



# On the right *track*

2018 INTEGRATED ANNUAL REPORT SUMMARY

# Seventy-three years ago,

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

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

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

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

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

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

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**Today we are**

**a global  
player**

**IN THE  
BAKING  
INDUSTRY**

We are the largest baking Company in the world<sup>1</sup> and a relevant participant in snacks, generating **US\$15.0 billion<sup>2</sup> in net sales in 2018.**

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

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

<sup>1</sup>Source: GlobalData as of 2017

<sup>2</sup>Based on an average FX rate of Ps. 19.24/US\$ in 2018

# #1 *baking* COMPANY

**+3.3** million  
points of sale

**+100**  
brands

**+138,000**  
associates

**+13,000**  
products

**+1,800**  
sales centers

**199**  
plants

**+60,000**  
routes

**32**  
countries



# Letter to our shareholders

Dear Shareholders:

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

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

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

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

In North America, our sales increase was driven by strong growth in the sweet and salty snacks category in the United States, as well as higher prices necessitated by inflation in our raw materials, labor, trans-

portation and energy costs. This was partially offset by a decline in volume in the private label category. In addition, sales in this region were benefited from excellent results in Canada, reflecting a positive trend in the bread category.

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

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

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

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

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

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

At Grupo Bimbo, a major aspect of nourishing our world is our **commitment to the planet**. We remain firmly committed to the ten principles of the United Nations Global Compact, as well as to the 17 Sustainable Development Goals of the United Nations Development Program. We became the first company in Mexico to produce Clean Energy Certificates for distributed generation. This initiative will contribute to Mexico's goal of using 50% of clean energy by 2050. We also signed an agreement with Invenergy, the largest independent renewable energy generation company in the U.S., through which Grupo Bimbo will become 75% renewable worldwide, with a reduction of 440,000 tons of CO<sub>2</sub>e per year.

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

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

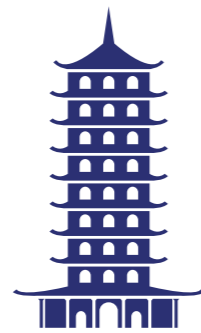
Thank you for your trust and continued support.

**Daniel Servitje**  
Chairman and CEO

# 2018 HIGHLIGHTS

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

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



Became **#2 player in China**

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

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

**Double-digit** growth in net majority income

**35 plants** worldwide achieved zero waste to landfill

**134 plants with more than 80% recycling**

We achieved **91% water reuse** in all our operations in Mexico

We signed the RE-100 commitment to achieve by **2025, 100% electrical renewable energy** in all the Company

**97% of our packaging** in Mexico has **biodegradable\* additive**



\*According ASTM6954-18

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



Honored as one of the **“World’s Most Ethical Companies”** by The Ethisphere Institute

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

**176 Good Neighbor** projects

**New Nutritional Guidelines** Launch

# *Tracking the* **RIGHT** *Sourcing*





# Tracking down the RIGHT recipe

## Health and Wellness

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

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

### PRODUCTS

In 2018 we strengthened our nutritional profile through 5 new elements:

- |   |   |  |  |   |
|---|---|--|--|---|
| <p><b>1</b> </p> <p><b>Consumption patterns</b><br/>Daily and occasional categories based on their intended role in overall diet</p> | <p><b>2</b> </p> <p><b>Targeted consumer</b><br/>Recommended daily values for nutrients differentiated between children and adults</p> | <p><b>3</b> </p> <p><b>Clean label Levels</b><br/>Transparency and label-friendly ingredients in our recipes</p> | <p><b>4</b> </p> <p><b>Nutritional Profile</b><br/>Nutritional quality balance in nutrients to encourage and nutrients to limit</p> | <p><b>5</b> </p> <p><b>External validation</b><br/>Credibility through validated and recognized external methodology</p> |
|---|---|--|--|---|

Starting in the second half of 2018, we launched **NEW NUTRITIONAL GUIDELINES**, which have allowed us to evaluate our portfolio in a more demanding manner in order to guarantee the needs of our consumers.

This new approach also evolved our new global Health and Wellness strategy, which is currently based on 3 fundamental pillars:


### NEW GLOBAL HEALTH & WELLNESS STRATEGY

<b>1</b>	<p><b>Deploy new nutritional Guidelines</b></p> <ul style="list-style-type: none"> <li>• Daily Consumption products must comply with the new nutritional guidelines</li> <li>• Occasional consumption categories:               <ul style="list-style-type: none"> <li>- Products must meet a minimum content of nutrients/ingredients to encourage.</li> <li>- Children products: increase products released to the market with only "friendly-ingredients" in their recipes.</li> </ul> </li> </ul>	<b>2</b>	<p><b>Strengthen our Portfolio in Brands and healthy products</b></p> <ul style="list-style-type: none"> <li>• Achieving 30% of branded portfolio from Health &amp; Wellness products</li> </ul>	<b>3</b>	<p><b>Global Nutrition Policy</b></p> <ul style="list-style-type: none"> <li>• Relevance of industrialized products taking under consideration their nutritional contribution and accessibility</li> </ul>
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Commitments

### NATURAL CAPITAL (SUPPLY CHAIN)

We have set the goal to develop projects for each area of our global chain, in each country where we have presence by 2020.

<p>SUPPLY CHAIN</p> <p><b>95%</b> </p> <p><i>traceability for Palm oil top suppliers</i></p>	<p><b>648</b> </p> <p><i>*SME suppliers in Mexico already in the DESEO Program/61% advance</i></p> <p><small>*Small Medium Enterprise</small></p>	<p><b>295</b> </p> <p><i>raw materials and</i></p> <p><b>50</b></p> <p><i>packaging suppliers action plans in place to improve their environmental performance in Mexico</i></p>	<p><b>18</b> </p> <p><i>best practices promoted by the International Maize and Wheat Improvement Center (CIMMYT) pilot program</i></p>
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# Tracking the RIGHT processes



# On the right track with the ENVIRONMENT



## CLIMATE CHANGE

Through initiatives related to energy and fuel reduction we work to reach our goal of mitigating climate change, towards an energy system based on renewable technologies, to achieve a reduction of 10% to 2020 in our carbon footprint.

**36**   
*new energy efficiency projects /10 plants in Mexico*



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



*Record for most certified plants in one year!*



*Most certified plants across all industries!*



**2018**

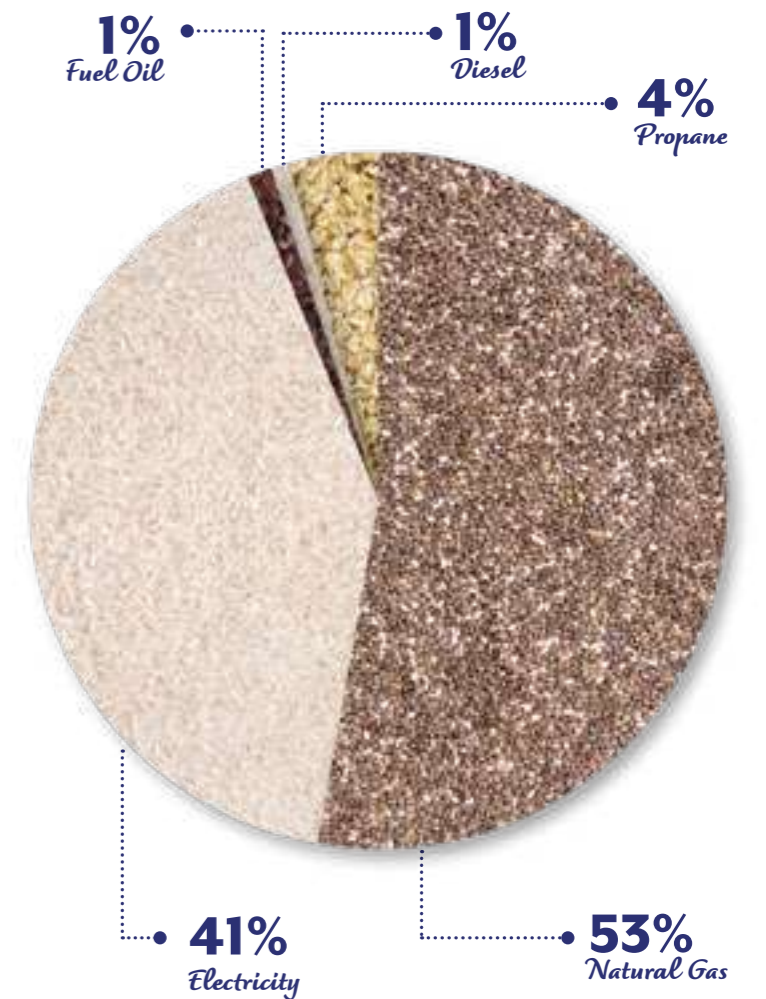
*Certification Award – plants that are better than 75% of the baking industry average*



**2018**

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

Total Emissions Grupo Bimbo Plants **1.05 MM ton CO<sub>2</sub>e**



**+100,000 tons of CO<sub>2</sub>e** avoided by the use of Renewable Energy during 2018

## WATER FOOTPRINT

We implement new technologies across our plants in order to achieve our 2020 goal of 30% reduction in water consumption.

### CONSUMPTION

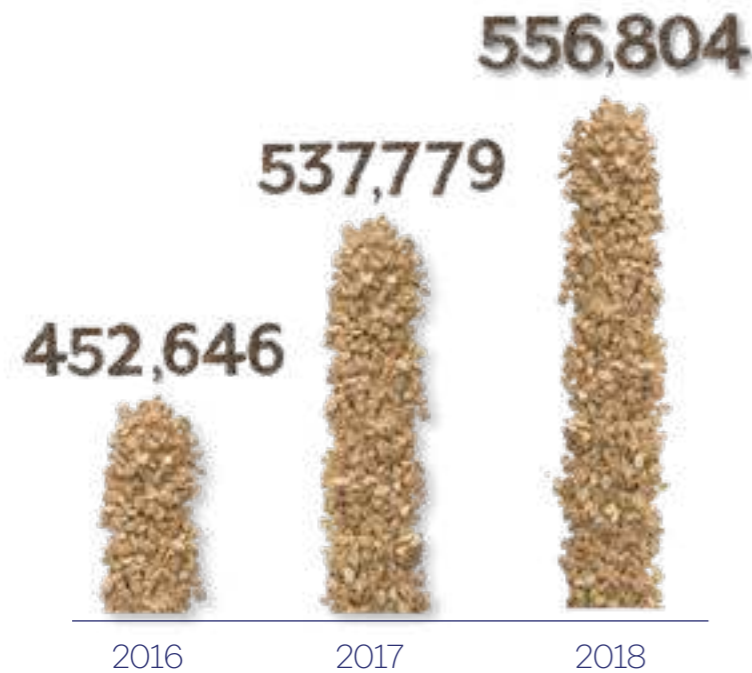
**2%**   
reduction in water consumption vs. 2017

### REUSE

**74%**   
reused water in 57 WWTS\*

**11**   
new WWTS in the last 5 years

Total volume of water treated and reused Global m<sup>3</sup>



**57**   
Rainwater collection system= 3,900m<sup>3</sup>

**228**   
Water recyclers in vehicle workshops

All vehicles in Brazil are Dry cleaned with an orange derived product

\* Waste Water Treatment System

## RENEWABLE ENERGY

We continue advancing to reach our 2025 target of 100% electrical renewable plants.

**Bimbo solar**  
Largest self-sufficient energy system in Mexico rooftops and the second in Latin America

**24** sales centers | **7** El Globo stores | **2** corporate buildings

Metropolitan distribution center

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


**Piedra Larga Wind Farm**

Supplies **90%** of energy to plants in Mexico

**Santa Rita East wind farm**

**100%** Renewable energy for U.S. Operations by 2020

**2025 GOAL**  
**100%**  
Renewable electrical energy

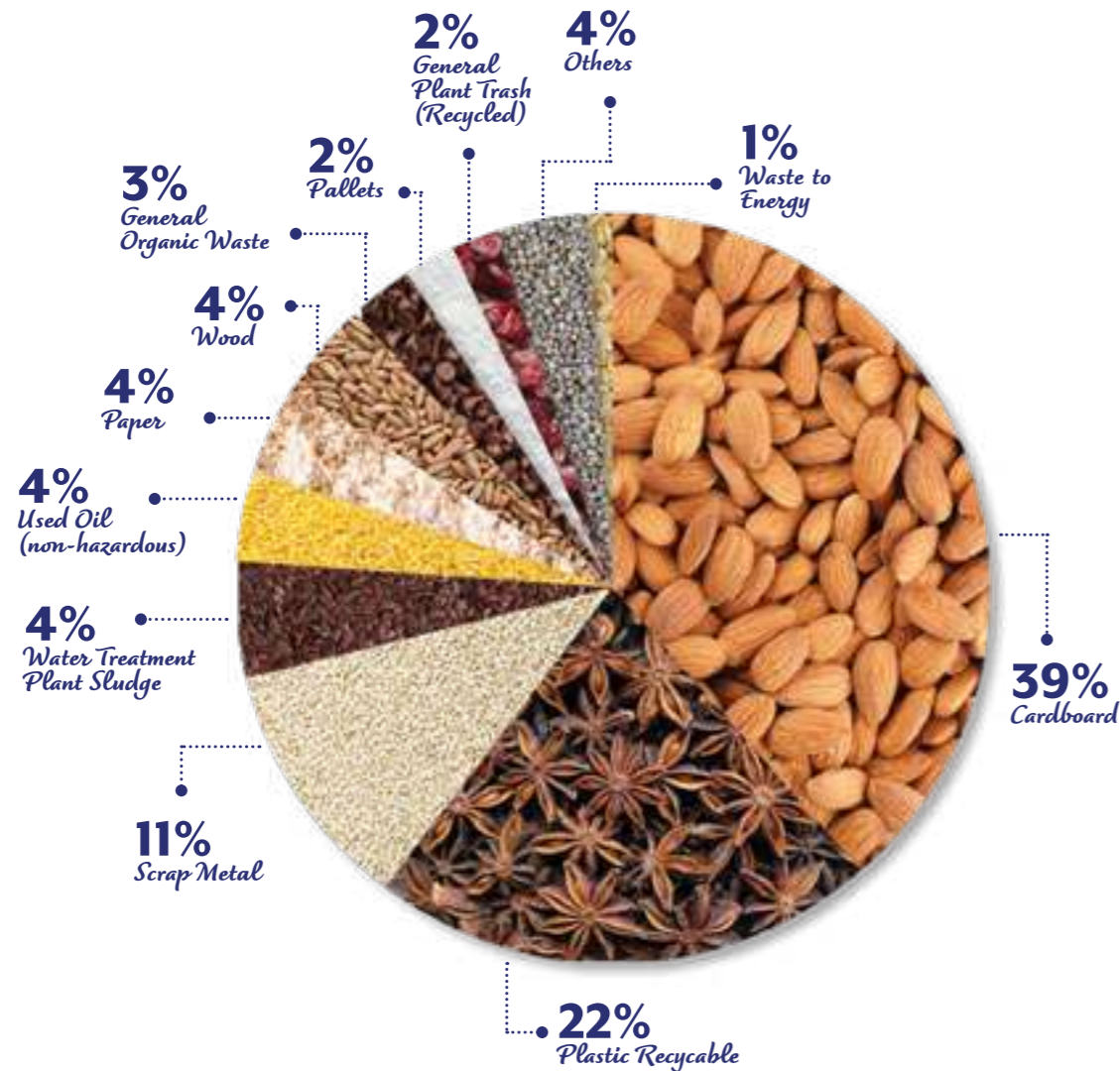
Increase by **34%**   
Renewable Energy consumption at a global level vs. 2017  
596,496 GJ in 2017 vs. 797,920 GJ in 2018



## WASTE MANAGEMENT

We promote reduction and recycling actions throughout our value chain, in order to reach our 2020 goal of 90% recycling in our operations and 50% food waste reduction in the Company.

### Recycled Total Waste 326 K ton



97%

recycling in manufacturing processes



134

plants recycle post-industrial plastic



134

plants with recycling percentage above 80%



2.8

million kgs global reduction in the use of plastic since 2010



97%

products with oxo-biodegradable\* packaging in Mexico

\*According ASTM6954-18





# Tracking

THE RIGHT

# routes



## ENERGY EFFICIENCY

In Grupo Bimbo we contribute actively to keep a healthy environment, reducing our emissions and waste, as well as optimize our media and resources for distribution.

**5,000** tons CO<sub>2</sub>e  
Same efficiency, cleaner fuels



**1,062**

Natural Gas Vehicles



**106**

Ethanol Vehicles



**620**

Propane Vehicles

**3%**



reduction of total fuel consumption  
for primary transportation vs. 2012

11.8 GJ in 2012 vs. 11.4 GJ in 2018



**430**

Electric Vehicles

## LOGISTICS AWARDS

BBU AWARDS

BBU Fleet  
Sustainability Award

ACT Expo Fleet  
Award Winner

Fleet Owners  
500 Award

MEXICO

"Transporte Limpio" award from *Secretaría del Medio Ambiente y Recursos Naturales (SEMARNAT)* obtained for the 8th consecutive year

# Tracking a SUSTAINABLE execution





# Our top BRANDS

5 brands  
sales +US \$1 billion



2 brands  
sales +US \$500 million



5 brands  
sales +US \$250 million



10 brands  
sales +US \$100 million



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

# Local success to global EXPANSION

## Success drivers

1



Scale and global diversification

2



Distribution efficiency

3



Strong brand equity

4



Innovation capabilities

5



Product quality

### MEXICO



From MEXICO to one country

### USA



From USA to one country



From USA to nine countries



From USA to two countries

### EAA\*



From SPAIN to one country



From SPAIN to two countries



From SPAIN to one country



From CHINA to one country



From CHINA to one country

### LATIN AMERICA



From URUGUAY to one country



From COLOMBIA to eight countries



From BRAZIL to one country



From ECUADOR to one country



From ECUADOR to one country



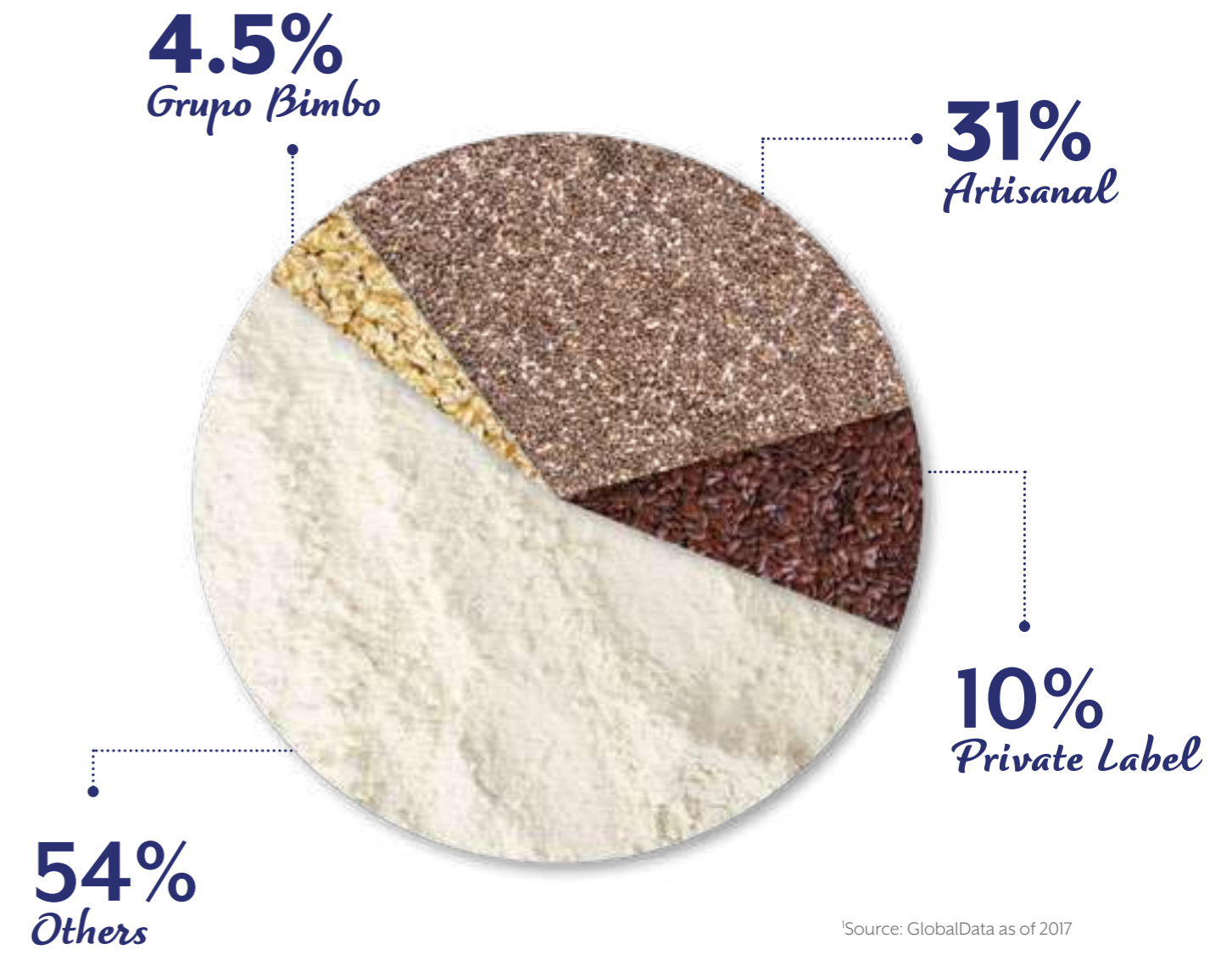
**2019**

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

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

## Global market share

**US \$426 Bn Industry<sup>1</sup>**



<sup>1</sup>Source: GlobalData as of 2017

*Tracking*

SUSTAINABLE  
*growth*

# On the right track for continuous **GROWTH**



**Sales: 50%**  
• 25K associates  
• 81 plants

## US

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

## CANADA

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



**Sales: 10%**  
• 25K associates  
• 32 plants

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



**Sales: 31%**  
• 78K associates  
• 38 plants

- Leader in a broad and diverse product portfolio including: Sliced bread, buns & rolls, pastries, snack cakes, salty snacks, confectionary, cookies & crackers
- To satisfy every consumption occasion, we respond to the needs of all our consumers



**Sales: 9%**  
• 10K associates  
• 48 plants

## IBERIA

- #1 in packaged bread

## UK

- #1 in bagels

## Accelerating and creating new venues of growth:

### CHINA

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

### INDIA

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

### BIMBO QSR

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

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



# Tracking the wellbeing OF OUR COMMUNITIES *and associates*



- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

# Tracking our COMMUNITIES

## Communities

As a sustainable Company, in Grupo Bimbo, we work through our Community Pillar in response to the specific challenges of the communities in which we operate and to contribute to their economic development and well-being.

### DONATIONS PROGRAM

In 2018 through Grupo Bimbo's economic and product donations and associates contributions, we supported 276 NGO's in benefit of our society.

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



### VOLUNTEERING PROGRAM

With our more than 83,000 volunteers we supported NGO's initiatives in education, wellness and environment.



## NATURAL DISASTERS

We support communities affected by natural disasters through the Company's and associates contributions.

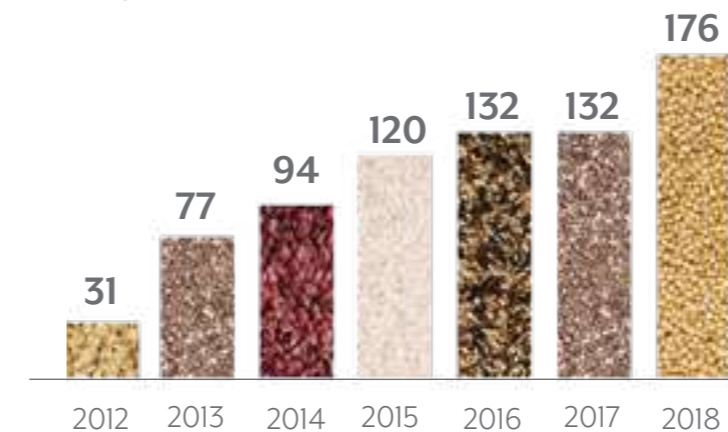
### ECONOMIC DONATION (MXN)

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

**Total donations \$3,921,849 MXN**

## GOOD NEIGHBOR PROGRAM

Since 2012, our volunteers, with the Company's support work on the improvement of the surrounding areas of our plants.



Plant/ Distribution centers	2018 completed projects
Mexico	91
USA & Canada	44
Latin America <sup>1</sup>	31
Asia <sup>2</sup>	4
Europe	6
<b>Grupo Bimbo Grand Total</b>	<b>176</b>

<sup>1</sup> LAC, LAS, Brazil

<sup>2</sup> India and Morocco



**762** projects since 2012



**176** projects in 2018

## SPEAK UP LINE

Our commitment to provide the best labor conditions for our associates and suppliers, leads us to offer our Speak up Line as a tool to report topics with need of improvement.



## PLANT TOURS PROGRAM

We value the opportunity to share with our visitors the care for quality in our products and processes, and the promotion of our four sustainability pillars.



## BIODIVERSITY REFORESTAMOS MÉXICO

In 2018, *Reforestamos México*, A.C. supported by Grupo Bimbo, joined efforts with 77 companies and government who invested in resources to support the conservation of forest ecosystems in Mexico.



## PROMOTION OF HEALTHY LIFESTYLES

Through programs such as Global Energy Race and Futbolito Bimbo, we respond to our commitment to the wellness of consumers and associates by promoting the benefits of adopting correct diets and physical activities in a daily basis.

### GLOBAL ENERGY RACE



#### USA/ Canada

Participants **11,376**  
Slices of bread **175,296**

#### Mexico

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

#### Latin America

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

#### EAA

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

#### Total

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

### FUTBOLITO BIMBO





# Keeping track on PROGRESS

## Associates

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

Our **VISION** is to lead with Superior Safety and Organizational Health, aligned with continuous improvement.

### ASSOCIATES SAFETY AND WELLNESS

At Grupo Bimbo we consider that the Person's value is central. Therefore, we are committed to providing a safe and healthy work environment, as well as promoting a Safety and Wellness culture among our associates, their families, and the communities where we work.

**18%** 

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

**0**  fatalities in work related injuries and road events

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

- **0% sugar and added fat**
- **61 calories per slide**
- **Endorsed by the Mexican Diabetes Federation**



Total associates in Grupo Bimbo   
**+138,000**

**87%** of our VP's worldwide are local

### TRAINING AND DEVELOPMENT

Our learning platform "GB University" is being consolidated in the different Business Units, reflecting an increase in training hours of 21% vs. 2017.

#### TRAINING HOURS

Total hours **1,743,672**



### DIVERSITY AND INCLUSION

Diversity and Inclusion is a fundamental enabler to achieve the 2020 Vision. Its foundations are originated and expressed in the "We value the person" belief, the CEO's Manifesto, the D & I Foundations and the D & I Global Policy.

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

**2,978**  Trained associates in Diversity & Inclusion



**Keeping track**  
**of the**  
*performance*

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

Daniel Servitje, Chairman and CEO

# Record-breaking results in 2018

## NET SALES

(millions of Mexican pesos)

**+13.4%**

10yr CAGR

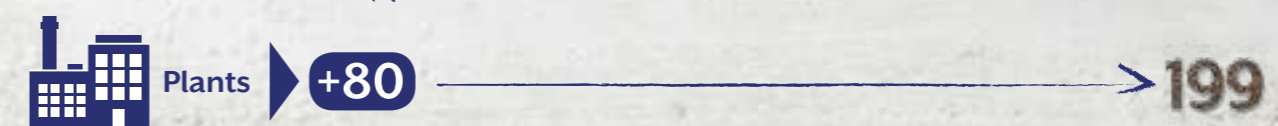
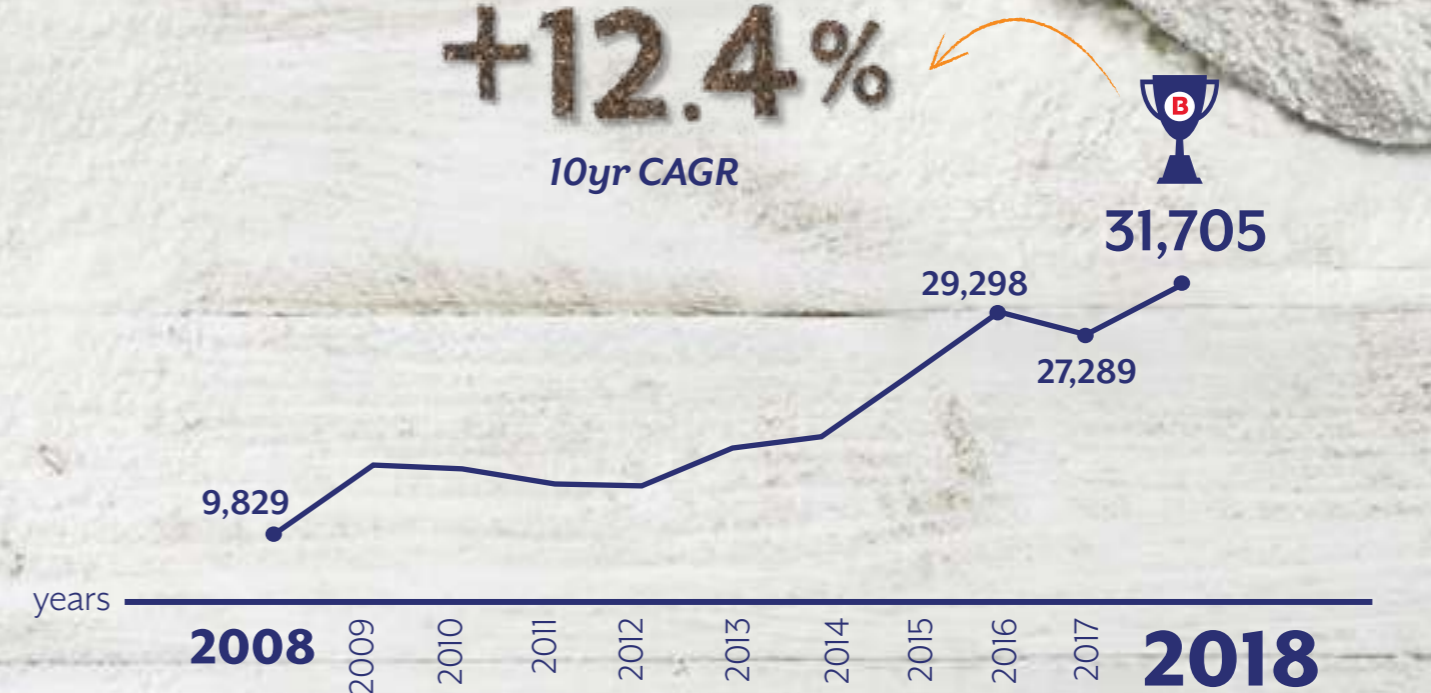


## ADJUSTED EBITDA

(millions of Mexican pesos)

**+12.4%**

10yr CAGR



# PERFORMANCE review

(millions of Mexican pesos)

## Net Sales

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

### Mexico

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

### North America<sup>1</sup>

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



<sup>1</sup> North America region includes operations in the United States and Canada.

<sup>2</sup> Latin America region includes operations in Central and South America.

<sup>3</sup> EAA region includes operations in Europe, Asia and Africa.



## Operating Income



### Latin America<sup>2</sup>

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

### EAA<sup>3</sup>

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

## Gross Profit

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

## Operating Income

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



### Adjusted EBITDA

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

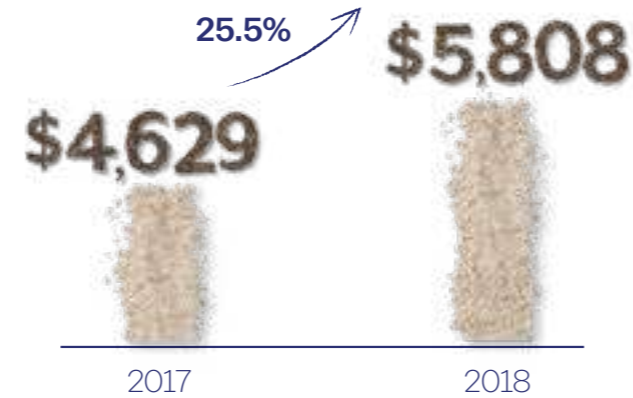


<sup>4</sup> Adj. EBITDA for the last twelve months as of December 31, 2018, excludes the non-cash charges related to the VSP and organizational restructuring initiatives implemented in the U.S. and Canada.

### Net Majority Income

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

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



### Comprehensive Financial Result

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

### Financial Structure

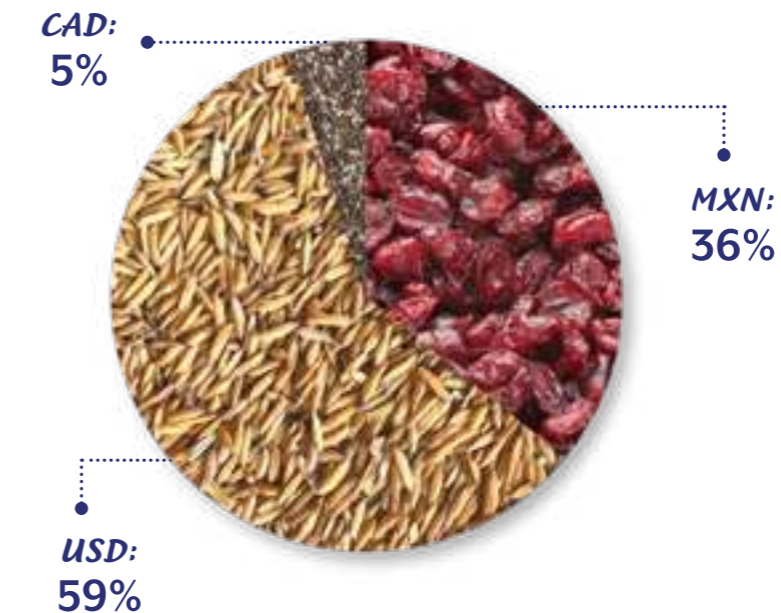
Total debt at December 31<sup>st</sup>, 2018, was Ps. 89.8 billion, compared to Ps. 93.4 billion on December 31<sup>st</sup>, 2017. This decrease was predominantly related to the prepayment of US\$123 million outstanding from the revolving credit facility and, to a lesser extent, the repurchase of almost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

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

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

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

### Currency Mix



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

Diego Gaxiola, Chief Financial Officer



# Board and MANAGEMENT

## Board Members

**Daniel Servitje Montull, Chairman**

Raúl Carlos Obregón del Corral

José Ignacio Mariscal Torroella

Mauricio Jorba Servitje

Luis Jorba Servitje

María Isabel Mata Torrallardona

Nicolás Mariscal Servitje

Javier de Pedro Espínola

Jorge Pedro Jaime Sendra Mata

Jaime Chico Pardo

Estibaliz Laresgoiti Servitje

Ricardo Guajardo Touché\*

Arturo Fernández Pérez\*

Ignacio Pérez Lizaur\*

Edmundo Vallejo Venegas\*

María Luisa Jorda Castro\*

Jaime El Koury\*

Rogelio Rebolledo\*

\*Independent

## Executive Committee

**Daniel Servitje Montull**

Chairman & Chief Executive Officer

**Javier González Franco**

Executive VP

**Pablo Elizondo Huerta**

Executive VP

**Gabino Gómez Carbajal**

Executive VP

**Rafael Pamias Romero**

Executive VP

**Diego Gaxiola Cuevas**

Chief Financial Officer

**Raúl Argüelles Díaz González**

Chief HR and Corporate Affairs Officer

**Raúl Obregón Servitje**

Chief Transformation Officer

**Alfred Penny**

President of Bimbo Bakeries USA

**Miguel Ángel Espinoza Ramírez**

President of Bimbo, S.A. de C.V.

## Audit & Corporate Practices Committee

**Edmundo Miguel Vallejo Venegas, Chairman**

Jaime Antonio El Koury

Arturo Fernández Pérez

María Luisa Jorda Castro

Ignacio Pérez Lizaur

## Evaluation & Results Committee

**Raúl Carlos Obregon del Corral, Chairman**

Nicolás Mariscal Servitje

Luis Jorba Servitje

Daniel Javier Servitje Montull

Edmundo Miguel Vallejo Venegas

## Finance & Planning Committee

**José Ignacio Mariscal Torroella, Chairman**

Jaime Chico Pardo

Javier De Pedro Espínola

Ricardo Guajardo Touché

Luis Jorba Servitje

Raúl Obregón del Corral

Rogelio Miguel Rebolledo Rojas

Daniel Javier Servitje Montull

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

# Audit and Corporate Practices

## COMMITTEE REPORT

Mexico City, March 28, 2019

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

Dear Sirs,

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

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

#### INTERNAL CONTROLS

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

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

#### CODE OF ETHICS

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

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

#### EXTERNAL AUDIT

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

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

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

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

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

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

#### INTERNAL AUDIT

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

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

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

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

#### FINANCIAL INFORMATION AND ACCOUNTING POLICIES

We reviewed the quarterly and annual financial statements of the Company together with the parties responsible for their preparation, recommended their approval by the Board of Directors, and authorized their publication. Throughout the process we took into account the opinions and remarks of the external auditors.

To arrive at an opinion on the financial statements, we verified, with the support of the internal and external auditors, that the accounting policies and standards and the information used by management in the preparation of the financial statements was appropriate and sufficient and had been applied in a consistent manner with the prior year, taking into account the changes in IFRS effective both in that year and the preceding year. As a result, the information presented by Management reasonably reflects the financial position, results of operations and cash flows of the Company.



#### **COMPLIANCE WITH REGULATORY STANDARDS AND LAWS; CONTINGENCIES**

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

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

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

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

#### **COMPLIANCE WITH OTHER OBLIGATIONS**

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

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

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

#### **TRANSACTIONS WITH RELATED PARTIES**

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

#### **EVALUATION OF MANAGEMENT**

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

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

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

Sincerely,  


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

Mexico City, March 28, 2019

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

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

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

Sincerely,  


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

# Stakeholder INFORMATION

Stock exchange:	<b>Mexican Stock Exchange (BMV)</b>
BMV Ticker:	<b>BIMBO</b>
ADR Level I Ticker:	<b>BMBOY</b>
Corporate headquarters:	<b>Corporativo Bimbo, S.A. de C.V.</b> Prolongación Paseo de la Reforma No. 1000 Colonia Peña Blanca Santa Fe Delegación Álvaro Obregón, CP 01210 Mexico City <b>+52 55 5268 6600</b>
Investor relations contact:	<b>ir@grupobimbo.com</b>
Institutional relations contact:	<b>sustentabilidad@grupobimbo.com</b>
Online:	<b>www.grupobimbo.com</b> <b>twitter.com/Grupo_Bimbo</b> <b>facebook.com/GrupoBimbo</b>

Design and production: **milenio3genera**

This 2018 Integrated Annual report is intended to be a summary document.  
The company's full annual report, which adheres to the Global Reporting Initiative Standards,  
can be found at: **www.grupobimbo.com**





2018 INTEGRATED ANNUAL REPORT SUMMARY