 40.69 | 166,672,143 |
| 4Q13 | 44.14 | 38.00 | 40.20 | 156,556,062 |

| Monthly | Pesos per Series "A" share | | | Volume of Series "A" shares traded |
|---|---|---|---|---|
| | Maximum | Maximum | Maximum | |
| December 2011 | 28.47 | 26.44 | 28.47 | 41,930,000 |
| January 2012 | 29.83 | 28.44 | 29.00 | 48,591,882 |
| February 2012 | 30.51 | 28.96 | 28.96 | 48,765,632 |
| March 2012 | 29.94 | 29.18 | 29.84 | 37,655,769 |
| April 2012 | 32.33 | 29.84 | 31.04 | 35,845,056 |
| May 2012 | 32.20 | 29.04 | 31.14 | 58,295,108 |
| June 2012 | 32.75 | 29.47 | 32.75 | 53,269,956 |
| July 2012 | 33.22 | 31.17 | 33.12 | 37,100,338 |
| August 2012 | 32.97 | 28.70 | 28.70 | 57,710,632 |
| September 2012 | 32.04 | 28.70 | 32.04 | 39,894,287 |
| October 2012 | 32.97 | 30.50 | 30.50 | 39,716,216 |
| November 2012 | 31.77 | 30.11 | 30.50 | 49,085,149 |
| December 2012 | 33.47 | 30.50 | 33.47 | 52,063,424 |
| January 2013 | 34.11 | 32.37 | 32.88 | 46,208,500 |
| February 2013 | 34.67 | 31.72 | 34.67 | 35,669,337 |
| March 2013 | 39.49 | 34.27 | 39.49 | 44.995,022 |
| April 2013 | 41.63 | 38.55 | 39.51 | 45,365,508 |
| May 2013 | 39.44 | 36.01 | 37.83 | 44,314,768 |
| June 2013 | 39.25 | 34.12 | 39.25 | 57,846,329 |
| July 2013 | 43.71 | 38.63 | 43.20 | 39,754,234 |
| August 2013 | 45.80 | 37.10 | 38.85 | 75,275,014 |
| September 2013 | 42.99 | 38.50 | 40.69 | 51,642,895 |
| October 2013 | 44.14 | 39.76 | 43.83 | 45,917,110 |
| November 2013 | 43.42 | 40.40 | 40.80 | 46,638,482 |
| December 2013 | 41.06 | 38.00 | 40.20 | 64,000,470 |

**c) Market Maker**

As of March 2, 2011, Acciones y Valores, S.A. de C.V., Casa de Bolsa operates as market maker for the shares with ticker symbol BIMBO, Series "A" kind and with the code ISIN MXP495211262 listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores). The term of the agreement is six months computed as of the agreement's renewal date.

## 6. RESPONSIBLE PERSONS

The undersigned hereby represent under oath that, within the scope of our respective functions, we prepared the information of the Issuer contained in this Annual Report, which, as to our best knowledge, reasonably reflects its situation. We also represent that we have no knowledge of relevant information that has been omitted or misrepresented in this Annual Report, or if it contains information which could mislead investors.

Daniel Servitje Montull
Director General y Presidente del Consejo de Administración

Guillermo Quiroz Abed
Director de Administración y Finanzas

Luis Miguel Briola Clement
Director Jurídico

The undersigned represent under oath that the consolidated financial statements of Grupo Bimbo, S.A.B. de C.V. and its subsidiaries as of December 31, 2013 and 2012, for the years ended in those dates (see Annex 7c), contained in this annual report, were audited in accordance with International Standards on Auditing in 2013 and in 2012.

We also represent having read this annual report and based on such regards and within the scope of the audit work performed, we are not aware of relevant errors or inconsistencies in the information included and whose source comes from the audited financial statements referred to in previous paragraph, or information that has been omitted or misrepresented in this annual report or if it contains information that could mislead investors.

However, the undersigned were not hired, to perform and did not perform additional procedures in order to express an opinion regarding the other information contained in the annual report which does not come from the audited financial statements.

C. P. C. Octavio Aguirre Hernández
Auditor Externo
Socio de Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

C. P. C. Luis Javier Fernández Barragán
Apoderado Legal
Socio de Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu Limited

## 7. SCHEDULES

**a)** Audit Committee's Opinion with respect to the General Director's Report corresponding to the year ended as of December 31, 2013.

**b)** Independent Auditor's report to the Board of Directors and Shareholders of Grupo Bimbo, S.A.B. de C.V., for the years ended as of December 31, 2013 and 2012.

**c)** Audited Financial Statements for the years ended as of December 31, 2013 and 2012.

**d)** Audit Committee's Report corresponding to the year ended as of December 31, 2013.

Mexico City, April 9, 2014

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 note e), section II of Article 42 of the Mexican Securities 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, 2013.

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, 2013 and for the year ended on that date.

Sincerely,

**Henry Davis Signoret**
Chairman of the Audit and Corporate Practices Committee
of Grupo Bimbo, S.A.B. de C.V.

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
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# Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

We have audited the accompanying consolidated financial statements of Grupo Bimbo, S. A. B. de C .V. and its Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of income, consolidated statements of comprehensive income (loss), consolidated statements of changes in stockholders' equity and consolidated statement of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

*Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Bimbo, S. A. B. de C .V. and its subsidiaries as of December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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

C. P. C. Octavio Aguirre Hernández

Mexico City, México

March 28, 2014

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

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report Dated March 28, 2014

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

# Independent Auditors' Report and Consolidated Financial Statements 2013 and 2012

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# Index to the notes to the consolidated financial statements

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

# Consolidated Statements of Financial Position

**As of December 31, 2013 and 2012**
**(In millions of Mexican pesos)**

| **Assets** | **Notes** | **December 31, 2013** | **December 31, 2012** |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | | $ 2,504 | $ 4,278 |
| Accounts and notes receivable- net | 5 | 15,848 | 16,294 |
| Inventories- net | 6 | 4,729 | 4,591 |
| Prepaid expenses | | 1,421 | 621 |
| Derivative financial instruments | 13 | 38 | 123 |
| Guarantee deposits for derivative financial instruments | | 659 | 566 |
| Assets available for sale | 8, 11 | 54 | 665 |
| Total current assets | | 25,253 | 27,138 |
| Non-current assets | | | |
| Notes receivable from independent operators | | 1,560 | 1,484 |
| Property, plant and equipment- net | 8 | 42,683 | 42,011 |
| Investment in shares of associated companies | 9 | 2,132 | 2,142 |
| Derivative financial instruments | 13 | 695 | 533 |
| Deferred income taxes | 17 | 5,399 | 6,054 |
| Intangible assets- net | 10 | 26,977 | 26,690 |
| Goodwill | 11 | 29,822 | 29,754 |
| Other assets- net | | 206 | 1,334 |
| Total assets | | $ 134,727 | $ 137,140 |

| **Liabilities and stockholders' equity** | | | |
|---|---|---|---|
| Current liabilities: | | | |
| Current portion of long-term debt | 12 | $ 7,997 | $ 1,573 |
| Trade accounts payable | | 9,698 | 9,488 |
| Other accounts payable and accrued liabilities | | 10,779 | 10,800 |
| Due to related parties | 16 | 523 | 677 |
| Income tax | 17 | 2,372 | 2,040 |
| Statutory employee profit sharing payable | | 876 | 750 |
| Derivative financial instruments | 13 | 1,033 | 237 |
| Total current liabilities | | 33,278 | 25,565 |
| Non-current liabilities | | | |
| Long-term debt | 12 | 32,332 | 40,398 |
| Derivative financial instruments | 13 | 236 | 936 |
| Employee labor obligations and workers' compensation | 14 | 17,399 | 20,369 |
| Deferred income taxes | 17 | 1,554 | 1,382 |
| Other liabilities | | 2,145 | 1,432 |
| Total liabilities | | 86,944 | 90,082 |
| Stockholders' equity: | | | |
| Capital stock | 15 | 4,227 | 4,227 |
| Reserve for repurchase of shares | 15 | 917 | 906 |
| Retained earnings | 15 | 43,617 | 41,635 |
| Accumulated translation effects of foreign subsidiaries | 15 | (3,975) | (1,470) |
| Remeasurement effects of employee benefits | 15 | 1,067 | (430) |
| Valuation effects of cash flow hedges | 13 | (234) | (132) |
| Equity attributable to owners of the Entity | | 45,619 | 44,736 |
| Non-controlling interests in consolidated subsidiaries | | 2,164 | 2,322 |
| Total stockholders' equity | | 47,783 | 47,058 |
| Total liabilities and stockholder´s equity | | $ 134,727 | $ 137,140 |

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, 2013 and 2012**
**(In millions of Mexican pesos, except earnings per common share)**

| | Notes | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Net sales | | $ 176,041 | $ 173,139 |
| Cost of sales | | 83,942 | 85,354 |
| Gross profit | | 92,099 | 87,785 |
| General expenses: | | | |
| Distribution and selling | | 66,882 | 65,635 |
| Administrative | | 11,750 | 11,599 |
| Integration costs | | 1,834 | 1,950 |
| Other general expenses | 19 | 1,143 | 1,214 |
| | | 81,609 | 80,398 |
| Operating income | | 10,490 | 7,387 |
| Interest expense | | 3,146 | 3,332 |
| Interest income | | (268) | (510) |
| Exchange loss (gain), net | | (1) | 91 |
| Monetary position gain | | (81) | (103) |
| Net financing costs | | 2,796 | 2,810 |
| Equity in (loss) income of associated companies | | (38) | 49 |
| Income before income taxes | | 7,656 | 4,626 |
| Income tax expense | 17 | 2,878 | 2,195 |
| Consolidated net income | | $ 4,778 | $ 2,431 |
| Net income attributable to owners of the Entity | | $ 4,404 | $ 2,028 |
| Net income attributable to non-controlling interests | | $ 374 | $ 403 |
| Basic and diluted earnings per common share | | $ 0.94 | $ 0.43 |
| Weighted average number of shares outstanding (000's) | | 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 Comprehensive Income (Loss)

**For the years ended December 31, 2013 and 2012**
**(In millions of Mexican pesos)**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Net income | $ 4,778 | $ 2,431 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Net change in actuarial losses on defined benefit plans of labor obligations | 2,330 | (438) |
| Income taxes relating to items that will not be reclassified | (796) | 210 |
| | 1,534 | (228) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Effects of economic hedges, net | (385) | 3,208 |
| Exchange differences on translating foreign operations | (2,235) | (5,586) |
| Net fair value gain on hedging instruments entered into for cash flow hedges | (140) | 317 |
| Income taxes related to items that will be reclassified in the future | 153 | (1,114) |
| | (2,607) | (3,175) |
| Other comprehensive loss for the year | (1,073) | (3,403) |
| **Total comprehensive income (loss) for the year** | $ 3,705 | $ (972) |
| Comprehensive income (loss) attributable to owners of the Entity | $ 3,294 | $ (1,375) |
| Comprehensive income attributable to non-controlling interests | $ 411 | $ 403 |

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, 2013 and 2012**
**(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, 2012 | $ 4,227 | $ 754 | $ 40,312 | $ 1,371 | $ 46,664 | $ 2,035 | $ 48,699 |
| Consolidation effect of special purpose entities | - | - | - | - | - | 20 | 20 |
| Dividends declared | - | - | (705) | - | (705) | (136) | (841) |
| Increase in reserve for repurchase of shares | - | 152 | - | - | 152 | - | 152 |
| Balances before comprehensive income (loss) | 4,227 | 906 | 39,607 | 1,371 | 46,111 | 1,919 | 48,030 |
| Consolidated net income for the year | - | - | 2,028 | - | 2,028 | 403 | 2,431 |
| Other comprehensive loss | - | - | - | (3,403) | (3,403) | - | (3,403) |
| Total comprehensive (loss) income | - | - | 2,028 | (3,403) | (1,375) | 403 | (972) |
| Balances as of December 31, 2012 | 4,227 | 906 | 41,635 | (2,032) | 44,736 | 2,322 | 47,058 |
| Consolidation effect of special purpose entities | - | - | - | - | - | (284) | (284) |
| Dividends declared | - | - | (2,422) | - | (2,422) | (285) | (2,707) |
| Increase in reserve for repurchase of shares | - | 11 | - | - | 11 | - | 11 |
| Balances before comprehensive income (loss) | 4,227 | 917 | 39,213 | (2,032) | 42,325 | 1,753 | 44,078 |
| Consolidated net income for the year | - | - | 4,404 | - | 4,404 | 374 | 4,778 |
| Other comprehensive loss | - | - | - | (1,110) | (1,110) | 37 | (1,073) |
| Total comprehensive (loss) income | - | - | 4,404 | (1,110) | 3,294 | 411 | 3,705 |
| Balances as of December 31, 2013 | $ 4,227 | $ 917 | $ 43,617 | $ (3,142) | $ 45,619 | $ 2,164 | $ 47,783 |

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, 2013 and 2012**
**(In millions of Mexican pesos)**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Income before income taxes | $ 7,656 | $ 4,626 |
| Adjustments for: | | |
| Depreciation and amortization | 5,247 | 5,467 |
| Loss on sale of property, plant and equipment | 194 | 96 |
| Equity in loss (income) of associated companies | 38 | (49) |
| Impairment of long-lived assets | 393 | 120 |
| Interest expense | 3,146 | 3,332 |
| Interest income | (268) | (510) |
| Changes in assets and liabilities: | | |
| Accounts and notes receivable | (340) | 932 |
| Inventories | (262) | 362 |
| Prepaid expenses | (986) | 145 |
| Trade accounts payable | 197 | 398 |
| Other accounts payable and accrued liabilities | (350) | (1,992) |
| Due to related parties | (154) | (227) |
| Income tax paid | (2,369) | 1,201 |
| Derivative financial instruments | (213) | (1,010) |
| Statutory employee profit sharing | 126 | (6) |
| Employee labor obligations and workers' compensation | (661) | 1,085 |
| Net cash flows generated by operating activities | 11,394 | 13,970 |
| Investing activities: | | |
| Acquisition of property, plant and equipment | (6,766) | (6,796) |
| Acquisition of business | (139) | - |
| Divestiture of plants in the USA | 455 | - |
| Proceeds from sale of property, plant and equipment | 277 | 317 |
| Acquisition of trademarks and other assets | (497) | (427) |
| Other assets | 811 | (211) |
| Dividends received | - | 24 |
| Investments in shares of associated companies | (28) | (314) |
| Interest collected | 266 | 453 |
| Net cash flows used in investing activities | (5,621) | (6,954) |
| Financing activities: | | |
| Proceeds from long-term debt | 3,046 | 15,855 |
| Payment of long-term debt | (4,522) | (19,600) |
| Interest paid | (3,465) | (2,553) |
| Payments of interest rate swaps | (1,470) | (1,594) |
| Interest rate swaps collected | 1,805 | 1,822 |
| Repurchase of shares | 11 | 152 |
| Dividends paid | (2,707) | (841) |
| Net cash flows used in financing activities | (7,302) | (6,759) |
| Adjustments to cash flows due to exchange rate fluctuations and inflationary effects | (245) | 55 |
| Net (decrease) increase in cash and cash equivalents | (1,774) | 312 |
| Cash and cash equivalents at the beginning of the year | 4,278 | 3,966 |
| Cash and cash equivalents at the end of the year | $ 2,504 | $ 4,278 |

See accompanying notes to consolidated financial statements.

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

# Notes to Consolidated Financial Statements

**For the years ended December 31, 2013 and 2012**
**(In millions of Mexican pesos)**

### 1. Activities and significant events

***Activities*** - Grupo Bimbo, S. A. B. de C. V. and Subsidiaries ("Grupo Bimbo" or "the Entity") is engaged in the manufacture, distribution and sale of bread; as well as in the manufacture, distribution and sale of, cookies, cakes, candies, chocolates, snacks, tortillas and processed foods.

The Entity operates in the following geographical areas: Mexico, the United States of America ("USA"), Central and South America, Europe and China. Due to its minimal significance, the financial information of China is aggregated with Mexico in the disclosures that follow.

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

During 2013 and 2012, net sales of Bimbo S. A. de C. V. and Barcel, S. A. de C. V, located in Mexico, represented approximately 40% and 37%, respectively, of consolidated net sales. During 2013 and 2012, net sales of Bimbo Bakeries USA, Inc. ("BBU"), located in the USA represented approximately 45% and 46%, respectively, of consolidated net sales.

***Significant events*** – During 2013, the Entity did not make any significant acquisitions. The divestiture of certain plants of BBU in California occurred, as a result of restructuring stemming from the acquisition of Sara Lee in 2011.

### 2. Basis of preparation

a. ***New and revised International Financial Reporting Standards affecting amounts reported and/or disclosures in the financial statements***

In the current year, the Entity has applied a number of new and revised International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

***Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities***

The Entity has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to the IFRS 7, have been applied retrospectively. As the Entity does not have any offsetting arrangements in place, therefore application of the amendments did not have an impact on the disclosures or on the amounts recognized in the consolidated financial statements.

***New and revised Standards on consolidation, joint arrangements, associates and disclosures***

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Entity has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

There were no significant impacts from the adoption of these standards in the accompanying consolidated financial statements.

***Impact of the application of IFRS 12***

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 9 for details).

***IFRS 13 Fair Value Measurement***

The Entity has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Entity has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see note 13 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

***Amendments to IAS 1 Presentation of Items of Other Comprehensive Income***

The Entity has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 did not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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***

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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. 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.

**Amendments to IFRS 10, IFRS 12 and IAS 27**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

The Entity's management does not anticipate that the investment entities amendments will have any effect on the Entity's consolidated financial statements as the Entity is not an investment entity.

**Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Entity's management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Entity's consolidated financial statements.

c. ***Comprehensive income***

The Entity presents comprehensive income in two different statements: (i) a statement of income and (ii) a statement of comprehensive income (loss). The expenses in the statement of income are presented according to their function, as this is the common practice in the sector to which the Entity belongs. The nature of these expenses is presented in the notes. Additionally, the Entity presents the subtotal operating income, which, although not required by IFRS, is included as it contributes to a better understanding of the economic and financial performance of the Entity.

d. ***Cash flow statement***

The Entity presents its cash flow statement using the indirect method. Proceeds from interest and dividends are presented in investing activities, whereas payment of interest and dividends are presented as 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 International Accounting Standards Board.

b. ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

<u>Historical cost</u>

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

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 share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Grupo Bimbo, S.A.B. de C.V. and the subsidiaries 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 | Main activity |
|---|---|---|---|
| Bimbo, S. A. de C. V. | 97 | Mexico | Baking |
| Bimbo Bakeries USA, Inc. | 100 | United States | Baking |
| Barcel, S. A. de C. V. | 97 | Mexico | Sweets and snacks |
| Bimbo do Brasil, Ltda. | 100 | Brazil | Baking |
| Panificación Industrial Vergel, S.L. ("Iberia") | 100 | Spain and Portugal | Baking |

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income (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.

Balances and transactions between consolidated entities have been eliminated in these consolidated financial statements.

Changes in investments in the Entity's subsidiaries that do not result in the Entity losing control are recorded 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, 2013 and 2012 the Entity does not have share-based payments); and

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

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

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

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

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

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

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

e. ***Assets available for sale***

Non-current assets and groups of assets are classified as held for sale if their carrying value is expected to be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or group of assets held for sale) is available for immediate sale in its present condition. 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. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

f. ***Recognition of the effects of inflation***

Inflationary effects are recognized in the financial statements when the economy of the currency in which the Entity's transactions are recorded is considered hyperinflationary, defined generally as economies in which inflation in the preceding three fiscal years equals or exceeds 100%. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Entity's Mexican operations were recognized through that date, except for certain office equipment, machinery and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS"), and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environment. In 2013 and 2012, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the entity.

g. ***Leasing***

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

- <u>The Entity as lessor</u>

  The rental income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized using the straight-line method over the term of the lease.

- <u>The Entity as lessee</u>

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

  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 in accordance with the Entity's general policy on borrowing costs (see Note 3.i). 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

  In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h. ***Foreign currency transactions***

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 Currency Units 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.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is 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. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

j. ***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.

k. ***Financial assets***

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses)' line item. Fair value is determined in the manner described in Note 13.

3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

4. Assets classified as held for sale

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Entity that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Entity also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 13. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of assets classified as held for sale are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

5. 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.

6. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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 of 30 days in Mexico, 60 days in USA and 30 days in Central and South America ("OLA"), as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

7. Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

l. ***Inventories and cost of sales***

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

m. ***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, as permitted by IFRS 1.

Any increase in the revaluation of land and buildings is recognized in other comprehensive income, except reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to earnings as it reduces expenditure by decreasing previously made. A decrease in the carrying amount that originated from the revaluation of such land and buildings is recognized in income to the extent it exceeds the balance, if any exist, in the revaluation reserve for properties related to a previous revaluation of that asset.

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. Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to the cost of the asset.

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.

Depreciation on revalued buildings is recognized in income. In case of subsequent sale or retirement of revalued property, the revaluation surplus attributable to the revaluation reserve remaining properties is transferred directly to retained earnings.

Freehold land is not depreciated. Depreciation of the other property, plant and equipment is calculated using the straight-line method, to write-off the cost of the assets to their residual values over their estimated useful lives, 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 lease contract |

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.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying value of an asset is reduced at its residual value, when the carrying amount exceeds its residual value.

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 income (expense) line.

Leasehold improvement and adaptations to buildings and premises in which the Entity is the lessee are recognized at historic cost less the respective depreciation based on useful lives on the same basis as owned assets.

n. ***Associates and joint ventures***

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures 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 or a joint venture 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 or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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 requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture 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 or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

o. ***Intangible assets***

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of business in the USA, Iberia and Compañía de Alimentos Fargo, S.A. ("Fargo") and certain trademarks in South America, and are recorded at their fair value on acquisition date. Subsequent to initial recognition; intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally-generated intangible assets, except for development costs, are not capitalized and are recognized as expenses in profit and loss in the period in which they are incurred.

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

p. ***Impairment of long lived assets, other than goodwill***

The Entity reviews the carrying amounts of long–lived assets other than goodwill, when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the fair value less costs to sell. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to profit or loss, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the Entity's products, competition and other legal and economic factors. For the purposes of impairment analysis, the assets are grouped into identifiable smaller cash generating groups (cash generating unit). Long-lived assets with indefinite lives, other than goodwill, are tested for impairment at each reporting date.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q. ***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 (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 acquisition.

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 3.n. below.

r. ***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; transaction costs directly attributable to the issuance of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Subsequent measurement depends on the category in which the financial liability is classified.

Financial liabilities are classified as either "Financial liabilities at fair value through profit or loss" or "Other financial liabilities". Note 13 provides further detail regarding financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when they are designated as at FVTPL (and comply with certain conditions to be directly classified as such) or when they are held for trading. The Entity has not designated financial liabilities as at FVTPL. Derivative financial instruments are classified as trading, except those designated and effective as hedging instruments (the specific accounting policy for derivative financial instruments is explained in more detail within the note 13).

Other financial liabilities

Other financial liabilities, mainly including borrowings and trade and other payables, are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized using the effective interest method.

*The effective interest method* is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, (or when appropriate a shorter period), to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Entity derecognizes a financial liability when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

s. ***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 instruments is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The fair value of derivative financial instruments used as hedging instruments is disclosed in Note 13.

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 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. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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 forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investment in foreign operations

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

t. ***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.

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 estimated amount required to be settled and the amount initially recognized less cumulative amortization recognized.

u. ***Income taxes***

Income tax expense comprises current tax and deferred tax. Current and deferred tax are recognized in the consolidated statement of income, 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.

In Mexico, income taxes are comprised of regular income tax (*Impuesto Sobre la Renta* or "ISR") and a business flat tax (*Impuesto Empresarial a Tasa Única* or "IETU"), and are recorded when incurred. Through December 31, 2013, current tax is the higher of ISR or IETU, which are based on taxable profit or cash flows of the year, respectively.

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.

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 as of the end of the reporting period. In Mexico, through December 31, 2012, to recognize the deferred tax, the Entity determines, based on tax projections, whether it expects to incur ISR or IETU, and recognizes the deferred taxes respective tax is expected to be payable on the year on the respective tax base that is expected to be incur each year. As a result of the elimination of IETU in the 2014 Fiscal Reform, IETU has been eliminated; accordingly, deferred IETU has also been eliminated as of December 31, 2013.

The deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the corresponding tax bases 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.

The deferred income tax is recognized using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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, 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 it can be used against.

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.

v. ***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 Entity early adopted International Accounting Standard ("IAS") 19, *Employee Benefits*, as of January 1, 2011.

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 cash payments to certain executives, which is calculated using performance metrics. The payment, net of ISR withheld, is used to purchase shares of the Entity. The employee may dispose of such shares, even if he or she leaves the Entity.

ii. ***Statutory employee profit sharing***

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

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.*

w. ***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 goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, 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.

## 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, the 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.

***Critical judgment in applying accounting policies***

***1. Consolidation of special purpose entities***

As described in more detail in Note 7, BBU and Sara Lee have entered into agreements with third party contractors ("Independent Operators"), in which they hold no direct or indirect shareholding but that qualify as structured entities. 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.

***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. Allowance for doubtful accounts***

The Entity considers the credit risk of the customer, unguaranteed accounts and significant delays in collection according to the established credit limits in determining the allowance for doubtful accounts.

***3. Impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

***4. Fair value***

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 (if the fair value option is elected)..

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

***5. 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.

***6. Determination of income taxes***

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

*7. 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, 2013 and 2012 amounted to $3,240 and $2,945, respectively.

## 5. Accounts and notes receivable

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Trade receivables | $ 11,459 | $ 11,804 |
| Allowance for doubtful accounts | (496) | (812) |
| | 10,963 | 10,992 |
| Notes receivable | 232 | 254 |
| Notes receivable from independent operators | 513 | 416 |
| Income, value –added and other recoverable taxes | 3,185 | 3,731 |
| Other receivables | 955 | 901 |
| | $ 15,848 | $ 16,294 |

The average credit terms on sales of goods within Mexico are 30 days, within the USA. is 60 days and within "OLA", which includes the countries of Central and South America, is 30 days. Amounts past due but not impaired (reserved) are not significant as of the dates of the consolidated statement of financial position. Amounts due over 90 days are 75% reserve and amount due over 180 days are 100% reserved.

## 6. Inventories

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Finished products | $ 1,677 | $ 1,628 |
| Orders in-process | 138 | 174 |
| Raw materials, containers and wrapping | 2,482 | 2,565 |
| Other | 3 | - |
| Allowance for slow-moving inventories | (44) | (34) |
| | 4,256 | 4,333 |
| Raw materials in-transit | 473 | 258 |
| | $ 4,729 | $ 4,591 |

## 7. Structured entities

BBU and Sara Lee entered into franchise agreements with independent third party contractors (“Independent Operators”) representing distribution rights to sell and distribute the Entity’s products via direct–store–

delivery to retail outlets in defined sales territories. BBU and Sara Lee do not hold equity interests in any of the Independent Operator entities. Independent Operators generally finance the purchase of distribution rights through note agreements with a financial institution, which, in the aggregate, are partially guaranteed by Sara Lee or financed by BBU. In addition, BBU and Sara Lee maintain explicit and implicit commitments to maintain the function of routes to ensure product delivery to customers. BBU and Sara Lee determined that all Independent Operators, which are separate legal entities, qualify as structured entities that are in substance controlled by the Entity, mainly as a result of providing or guaranteeing financing, as well as its obligation to maintain distribution routes. Accordingly, such SEs are consolidated by the Entity.

Assets and liabilities of SEs included in the accompanying consolidated financial statements are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Inventories – finished goods | $ 9 | $ 23 |
| Property – trucks | 993 | 830 |
| Intangible distribution rights | 2,183 | 2,208 |
| Total assets | $ 3,185 | $ 3,061 |
| Current maturities of long-term debt: | | |
| Obligations under capital leases | $ 195 | $ 289 |
| Independent Operator loans | 33 | 87 |
| Other current liabilities | 20 | 38 |
| Long-term debt: | | |
| Obligations under capital leases | 560 | 302 |
| Independent Operator loans | 103 | 456 |
| Due to related companies | 1,288 | 902 |
| Total liabilities | $ 2,199 | $ 2,074 |
| Non-controlling interest | $ 986 | $ 987 |

Financing provided by BBU to the SE is eliminated in the accompanying consolidated financial statements.

There is no effect of consolidation of the Independent Operators on the statement of comprehensive income, as all transactions are eliminated upon consolidation against non-controlling interest.

Long-term lease obligations are secured by vehicles subject to the lease and do not represent any additional claim on the assets of the companies. The maximum exposure of the Entity regarding losses associated with Independent Operators is limited to $136 of long-term debt of the Independent Operators to December 31, 2013.

Additionally, the Entity sold certain equipment and distribution rights in the U.S. to former employees of the Entity and certain third parties, which are also considered Independent Operators, but are not considered SEs. These rights, totaling $2,073 and $1,899 as of December 31, 2013 and 2012, respectively, are presented in the consolidated statement of financial position as accounts receivable from Independent Operators.

BBU finances 90% of the distribution rights sold to certain independent operators at rates between 5% and 11%, with a term of 120 months.

## 8. Property, plant and equipment

Reconciliation of beginning and ending carrying values in 2013 and 2012 is as follows:

| | Balances as of January 1, 2013 | Additions | Additions from business acquisitions | Translation effect | Retirements | Revaluation for inflation | Balance as of December 31, 2013 |
|---|---|---|---|---|---|---|---|
| Investment: | | | | | | | |
| Building | $ 13,044 | $ 1,759 | $ 62 | $ (641) | $ (165) | $ 214 | $ 14,273 |
| Industrial machinery and equipment | 38,910 | 3,708 | 91 | (1,092) | (1,424) | 209 | 39,772 |
| Vehicles | 11,324 | 581 | - | (81) | (559) | 26 | 11,291 |
| Office furniture | 534 | 53 | - | (12) | (31) | - | 544 |
| Computer equipment | 2,824 | 431 | 1 | (51) | (46) | - | 3,159 |
| Total investments | 66,636 | 5,902 | 154 | (1,877) | (2,225) | 449 | 69,039 |
| Depreciation: | | | | | | | |
| Building | (6,009) | (793) | - | 285 | 113 | (115) | (6,519) |
| Industrial machinery and equipment | (19,672) | (3,115) | - | 561 | 1,297 | (144) | (21,073) |
| Vehicles | (5,119) | (489) | - | 67 | 367 | (24) | (5,198) |
| Office furniture | (339) | (155) | - | 7 | 31 | - | (456) |
| Computer equipment | (2,071) | (347) | - | 28 | 46 | - | (2,344) |
| Total accumulated depreciation | (33,210) | (4,899) | - | 948 | 1,854 | (283) | (35,590) |
| | 33,426 | 1,003 | 154 | (929) | (371) | 166 | 33,449 |
| Land | 4,395 | 1,054 | 31 | (129) | (100) | 29 | 5,280 |
| Projects-in-progress and machinery in transit | 4,350 | 1,599 | - | (152) | (1,789) | - | 4,008 |
| Reclassified as assets available for sale | (160) | - | - | - | 106 | - | (54) |
| Net investment | $ 42,011 | $ 3,656 | $ 185 | $ (1,210) | $ (1,878) | $ 195 | $ 42,683 |

| | Balances as of January 1, 2012 | Additions | Additions from business acquisitions | Translation effect | Retirements | Revaluation for inflation | Balance as of December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Investment: | | | | | | | |
| Building | $ 12,307 | $ 1,744 | $ - | $ (602) | $ (502) | $ 97 | $ 13,044 |
| Industrial machinery and equipment | 38,469 | 2,245 | - | (1,308) | (695) | 199 | 38,910 |
| Vehicles | 10,635 | 1,102 | - | (81) | (357) | 25 | 11,324 |
| Office furniture | 686 | 87 | - | (32) | (215) | 8 | 534 |
| Computer equipment | 2,580 | 449 | - | (100) | (115) | 10 | 2,824 |
| Total investments | 64,677 | 5,627 | - | (2,123) | (1,884) | 339 | 66,636 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Depreciation: | | | | | | | |
| Building | (4,996) | (1,688) | - | 259 | 489 | (73) | (6,009) |
| Industrial machinery and equipment | (17,792) | (2,346) | - | 399 | 184 | (117) | (19,672) |
| Vehicles | (4,598) | (789) | - | 134 | 161 | (27) | (5,119) |
| Office furniture | (480) | (64) | - | 22 | 183 | - | (339) |
| Computer equipment | (2,060) | (274) | - | 181 | 83 | (1) | (2,071) |
| Total accumulated depreciation | (29,926) | (5,161) | - | 995 | 1,100 | (218) | (33,210) |
| | 34,751 | 466 | - | (1,128) | (784) | 121 | 33,426 |
| Land | 4,280 | 419 | - | (102) | (215) | 13 | 4,395 |
| Projects-in-progress and machinery in transit | 3,559 | 1,261 | - | (150) | (296) | (24) | 4,350 |
| Reclassified as assets available for sale | (171) | - | - | 11 | - | - | (160) |
| Net investment | $ 42,419 | $ 2,146 | $ - | $ (1,369) | $ (1,295) | $ 110 | $ 42,011 |

## 9. Investment in shares of associated companies

The investments in associated companies are as follows:

| Associated companies | % of owner ship | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Beta San Miguel, S. A. de C. V. | 8 | $ 522 | $ 508 |
| Mundo Dulce, S. A. de C. V. | 50 | 272 | 336 |
| Fábrica de Galletas La Moderna, S. A. de C. V. | 50 | 247 | 267 |
| Grupo La Moderna, S. A. de C. V. | 3 | 156 | 156 |
| Congelación y Almacenaje del Centro, S. A. de C. V. | 15 | 111 | 98 |
| Fin Común, S. A. de C. V. | 30 | 94 | 71 |
| Productos Rich, S. A. de C. V. | 18 | 113 | 101 |
| Grupo Altex, S. A. de C. V. | 11 | - | 76 |
| Frexport, S.A. de C.V. | 15 | 110 | - |
| Ovoplus, S. A. de C. V. | 25 | 24 | 46 |
| Innovación en Alimentos, S. A. de C. V. | 50 | - | 29 |
| Blue Label de México, S. A. de C. V. | 45 | 413 | 427 |
| Others | Various | 70 | 27 |
| | | $ 2,132 | $ 2,142 |

All associated companies are incorporated and operating in Mexico and are recognized using the equity method in the consolidated financial statements. Equity investments in Beta San Miguel, SA de CV, Grupo Moderna, SA de CV, Rich Products, SA de CV, Grupo Altex, SA de CV, and Frexport, SA de CV, are considered to be associated entities over which the Entity exercises significant influence, based on its representation in the Board of Directors. In 2013, the Entity sold its participation in Grupo Altex.

## 10. Intangible assets

Following is an analysis of the balance of intangible assets by geographical area:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Mexico | $ 8,929 | $ 9,425 |
| USA | 15,515 | 15,423 |
| Iberia | 871 | 754 |
| OLA | 1,662 | 1,593 |
| Assets available for sale | - | (505) |
| | $ 26,977 | $ 26,690 |

At December 31, 2013 and 2012 detail of intangible assets is as follows:

| | Average useful life | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Trademarks | Indefinite | $ 20,139 | $ 19,542 |
| Rights of distribution and use | Indefinite | 2,514 | 2,428 |
| | | 22,653 | 21,970 |
| Customer relationships | 18 years | 5,664 | 5,629 |
| Licensing agreements and software | 8 and 2 years | 336 | 333 |
| Non-compete agreements | 5 years | 92 | 23 |
| Others | | 34 | 34 |
| | | 6,126 | 6,019 |
| Accumulated amortization | | (1,802) | (1,299) |
| | | 4,324 | 4,720 |
| | | $ 26,977 | $ 26,690 |

The Entity owns intangible assets related to customer relationships, resulting from the acquisition of Weston Foods, Inc. in 2009 and Sara Lee Bakery Group, Inc. in 2011. The carrying value of these assets at December 31, 2013 and remaining useful lives are $2,913 and $1,081, 13 and 16, respectively, and at December 31, 2012, $3,119 and $1,143, and 14 and 17, respectively.

The intangible assets by geographical area correspond to the following:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Mexico: | | |
| Barcel | $ 1,130 | $ 1,141 |
| El Globo | 360 | 360 |
| Bimbo | 310 | 310 |
| BBU | 7,048 | 6,998 |
| Others | 81 | 111 |
| USA | 15,515 | 15,423 |
| Iberia: | | |
| Spain | 802 | 754 |
| Argentina | 69 | - |
| OLA: | | |
| Brazil | 546 | 623 |
| Fargo | 615 | 556 |
| Others | 501 | 414 |
| | $ 26,977 | $ 26,690 |

***Cost***

| | Brands | Use and distribution rights | Clients relationships | Licenses and software | Non-compete agreements | Others | Assets held for sale | Total |
|---|---|---|---|---|---|---|---|---|
| Balances at beginning of 2012 | $ 20,916 | $ 2,268 | $ 6,041 | $ 358 | $ 25 | $ 37 | $ (532) | $ 29,113 |
| Additions | - | - | - | 1 | - | - | - | 1 |
| Structured entities | - | 317 | - | - | - | - | - | 317 |
| Effect of exchange rate differences on foreign currency | (869) | (157) | (412) | (26) | (2) | (3) | 27 | (1,442) |
| Balances as of December 31, 2012 | 20,047 | 2,428 | 5,629 | 333 | 23 | 34 | (505) | 27,989 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Additions | 510 | 11 | - | 1 | 69 | - | - | 591 |
| Structured entities | - | 58 | - | - | - | - | - | 58 |
| Disposals | (460) | - | - | - | - | - | 455 | (5) |
| Effect of exchange rate differences on foreign currency | 42 | 17 | 35 | 2 | - | - | 50 | 146 |
| Balances as of December 31, 2013 | $ 20,139 | $ 2,514 | $ 5,664 | $ 336 | $ 92 | $ 34 | $ - | $ 28,779 |

***Accumulated amortization and impairment***

| | Brands | Use and distribution rights | Clients relationships | Licenses and software | Non-compete agreements | Others | Assets held for sale | Total |
|---|---|---|---|---|---|---|---|---|
| Balances at beginning of 2012 | $ (64) | $ - | $ (719) | $ (120) | $ (10) | $ (13) | $ - | $ (926) |
| Amortization expenses | - | - | (289) | (33) | (5) | (7) | - | (334) |
| Impairment | (8) | (99) | - | - | - | - | - | (107) |
| Effect of exchange rate differences on foreign currency | 9 | - | 50 | 9 | - | - | - | 68 |
| Balances as of December 31, 2012 | (63) | (99) | (958) | (144) | (15) | (20) | - | (1,299) |
| Amortization expenses | - | - | (304) | (33) | (5) | (6) | - | (348) |
| Impairment | (55) | (95) | - | - | - | - | - | (150) |
| Effect of exchange rate differences on foreign currency | - | - | (5) | - | - | - | - | (5) |
| Balances as of December 31, 2013 | $ (118) | $ (194) | $ (1,267) | $ (177) | $ (20) | $ (26) | $ - | $ (1,802) |
| Balances as of December 31, 2012 | $ 19,984 | $ 2,329 | $ 4,671 | $ 189 | $ 8 | $ 14 | $ (505) | $ 26,690 |
| Balances as of December 31, 2013 | $ 20,021 | $ 2,320 | $ 4,397 | $ 159 | $ 72 | $ 8 | $ - | $ 26,977 |

During 2013 and 2012, the Entity recognized an impairment loss in trademarks, assigned to the USA segment, for $55 and $8, respectively. These impairments were recognized in general expenses in the consolidated statements of income. Such impairment loss was the result of decreased sales of the related products in such segment.

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.

In 2013, an impairment to the value of Earth Grains brands and Iron Kids brands of $2.1 million dollars, each, was recognized.

## 11. Goodwill

Following is an analysis of the balance of goodwill by geographical area:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Mexico | $ 1,339 | $ 1,232 |
| USA | 30,863 | 30,706 |
| Iberia | 448 | 426 |
| OLA | 1,843 | 1,831 |
| | 34,493 | 34,195 |
| Impairment | (4,671) | (4,441) |
| | $ 29,822 | $ 29,754 |

Movements in goodwill during the years ended December 31, 2013 and 2012 were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance as of January 1 | $ 29,754 | $ 32,048 |
| Acquisitions | 195 | - |
| Impairment | (243) | (120) |
| Adjustments due to variations in exchange rates | 116 | (2,174) |
| Balance as of December 31 | $ 29,822 | $ 29,754 |

Due to recurrent losses, the Entity recognized an impairment loss of goodwill in 2013 and 2012 related to El Globo (which is assigned to the Mexico reportable segment) in the amount of $243 and $120 respectively. The impairment loss has been included in the income statement under the general expenses line item.

Movement in accumulated impairment losses as of December 31, 2013 and 2012 is as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance as of January 1 | $ 4,441 | $ 4,671 |
| Impairment | 243 | 120 |
| Adjustment due to variations in exchange rates | (13) | (350) |
| Balance as of December 31 | $ 4,671 | $ 4,441 |

Allocation of goodwill to cash generating unit

When analyzing impairment, goodwill is allocated to cash-generating units, which are represented mainly by Mexico (Bimbo, Barcel and El Globo), USA, Brazil and others (Iberia and Argentina).

Balances of goodwill assigned to each cash-generating unit, after impairment losses, are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Mexico (El Globo) | $ 72 | $ 218 |
| USA | 26,800 | 26,396 |
| Brazil | 678 | 811 |
| Others | 2,272 | 2,329 |
| | $ 29,822 | $ 29,754 |

El Globo

The recoverable amount of the Mexico cash-generating unit (which includes El Globo) is determined based on a value-in-use method, which uses cash flow projections based on financial budgets approved by management of the Entity covering a ten-year period. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Entity. The Entity considers a 10-year period for cash flow projections as it is expected that during such period El Globo will reach average growth rates consistent with the industry. In 2013 and 2012, the pre-tax discount rate used in such projections was 9.3% per annum, considering the time value of money and the specific risks associated with the cash-generating unit.

At December 31, 2013, an unfavorable change of 100 basis points in operating income margin would cause the carrying amount to exceed the recoverable amount of the Mexico cash-generating unit by $128. At December 31, 2012, an unfavorable change of 100 basis points in operating income margin would cause the carrying value to exceed the recoverable amount by $428.

USA

The recoverable amount of the USA cash-generating unit is determined based on a value-in-use method, which uses cash flow projections based on financial budgets approved by management of the Entity covering a ten-year period. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Entity. The Entity considers a 10-year period for cash flow projections as it is expected that during such period USA will reach average growth rates consistent with the industry. In 2013 and 2012, the pre-tax discount rate used in such projections was 6.88% per annum, considering the time value of money and the specific risks associated with the cash-generating unit. Management believes that a possible significant change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not result in the carrying value of the cash-generating unit to exceed its recoverable amount.

Brazil

The recoverable amount of Brazil as a cash-generating unit is determined based on a value in use method, which uses cash flow projections based on financial budgets approved by management of the Entity. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Entity. The Entity considers a 10-year period for cash flow projections as it is expected that during such period Brazil will reach such average growth rate of the industry. In 2013 and 2012, the pre-tax discount rate used in such projections was 9.1% per annum, considering the time value of money and the specific risks associated with the cash-generating unit.

At December 31, 2013, a change in the consideration of operating income margin, where margins projected by the Entity in the following year and considering a perpetual growth rate of 3% instead of 4%, would cause the carrying value of the cash-generating unit to exceed its recoverable amount by $115. At December 31, 2012, a change in operating income margin account where stable margins reached 7.5% to 8% in 2018, slowing the rate of increase in operating margin by 1% for 5 years, would cause the value Brazil's carrying amount exceeds the recoverable for $ 176.

Others

The recoverable amount of the Others cash-generating unit is determined based on a value in use method which uses cash flow projections based on financial budgets approved by management of the Entity, covering a period from 1 to 5 years. Management believes that the possibility of significant changes in the key assumptions on which the recoverable amount is based would not result in the carrying value of the cash-generating unit to exceed its recoverable amount.

The key assumptions vary among each cash-generating unit; however, the key long-term assumptions with the most significant impact in cash flow projections are those included in the perpetuity. Amounts and ranges of such assumptions are as follows:

| | |
|---|---|
| Increase in sales | 3% |
| Operating margin | 8 – 12% |
| Capital expenditures as percentage of depreciation | 100% |

## 12. Long-term debt

| | Fair Value | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| ***International bonds*** – On January 25, 2012, the Entity issued a bond under U.S. Securities and Exchange Commission ("SEC") Rule 144 A Regulation S for US$800 million maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.50%, with semiannual payments. The proceeds from this issuance were used to the refinance the Entity's debt. | $ 10,383 | $ 10,461 | $ 10,408 |
| On June 30, 2010, the Entity issued a bond under U.S. SEC Rule 144 A Regulation S for US$800 million maturing on January 30, 2020. Such bond pays a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were used to the refinance the Entity's debt, extending the maturity date. | 10,872 | 10,461 | 10,408 |
| ***Local bonds*** – As of December 31, 2013, the Entity holds the following local bonds due as follows: | | | |
| Bimbo 12- Issued on February 10, 2012, maturing in August 2018, with a fixed interest rate of 6.83% | 5,071 | 5,000 | 5,000 |
| In 2009 the Entity completed the following issuances of local bonds, payables at maturity. The funds were used to restructure its debt, originally contracted for the acquisition of Bimbo Foods, Inc. ("BFI") | | | |
| Bimbo 09- Issued June 15, 2009, maturing | 5,062 | 5,000 | 5,000 |

| | | | |
|---|---|---|---|
| in June 2014, with interest at the 28–day Interbank Equilibrium rate ("TIIE") plus 1.55% | | | |
| Bimbo 09-2- Issued June 15, 2009, maturing in June 2016, with a fixed interest rate of 10.60% | 2,262 | 2,000 | 2,000 |
| Bimbo 09U- Issued June 15, 2009 in the amount of 706,302,200 UDIs, maturing in June 2016, with a fixed interest rate of 6.05%. The UDI value at December 31, 2013 and 2013 was $5.058 and $4.8746, Mexican pesos per UDI, respectively. | 3,936 | 3,573 | 3,443 |
| ***Syndicated bank loan 2011*** - On April 26, 2011, the Entity entered into a long–term bank loan in the amount of the equivalent of US$1,300 million, in which Bank of America, N. A., as lead administrative agent, and a bank syndicate, comprised of ten institutions as of the date of the accompanying consolidated financial statements, participate. This bank loan is amortized on a semiannual basis from October 2014 to April 20, 2016. The Entity pays interest at London Interbank Offered Rate ("LIBOR") plus 1.10%. The proceeds obtained from this financing were used to refinance existing obligations of the Entity contracted during the acquisition of Weston in 2009 and to partially pay for the acquisition of Sara Lee. In December 2013 the Entity prepaid US$145 million, using the proceeds from its operations. In January 2012, the Entity prepaid US$1,102 million with the proceeds of the issuance of debt obtained during 2012. | 697 | 693 | 2,576 |
| ***Euro credit facility*** **-** On October 24, 2011, the Entity entered into a long–term committed revolving credit facility with a European Bank in the amount of EUR$65 million, which currently bears interest at the European Interbank Offered rate ("EURIBOR") plus 1.00%. The Euro Revolving Credit Facility matures on July 17, 2014. The proceeds obtained from this financing were used to partially pay for the acquisition of Iberia. In 2013 the Entity prepaid in full the debt, using the proceeds from its operations. | - | - | 1,121 |

| | Fair Value | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| ***Secured working capital loans –*** Between December 27 and 31, 2013, the Entity entered into three short-term, secured loans with three credit institutions, for \$350, \$1,500 and \$2,500 million. At December 31, 2013, the Entity had prepaid the full amount of the first two loans and \$600 million of the third loan, which bears interest at a fixed rate of 4.15% | 1,900 | 1,900 | - |
| ***Others*** - Certain subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2014 to 2017, at various interest rates | 1,501 | 1,501 | 2,312 |
| | 41,684 | 40,589 | 42,268 |
| Less – Current portion of long–term debt | (8,463) | (7,997) | (1,573) |
| Less – debt issuance costs | (260) | (260) | (297) |
| Long–term debt | \$ 32,961 | \$ 32,332 | \$ 40,398 |

At December 31, 2013, long–term debt matures as follows:

| Year | Amount |
|---|---|
| 2015 | \$ 35 |
| 2016 | 6,293 |
| 2017 | 242 |
| 2018 | 20,762 |
| 2019 and thereafter | 5,000 |
| | \$ 32,332 |

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, 2013 and 2012, the Entity has complied with all the obligations, including financial ratios established in the loan agreements.

## 13. Financial instruments

### *13.1 Categories of financial instruments as of December 31, 2013 and 2012:*

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,504 | \$ 4,278 |
| Accounts and note receivables, net | 15,848 | 16,294 |
| Derivative financial instruments | 38 | 123 |
| Guarantee deposits for derivative financial instruments | 659 | 566 |
| Total current assets | 19,049 | 21,261 |

| | | |
|---|---|---|
| Non-current assets: | | |
| Notes receivable from independent operators | 1,560 | 1,484 |
| Derivative financial instruments | 695 | 533 |
| Total financial assets | $ 21,304 | $ 23,278 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Bank loans | $ 7,997 | $ 1,573 |
| Bonds | - | - |
| Trade accounts payable | 9,698 | 9,488 |
| Other accounts payable and accrued liabilities | 10,779 | 10,800 |
| Due to related parties | 523 | 677 |
| Derivative financial instruments | 1,033 | 237 |
| Total current liabilities | $ 30,030 | $ 22,775 |
| Bank loans | 1,097 | $ 4,439 |
| Bonds | 31,235 | 35,959 |
| Derivative financial instruments | 236 | 936 |
| Total financial liabilities | $ 62,598 | $ 64,109 |

### *13.2 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 Market Risk Subcommittee for commodities 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 functions 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.

***13.2.1 Market risks***

The Entity is exposed to the financial risks associated with fluctuations in foreign currency and interest rates, which are managed by Corporate Treasury. 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 wel l-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; and
**e)** Options on commodities futures.

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:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Assets: | | |
| Current - | | |
| Forwards | $ 9 | $ 3 |
| Premiums paid on options, net | - | 13 |
| Swaps | - | 29 |
| Futures contracts: | | |
| Fair value of natural gas and diesel | 29 | 78 |
| Total asset derivatives – current | $ 38 | $ 123 |
| Long-term swaps | $ 695 | $ 533 |
| Liabilities: | | |
| Current - | | |
| Swaps | $ (615) | $ - |
| Forwards | (3) | - |
| Futures contracts: | | |
| Fair value of wheat, corn, and soybean oil | (415) | (237) |
| Fair value of natural gas and diesel | - | |
| Total derivatives liabilities - current | $ (1,033) | $ (237) |
| Swaps | $ (236) | $ (936) |
| Total derivatives liabilities - long- term | $ (236) | $ (936) |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Stockholders' equity: | | |
| Fair value of financial instruments designated as cash flow hedges, net of accrued interest | $ (317) | $ 68 |
| Closed contracts for unused futures | (43) | (288) |
| | (360) | (220) |
| Deferred income tax, net | 126 | 88 |
| Accumulated other comprehensive income related to derivative financial instruments | $ (234) | $ (132) |

***13.2.2 Interest rate risk management***

The Entity is exposed to interest rate risk, mainly with respect to its financial liabilities. The risk is managed through an adequate mix of fixed and variable rates, which on occasion, is achieved by entering into derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they comply with the all criteria to be classified as such.

Management considers that its interest rate risk related to its financial assets is limited as their maturities are generally current.

As of December 31, 2013 and 2012 and January 1, 2011, the Entity held long-term debt that bore interest at variable rates referenced to the TIIE, UDI, LIBOR and EURIBOR 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 liabilities, the sensitivity analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 20 basis points in the one-month LIBOR and 10 basis points in the one-month EURIBOR represents management´s best estimate of a reasonable potential change with respect to those rates. The changes in the basis point determined by management would result in a one hundred percent changes of the interest rate. The Entity has fully mitigated interest rate risks related to fluctuations in TIIE and the value of UDI through interest rate swaps.

An increase/decrease of 20 basis points in LIBOR, would result in a decrease/increase in profit or loss of approximately $1 and $2 for the years ended December 31, 2013 and 2012, respectively. Such amounts are not deemed significant to the results of the operations of the Entity.

An increase/decrease of 10 basis points in EURIBOR would result in a decrease/increase in profit or loss of approximately $1 for the year ended December 31, 2013. Such amounts are not deemed significant to the results of the operations of the Entity.

An increase/decrease of 15 basis points in LIBOR would result in a decrease/increase in the Entity´s comprehensive income of approximately $1 for the year ended December 31, 2012.

An increase of 100 basis points in TIIE, would result in an decrease in the Entity’s comprehensive income of approximately $19 and $67 and a decrease of 100 basis points in LIBOR, would result in an increase in the Entity’s  of approximately $19 and $69 for the years ended December 31, 2013 and 2012, respectively.

***13.2.3 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.

- *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, 2013 and 2012, loans that have been designated as hedges on the net investment in foreign subsidiaries amounted to US$2,894 and US$2,953 million, respectively.

As of December 31, 2013 and 2012, amounts that have been designated as hedges of intercompany long-term debt are EUR$255 and EUR$406 million, respectively.

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.

- *Management of foreign currency transactional risk*

The risk management policy regarding foreign currency exchange rate risk is to hedge forecasted cash flows related to future obligations. Such transactions comply with the criteria to be considered “highly probable” forecasted transactions for purposes of hedge accounting.

***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 $108 and $29 in profit or loss for the years ended December 31, 2013 and 2012, respectively.

**Detail of derivative transactions to hedge the interest and exchange rate risk**

The characteristics of the derivatives used to hedge the risks mentioned above and their fair values are as follows:

| Amounts as of December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|
| **Date of** | | **Notional amount** | **Interest rate** | | **Fair value** | |
| **Commencement** | **Maturity** | | **Paid** | **Collected** | | |
| **A) 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:** | | | | | | |
| September 13, 2010 | June 6, 2016 | 155.3 (*) | 6.35% (USD) | 10.60% (Pesos) | $ | 17 |

**B) Swaps that modify the Bimbo 09U local bond currency and interest rate:**

| | | | | | |
|---|---|---|---|---|---|
| June 10, 2009 | June 6, 2016 | $1,000 | 10.54% (Pesos) | 6.05% (UDI) | 212 |
| June 24, 2009 | June 6, 2016 | $2,000 | 10.60% (Pesos) | 6.05% (UDI) | 420 |

**C) Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:**

| | | | | | |
|---|---|---|---|---|---|
| February 14, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.24% (USD) | 5 |
| February 15, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.30% (USD) | 7 |
| February 17, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.27% (USD) | 5 |
| February 17, 2012 | August 3, 2018 | 72.1 (*) | 6.83% (Pesos) | 3.33% (USD) | 9 |
| February 17, 2012 | August 3, 2018 | 70.0 (*) | 6.83% (Pesos) | 3.27% (USD) | 7 |
| February 17, 2012 | August 3, 2018 | 100.0 (*) | 6.83% (Pesos) | 3.25% (USD) | 13 |
| Total long-term assets | | | | | $ 695 |

**D) Swaps that fix the rate of the long–term bank loan in US dollars:**

| | | | | | |
|---|---|---|---|---|---|
| May 27, 2009 | January 15, 2014 | 112.5 (*) | 2.33% (Fixed) | 0.19% (LIBOR) | $ (1) |

**E) Swaps that fix the interest rate of the Bimbo 09 local bond:**

| | | | | | |
|---|---|---|---|---|---|
| June 26, 2009 | June 9, 2014 | 2,000 | 7.43% (Fixed) | 4.30% (TIIE) | (34) |
| February 24, 2011 | June 9, 2014 | 1,000 | 8.00% (Fixed) | 5.85% (TIIE+1.55%) | $ (12) |
| February 24, 2011 | June 9, 2014 | 1,000 | 7.94% (Fixed) | 5.85% (TIIE+1.55%) | (12) |
| February 28, 2011 | June 9, 2014 | 1,000 | 8.03% (Fixed) | 5.85% (TIIE+1.55%) | (12) |

**F) Swaps that convert the Bimbo 09 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:**

| | | | | | |
|---|---|---|---|---|---|
| February 11, 2011 | June 9, 2014 | 166.0 (*) | 5.06% (USD) | 8.98% (Pesos) | (165) |
| April 25, 2011 | June 9, 2014 | 86.2 (*) | 3.83% (USD) | 8.03% (Pesos) | (122) |
| April 27, 2011 | June 9, 2014 | 86.6 (*) | 3.73% (USD) | 7.94% (Pesos) | (129) |
| April 28, 2011 | June 9, 2014 | 86.7 (*) | 3.78% (USD) | 8.00% (Pesos) | (129) |
| | Total liability short term | | | | (615) |

**G) 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:**

| | | | | | |
|---|---|---|---|---|---|
| February 17, 2011 | June 6, 2016 | 83.1 (*) | 6.47% (USD) | 10.54% (Pesos) | (79) |
| February 17, 2011 | June 6, 2016 | 166.3 (*) | 6.53% (USD) | 10.60% (Pesos) | (157) |
| | | | | | $ (236) |

(*) Amounts in millions of US dollars
(**) Amounts in millions of euros

**A)** In connection with the issuance of the Bimbo 09–2 local bonds, for a national amount of $2,000 (equivalent to US$155.3 million), in 2010 the Entity entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fixed interest rate to be paid is 6.35%.

**B)** 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.

**C)** 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 an amount of USD $50, $50, $72.1, $70, $100 and $50 respectively. All the instruments earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.27%, 3.25% and 3.33% respectively.

**D)** To hedge the interest rate risk on the US dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Entity entered into three swaps that originally totaled US$300 million and fixed the LIBOR rate to a weighted average rate of 1.63% and 1.66%. As a result of the prepayment in 2011 and 2010 of a portion of the US$300 million and by contracting a cross-currency swap that converts US$68.4 million to euros, as of December 31, 2012, US$112.5 million remain outstanding, which were allocated as hedge of the syndicated bank loan which uses Libor fixed rate of 2.33%

**E)** To hedge the interest rate risk on the issuance of the Bimbo 09 local bonds, on June 26, 2009 the Entity entered into an interest rate swap for $2,000 that fix the variable rate to 7.43%, effective July 13, 2009. Additionally, on February 24, 2011, the Entity entered into two instruments for $1,000 that fixes the rate from TIIE + 1.55% to 8.00% and 7.94%, respectively. On February 28, 2011, the Entity entered into another instrument for $1,000 that fixes the rate from TIIE + 1.55% to 8.03%.

**F)** In order to convert the fixed portion of the Bimbo 09 local bonds from Mexican pesos to US dollars, on February 17, 2011, the Entity entered into foreign currency and interest rate swaps for $2,000 (equivalent to US$166 million). The exchange rate was set at $12.05 Mexican pesos per US dollar and the interest rate at 5.06%. Additionally, between April 25 and 28, 2011, the Entity entered into three additional instruments, each one for $1,000, with exchange rates set at $11.53, $11.55 and $11.60 Mexican pesos per US dollar and fixed interest rates of 3.78%, 3.73% and 3.83%, respectively.

**G)** 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, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. 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.

| | | Amounts as of December 31, 2012 | | | |
|---|---|---|---|---|---|
| Date of | | Notional amount | Interest rate | | Fair |
| **Commencement** | **Maturity** | | **Paid** | **Collected** | **value** |
| **A) Short-term swaps that convert the debt from US dollars to euros and modify the interest rate from a fixed rate based on US dollars to a fixed rate based on euros:** | | | | | |
| October 17, 2011 | June 17, 2013 | 50.0(**) | 3.52% (Euros) | 3.43% (USD) | $ 29 |
| **B) 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:** | | | | | |
| September 13, 2010 | June 6, 2016 | 155.3 (*) | 6.35% (USD) | 10.60% (Pesos) | 6 |

**C) Swaps that modify the Bimbo 09U local bond currency and interest rate:**

| | | | | | |
|---|---|---|---|---|---|
| June 10, 2009 | June 6, 2016 | $1,000 | 10.54% (Pesos) | 6.05% (UDI) | 175 |
| June 24, 2009 | June 6, 2016 | $2,000 | 10.60% (Pesos) | 6.05% (UDI) | 347 |

**D) Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:**

| | | | | | | |
|---|---|---|---|---|---|---|
| February 14, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.24% (USD) | | 1 |
| February 15, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.30% (USD) | | 3 |
| February 17, 2012 | August 3, 2018 | 50.0 (*) | 6.83% (Pesos) | 3.27% (USD) | | 1 |
| Total long-term assets | | | | | $ | 533 |

**E) Swaps that fix the rate of the long–term bank loan in US dollars:**

| | | | | | | |
|---|---|---|---|---|---|---|
| May 27, 2009 | January 15, 2014 | 112.5 (*) | 2.33% (Fixed) | 0.30% (LIBOR) | $ | (16) |

**F) Swaps that fix the interest rate of the Bimbo 09 local bond:**

| | | | | | | |
|---|---|---|---|---|---|---|
| June 26, 2009 | June 9, 2014 | 2,000 | 7.43% (Fixed) | 4.80% (TIIE) | | (70) |
| February 24, 2011 | June 9, 2014 | 1,000 | 8.00% (Fixed) | 6.35% (TIIE+1.55%) | $ | (22) |
| February 24, 2011 | June 9, 2014 | 1,000 | 7.94% (Fixed) | 6.35% (TIIE+1.55%) | | (22) |
| February 28, 2011 | June 9, 2014 | 1,000 | 8.03% (Fixed) | 6.35% (TIIE+1.55%) | | (21) |

**G) Swaps that convert the Bimbo 09 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:**

| | | | | | |
|---|---|---|---|---|---|
| February 11, 2011 | June 9, 2014 | 166.0 (*) | 5.06% (USD) | 8.98% (Pesos) | (152) |
| April 25, 2011 | June 9, 2014 | 86.2 (*) | 3.83% (USD) | 8.03% (Pesos) | (114) |
| April 27, 2011 | June 9, 2014 | 86.6 (*) | 3.73% (USD) | 7.94% (Pesos) | (107) |
| April 28, 2011 | June 9, 2014 | 86.7 (*) | 3.78% (USD) | 8.00% (Pesos) | (121) |

**H) 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:**

| | | | | | |
|---|---|---|---|---|---|
| February 17, 2011 | June 6, 2016 | 83.1 (*) | 6.47% (USD) | 10.54% (Pesos) | (88) |
| February 17, 2011 | June 6, 2016 | 166.3 (*) | 6.53% (USD) | 10.60% (Pesos) | (175) |

**I) Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:**

| | | | | | | |
|---|---|---|---|---|---|---|
| February 17, 2012 | August 3, 2018 | 72.1 (*) | 6.83% (Pesos) | 3.33% (USD) | | (7) |
| February 17, 2012 | August 3, 2018 | 70.0 (*) | 6.83% (Pesos) | 3.27% (USD) | | (10) |
| February 17, 2012 | August 3, 2018 | 100.0 (*) | 6.83% (Pesos) | 3.25% (USD) | | (11) |
| Total current liabilities (swaps) | | | | | $ | (936) |

(*) Amounts in millions of US dollars
(**) Amounts in millions of euros

**A)** For the purpose of financing the acquisition of Iberia, on October 20, 2011, the Entity entered into a cross currency swap that converts US$68.4 million of the Syndicated Bank Loan into EUR$50 million. Under this instrument, the Entity receives a fixed rate of 3.43% US dollars and pays a fixed rate of 3.52% euros.

**B)** In connection with the issuance of the Bimbo 09–2 local bonds, for a national amount of $2,000 (equivalent to US$155.3 million), in 2010 the Entity entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fixed interest rate to be paid is 6.35%.

**C)** 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.

**D)** 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, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. 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.

**C)** To hedge the interest rate risk on the US dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Entity entered into three swaps that originally totaled US$300 million and fixed the LIBOR rate to a weighted average rate of 1.63% and 1.66%. As a result of the prepayment in 2011 and 2010 of a portion of the US$300 million and by contracting a cross-currency swap that converts US$68.4 million to euros, as of December 31, 2012, US$112.5 million remain outstanding, which were allocated as hedge of the syndicated bank loan which uses Libor fixed rate of 2.33%

**D) and I)** 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 an amount of USD $50, $50, $72.1, $70, $100 and $50 respectively. All the instruments earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.27%, 3.25% and 3.33% respectively.

**E)** To hedge the interest rate risk on the US dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Entity entered into three swaps that originally totaled US$300 million and fixed the LIBOR rate to a weighted average rate of 1.63% and 1.66%. As a result of the prepayment in 2011 and 2010 of a portion of the US$300 million and by contracting a cross-currency swap that converts US$68.4 million to euros, as of December 31, 2012, US$112.5 million remain outstanding, which were allocated as hedge of the syndicated bank loan which uses Libor fixed rate of 2.33%

**F)** To hedge the interest rate risk on the issuance of the Bimbo 09 local bonds, on June 26, 2009 the Entity entered into an interest rate swap for $2,000 that fix the variable rate to 7.43%, effective July 13, 2009. Additionally, on February 24, 2011, the Entity entered into two instruments for $1,000 that fixes the rate from TIIE + 1.55% to 8.00% and 7.94%, respectively. On February 28, 2011, the Entity entered into another instrument for $1,000 that fixes the rate from TIIE + 1.55% to 8.03%.

**G)** In order to convert the fixed portion of the Bimbo 09 local bonds from Mexican pesos to US dollars, on February 17, 2011, the Entity entered into foreign currency and interest rate swaps for $2,000 (equivalent to US$166 million). The exchange rate was set at $12.05 Mexican pesos per US dollar and the interest rate at 5.06%. Additionally, between April 25 and 28, 2011, the Entity entered into three additional instruments, each one for $1,000, with exchange rates set at $11.53, $11.55 and $11.60 Mexican pesos per US dollar and fixed interest rates of 3.78%, 3.73% and 3.83%, respectively.

**H)** 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, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. 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.

***Foreign Currency Hedge***

As of December 31 2012, the Entity maintained short-term forwards, which hedges intercompany liabilities in euros, and hedge a cover a notional amount of EUR 24.9 million and fixed the exchange rate at $17.022 Mexican pesos per euro, and its fair value was $3.

Based on its projections of expense, Corporate treasury has diverse obligations in USD, for which reason, at December 31, 2013 and 2012, it maintains a portfolio of options and forwards that result in a long-term position in forwards with monthly maturities of USD$170 and USD$128 million, respectively, at an average exchange rate of $13.0719 and $13.9996 Mexican pesos per USD. The net fair value of the instruments is $9 and $(2) as at December 31, 2013 and 2012, respectively.

As of December 31, 2012, the Entity entered into a forward to hedge the cash outflows related to financial and/or operating liabilities denominated in US dollars. This instrument hedges a notional amount of debt of USD$10.5 million and fixed the exchange rate for purchases of foreign currency at $ 13.259 Mexican pesos per USD, respectively. The fair value as of December 31, 2013 was $(1).

In 2013, 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 USD$4.8 million and fixed the exchange rate at $22.72 Uruguayan pesos per USD. The fair value of the instrument as of December 31, 2013 was $(2).

In 2013, the Entity entered into a forward to hedge the exchange risks related to the purchase of commodities in Mexico. This instrument hedges a notional amount of USD$91.3 million and fixed the exchange rate at $13.18 Mexican pesos per USD. The fair value of the instrument as of December 31, 2013 was $(1).

***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, 2013 and 2012, 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, 2013 and 2012, the contracted futures and their main characteristics were as follows:

**Amounts as of December 31, 2013**

| Commencement date | Position | Contracts Number | Maturity | Region | Fair Value |
|---|---|---|---|---|---|
| **Futures contracts to fix the purchase price of natural gas and diesel:** | | | | | |
| Various (diesel) | Long | 918 | Various | USA | $ 17 |
| Various (gasoline) | Long | 136 | Various | USA | 5 |
| Various (natural gas) | Long | 135 | Various | USA | 10 |
| Various (natural gas) | Long | 2,620 | Various | Mexico | (3) |
| Total current assets | | | | | $ 29 |
| **Futures contracts to fix the purchase price of wheat and soybean oil:** | | | | | |
| August through December 2012 (wheat) | Long | 5,974 | May through December 2013 | USA | $ (280) |
| April through December 2012 (wheat) | Long | 3,950 | May through December 2013 | Mexico | (118) |
| Various (corn) | Long | 90 | July through December 2013 | USA | - |
| Various (soybean oil) | Long | 421 | March through December 2013 | USA | (7) |
| October through December 2012 (wheat) | Long | 250 | March through July 2013 | OLA | (10) |
| Total current liabilities | | | | | $ (415) |

**Amounts as of December 31, 2012**

| Commencement date | Position | Contracts Number | Maturity | Region | Fair Value |
|---|---|---|---|---|---|
| **Futures contracts to fix the purchase price of natural gas and diesel:** | | | | | |
| Various (diesel) | Long | 2,530 | Various | USA | $ 48 |
| Various (gasoline) | Long | 735 | Various | USA | 30 |
| Various (natural gas) | Long | 350 | Various | Mexico | - |
| Various (natural gas) | Long | 246 | Various | USA | - |
| Total current assets | | | | | $ 78 |

**Amounts as of December 31, 2012**

| Commencement date | Position | Contracts Number | Maturity | Region | Fair Value |
|---|---|---|---|---|---|
| **Futures contracts to fix the purchase price of wheat and soybean oil:** | | | | | |
| August through December 2012 (wheat) | Long | 6,815 | May through December 2013 | USA | $ (189) |
| April through December 2012 (wheat) | Long | 3,113 | May through December 2013 | Mexico | (33) |
| Various (corn) | Long | 174 | July through December 2013 | USA | (5) |
| Various (soybean oil) | Long | 581 | March through December 2013 | USA | (6) |
| October through December 2012 (wheat) | Long | 179 | March through July 2013 | OLA | (4) |
| Total current liabilities | | | | | $ (237) |

As of December 31, 2013, the Entity held two forward contracts to hedge cash flows related to the purchase of inputs denominated in US dollars.

| Commencement date | Maturity | Amounts as of December 31, 2013 Contracts Notional Amount | Average exchange rate | Fair Value |
|---|---|---|---|---|
| **Forwards to hedge cash flows related to the purchase of inputs in USD:** | | | | |
| September through December 2013 | Between January and May 2014 | US $91.3 millions | $13.18 | (1) |

Embedded derivative instruments - As of December 31, 2013 and 2012, 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, hence are considered Level 1, based on the hierarchy described below.

The fair value of other financial assets and liabilities are determined in accordance with accepted pricing models, generally based on discounted cash flow analysis.

In particular, the fair value of loans from financial institutions is determined using the income approach, discounting the contractual cash flows of these liabilities at current rates estimated by the Entity. Such current rates are determined through quotations obtained from a variety of counterparties. The rates used were 1.45% for loans denominated in U.S. dollars. This valuation is considered Level 3, based on the hierarchy described below. The carrying value of financial assets and liabilities does not vary significantly from their fair value.

As of December 31, 2013 and 2012, the carrying value of financial assets and liabilities does not vary significantly from their fair value.

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).

***13.2.5 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 ongoing 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 financial instruments and debt amortization are as follows:

| | X<1 year | 1 year <X<3 years | 3 years<X<5 years | X>5years |
|---|---|---|---|---|
| Debt | $ (6,915) | $ (10,081) | $ (8,080) | $ (25,271) |
| Derivative instruments | (748) | (1,900) | (202) | - |
| Total | $ (7,663) | $ (11,981) | $ (8,282) | $ (25,271) |

*13.2.6 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, based on the results of the analysis of each account and the overall results of changes in the accounts receivable and the seasonality of the customers' business. 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, these instruments are entered into bilaterally ("OTC"), 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 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., Merrill Lynch Capital Services, Inc., HSBC Bank, ING. Investment Bank, JP Morgan Chase Bank, N. A., Banco Santander, S. A., Mizuho Corporate Bank, Ltd. and The Bank of Tokyo Mitsubishi ufj, Ltd.

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. Mercado a Término de Buenos Aires
e. New York Mercantile Exchange (NYMEX)

Exposure to each counterparty is monitored on a monthly basis.

All derivative financial instrument transactions are performed under a standardized contract and duly executed by the legal representatives of the Entity and those of the counterparties.

Appendix and annexes to the contract, establish the settlement and other relevant terms in accordance with the manners and practices of the Mexican market.

Some derivative financial instrument contracts include the establishment of a security deposit or other securities to guarantee payment of obligations arising from such contracts. Credit limits that the Entity has with its counterparties are large enough to support its current operations; however, the Entity maintains cash deposits as collateral for payment of derivative financial instruments.

For those commodities future contracts executed in recognized, international markets, the Entity is subject to the regulation of those markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Entity.

*13.2.7 Equity structure management*

The Entity maintains a healthy relation between debt and equity, to maximize the shareholders' return.

The leverage ratio at the end of each period is as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Debt (i) | $ 40,329 | $ 41,971 |
| Cash and cash equivalents | 2,504 | 4,278 |
| Net debt | 37,825 | 37,693 |
| Stockholders' equity | 47,783 | 47,058 |
| Net debt to stockholders' equity | 0.79 times | 0.80 times |

(i) Debt is comprised of bank loans and short- and long-term bonds.

## 14. Employee benefits and workers´ compensation

Net projected liabilities of employee and welfare benefits plans and workers' compensation, by geographical area, are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Retirement benefits in México | $ 1,577 | $ 2,912 |
| Retirement and post-retirement benefits in USA | 4,173 | 5,362 |
| Workers' compensation in USA | 2,399 | 2,534 |
| MEPP in USA | 9,081 | 9,400 |
| | 15,653 | 17,296 |
| OLA | | |
| Retirement | 169 | 161 |
| Total net liability | $ 17,399 | $ 20,369 |

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 2013 and 2012, 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, 2013 and 2012 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.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Discount rate | 8.50% | 7.13% |
| Wage increases | 4.50% | 4.50% |

The amounts recognized in profit or loss with respect to defined benefit pension plans:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Current service cost | $ 449 | $ 407 |
| Interest cost | 541 | 498 |
| Interest income on plan assets | (358) | (351) |
| Net cost of the period | $ 632 | $ 554 |

The net cost of the period was allocated $137 and $120 in 2013 and 2012, respectively, as cost of sales and the remainder as general expenses. The interest on the net obligation was recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Present value of defined benefit obligation | $ 6,513 | $ 7,716 |
| Less- Fair value of plan assets | 4,936 | 4,804 |
| Underfunded status of the defined benefit obligation | $ 1,577 | $ 2,912 |

Movements in the present value of the defined benefit obligation:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Present value of the defined obligation as of January 1, | $ 7,716 | $ 6,637 |
| Service cost | 449 | 407 |
| Interest cost | 541 | 498 |
| Actuarial gain on estimate obligation | (1,911) | - |
| Experience adjustments on the obligation | (16) | 416 |
| Benefits paid | (266) | (242) |
| Present value of the defined benefit obligation as of December 31 | $ 6,513 | $ 7,716 |

Movements in fair value of plan assets:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Plan assets at fair value as of January 1 | $ 4,804 | $ 4,648 |
| Return on plan assets | 358 | 351 |
| Actuarial gain on estimation of plan assets | 40 | 47 |
| Benefits paid | (266) | (242) |
| Plan assets at fair value as of December 31 | $ 4,936 | $ 4,804 |

Categories of plan assets:

| | *Fair value of plan assets* As of December 31, 2013 | As of December 31, 2012 |
|---|---|---|
| Equity instruments | $ 1,397 | $ 1,675 |
| Debt instruments | 3,011 | 2,916 |
| Others | 528 | 213 |
| Total | $ 4,936 | $ 4,804 |
| Expected weighted return | $ 7.13 | $ 7.13 |
| Real weighted return | $ 4.65 | $ 13.54 |

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 discount rate and expected wage. The sensitivity analysis presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined obligation would decrease by $178, (increase by $127).

If the expected wage increases (decreases) by 1 %, the defined benefit obligation would increased by $2.112 (decrease by $1.893).

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.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study.. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

- Asset mix based on 25 % equity instruments, 65 % debt instruments and 10 % of other instruments or alternative.

- Maintain an equity buffer that gives a70 % assurance that assets are sufficient within the next 12 months.

There has been no change in the process used by the Entity to manage its risks from priors periods.

The Entity’s subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. The residual contribution (including back service payments) is paid by the entities of Grupo Bimbo. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Entity’s subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation as of December 31, 2013 is 25 years. This number can be analyzed as follows:

• Active members: 37 years  (2012: 36 years), and
• Retired members: 47 years (2012: 47 years).

The history of experience adjustments are as follows:

| | As of December 31, 2013 | As of December 31, 2012 |
|---|---|---|
| Defined benefit obligation | $ 6,513 | $ 7,716 |
| Less – Fair value of plan assets | 4,936 | 4,804 |
| Underfunded status | $ 1,577 | $ 2,912 |
| Experience adjustments on the defined benefit obligation | $ 1,926 | $ 416 |
| Experience adjustments on plan assets | $ 40 | $ 47 |

b. ***USA-*** The Entity has established a defined benefit pension plan that covers eligible employees. Effective January 1, 2009, the benefits of the plan were frozen. The Entity´s funding policy is to make discretionary contributions. As of December 31, 2013 and 2012, the Entity contributed to such plan $628 and $540, 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, 2013 and 2012 by Mercer (US), Inc., member of the Institute of actuaries in the U.S. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Average of discount rates | 4.75% - 3.55% | 3.25% - 4.00% |
| Wage increases | 3.75% | 3.75% |
| Inflation rates | 2.75% | 2.75% |

The amounts recognized in profit or loss with respect to defined benefit pension plans and post-retirement benefits:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Current service cost | $ 251 | $ 234 |
| Interest cost | 600 | 686 |
| Prior service costs and other | 20 | (225) |
| Interest income on plan assets | (426) | (485) |
| Net cost of the period | $ 445 | $ 210 |

The net cost of the period was allocated $140 and $119 in 2013 and 2012, 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:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Present value of defined benefit obligation | $ 15,912 | $ 16,959 |
| Less - Fair value of plan assets | 11,739 | 11,597 |
| Underfunded status of defined benefit obligation | $ 4,173 | $ 5,362 |

Movements in the present value of the defined benefit obligation:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Present value of the defined obligation as of January 1 | $ 16,959 | $ 16,471 |
| Service cost | 242 | 233 |
| Interest cost | 603 | 686 |
| Effect of experience adjustments | (70) | (323) |
| Effect of changes in demographic assumptions | 556 | 95 |
| Effect of changes in financial assumptions | (1,676) | 1,679 |
| Adjustment for fluctuation in currency exchange | 87 | (1,141) |
| Benefits paid | (789) | (741) |
| Present value of the defined benefit obligation as of December 31 | $ 15,912 | $ 16,959 |

Movements in fair value of plan assets:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Plan assets at fair value as of January 1 | $ 11,597 | $ 11,212 |
| Interest income, and others | 426 | 465 |
| Return on plan assets | (302) | 742 |
| Employer and employee contributions | 628 | 523 |
| Business acquisitions | - | - |
| Adjustment for fluctuation in currency exchange | 59 | (777) |
| Benefits paid | (669) | (568) |
| Plan assets at fair value as of December 31 | $ 11,739 | $ 11,597 |

Categories of plan assets:

| | Fair Value of plan assets | |
|---|---|---|
| | As of December 31, 2013 | As of December 31, 2012 |
| Equity instruments | $ 4,178 | $ 4,386 |
| Debt instruments | 5,580 | 5,608 |
| Others | 1,981 | 1,604 |
| Total | $ 11,739 | $ 11,598 |
| Expected weighted return | 3.60 | $ 4.57 |

| | | | |
|---|---|---|---|
| Real weighted return | 1.40 | $ | 12.3 |

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.

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by $1,950, (increase by $1,950).

If the expected wage growth increases to 4.75%, the benefit obligation would increase by $ 597; if the increase in the expected wage decreases to 2.75%, the defined benefit obligation would decrease by $585.

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.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

- Asset mix on 31 % equity instruments, 54 % debt instruments and 15% other instruments or alternative.

- Maintain an equity buffer that gives a 70% assurance that assets are sufficient within the next 12 months.

There has been no change in the process used by the Entity to manage its risks from previous periods.

The Entity's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. The residual contribution (including back service payments) is paid by the entities of Grupo Bimbo. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Entity's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation as of December 31, 2013 is 13 years. This number can be analyzed as follows:

• Active members: 51 years (2012: 50 years);
• Deferred members: 51 years (2012: 51 years), and
• Retired members: 71 years (2012:71 years).

The Entity made contributions to the defined benefit plans in the amount of $48 in 2013 and 2012.

The amounts of experience adjustments are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Present value of defined benefits obligation | $ 15,912 | $ 16,959 |
| Less – Fair value of plan assets | 11,739 | 11,597 |
| Underfunded status | 4,173 | 5,362 |
| Experience adjustments on plan obligation | $ (100) | $ (323) |
| Experience adjustments on plan assets | $ (302) | $ 742 |

Multi-employer pension plans ("MEPP")

The Entity participates in defined benefits plans defined as MEPP. 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 administered by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 34 MEPPs .

Some of the Company's MEPP qualify as a defined contribution plans. Therefore, annual contributions are recognized in profit or loss. Other plans qualify as defined benefits, however are accounted for in the same way, as the Company does not have sufficient available information to complete the respective calculations as the nature of the collective plans and involvement of the Company in the management of the plans is limited.

Contributions to MEPP´s for the years ended December 31, 2013 and 2012 amounted to $1,489 and $1,426, respectively, which are recognized in profit or loss as incurred. The estimated contributions for 2014 are approximately $1,556.

In case that other employer exits the MEPP´s program, without satisfying the liability of 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 related to the relation between the Company´s obligations to the plan and the relation to the other contributors to the plan.

When the exit of a MEPP is highly probable to happen, is recognized as a provision for the estimated future cash outflows present value, discounted at the actual rate. The Entity recognizes a withdrawal liability related to three MEPPs, for which an exit contracts exist. The total liability related to MEPP´s is shown below:

| | 2013 | 2012 |
|---|---|---|
| MEPP´s withdrawal liability | $ 9,081 | $ 9,400 |
| MEPP´s provision | 1,372 | 542 |
| Total pasivo reconocido por PPM | $ 10,453 | $ 9,942 |

The MEPP´s withdrawal liability results from two contracts entered by the Entity in 2012 to execute a complete withdrawal from the MEPP and re-enter under advantageous terms designed to maintain the financial stability of the plan. The terms of the agreement allow the Entity to cap its complete withdrawal liability and fund it interest free over 25 years. In 2012, the Entity notified another MEPP of the intent to exit from the MEPP. This action caused the trustees of the plan to declare a mass withdrawal has occurred in the plan. In 2013 the Entity adjusted the liability previously recognized, based on a notification from the trustees of the plans. The MEPP´s provision is recorded $81 under accrued liabilities and $1,291 under other liabilities.

The decision to exit the MEPPs resulted in a withdrawal liability and expense in 2012 of $954, presented in the other operating expenses line.

The MEPP´s provision result from the intention to exit a plan.

Liabilities that have been recorded with respect to the MEPP concept are subject to changes based on changes in wages, seniority and the mix of employees in the plan, which are recognized within income of the year in addition to amounts that are contributed in different MEPPs. In 2013 and 2012,the Entity recognized $418 and $148, respectively.

The estimated cost of the withdrawal liability of all the plans is $24,989, of which the Company has provisioned $9,081. The differential not provisioned represents the Company´s best estimate of withdrawal cost of the other plans, for which as of the date of the accompanying consolidated financial statements, the Company does not have the intent of withdrawing.

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, 2013 and 2012, these liabilities were:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Welfare benefit plans | | |
| Current (a) | $ 1,182 | $ 1,313 |
| Long-term | 2,399 | 2,534 |
| | $ 3,581 | $ 3,847 |

(a) Included in other accounts payable and accrued expenses

c. ***OLA***

***Venezuela*** - The Entity maintains a defined benefit plan in respect of the social benefits of their employees in accordance to the provisions of the Labor Law, the Workers and Employees Act ("LOTTT", for its acronym in Spanish).

On May 7, 2012, the President of the Bolivarian Republic of Venezuela amended the LOTTT Act, which entitles each employee with a guarantee for concept of social security benefits equivalent to fifteen days' wages for each three months of work, calculated based on the last wage accrued. Additionally, after the second year of employment, the employee is entitled to two days pay for each year of work, cumulative up to thirty days' salary. This benefit is retroactive as of June 19, 1997, and applicable for all employees that joined the Entity before that date. For employees that joined after such date, the benefit accrues from the date of hire.

Upon termination of employment, the employee is entitled to receive a payment of whatever is higher: thirty days per year of service or fractions of more than six months, or the full guaranteed benefits.

Also, upon the termination of employment for reasons beyond the control of the employee, or in cases of dismissal without justifiable reasons, the Entity pays additional compensation equivalent to the amount that equals to the worker's social benefits. This compensation is considered a termination benefit and the Entity recognizes a liability and related expense when, and only when, it is demonstrably committed to the termination of the employment relationship.

The present value of the defined benefit obligations, resulting from obligations social at the date of the financial statements benefit is determined based on expected future payments required to settle the obligations arising from services rendered by employees during the period current and prior periods, through the method of actuarial valuation of the projected unit credit, net of guaranteed social security benefits.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Discount rate | 22% | 22% |
| Wage increases | 20% | 20% |
| Inflation rate | 21% | 21% |

The net cost of the period in 2013 and 2012 was $ 12 and $ 111, respectively. The past service cost arising from the retroactive effects of LOTTT was recognized directly in profit or loss in the amount of $88.

***Honduras*** - According to the Labour Code of Honduras and decree No.150/2008 October 3, 2008, workers who completed fifteen years of continuous work are entitled to thirty-five percent of the amount of their benefits as assistance of retirement support for the years of service.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Discount rate | 12% | 10% |
| Wage increase | 6% | 7% |

The net cost of the period in 2013 and 2012 was $3 and $3, respectively

## 15. Stockholders' equity

At December 31, 2013, stockholders' equity consists of the following:

| | Number of shares | Historical value | Restatement / translation effect | Total |
|---|---|---|---|---|
| Fixed capital series "A" | 4,703,200,000 | $ 1,901 | $ 2,326 | $ 4,227 |
| Reserve for repurchase of shares | | 758 | 159 | 917 |
| Retained earnings | | 27,913 | 11,300 | 39,213 |
| Consolidated net income | | 4,404 | - | 4,404 |
| Accumulated translation effect of foreign subsidiaries | | - | (3,975) | (3,975) |
| Accumulated effect of employee benefits | | 1,067 | - | 1,067 |
| Unrealized loss on cash flow hedges | | (234) | - | (234) |
| Non-controlling interest in consolidated subsidiaries | | 2,031 | 133 | 2,164 |
| Total | | $ 37,840 | $ 9,943 | $ 47,783 |

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. Dividends declared in 2013 and 2012 were:

| Approval date: | Mexican pesos per share | Total value |
|---|---|---|
| April 09, 2013 | $ 0.17 | $ 776 |
| November 22, 2013 | $ 0.35 | $ 1,646 |
| April 09, 2012 | $ 0.15 | $ 705 |

During 2013 and 2012, the dividends paid to non–controlling shareholders were $285 and $136, respectively.

ii. An additional Income Tax on dividends was established in 2013 of 10% when they are distributed to individuals and persons residing outside the country The income tax is paid via withholding and it's 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.

iii. Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2013, 2012 the legal reserve, in historical Mexican pesos, was $500.

iv. Stockholders’ equity, except restated paid–in capital and tax-retained earnings, will be subject to income taxes payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

v. The balances in the stockholders’ equity tax accounts at December 31 are:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Paid-in capital | $ 27,354 | $ 26,310 |
| Net after-tax income | 35,958 | 26,175 |
| Total | $ 63,312 | $ 52,485 |

## 16. Transactions and balances with related parties

Balances and transactions between the Entity and its subsidiaries, which are related parties, have been eliminated in consolidation and are not disclosed in this note.

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Collected interest income | $ 2 | $ 1 |
| | | |
| Expenditures for purchases of: | | |
| Raw material | | |
| Beta San Miguel, S.A. de C.V. | $ 1,190 | $ 1,188 |
| Frexport, S.A. de C.V. | 629 | 680 |
| Grupo Altex, S.A. de C.V. | 2,761 | 2,910 |
| Industrial Molinera Monserrat, S.A. de C.V. | 413 | 406 |
| Makymat, S.A. de C.V. | 41 | 18 |
| Ovoplus del Centro, S.A. de C.V. | 401 | 416 |
| Paniplus, S.A. de C.V. | 127 | 123 |
| | | |
| Finished inventory | | |
| Fábrica de Galletas La Moderna, S.A. de C.V. | $ 496 | $ 563 |
| Grupo La Moderna, S.A.B. de C.V. | 140 | - |
| Mundo Dulce, S.A. de C.V. | 611 | 649 |
| Pan-Glo de México, S. de R.L. de C.V. | 45 | 129 |
| | | |
| Stationary, uniforms and others | | |
| Asesoria Estratégica Total, S.A. | $ 9 | $ - |
| Efform, S.A. de C.V. | 161 | 167 |
| Galerias Louis C Morton, S.A. de C.V. | 6 | 6 |
| Marhnos Inmobiliaria, S.A. | 31 | 27 |
| Proarce, S.A. de C.V. | 396 | 174 |
| Uniformes y Equipo Industrial, S.A. de C.V. | 105 | 114 |
| | | |
| Financial services | | |
| Efform, S.A. de C.V. | $ 338 | $ - |

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. The net balances due to related parties are:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Beta San Miguel, S. A. de C. V. | $ 108 | $ 51 |
| Efform, S. A. de C. V. | 24 | 28 |
| Fábrica de Galletas La Moderna, S. A. de C. V. | 63 | 89 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Frexport, S. A. de C. V. | 83 | 82 |
| Grupo Altex, S. A. de C. V. | 150 | 243 |
| Industrial Molinera Montserrat, S. A. de C. V. | 15 | 32 |
| Makymat, S. A. de C. V. | 8 | 8 |
| Mundo Dulce, S. A. de C. V. | 8 | 58 |
| Ovoplus del Centro, S. A. de C. V. | 10 | 5 |
| Pan-Glo de México, S. de R. L. de C. V. | 7 | 11 |
| Paniplus, S. A. de C. V. | 25 | 21 |
| Proarce, S. A. de C. V. | 15 | 39 |
| Uniformes y Equipo Industrial, S. A. de C. V. | 7 | 10 |
| | $ 523 | $ 677 |

d. Employee benefits granted to the Entity's key management were as follows:

| | 2013 | 2012 |
|---|---|---|
| Short- and long –term direct benefits | $ 379 | $ 351 |
| Cash payments for purchase of shares | 95 | 88 |
| Severance benefits | 533 | 494 |
| | $ 1,007 | $ 933 |

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 -***

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. The current income tax is the greater of ISR and IETU up to 2013.

ISR -The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year.  The respective rate was 17.5%.

Through 2012, based on financial projections, the Entity identified that essentially it would pay ISR in some subsidiaries and IETU in others, for which reason it recognized only deferred ISR and IETU. However, due to the elimination of IETU in 2013, the effect of the deferred IETU was canceled by the Entity through results of the year, and the respective deferred ISR was recorded.

***Income taxes in other countries*** -

Foreign subsidiaries calculate income taxes on their individual results, in accordance with the regulations of each country. The subsidiaries in the USA have authorization to file consolidated income tax returns.

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:

| | Statutory income tax rate (%) | | Period of expiration of tax loss carryforwards |
|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | |
| Argentina | 35.0 | 35.0 | (A) 5 |
| Austria | 25.0 | 25.0 | (B) |
| Brazil | 34.0 | 34.0 | (C) |
| Colombia | 25.0 | 33.0 | (D) |
| Costa Rica | 30.0 | 30.0 | (E) 4 |
| Chile | 20.0 | 20.0 | (F) |
| China | 25.0 | 25.0 | 5 |
| El Salvador | 30.0 | 30.0 | (G) |
| Spain | 30.0 | 30.0 | (H) 18 |
| USA | (I) 35.0 | (I) 35.0 | (I) 20 |
| Guatemala | (J) 31.0 | (J) 31.0 | (J) |
| Netherlands | (K) 25.0 | (K) 25.0 | 9 |
| Honduras | (L) 25.0 | (L) 25.0 | (L) 3 |
| Hungary | (M) 19.0 | (M) 19.0 | (M) |
| Luxembourg | (N) 21.0 | (N) 21.0 | (N) |
| Nicaragua | 30.0 | 30.0 | (O) 3 |
| Paraguay | 10.0 | 10.0 | (P) |
| Panama | 25.0 | 25.0 | (Q) |
| Peru | 30.0 | 30.0 | (R) |
| Czech Republic | 19.0 | 19.0 | (S) |
| Uruguay | 25.0 | 25.0 | (T) |
| Venezuela | 34.0 | 34.0 | (U) |

(A) Tax losses from sales of shares or other equity investments may only be offset against income of the same nature. The same applies for losses on derivatives. Foreign source tax losses may only be amortized with income from foreign sources. Operational tax losses expire after 5 years.

(B) Tax losses generated after 1990 may be applied indefinitely but may only be offset each year up to an amount equal to 75% of the net taxable profit for the year.

(C) Tax loses may be applied indefinitely, but may only be offset each year up to an amount equivalent to 30% of the net taxable profit for the year.

(D) Starting 2013 the tax rate goes from 33% to 25%. Also the tax rate on non-current gains goes from 33% to 10%. Additionally, the “income tax for equity”(CREE) is enacted, with a tax rate of 9% for the 2013, 2014 and 2015 fiscal years, then decreases to 8% in 2016 and thereafter.

Tax losses generated in generated between 2003 and 2006 may be amortized within the following eight years, but only up to 25% of the income tax of each year. Beginning 2007, tax losses may be amortized without limitation with respect to value or period.

In relation to CREE, there are no specification as to whether tax losses may be amortized against future gains.

(E) In 2012 a modification was issued, extending the amortization period of tax lossess from 3 to 4 years, effective for 2013.

(F) The Tax Reform of September 27, 2012 stated:
a) Increase in the rate of income tax from 18.5% to 20% , effective on January 1, 2012.
b) Exception: when the income is affected by theUnique First Category Tax rate, it would increase by 20%. Tax losses do not expire

(G) Operating losses are not amortizable.

(H) Tax losses can be amortized over 18 years, after they were incurred. However, for periods beginning in 2012 and 2013 and subsequently extended for periods beginning during 2014 and 2015, companies whose turnover has exceeded the amount of 6,010,121.04 euros, and whose net turnover in the financial year above is at least twenty million, but less than sixty million euros, can only offset 50% of pre-tax basis to the compensation of losses. This percentage drops to 25% in the case of entities whose turnover is at least sixty million euros. Until 2012 tax losses were could be amortized for up to 15 years.

(I) A state tax should be added to this percentage, which varies in each state of the US. The weighted average combined statutory tax rate for 2012 and 2011 was 38.9 and 39.1%. Tax losses can be amortization over a period of 20 years. The states have different amortization periods, but generally are20 years or less.

(J) There is a simplified regime, with a rate of 5% for the first 30,000 quetzals and 7% on the excess; but the tax base is calculated as follows: Total gross revenues less non– taxable revenues. This tax is payable in a monthly basis. The optional tax rate is 31% but the tax basis is different: Net income less non-taxable revenues, plus nondeductible expenses, and other deductions. The tax rate will decrease to 28% in 2014, and 25% in 2015 and thereafter.

Operating losses are not amortizable.

(K) The tax rate is 20% for taxable bases 0 to 200,000 euros and 25% for amounts over 200,000 euros.

(L) In the case of a taxable income greater than 1 million Lempiras, an additional 6% must be paid as temporary solidarity tax. This tax will decrease to 5% in 2014.

Tax losses can be amortized over a period of 3 years.

Starting in 2014 period, Entities are subjet to a minimum tax equivalent to 1.5% of the gross income, paying the greater of this tax or the one resulting from applying 25% on taxable net income.
Also, the Entity must pay the tax resulting from applying 1% to assets reflected on the statement of financial position at period end, exonerating. 3,000,000 lempiras.

(M) The tax rate is 10% for taxable basis of 0 to 500 million Hungarian forints and 19% for amounts exceeding this limit. The tax losses do not expire and canbe amortized for up to 50% of the tax base each year.

(N) A state tax should be added as follows: 7% and 5% for 2013 and 2012 , respectively. Resulting in a combined tax of 22.47 % and 22.05 % for 2013 and 2012, respectively. Tax losses may be carried forward indefinitely.

(O) The deduction of losses incurred in the fiscal year may be made up to three fiscal years following the year in which they occur; Losses over a period of exemption or tax benefit, may not be transferred to the periods in which this exemption or benefit disappears ; to enjoy the taxpayer with a tax benefit, exemption , exemption or exception to the Definitive Minimum Payment (1% of gross income ), could not be used as extraordinary deduction tax losses generated under the conditions indicated , unless , they are generated in a general scheme without any benefit.

(P) Operating losses are not amortizable.

(Q) In addition, when obtaining a taxable income in excess of U.S. $ 1,500,000.00 annually, the Entity shall pay a tax on the greater of the following:

a. Traditional Method : Net taxable income calculated resulting from deducting the costs and expenses from gross income to the rates listed above .
b . Method Number 2 Taxable net income resulting from applying the total taxable income of 4.67 %.

When it comes to pay tax Number 2 may request the taxpayer to the tax authorities not to apply this calculation when it is determined that incur loss or when the effective rate is higher than the nominal rate of income tax .

Tax losses may be amortized in the following 5 years of being incurred, and up to 20 % of the tax loss, without reducing the tax basis in more than 50%. The unamortized portion in one year, is not subject of amortization in the following years.

(R) There are two alternatives allowed for tax loss amortization: 1) over the following four years or 2) unlimited amortization up to 50% of the net taxable profit of each year. The Entity chose option 1. Once made, an election may not be changed, until the accumulated losses of previous years are applied.

(S) Tax losses generated since 2004 ,may be amortized in the following 5 years of being generated . Tax losses generated prior to 2004 may be amortized in the 7 following years.

(T) Tax losses may be amortized in the following five years of being generated.

(U) Depending on the nature of the tax losses, the period of amortization may vary: 1) Operating, 3 years; 2) tax inflation adjustment, 1 year; 3) foreign, can only be applied to foreign profits, 3 years; and 4) those originated in tax havens can only be applied to those profits obtained in such jurisdictions, 3 years.

Operations in the USA, Argentina, Colombia, Guatemala, Panamá and Nicaragua are subject to minimum payments of income tax.

***Details of provisions, effective tax rate and deferred effects***

a. Income tax in profit and loss:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Income tax: | | |
| Current | $ 2,717 | $ 2,636 |
| Deferred | 462 | (488) |
| | 3,179 | 2,148 |
| IETU: | | |
| Current | $ (2) | $ 3 |
| Deferred | (299) | 44 |
| | (301) | 47 |
| | $ 2,878 | $ 2,195 |

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income for the years ended December 31, 2013 and 2012:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Income before taxes | $ 7,656 | $ 4,626 |
| Statutory rate in Mexico | 30% | 30% |
| ISR at statutory tax rate | 2,297 | 1,388 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Add (less) tax effects of the following items: | | |
| Inflationary effects on the monetary financial position | 407 | 379 |
| Nondeductible expenses, nontaxable revenues and other | 56 | 115 |
| Difference in tax rates and currency of subsidiaries in different tax jurisdictions | (99) | (256) |
| Effect of changes in Mexican tax rates | (27) | - |
| Tax effect on the values of property, plant and equipment | (99) | (109) |
| Recognition of deferred ISR for entities that previously recognized deferred IETU | (233) | - |
| Cancellation of deferred IETU | (299) | - |
| Deferred IETU | - | 47 |
| Participation in the results of associates | 11 | (15) |
| Change in unrecognized tax benefits | 864 | 646 |
| Income tax recognized in profit or loss | $ 2,878 | $ 2,195 |
| Effective tax rate | 38% | 47% |

To determine deferred ISR at December 31, 2013, entities applied to the temporary differences the tax rates expected to be in effect based on the estimated reversal date of the temporary difference. The effect of the change in the Mexican income tax law is presented above under effects in Mexican tax rates.

Some subsidiaries have incurred in tax losses, conservatively the Entity have not recognized the respective deffed tax asset. To recognize the deferred tax asset, the Entity would need a history of tax profits, and proyections that demostrate its ability to generate tax profits in the future in order to to amortize the losses.

The main items originating a deferred income tax asset as of December 31, 2013 and 2012 are:

| | December 31, 2012 | Effects through profit or loss | Effects through comprehensive income | Changes due to business acquisition | December 31, 2013 |
|---|---|---|---|---|---|
| Allowance for doubtful accounts | $ (300) | $ (17) | $ - | $ - | $ (317) |
| Inventories and payments in advance | (18) | 248 | - | - | 230 |
| Property, plant and equipment | 3,207 | 317 | - | 103 | 3,627 |
| Intangible and other assets | 5,020 | 473 | - | - | 5,493 |
| Other reserves | (10,480) | (315) | 711 | - | (10,084) |
| Employee profit sharing | (225) | (21) | - | - | (246) |
| Tax loss carry forwards | (4,386) | (1,124) | - | - | (5,510) |
| Tax loss carry forwards reserve | 1,619 | 739 | - | - | 2,358 |
| Translation effect of hedge items | - | 115 | (115) | - | - |
| Deferred IETU | 299 | (299) | - | - | - |
| Other items | 592 | 50 | (38) | - | 704 |
| | $ (4,672) | $ 166 | $ 558 | $ 103 | $ (3,845) |

| | December 31, 2011 | Effects through profit or loss | Effects through comprehensive income | December 31, 2012 |
|---|---|---|---|---|
| Allowance for doubtful accounts | $ (219) | $ (81) | $ - | $ (300) |
| Inventories and payments in advance | 32 | (50) | - | (18) |
| Property, plant and equipment | 3,565 | (358) | - | 3,207 |
| Intangible and other assets | 4,648 | 372 | - | 5,020 |
| Other reserves | (10,489) | 162 | (153) | (10,480) |
| Employee profit sharing | (227) | 2 | - | (225) |
| Tax loss carry forwards | (4,131) | (255) | - | (4,386) |
| Tax loss carry forwards reserve | 827 | 792 | - | 1,619 |
| Translation effect of hedge items | - | (962) | 962 | - |
| Deferred IETU | 255 | 44 | - | 299 |
| Other items | (141) | (110) | 843 | 592 |
| Total (asset) liability, net | $ (5,880) | $ (444) | $ 1,652 | $ (4,672) |

The deferred income tax asset and liability have not been offset in the accompanying consolidated statements of financial position as they result from different taxable entities and tax authorities. Gross amounts are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Deferred income tax asset | $ (5,399) | $ (6,054) |
| Deferred income tax liability | 1,554 | 1,382 |
| Total asset, net | $ (3,845) | $ (4,672) |

c. As of December 31, 2013, tax loss carry forwards, pending amortization against future income taxes, expire as follows:

| Years | Amount |
|---|---|
| 2014 | $ 135 |
| 2015 | 157 |
| 2016 | 383 |
| 2017 | 396 |
| 2018 | 277 |
| 2019 and thereafter | 15,686 |
| | 17,034 |
| Unrecognized tax losses | (7,097) |
| Total | $ 9,937 |

## 18. Costs and expenses by nature

Cost of sales and distribution, selling, administrative, and other general expenses presented on the consolidated statements of income, are comprised as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| ***Cost of sales*** | | |
| Raw materials and manufacturing expenses | $ 77,228 | $ 78,247 |
| Freight, fuel and maintenance | 3,600 | 3,838 |
| Depreciation | 3,114 | 3,269 |
| | $ 83,942 | $ 85,354 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| ***Distribution, selling, administrative and other expenses*** | | |
| Wages and salaries | $ 35,078 | $ 33,636 |
| Depreciation | 1,423 | 1,539 |
| Freight, fuel and maintenance | 2,822 | 3,199 |
| Professional services and consulting | 8,122 | 8,546 |
| Advertising and promotional expenses | 4,977 | 4,539 |
| Other | 29,187 | 28,939 |
| | $ 81,609 | $ 80,398 |

## 19. Other general expenses

a. Other general expenses are comprised as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Tax incentives | $ (38) | $ (95) |
| Loss on sale of property, plant and equipment | 194 | 96 |
| Insurance recovery claims | (56) | - |
| Labor liabilities | - | 954 |
| Other extraordinary | 640 | - |
| Provision to update the liability of MEPP´s | 368 | 148 |
| Others | 35 | 111 |
| | $ 1,143 | $ 1,214 |

## 20. Commitments

***Guarantees and/or guarantors***

a. The Entity, 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, 2013 and 2012 are US$220 and US$221.4 million, respectively.

b. Iberia entered into a contract with third parties, which principally consists of purchase obligations for certain products at a preferential price. Iberia is also obligated to pay 75% of severance cost to terminated employees of the third parties. The contract was terminated in 2013, resulting in an approximate severance cost of$34.

c. The Entity entered into contracts, which requires it to acquire certain amounts of renewable energy for an 17-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 financial statements as the consumption of energy occurs. The estimated commitment to purchase energy in 2014 amounts to $400, and is to be updated annually based on inflation, for the remaining 16 years of the contract.

***Lease commitments***

a. The Entity has long–term commitments under operating leases, related to the facilities used to produce, distribute and sell its products. These commitments vary from 3 to 14 years, with a renewal option of between one and five years. Certain leases require the Entity to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. Lease expense was $3,052 ,$3,056 for the years ended December 31, 2013, 2012respectively. The total amount of future minimum lease commitments is as follows:

| Years | Operating leases | Finance leases | Finance leases Non-controlling Interest |
|---|---|---|---|
| 2014 | $ 1,883 | $ 32 | $ 273 |
| 2015 | 1,447 | 25 | 215 |
| 2016 | 1,158 | 19 | 175 |
| 2017 | 898 | 4 | 134 |
| 2018 | 690 | - | 100 |
| 2019 and thereafter | 1,886 | - | 58 |
| Total minimum lease payments | 7,962 | 80 | 955 |
| | | | - |
| Amounts representing interest | - | (5) | |
| Present value of net minimum payments | - | - | (193) |
| Total | $ 7,962 | $ 75 | $ 762 |

## 21. Contingencies

Certain contingencies exist, of varying nature, that have arisen in the normal course of business of the Entity, for which management has evaluated the likelihood of loss as remote, probable or possible. Based on such evaluation, for those contingencies for which the Entity believes it is probable it will be required to use future resources to settle its obligation, the Entity has accrued the following amounts:

| Type | Amount |
|---|---|
| Labor-related | $ 120 |
| Tax-related | 74 |
| Civil-related | 23 |
| Other | 9 |
| Total | $ 226 |

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 $268 and pledged certain assets in Brazil amounting to an additional $13 million as a guarantee of certain tax contingencies, which are presented in other long–term assets.

Derived from the purchase of items of property, plant and equipment and intangible assets in Brazil concerning the Firenze brand, made in 2008, the Entity is subject to tax liens and presumed successor of companies involved in these actions. The court issued an injunction, ordering the restriction of the accounts receivable of the Entity from the sale of branded products "Firenze". The Entity continues to defend itself regarding this claim, which is expected to be resolved in the long-term. Due to the complexity of the dispute, the Entity has not been able to reasonably estimate its potential exposure for which reason it has not recognized a related liability.

## 22. 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, USA, OLA and Iberia. Segment revenue is comprised of bread (for all segments) and confectionery (Mexico and USA) products.

The following is the presents the condense financial information by reportable segment based on the geographical areas in which the Entity operates for the years ended December 31, 2013 and 2012:

| | 2 0 1 3 | | | | | |
|---|---|---|---|---|---|---|
| | **México** | **USA** | **OLA** | **Iberia** | **Consolidation eliminations** | **Total** |
| Net sales | $ 73,179 | $ 79,767 | $ 21,822 | $ 5,323 | $ (4,050) | $ 176,041 |
| Operating income (loss) (*) | $ 9,556 | $ 2,613 | $ (1,168) | $ (545) | $ 34 | $ 10,490 |
| Depreciation and amortization | $ 1,796 | $ 2,667 | $ 726 | $ 96 | $ - | $ 5,285 |
| Impairment and other non-cash | $ 243 | $ 518 | $ 545 | $ 245 | $ - | $ 1,551 |
| EBITDA (*) | $ 11,595 | $ 5,798 | $ 103 | $ (204) | $ 34 | $ 17,326 |
| Net income of controlling stockholders | $ 5,753 | $ 907 | $ (1,697) | $ (558) | $ (1) | $ 4,404 |
| Interest income | $ 181 | $ 388 | $ 71 | $ 4 | $ (376) | $ 268 |
| Interest expense | $ 2,280 | $ 640 | $ 383 | $ 33 | $ (190) | $ 3,146 |
| Total assets | $ 42,436 | $ 71,790 | $ 19,278 | $ 3,103 | $ (1,880) | $ 134,727 |
| Total liabilities | $ 50,193 | $ 27,551 | $ 7,996 | $ 2,035 | $ (831) | $ 86,944 |

| | 2 0 1 2 | | | | | |
|---|---|---|---|---|---|---|
| | México | USA | OLA | Iberia | Consolidation eliminations | Total |
| Net sales | $ 70,491 | $ 78,927 | $ 22,674 | $ 5,182 | $ (4,135) | $ 173,139 |
| Operating income (loss) (*) | $ 7,922 | $ 1,118 | $ (1,101) | $ (570) | $ 18 | $ 7,387 |
| Depreciation and amortization | $ 2,880 | $ 806 | $ 1,764 | $ 17 | $ - | $ 5,467 |
| Impairment and other non-cash | $ 120 | $ 1,102 | $ - | $ - | $ - | $ 1,222 |
| EBITDA (*) | $ 9,735 | $ 5,027 | $ (253) | $ (451) | $ 18 | $ 14,076 |
| Net income of controlling stockholders | $ 4,211 | $ 180 | $ (1,879) | $ (502) | $ 18 | $ 2,028 |
| Interest income | $ 184 | $ 519 | $ 39 | $ 6 | $ (238) | $ 510 |
| Interest expense | $ 2,479 | $ 588 | $ 401 | $ 102 | $ (238) | $ 3,332 |
| Total assets | $ 45,287 | $ 72,718 | $ 19,750 | $ 3,886 | $ (4,501) | $ 137,140 |
| Total liabilities | $ 58,188 | $ 27,837 | $ 5,773 | $ 2,013 | $ (3,729) | $ 90,082 |

(*) Amount does not include intercompany royalties.

The accounting policies of the reportable segments are the same as the Entity's accounting policies described in note 3.

For the years ended December 31, 2013 and 2012 the sales to its largest customer represented 14% of consolidated net sales of the Entity. There are no other customers whose sales exceed 10% of total consolidated sales.

## 23. Events after the reporting period

On February 12, 2014, the Entity announced that it has reached an agreement to acquire, for 1,830 million Canadian dollars, all shares of Canada Bread Company, Limited (" Canada Bread"), a Canadian public company listed on the Stock values of Toronto.

Canada Bread is one of the leading companies in the production and sale of bakery products, including categories of bread, buns, bagels, muffins and tortillas Inglés in Canada,  frozen bread North America, and bakery specializing in UK.

This acquisition boosts global growth strategy of the Group and enables its foray into the Canadian market attractive through recognized brands such as Dempster 's ® , POM ® , Villaggio ®, Ben's ®, ® and McGAVIN MATIN BON 'S ®. Canada Bread has a strong relationship with major supermarkets and institutional channels in Canada and is recognized for its strong market position in all categories baking. Canada Bread employs about 5,400 employees, operates 25 plants in Canada, the U.S. and the UK and has the largest direct distribution network in Canada, comprising more than 41,000 point of sales.

The operation generates annual sales of $1.439 billion Canadian dollars and EBITDA of $185 million Canadian dollars.

The transaction will be carried out through an agreement between the parties ("Court- Approved Plan of Arrangement"), common scheme in Canada to acquire public companies, which require the approval of at least two thirds of the votes cast by shareholders of Canada Bread. The Board of Directors of Canada Bread recommended  that shareholders approve the transaction. Maple Leaf Foods Inc. ("Maple Leaf"), which owns approximately 90 % of the shares of Canada Bread, agreed to vote in favor. The transaction is subject to regulatory approvals.

To finance the transaction, Grupo Bimbo will use both equity and financing available under existing lines of credit committed long term. The acquisition maintains financial flexibility and strong credit profile of the Entity, with a pro forma total debt relative to EBITDA after the acquisition between 2.9 and 3.1 times.

## 24. Financial statements issuance authorization

On March 28, 2014 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.

Mexico City, April 9, 2014

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

Dear Sirs,

In conformity with the provisions of the Mexican Securities Act, the Company's by laws 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 activities carried out by the Audit and Corporate Practices Committee (the "Committee") during the year ended December 31, 2013. In carrying out our activities, we abided by the recommendations established in the Code of Corporate Best Practices.

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

## INTERNAL CONTROLS

With the assistance of both internal and external auditors, we verified that Management has 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 plan of action corresponding to the observations resulting from the internal audit. Accordingly, we maintained frequent contact with them and their responses were satisfactory.

## CODE OF ETHICS

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

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

## EXTERNAL AUDIT

The independent auditors that provide independent auditing services were the same auditors as in previous years, and a single firm is responsible for auditing the results of all operations and countries where Grupo Bimbo has a presence.

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 audit 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.

Finally, we conducted an evaluation of the services of the external auditing firm for the year 2013 and were promptly provided the preliminary financial statements.

## INTERNAL AUDIT

We reviewed and approved the annual work plan and budget for activities for 2013.

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. As a result of those procedures, we concluded that the operation of those systems is reasonably correct.

We authorized an annual training plan for personnel of the area and verified the effectiveness of such plan. A number of specialized professional firms participated actively in that plan, ensuring that personnel receive up-to-date information on the appropriate topics.

## FINANCIAL INFORMATION AND ACCOUNTING POLICIES

We reviewed the quarterly and annual financial statements of the Company together with the parties responsible for their preparation, recommended their approval by the Board of Directors, and authorized their publication. Throughout the process we took into account the opinions and remarks of the external auditors.

To arrive at an opinion on the financial statements, we verified, with the support of the internal and external auditors, that the accounting policies and standards and the information used by Management in the preparation of the financial statements was appropriate and sufficient and had been applied in a manner consistent with the prior year, taking into account the changes in International Financial Reporting Standards 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.

We approved the adoption of the new accounting standards that took effect in 2013 which were issued by the organization responsible for issuing accounting standards, whose application is mandatory for all companies listed on the Mexican Stock Exchange.

## COMPLIANCE WITH REGULATORY STANDARDS AND LAWS; CONTINGENCIES

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

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

The Risk Committee created by the Company's Management informed us of the methodology it follows to determine and evaluate the risks the Group faces. 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.

## COMPLIANCE WITH OTHER OBLIGATIONS

We met with Management executives and officers as 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. 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.

## OPERATIONS WITH RELATED PARTIES

We reviewed and recommended for approval by the Board all related party transactions requiring approval by the Board of Directors for fiscal year 2013, as well as for recurring transactions that are expected to be conducted in fiscal year 2014 that require Board approval.

A special meeting was held to discuss Grupo Bimbo's divestiture of Grupo Altex, S.A. de C.V. and Frexport, S.A. de C.V., as well as the details of those transactions, which we approved and recommended that the Board also approve.

## EVALUATION OF MANAGEMENT

We reviewed and recommended for approval by the Board the policies for the designation, evaluation and compensation of the Chief Executive Officer as well as the members of Bimbo's Executive Committee in 2013.

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 by the Committee members.

Sincerely,

Henry Davis Signoret
Chairman of the Audit and Corporate Practices Committee
Grupo Bimbo, S.A.B. de C.V.