



Grupo Bimbo's Day

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In 2003, BBU was suffering from major internal issues - **fundamental changes were necessary**

Findings

- External factors profoundly reshaping our business
- Poor past business performance
- Room for improvement was evident
- Costs reduction was a must, but not enough
- Sustainable growth, the real challenge





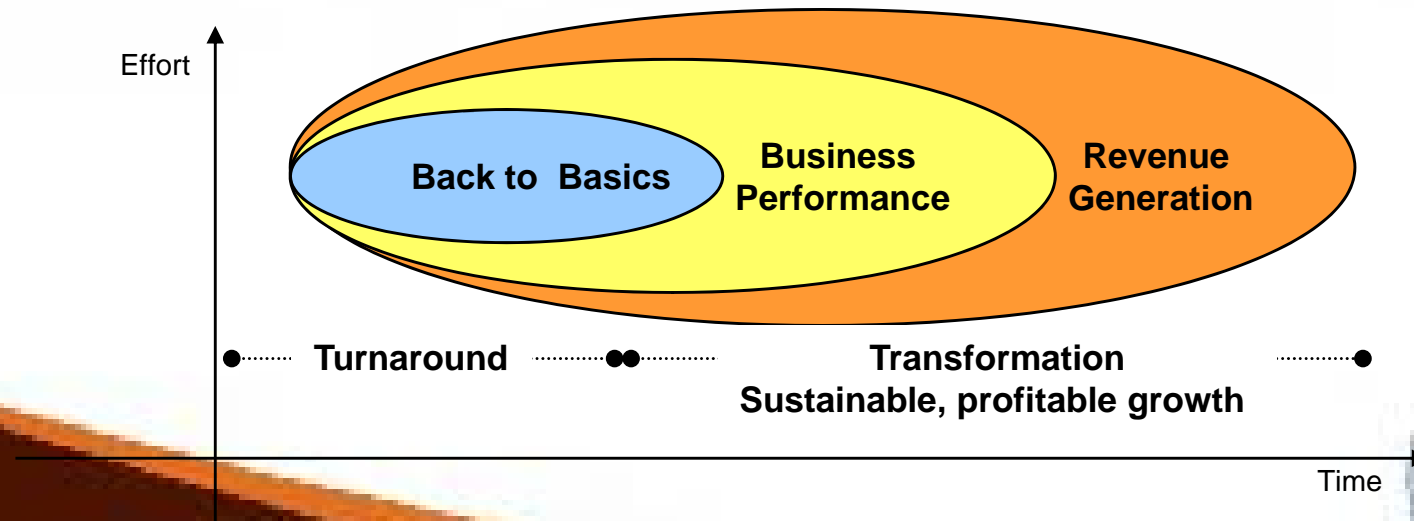
BBU began a journey for a sustainable, profitable business

Three drivers

- **Back to basics:** people, accountability, focus, control, alignment and execution
- **Improved business performance:** costs reduction, processes improvements, sales execution
- **Revenue generation:** gross profit, market strategy, market penetration, channel development

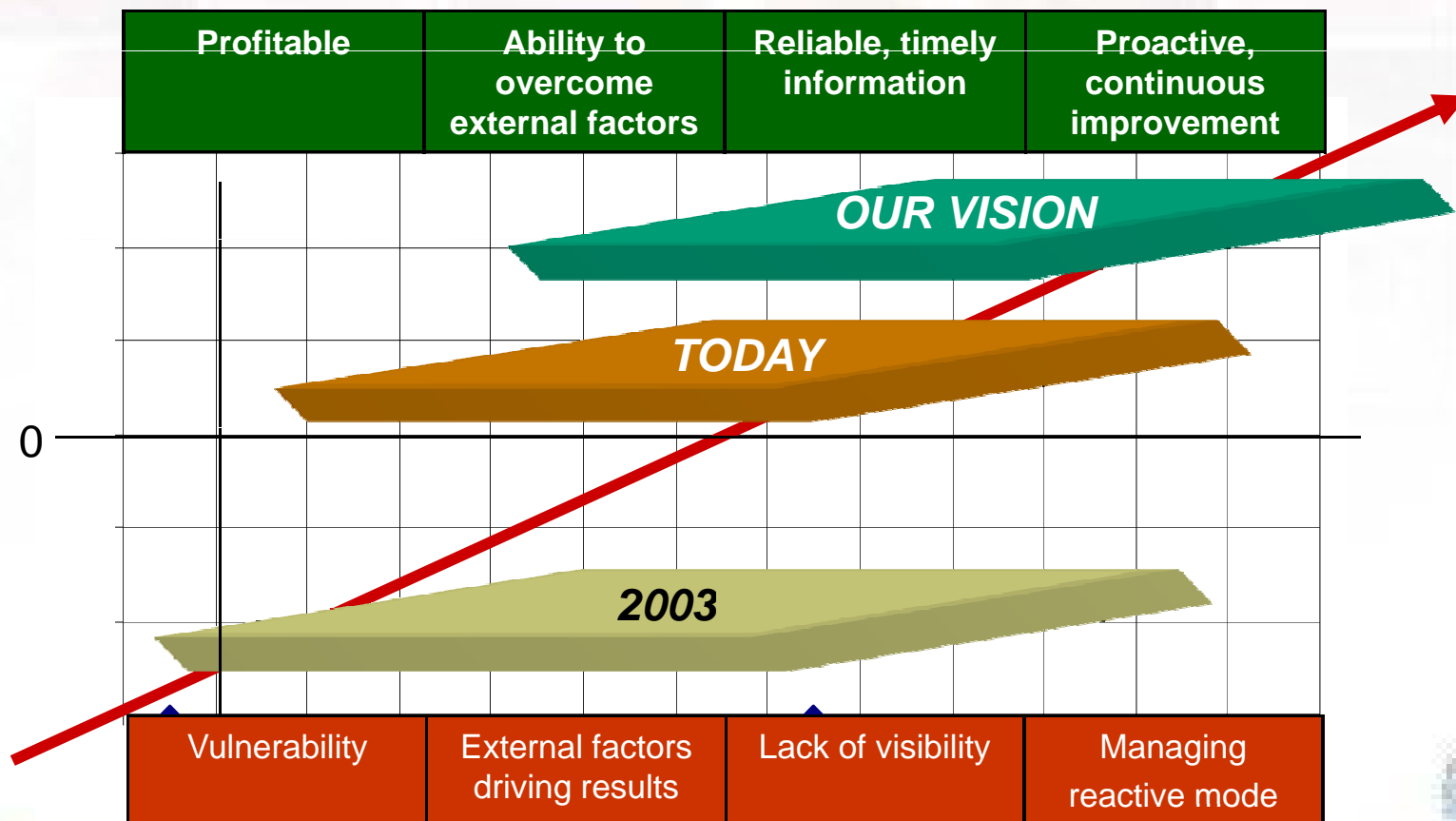
Two stages

- **Turn around:** back to basics – short term – low hanging fruit - evident opportunities – “the must do”
- **Transformation:** high impact – mid size implementation effort - big size & complex implementation effort





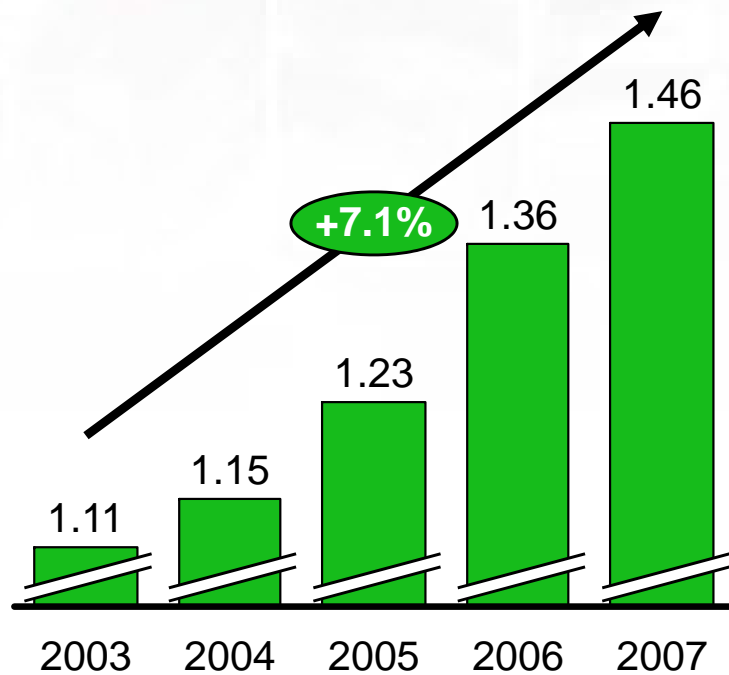
The main goal is to reach higher plateau



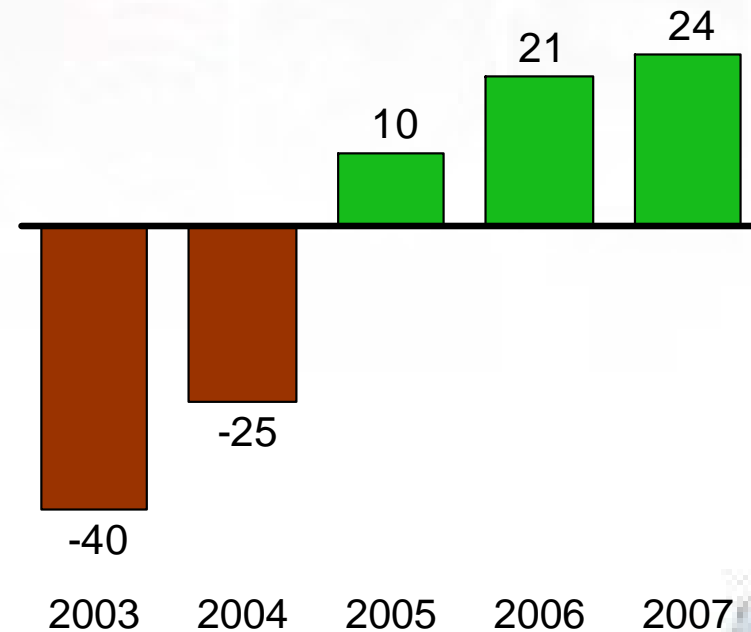


Between 2003 and 2007, BBU achieved this goal, with a \$64 million turnaround!

Net sales (\$ Billions)



Operating profit (\$ Millions)



Figures according to US GAAP





Improvements were across multiple dimensions

Top line improvements

- Top line growth 7.1% CAGR 2003-2007
- Double digit growth in top key accounts
- Achieved bread market share leadership in 65% of the markets we participate in

Reduced cost and complexity

- Reduced SKU count 57% over five years
- Reduced returns by 8% while improving in-stock rate to 98.8%
- Waste reduced 48% to record lows over five years
- Admin costs have remained flat

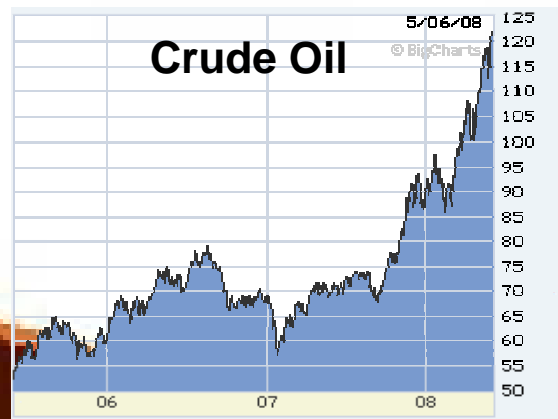
Other improvements

- 5-year record improvement of 45% in OSHA index
- Record improvements in working capital and AR metrics





External pressures have now created a new challenge



Wheat Flour, the single largest raw material. Over the last 6 months, flour prices have risen by 50%.

- Global supply vs demand
- Grain market volatility
- Biofuel industry

Crude Oil is the 2nd largest commodity impacting:

- Packaging
- Energy & fuel
- Freight & distribution





Recent actions have focused on opportunities that can immediately improve BBU bottom line

Action

Description

Revenue enhancement opportunities

Price increases

- Increased prices across all major brands (excl. single serve snack cakes)

Market penetration

- Expand presence in convenience channel
- Capture Southern California opportunity created by IBC exit

Cost savings opportunities

Waste reduction

- Plant level opportunities to reduce production, labor and energy waste

Return management

- Actively manage for lower returns from accounts and distributors





Future initiatives will improve BBU's long term profitability potential

Profitability focus

- Drive profitability across all brands, geographies and business segments
- Rationalize less profitable businesses

Drive top line growth in key brands

- Leverage strong brand equities to accelerate growth
- Focus on high margin categories, brands and SKUs
- Improve speed to market on innovations

Improve long-term cost position

- Optimize full distribution network: plant to customer
- Ensure appropriate sourcing measures taken given difficult commodity environment

