



# ON THE ROAD, FOLLOWING THE PLANNED ROUTE

*2002 Annual Report*



Grupo Bimbo is one of the world's largest bakery companies in terms of production and sales volume. A leader in the Americas, it has over 77 plants and 950 distribution centers strategically located in 14 countries throughout the Americas and Europe. Its product lines include a wide variety of packaged bread, buns, pastries, sweet rolls, cookies, tortillas, tostadas, sweet and salted snacks and confectionery products, among others.

Grupo Bimbo has one of the most extensive distribution networks in the world, with a fleet of over 29,000 delivery vehicles and a work force comprised of over 72,000 employees. It produces a wide range of nearly 3,600 products under more than 100 highly-recognized brands.

#### OUR STRENGTHS

- Excellent brand positioning in every market
- Covering over 600,000 sales points along 25,000 routes
- Comprehensive and permanent control of the quality, safety, freshness and presentation of our products
- Certified with ISO 9000 and HACCP

#### DIVISIONS

- Bimbo, S.A. de C.V.
- Barcel, S.A. de C.V.
- Bimbo Bakeries USA, Inc. (BBU)
- Latin America Division (OLA)

#### STOCK MARKET ACTIVITY

Grupo Bimbo stocks have been listed on the Mexican Stock Exchange (BMV) since 1980 under the ticker BIMBOA



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

HEADQUARTERS: Mexico City, Mexico

##### MAIN PRODUCTS

Packaged bread, buns, pastries, sweet rolls, cookies, tortillas and tostadas.

##### MAIN BRANDS

Bimbo, Marinela, Milpa Real, Lara, Tía Rosa, Suandy, Wonder, Lonchibon, Del Hogar, La Mejor, Monarca, Tulipán.



#### BARCEL, S.A. DE C.V.

HEADQUARTERS: Lerma, Mexico

##### MAIN PRODUCTS

Sweet and salted snacks, gummies, bubble gum, chocolates and confectionery products.

##### MAIN BRANDS

Barcel, Ricolino, Coronado, CandyMax, Juicee Gumme, Parklane.



#### BIMBO BAKERIES USA, INC.

HEADQUARTERS: Ft. Worth, Texas

##### MAIN PRODUCTS

Packaged bread, buns, bagels, muffins, pastries, sweet rolls, cookies, tortillas and pizza crusts.

##### MAIN BRANDS

Oroweat, Mrs Baird's, Bimbo, Entenmann's, Thomas, Tía Rosa, Marinela, Francisco, Old Country.



#### LATIN AMERICA DIVISION (OLA)

HEADQUARTERS: Buenos Aires, Argentina

##### MAIN PRODUCTS

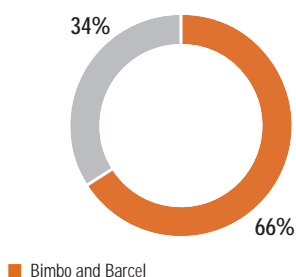
Packaged bread, buns, pastries, sweet rolls, cookies, alfajores, tortillas and pizza crusts.

##### MAIN BRANDS

Bimbo, Marinela, Plus Vita, Pullman, Ideal, Holsum, Trigoro, Pyc, Bontrigo, Cena.

BIMBO AND BARCEL NET SALES

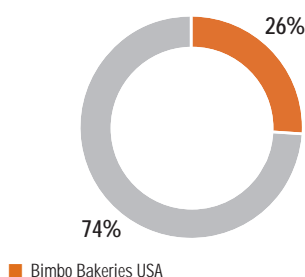
Percentage of Consolidated Net Sales



■ Bimbo and Barcel

BBU NET SALES

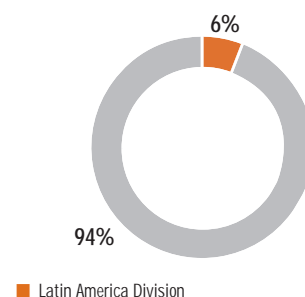
Percentage of Consolidated Net Sales



■ Bimbo Bakeries USA

OLA NET SALES

Percentage of Consolidated Net Sales



■ Latin America Division

Note: The remainder 2% of Consolidated Net Sales belongs to Other Sales in Mexico

## ON THE ROAD, FOLLOWING THE PLANNED ROUTE

**Grupo Bimbo opens the door to new opportunities by undertaking profound structural changes to streamline operations, thereby increasing its competitiveness and productivity in every market.**

**This is the route planned to strengthen our position as a world-class corporation and an international leader in the bakery industry. ➔**

## GRUPO BIMBO IN THE WORLD



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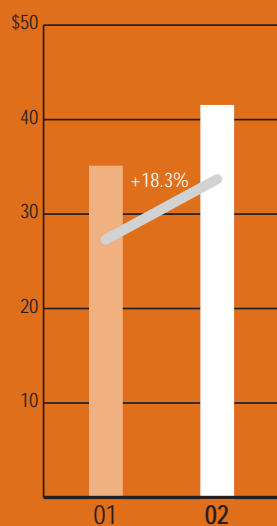


## FINANCIAL AND OPERATIONAL HIGHLIGHTS

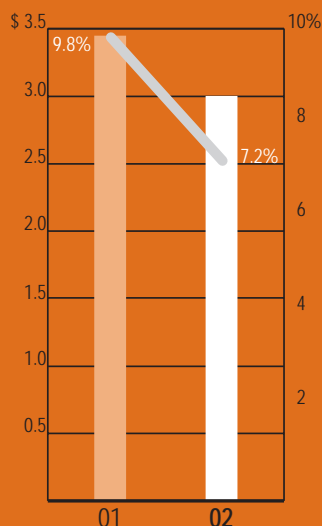
	2002	(%)	2001	(%)	Change (%)
Net Sales	41,373	100.0	34,968	100.0	18.3
Gross Profit	22,217	53.7	19,260	55.1	15.4
Operating Income	2,997	7.2	3,444	9.8	(13.0)
Integral Cost of Financing	691	1.7	298	0.9	n.a.
Income before Taxes	1,764	4.3	2,766	7.9	(36.2)
Majority Net Income	973	2.4	1,654	4.7	(41.2)
Earnings before Interests, Taxes, Depreciation and Amortization (EBITDA)	4,410	10.7	4,828	13.8	(8.7)

\* Figures have been prepared in accordance with Generally Accepted Accounting Principles in Mexico and are expressed in millions of constant pesos as of December 31, 2002.

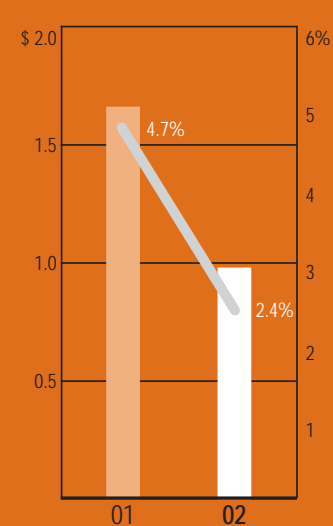
NET SALES  
(billion pesos)  
— growth



OPERATING INCOME  
(billion pesos)  
— margin

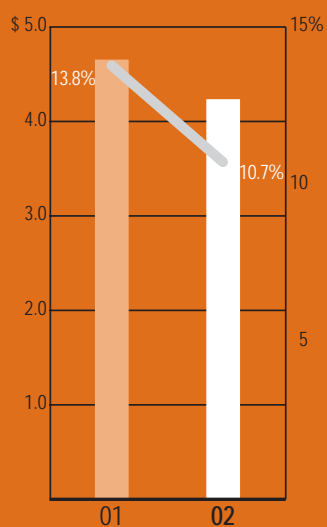


MAJORITY NET INCOME  
(billion pesos)  
— margin

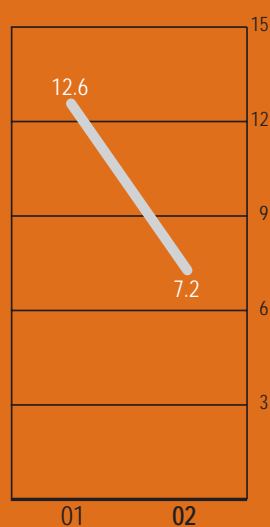


	2002	2001	Change (%)
Total Assets	31,719	23,781	33.4
Total Liabilities	17,773	10,392	71.0
Total Debt	11,647	5,254	n.a.
Consolidated Stockholders' Equity	13,946	13,389	4.2
Net Debt / EBITDA	2.1	0.9	
Net Debt / Consolidated Stockholders' Equity	0.7	0.3	
Majority Net Income / Majority Stockholders' Equity	7.2%	12.6%	
Earnings per Share	0.83	1.25	
Weighted Average Shares Outstanding (000's)	1,175,821	1,321,642	

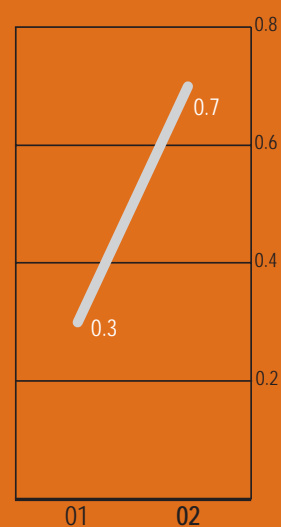
EBITDA  
(billion pesos)  
— margin

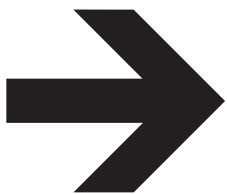


MAJORITY NET INCOME /  
MAJORITY STOCKHOLDERS' EQUITY  
(percentage)



NET DEBT /  
CONSOLIDATED STOCKHOLDERS' EQUITY  
(times)





## MESSAGE FROM THE CHAIRMAN OF THE BOARD

To our stockholders:

As expected, conditions in the domestic and international environment in 2002 once again had a profound influence on the performance and results of our operations.

In addition, last year we focused on substantially reorganizing our management division and overhauled our systems area.

As a result, the widespread economic slowdown and the considerable restructuring expenditures necessary to adjust to the new demands of our business climate had a negative impact on our financial results.

Although sales were significantly higher in 2002, this was mainly due to the acquisitions made during the period.

During fiscal year 2002:

Our net sales totaled

\$41.373 billion pesos 18.3%/01

Operating income was

\$2.997 billion pesos (13.0%)/01

Net income was

\$1.003 billion pesos (40.4%)/01

Return on equity 7.2%

Sales growth by region was as follows:

Mexico 6.3%/01

United States 73.3%/01 (without Weston (4.0%)/01)

Latin America 6.8%/01

Our debt totaled \$11.647 billion pesos at year-end.

In March 2002, we took a US\$610 million bridge loan to finance the acquisition of George Weston, Ltd.'s operations, and paid off that loan in full, five months in advance, using the proceeds of transactions in the local debt market. In addition, it allowed us to finance the new operations in the United States. With these debt issuances, we were able to spread our debt maturities over the longer term and reduce our exchange-rate risk.

Considering the prevailing economic climate in Mexico, we believe our sales and other results in Mexico were satisfactory, as seen in the above figures. Our retail distribution project, Abastex, did not progress as we had hoped resulting in heavy losses. On the other hand, our Barcel operations brought excellent results.

As I mentioned earlier, one of last year's highlights was the acquisition of George Weston, Ltd.'s western U.S. operation, for a total of US\$610 million. This purchase reaffirms our commitment to our core business –bakery products–, and makes us leaders in that region and one of the four largest companies in the United States, the world's largest market.

Despite the benefits of this acquisition, our sales and results from the United States were somewhat constricted by the efforts to integrate the two companies.

In Central America, we made substantial progress and are now fairly confident that we have overcome the biggest obstacles. In South America, however, problems worsened, particularly because of the difficult conditions in Argentina, Venezuela and Brazil. In Colombia, in spite of the adverse situations the country has endured, we advanced on a number of fronts that allow us to be more optimistic about the operation.

On the crucial topic of quality, we continued our efforts to earn certification according to ISO 9000 standards and HACCP (Hazard and Critical Control Points) methodology, a new and rigorous system for safe food handling adopted by the United States Food and Drug Administration. Grupo Bimbo pioneered the adoption of HACCP, with certification in eight of its plants and 72 production lines in the United States, Mexico and Latin America. We also accrued more than 180 processes certified with ISO 9000.

This past year we also made substantial progress in another corporate goal: structural change.

As part of this process, at the start of the year we consolidated our Mexican companies into two corporations:



*Roberto Servitje*  
chairman of the board

*Daniel Servitje*  
chief executive officer

Bimbo, S.A. de C.V., and Barcel, S.A. de C.V. This created many synergies and substantial savings for the Group.

In previous years, we have stated that the Group's objectives are always set with a long-term vision. Although we are interested and wholly dedicated to bringing in solid results year after year, we never lose sight of the growth and adjustments necessary to guarantee our future success.

The Board of Directors, which I am honored to preside over, is convinced that despite these difficult times in the global economy, we are on the right track, and have good reason to believe we can attain our goals.

Because our Company is personnel-intensive, it is always a source of great pride for me to be able to remark that our labor relations remain excellent. Collective bargaining contract reviews for our various plants last year were carried out fairly and harmoniously.

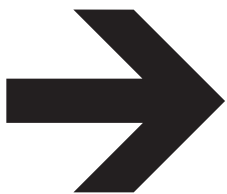
I am also pleased to announce the creation of "Reforestamos México", a nonprofit association founded by us and dedicated to the preservation of the natural wealth of Mexico's forests. Its initial efforts include seeking out strategic zones for the conservation of rainforests and woodlands, and promoting the planting and caring for young trees through different means. Aside from this project, the Group continues its policy of devoting a percentage of each fiscal year's profits to philanthropic efforts, particularly in the areas of education and rural development.

We are confident: The efforts and capital-intensive investments we have made, particularly in the last two

years and which should conclude somehow in 2003, will increase our productivity in the immediate future, lay the foundation for growth, allow us to take better advantage of opportunities and generate added economic value to help us strengthen our position as a productive and responsible company.

Finally, I would like to thank all of our associates for their dedication and trust, and the Board of Directors for its guidance and unwavering support.

*Roberto Servitje*  
chairman of the board



## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2002, we made considerable progress toward attaining our corporate goal of structural change. We are currently undergoing the most intense phase of the process, evolving toward a more competitive structure with fewer production and distribution costs. We are operating our business according to a broader perspective with state-of-the-art technologies, in order to serve our customers as efficiently as possible.

The Bimbo XXI program is nearly 80 percent complete. Bimbo XXI is a system platform that will encompass and standardize our production, sales and distribution operations in Mexico, the United States, Central and South America.

Another one of our goals is to provide our entire sales force with hand held computers, an important productivity tool. So far, we have distributed 15,200 hand holds, covering almost 70 percent of our sales team. This project, which will conclude during the first half of 2003, has already demonstrated a favorable impact on the productivity and control of our sales routes.

On the commercial side, we reorganized our distribution system by channel segmentation. This new structure will enable us to give a more precise and timely response to each channel's specific needs. As a result of this process and the acquisition of operations in North America, we added 2,500 new routes and offered our services to 130,000 new clients during 2002.

Another major accomplishment was the purchase of Oroweat and its incorporation into Bimbo Bakeries USA, Inc., which provided us access to new markets and added several premium brands into our product portfolio.

Furthermore, we made substantial progress in one of our research and development projects, aimed at extending the shelf life of some of our main products. In the short term, its effects will be reflected in lower

distribution costs, less depletion and returned merchandise for expired products, thereby raising our operating margins.

This year, we made profound changes in the Group's operations while succeeding in increasing our sales considerably. As was expected, the Group's results were affected by our ongoing projects, as well as by the increase in costs of our raw materials.

In order to improve the efficiency of our operations, we incurred several one-time expenses that affected our margins, such as those related to the sale of routes in Texas to independent operators, the shutdown of one plant in Dallas, the chocolate plant in Vienna and of one of our Abastex distribution projects in Mexico City.

We must also point out the solid image that Grupo Bimbo has maintained in the financial markets, where last year we successfully issued bonds in the Mexican market, drastically reducing our foreign exchange risk. These financial resources were used to prepay a bridge loan that we made for the acquisition of Oroweat, structuring our debt in the long-term.

Concerning promotional and advertising activities, the most outstanding was the junior soccer tournament "Futbolito Bimbo," which, for the first time, was held throughout Latin America with extremely positive results at the regional level.

In accordance with market trends, our brand strategies seek to firmly position ourselves in the mind of the consumer, as a company strongly committed with nutrition and health through sports activities.

Our new design of the Bimbo image, the endearing teddy bear associated with our main brand, had a strong impact on the market. The timeless appeal of this character constitutes an extremely valuable communications tool.

According to a recent study conducted by Interbrand, as a result of these efforts and constant advertising, Bimbo has become one of the five most popular and recognizable brands in Latin America.

In Mexico, our Bimbo, Marinela and Barcel operations registered outstanding results, while Ricolino succeeded in maintaining its market position despite a general downturn in the confectionery market. These results were partly due to the successful launching of new and distinct products that satisfied the latest consumer trends, like Coronado's "Cajeta a la Irlandesa", "Takis Salsa Brava", "Chocolina", "Bran Frut" bars, "Pan Xtreme Balance", "Pan de Papa" and "Doble Fibra" toasted bread, to name only a few.

The decline in U.S. market demand was offset by a series of initiatives, which included the development of new products focused on specific consumer needs like Mrs Baird's Honey 7 Grain and Sugar Free breads, as well as Oroweat's Country Wheat Bread. We also launched a series of additional Bimbo and Marinela products already available in Mexico, and redesigned the entire line of Mrs Baird's sweet rolls and pastries. Furthermore, with the re-organization of the Texas distribution force, over 1,000 routes were converted to independent distributors, reducing our cost structure in the region.

Despite the difficult situation in Latin America, we succeeded in increasing our sales volume in Brazil, Chile, Colombia, Peru and Central America. However, due to the critical conditions in Argentina and Venezuela, our volumes in these markets deteriorated.

In Chile, we successfully restructured our distribution network. In Colombia, we considerably improved our operating performance by obtaining positive results, while in Peru, we attained record sales and increased profitability.

The large-scale structural change projects will considerably increase our competitiveness in the immediate future and lay the foundation for greater growth while enabling us to make the most of the opportunities to expand the business and increase profitability.

The spirit of change that prevailed throughout the entire year fostered a wave of enthusiasm that swept the Company at every organizational level. We are deeply grateful to our personnel, clients, suppliers and investors for their understanding and support during this crucial period.

In 2003, we expect our sales to increase even more by launching new products in every region and developing brands aimed at the Hispanic markets in the United States. In addition, we will conclude our sales force's channel segmentation project to improve customer service, particularly in Mexico.

This is the route we have planned, and we are fully confident it will ensure us a solid financial position and recover our growth rate.



*Daniel Servitje M.*  
chief executive officer



TEHUACAN-OAXACA HWY. | MEXICO

*“Synergism is the simultaneous actions of separate entities  
which together have a greater total effect than the sum  
of their individual effects.”*  
—Buchholz and Roth



In 2002, a prestigious business publication once again considered Grupo Bimbo **THE MOST ADMIRABLE COMPANY IN MEXICO.**



New market segmentation by channels will allow us to **PROVIDE OUR CUSTOMERS** with improved service.



The **SWIFTNESS** of the structural change is largely due to the contribution of our personnel.

## STRUCTURAL CHANGE: Vision of the future

In 2002, Grupo Bimbo embarked on a series of profound structural changes, aimed at achieving a more efficient, functional and competitive organization.

The year began with the merger of our 40 bakery companies in Mexico into one: Bimbo, S.A. de C.V. Likewise, the Barcel, Ricolino and Coronado snack and confectionery plants were incorporated under Barcel, S.A. de C.V. Within this brief period, we succeeded in modernizing a model that had been operating for the past 50 years. We shifted from a multi-regional to a multi-functional approach, implementing a structure better aligned with the present-day social and economic situation.

Bimbo, S.A. de C.V. was divided into six regions: Northwest, North, Bajío, Central, Southeast and Metropolitan (Mexico City). Furthermore, the Central American region with operations in Costa Rica, Nicaragua, El Salvador, Guatemala and Honduras was also incorporated into this new organization.

In addition, the extended shelf life project, which represents considerable economic advantages for the Group aimed at extending the shelf life of some of our main products, registered a progress rate of 70 percent.

We also adopted a new distribution strategy through channel segmentation. Supermarkets,

retailers and other channels will now receive direct service from every brand, with a product portfolio specifically adapted to their needs and characteristics. With this new vision, we will enhance synergies, reduce costs and further penetrate the market.

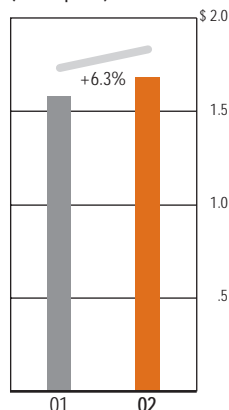
This new structure becomes part of the Bimbo XXI project, a systems platform that will transform Grupo Bimbo into a cutting-edge corporation, fully capable of communicating, informing and handling information with the highest degree of efficiency and productivity.

Our objective for implementing the new systems is to better connect us to our consumers and to take advantage of the most modern, efficient and time-saving tools in order to help us make accurate, timely decisions.

### QUALITY AND SAFETY CERTIFICATIONS

During 2002, the certification of the quality and safety of our processes continued. Our Mexican plants in Tijuana, Mexicali, Chihuahua, Monterrey and Hermosillo, as well as our plants in Fort Worth, Texas and in Santiago, Chile received the internationally recognized HACCP food safety accreditation, awarded by The American Institute of Baking and Canada's Guelph Food Technology Centre. With this, Grupo Bimbo is at the forefront of the continent's food safety standards.

SALES BY ROUTE  
(million pesos)





WOODALL RODGERS FWY., DALLAS | TEXAS



*“Success is the sum of small efforts,  
repeated day in and day out.”*  
—Robert Collier



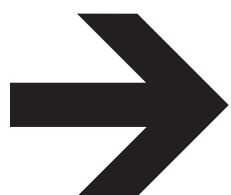
Our recent acquisition in the United States is the **LARGEST INVESTMENT EVER MADE** by the Group



Our routes in Texas were **CONVERTED TO INDEPENDENT DISTRIBUTORS** to reduce distribution costs.



Bimbo is an **OFFICIAL SPONSOR** of the Dallas Mavericks basketball team.



## CONSOLIDATION

### of our operations in the United States

Upon acquiring the George Weston, Ltd. bakery operations in the western United States with an investment of US\$610 million, Grupo Bimbo consolidated its position as one of the world leaders in the bakery industry.

This acquisition provided us with access to such premium leading brands and products in the U.S. market as Oroweat, Entenmann's, Thomas and Boboli. Consequently, Bimbo Bakeries USA, Inc. (BBU) became the fourth most important bakery Company in the country and the leader in the western United States, driving sales up by 73.3 percent in comparison to 2001.

The incorporation of these new operations is running smoothly. The Company completed the consolidation of routes in California and Texas, while significantly increasing the presence of Bimbo and Marinela products in the western United States.

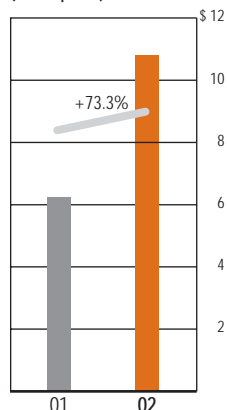
This year, we opened new routes for Bimbo, Marinela and Tia Rosa products in Washington, Oregon, Nebraska, Kansas and Tennessee. We launched such successful products as Mrs Baird's Sugar Free bread, Mrs Baird's 100% Whole Wheat bread, and Mrs Baird's Honey 7 Grain breads. We also introduced Oroweat's Country Wheat bread and re-launched Mrs Baird's pastry line with several products that are extremely popular in Mexico.

Another significant achievement was the conversion of almost 1,000 routes to independent distributors in Texas, a project that places the Company on an equal competitive level than the best in the industry in terms of distribution costs.

Regarding promotional activities, Bimbo and Mrs Baird's were highly visible on a regional level by sponsoring sports teams such as the Dallas Mavericks, the team for which Mexican basketball star Eduardo Nájera plays, the San Antonio Spurs and the Texas Rangers. In addition, Oroweat sponsored a highly appealing advertising campaign featuring Stuart Little II, a popular children's movie.

We must also highlight the successful integration of the new operations into BBU's structure, as well as the considerable progress made in attaining common goals under one single vision, that of Grupo Bimbo.

BBU NET SALES  
(billion pesos)





MENDOZA-ACONCAGUA HWY. | ARGENTINA



*“The moment you stop learning, you stop leading.”*  
—Rick Warren



THE RESTRUCTURING OF OUR DISTRIBUTION NETWORK in Chile was completed successfully.



In Peru, the PANETONE traditional Christmas bread posted a 42% sales increase.



Brazil reported a 24% sales INCREASE of its Light breadline.

## LATIN AMERICA: A valuable lesson

South America's economy fell 0.5 percent in 2002. Despite the region's volatility, particularly in Argentina, Venezuela and Brazil, our Latin America Division (OLA) registered a 6.8 percent sales increase in relation to the previous fiscal year.

OLA's operations were doubly impacted by currency devaluations that reached 252 percent in Argentina, since most of its raw materials are dollar-denominated. Due to the nature of these events, it was impossible to make up for the losses by increasing prices.

In order to deal with these difficult conditions, OLA launched new products and started exporting unique, highly successful products from Argentina to nearby regions.

The new products launched included "Alfajores" in Argentina, "Brownies" and "Power Kids" bread in Colombia, "Ideal Kids" bread in Chile, and a complete line of holiday breads and pastries in Peru. Our most outstanding promotional campaigns were linked to the Korea-Japan 2002 World Cup.

Both Colombia and Peru saw a return to profits. In Colombia, the Company registered a favorable growth of 7 percent versus a Gross Domestic Product (GDP) increase of only 1.5 percent.

Positive results were also achieved in Chile. To reduce operating costs, the distribution task and the external transportation in the country's north and south were left to third parties.

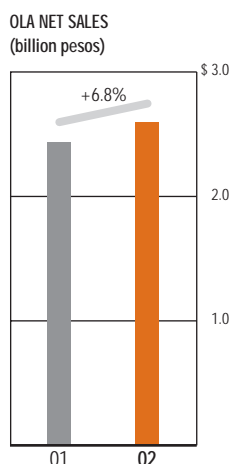
Brazil experienced considerable economic instability, posting a 52 percent currency devaluation and 13 percent inflation rate, not to mention a fierce price war. Our strategy has been to create a special line of distinct, value-added breads.

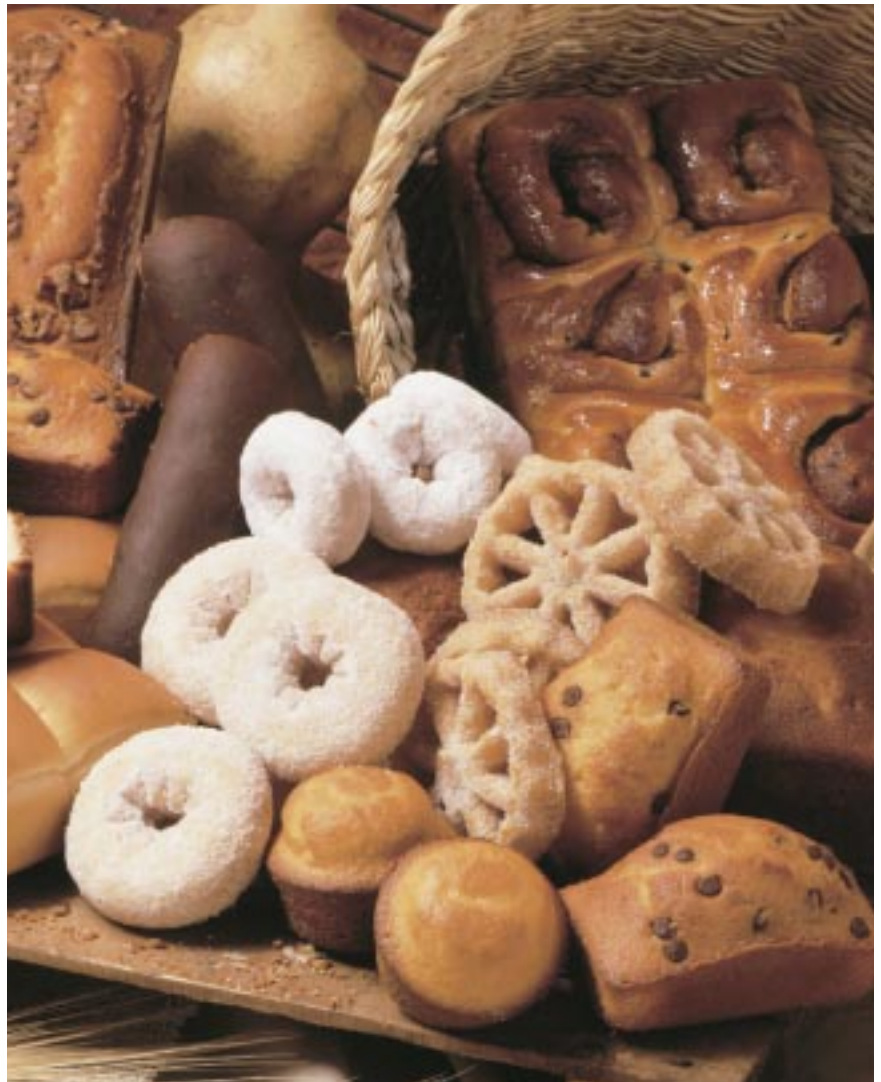
Despite market contraction, Venezuela reported profits until the first quarter. However, the nation's problems intensified during the year, generating an abrupt slump in the market. In Argentina the market registered a 24 percent fall in demand.

The ability to react promptly to the sometimes extremely unpredictable events provided the Company with valuable experience. Should similar situations occur again, the Company is prepared to adjust operations to meet new challenges.

### CENTRAL AMERICA

In line with its global strategies, Grupo Bimbo unified its operations in Central America without ever losing sight of each country's cultures and traditions. The launching of the "Doble Fibra" (Double Fiber) bread in the whole region was met with considerable success.





MEXICO-QUERETARO HWY. | MEXICO

*“The true voyage of discovery is not about finding new landscapes, but about having a new vision.”*  
—Marcel Proust



In Mexico, the **BIMBO XTREME BALANCE** bread and the **ORBITA** sweet roll were launched targeting the youth and children segments.



Our communications strategies focused in highlighting the **NUTRITIONAL VALUE** of bread.



A study by Interbrand placed Bimbo as **THE MOST VALUABLE BRAND** in the Mexican market.

## ➔ REVITALIZATION of brands and strategies

### MEXICO

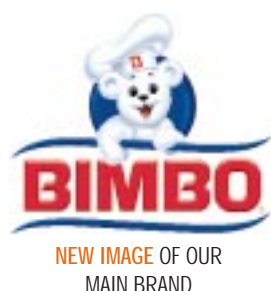
During 2002, every Grupo Bimbo brand registered considerable growth under the new strategies according to product category, except for Ricolino, which despite a contraction in the confectionery market, succeeded in maintaining its position.

The Bimbo trademark was revitalized. The new, more endearing image of the Bimbo teddy bear created a significant impact on the market.

In addition to new products, the advertising, promotion and distribution strategies were aimed at accelerating the growth of our established brands by responding to market requirements and consumer trends. Advertising investment registered a record year, impacting the Bimbo brand recognition levels. In events such as the Korea-Japan World Cup, Grupo Bimbo was the number one advertiser.

For the first time, the “Futbolito Bimbo” junior soccer tournament was held throughout Latin America, including Mexico. Over 40,000 children participated in this unprecedented sports and family-oriented event.

New products launched in Mexico included: “Doble Fibra” toasted bread, “Bimbo Xtreme Balance,” “Pan de Papa,” “Orbita” (a snack roll), and “Bran Frut,” a fruit bar that occupies the leading position in test markets.



### BARCEL

Despite market behavior, Barcel had outstanding sales during the year, due in large part to its strategy of differentiating itself from the competition by providing added value at a better price. The increase in sales was also due to the launching of such products as “Takis Salsa Brava,” “Runners” and “Papatinas Chilix.”

### RICOLINO

Although the confectionery market registered a 4.5% decline in sales, Ricolino maintained its market position. During the year, the strategy consisted of eliminating from its portfolio certain unprofitable products or those perceived by the consumer as inferior. On the other hand, Ricolino concentrated on developing products with higher value, like the new “Chocolina,” the “Gomilocas” and CandyMax’s “Pika-T.”

Worth mentioning is our recent agreement reached with The Wrigley Company, the world’s leading chewing gum manufacturer, which made Ricolino their exclusive distributor in Mexico.

### CORONADO

The Coronado brand, with a two-digit sales volume increase, registered an outstanding performance with the launching of the “Cajeta a la Irlandesa” (Irish-style goat milk caramel), the first product of its kind in 70 years. Sales were also supported by the new brand image.



VIÑA DEL MAR-REÑACA FWY. | CHILE

*“There are no speed limits on the road to excellence.”*  
—David W. Johnson



Our **BIMBO XXI** system will allow for collaboration, communication and information sharing at a continental level.



During the initial phase of the project, nearly **400 HAND HELDS** per week were provided to our sales force.



The new systems will enable us to make more accurate, **TIMELY DECISIONS**.

## ➔ TECHNOLOGY for change

The Bimbo XXI system, a technological platform that sustains Grupo Bimbo's structural change, was implemented in 80 percent of the total business units in its introductory phase.

The system is based on an Oracle platform with internet technology which opens up endless possibilities of collaboration, decision-making and the sharing of knowledge at both the internal and external levels, besides standardizing the Group's systems.

Among its most important features, Bimbo XXI includes Customer Relationship Management (CRM), a tool that improves the Company's commercial operations by creating a database containing detailed history and description of the different market segments and customers.

The adoption of mobile computing (hand helds), another tool essential for the modernization of the Group's sales procedures, made important progress by providing nearly 70 percent of our sales team with hand helds.

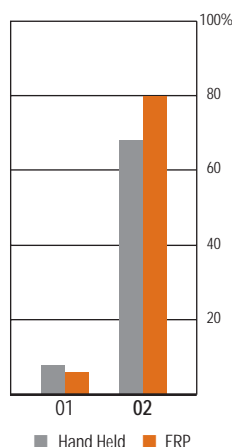
By the end of the fiscal year, Grupo Bimbo had delivered more than 15,200 of these personal devices. These are indispensable to provide a better service to our customers and to feed information to the strategic market intelligence systems.

Although the project implementation will conclude during the first semester of 2003, results are already evident upon registering more precise information in real time on: what, how much and how does each customer purchase our products. This allows us to focus on sales with greater detail and develop a more appropriate promotional activity.

The objective is to compile our knowledge base and make it accessible to the operating centers, with the purpose of assuring the development of more successful strategies, based on accurate data and reasoning. The benefits of the new technologies will be seen in the short-term results.

Standardizing our operations under one technological platform radically transforms Grupo Bimbo's work methods, fostering a sense of global integration and a spirit open for collaboration that serves as inspiration for new ideas and better business practices.

ERP AND HAND HELD  
IMPLEMENTATION PROGRESS  
(percentage)





MEXICO-CUERNAVACA HWY. | MEXICO

*“A journey of a thousand miles starts with one step.”*

—Benjamin Franklin



**REFORESTAMOS MÉXICO** is Grupo Bimbo's new nonprofit association aimed at protecting the country's rainforests and woodlands.



Bimbo S.A. de C.V. received a **SPECIAL MENTION** from Mexico's Ministry of Energy for its efficient energy management and savings practices.



One of our main corporate goals is to achieve a **STRONG POSITIONING** in nutrition and health themes.



## COMMITMENT

### to the people and the community

For the second consecutive year, in 2002, the Mexican Center for Philanthropy (Cemefi) awarded Grupo Bimbo its commendation as a Socially Responsible Company.

Among the institutions and projects that received the Group's support along the year are: the Mexican Foundation for Rural Development (FMDR), Impulsa, the Instituto Crisol, the Escuela Bancaria y Comercial, the Ronald McDonald Foundation, the Mexican Red Cross and the Federico Gómez Children's Hospital in Mexico City. In addition, the Group also contributed to several organizations that assist homeless children and Tarahumara communities in the Chihuahua Sierra, in northern Mexico. Bimbo also provided special assistance to 25,000 families victims of Hurricane Isidore, which devastated south-eastern Mexico, and gave special support to the "Papalote" Children's Museum in Mexico City.

With the support of all of its personnel, Grupo Bimbo founded "Reforestamos México, A.C.," a nonprofit association dedicated to the preservation of rainforests and woodlands throughout the country. The association's primary goal is to develop reforestation campaigns to reverse, as much as possible, the appalling annual loss of 600,000 hectares of forest land in Mexico

An important activity, organized in coordination with Mexico's Ministry of Energy, was the event

titled "Energy Saving, An Experience to Multiply." Its purpose was to share with the Group's customers and suppliers, as well as other companies, the most cost-effective innovations and energy-saving practices implemented by the Group.

As part of the plant tours program, we received record-breaking school visits to our plants in Mexico, the United States, Central and South America. In addition to promoting our image and corporate values, this program allows Grupo Bimbo to come in close contact with its consumers, both present and future.

#### NUTRITION AND HEALTH

One of the most important goals of Grupo Bimbo's institutional change is to attain recognition for its strong interest in nutrition-related activities, and to be identified by consumers because of its commitment with nutrition and health issues.

Among our most successful strategies has been supporting campaigns led by diverse institutions seeking to prevent nutrition-related diseases, such as osteoporosis and obesity.

We also promoted the nutritional value of bread through several media communications. During the year, *Nutrinotas*, Grupo Bimbo's international consumer-oriented bulletin, focused on nutritional themes written in collaboration with renowned specialists in the field.



IMAGE OF OUR  
NEW ASSOCIATION



## STEERING COMMITTEE

### DANIEL SERVITJE

Chief Executive Officer

He received his MBA from Stanford University. Prior to joining Bimbo, he worked in Cifra (Mexican retailer). He joined the Group in 1987. Has been Vice President of the Bimbo Division, President of the Marinela Division, and Executive Vice President of Grupo Bimbo. He is a board member of Coca Cola Femsa, Banamex (part of Citigroup), Grocery Manufacturers of America, and of the Universidad Iberoamericana.

### REYNALDO REYNA

Corporate President

He studied Systems and Industrial Engineering at the ITESM in Monterrey, and holds a Master in Operations Research and Finance from Wharton, University of Pennsylvania. He joined Grupo Bimbo in May 2001.

### JAVIER A. GONZALEZ

President, Barcel, S.A. de C.V.

He majored in Chemical Engineering and has a MBA degree. He joined the Group in 1977 and has held different positions. Among the most recent, Vice President of the Latin America Division and of the Bimbo Division.

### GUILLERMO QUIROZ

Chief Financial Officer

Actuary by the Universidad Anáhuac with an MBA from the IPADE. He joined Grupo Bimbo in 1999.

### FERNANDO SOTOMAYOR

Vice President of New Businesses Division

Studied Business Administration at the Universidad La Salle and completed the Top Business Management Program of the IPADE. He entered the Group in 1979, and has been Manager of the Bimbo Mexico plant, General Manager of Bimbo in Toluca and General Manager of Marinela in Mexico.

### RAFAEL VELEZ

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

(Mexico and Central America)

With a major in Chemical Engineering, he joined the Group in 1967, where he has held different positions. Among them, the General Management of many of our plants in Mexico. He was Corporate President and later President of our Latin America Division (OLA). Named Executive of the Year by *Industrial Alimenticia* Magazine in 1998. President of the American Institute of Baking (AIB).

### JUAN MULDOON

President, Bimbo Bakeries USA, Inc. (BBU)

He holds an undergraduate degree in Business Administration from the Universidad Iberoamericana. Joined the Group in 1990 occupying several corporate positions. In 1992, he was designated President of Ideal, S.A. in Chile, and later became Vice President of OLA from 1996 to 1998.

### GABINO GOMEZ

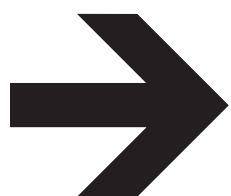
President, Latin America Division (OLA)

He studied Marketing at the ITESM. Joined the Group in 1981 and has held several positions, like Vice President of the Group's Business Development Division, and Vice President of OLA from 1996 to 1998.

### JAVIER MILLAN

Vice President of Human Relations

He holds two undergraduate degrees: one in Philosophy and another one in Business Administration. He completed the Top Business Management Program of the IPADE. Has collaborated with the Group for over 24 years as Development Chief, Personnel and Relations Manager in Marinela, and later as Corporate Manager.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following analysis should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements included in the annual report, which were prepared in accordance with Generally Accepted Accounting Principles in Mexico. Financial information is expressed in millions of constant pesos as of December 31, 2002, unless specified otherwise.

### A) Operating Results

The following table is a summary of key financials from Grupo Bimbo, S.A. de C.V.'s Consolidated Financial Statements, for the periods indicated:

	2002	(%)	2001	(%)	Chg. (%)
Net Sales	41,373	100.0	34,968	100.0	18.3
Mexico	27,964	67.6	26,297	75.2	6.3
United States	10,810	26.1	6,238	17.8	73.3
Latin America	2,599	6.3	2,433	7.0	6.8
Cost of Goods Sold	19,156	46.3	15,708	44.9	22.0
Gross Profit	22,217	53.7	19,260	55.1	15.4
Operating Expenses	19,220	46.5	15,816	45.2	21.5
Operating Income	2,997	7.2	3,444	9.8	(13.0)
Mexico	3,207		3,612		(11.2)
United States	30		(53)		n.a.
Latin America	(240)		(115)		n.a.
Integral Cost of Financing	691	1.7	298	0.9	n.a.
Other Expenses (Income) Net	542	1.3	380	1.1	42.6
Provision for Taxes and Employee Profit Sharing	815	2.0	1,124	3.2	(27.5)
Equity in Results of Associated Companies	54	0.1	40	0.1	35.0
Minority Interest	30	0.1	28	0.1	7.1
Majority Net Income	973	2.4	1,654	4.7	(41.2)
EBITDA	4,410	10.7	4,828	13.8	(8.7)
Mexico	4,226		4,645		(9.0)
United States	283		143		97.9
Latin America	(99)		40		n.a.
Cash and Marketable Securities	2,318		811		n.a.
Property, Plant and Equipment, Net	15,444		14,683		5.2
Total Assets	31,719		23,781		33.4
Short-Term Loans and Current Portion of Long-Term Debt	355		406		(12.6)
Long-Term Debt	11,292		4,848		n.a.
Total Liabilities	17,773		10,392		71.0
Total Stockholders' Equity	13,946		13,389		4.2
Net Debt / EBITDA	2.1		0.9		
Net Debt / Total Stockholders' Equity	0.7		0.3		
Majority Net Income / Majority Stockholders' Equity	7.2%		12.6%		
Earnings per Share	0.83		1.25		
Weighted Average Shares Outstanding (000's)	1,175,821		1,321,642		

## COMPARATIVE ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

During 2002, the intense activity in the introduction of new products and packaging across all product lines, the restructure of operations in Mexico, the specialization of the distribution network, and the integration of the acquired operations in the U.S., delivered solid top-line growth of 18.3%.

On the other hand, Gross Margin was pressured by price increases in main raw materials across all operations. However, in some cases, this was partially offset by price increases implemented during the last months of the year and by hedging transactions over commodities.

Operating Expenses registered a hike of 1.3 pp year-over-year mainly due to the intense activity in the opening of new routes due to the various initiatives to specialize the distribution network in the Company's main divisions, and the expenses related to the implementation of our new technological platform.

Additionally, during the last months of 2002, the Company reported one-time expenses related to the partial suspension of Abastex's distribution services to the traditional channel and the closing of the operations in Vienna, Austria. Consequently, the Operating Margin for the year was 7.2%.

Net Margin for the year reached 2.4%, 2.3 pp below that of 2001, mainly as a result of a lower Operating Margin, a higher Integral Cost of Financing (ICF) and an increase in Other Expenses, which include the amortization of the new operations in the U.S., as well as the expenses related to the integration; expenses related to the sale of the routes in Texas; and the increase in the provision for the U.S. employee pension plan.

As described below, it is important to mention that Grupo Bimbo adopted as supplementary accounting statements: one rule from the U.S. Generally Accepted Accounting Principles

(US GAAP) and another from the International Accounting Principles (IAP) throughout all of its operations, since the Company considered these to be more representative of its financial structure. The above affected both Operating and Net Margins.

### Net Sales

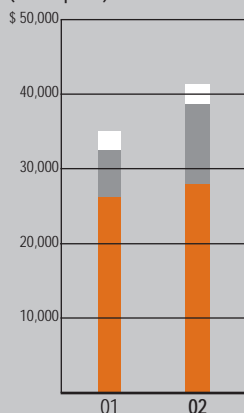
Beginning this year, as already mentioned, Grupo Bimbo adopted as supplementary accounting statement the "Emerging Issues Task Force" EITF 01-09 from the US GAAP for all of its operations. This principle requires that commercializing expenses be deducted from Net Sales, instead of being included in Operating Expenses. Consequently, all reported Revenue figures already reflect this effect, thus affecting the relative percentages.

During 2002, consolidated Net Sales reached Ps. 41,373, which represents an increase of 18.3% when compared to Ps. 34,968 reported in 2001.

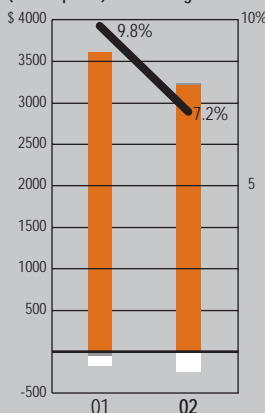
Domestic sales posted solid growth, reaching a total of Ps. 27,964, or 6.3% above the Ps. 26,297 reported in 2001. These increases resulted from the combination of higher sales volumes and price increases implemented in the Company's main product lines during the second half of the year.

On the other hand, as a result of the macroeconomic environment, which has caused consumers to redirect their spending towards their primary needs, the salted snacks and confectionery markets suffered contractions during 2002. Notwithstanding, the *Barcel* and *Coronado* brands performed positively when compared to the results from the previous year, due to successful acceptance of their new product launchings.

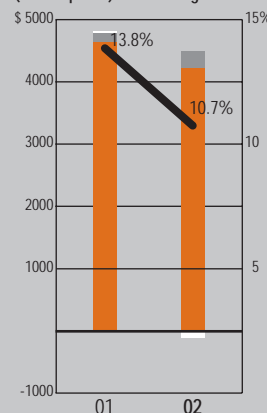
NET SALES BY REGION  
(million pesos)



OPERATING INCOME BY REGION  
(million pesos) — margin



EBITDA BY REGION  
(million pesos) — margin



■ Mexico ■ United States ■ Latin America

In the U.S., Net Sales increased 73.3% from Ps. 6,238 in 2001 to Ps. 10,810 in 2002. This is the combined result of the integration of the new operations and the effects from the sale of the distribution routes to independent operators in Texas, realized during the second half of the year. In addition, the results were affected by a 2.1% decline in the pre-packaged bread market during 2002, with Texas being the region most affected.

It is important to mention that as a result of the integration of our U.S. operations, the Company has intensified the introduction of its Mexican products into the region, taking advantage of their high brand recognition among Hispanic consumers. In fact, the *Bimbo* brand is now positioned as the third most important brand of the Company's operations in the U.S.

Despite the difficult economic situation experienced in Central and South America throughout the year, Net Sales in this region reached Ps. 2,599, 6.8% higher than in 2001. This reflects the benefit of additional Sales generated from the operations acquired in 2001, and also the strong performance of the Company's operations in Colombia, Chile and Peru, which achieved significant Revenue increases from higher sale volumes and price adjustments aimed at counteracting the effects of high inflation and devaluations in these economies.

The operations in Argentina and Venezuela ended the year with the same trend towards volume contractions. In 2002, volumes in these countries decreased 23% and 9%, while their GDPs plunged 11.0% and 9.5%, respectively.

#### Cost of Goods Sold

During the year, COGS was affected by different reasons. The net effect was a 1.4 pp increase over 2001 to 46.3% of Net Sales.

COGS benefited from the income from hedging transactions, which were previously registered under Other Income. This change was in response to the adoption, as supplementary accounting statement, the International Accounting Principle IAP-39 across all of the Company's operations, which accounts for all hedging instruments.

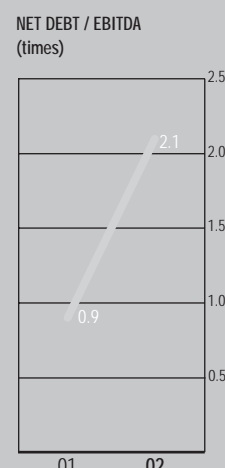
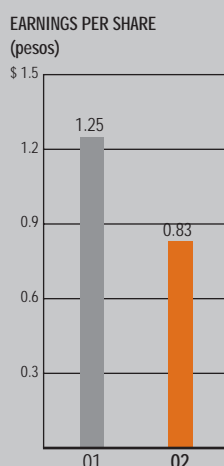
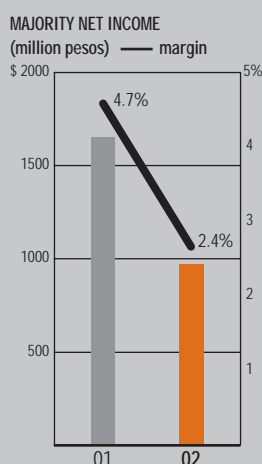
However, the aforementioned could not offset the impact of higher labor costs, hikes in prices of main raw materials used by the Company, which were affected by the market conditions and monetary exchange fluctuations in the countries in which the Company operates, nor the relative percentage increase of Costs of Goods Sold in the U.S. operations from sales reductions as a result of the conversion of routes to independent operators in Texas.

In Latin America, as a result of the complicated economic and political environment, the Company's operations were affected, particularly in Argentina and Venezuela. The accumulated increases in the prices of raw materials in these operations were 160% and 60%, respectively.

#### Operating Expenses

During 2002, Operating Expenses represented 46.5% of Net Sales, an increase of 1.3 pp compared to 2001. This resulted from the combined effect of an increase in Selling and Distribution Expenses -mainly related to the specialization of the distribution network - and a reduction in Administrative Expenses - due to cost-cutting efforts, which were implemented during the second-half of the year.

Nonetheless, the reduction in the Administrative Expenses was not able to offset the expenses related to the Company's



intense operating and technological conversion, as well as the previously mentioned streamlining of the distribution network. This last project resulted in the opening of 2,500 new routes and thus, the incorporation of 130,000 new customers throughout the Company during the year.

In addition, during the last months of the year, several one-time charges were reported for: (i) severance packages for information systems personnel, due to the outsourcing of these services, (ii) expenses incurred for the restructure of the Mexican operations, (iii) the closing of operations in Vienna, Austria, and (iv) the partial suspension of services to the traditional channel from Abastex, the grocery distribution and logistical services business.

It is important to mention that the figures from the U.S. operations reflect a reduction in Selling and Distribution Expenses due to the sale of the routes in Texas to independent operators. In this regard, by the end of 2002, this project was considered completed and the expected benefits will be reported gradually.

Regarding the Company's technological restructuring process, during 2002, 56 operations were added to the ERP (Enterprise Resource Planning) platform and over 15,200 hand-held devices were installed. This represented an 80% and 68% project completion rate, respectively.

Clearly, the depth of these changes has required a great deal of management's attention as well as a significant amount of extraordinary expenses budgeted for each project, which have enabled us to establish a new model that will generate permanent benefits.

The structural changes in Grupo Bimbo's operations signify, fundamentally, the migration from a multi-regional business model to a multi-functional model with an entirely commercial focus throughout all the operating and administrative areas of the Company, whose ultimate objective is a greater focus on the market.

#### Operating Income

In 2002, the operating margin reached 7.2%, which represents a decline of 2.6 pp, when compared to 2001. This is mainly explained by an increase in the Costs of Goods Sold and by the Expenses incurred during the year related to the aforementioned projects.

#### Integral Cost of Financing

As of the end of 2002 the Company's debt level was higher than in 2001. This is the result of a series of corporate actions such as the acquisition of assets in the U.S. during the first quarter of the year.

Notwithstanding, the ICF figure was Ps. 691 as of the end of 2002, it represented only 1.7% of Net Sales.

#### Other Income and Expenses

During 2002, Other Expenses reached Ps. 542, of which over 90% are the result of: i) the reserve created during the first quarter of 2002 for the post-merger integration process of the U.S. operations, of which approximately 75% was utilized, ii) the goodwill amortization, iii) the expenses related to the closing of the Mrs. Baird's facility in Dallas, Texas, iv) the reclassification of results from hedging transactions to the Costs of Goods Sold; v) the expenses related to the sale of the distribution routes to independent operators in Texas; and vi) the extraordinary charge related to the increase in the provision related to the U.S. operations pension plan, due to changes in the economic assumptions used for the actuarial calculation.

#### Majority Net Income

Majority Net Income for the 12-month period reached Ps. 973, or a 2.4% margin, due to the lower Operating Income recorded, the increase in Costs of Goods Sold and the extraordinary charges registered under Other Income and Expenses, mentioned previously.

#### EBITDA

Notwithstanding the extraordinary demand of financial resources related to the intense operating and technological restructurings experienced during 2002, Grupo Bimbo continued to report solid EBITDA generation, reaching Ps. 4,410 in 2002, which represents 10.7% of Net Sales.

#### B) Financial Structure

2002 also represented a consolidation period for Grupo Bimbo's financial structure. A series of corporate transactions took place during the past two years that gradually transformed the Company's capital structure. In addition, the Company restructured the long-term debt assumed during 2001.

During May and August of 2002, the Company raised long-term debt in the local market with tenors of five, six, seven and ten-years for a total of Ps. 6,500. These transactions, which define the Company's financing mix, allow a multi-tiered capital structure through a gradual long-term amortization schedule.

With these proceeds, the Company prepaid the Bridge Loan taken in March 2002, allowing it to realize amortizations in accordance to its cash generation, while improving its cost of capital.

The Company's leverage level for 2002, measured as Net Debt to Shareholders' Equity, reached 0.68x.

### C) Recent Events

\* With the goal of achieving higher efficiency in its operations, beginning January 1, 2002, all of Grupo Bimbo's operating companies merged to form two large companies, Bimbo, S.A. de C.V. and Barcel, S.A. de C.V. The first one, with 34 plants, combines all of the baking operations, and the second, with 10 production centers, includes all of the salted snacks, candy and chocolate divisions. With this structure, the Company expects to optimize its capacity utilization rate, for both installed capacity as well as sales and distribution networks.

\* On March 4, 2002, Grupo Bimbo completed the acquisition of George Weston Ltd's operations in the Western United States for a total of US\$ 610 million via a Bridge Loan facility. This transaction gave Grupo Bimbo access to major U.S. brands and products, such as *Oroweat*, *Entenmann's*, *Thomas'* and *Boboli*. The Company acquired, among other assets, the *Oroweat* brand of packaged bread, five plants located in Texas, Colorado, California and Oregon, as well as an efficient direct distribution network, with approximately 1,300 routes. In addition, Grupo Bimbo obtained all of the rights related to the *Entenmann's* brand, as well as the distribution rights to the western U.S. for the *Thomas'* and *Boboli* brands.

\* On August 7, 2002, Grupo Bimbo paid in full the US\$680 million Bridge Loan, which was placed on March 4, 2002 to finance the acquisition of the Western U.S. division of George Weston Ltd's assets.

The payment of the Bridge Loan took place five months prior to its maturity. The resources for this payment were obtained through the local bond market during the months of May and August.

Grupo Bimbo tapped the local bond market through the issuance of four tranches of *Certificados Bursatiles* with the following terms:

Tranche	Date	Amount	Tenor	Interest Rate
Bimbo 02	05/17/2002	Ps. 2,750	5 years	Cetes 182 + 92 bp
Bimbo 02-2	05/17/2002	Ps. 750	10 years	10.15%
Bimbo 02-3	08/02/2002	Ps. 1,850	6 years	Cetes 182 + 97 bp
Bimbo 02-4	08/02/2002	Ps. 1,150	7 years	11.0%

\* On January 21, 2003, Grupo Bimbo entered into a strategic alliance with Wrigley, S.A. de C.V. (*Wrigley*), the world's largest manufacturer of chewing gum and a leading global confectioner, for the distribution of its products.

Pursuant to this agreement, Grupo Bimbo, through its subsidiary Barcel, S.A. de C.V., became the exclusive distributor of *Wrigley's* world-famous chewing gum brands in Mexico.

The distribution of these brands added a complete line of high-quality and well-recognized products to Grupo Bimbo's current confectionery offerings. This transaction enabled Grupo Bimbo to distribute some of the most successful U.S. chewing gum brands, including *Doublemint*®, *Juicy Fruit*®, *Wrigley's Spearmint*® and *Winterfresh*®.



## FINANCIAL STATEMENTS

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## PRESIDENT OF THE AUDITING COMMITTEE REPORT

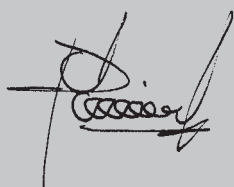
To the Board of Directors of  
Grupo Bimbo, S.A. de C.V.:

Pursuant to article 14 Bis 3 of the Securities Market Law (Ley del Mercado de Valores) and on behalf of the Audit Committee, it is my duty to inform you of the activities we undertook during the fiscal year ending on December 31, 2002. In establishing the scope of our work, we have considered the suggestions established in the Mexican Best Corporate Practice Code. In terms of the aforementioned law, the Company's statutory Auditor was invited and present in all of the Audit Committee meetings that took place during the 2002 fiscal year.

In accordance with the fundamental responsibilities regarding the effectiveness of the internal control policies and the accuracy and trustworthiness of the financial information that Management delivers to the Board of Directors and stockholders, we performed the following significant activities:

- 1.- We evaluated the independence of the internal auditors' functions and approved their work program and budget for the 2002 operations.
- 2.- We evaluated the methodology that the internal auditors used for the achievement of their tasks.
- 3.- We received the internal audit's periodic reports regarding the performance of the approved work program and any changes it had and the reasons for such changes. We also analyzed the comments and suggestions that they made and their appropriate implementation.
- 4.- We advised to the Company and its subsidiaries in connection with hiring of external auditors. In connection with this recommendation, we reviewed the auditors' independence and analyzed with them their focus and work program, as well as their coordination with internal audit.
- 5.- We kept in constant communication with the external auditors in order to be informed of the progress of their audit, as well as the comments they had, particularly those regarding the results of their audit and the review of the annual financial statements. We were made aware of their conclusions on a timely basis and advised to the Board of Directors the approval of the annual financial statements.
- 6.- We evaluated the existing controls established by the Company, in order to assure the fulfillment with different legal provisions to which it is subject.
- 7.- The work undertaken was properly documented in the Minutes prepared for each meeting held, which were reviewed and timely approved by the members of the Committee.

Sincerely,



Roberto Quiroz Montero  
President of the Audit Committee

## EXAMINER'S REPORT

To the Stockholders of  
Grupo Bimbo, S.A. de C.V.:

As statutory examiner and in compliance with Article 166 of the Mexican Corporate Law and the bylaws of Grupo Bimbo, S.A. de C.V., I submit my report regarding the accuracy, sufficiency and fairness of the consolidated financial information presented to you by the Board of Directors concerning the Company's operations for the year ended December 31, 2002.

I have attended the stockholders and the Board of Directors meetings to which I was invited, and I have obtained from the directors and management all of the information relative to the operations, documents and records that I deemed necessary to examine. My review was performed in accordance with auditing standards generally accepted in Mexico.

In my opinion, the accounting and reporting policies and criteria followed by the Company and considered by management to prepare the consolidated financial information presented by them at this meeting are appropriate and sufficient and were applied on a basis consistent with that of the prior year; therefore, the consolidated financial information presented by management accurately, sufficiently and fairly presents the financial position of Grupo Bimbo, S.A. de C.V. as of December 31, 2002, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in Mexico.



C.P.C. Juan Mauricio Gras Gas  
Statutory Examiner

March 7, 2003

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Grupo Bimbo, S.A. de C.V. and subsidiaries ("the Company") as of December 31, 2002, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the year then ended, all expressed in thousands of Mexican pesos of purchasing power as of December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets and net sales of 47% and 31% of the consolidated totals. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of such other auditors. The consolidated financial statements of the Company as of December 31, 2001 and for the year then ended were audited by other auditors whose report, dated March 4, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of December 31, 2002, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the year then ended in conformity with accounting principles generally accepted in Mexico.

The accompanying consolidated financial statements have been translated into English for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S. C.



C.P.C. Walter Frassetto  
March 7, 2003

GRUPO BIMBO, S.A. DE C.V. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2002 and 2001

(In thousands of Mexican pesos of purchasing power as of December 31, 2002)

	2002	2001
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and temporary investments	\$ 2,318,582	\$ 811,177
Accounts and notes receivable - net	3,793,771	3,207,142
Inventories	904,708	766,611
Prepaid expenses	137,642	81,857
<b>Total current assets</b>	<b>7,154,703</b>	<b>4,866,787</b>
Property, plant and equipment - net	15,443,667	14,682,548
Investment in shares and debentures	775,784	656,352
Goodwill - net	3,260,335	2,714,832
Trademarks and usage rights - net	4,511,504	—
Other assets - net	572,649	860,748
<b>Total</b>	<b>\$ 31,718,642</b>	<b>\$ 23,781,267</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current Liabilities:</b>		
Short-term loans from financial institutions	\$ 180,111	\$ 249,234
Current portion of long-term debt	174,750	156,724
Trade accounts payable	1,888,628	1,704,845
Other accounts payable and accrued liabilities	2,745,458	1,532,009
Accounts payable to related parties	160,428	64,177
Employee statutory profit sharing payable	259,587	319,443
<b>Total current liabilities</b>	<b>5,408,962</b>	<b>4,026,432</b>
Long-term debt	11,291,676	4,847,752
Deferred income tax	1,071,919	1,502,805
Long-term accrued income taxes	—	15,492
<b>Total liabilities</b>	<b>17,772,557</b>	<b>10,392,481</b>
<b>Stockholders' equity:</b>		
Capital stock	6,563,299	6,563,418
Reserve for repurchase of shares	622,209	1,629,266
Retained earnings	12,518,916	10,797,165
Deficit in restatement of stockholders' equity	(4,216,802)	(3,990,142)
Initial cumulative effect of deferred income tax	(1,892,210)	(1,892,210)
<b>Majority stockholders' equity</b>	<b>13,595,412</b>	<b>13,107,497</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>350,673</b>	<b>281,289</b>
<b>Total stockholders' equity</b>	<b>13,946,085</b>	<b>13,388,786</b>
<b>Total</b>	<b>\$ 31,718,642</b>	<b>\$ 23,781,267</b>

See accompanying notes to consolidated financial statements.

GRUPO BIMBO, S.A. DE C.V. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2002 and 2001

(In thousands of Mexican pesos of purchasing power as of December 31, 2002)

	2002	2001
Net sales	\$ 41,373,269	\$ 34,968,097
Cost of sales	19,155,865	15,707,809
<b>Gross profit</b>	<b>22,217,404</b>	<b>19,260,288</b>
Operating expenses:		
Distribution and selling expenses	15,935,498	13,151,240
Administrative expenses	3,285,105	2,664,806
<b>Income from operations</b>	<b>2,996,801</b>	<b>3,444,242</b>
Net comprehensive financing cost:		
Interest expense, net	702,720	193,109
Exchange loss, net	340,957	158,736
Monetary position gain	(352,853)	(53,986)
	<b>690,824</b>	<b>297,859</b>
<b>Other expenses, net</b>	<b>541,619</b>	<b>380,497</b>
Income before income tax, employee statutory profit sharing and equity in results of associated companies	1,764,358	2,765,886
Income tax	574,929	805,335
Employee statutory profit sharing	240,438	318,235
Equity in results of associated companies	(53,673)	(39,709)
<b>Consolidated net income for the year</b>	<b>\$ 1,002,664</b>	<b>\$ 1,682,025</b>
<b>Net income of majority stockholders</b>	<b>\$ 972,833</b>	<b>\$ 1,653,708</b>
<b>Net income of minority stockholders</b>	<b>\$ 29,831</b>	<b>\$ 28,317</b>
<b>Basic earnings per common share</b>	<b>\$ 0.83</b>	<b>\$ 1.25</b>
<b>Weighted average number of shares outstanding (000's)</b>	<b>1,175,821</b>	<b>1,321,642</b>

See accompanying notes to consolidated financial statements.

GRUPO BIMBO, S.A. DE C.V. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2002 and 2001

(In thousands of Mexican pesos of purchasing power as of December 31, 2002)

	Capital stock	Reserve for repurchase of shares
<b>Balances, January 1, 2001</b>	<b>\$ 6,979,429</b>	<b>\$ 148,777</b>
Transfer to reserve for repurchase of shares	—	5,531,573
Dividends declared	—	—
Dividends paid to minority stockholders of subsidiaries	—	—
Decrease in capital due to repurchase of shares	(416,011)	(4,051,084)
Decrease in minority interest	—	—
<b>Balances before comprehensive income</b>	<b>6,563,418</b>	<b>1,629,266</b>
Consolidated net income for the year	—	—
Restatement effects for the year	—	—
Translation effects for the year	—	—
Comprehensive income	—	—
<b>Balances, December 31, 2001</b>	<b>6,563,418</b>	<b>1,629,266</b>
Cancellation of reserve for repurchase of shares	—	(1,004,976)
Dividends declared	—	—
Dividends paid to minority stockholders of subsidiaries	—	—
Decrease in capital due to repurchase of shares	(119)	(2,081)
Increase in minority interest	—	—
<b>Balances before comprehensive income</b>	<b>6,563,299</b>	<b>622,209</b>
Consolidated net income for the year	—	—
Restatement effects for the year	—	—
Translations effects for the year	—	—
Comprehensive income	—	—
<b>Balances, December 31, 2002</b>	<b>\$ 6,563,299</b>	<b>\$ 622,209</b>

See accompanying notes to consolidated financial statements.

	Retained earnings	Deficit in restatement of stockholders' equity	Initial cumulative effect of deferred income tax	Minority interest in consolidated subsidiaries	Stockholders' equity
\$	14,938,322	\$ (3,499,553)	\$ (1,892,210)	\$ 317,430	\$ 16,992,195
	(5,531,573)	—	—	—	—
	(263,292)	—	—	—	(263,292)
	—	—	—	(22,892)	(22,892)
	—	—	—	—	(4,467,095)
	—	—	—	(45,002)	(45,002)
	9,143,457	(3,499,553)	(1,892,210)	249,536	12,193,914
	1,653,708	—	—	28,317	1,682,025
	—	(221,891)	—	3,436	(218,455)
	—	(268,698)	—	—	(268,698)
	1,653,708	(490,589)	—	31,753	1,194,872
	10,797,165	(3,990,142)	(1,892,210)	281,289	13,388,786
	1,004,976	—	—	—	—
	(256,058)	—	—	—	(256,058)
	—	—	—	(47,746)	(47,746)
	—	—	—	—	(2,200)
	—	—	—	89,642	89,642
	11,546,083	(3,990,142)	(1,892,210)	323,185	13,172,424
	972,833	—	—	29,831	1,002,664
	—	13,428	—	(2,343)	11,085
	—	(240,088)	—	—	(240,088)
	972,833	(226,660)	—	27,488	773,661
\$	12,518,916	\$ (4,216,802)	\$ (1,892,210)	\$ 350,673	\$ 13,946,085

GRUPO BIMBO, S.A. DE C.V. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 2002 and 2001

(In thousands of Mexican pesos of purchasing power as of December 31, 2002)

	2002	2001
<b>Operating activities:</b>		
Consolidated net income for the year	\$ 1,002,664	\$ 1,682,025
Items that did not require (generate) resources-		
Depreciation and amortization	1,413,002	1,383,420
Amortization of goodwill and trademarks and useful rights	416,425	186,468
Equity in results of associated companies	(53,673)	(39,709)
Long-term income tax payable	(15,492)	(259)
Deferred income tax	(406,127)	(106,665)
	<b>2,356,799</b>	<b>3,105,280</b>
<b>Changes in current assets and liabilities:</b>		
(Increase) decrease in:		
Accounts and notes receivable	(586,629)	684,649
Inventories	(216,184)	35,438
Prepaid expenses	(55,785)	(9,574)
Employee retirement benefits in other assets	369,689	(408)
Increase (decrease) in:		
Trade accounts payable	183,783	(256,837)
Other accounts payable and accrued liabilities	1,153,593	(1,326,890)
Accounts payable to related parties	96,251	(191,982)
	<b>944,718</b>	<b>(1,065,604)</b>
Net resources generated by operating activities	3,301,517	2,039,676
<b>Financing activities:</b>		
Borrowings from financial institutions	(69,123)	(53,491)
Long-term debt	6,461,950	887,866
Dividends declared	(303,804)	(286,184)
Decrease in capital stock	(119)	(416,011)
Repurchase of shares	(2,081)	(4,051,084)
Increase (decrease) in minority interest	87,299	(45,002)
Net resources generated by (used in) financing activities	6,174,122	(3,963,906)
<b>Investing activities:</b>		
Decrease in investment in associated companies and other	21,070	(87,423)
Acquisition of property, plant and equipment, net of retirements	(864,998)	(1,577,935)
Other assets	(115,173)	(295,527)
Goodwill	(772,300)	(58,688)
Acquisition of assets formerly owned by George Weston, Ltd	(6,236,833)	—
Resources used in investing activities	<b>(7,968,234)</b>	<b>(2,019,573)</b>
<b>Cash and temporary investments:</b>		
Increase (decrease)	1,507,405	(3,943,803)
Beginning of year	811,177	4,754,980
End of year	<b>\$ 2,318,582</b>	<b>\$ 811,177</b>

See accompanying notes to consolidated financial statements.

GRUPO BIMBO, S.A. DE C.V. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2002, and 2001

(In thousands of Mexican pesos of purchasing power as of December 31, 2002)

### 1. The company

Grupo Bimbo, S.A. de C.V. and its subsidiaries ("Bimbo" or "the Company") are engaged in the manufacture, distribution and sale of bread, cookies, cakes, candies, chocolates, snacks, tortillas and processed foods.

The Company operates in the following geographical areas: Mexico, the United States of America ("USA"), and Central and South America ("OLA").

### 2. Basis of consolidation

**a. Consolidation of financial statements-** The consolidated financial statements include those of the Company and its subsidiaries, whose more significant stockholdings are shown below. Intercompany balances and transactions have been eliminated in these consolidated statements.

Subsidiary	Ownership percentage	Principal business
Bimbo, S.A. de C.V.	97%	Bakery
Barcel, S.A. de C.V.	97%	Candies and snacks
Ideal, S.A. (Chile)	100%	Bakery
Plus Vita Alimentos, LTDA (Brazil)	100%	Bakery
BBU, Inc (USA) and subsidiaries	100%	Bakery
Bimbo Argentina, S.A.	100%	Bakery

The investment in associated companies is accounted for using the equity method. Debentures convertible into capital stock are valued at acquisition cost.

During 2002 and 2001, net sales of the Bimbo, S.A. de C.V. and Barcel, S.A. de C.V. which in Mexico, represented approximately 68% and 85%, respectively, of consolidated net sales.

**b. Acquisitions, spinoffs and mergers** - On March 4, 2002, the Company acquired, through its subsidiary, Bimbo Bakeries USA, Inc. bakery assets of US\$610 million from George Weston Ltd., in western USA. This acquisition includes five plants operating in Texas, Colorado, California and Oregon, the trademark of Oroweat bread and a direct distribution system of approximately 1,300 routes. Also, through this transaction, the Company has access to products and brands owned by George Weston Ltd., which are leaders in the USA market, such as: Entenmann's, Thomas and Boboli. For this reason, the USA operations were importantly increased since March, 2002 comparing with 2001.

During 2001, the Company completed a series of spinoffs and mergers as part of a restructuring process. As result of this restructuring, on January 1, 2002, the bakery products division and the snacks and candy division are concentrated in Bimbo, S.A. de C.V. and Barcel, S.A. de C.V., respectively.

- c. **Translation of financial statements of subsidiaries** - To consolidate the financial statements of foreign subsidiaries operating independently from the Company (located in the USA and other Latin American countries, which in 2002 and 2001 represented 32% and 25% of consolidated net sales and 46% and 31% of total assets, respectively), the same accounting policies of the Company are applied. Accordingly, such financial statements are restated for inflation of the country in which the subsidiaries operate and are expressed in local currency of purchasing power at yearend. Subsequently, all assets and liabilities are translated at the exchange rate prevailing at yearend. Capital stock is translated at the exchange rate of the dates the contributions were made; retained earnings, at the yearend exchange rate of the year in which they were obtained. Revenues, costs and expenses are translated at the exchange rate of the closing of the year in which they were reported. The translation adjustment effects are recorded directly in stockholders' equity.

BBU, Inc. who is the holding company of the USA operation, has earmarked certain financing in US dollars to purchase this subsidiary as a hedge of its investment. For book purposes, these loans were considered as assigned to this subsidiary and, accordingly, do not generate any exchange gain or loss in Mexican pesos. In 2002 and 2001, these effects were \$447,676 and \$(60,887), respectively, recorded as a credit (charge) to the results from translation. The monetary effect of such financing was determined using the US inflation index, in accordance with the guidelines of the Bulletin B-15, "Transactions in foreign currency and translation of financial statements of foreign operations".

The financial statements of foreign subsidiaries included in the 2001 consolidated financial statements, are restated in constant currency of the countries where they operate and translated into Mexican pesos, using the exchange rate of the latest year presented.

- d. **Comprehensive income** - Comprehensive income presented in the accompanying statement of changes in stockholders' equity consists of consolidated net income for the year, plus other items that represent a gain or loss for the same period which, in conformity with accounting principles generally accepted in Mexico, are recorded directly in stockholders' equity, without affecting the results of operations. In 2002 and 2001, the items of other comprehensive income consist of the excess (deficit) in restatement of stockholders' equity, foreign entity translation adjustment effects and minority stockholders' equity.
- e. **Reclassifications** - Certain amounts in the financial statements as of December 31, 2001 have been reclassified to conform to the presentation of the financial statements as of December 31, 2002.

### 3. Summary of significant accounting policies

The accounting policies followed by the Company are in conformity with accounting principles generally accepted in Mexico (Mexican GAAP), which require management to make certain estimates and use certain assumptions to determine the valuation of some of the items included in the financial statements and make the required disclosures therein. While the estimates and assumptions used may differ from their final effect, management believes that they were adequate under the circumstances. The significant accounting policies of the Company are as follows:

- a. **Recognition of the effects of inflation**- The Company restates the financial statements of the Mexican entities in terms of the purchasing power of the Mexican peso at the date of the latest balance sheet, thereby recognizing the effects of inflation. The financial statements of foreign subsidiaries are restated for inflation of the country in which the subsidiaries operate and are expressed in local currency of purchasing power at yearend.

Financial information for the Mexican subsidiaries for prior years was restated using factors derived from the National Consumer Price Index (NCPI). Financial information for foreign affiliated companies was restated using the inflation rate of the country in which the

foreign affiliated company is located and then translated at the year-end exchange rate of the Mexican peso for application of the equity method.

Accordingly, the amounts are comparable with each other and with the preceding period since all are expressed in the purchasing power of the respective currencies as of the end of the latest year presented.

Annual inflation (deflation) rates in the countries where the Company operates are as follows:

	2002	2001
	%	
Argentina	40.95	(1.62)
Brazil	12.53	7.67
Colombia	6.94	7.64
Costa Rica	10.11	10.96
Chile	2.82	2.64
USA	2.37	1.55
El Salvador	2.79	1.42
Guatemala	6.28	9.18
Honduras	8.10	12.91
Peru	1.52	(0.13)
Mexico	5.70	4.40
Uruguay	25.94	3.59
Nicaragua	3.48	4.84
Venezuela	31.24	12.29

**b. Temporary investments-** Temporary investments are stated at acquisition cost plus accrued yields.

**c. Inventories and cost of sales-** Inventories are stated at average costs, which are similar to their replacement value at yearend, without exceeding net realizable value. Cost of sales is stated at actual cost, which is similar to replacement cost at the time goods are sold.

**d. Property, plant and equipment-** Property, plant and equipment are recorded at acquisition or construction cost and restated using NCPI factors. Depreciation is calculated based on the remaining useful lives of the related assets. The average useful lives used by the Company at December 31, 2002 and 2001 were as follows:

	Average years
Buildings	22
Manufacturing equipment	9
Vehicles	7
Office equipment	6
Computers	3

**e. Goodwill-** Goodwill represents the excess of cost over recorded value of subsidiaries at the acquisition date. It is restated using the NCPI and are amortized by the straight-line method over a term not to exceed 20 years. Amortization in 2002 and 2001 was \$226,797 and \$186,468, respectively.

At December 31, 2002, the recorded goodwill was generated by acquisitions of foreign subsidiaries, of which the most significant are: Mrs. Baird's Bakeries, Inc., Productos de Leche Coronado, S.A. de C.V., Plus Vita, Ltd., and assets formerly owned by George Weston, Ltd., which were acquired during the year.

**f. Trademarks and usage rights** - The Company acquired from George Weston, Ltd the trademark of Oroweat bread and a direct distribution system, with approximately 1,300 routes. Also, the Company acquired the usage rights of the trademarks Entenmann's, Thomas, and Boboli. These assets were restated using the inflation rate in the USA and are amortized on a straight-line basis over a term of 20 years. Amortization in 2002 was \$189,628.

**g. Derivative financial instruments** - The derivative financial instruments currently used by the Company are basically hedging contracts for raw materials and for reducing exposure to exchange and interest rate fluctuations. The Company does not carry out speculative derivative financial instrument transactions.

Derivative financial instruments are valued using the same valuation treatment used for the related hedged assets and liabilities. Valuation effects are recognized in results, net of costs, expenses and revenues generated by the assets or liabilities whose risks are being covered, of the period as incurred. The financial assets or liabilities generated by these instruments are presented in the balance sheet with the related hedged liabilities or assets.

At December 31, 2002, the Company has futures that are used to reduce the risk related to adverse fluctuations in the price of wheat.

The corresponding effects are recognized in cost of sales.

**h. Employee retirement benefits** - The liability from seniority premiums and pensions is recorded as accrued and is calculated by independent actuaries using the projected unit credit method at actual interest rates. Therefore, the liability is being recognized at present value, on the assumption that the liability for these benefits will be paid on the estimated general retirement date of the Company's employees. Severance is charged to results when the liability is determined to be payable.

**i. Income tax, tax on assets and employee statutory profit sharing** - The provisions for income tax and employee statutory profit sharing (PTU) are recorded in results of the year in which incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. A deferred income tax asset is recorded only when it is highly probable that it will be realized. Deferred PTU is derived from temporary differences between book and taxable income and is recognized only when it can be reasonably assumed that they will generate a liability or benefit, and there is no indication that this situation will change, in such a way that the liabilities will not be paid or benefits will not be realized.

**j. Deficit in restatement of stockholders' equity** - This item represents the accumulated monetary position result through the initial restatement of the financial statements and the gain (loss) from holding nonmonetary assets, which represents the change in the specific price level above (below) inflation.

**k. Revenue recognition** - Revenues are recognized in the period in which the risks and rewards of the products are transferred to the customers who purchased them, which is generally when these products are shipped to the customer and the latter assumes responsibility for them.

Beginning January 1, 2002, for Mexican GAAP purposes the Company adopted the guidance of Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products", of accounting principles generally accepted in the USA (US GAAP). Pursuant to this principle, the Company presents certain promotion expenses, mainly payments for the use of supermarket space and promoter salaries, as a reduction of net sales instead of as part of operating

expenses. For comparison purposes this procedure was applied retroactively as of January 1, 2001. As a result of this change, sales were reduced by \$122,250 and \$173,615 in 2002 and 2001, respectively.

- l. Monetary position result** - Monetary position result, which represents the erosion of the purchasing power of monetary items caused by inflation, is calculated by applying NCPI factors to monthly net monetary position. The gain (loss) results from maintaining a net monetary liability (asset) position.
- m. Earnings per share** - Basic earnings per share is calculated by dividing consolidated net majority income by the weighted average number of shares outstanding during the year.

#### 4. Accounts and notes receivable

	2002	2001
Clients and agencies	\$ 2,177,253	\$ 1,438,502
Allowance for doubtful accounts	(89,921)	(86,339)
	2,087,332	1,352,163
Notes receivable	110,076	89,613
Value added tax and other recoverable taxes	985,242	1,311,128
Sundry debtors	595,505	446,413
Officers and employees	15,616	7,825
	\$ 3,793,771	\$ 3,207,142

#### 5. Inventories

	2002	2001
Raw materials, containers and wrapping	\$ 390,153	\$ 384,519
Orders-in-process	6,816	19,092
Finished products	330,877	267,535
Advances to suppliers	96,688	35,795
Other	47,764	36,588
Inventory reserve	(2,043)	—
	870,255	743,529
Raw materials-in-transit	34,453	23,082
	\$ 904,708	\$ 766,611

## 6. Property, plant and equipment

	2002	2001
Buildings	\$ 5,816,941	\$ 4,861,156
Manufacturing equipment	12,583,330	12,427,192
Vehicles	4,814,339	4,743,533
Office equipment	121,843	217,040
Computers	804,731	667,527
	24,141,184	22,916,448
Less- Accumulated depreciation	(10,667,879)	(10,293,011)
	13,473,305	12,623,437
Land	1,276,566	1,447,332
Construction-in-progress and machinery-in-transit	693,796	611,779
	\$ 15,443,667	\$ 14,682,548

## 7. Investment in shares and debentures

At December 31, 2002, the investment in associated companies and convertible debentures is as follows:

Associated companies	%	2002	2001
Novacel, S.A. de C.V.	42	\$ 289,452	\$ 210,160
Artes Graficas Unidas, S.A. de C.V.	15	45,880	38,593
Beta San Miguel, S.A. de C.V.	8	170,353	130,684
La Moderna, S.A. de C.V.	3	72,369	77,069
Other	Sundry	108,305	104,614
Total of associated companies		686,359	561,120
Debentures convertible into capital of COCAPE, S.A. de C.V.		89,425	95,232
		\$ 775,784	\$ 656,352

## 8. Long-term debt

	2002	2001
Syndicated loan- On October 11, 2001, the Company contracted a Syndicated Loan for US400 million in which Chase Manhattan Bank acts as Administrating Agent, together with a syndicate comprising 16 other banks. Such Syndicated Loan has two parts. The first for US125 million maturing in October 2004, on which the Company has to pay interest at the LIBOR rate plus 0.85% for the entire term. The second part consists of US275 million due in five semiannual payments beginning in October 2004. The interest rate is LIBOR plus 0.95% for the first three years, LIBOR plus 1% for the fourth year, and finally LIBOR plus 1.05% for the fifth year.	\$ 4,125,000	\$ 3,894,406

Traded certificates- The Company refinanced its short-term debt, contracted to purchase certain assets in the western USA, with four issues of traded certificates (payable at maturity), as follows:

- Bimbo 02- For \$2,750 million issued on May 17, 2002, maturing in May 2007, with interest at a variable interest rate of the 182-day CETES plus .92%;
- Bimbo 02-2- For \$750 million issued on May 17, 2002, maturing in May 2012, with interest at a fixed interest rate of 10.15%;

	2002	2001
- Bimbo 02-3- For \$1,150 million issued on August 2, 2002, maturing in August 2009, with interest at a fixed interest rate of 11%;		
- Bimbo 02-4- For \$1,850 million issued on August 2, 2002 maturing in August 2008, with interest at a variable interest rate of the 182-day CETES plus .97%.	6,500,000	—
Direct loans- On February 2, 1996, the Company contracted financing of US\$140 million, comprised of 3 promissory notes with IFC. Notes "A" and "B" bear a fixed interest rate of 8.74% and "C" bears a variable interest rate at the 6-month LIBOR, paid semiannually. The term of notes "A" and "B" is 12 years, and principal is paid in 11 annual payments beginning February 1998. Note "C" is for 10 years and will be paid in a lump-sum payment at the end of the contract. This last promissory note was paid early on April 12, 2002. Therefore, the balance of this loan at December 31, 2002 is US\$70.8 million.	730,125	901,555
Other- Certain subsidiaries have contracted other direct loans, which will be paid through 2004 to 2007, at various interest rates	111,301	208,515
	11,466,426	5,004,476
Less - short-term portion	(174,750)	(156,724)
Long-term debt	\$ 11,291,676	\$ 4,847,752

At December 31, 2002, long-term debt matures as follows:

2004	\$ 2,035,043
2005	1,256,806
2006	1,256,401
2007	2,871,739
2008 and thereafter	3,871,687
	\$ 11,291,676

The loan contracts establish certain covenants and also require that the Company, based on the consolidated financial statements, maintain determined financial ratios. At December 31, 2002, the Company had complied with all the obligations established in the loan contracts.

**Exchange rate swaps-** To reduce the exchange risk exposure inherent in its debt, the Company contracted exchange rate swaps on November 26 and December 2, 2002 for US\$75 million that expire on February 17, 2004. Upon expiration, the Company will required the equivalent of US\$75 million in Mexican pesos at an exchange rate established at the beginning of the transaction of 10.1130 Mexican pesos per US dollar. Throughout the term of the swaps, the Company will pay a weighted variable rate in Mexican pesos of the 28-day TIEE, plus .867%, and receive a weighted variable rate of LIBOR from three months plus .95%.

Given the characteristics of these instruments, the Company has recorded an asset for US\$75 million and a liability of \$758,475 (equivalent to US\$75 million at 10.1130 Mexican pesos per US dollar); the weighted variable rate effective is 9.17%, and the asset rate effective is 2.36% (fixed, including the spread). The Company has recorded net interest paid of \$6,062 in results for the year.

**Interest rate swaps -** In relation to the fourth issue of traded certificates for \$1,850 million, the Company contracted four interest rate swaps equal to \$1,000 million that fix the rate at the 182-day CETES plus .97%, from August 2002 through August 2005. The Company must pay a weighted fixed rate of 10.9350% on the four instruments.

In relation to the first issue of traded certificates for \$2,750 million acquired in May 2002, the Company contracted an interest rate swap to fix the cost of issuance at a variable rate, mitigating the risks implicit in the nominal rates. This transaction fixes the variable rate of this instrument at 10.38%.

Also, to mitigate the volatility of the interest rates in US dollars, on January 14 and 16, 2002, the Company contracted three interest rate swaps for a total of US\$200 million, fixing the financing cost of the Syndicated Loan contracted on October 11, 2001. These three swaps fix the three-month LIBOR in US dollars. The effective date of the instruments is February 16, 2002 and they expire on August 16, 2005. The final weighted fixed rates in US dollars that the Company must pay are as follows:

From February 2002 to November 2002	2.65%
From November 2002 to November 2003	4.48%
From November 2003 to November 2004	5.23%
From November 2004 to November 2005	5.37%

## 9. Employee retirement benefits

- a. Mexico - The Company has pension and death or total disability plans for its management-level employees and a seniority premiums plan for all of its employees, in accordance with employment contracts. The related liability and annual benefits cost are calculated by an independent actuary in conformity with the bases defined in the plans, using the projected unit credit method.

The present value of these obligations and the rates used in the calculation are as follows:

	2002	2001
Obligation for present services	\$ (2,068,829)	\$ (1,886,901)
Additional amount for projected benefits	(474,738)	(413,240)
Projected benefit obligation	(2,543,567)	(2,300,141)
Plan assets (fund in trust)	2,868,565	2,911,497
Funded status	324,998	611,356
Items to be amortized:		
Past service costs and changes to the plan	20,735	22,736
Variances in assumptions and adjustments for experience	626,306	468,956
Transition liability	(449,016)	(518,753)
Net projected asset (include in other assets)	\$ 523,023	\$ 584,295
Contributions to the fund	\$ —	\$ 19,541

Net cost of the period is as follows:

	2002	2001
Cost of services for the year	\$ 143,335	\$ 138,487
Amortization of transition liability	(24,480)	(24,435)
Amortization of variances in assumptions	7,418	11,566
Cost of financing for the year	96,195	102,219
Less - Yield on fund assets	(124,511)	(187,230)
Net cost of the period	\$ 97,957	\$ 40,607

The actual interest rates used in the actuarial calculations were:

	2002	2001
Discount of projected benefit obligation at present value	5.0%	5.0%
Wage increase	1.5%	1.5%
Yield on fund assets	4.5%	4.5%

- b. USA - The Company has two defined benefit pension plans (the Pension Plans) that cover eligible employees. The Company's funding policy is to make discretionary annual contributions. During 2002, the Company did not contribute to the Pension Plans.

The following table sets forth the funded status and amounts recognized for the Pension Plans in the consolidated balance sheet as of December 31, 2002:

	In thousands of US dollars	In thousands of Mexican pesos
Actuarial present value of accumulated benefit obligation	(98,230)	\$ (1,012,997)
Actuarial present value of accumulated benefit obligation for services rendered to date	(116,599)	\$ (1,202,427)
Plan assets	61,993	639,303
Plan assets (deficit) in excess of projected benefit obligation	(54,606)	(563,124)
Unrecognized net loss	33,436	344,809
Additional minimum liability	(17,656)	(182,078)
Net projected liability (included net in other assets)	(38,826)	\$ (400,393)

Net pension cost for 2002 includes the following components:

	In thousands of US dollars	In thousands of Mexican pesos
Service cost	6,587	\$ 67,928
Interest cost	7,924	81,716
Expected return on plan assets	(7,866)	(81,118)
Loss from curtailment and settlement	5,135	52,955
Net amortization and deferral	66	681
Net loss recognition	64	660
Net pension cost	11,910	\$ 122,822

Following is a summary of significant actuarial assumptions used:

Weighted average discount rates	6.75%
Rates of increase in compensation levels	3.75%
Expected long-term rate of return on assets	8.25%

- c. Other countries - At December 31, 2002, the liability from employee retirement benefits in other countries is not significant.

## 10. Stockholders' equity

- a. At December 31, 2002, stockholders' equity consists of the following:

	Number of Shares	Par Value	Restatement Effect	Total
Fixed capital				
Series A	1,175,800,000	\$ 1,901,732	\$ 4,661,567	\$ 6,563,299
Total shares	1,175,800,000	1,901,732	4,661,567	6,563,299
Reserve for repurchase of shares		600,000	22,209	622,209
Retained earnings		2,333,865	10,185,051	12,518,916
Deficit in restatement of stockholders' equity		—	(4,216,802)	(4,216,802)
Initial cumulative deferred income tax effect		(1,747,463)	(144,747)	(1,892,210)
Minority interest		335,437	15,236	350,673
Total		\$ 3,423,571	\$ 10,522,514	\$ 13,946,085

At December 31, 2002, capital stock consists of 1,175,800,000 shares fully subscribed and paid, representing 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.

- b. At a Stockholders' Ordinary General Meeting held on April 4 and July 6, 2001, it was agreed to increase the stock purchase reserve by \$5,531,573 (\$5,150,000 at par value) through the application of retained earnings.
- c. During 2001 the Company purchased 242,045,931 of its own shares, which decreased capital stock and the stock repurchase reserve by \$416,011 (\$386,239 at par value) and \$4,051,084 (\$3,733,114 at par value), respectively, which are held in treasury.
- d. Also, the Company's repurchased 89,069 of its own shares on March 26, 2002, thus reducing capital stock and the stock repurchase reserve by \$119 and \$2,081, respectively, which are held in treasury.
- e. At a Stockholders' Ordinary General Meeting held on April 12, 2002 the cancellation of the 245,800,000 repurchased shares held in treasury was approved. Also, at the same meeting the maximum amount of the stock repurchase reserve was established at \$622,209 (\$600,000 at par value) by transferring \$1,004,976 again to retained earnings.

f. Dividends paid in 2002 and 2001 were:

Approved at the stockholders' meeting on:	Nominal Value		
	Mexican Pesos per Share	Total	Value at December 31, 2002
April 12, 2002	\$ 0.21	\$ 246,918	\$ 256,058
April 4, 2001	\$ 0.17	\$ 240,689	\$ 263,292

g. The balances in the stockholders' equity tax accounts at December 31, 2002 are:

	2002	2001
Paid-in capital	\$ 4,848,260	\$ 4,848,260
Net after-tax income	12,342,901	11,283,729
Total	\$ 17,191,161	\$ 16,131,989

#### 11. Foreign currency balances and transactions

a. At December 31, 2002 and 2001, the foreign currency monetary position in thousands of US dollars (excluding USA) is as follows:

	2002	2001
Monetary assets	122,284	170,668
Monetary liabilities	(493,323)	(505,743)
Liability position, net	(371,039)	(335,075)
Mexican peso equivalent	\$ (3,826,340)	\$ (3,063,356)

b. The Company has significant operations in USA as indicated in Note 16.

c. The exchange rates in effect at the dates of the balance sheets and of issuance of these financial statements, respectively, were as follows:

	December 31		March 7, 2003
	2002	2001	
One US dollar	\$ 10.3125	\$ 9.1423	\$ 11.1927

## 12. Transactions and balances with related parties

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2002	2001
Revenues-		
Sales of raw materials and finished products	\$ —	\$ 13
Interest income	—	433
Other	—	857
	\$ —	\$ 1,303
Expenses-		
Purchases of raw materials and finished products	\$ 1,583,554	\$ 1,122,663
Interest expense	—	202
Other	—	2,178
	\$ 1,583,554	\$ 1,125,043

b. The net balances payable to related parties are:

	2002	2001
Frexport, S.A. de C.V.	\$ 10,657	\$ 16,606
Bimabel, S.A. de C.V.	—	3,827
Grupo Altex, S.A. de C.V.	149,771	43,744
	\$ 160,428	\$ 64,177

## 13. Other expenses (income)

	2002	2001
Tax restatement	\$ (16,512)	\$ (13,949)
Gain on sale of fixed assets	(78,784)	—
Sundry revenues	(224,134)	(4,179)
Expenses from sale of US routes	444,624	—
Amortization of goodwill	416,425	186,468
Creditable subsidy bonus	—	120,927
Closing of wheat mill in USA	—	91,230
	\$ 541,619	\$ 380,497

## 14. Tax environment

*Income taxes, tax on assets and employee statutory profit sharing in Mexico* - Companies established in Mexico are subject to income tax (ISR) and asset tax (IMPAC). ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values and the deduction of purchases in place of cost of sales, which permit the deduction of current costs, and taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to monetary position gain or loss. Up to 2001 the income tax rate was 35%, with the obligation to pay this tax each year at the 30% rate, with the remainder payable upon distribution of profits. This remainder is recorded as a long-term liability.

On January 1, 2002, based on the tax reform and the Income Tax Law, the option to defer a portion of the income tax payment until dividends were distributed is eliminated. The income tax rates will be 35% in 2002, 34% in 2003, 33% in 2004 and 32% beginning in 2005.

The deduction for employee statutory profit sharing and the obligation to withhold taxes on dividends paid to individuals or foreign residents are eliminated.

IMPAC is computed at an annual rate of 1.8% on the average of the majority of restated assets less certain liabilities, and the tax is paid only to the extent that it exceeds ISR of the year. There was no IMPAC payable in 2002 and 2001 on a consolidated basis. If in any year IMPAC exceeds ISR, the IMPAC payment for such excess may be reduced by the amount by which ISR exceeded IMPAC in the three prior years. Additionally, any required payment of IMPAC may be credited against the excess of ISR over IMPAC in the next 10 years.

The Company determined consolidated income tax and asset tax with its subsidiaries (except foreign subsidiaries) in the proportion held of the voting stock of its subsidiaries at year-end. As of January 1, 2002, the proportion is calculated based on the average daily equity percentage of its subsidiaries held by the holding company during the year. The tax results of the subsidiaries are consolidated at 60% of such proportion. Estimated payments of income tax and asset tax of both the Company and its subsidiaries are made as if the holding company did not file a consolidated tax return.

*Income taxes in other countries* - The foreign subsidiaries calculate income taxes on their individual results, in accordance with the regulations of each country. The provision for income taxes of these subsidiaries is not significant, because the majority have tax losses. The subsidiaries in the US have authorization to file a consolidated income tax return.

Income tax consists of the following:

	2002	2001
Current	\$ 981,056	\$ 912,000
Deferred	(406,127)	(44,155)
Effect of rate reduction on deferred ISR	—	(62,510)
	\$ 574,929	\$ 805,335

The deferred ISR effect related to the gradual reduction of the ISR rate in 2002, resulted in the recalculation of the deferred ISR liability or asset recorded as of December 31, 2001. The various rates applicable beginning in 2003 will be applied to the temporary differences based on their estimated reversal date.

At December 31, 2002 and 2001, the main items comprising the deferred income tax liability are as follows:

	2002	2001
Allowance for doubtful accounts	\$ (25,273)	\$ (23,407)
Inventories	160,224	175,361
Property, plant and equipment	1,767,757	1,939,427
Other investments	(64,819)	(88,322)
Other reserves	(116,272)	25,099
Tax loss carryforwards	(597,046)	(468,335)
Recoverable tax on assets	(52,652)	(57,018)
Total liability	\$ 1,071,919	\$ 1,502,805

### 15. Subsequent event

On January 29, 2003, the Company terminated two of the swaps for a total of US\$75 million, described in Note 8, before their scheduled expiration. During the term of the instruments an asset was recorded for \$758,475 (equivalent to US\$75 million at a weighted exchange rate of \$10.1130 Mexican pesos per US dollar). This early termination resulted in a gain of \$62,654 for the Company.

### 16. Information by geographical area

The following are the principal data by geographical area in which the Company operates for the years ended December 31, 2002 and 2001:

	2002			
	Mexico	USA	OLA	Total
Net sales	\$ 27,963,645	\$ 10,810,487	\$ 2,599,137	\$ 41,373,269
Operating income (loss)	\$ 3,207,049	\$ 30,447	\$ (240,695)	\$ 2,996,801
Consolidated net income	\$ 2,471,640	\$ (709,223)	\$ (759,753)	\$ 1,002,664
Depreciation and amortization	\$ 1,018,966	\$ 252,486	\$ 141,550	\$ 1,413,002
Operating income (loss), plus depreciation and amortization (EBITDA)	\$ 4,226,015	\$ 282,933	\$ (99,145)	\$ 4,409,803
Total assets	\$ 17,285,992	\$ 12,156,690	\$ 2,275,960	\$ 31,718,642
Total liabilities	\$ 12,514,181	\$ 4,617,100	\$ 641,276	\$ 17,772,557

	2001			
	Mexico	USA	OLA	Total
Net sales	\$ 26,296,682	\$ 6,238,156	\$ 2,433,259	\$ 34,968,097
Operating income (loss)	\$ 3,612,527	\$ (52,937)	\$ (115,348)	\$ 3,444,242
Consolidated net income	\$ 2,102,002	\$ (361,112)	\$ (58,865)	\$ 1,682,025
Depreciation and amortization	\$ 1,032,604	\$ 195,564	\$ 155,252	\$ 1,383,420
Operating income (loss), plus depreciation and amortization (EBITDA)	\$ 4,645,131	\$ 142,627	\$ 39,904	\$ 4,827,662
Total assets	\$ 16,599,787	\$ 4,198,974	\$ 2,982,506	\$ 23,781,267
Total liabilities	\$ 8,941,174	\$ 705,534	\$ 745,773	\$ 10,392,481

### 17. New accounting principles

In December 2001, the Mexican Institute of Public Accountants ("IMCP") issued new Bulletin C-9, "Liabilities, Provisions, Contingent Assets and Liabilities, and Commitments" ("C-9"), which is effective beginning January 1, 2003, although early application is encouraged. C-9 supersedes the former Bulletins C-9, "Liabilities", and C-12, "Contingencies and Commitments", and establishes additional guidelines clarifying the accounting for liabilities, provisions, and contingent assets and liabilities, and establishes new standards for the use of present value techniques to measure liabilities and accounting for the early settlement of obligations.

In January 2002, the IMCP issued new Bulletin C-8, "Intangible Assets" ("C-8"), whose provisions are mandatory for fiscal years beginning January 1, 2003, although early application is encouraged. C-8 supersedes the former Bulletin C-8, "Intangibles", and establishes that project development costs should be capitalized if they fulfill the criteria established for recognition as assets. Any preoperating costs incurred after the effective date of this Bulletin should be recorded as an expense, unless they meet certain criteria. The unamortized balance of capitalized preoperating costs under the former Bulletin C-8 will continue to be amortized. C-8 requires identification of all intangible assets to reduce as much as possible the goodwill relative to business combinations.

The Company has not fully assessed the effects on its financial position and results of operations from adopting these two new accounting principles.



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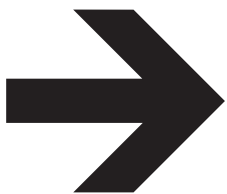
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Board Member of: Daimler-Chrysler Mexico, Fomento Económico Mexicano (FEMSA) and of Rabobank International Agribusiness.

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Chairman of IMDOSOC.  
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Board Member of VIDAX.

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Board Member of the Mexican Foundation for Rural Development (FMDR).

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Chairman of the Board of Generali México Cía. de Seguros.  
Board Member of: Invex Grupo Financiero, Cementos Apasco, Korn/Ferry International and of Reaseguradora Patria.

### HENRY DAVIS

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Chairman of the Board of Probelco, S.A. and of Desarrollos Banderas, S.A.  
President and founder of the Asociación Nacional de Tiendas de Autoservicios y Departamentales (ANTAD) and of the Mexican Association for E-Commerce Standards (AMECE).

### RAUL OBREGON

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Board Member of: Industrias Peñoles, Crédito Afianzador, Grupo Palacio de Hierro, Valores Mexicanos Casa de Bolsa, Arrendadora Valmex, Grupo Nacional Provincial, S.A. and of GNP Pensiones, S.A. de C.V.

### LORENZO SENDRA

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Board Member of: NOVACEL, Ronald McDonald Foundation, Fomento de Nutrición y Salud and of the Mexican Foundation for Rural Development (FMDR).

### MARIA ISABEL MATA-TORRALLARDONA

Board Member of Tepeyac, A.C.

### ROBERTO QUIROZ

Chairman of the Board and CEO of Industrial Trébol.  
Board Member of: Esmaltes y Colorantes Cover and of Tepeyac, A.C.

### DANIEL SERVITJE

CEO of Grupo BIMBO.  
Board Member of: Coca Cola Femsa, Grupo Financiero Banamex and Banco Nacional de México, (part of Citygroup), the Universidad Iberoamericana (FICSAC) and of the Grocery Manufacturers of America.

### JAIME JORBA

Chairman of the Board of Frialsa and of Promotora de Condominios Residenciales.

### JOSE ANTONIO FERNANDEZ

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Vice President of the ITESM.  
Board Member of: Grupo Financiero BBVA Bancomer, Industrias Peñoles and of Grupo GIS.

### JOSE LUIS GONZALEZ

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### MARIA DEL CARMEN SERVITJE

Founder of La Leche League Mexico.  
Board Member of FUNSALUD.  
Member of the Technical Board for the Religious Sciences Department of the Universidad Iberoamericana.

### ALEXIS E. ROVZAR

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Board Member of: Coca Cola Femsa, Ray & Berndtson, COMEX, Grupo ACIR, COMSA and of Deutsche Bank.

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BIMBOA

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Produce and market food products, develop the value of our brands. Committing ourselves to be a

Company:

Highly productive and people-oriented.

Innovative, competitive and strongly focused toward satisfying our customers and consumers.

International leader in the bakery industry, with long-term vision.



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