ANNUAL REPORT OF

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

NOURISHING A BETTER WORLD

Annual Report filed pursuant to the general provisions applicable to securities issuers and other participants in the securities' market (*disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*) for the fiscal year ended on December 31, 2018.

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

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

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

Ticker symbol: "BIMBO".

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

Mexico City, April 30, 2019

KEY INFORMATION WITH RESPECT TO THE NOTES (*CERTIFICADOS BURSATILES*) ISSUED BY GRUPO BIMBO, S.A.B. DE C.V.

AS OF DECEMBER 31, 2018

Ticker Symbol	BIMBO 16	BIMBO 17
Amount	$8,000,000,000	$10,000,000,000
Number of series in which the issuance is divided	N.A.	
Issuance date	September 12, 2016	October 6, 2017
Maturity date	September 2, 2026	September 24, 2027
Issuance period	3,640 days, approximately 10 years	3,640 days, approximately 10 years
Interest rate	Fixed interest rate of 7.56%	Fixed interest rate of 8.18%
Periodicity in payment of interest	Every 182 days beginning on March 15, 2017	Every 182 days beginning on April 6, 2018
Place and manner of payment of principal and interests	The principal and interests due will be paid on their maturity date, by electronic funds transfer, at the registered office of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or at the registered office of the Issuer.	
Subordination	Lien limitations / Pari Passu status	
Maturity and acceleration	A single payment on the relevant maturity date. The Company shall have the right to prepay all (but not less) than all of the Certificados Bursátiles on any date before the Maturity Date.	
Guarantee	The *Certificados Bursátiles* will be unsecured and will be guaranteed (*avalados*) by Bimbo, S.A. de C.V., Barcel, S.A. de C.V. and Bimbo Bakeries USA, Inc.	
Trustee	N.A.	
Rating	Fitch México, S.A. de C.V. "AA+(mex)" Standard & Poor's, S.A. de C.V. "mxAA+"	Fitch México, S.A. de C.V. "AA+(mex)" S&P Global Ratings, S.A. de C.V. "mxAA+"
Common Representative	Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero	
Depositary	S.D. Indeval Institución para el Depósito de Valores S.A. de C.V.	
Tax treatment	The withholding rate of the income tax applicable, as of the date of the Supplement, to the interest paid in accordance with the *Certificados Bursátiles* is subject to: (i) for individuals and entities considered as residents of Mexico for tax purposes, to the provisions of articles 54, 134, 135 and other applicable provisions of the Income Tax Law (*Ley del Impuesto Sobre la Renta*) in effect; and (ii) for individuals and entities considered as non-Mexican residents for tax purposes, to the provisions of articles 153, 166, 175 and other applicable provisions of the Income Tax Law in effect. Potential investors shall consult their tax advisors with respect to the tax consequences of their investment in the *Certificados Bursátiles*, including the application of specific rules applicable to their particular situation. The current fiscal regime may be amended during the term of the Program and while the Issuance is in effect.	

Change of control: In accordance with the terms of the Notes, in the event of a "change of control", which means a change of control resulting in the decrease of the rating of the Notes, Grupo Bimbo will be obliged to make an offer in order to repurchase the totality of the Notes in a purchase price equal to 100% of the par value of such Notes plus the unpaid accrued ordinary interest on the principal of the Notes outstanding on the date of the repurchase.

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

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

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

In addition, unless otherwise indicated, the Company's information contained in this Annual Report is shown as of December 31, 2018.

1) GENERAL INFORMATION

a) Summary of Terms and Definitions

Unless otherwise indicated by the context, for the purposes of this Annual Report, the following terms shall have the meaning attributed there to as follows, which shall apply equally to the singular and plural forms of the terms defined:

Terms	Definitions
"Adjusted EBITDA"	Operating income plus depreciation, amortization, impairments and provision of multiemployer pension plans and other non-cash items. The Group's administration uses this measure as an indicator of its operating results and of its financial condition; however you should condier it in isolation, as an alternative to net income, as an indicator of the operating performance or as a substitute for the analysis of results reported in accordance with IFRS, because, among others: (i) it does not reflect cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) it does not reflect changes in, or cash requirements for working capital needs, (iii) it does not reflect interest expenses, and (iv) it does not reflect any cash income tax to be paid by the Group. Due to the foregoing, the Group's EBITDA shall not be considered as a discretionary measure of cash available to invest in the Group's growth or as a measure of cash that will be available in order for the Group to fulfill its obligations. EBITDA is not a financial measure recognized in accordance with IFRS and may not be compared with similar official measures presented by other companies in the industry, since not all companies use the same definition. Consequently, the focus shall mainly be on results in accordance with IFRS, and EBITDA only as a supplementary measure.
"Adghal"	Groupe Adghal
"ADR's"	American Depositary Receipts
"Annual Report"	This Issuer's Annual Report, prepared in accordance with the general provisions applicable to securities issuers and other securities market participants issued by CNBV.
"Audited Financial Statements"	The Company's consolidated financial statements, audited as of December 31, 2018, 2017 and 2016, which were prepared in accordance with the IFRS, as well as the respective notes, which are attached to this Annual Report.
"Barcel"	Barcel, S.A. de C.V.
"BBU"	BBU, Inc.
"BIMBO", "Company", "Issuer", "Group", "Grupo Bimbo" or "Entity"	Grupo Bimbo, S.A.B. de C.V., and, whenever the context requires so, jointly with its consolidated subsidiaries.
"Bimbo"	Bimbo, S.A. de C.V.
"Bimbo Bakeries USA"	Bimbo Bakeries USA, Inc., an operating subsidiary of BBU.
"Bimbo Beijing"	Bimbo Beijing Food Company.
"Bimbo Foods"	Bimbo Foods, Inc.

Terms	**Definitions**
"Bimbo Iberia"	Bimbo, S.A.U.
"BIMBO XXI"	Project for the implementation of a system to streamline ERP (Enterprise Resource Planning) resources, database and support systems.
"BMV"	Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*).
"Board of Directors" or "Board"	Board of Directors of BIMBO.
"Cakes"	Cakes sold individually.
"Canada Bread"	Canada Bread Company, Limited.
"CDOR"	Canadian Dealer Offered Rate.
"China"	People's Republic of China.
"CNBV"	National Banking and Securities Commission.
"Corporate Bylaws"	Corporate Bylaws of BIMBO as amended from time to time.
"Dollars" or "dollars"	Currency of legal tender in the USA.
"Earthgrains"	Earthgrains Bakery Group, Inc.
"East Balt" o "Bimbo QSR"	East Balt Bakeries
"El Globo"	Tradición en Pastelerías, S.A. de C.V.
"ERP"	Enterprise Resource Planning.
"Europe"	Countries of the European Union where BIMBO carries out operations.
"Fast Food"	Food ready to be eaten.
"FDA"	Food and Drug Administration, a USA governmental agency.
"George Weston"	George Weston Bakeries, Inc., Entenmann's Products Inc., Entenmann's, Inc. and Entenmann's Sales Company, Inc. (TSX: WN)
"Gruma"	Mexican Company engaged in the production of corn flour, tortillas, wheat flour and similar products.
"HACCP"	Hazard Analysis and Critical Control Point.
"IASB"	International Accounting Standards Board responsible for issuing the International Financial Reporting Standards.
"IEPS"	Special tax over production and services.
"IETU"	Business Flat Tax (*Impuesto Empresarial a Tasa Única*).
"IFRS"	International Financial Reporting Standards issued by the IASB.
"Indeval"	S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.
"INPC"	National Consumer Price Index (*Índice Nacional de Precios al Consumidor).*
"IRI"	Information Resources Inc.
"ISO"	International Organization for Standardization.
"ISR"	Income Tax (*Impuesto sobre la Renta*).
"IVA"	Value Added Tax (*Impuesto al Valor Agregado*).

Terms	Definitions
"Latin America"	Central and South America; comprises the countries of this geographical area where BIMBO carries out transactions.
"LIBOR"	London Interbank Offered Rate.
"LMV"	Securities Market Law (*Ley del Mercado de Valores*).
"Mexico"	United Mexican States.
"Nielsen"	The Nielsen Company.
"NOM"	Mexican Official Standard (*Norma Oficial Mexicana*).
"Notes"	Negotiable instruments issued by the Company in accordance with the Securities Market Law, under the Notes Program (*Programa de Certificados Bursátiles*) and which are outstanding.
"Packaged Bread"	Sliced and packaged bread.
"Panrico"	Panrico S.A.U.
"Pesos", "pesos" or "$"	Currency of legal tender in Mexico.
"PPM"	Pension Plan of Various Employers
"PTU"	Employee Profit Sharing (*Participación de los Trabajadores en las Utilidades).*
"Ready Roti"	Ready Roti India Private Limited
"RNV"	National Securities Registry (*Registro Nacional de Valores*).
"SEC"	U.S. Securities and Exchange Commission.
"Stonemill Bakehouse"	Stonemill Bakehouse Ltd.
"Supan"	Supan, S.A.
"Syndicated Revolving Credit Facility"	Multicurrency revolving credit facility for an amount of $2,000 million dollars contracted with a syndicate of banks.
"TIIE"	Interbanking Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio)*.
"USA"	United States of America.
"WFI"	Weston Foods, Inc., bakery business in the USA that was owned by George Weston Limited and which BIMBO acquired on January 21, 2009.
"WHO"	World Health Organization.

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

b) EXECUTIVE SUMMARY

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

1) The Company

The global headquarters of the Company are located at Prolongación Paseo de la Reforma No. 1000, Colonia Peña Blanca Santa Fe, Delegación Álvaro Obregón, Mexico City, 01210, Mexico, and its telephone number is +52(55) 5268-6600. The Company was incorporated under the laws of Mexico on June 15, 1966. The number of its commercial registry *(folio mercantil)* with the Public Registry of Property and Commerce of Mexico City (*Registro Público de la Propiedad y de Comercio de la Ciudad de México*), or the Mexican Registry, is 9,506, and its taxpayer identification number is GBI 810615 RI8.

Grupo Bimbo is the largest baking Company in the world and one of the largest consumer food companies in the Americas, according to IBISWorld. It operates in 32 countries, including the United States, Mexico, Canada, most of Latin America, Spain, Portugal, France, Italy, the United Kingdom, Turkey, Switzerland, China, South Korea, Russia, India, Morocco and South Africa. The Company has a diversified portfolio of over 13,000 products and more than 100 renowned brands, including Bimbo®, Oroweat®, Arnold®, Marinela®, Thomas'®, Barcel®, Sara Lee®, Entenmann's®, Ricolino®, Tía Rosa®, Dempster´s®, Takis®, Pullman®, Villagio®, Plus Vita®, POM®, New York Bakery Co. ®, Lara®, Vachon® and Donuts®, among others.

The Company produces, distributes and markets a wide range of bakery products in each of its categories, traditional packaged bread, frozen bread, cakes, cookies, english muffins, bagels, prepackaged foods, tortillas, salty snacks and confectionery goods, among others. The brand portfolio of the Company includes emblematic brands with a value of over a billion dollars in retail sales, such as Bimbo®, Marinela®, Oroweat®, Barcel® and Thomas'®, brands with a superior value of $500 million dollar such as Sara Lee® and Entenmann's®, brands with a superior value of $250 million dollar such as Ricolino®, Takis®, Tia Rosa®, Dempster's® and Artesano®, and brands with a superior value of $100 million dollar such as Villaggio®, Ball Park®, Donuts®, Pullman®, Plus Vita®, POM®, Stroehmann®, Mrs. Baird's® and Vachon®.

Through brand development, fresh and quality products and continuous innovation, Grupo Bimbo has established a leading position in the baking industry in most of the countries where it operates. In 2017, its flagship brand and company name, Bimbo, was named the first and sixth strongest food brand in Latin America and the world, respectively, by Kantar World Panel.

Since its founding in 1945, Grupo Bimbo has experienced significant growth, organically as well as through acquisitions, especially in recent years. During the past ten years, it has successfully integrated more than 41 companies to its operations. From 2008 to December 31, 2018, its adjusted EBITDA increased from Ps.9,829 million to Ps.31,705 million at a CAGR of 12.4%. Also, during that period, net sales grew at a CAGR of 9.4%, fueled by a CAGR of 11.6% in North America, 5.6% in Mexico and 7.1% in Latin America. The Group became the largest packaged bread market participant in the United States following the acquisitions of Weston Foods Inc., or WFI, in 2009, and Earthgrains, Sara Lee Corporation's North American fresh bakery business, in 2011, according to information from IRi. Also in 2011, it accessed the European market with the acquisition of Sara Lee's baking business in Europe. In 2014, it entered the Canadian and United Kingdom markets with the acquisition of Canada Bread, producer of Dempster's, the leading bread brand in Canada. In July, 2014, it entered the Ecuadorian market with the acquisition of Supan, the leading Company in Ecuador. In 2017, it entered in ten new countries with the acquisition of Grupo Adghal in Morocco, Ready Roti in India and East Balt Bakeries in eleven countries. In 2018, the acquisition of Mankattan, a major player in the Chinese bakery industry, was finalised, as well as the acquisition of Nutra Bien, a leading Chilean sweet bread snack company. With these acquisitions, coupled with its organic growth in Mexico and Latin America that has been mainly driven by market penetration and product innovation, the Company has consolidated its position as the world's largest baking Company.

Currently, it operates 199 plants worldwide in 32 countries. To ensure the freshness and quality of its products, the Company has developed an extensive direct-distribution network, which comprises one of the largest sales fleets in the Americas. As of December 31, 2018, its direct-distribution network consisted of more than 60,000 distribution routes, spread across more than 1,800 sales centers and reaching more than 3.3 million points of sale.

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

As of December 31,	2018	2017	2016
Net sales	288,266	267,515	252,141
Operating Profit	18,509	17,472	18,084
Adjusted EBITDA	31,705	27,289	29,298
Equity holders of the parent	5,808	4,629	5,898

Note: figures in millions of Mexican pesos

2) Financial Information

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

Figures corresponding to 2018, 2017 and 2016 are shown in pesos in nominal terms as of the date on which they were registered, in the understanding that the Company's consolidated financial statements were prepared with an historic base cost, except for certain financial instruments (assets and liabilities), which are measured at its fair value at the closing of each period, and for non-monetary assets of subsidiaries in hyperinflationary economies, which are adjusted for inflation, as explained in accounting policies.

Consolidated Income Statements			
As of December 31:	2018	2017	2016
Net sales (1)	**288,266**	**267,515**	**252,141**
Costs of sales	135,667	124,763	115,998
Gross profit	**152,599**	**142,752**	**136,143**
Distribution and selling	108,630	102,801	96,395
Administrative	19,241	18,388	17,320
General Expenses	127,871	121,189	113,715
Profit (loss) before other income and expenses, net	**24,728**	**21,563**	**22,428**
Other (Expenses) Income net	6,219	4,091	4,344
profit	**18,509**	**17,472**	**18,084**
Net Interests	7,282	5,558	5,237
Foreign exchange (gain)/loss, net	(85)	118	5
(Gain)/Loss from monetary position	(202)	79	(650)
Comprehensive Financial Result	**6,995**	**5,755**	**4,592**
Share profit of associates	194	234	121

Profit before income tax	**11,708**	**11,951**	**13,613**
Current Income Tax	3,510	4,444	4,703
Deferred Income Tax	1,387	1,838	2,143
Income Tax	**4,897**	**6,282**	**6,845**
Consolidated net profit	**6,811**	**5,669**	**6,768**
Equity holders of the parent	5,808	4,629	5,898
Non-controlling interests	1,003	1,040	870
Basic Earnings per ordinary share	1.24	0.98	1.25
Dividend per Share	0.35	0.29	0.24
Earnings before interest, tax, depreciation and amortization	**31,705**	**27,289**	**29,298**

Notes to the Consolidated Income Statements:

(1) During 2018, 2017 and 2016, net sales of the subsidiaries of Bimbo, S.A. de C.V. and Barcel, S.A. de C.V., located in the Mexico segment, represented approximately 31%, 30% and 29%, respectively, of the consolidated net sales. Likewise, during 2018, 2017 and 2016, net sales of the subsidiaries of BBU and Canada Bread, which form the North America segment, represented 50%, 52% and 54%, respectively, of the consolidated net sales.

Consolidated Balance Sheet

As of December 31:	2018	2017	2016
Cash and Cash Equivalents	7,584	7,216	6,814
–Trade receivables and other account receivable, net	25,950	24,806	24,069
Inventories	9,340	8,368	7,428
Prepaid expenses	1,098	975	806
Derivative financial instruments	106	682	305
Guarantee deposits for derivative financial instruments	619	417	1,140
Assets held for sale	154	26	148
Total Current Assets	44,851	42,490	40,710
Long-term accounts accounts receivable from independent operators	404	557	807
Property, Plant and Equipment, net	87,243	82,972	74,584
Investments in associates	2,645	2,318	2,124
Derivative Financial Instruments	3,017	2,592	3,448
Deferred Income Tax	3,886	6,288	9,779
Intangible Assets, Net	54,476	56,194	49,938
Goodwill	65,513	63,426	62,884
Other Assets Net	1,281	2,412	891
Total Assets	**263,316**	**259,249**	**245,165**
Short-term portion of lon-term debt	1,153	1,885	1,452
Trade accounts payables	21,074	19,677	17,350
Other Accounts Payable and Accrued Liabilities	23,055	21,800	21,377
Accounts payable to Related Parties	909	955	853
Current Income Tax	256	1,073	1,043
Statutory employee Profit Sharing payable	1,423	1,286	1,185
Derivative Financial Instruments	879	241	372
Total current liabilities	48,749	46,917	43,622

Long-Term Debt (1)	88,693	91,546	80,351
Derivative financial instruments	347	0	3,352
Employee Benefits and worker's compensation	25,885	30,638	30,917
Deferred Income Tax (2)	5,720	4,682	4,952
Other Long-term liabilities	9,347	8,442	6,885
Total Liabilities	**178,741**	**182,225**	**170,089**
Equity holders of the parent	79,690	72,767	71,430
Non-controlling interests	4,885	4,257	3,646
Total Equity	**84,575**	**77,024**	**75,076**

Consolidated Balance Sheet Notes:

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

Additional Financial Information
(millions of Mexican pesos)

As of December 31:	2018	2017	2016
Depreciation and Amortization	10,000	8,761	8,436
Net cash Flow from Operating Activities	20,982	21,170	23,127
Net cash Flow used in investing Activities	(18,391)	(27,070)	(16,315)
Net cash Flow (used in) from Financing Activities	(2,322)	6,492	(4,383)
Cash and Cash Equivalents at the end of year	7,584	7,216	6,814
Operating Margin	6.4%	6.5%	7.2%
Adjusted EBITDA Margin	11.0%	10.2%	11.6%
Net Majority Income Margin	2.0%	1.8%	2.3%
Asset Return	2.2%	1.8%	2.4%
Return on Capital	7.6%	6.4%	9.0%
Adjusted EBITDA	31,705	27,289	29,298
Total Debt / Adjusted EBITDA	2.9	3.5	2.8
Net Debt / Adjusted EBITDA	2.6	3.2	2.6

3) Capital Markets

The authorized capital stock of Grupo Bimbo consists of Series "A" common shares, nominative, with no par value, registered with the RNV.

These shares are publicly traded in Mexico, listed on the BMV under the ticker symbol "BIMBO" and registered with the RNV. As of December 31, 2018, its market capitalization was approximately Ps.184.130 billion.

BIMBO shares started to trade on the BMV on February 1980, when the Company carried out its initial public offering. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the BMV.

The trading of BIMBO shares has not been suspended in the past three years.

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

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

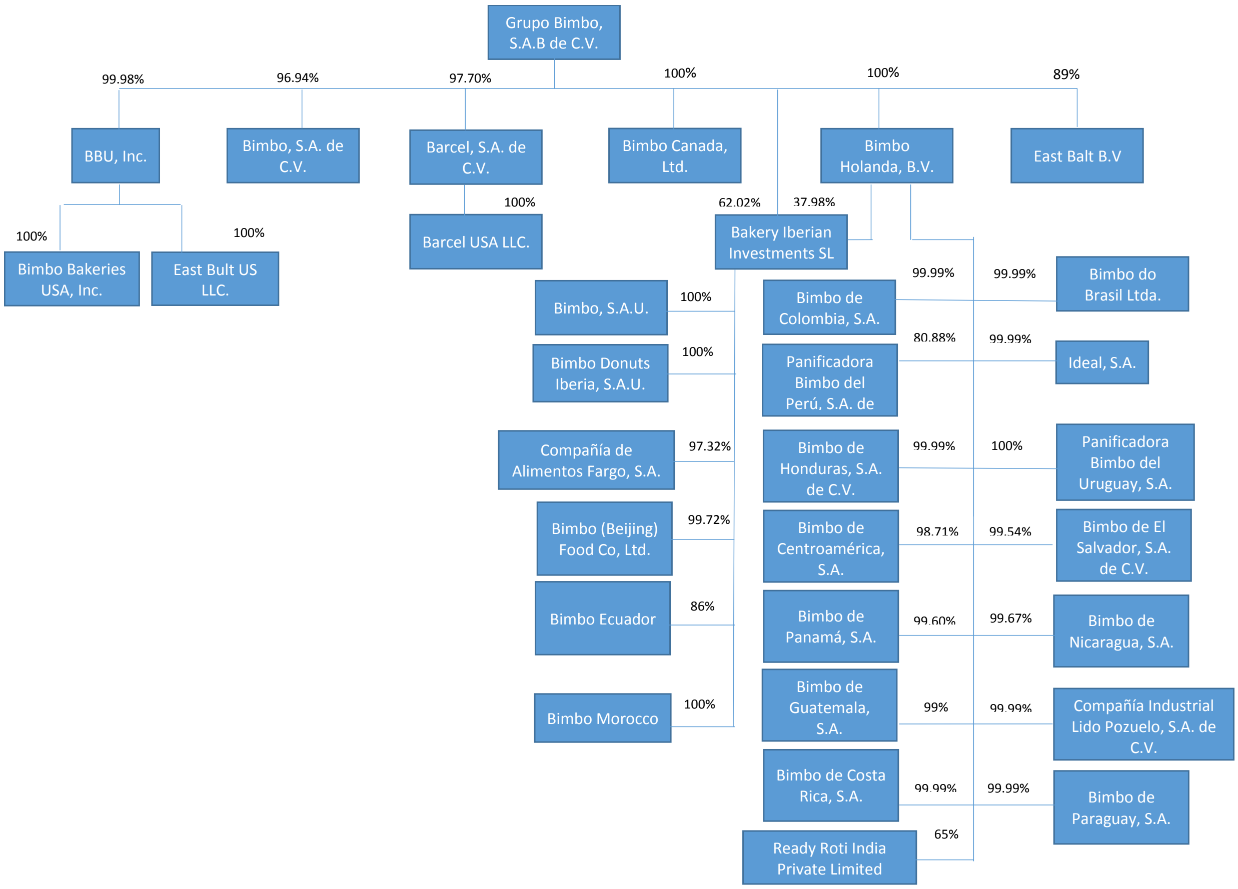
On the date of the present annual report, the Company does not have a market maker agreement.

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

Year ended December 31	Mexican Pesos per Share "A"			Shares "A" Transaction Volume
	Maximum	Minimum	Closing	
2011	28.47	28.47	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532,853,721
2018	46.46	35.07	39.15	592,951,520

4. Corporate Structure

The following table shows the main subsidiaries comprised in the Group's corporate structure as of December 31, 2018:



3) RISK FACTORS

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

Risks Related to the Business, Industry and Supply

Increases in prices and shortages of raw materials, fuels and utilities could cause costs to increase

Grupo Bimbo purchases large quantities of commodities, including wheat flour, edible oils and fats, sugar, eggs and plastic to package its products, the prices of which are volatile. The Group is also exposed to changes in oil prices, which impact both its packaging and transportation costs. Prices for commodities, other supplies and energy fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, severe weather conditions (including the effects of global climate change), consumer, industrial or commodity investment demand, changes in governmental regulation and trade, alternative energy sources and government-sponsored agricultural programs. The prices of the Group's raw materials normally fluctuate due to market conditions and currency fluctuations. Grupo Bimbo cannot assure that these fluctuations will not have an adverse effect on its financial performance or that it will be able to pass along the effect of increased costs to consumers.

The Group also relies on fuels and utilities to operate its business. For example, its bakeries and other facilities use natural gas, liquefied petroleum gas and electricity to operate. In addition, its distribution operations use gasoline and diesel fuel and electricity to deliver the products. These fuels and utilities are subject to price volatility. For these reasons, substantial future increases in prices for, or shortages of, these fuels or electricity could adversely affect Grupo Bimbo. Rising commodity, energy and other input costs could materially and adversely affect the Group's cost of operations, including the production, transportation, and distribution of its products, which could adversely affect its business, financial condition, results of operations and prospects.

To ensure the supply, Grupo Bimbo enters into wheat, natural gas and other hedging arrangements to mitigate its exposure against price volatility. These contracts could cause the Group to pay higher prices for raw materials than those available in the spot markets, materially and adversely affecting it.

The Group may not achieve its targeted cost savings and efficiencies from cost reduction initiatives

The Group's success depends in part on its ability to be a low-cost producer in a highly competitive industry. Grupo Bimbo periodically makes investments in its operations to improve its production facilities and reduce operating costs. The Group may experience operational issues when carrying out major production, procurement, or logistic changes and these, as well as any failure to achieve its planned cost savings and efficiencies, could have a material adverse effect on the business, financial condition, results of operations and prospects.

Competition could adversely affect our business, financial condition, results of operations and prospects

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

Any reduction in sales revenue as a result of competitive pressures would negatively affect profit margins and, if the Group's sales volumes fail to offset any reduction in margins, it will be materially and adversely affected.

Grupo Bimbo competes with large national and transnational companies, local traditional bakeries, smaller regional operators, small family-owned bakeries, supermarket chains with their own bakeries and brands, grocery stores with their own in-store bakery departments or private label products and diversified food companies. To varying degrees, the Group's competitors may have strengths in particular product lines and regions as well as greater financial resources. Grupo Bimbo expects that it will continue to face strong competition in all of the markets and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope. Grupo Bimbo may not be able to successfully compete with these companies.

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

The reputation of the Group's brands and its intellectual property rights are key to its business

Most of Grupo Bimbo net sales derive from sales of products offered under brands that the Group owns. Its brand names and other intellectual property rights are key assets of its business. Maintaining the reputation of its brands is essential to the Group's ability to attract and retain retailers, consumers and associates and is critical to the Group's future success. Failure to maintain the reputation of its brands could materially and adversely affect its business, financial condition, results of operations and prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, safety conditions in the Group's operations, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its business.

Grupo Bimbo principal trademarks are registered in the countries in which the Group uses such trademarks. While Grupo Bimbo intends to enforce its trademark rights against infringement by third parties, its actions to establish and protect its trademark rights may not be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Group's products on grounds that its products violate their trademarks and proprietary rights. Furthermore, authorities in certain jurisdictions in which Grupo Bimbo operates, may not be as efficient in timely and efficiently recognizing and enforcing the Group's right (which may, in turn, affect the reputation of its brands). If a competitor were to infringe on the Group's trademarks, enforcing its rights would likely be costly and would divert resources that would otherwise be used to operate and develop the business. Although Grupo Bimbo intends to actively defend its brands and trademark rights, it may not be successful in enforcing its intellectual property rights, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group's failure to obtain or adequately protect its intellectual property rights, or any change in law or other changes that serve to lessen or remove the current legal protections of its intellectual property, may diminish the Group's competitiveness and could materially harm its business.

Grupo Bimbo must leverage its brand value to compete against lower-priced alternative brands

In nearly all of the Group's product categories, Grupo Bimbo competes with lower-priced alternative products. The Group's products must provide higher value and/or quality to its consumers than alternatives, particularly during periods of economic uncertainty. Consumers may not buy the Group's products if relative differences in value and/or quality between its products and retailer or other economy brands change in favor of competitors' products or if consumers perceive this type of change. If consumers choose the lower-priced brands, then Grupo Bimbo could lose market share or sales volumes, which could materially and adversely affect its product sales, financial condition, and operating results.

Inability to anticipate changes in consumer preferences or enhance the Group's product portfolio may result in decreased demand for its products

Consumer preferences change over time and Grupo Bimbo success depends on its ability to maintain consumer demand for its products by identifying and satisfying the evolving needs, tastes, trends and health habits of consumers in order to respond in a timely manner to offer products that appeal to these needs, tastes, trends and habits. Changes in consumer preferences combined with the Group's failure to anticipate, identify or react to these changes could result in reduced demand for its products, which could in turn adversely affect its business, financial condition, results of operations and prospects. In particular, demand for the Gropu's products could be impacted by the popularity of trends such as low carbohydrate diets and by concerns regarding the health effects of transfats, sugar content and processed wheat. Furthermore, Grupo Bimbo may not be able to quickly introduce substitute products, as a means to satisfy consumer demands. Consumer preferences may shift in the future due to several factors that are difficult to predict such as changes in demographic trends, governmental regulations, weather conditions, health concerns or changes in economic conditions. While the Group's experience and expertise provide him with a solid understanding of its markets, Grupo Bimbo cannot predict the preferences and needs of current or potential consumers with absolute certainty. The Group markets its products in several different countries and the consumers in each country have their own tastes and preferences (which the Group may be unable to rapidly identify).

The Group's success also depends in part on its ability to enhance its product portfolio by adding innovative new products in fast growing, profitable categories as well as increasing market share in its existing product categories. Introduction of new products and product extensions requires significant research and development as well as marketing initiatives. If the Group's new products fail to meet consumers' preferences, the return on its investment in such new product will be less than anticipated and the Group's strategy to grow net sales and profits may not be successful, which could in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

A decrease in consumer confidence and changes in consumer habits may adversely affect the Group's business, financial condition, results of operations and prospects

Grupo Bimbo is exposed to certain political, economic and social factors in Mexico and in the other countries where it operates that are beyond its control and could adversely impact the confidence and habits of consumers. Changes in employment and salary levels, interest rates and other economic indicators, among other factors, have a direct impact on consumers' income and their purchasing power and an indirect impact on their confidence and consumption habits, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo may be unable to drive revenue growth in its key products or add products that are faster-growing and more profitable

The Group's future results will depend, in part, on its ability to drive revenue growth in its key products. Because a significant portion of the Group's operations are concentrated in North America, where growth in the sweet baked goods industry has been moderate in recent years, the Group's success also depends in part on its ability to enhance its portfolio by adding innovative new products and rapidly responding to new consumer demands. There can be no assurance that new products will find widespread acceptance among consumers. The Group's failure to drive revenue growth in its key products or develop innovative new products could materially and adversely affect its profitability, financial condition and operating results.

Grupo Bimbo relies on a limited number of customers for sales through certain of its distribution channels

Sales under certain of the Group's distribution channels, in particular sales under its quick service restaurant channel, rely on a limited number of customers with whom the Group does not have written contracts in place, instead, purchases and sales are made on a purchase order basis. Usually Grupo Bimbo has long-standing relationships with such customers, however, any such customer may cease to buy the Group's products at any time. The loss of key customers could materially and adversely affect the Group's profitability, financial condition and operating results.

Grupo Bimbo would be adversely affected by any significant or prolonged disruption to its production facilities

Any prolonged and/or significant disruption to the Group's production facilities, whether due to repair, maintenance or servicing, industrial accidents, mechanical equipment failure, human error, authority supervision, natural disaster or otherwise, would disrupt and adversely affect the Group's operations. In particular, any major disruption to its production facilities may have an adverse impact on its ability to comply with its obligations under its contracts with its customers, which could result in sanctions or penalties under such contracts, including the termination thereof by the Group's customers. In such a circumstance, Grupo Bimbo cannot assure that it would be able to negotiate the termination to the applicable contract, or a replacement thereof, which would have a material and adverse effect on its business, financial condition, results of operations and prospects.

Grupo Bimbo is a holding company. The Group doesn't generate revenue itself, and it depends on dividends and other financial resources from its subsidiaries to fund its operations and pay dividends, should the Group determine to do so

Grupo Bimbo is a holding company and conduct all of its operations through its subsidiaries. Grupo Bimbo has no independent operations or material assets other than the shares of its subsidiaries. Consequently, the Group's ability to fund its operations, pay interest on its debt and, to the extent that the Group decides to do so, pay dividends, primarily depends on its subsidiaries' ability to generate revenue and pay dividends to the Group. The Group's subsidiaries are separate and distinct legal entities. Any dividend payment, distribution, credit or advance from its subsidiaries is limited by the general provisions of Mexican legislation regarding the distribution of corporate earnings, including those regarding legally required employee profit sharing payments and, in certain circumstances, contractual restrictions, such as those derived from financing contracts of its subsidiaries, which could limit the Group's capacity to obtain dividends from its subsidiaries. In addition, under Mexican law, the Group's Mexican subsidiaries may only pay dividends (i) out of retained earnings included in financial statements that have been approved by their respective shareholders' meetings, (ii) after all losses from prior fiscal years have been satisfied and (iii) if the corresponding entity has allocated 5.0% of its net profit for such fiscal year to its legal reserve, which allocation must be made on an annual basis until its legal reserve represents at least 20.0% of such entity's capital stock. If a shareholder initiates legal action against Grupo Bimbo, the enforcement of any judgment would be limited to the Group's subsidiaries' available assets. The payment of dividends by the Group's subsidiaries also depends on their earnings and business considerations. In addition, the Group's right to receive any assets from any subsidiary upon its reorganization or liquidation, in its capacity as a shareholder of such subsidiary, will be effectively subordinated to the rights of such subsidiary's creditors, including trade creditors. Any adverse change in the financial situation or in the result of operations of the Group's subsidiaries could affect its business, financial condition, results of operations and prospects.

Health and product liability risks related to the food industry could adversely affect the Group's business, financial condition, results of operations and prospects

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

Any actual or perceived health risks associated with the Group's products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of its products. In recent years, governments in many jurisdictions have negatively referred to products in the industries in which Grupo Bimbo participates and have threatened or imposed taxes that may negatively impact demand for its products. Even if the Group's own products are not affected by contamination, its industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for the Group's products in the affected category. In addition, adverse publicity about the safety and quality of certain food products, such as the publicity about foods containing genetically modified ingredients, whether or not true, may discourage consumers from buying the Group's products or cause production and delivery disruptions.

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

The Group's operations are subject to extensive food quality and safety regulations

The Group's operations, including its manufacturing facilities, transportation vehicles and products, are subject to extensive regional and national laws, rules, regulations and standards of hygiene and quality regulation in the food safety area and oversight by authorities in each of the countries where the Group operates regarding the processing, packaging, labeling, storage, distribution and advertising of its products. These authorities enact and enforce regulations with respect to the Group's operations by, among other things, licensing its plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses. Consequently, Grupo Bimbo is required to maintain various registries, licenses and permits in order to operate its business.

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

The Group's U.S. products and packaging materials are regulated by the U.S. Food and Drug Administration, or FDA. This agency enacts and enforces regulations relating to the production, distribution and labeling of food products in the United States. In addition, various states regulate the Group's U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of food products and imposing their own labeling requirements on food products.

The Group's operations in Europe are subject to extensive food safety regulations and are subject to governmental food processing controls in each of the European countries in which Grupo Bimbo conducts its business. Regulation EC/178/2002, as amended, provides the framework for a unified approach to food safety in the European Union and all member states have implemented the requirements into law. Among the other major requirements of Regulation EC/178/2002 are Article 17, which imposes on food business operators a general obligation to ensure that the operations under their control satisfy the relevant food law requirements and an obligation to verify that such requirements are met, and Article 18, which imposes a mandatory traceability requirement along the food chain. In addition to the general requirements of Regulation EC/178/2002, Grupo Bimbo is subject to specific food hygiene legislation. Further, the Group is regularly inspected by various national and local regulatory authorities. In addition, Grupo Bimbo is subject to extensive consumer-protection and product liability regulations.

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

The Group relies on third parties to sell its products to its consumers, and if they perform poorly or give preference to competing products, Grupo Bimbo could be negatively affected

Grupo Bimbo derives a significant portion of its operating revenues from sales to retailers. Grupo Bimbo sells its products to non-traditional retailers, such as supermarkets, hypermarkets and hard discounters, and to traditional retailers, such as small convenience stores and small family-owned stores. These third parties, in turn, sell the Group's products to final consumers. A portion of its revenues comes from the foodservice distribution channel which includes operators such as restaurants and the on-the-go channel including vending machines. Any significant deterioration in the business performance of the Group's customers could adversely affect the performance of its products. In addition, shelf and retail space for sweet baked goods is limited and subject to a competitive environment and other industry pressures. Therefore, traditional and non-traditional retailers also carry products that directly compete with the Group's products for consumer purchases, retail space and marketing efforts. There is a risk that such retailers may give preference to products of, or form alliances with, the Group's competitors or their own private labels other than with respect to products that Grupo Bimbo produces for such private labels, or put pressure on the Group's margins. Private label products represent an alternative for value-conscious consumers. These products allow retailers to increase their sales and margins, which incentivizes retailers to take advantage of their platform to give preference to such private label products at the expense of branded products. There can be no assurance that retailers will provide the Group sufficient shelf space for its products to enable Grupo Bimbo to meet its growth objectives. If retailers put pressure on its margins, fail to purchase its products or fail to provide its products with adequate marketing efforts, the Group's business, financial condition, results of operations and prospects could be adversely affected.

Further consolidation in the supermarket, baking and retail food industries may adversely impact the Group

Consolidation in the supermarket industry has changed the grocery retail landscape in recent years. Originally, supermarkets rose to prominence by selling numerous types of goods under one roof, largely replacing small grocery stores and other retailers that only sold one particular type of product. In order to increase efficiency and maintain competitiveness, supermarket chains have begun consolidating, a trend that has led to a reduction in the number of retailers. Grupo Bimbo and other producers are becoming increasingly dependent on a small number of retailers for sales volume, which gives these retailers significant leverage to bargain for lower prices in their purchases of the Group's products, requires additional spending on marketing programs by producers or specifically tailored products. Sales to the Group's larger customers on terms less favorable to the Group could adversely affect its business, financial condition, results of operations and prospects.

In addition, consolidation among the Group's competitors in the baked goods and retail food industry may cause its competitors to gain in size and competitive strength, adversely affecting the Group's business, financial condition, results of operations and prospects.

Disruption of the Group's supply chain and distribution network could adversely affect its business, financial condition, results of operations and prospects

The Group's operations depend on the continuous operation of its supply chain and distribution network. Damage or disruption to the Group's production or distribution capabilities due to weather, natural disaster, fire, electricity shortages, terrorism, pandemics, strikes, disputes with, or the financial and/or operational instability of, key suppliers, distributors, warehousing and transportation providers, or other reasons could impair our ability to manufacture or distribute the Group's products or to timely comply with its commitments.

To the extent that Grupo Bimbo is unable, or it is not financially feasible for it, to mitigate interruptions in its supply chain, whether through insurance arrangements or otherwise, or their potential consequences, there could be an adverse effect on its business, financial condition, results of operations and prospects, and additional resources could be required to restore the Group's supply chain. These events could materially and adversely affect its business, financial condition, results of operations and prospects.

Natural disasters and other events could adversely affect the Group's operations

Natural disasters, such as storms, hurricanes and earthquakes, could disrupt operations, damage infrastructure or adversely affect the Group's production plants and distribution processes. Any of these events could increase its expenses or investments, result in a *force majeure* event under certain of our contracts and/or impact the economies of the markets affected by such disasters or events and consequently affect the business, financial condition, results of operations and prospects of the Group.

Grupo Bimbo operations could be adversely affected if its suppliers fail to perform in a satisfactory manner

The Group's production depends on the availability of raw materials such as wheat flour, edible oils and fats, sugar and eggs, which the Group obtains from several third party suppliers in different countries. Although Grupo Bimbo believes any of its suppliers could be replaced, if for any reason any of its major suppliers is unable or unwilling to continue providing the Group with raw materials due to production delays, increased competition for their products, failure to meet its quality or hygienic standards or any other reason, the Group may face delays in obtaining alternate suppliers, and such suppliers may be unwilling to supply its raw material needs on terms as favorable, or by satisfying the same quality, as those provided by the Group's current suppliers. In addition, in the event of severe shortages, the Group's suppliers may be directed by government agencies to supply certain consumers directly, with preference over Grupo Bimbo. Any such event could result in delays in the Group's operations, deterioration of its brands (and, as a result, reduced demand for its products) and diminished financial results.

Grupo Bimbo may be subject to unknown or contingent liabilities related to its recent and future acquisitions

The Group's recent and future acquisitions of assets and entities may be subject to unknown or contingent liabilities (including violations to antitrust, anticorruption, anti-bribery and anti-money laundering laws) or breaches of representations and warranties for which the Group may have no recourse, or only limited recourse, against the former owners. In some of the Group's acquisitions the former owners agreed, or may agree, to indemnify the Group for certain of these matters. However, such indemnification obligations are often subject to materiality thresholds and guaranty limits, and such obligations are generally time limited. For certain acquisitions, Grupo Bimbo may not be able to successfully negotiate for such indemnification obligations. As a result, the Group may not recover any amounts with respect to losses due to unknown or contingent liabilities or breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with the acquired assets and entities may exceed the Group's expectations, and the Group may experience other unanticipated adverse effects, all of which may adversely affect its business, financial condition, results of operations and prospects.

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

Grupo Bimbo may pursue further acquisitions in the future. The Group does not know if it will be able to successfully complete any such acquisitions or whether it will be able to successfully integrate any acquired business into its business or retain key personnel, suppliers or distributors. Also, there can be no assurance that a challenge on antitrust grounds, in connection with the Group's existing operations or any acquisition that the Group may pursue in the future, will not be made. If any such challenge is made, the Group may be required to sell or divest a significant portion of its business or it may be prevented from consummating a specific acquisition. The Group's ability to successfully grow through acquisitions depends upon its ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain the required financing on terms acceptable to Grupo Bimbo. These efforts could be expensive and time consuming, disrupt its ongoing business and distract management. If Grupo Bimbo is unable to integrate any acquired businesses effectively, its business, financial condition, results of operations and prospects could be materially adversely affected.

Grupo Bimbo may be unable to successfully expand its operations into new markets

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

Currency fluctuations may adversely affect the Group

Grupo Bimbo generates revenues and incur operating expenses and indebtedness in local currencies in the countries where it operates. The amount of its revenues denominated in a particular currency in a particular country typically varies from the amount of expenses or indebtedness incurred by its operations in that country given that certain costs may be incurred in a currency different from the local currency of that country, such as the U.S. dollar. This situation exposes the Group to potential losses and reductions in its margins resulting from currency fluctuations, which may materially and adversely affect its business, financial condition, results of operations and prospects.

As of December 31, 2018, 78.0% of its consolidated debt and a significant portion of its income, operating costs and taxes were denominated in U.S. dollars. However, other significant portions of the Group's income, operating costs and taxes were denominated in Mexican pesos and certain other currencies. As a result, the appreciation or depreciation of the Mexican peso and such other currencies against the U.S. dollar affects the Group's results of operations and financial condition. Significant fluctuations of the Mexican peso and such other currencies relative to the U.S. dollar have occurred in the past, negatively affecting the Group's results. For example, according to the Mexican Central Bank, the Mexican peso appreciated by 0.04% in 2018, and appreciated by 4.5% in 2017 and depreciated by 19.2% in 2016, and by 17.0% in 2015, while the currency appreciated 12.6% in 2014, against the U.S. dollar, all in nominal terms. Banco de México may from time to time participate in the foreign exchange market to minimize volatility and support an orderly market. Banco de México and the Mexican government have also promoted market-based mechanisms for stabilizing foreign exchange rates and providing liquidity to the exchange market. However, the peso is currently subject to significant fluctuations against the U.S. dollar and may be subject to such fluctuations in the future.

Grupo Bimbo selectively hedges its exposure to the U.S. dollar with respect to the Mexican peso and other currencies, its U.S. dollar-denominated debt obligations and the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of the Mexican peso or any currency of the countries where the Group operates may result in a disruption of the international foreign exchange markets and may limit its ability to transfer or to convert Mexican pesos or such other currencies into U.S. dollars for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign people or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future. Any change in the monetary policy, policies related to the transferability of funds, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which the Group has no control, could have an adverse effect on its business, financial condition, results of operations and prospects. Restrictions on the Group's right to convert pesos into U.S. dollars or make payments outside of Mexico could affect its ability to make timely payment of its obligations due to be paid outside Mexico or in a currency other than pesos. Furthermore, there can be no guarantee that any hedging transactions Grupo Bimbo enters into will sufficiently protect it against any such impacts.

The Group's business operations could be disrupted due to interruptions or failures in its information technology systems

Grupo Bimbo relies on sophisticated information technology systems and infrastructure to support its business, including process control technology. Confidentiality and integrity of information may be jeopardized by deliberate or unintentional misuse, manipulation or disclosure of information; physical theft; or cybersecurity data breaches by its employees, suppliers, hackers, criminal groups, nation-state organizations, social-activist organizations or other third parties. Although the Group does not transact e-commerce directly to consumers as the merchant, it has implemented procedures, controls and technology to address cybersecurity and regulatory compliance. Grupo Bimbo currently utilizes third party e-commerce providers and request that they have the appropriate cybersecurity controls and meet regulatory requirements. However, the cybersecurity and compliance controls the Group or its third party providers implement might not be effective. In particular, continuity of business applications and services may be disrupted by errors in systems' maintenance, migration of applications to the cloud, power outages, hardware or software failures, viruses or malware, denial of service and other cyber security attacks, telecommunication failures, natural disasters, terrorist attacks and other catastrophic events.

Should any of these risks materialize, the need to coordinate with various third party service providers might complicate the Group's efforts to resolve the related issues. If the Group's controls, disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, its business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, should confidential information belonging to the Group or its employees, customers, consumers, partners, suppliers, or governmental or regulatory authorities be misused or breached, the Group may suffer financial losses relating to remediation, damage to its reputation or brands, loss of intellectual property, or penalties or litigation related to violation of data privacy laws and regulations.

Failure to maintain the Group's relationships with labor unions may have an adverse effect on its business, financial condition, results of operations and prospects

The majority of the Group's workforce is represented by labor unions. While Gurpo Bimbo has enjoyed satisfactory relationships with all of the labor organizations that represent its associates and the Group believes its relationships with labor organizations will continue to be satisfactory, labor-related disputes may still arise. These labor disputes may be motivated by changing social and economic conditions in the countries in which the Group operates. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage the Group's relationships with its customers and adversely affect its business, financial condition, results of operations and prospects. In addition, if any significant differences arise during its negotiations with labor unions or employees, or any other significant conflicts arise, its business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, increases in labor costs may materially and adversely impact the Group's business, financial condition, results of operations and prospects. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on Grupo Bimbo.

The Group's labor costs include the cost of providing benefits for associates. Grupo Bimbo sponsors a number of defined benefit plans for associates in most of the regions where it operates, including pension, retiree health and welfare, active health care, severance and other post-employment benefits. Grupo Bimbo also participates in a number of MEPPs for certain production facilities. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the weighted-average discount rate used to measure obligations, the rate or trend of health care cost inflation, the provisions of collectively bargained wage and benefit agreements or by material adjustments in the MEPP sponsors.

The Group enters into significant transactions with affiliates and related parties, whether individuals or legal entities, and this may create potential conflicts of interest and result in less favorable terms for the Group

Grupo Bimbo participates in transactions with individuals and legal entities affiliated with or related to it. These transactions could create potential conflicts of interest and result in less favorable terms for the Group than would be obtainable from a non-related third party.

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

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

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

The Group's operations are subject to federal, state and municipal laws, rules, regulations and official standards, relating to the protection of the environment and natural resources in all the markets in which it operates. In general, environmental laws impose liability and clean-up responsibility for releases of hazardous substances into the environment and set out the requirements to obtain and maintain environmental permits for the Group's facilities.

In the United States, Gupo Bimbo is subject to federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund).

In Mexico, the Group is subject to various Mexican federal, state and municipal environmental laws and regulations that govern discharges into the environment, as well as the handling and disposal of hazardous substances and wastes. Grupo Bimbo is subject to strict regulation in Mexico by, among other agencies, the Environmental and National Resources Ministry (*Secretaría de Medio Ambiente y Recursos Naturales*), the Labor and Social Security Ministry (*Secretaría del Trabajo y Previsión Social*), the Federal Environmental Protection Bureau (*Procuraduría Federal de Protección al Ambiente*) and the National Water

Commission (*Comisión Nacional del Agua*). These agencies may initiate administrative proceedings for violations of environmental and safety ordinances and impose economic penalties on violators.

Although the Group has specific programs across its business units designed to meet applicable environmental compliance requirements, modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations in the jurisdictions in which the Group operates may result in the need for investments that are not currently provided for in its capital expenditures program and may otherwise result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to anti-trust, anti-corruption and anti-money laundering laws in different countries where it has operations. Failure to comply with these laws could result in penalties, which could harm the Group's reputation and have an adverse effect on its business

The Group operates in multiple jurisdictions and is subject to complex regulatory frameworks with increased enforcement activities worldwide. Grupo Bimbo is subject to anti-trust, anti-corruption and anti-money laundering laws. Although the Group maintains policies and processes intended to comply with these laws, including a review of its internal control over financial reporting, the Group cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by its officers or employees. If the Group's officers or employees fail to comply with any applicable anti-trust, anti-corruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on the business, financial condition, results of operations and prospects of the Group. Furthermore, the entities or businesses the Group acquires may not comply with the same control standards and procedures as Grupo Bimbo. Any investigation of potential violations of anti-trust, anti-corruption, anti-bribery or anti-money laundering laws by governmental authorities in any jurisdiction where the Group operates could materially and adversely affect its business, financial condition, results of operations and prospects. This could also adversely impact the Group's reputation and ability to, when applicable, obtain contracts, assignments, permits and other government authorizations.

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry collusion among several bread suppliers, including Canada Bread from 2001 to 2017. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved have admitted to inappropriate conduct. Canada Bread hasnot been charged with any offenses. Both the Group and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Gruop was notified of certain class actions initiated by groups of consumers and/or consumer associations against all the parties allegedly involved in Canada's Competition Bureau investigation.

In addition, Grupo Bimbo is subject to economic sanctions regulations that restrict its dealings with certain sanctioned countries, individuals and entities. There can be no assurance that the Group's internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by its affiliates, employees, directors, officers, partners, agents and service providers or that any such people will not take actions in violation of Group's policies and procedures. Any violations by Grupo Bimbo of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on its reputation, business, financial condition, results of operations and prospects.

An impairment in the carrying value of goodwill or intangibles could negatively affect the Group's consolidated operating results and net worth

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

Financing to meet the Group's future capital needs may not be available or sufficient on terms acceptable to it and/or at all

Grupo Bimbo may need additional financing to build new facilities, expand existing ones, undertake mergers and acquisitions, refinance its debt or for other purposes. Some of the financing agreements entered into by the Group and by its subsidiaries contain financial ratios and other customary covenants for transactions of this type which may limit its ability to incur additional debt.

The global market and economic conditions are unpredictable and may continue to be so in the future. Debt capital markets have in the past been affected by significant losses in the international financial services industry and economic events in certain countries, among other factors. In the future, the cost of fundraising in debt capital markets may increase significantly, while funds available from these markets may materially decrease. The Group's growth strategy may require financing by public or commercial banks and loans from other public or private financial institutions. In the event there are no funds available from public or private banks, or if such funds are provided on less favorable terms, the Group may not be able to meet its capital needs, or these needs may be limited or hampered, and the Group may not be able to (i) take advantage of certain business opportunities, (ii) respond to competitive pressures, (iii) fund needed capital expenditures or (iv) fund required margin calls or margin deposits in connection with hedging transactions, which may adversely affect its business, financial condition, results of operations and prospects.

Grupo Bimbo may incur additional indebtedness in the future that could adversely affect its financial condition and its ability to satisfy its total outstanding debt obligations from its cash flow

In the future, the Group could incur in additional debt, situation ehich could have the following effects:

- limit its ability to pay its debt;
- limit its ability to pay dividends;
- increase its vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a portion of its cash flow from operations to servicing and repaying its indebtedness, which may place the Group at a competitive disadvantage with respect to its competitors with less debt;
- limit its flexibility in planning for or reacting to changes in its business and the industry in which it operates;
- limit, along with the financial and other restrictive covenants of its indebtedness, its ability to borrow additional funds; and
- increase the cost of additional financing.

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

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

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

Legal and regulatory developments may adversely affect the Group's business, financial condition, results of operations and prospects

The Group is subject to regulation in each of the countries where it operates. The principal areas in which Grupo Bimbo is subject to regulation are water, environment, labor, taxation, health and antitrust. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries where the Group operates, including the imposition of taxes directed to products that the Group sells, may increase its operating costs or impose restrictions on its operations which, in turn, may adversely affect its business, financial condition, results of operations and prospects. In particular, environmental standards are becoming more stringent in several of the countries where the Group operates, and the Group is in the process of complying with these standards, although it cannot assure that it will be able to meet the timelines for compliance established by the relevant regulatory authorities. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on the Group's future results or financial condition.

The Group is affected by governmental regulations and guidelines imposing health, food safety and nutritional standards. The Group's compliance with such standards may require it to incur substantial costs for research and development and use costlier ingredients in its products. Grupo Bimbo may not be able to make corresponding increases in the prices it charges consumers for its products, which would adversely affect the business, financial condition, results of operations and prospects of the Group.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where the Group operates. Currently, price controls on the Group's products exist in certain of the territories in which it has operations. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on its business, financial condition, results of operations and prospects. Grupo Bimbo cannot assure that governmental authorities in any country where it operates will not impose statutory price controls or that it will not need to implement voluntary price restraints in the future.

The Group's operations are subject to the general risks of litigation

Grupo Bimbo is involved, on an ongoing basis, in litigation arising in the ordinary course of business or otherwise, which could result in unfavorable decisions or financial penalties against it. Litigation may include class actions involving consumers, shareholders, employees or injured people, and claims related to commercial, labor, employment, antitrust, tax, administrative, intellectual property, torts, contract securities or environmental matters. Class actions were recently recognized in Mexico. Moreover, the process of litigating requires substantial time, which may distract the Group's management. Even if the Group is successful, any litigation may be costly, and may approximate the cost of damages sought. Furthermore, there may be claims or expenses which are denied insurance coverage by the Group's insurance carriers, not fully covered by its insurance, in excess of the amount of its insurance coverage or not insurable at all. Litigation trends and expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigations, trends, expenses and outcomes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's operations have from time to time been subject to investigations and proceedings by antitrust authorities and litigation relating to alleged anticompetitive practices (including related class actions and other proceedings). During the period from 2001 to 2017, Canada's Competition Bureau commenced an investigation over allegations relating to an industry wide conspiracy among several bread suppliers (including the business we acquired from by Maple Leaf Foods in Canada in 2014) and retailers in connection with pricing conduct dating back to 2001. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved, have admitted to inappropriate conduct. Neither Grupo Bimbo nor any of its associates have been charged with any offenses as of the date of this report. The group is cooperating fully with Canada's Competition Bureau as it conducts its inquiry. In addition, shortly after the commencement of such investigation, Grupo Bimbo was notified of certain class actions in most of canadian provinces initiated by groups of consumers and/or consumer associations filed against all the parties allegedly involved in Canada's Competition Bureau investigation relating to the facts and subject matter of such investigation. The Group cannot assure you that the outcomes of this investigation will not have a material adverse effect on its business, financial condition, results of operations and prospects.

Grupo Bimbo will continue to be subject to legal proceedings and investigations. The Group cannot assure you that these investigations and proceedings will not have an adverse effect on its business, financial condition, results of operations and prospects. Moreover, adverse publicity about regulatory or legal actions or investigations and allegations by other parties involved in regulatory or legal actions against the Group could damage its reputation and brand image, undermine our customers' confidence and reduce long-term demand for its products, even if the regulatory or legal action is unfounded or not material to our operations.

The Group is subject to different disclosure and accounting standards than companies in other countries

A principal objective of the securities laws of Mexico and other countries is to promote full and fair disclosure of all material corporate information, including the financial information of the issuers. However, it is possible that issuers of securities in Mexico do not disclose the same information or disclose different information from what would be mandatory for them to disclose in other countries.

A decrease in consumer confidence and changes in consumer habits may adversely affect the business, financial condition or results of operations of the Group

The Group is exposed to certain political, economic and social factors in Mexico and in the other countries in which it operates that are beyond its control and could adversely impact the confidence and habits of consumers. Changes in employment and salary levels, interest rates and other economic indicators, among other factors, have a direct impact on consumers' incomes and their purchasing power and an indirect impact on their confidence and consumption habits, which could have an adverse effect on the sales and results of operations of Grupo Bimbo.

It may be difficult to enforce civil liabilities against the Group or its directors, executive officers and controlling people

Grupo Bimbo is a listed variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, with its registered address in Mexico, and most of its directors, executive officers, and controlling people are residents in Mexico. Moreover, a significant portion of its assets and a significant portion or all of the assets of such resident people are located in Mexico.

As a result, it may be difficult for foreign investors to bring legal processes outside Mexico against such people or the Group, or to enforce judgments against them or the Group in courts of any jurisdiction outside of Mexico, including any judgment predicated upon the civil liability provisions of such people in those countries. There is doubt as to the enforceability in Mexican courts of civil liabilities arising under the federal laws of the United States, by means of judgments carried out in Mexico or enforcement processes of judgments from US courts.

Risks Related to Countries in Which the Group Operates

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

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

Any limitation on foreign trade in any of the countries where the Group operates could affect its business, financial condition, results of operations and prospects. Individual governments could impose trade restrictions for a variety of reasons, either tariff or non-tariff, restricting, limiting or prohibiting international trade of goods. Such measures would adversely affect the Group's business, financial condition, results of operations and prospects since Grupo Bimbo imports a significant portion of its raw materials.

Global economic conditions may adversely affect the Group's business and financial performance

The Group's business, financial condition, results of operations and prospects may be affected by the general conditions of the economies, rates of inflation, interest rates or exchange rates for the currencies of the countries where Grupo Bimbo operates. These conditions vary by region and may not be correlated to conditions in the Group's operations in other regions. Decreases in the growth rate of these countries' economies, periods of negative growth and/or increases in inflation or interest rates in these countries may result in lower demand for the Group's products, lower real pricing of its products or a shift to lower margin products.

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the other countries where the Group operates. When economic conditions deteriorate, the end markets for the Group's products may experience declines, and we may suffer reductions in the Group's sales and profitability. In addition, the financial stability of the Group's customers and suppliers may be affected, which could result in decreased, delayed or canceled purchases of our products, increases in uncollectable accounts receivable or non-performance by suppliers.

The global economy may continue to experience periods of slowdown and volatility which in turn may further diminish expectations and consumer spending in the economies in which the Group operates and may be adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, currency fluctuations, disruptions in the credit markets, difficulty in obtaining financing, reduced business activity, rising unemployment, uncertainty in the level of interest rates, erosion of consumer confidence and reduced consumer spending. Although the Group's strategy is targeted at offsetting or taking advantage of market trends as appropriate, worsening of the global economic downturn in general has had, and may continue to have, a negative impact on the business, financial condition, results of operations and prospects of Grupo Bimbo.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. A process of negotiation, which is expected to be completed within the next two years, will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on the Group results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by volatility and reduced growth. The uncertainty before, during and after the period of negotiation could also have a negative operational or economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the Group's business.

Political or social developments in any of the countries in which Grupo Bimbo has operations, over which it has no control, may have an adverse effect on the global market or on our business, financial condition, results of operations and prospects.

Adverse economic conditions in North America in particular may adversely affect the Group's business, financial condition, results of operations and prospects

Grupo Bimbo is a company incorporated in Mexico, and a significant portion of its operations are conducted in Mexico, the United States and Canada. For the year ended December 31, 2018, 81% and 97% of its total net sales and Adjusted EBITDA (giving effect to the amortization of losses from its operations in Europe), respectively, were attributable to its operations in Mexico, the United States and Canada. As a result, the Group's business, financial condition, results of operations and prospects may be affected by the general condition of the economies in the United States, Canada and Mexico, including price instability, inflation, interest rates, regulation, taxation, increasing crime rates and other political, social and economic developments over which Grupo Bimbo has no control. In addition, the Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. In the past, Mexico has also experienced prolonged periods of economic crisis caused by internal and external factors over which the Group has no control. These periods have been characterized by exchange rate instability, high inflation, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. Such conditions may return and could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers, including Grupo Bimbo.

In addition, the direct correlation between economic conditions in Mexico and the United States has sharpened in recent years as a result of the North American Free Trade Agreement and increased economic activity between the two countries. Thereof, the adverse general economic conditions in the United States, the termination of the North American Free Trade Agreement or "NAFTA" or other related events could adversely affect the Group's business, financial condition, results of operations and prospects. In addition, due to the unpredictable dynamics of the international credit markets, capital availability and cost could be significantly affected and could restrict the Group's ability to obtain financing or refinance its existing indebtedness on favorable terms, if at all, materially adversely affecting the Group's business, financial condition, results of operations and prospects.

Negotiators from Mexico, the United States and Canada announced the renewal of the treaty in September 2018, where certain aspects of NAFTA were modified. NAFTA updates are still subject to the approval of each countries' respective legislation. It is expected that a 16-year "sunset" clause will be included, which means that the terms of the treaty will expire on the termination of such period, and are subject to review every 6 years, in which case the United States, Mexico and Canada can decide on the extension of the treaty or not. It is difficult to predict the extent of the effects of such termination or modifications, however, such changes could have an adverse impact on our business, financial condition, results of operations and cash flows. Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, the Group's business, financial condition, results of operations and prospects

Political events in Mexico may significantly affect Mexican economic policy and, consequently, the Group's operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on the Group and on market conditions in Mexico. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect the Group's business, financial condition, results of operations and prospects. The Mexican federal government occasionally makes significant changes in policies and regulations and may do so again in the future. Actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations and capital controls and limits on imports. Tax legislation, in particular, in Mexico is subject to continuous change, and Grupo Bimbo cannot assure that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on its business, financial condition, results of operations and prospects.

Grupo Bimbo cannot predict the impact that political developments in Mexico will have on the Mexican economy nor can provide any assurances that these events, over which we have no control, will not have an adverse effect on its business, financial condition, results of operations and prospects. In addition, government forecasts of Mexico's economic growth may affect rating agencies' perception of the country, which may have a negative effect on Mexico's credit ratings issued by international rating agencies, which may, in turn, adversely affect the Group's business, financial condition and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation (in particular with respect to the Mexican peso-U.S. dollar exchange rate), convertibility restrictions and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect the Group's business and ability to service its debt. During 2018, Banco de México increased its reference rate by 100 basis points, from 7.25% to 8.25%. Future increases in interest rates may adversely affect the Group's results of operations by increasing its financing cost. In addition, a worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, the Group's financial condition and its ability to service its debt.

High inflation rates may adversely affect the Group's financial condition, results of operations and prospects

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the peso and the imposition of substantial government controls over exchange rates and prices. As provided and published by Mexican National Institute for Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, or INEGI), the annual rate of inflation for the last three years was 3.44% in 2016, 6.77% in 2017 and 4.83% in 2018. Grupo Bimbo cannot assure that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States, any of which could increase our capital expenditures and adversely affect its ability to obtain financing in the future, adversely affecting the Group's financial condition and its ability to make payments on the notes.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm the Group's business

Brazil has in the past experienced extremely high rates of inflation and, as a result, has adopted monetary policies that have resulted in one of the highest real interest rates in the world. The Central Bank of Brazil sets the base interest rates generally available to the Brazilian banking system, based on the expansion or contraction of the Brazilian economy, inflation rates and other economic indicators. The trend of periodic reductions of the base interest rate (*Sistema Especial de Liquidação e Custódia*, or "SELIC" rate) that the Central Bank of Brazil had implemented since 2005 was temporarily reversed during 2008, and the SELIC rate reached 13.67% as of December 31, 2008, compared to 6.5% as of December 31, 2018. However, in response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank of Brazil significantly reduced the SELIC rate, which reached 8.65% as of December 31, 2009. The SELIC rate was gradually raised to 12.42% through July 2011, after which the Central Bank of Brazil lowered the SELIC rate to 7.39% in August 2012. To control inflation during 2013, the Central Bank of Brazil gradually raised the SELIC rate to 9.90% in December. As of March 22, 2018, the SELIC rate stands at 6.5%. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank of Brazil, have had and may have significant effects on the Brazilian economy and businesses. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient policies of the government and the Central Bank of Brazil and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect the Group's business in Brazil.

The impact on the Group's operating costs due to inflation in Argentina could have a material adverse effect on the Group's results in Argentina

Historically, inflation has materially weakened Argentina's economy and the Argentinian government's ability to create conditions for growth. In recent years, Argentina has experienced high rates of inflation. The Argentinian government continues to implement measures to monitor and control the prices of the most relevant goods and services. Despite these measures, the Argentinian economy continues to experience high levels of inflation.

High rates of inflation affect Argentina's external competitiveness, social and economic inequality, and negatively affect employment, consumption, the level of economic activity and weakens confidence in the Argentinan banking system. Given its persistent nature in recent years, inflation continues to be a challenge for Argentina, so this could lead to a significant increase in the Group's operating costs, particularly in labor force costs, and result in a negative impact of the results of the Gropu´s operation in Argentina. For financial purposes, beginning in July 2018, the operation in Argentina qualifies as a hyperinflationary economy; therefore, the subsidiaries of Grupo Bimbo in that country recognized the accumulated inflation adjustments. Future impairments in the Argentinian economy, regulation, business or politics could lead to the recognition of impairment charges for some of the Group's assets in Argentina.

Violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a negative effect on the Group's business, financial condition, results of operations and prospects

Mexico has recently experienced a significant increase in violence relating to illegal drug trafficking and organized crime, particularly in Mexico's northern states near the United States border. This increase in violence has had an adverse impact on the economic activity in Mexico. In addition, social instability in Mexico and adverse social or political developments in or affecting Mexico could adversely affect the Group and its financial performance. Also, violent crime may increase our insurance and security costs. Grupo Bimbo cannot assure that the levels of violent crime in Mexico or its expansion to a larger portion of Mexico, over which it has no control, will not increase. Corruption and links between criminal organizations and government authorities also create conditions that affect the Group's business operations, as well as extortion and other acts of intimidation, which may have the effect of limiting the level of action taken by federal and local governments in response to such criminal activity. An increase in violent crime could adversely affect the Group's business, financial condition, results of operations and prospects.

Grupo Bimbo is exposed to the risk of potential expropriation or nationalization of our assets in some of the countries where it operates

Grupo Bimbo is exposed to the risk of potential expropriation and nationalization of its assets that are located in the various countries in which the Group operates (like Venezuela), some of the countries in which Grupo Bimbo operates have been subject to volatile political conditions in the recent past, and we cannot assure that the local governments will not impose changes retroactively that could affect the Group's business, or that would force us to renegotiate our current agreements with such governments. The occurrence of such events could materially affect its financial condition, results of operations and prospects.

The Group's operations in Venezuela are subject to risk due to political instability in Venezuela as well as recent sanctions against it by the United States

In Venezuela, the Group continues to face adverse economic conditions, including restrictive exchange rate policies, lower per capita income, pricing elasticity, high operating costs as a percentage of revenues and scarcity of and restrictions on importing raw materials. These adverse economic conditions have had in the past and will continue to have an adverse effect on the revenues, sales volume and profitability of the Group's Venezuelan operations. Even though for financial purposes, from May 2017, the Group no longer consolidates its subsidiaries in Venezuela, Grupo Bimbo chose to classify its financial investments in equilty in its subsidiaries in Venezuela as equity and alternative financial instruments designated at fair value, as it intends to maintain these investments for the foreseeable future.

The United States imposed financial sanctions against Venezuela. These sanctions could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Political conditions in the U.S. may affect Grupo Bimbo adversely

The results of the 2016 U.S. presidential and congressional elections have generated volatility in the global capital markets and have created uncertainty about the relationship between the United States and Mexico. This volatility and uncertainty, as well as changes in policies implemented by the new administration, may affect the Mexican economy and may materially harm the Group's business, financial condition, results of operations and prospects. In addition, the recent enactment of the Tax Cuts and Jobs Act by the United States, which, among other things, reduces the maximum U.S. federal corporate income tax rate, may result in a decrease in investments by U.S. corporations in Mexico and negatively impact the Mexican economy and financial markets.

Furthermore, the plans of the new United States administration to build a wall between the United States and Mexico, as well as the implementation of a deportation plan against illegal immigrants of which the high majority are Mexicans, may have an negative impact on the relationship between the two countries and may result in increased commercial tariffs or other material consequences that may have a direct effect on the Mexican economy and, consequently, on the results of the Group's operations, cash flows, perspectives and/or stock price.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Mexican economy

Emerging markets such as Mexico are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. Any increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Mexico and adversely affect the Mexican economy in general.

Political and social events in Mexico and in the countries where it operates

The social, political, economic and other developments in Mexico and in the other countries in which the Group operates may adversely impact its operations and results.

Governmental action as well as any other social or political developments in Mexico and in the other countries in which the Group operates may adversely impact the market conditions and the price of its raw materials or of its products, which may affect its financial situation.

It may be difficult to enforce civil liabilities against the Group or its directors, executive officers and controlling people

Grupo Bimbo is a listed variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Most of its directors, executive officers, controlling people and experts named in this Annual Report are residents in Mexico, and a significant portion of the assets of such people and a significant portion of all the assets of Grupo Bimbo are located in Mexico. As a result, it may be difficult for investors to bring legal processes in any other jurisdiction outside of Mexico against such people or Grupo Bimbo, or to enforce judgments against them or Grupo Bimbo in courts of any jurisdiction outside of Mexico predicated upon the laws of any such jurisdiction. It is possible that those sentences arising from the application of foreign laws may not be enforceable in Mexico.

4) OTHER SECURITIES

As of December 31, 2018, the following securities were registered by Grupo Bimbo in the RNV:

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

2. *Certificados Bursátiles*:

(i) Bimbo 17 - Issued on October 6, 2017 in the aggregate amount of Ps.10,000,000,000 maturing on September 24, 2027.

(ii) Bimbo 16 – Issued on September 12, 2016 in the aggregate amount of Ps.8,000,000,000 maturing on September 2, 2026.

I. Senior Notes:

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

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

3. On June 27, 2014 Grupo Bimbo issued (i) Senior Notes in the international markets, in the aggregate amount of $800,000,000 US dollars maturing on 2024, and (ii) Senior Notes in the international markets, in the aggregate amount of $500,000,000 US dollars maturing on 2044, according to Rule 144A and Regulation S of the U.S. Securities Act.

4. On November 10, 2017 Grupo Bimbo issued Senior Notes in the international markets, in the aggregate amount of $650,000,000 US dollars maturing on 2047 according to Rule 144A and Regulation S of the U.S. Securities Act.

Subordinated notes:

1. On April 17, 2018, Grupo Bimbo issued subordinated perpetual notes in the international markets for $500,000,000, pursuant to Rule 144 A and Regulation S of the United States.

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

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

1. The third business day following the date of the annual shareholders' meeting in which the annual results are approved, which shall be held during the first four months of each year:

a. Reports and opinion referred to in article 28, paragraph IV of the LMV.

b. The annual financial statements or their equivalents, depending on the nature of the issuer, together with the opinion of the external auditor, as well as the audited annual financial statements of associated entities that contribute more than 10% of the Company's earnings or consolidated assets.

c. Letter signed by the secretary of the board of directors, stating the current status of the shareholders' meetings minutes registry, board of directors meetings minutes registry, share registry book, and, for corporations with variable capital (*sociedades anónimas de capital variable*), capital variation registry book.

d. Documents of the external auditor, referred to in Articles 84 and 84 Bis of the General Provisions Applicable to Securities Issuers and to Other Participants in the Securities Market and articles 4, 5, 36 and 37 of the General Provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that contract external auditing services for basic financial statements.and subscribed by the external auditor.

e. Declaration of statements by the officials responsible for initialling the financial statements referred to in article 32 of the General Provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that contract external auditing services for basic financial statements.

2. No later than April 30 of every year:

a. The annual report corresponding to the fiscal year immediately ended, prepared in accordance with theGeneral Provisions Applicable to Securities Issuers and other Securities Market Participants.

3. No later than May 31 of every year:

a. Submit to the National Banking and Securities Commission the Final Statement of Observations obtained from the External Auditor.

4. No later than June 30 of every year:

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

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

Within 20 business days following the end of the first three calendar quarters and within 40 business days following the end of the fourth calendar quarter of each fiscal year, the Company must report its financial statements and the economic, accounting and administrative information set forth in the corresponding electronic templates, comparing at minimum the results for the relevant quarter against the financial statements for the previous fiscal year according to the applicable accounting principles. The electronic documents shall include an update of the annual report (or prospectus, if as of the date of presentation of the financial information the issuer has not been required to publish such annual report) with management's comments and analysis of the results of the operations and financial situation of the issuer.

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

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

1. On the date of their publication, the calls for shareholders' meetings and the calls for bondholders' meetings or meetings of holders of other securities. Such calls must contain each and all of the items of the agenda to be discussed during the relevant meeting.

2. On the business day immediately following the date on which the relevant meeting is held:

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

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

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

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

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

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

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

b. Notice for the delivery or exchange of shares, obligations or other securities.

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

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

5. No later than June 30 of every third year, the notarization of the shareholder's meeting by means of which a restatement (*compulsa*) of the Company's by-laws has been approved.

IV. Repurchase of the Company's own shares:

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

V. Material events:

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

VI. Audit and non-audit services:

a. To inform and send a copy to the CNBV, authenticated by the Secretary of the Board, of the resolution approving the contracting or ratification of the external audit firm, no later than 15 business days following said contract or ratification.

b. Inform the CNBV of the detail and amount of the consideration for services other than external audit services, rendered by the audit firm, within 30 business days following the session of the Board approving such contract.

e) MATERIAL CHANGES TO THE SECURITY RIGHTS REGISTERED WITH THE RNV

During 2018 there were no material changes in the capital stock of Grupo Bimbo and therefore the capital stock was represented as of December 31, 2018 by 4,672,571,464 shares.

f) USE OF PROCEEDS

There are no unused proceeds obtained from the issuance of securities completed in previous years (see "Section “1. GENERAL INFORMATION – d) Other Securities").

g) PUBLIC DOCUMENTS

In order to review this Annual Report, please visit the Investor Relations site:

www.grupobimbo.com/en/investors/

For any clarification, please contact the Investor Relations team at Paseo de la Reforma 1000, Col. Peña Blanca Santa Fe, C.P. 01210, Mexico City, Mexico, telephone 5268-6830 and at the following e-mail:

ir@grupobimbo.com

In connection with the public information that has been delivered to the BMV, please visit the following websites:
http://www.grupobimbo.com
www.bmv.com.mx

The information available on these websites is not a part of this Annual Report.

For more information and documentation regarding the corporate governance of Grupo Bimbo please visit the following address:

http://www.grupobimbo.com

2) THE COMPANY

a) COMPANY'S HISTORY AND DEVELOPMENT

1) Legal background

Incorporation

The Company was incorporated by public deed number 10,670, dated June 15, 1966, granted before Tomás O'Gorman, at the time, Public Notary number 96 of Mexico City, the first official transcript of which was filed in the Public Registry of Commerce of Mexico City, in the Commerce section, under number 299, pages 377, volume 636, 3rd book.

Corporate Name

The Company was originally incorporated under the corporate name of Promoción de Negocios, S.A. In 1978 it changed its corporate name to Grupo Industrial Bimbo, S.A. and in 1981 it adopted the form of a *sociedad anónima de capital variable*. On August 24, 1999, the Company changed its corporate name to Grupo Bimbo, S.A. de C.V., and on November 16, 2006, by public deed number 30,053, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, the first official transcript of which was filed in the Public Registry of Commerce of Mexico City in mercantile folio number 9,506. On December 6, 2006, the Company adopted the form of a *sociedad anónima bursátil de capital variable*. The Company's commercial name is Bimbo.

Duration

The Company's duration is indefinite.

Domicile and Telephone Numbers

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

2) History

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

1945 Taking advantage of their experience in the bakery industry, Don Lorenzo Servitje Sendra and Don Lorenzo Sendra Grimau decided to create an American style packaged bread factory, to which they invited Don Alfonso Velasco, as well as Don Jaime Jorba Sendra and Don José T. Mata to participate as industrial partners. Another founder was Don Roberto Servitje Sendra, who collaborated since the inception as sales supervisor. Even though he did not participate as a partner at the Company's inception, gradually Don Roberto Servitje acquired grater responsibilities and likewise participated in the decision making process. He later purchased BIMBO shares and, subsequently, became Chief Executive Officer, a position he left in 1994, when he was appointed chairman of the Board of Directors, replacing Don Lorenzo Servitje who held that position since its foundation.

For the creation of the packaged bread factory, the founding partners mainly addressed the needs of the market at that time; that is, timely and quality attention to the clients, and product freshness. To satisfy these needs, the products to be manufactured and the characteristics of the packing thereof were determined, in addition to putting in place direct distribution systems and the replacement of unsold products every two days. On December 2, 1945, Panificación Bimbo was formally founded in Mexico City.

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

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

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

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

In connection with pastry products, in the 1970's BIMBO launched the *Suandy* line, whose products were prepared based on butter. This line was significantly enlarged in 1981.

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

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

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

1986-1990 In 1986, after the crisis faced by Mexico for almost five years, BIMBO acquired Continental de Alimentos, S.A. de C.V., a company that produced and commercialized the products under the brand *Wonder,* which until then was BIMBO's direct competitor in the bread and cakes categories. By 1989, the Group significantly expanded further through additional acquisitions and the establishment of plants in the lines of business of final products and raw materials, material and equipment for internal consumption.

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

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

In 1992, the Company acquired the factory Galletas Lara, which allowed it to enter into the traditional cookie market, with "maría" type cookies and crackers, a category not covered by the *Marinela* brand.

1998 Important levels of investments characterized 1998. In that year the Company acquired Mrs. Baird's bakery company, a market leader in the state of Texas, United States, and in Mexico the production facility in La Paz, Baja California began operating. Likewise, BIMBO's expansion reached the European continent with the establishment in Germany of Park Lane Confectionery, a confectionery goods distribution company. Also during that year, in order to focus on its main businesses, BIMBO divested its participation in the business of preparation and distribution of ice creams in Mexico and its stake in the salted snacks business in Chile.

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

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

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

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

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

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

In line with the strategy of taking advantage of synergies and operational consolidation, in 1999 BIMBO initiated the administrative and operational merger of its companies in the USA, consolidating the following: Mrs. Baird's Bakeries Business Trust, in Texas, and Bimbo Bakeries USA, Inc., in California.

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

In April 2000, the Company, through Ricolino, inaugurated two plants in the European Union, one in Vienna, Austria, and the other in Ostrava, Czech Republic; see Section "2. THE COMPANY- b) Business Description -– i) Principal Activity".

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

2001 2001 highlighted the intense activity to consolidate the Group's presence in the regions where it participated and increase efficiency in its operations. In March, BIMBO acquired 100% of the capital stock of Plus Vita, Ltda., one of the largest baking companies in Brazil and producer of packaged bread, sweet baked goods, cakes, rolls and toasted bread under brands considered among the most traditional and with the highest prestige in the Brazilian market, such as *Pullman*, *Plus Vita*, *Ana María*, *Muffs* and *Van Mill*, among others. Plus Vita operated three plants, located in Sao Paulo, Rio de Janeiro and Recife. See Section "2. THE COMPANY— b) Business Description—i) Principal Activity—Strategy and Strengths".

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

In October, the Company concluded the sale of its shares in Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna, S.A. de C.V. to Grupo La Moderna, S.A. de C.V. The companies sold were owned by Grupo Bimbo and Grupo Mac'Ma, S.A. de C.V. Through this transaction, Grupo La Moderna, S.A. de C.V. acquired 100% of the shares of Pastas Cora, S.A. de C.V. and Pastas Cora de la Laguna S.A. de C.V., in exchange of 4,500,000 shares representing 5.8% of the capital stock of Grupo La Moderna, S.A. de C.V., of which 57.4% corresponded to Grupo Bimbo.

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

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

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

In accordance with the agreement's terms, Grupo Bimbo acquired the Oroweat bread brand, five plants in the states of Texas, Colorado, California and Oregon, and an efficient direct distribution system, with approximately 1,300 routes, among other assets. Additionally, the

Company obtained in the same region the rights related to the Entenmann's brand products, as well as the distribution rights of the Thomas'® and Boboli® brands.

This acquisition reflected BIMBO's strategy to build a leading bakery business in the USA. With that, the Group's position in core markets, such as the states of California and Texas, became stronger.

On December 11, 2002, BIMBO's General Extraordinary Shareholder's Meeting approved the merger of the Company with its subsidiary Central Impulsora, S.A. de C.V. As a result of the merger, the Company became holder of the Group's main trademarks.

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

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

In July 2003, the Company disclosed to the public its intention to participate as a minority partner in a consortium leaded by the Mexican businessman Fernando Chico Pardo. This entity acquired certain ownership and debt rights of Compañía de Alimentos Fargo, S.A., in Argentina, and would undertake its financial and operational restructuring.

2004 On March 18, 2004, Grupo Bimbo announced an agreement to acquire the confectionery companies Joyco de México, S.A. de C.V., Alimentos Duval, S.A. de C.V. and Lolimen, S.A. de C.V., held by a group of Mexican shareholders, and the Spanish company Corporación Agrolimen, S.A. After obtaining all necessary authorizations, the purchase transaction was completed in May 2004.

Grupo Bimbo invested $290 million pesos, of which approximately $27 million was used for the repayment of existing debt. With this cash investment, Grupo Bimbo acquired two production plants and rights to leading brands and products in the Mexican confectionary industry, such as Duvalín®, Bocadín® and Lunetas®. These companies had, in aggregate, annual sales of approximately $500 million pesos.

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

On July 20, 2005, the Company announced the acquisition, through a cash transaction valued at $1,350 million pesos, of Controladora y Administradora de Pastelerías, S.A. de C.V., which produces and sells fine pastry products under the brand "El Globo"®. With this acquisition, Grupo Bimbo ventured into retail sales of fine pastries for the first time. The transaction was completed on September 23, 2005 following the corresponding regulatory approvals.

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

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

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

On June 19, 2006, BIMBO announced an agreement to acquire certain assets and trademarks of the "El Molino" ® pastries, in a transaction valued at $42 million pesos, paid with Company's own funds. El Molino is one of the oldest and most traditional bakeries in Mexico, in the fiscal year ended as of December 2005, its sales totaled $45 million pesos.

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

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

On October 2, 2007, BIMBO announced the acquisition of Temis for the sum of $17 million pesos. With this acquisition, BIMBO entered the Paraguay market.

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

IBC is one of the largest bakeries and fresh bread and sweet bread distributor companies of the United States. Among its main trademarks are Wonder®, Merita®, Home Pride®, Baker's Inn®, Hostess®, Drake's®, and Dolly Madison®. IBC operates more than 40 plants, 650 distribution centers, 6,400 routes and employs approximately 25,000 associates.

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

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

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

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

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

The agreement included the payment of 33.81% of the unsecured indebtedness. Likewise, the holders committed to collaborate in order for Fargo to complete its reorganization (*Concurso Preventivo*) underway since June 2002, as well as to forgo any legal actions against it.

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

On February 21, 2008, BIMBO announced the acquisition of Firenze, also in Brazil, for a sum of $185 million pesos. The integration with Firenze took advantage of the strength in the *light* segment and to continue its development through the increase of the physical distribution of Firenze® and Plus Vita® trademarks.

On April 1, 2008, the Company announced the acquisition of Plucky, a company located in Uruguay, for a sum of $123 million pesos. The company produces and commercializes confectionery goods products. With this acquisition, Bimbo ventured into this segment in Latin America for the the first time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2012 During 2012 Grupo Bimbo disclosed to the public its intention to construct its sixth production facility located in Argentina, which began operations in 2013, creating direct and indirect jobs. Likewise, Grupo Bimbo opened a new plant in Brazilia in order to improve distribution logistics and the quantity of fresh products to consumers in local cities. Finally, Grupo Bimbo opened two sales centers in Yucatan, Mexico in order to integrate the different operations of leading brands.

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

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

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

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

During 2013, Grupo Bimbo announced at the General Shareholders' Meeting the resignation of Roberto Servitje as Chairman of the Board of Directors of the Company effective as of July 1, 2013. Daniel Servitje, Chief Executive Officer, was appointed to succeed him from that date.

In October 2013, Grupo Bimbo signed an agreement with Visa Inc. of the Alliance with Blue Label Telecoms Limited and Nadhari, S.A. de C.V., in order to enable their traditional customer channel in Mexico to accept electronic payments. This agreement allows small businesses that serve a large segment of the population in terms of the Company's sales volume nationwide, to accept electronic payments with Visa cards and other cards, and therefore, to increase sales of the Company's products in their stores. Specifically, using Blue

Label and Red Qiubo Mexico, which operates a platform based on POS terminals, over 75,000 businesses were able to offer their customers products and services such as airtime cell phone sale and payment of various services.

This agreement complemented the Qiubo offering, allowing clients in the traditional channel to accept electronic payments with Visa and other cards. Visa was selected due to its capacity to provide fast payment technology, safe and trustworthy in more than 200 countries.

2014 On May 23, 2014, the Group concluded the acquisition of Canada Bread, one of the leading companies in the production and distribution of bread products in Canada, for an amount of $1,830 million Canadian dollars (equivalent to US$1,710 million dollars on May 23, 2014). The acquisition of Canada Bread was financed by means of a multicurrency revolving credit line facility for an amount of 2,000 million US dollars, or the Syndicated Revolving Credit Facility, and equity.

With the integration of Canada Bread´s business, the Group expanded its geographical presence in North America and Europe, reaching a new customer base in Canada and the United Kingdom, growing its product portfolio to include a new line of frozen bread as a new business line.

This acquisition is one of the most important in Grupo Bimbo´s history and a further step in its growing strategy in order to consolidate its position as the largest baking company in the world and one of the most important food companies, reducing its dependence of its results in a single market. Moreover, the acquisition strengthens the geographical position of the Group, and helps to maintain solid margins, diversify cash flows and take advantage of the opportunities in the frozen bread industry. The acquisition also included the business of Canada Bread in the United Kingdom, where it is leader in the bagels category.

On June 24, 2014, the Company concluded the offer in the international markets of: (i) bonds with a maturity date in 2024, for an amount of 800 million US dollars paying an interest rate of 3.875%, and (ii) bonds with a maturity date in 2044 for an amount of 500 million US dollars, paying an interest rate of 4.875%. The Group used the resources obtained from these issuances for the refinancing of existing debt and other general corporate purposes.

On July 15, 2014, Grupo Bimbo reached an agreement to acquire Supan, the largest baking company in Ecuador. Supan participates in the categories of bread, pastries and sweet baked goods. Its brand portfolio includes Supan®, Bimbo®, Grille®, Braun®, Dulzones®, King-Pan® and Pansol®. This transaction represents the debut of the Group in the Ecuadorian market, in line with its strategy to further strengthen its geographic coverage in the Americas.

2015 On February 2, 2015, Grupo Bimbo announced that its subsidiary, Canada Bread, completed the acquisition of Saputo Bakery Inc. Saputo Bakery, is the leading muffin Company and strengthened the position of Canada Bread in the country with the Vachon®, Jos Louis®, Ah Caramel®, Passion Flakie®, Hostess® and May West® brands, among others.
Bimbo Iberia inaugurated its new factory in Guadalajara, Spain, with production capacity of 15,000 pieces per hour, thus becoming the most important industrial project in the country. In December, Grupo Bimbo celebrated its 70th anniversary.

2016 On May 2016, the Company established a sponsored American Depositary Receipts Level 1 (“ADR”) program in the United States of America. These ADRs trade in the over-the-counter market under the ticker symbol “BIMBOY”.

On July 21, 2016, Grupo Bimbo acquired Panrico, one of the leading companies in the baking industry in Spain and Portugal, excluding branded packaged bread.

On September 12, 2016, the Company made a successful Notes issuance in the Mexican market for a total amount of Ps. 8,000 million pesos, with a 10-year term and a fixed annual interest rate of 7.56%.

2017 On July 20, 2017, Grupo Bimbo entered into a definitive agreement with One Equity Partners to acquire all of the shares representing the capital stock of East Balt Bakeries for an amount of US$650 million, free of cash and debt. East Balt was founded in 1955, world leader in the high-speed manufacture of bread products and serves mainly to the fast food restaurant industry (QSR). East Balt has 21 plants located in 11 countries in America, Europe, Asia and Africa, as well as 2,200 employees. East Balt has long-term business relationships with the main customers in the fast food restaurant industry in the world (including McDonald's, Wendy's, KFC, Burger King, Pizza Hut, YumChina, Subway and Nando's, among others). East Balt maintains a broad portfolio of high-quality baked goods, including fresh and frozen buns and muffins, bagels, cookies, tortillas and other artisanal products.

On May 25, 2017, Grupo Bimbo entered into a joint venture by means of which it acquired 65% of the capital stock of Ready Roti India Private Limited, or Ready Roti. Founded in 1993 and with annual sales of approximately US$48 million in 2016, Ready Roti is the leading baking company in New Delhi and its metropolitan area.

During the first quarter of 2017, Grupo Bimbo closed the acquisition of Grupo Adghal in Morocco, a company with estimated annual sales of approximately US$11 million in 2016. Adghal sells bakery products that it produces in three production plants and has more than 200 collaborators. With this acquisition, Grupo Bimbo managed to expand to the African continent.

During the first quarter of 2017, Grupo Bimbo closed the acquisition of Stonemill Bakehouse (Stonemill), a company in Canada that had estimated annual sales of approximately CD$18 million in 2016. Stonemill has a production facility in Toronto, Canada and is known for its slow-working artisanal processes. Stonemill has an excellent brand position and recognition for the use of organic ingredients. This acquisition boosted the Company's growth in the Canadian market.

On October 6, 2017, Grupo Bimbo successfully carried out an issuance of stock certificates in the Mexican market for a total amount of $10,000 million pesos, with a term of 10 years and a fixed annual interest rate of 8.18%.

On November 10, 2017, Grupo Bimbo successfully carried out a bond issuance in the international markets for a total amount of $650,000,000 million dollars, maturing in 2047 and with a fixed annual interest rate of 4.70%.

2018 On 12 February 2018, a binding agreement was executed for the acquisition of Mankattan Group, a key player in the banking industry in China. Mankattan produces sliced bread, cakes, buns and yudane (Japanese style sandwich bread), among other baked products for distribution in different channels such as traditional, modern and QSR ("Quick Service Restaurants").

Grupo Bimbo issued $500,000,000 million in Subordinated Perpetual Notes at a par to yield 5.95%. The Company used the proceeds from this offering for the refinancing of existing indebtedness, and the financing of the Mankattan acquisition and capital expenditures among other general corporate purposes. This is a new instrument for Grupo Bimbo, making it the first hybrid bond issued by a Mexican consumer company.

This acquisition will strengthen the competitive profile, expand and further consolidate its presence in Asia.

In addition, the acquisition of Alimentos Nutra Bien, a Chilean company that produces sweet baked goodsand special cookies, was completed, thus strengthening the portfolio of products in such country.

On december 7, 2018, Grupo Bimbo and other private companies signed an agreement with the federal government to collaborate in the developement of Mexico´s labor force opening its doors to 2,000 "Jóvenes Construyendo el Futuro" (Youth Building the Future) in 2019, so that they can gain work experience and receive training in the company´s strategic areas.

Finally, Grupo Bimbo became the first company in Mexico to produce Clean Energy Certificates for Distributed Generation. This initiative was achieved thanks to the collaboration of the public and private sectors. It will contribute to achieve Mexico's clean energy goal of using 50% clean energy by 2050. In addition, it will help qualified users and companies in the new Mexican wholesale market that are required to purchase at least 5% of their energy from clean sources by 2018.

The table below is a summary of the material acquisitions carried out by the Company in the last 3 years:

Date	Company	Country	Sales*
2018			
December 17, 2018	Alimentos Nutra Bien	Chile	
June 28, 2018	Mankattan	China	
May 31, 2018	El Paisa	Colombia	
March 27, 2018	International Bakery	Perú	
2017			
March 2, 2017	Stonemill Bakehouse	Canada	
March 30, 2017	Grupo Adghal	Morocco	
May 25, 2017	Ready Roti	India	
September 19, 2017	Bay Foods Inc.	US	
October 15, 2017	East Balt Bakeries	US	≈EUA$420
2016			
July 21, 2016	Panrico	Spain and Portugal	≈EUR$280
December 27, 2016	Panettiere	Colombia	
May 24, 2016	General Mills	Argentina	

**Figures expressed in millions and taken from the announcement of the transaction.*

3) Recent Developments

Grupo Bimbo issued a perpetual bond for a total amount of US $500,000,000 million in Subordinated Perpetual Notes at a par to yield 5.95%. The Company used the proceeds from this offering for the refinancing of existing indebtedness and the financing of the Mankattan acquisition and capital expenditures among other general corporate purposes. This is a new instrument for Grupo Bimbo, making it the first hybrid bond issued by a Mexican consumer company.

On June 26, 2018, Grupo Bimbo announced that its subsidiary BBU successfully completed its Voluntary Separation Program, reaffirming its commitment to accelerate its strategic objective of lean organizational design. The program better positions BBU to achieve profitable and sustainable growth by enhancing operational and administrative efficiencies.

This program, along with other initiatives, resulted in a net headcount reduction of around 600 positions at BBU. As a result, Grupo Bimbo will take a non-cash charge of approximately US$100 million in the second quarter of 2018. This one-time charge mainly reflects associate severance and benefits-related costoss, that will immediately benefit the Company atarting in the third quarter and in the long term.

On June 28, 2018, Grupo Bimbo announced the completion of the acquisition of Mankattan, a key player in the baking industry in China, having received the satisfaction of customary closing conditions for this type of operations, including the receipt of regulatory approvals.

On December 7, 2018, Grupo Bimbo and other private companies signed an agreement with the federal government to collaborate in the developement of Mexico´s labor force opening its doors to 2,000 “Jóvenes Construyendo el Futuro” (Youth Building the Future) in 2019, so that they can gain work experience and receive training in the company´s strategic areas. Grupo Bimbo is one of the companies that will take in the most participants each year, which will contribute significantly to the program’s objective of building their job skills and knowledge.

On December 17, 2018, the acquisition of Alimentos Nutra Bien S.A. ("Nutra Bien"), was completed. Nutra Bien a leading company in the Chilean market dedicated to the production and commercialization of brownies, cakes, and cookies that has been in the market for more than 30 years. This acquisition complements Grupo Bimbo's current portfolio through top-of-mind brands and expands its distribution reach, increasing penetration, especially in the traditional channel.

Grupo Bimbo became the first company in Mexico to produce Clean Energy Certificates for Distributed Generation. This initiative was achieved thanks to the collaboration of the public and private sectors. It will contribute to achieve Mexico's clean energy goal of using 50% clean energy by 2050. In addition, it will help qualified users and companies in the new Mexican wholesale market that are required to purchase at least 5% of their energy from clean sources by 2018.

b) BUSINESS DESCRIPTION

1. Main Activity

1.1 Strategy and Strengths

All of the Group's actions are driven by its purpose of building a sustainable, highly productive and deeply humane company. Grupo Bimbo is committed to transforming the baking industry by implementing innovative, efficient and sound business practices aimed at consolidating its position as the largest baking and snacks company in the world in terms of sales and one of the world's top food companies, while remaining passionate about delighting, nurturing and creating memorable experiences in every bite of its baked goods and snacks. To achieve its goals, Grupo Bimbo plans on executing the following key strategies:

Enduring Meaningful Brands. Grupo Bimbo strives to continue delivering sustainable and long-term growth by creating, nurturing and managing enduring and meaningful brands. While price-based competition has become more intense in many markets, The Group believes that the ability to leverage growth opportunities in its industry relies on competitive factors beyond price, such as its brand equity. Based on the Group's research, its brands have an extraordinary "brand awareness" in the market of most of its product categories. Grupo Bimbo believes its global presence, combined with its strong understanding of its local markets, uniquely positions the Group to continue developing a solid portfolio of brands, products and categories that lead megatrends. Grupo Bimbo continues to build global brands that connect with customers wherever they are. These capabilities provide a platform for the Group to enhance penetration of its branded product portfolio into new markets and develop new product lines as well as new categories. Through targeted marketing campaigns, Grupo Bimbo intends to increase the recognition of its strategic global brands and its powerful national and regional brands. Grupo Bimbo believes that leveraging on its brands will help the Group to further diversify its product portfolio, add more value to its sales and distribution channels, expand its consumer base and provide access to additional consumption occasions. The Group expects to continue to allocate resources and efforts to ensure that its brands are the global reference for quality and nutritious food products that meet the evolving tastes and preferences of our consumers.

Global Presence. Grupo Bimbo plans to continue expanding its global reach and strengthening local execution to guaranty the quality and freshness of its products. Established markets present an opportunity to consolidate its leading position and market share through actions aimed at increasing penetration while developing markets offer high growth opportunities as a result of rising income trends, reduced assortment and low penetration. The Group expects to capture opportunities from its global presence and become the preferred supplier to its customers by leveraging on its brand equity and experience in the markets where the Group operates, improving its distribution capabilities to enhance efficiency and penetration. In addition, to better anticipate the purchase decisions of our customers, the Grupo Bimbo plans to further invest on new technologies to achieve superior execution at the point of sale. Grupo Bimbo continuously studies the trends, tastes and needs of its consumers in each one of its markets using state-of-the-art tools in order to develop and implement actions to better satisfy their needs and preferences. The purpose of these studies is to achieve an in-depth consumer understanding, which the Group reinforces by approaching consumers through other distribution channels. The information retrieved at the Group's points of sale and other distribution channels allows it to customize products and promotions that satisfy the diverse and changing needs of its customers. Also, this information allows Grupo Bimbo to adjust its go-tomarket strategy and respond with greater precision to the needs and motivations of customers, which combined with flawless operating performance, enables the Group to deliver the right products for each point of sale at the right time and as fresh as possible. The Group's sophisticated data gathering and processing systems provide the Group's management with valuable insight of its customers' behavior and ongoing corporate performance at each point of sale. Grupo Bimbo makes significant efforts to increase localization and integration of its brand delivery experience and monitor performance across its distribution channels to achieve continued growth as the Group redefines the baking industry and build customer trust. To stay ahead of customer demands, the Group plans to continue tracking customers through every distribution channel while offering innovative marketing programs to increase volumes and purchase frequency.

Through this strategy, the Group intends to reinforce its identity as a highly efficient global company with local character.

Winning Innovation. One of the Group's key strategies is to satisfy the demand of products resulting from megatrends of the global baking and snacks industries. The Group increasing use of new digital tools and onsite actions to retrieve information from its consumers is expected to make its innovation process more robust by accelerating product development and enabling the Group to adapt more quickly to, and lead, consumer trends. The Group has seven innovation centers established in strategic locations to conduct market testing as well as one kitchen lab and one food lab aimed at testing and analyzing consumers' preferences. Furthermore, innovation in production (from automatization and line revamps using advanced engineering, to better resource utilization and packaging applications) is enhancing product freshness and quality while boosting productivity and reducing costs. Through Bimbo's QSR division the Group is able to quickly adjust its production capabilities to produce customized products and satisfy seasonal requirements from its clients. The Group intends to continue exceeding its customers' expectations and increase the recognition of its brands and frequency of consumption of its products through continuous quality improvements and innovation across its various categories. The Group also intends to continue to leverage on its portfolio of leading brands as a platform to launch innovative, value added and relevant products and develop new product lines, formats and categories. The Group commitment to the wellbeing of its consumers is a key driver of its innovation efforts and the Group intends to continue to enhance the nutritional value of its products and provide clear information to its customers. Developing innovative and differentiated products and leading the pace of change of the global baking and snacks industries remains the driving force for the Group's growth and value creation, and a key element to consolidate and increase its market position.

Culture of Continuous Improvement. Grupo Bimbo believes that a culture of continuous improvement, efficiency and effective execution is crucial to continue driving productivity and profitability, and further consolidate its leading position. A cost-efficient structure is a key element to optimize resources, creating a resilient business model that allows the Group to strengthen its brands and boost its volumes and profitability. Grupo Bimbo strives to continue providing nourishing and delighting products while reducing waste, improving and simplifying its production processes, procurement and supply chain and distribution network to become a low-cost, efficient and highly productive company operating under the highest environmental standards. Goupo Bimbo periodically invests in its plants and equipment to improve the efficiency of its production processes. For example, in 2016, as part of its multi-year asset transformation process, the Group started to invest in the construction of a new state-of-the-art distribution center in Mexico City, which will start operations gradually and is expected to be the largest distribution center in the baking industry in Latin America. In addition, in 2018 the Group made capital expenditures of approximately U. S$750 million, of which at least one-third was used in investments to support our growth (including investments in new plants in India and France), increased capacity and productivity through automation along the supply chain. Grupo Bimbo intends to continue working to achieve additional efficiencies, strengthen its competitiveness and improve its profitability through continuous investments in production facilities and equipment and the implementation of its ongoing cost-reduction program, while leveraging its expertise. In addition, the Group continues implementing Zero Base Budgeting program which allows the Group to optimize costs and achieve operational efficiencies. The Group's goal is to consolidate a spending culture that supports future growth and transformation through the reallocation of relevant savings to value added initiatives. Grupo Bimbo expects to leverage its capabilities as the leader in the fast-growing quick service restaurant industry to transfer technology and know-how that will enable it to become a more flexible and faster producer. The Group strives to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls that will create value that the Group can pass to its consumers. Grupo Bimbo strives to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls that will create value that the Group can pass to its consumers.

Continue Growing While Boosting Profitability and Cash Flow Generation. Grupo Bimbo seeks to capitalize on its business strengths to continue growing organically and through strategic acquisitions. In particular, the Group plans to leverage on, and expand, its existing brand and product portfolio, solid asset base and geographic footprint to increase its market share and penetration. Grupo Bimbo believes these strengths provides it with a platform of scalable approach and therefore take advantage of the opportunities of the industries in which the Group participates to continue growing while boosting profitability and cash flow generation. For example, the Group's global platform allows the Group to successfully implement cross border strategies such as the introduction of its local products into international markets, which has proven successful in the case of the Artesano, Villagio and Rustik, snacks such as Takis, Salmas, and Pingüinos cupcakes as well as Donuts, among others. Grupo Bimbo seeks to expand its geographic reach while maintaining a strategic balance between developed markets and high-growth markets. Grupo Bimbo intends to enhance diversification and increase penetration across distribution channels to reach a broader consumer base. The Group is committed to deliver products for every lifestyle and preference, pursuing "stomach share" at every consumption occasion, in more homes and more markets every day. In addition, the Group plans to leverage on its business platform and experience in the snacks category to target on-the-go consumption. Snacking has evolved into an actual meal category as a result of consumers' active, mobile lifestyles. To satisfy on-the-go consumer's demand, the Group has introduced innovative products and adjusted the format of some of its products to make them more portable, easy/fast, value priced and shareable. As Grupo Bimbo benefits from the scale and scope of its organization, the Group believes that remaining on top of the needs of its consumers and exceeding their expectations is a key component of its strategy to achieve continued growth and build consumer trust. In the face of its recent growth, the Group plans to challenge itself every day to improve its products, its operating efficiency, profitability and cash flow generation.

Commitment to the Group's Associates. Grupo Bimbo is a deeply humane company and, since the beginning of its operations, its associates' wellbeing and safety have been and will continue to be the top priority. The Group's more than 138,000 associates every day contribute to the quality and competitiveness of each "Bimbo" product, and are of vital importance to its continued growth and success. The engagement of its associates and their commitment to the Group's culture is paramount to the organization. The Group's associates are key in the process of understanding its markets and consumer needs and preferences, to better anticipate changes and respond effectively to new trends. The Group is committed to enhance its associates' skills at all levels and offer them additional opportunities to achieve their full potential. As a result of this commitment, in 2018 Grupo Bimbo provided more than one and a half million man-hours training to its associates. In addition, the Group invests in its associates through Grupo Bimbo University, its in-house multiplatform training and development system covering an extensive range of courses on leadership and technical skills. The Group's personnel management model is designed to transmit the Group's passion to serve its customers, suppliers, shareholders and communities, and inspire pride in its organization. Grupo Bimbo believes its efforts have resulted in a skilled, highly capable and loyal team. In 2016, the Group completed the deployment of a global digital platform to manage, develop and retain the talent, providing its associates guidance on career prospects. At Grupo Bimbo, a safety culture with measurable outcomes and accountability is of the highest importance. Safety initiatives in 2018 included the development of safety standards in workplaces, for the identification of risks in machinery and the reduction of unsafe conditions, the reinforcement in the implementation of the Safety Model in commercial areas as well as the creation of a Directive Committee to promote the culture of safety in the sales force and the strengthening of the procedures in a fire incident and the creation of a specialised committee responsible for the preventive and corrective management of fire risks. As for the safety results for 2018 vs. 2017, 40% of the business units achieved a significant decrease in the incident rate per 100 associates, while Mexico's largest operation maintained the same result in 2017. In 2018, there were no fatalities from work or traffic accidents. Additionally, for the third time the "Dupont Safety Perception Survey" was applied, with more than 74 thousand employees participating and improving the score against the 2015 and 2013 results and against the Food Industry measure.

Sound Financial Policies. As a result of the Group's proactive and responsible financial management, it holds and expect to maintain a healthy balance sheet, and a strong and resilient capital structure. As part of its financial discipline, Grupo Bimbo strives to maintain a flexible amortization profile aligned with its expected cash flow generation, strict and responsible cash and risk management and a conservative dividend payout. The Group's financial policy encompasses a long-term view and reinvestment initiatives targeting expansion, growth, profitability and cash flow generation, while advancing its low-cost production objectives. Decisions on its strategic acquisitions also follow these financial policies. The Group's balanced capital structure reflects a well-diversified funding base, reducing reliance on any single financial market. The Group believes that maintaining its capacity to generate cash flow and a range of liquidity sources, its balanced approach to cash deployment and its discipline towards incurring indebtedness will allow the Group to continue advancing its organic and inorganic growth while remaining profitable.

The strengths of the Group

The Group has built a leading position as a result of its unrelenting focus on creating memorable experiences for its consumers in every bite of its high-quality, innovative, delicious and nutritious baked goods and snacks, the development of enduring and meaningful brands, efficient operations and investments in its production and distribution platform, strategic acquisitions and the Group's deep understanding of the baking industry, all under its deeply humane culture of innovation and continuous improvement present at every level of the organization. Grupo Bimbo believes the following strengths distinguish it from its competitors and will allow the Group to expand and further consolidate its leading position and successfully fulfill its strategy for the Group's long-term sustained and profitable growth.

Leading Global Baking and Snacks Company. According to IBISWorld (August 2018), Grupo Bimbo is a global consumer food company, the leader in the baking industry and a relevant player in the snacks industry, in terms of sales. The quality and breadth of its products allows the Group to offer its consumers a wide range of enticing and high-quality alternatives for every meal and each other consumption occasion. The Group has a leading position in most of its categories and many of its brands have a strong "top-of mind awareness" in the markets where the Group operates. The Group's enduring and meaningful brands allow it to present the company cohesively across its distribution channels and geographic markets while serving as proxies for the quality and reliability of its products. The Group believes that its geographic diversification with a balanced presence in established and developing markets, its robust asset base, and its experience and knowledge of consumer preferences and consumption patterns in the regions where it operates, combined with the Group's commitment to innovate, enhance the nutritional profile of its products, its operating efficiency and its capacity to generate cash flow, provide the Group with a significant advantage over its competitors. In addition, the scale and strength of the production platform and distribution network, along with the Group's reinvestment and long-term view business model allow the Group to respond quickly and effectively to the diverse and changing needs of the markets it serves in a cost effective manner. Grupo Bimbo believes that its leading market position is a key component for its growth.

Unique Portfolio of Top-Recognized Brands. The Group's brands are a key element for its unique positioning and differentiation. After more than 70 years in the baking industry, the Group has a strong track record of creating, nurturing and managing a range of strategic global brands and powerful national and regional brands to identify a portfolio of wholesome, indulgent, healthy and premium products. The Group's brands are leaders in the markets and categories in which it participates. For example, in Canada, the Dempster's brand is one of the leading bread brands. According to IRI figures, Thomas'® is the number one brand in the English muffins and bagels categories in the United States. In Mexico, the iconic Bimbo® brand is currently the market leader in the bread category, and Marinela is currently the market leader in the sweet baked goods category, while in Spain Donuts® is an iconic brand for sweet baked goods. In the 2018 Brand Footprint study (full 2017 data) published by Kantar Worldpanel, Bimbo brand appears in the first and eleventh position as the most chosen consumer brand within the food sector in Latin America and the world respectively. The Group strives to maintain an emotional bond with its consumer and to develop customer loyalty through its brands. As the Group has expanded its operations internationally, it has acquired local brands while introducing products with local features marketed under its global brand names. The Group has a strong brand equity that enables it to innovate and launch line extensions and new products. Each of the Group's brands is targeted to a specific consumer segment and supported by a comprehensive marketing plan.

Extensive Direct-Distribution Network and State-of-the Art Production Facilities. Grupo Bimbo has an extensive world-class direct-distribution network and strategically located state-of-the-art automated production facilities. The Group's global reach combined with its strong local execution allows it to guarantee the quality and freshness of its products. The Group's distribution network has one of the largest fleets in the Americas and approximately 60,000 distribution routes worldwide. Grupo Bimbo maintains what he believes is a highly efficient and sophisticated logistics operation to address distribution requirements across the markets it serves. The Group's network allows it to distribute every day its products to more than 3.3

million points of sale to meet the needs of every type of customer from hypermarkets to family-owned businesses, and to the food-service distribution channel. The Group's fleet travels in the aggregate the equivalent to 108 trips around the world every day. In addition, the Group has state-of-the-art and sustainable production facilities that allow it to operate efficiently, reduce waste and optimize energy and water usage. Its sound and reliable production platform includes 199 plants located in 32 countries, enabling the Group to produce more than 47 million packages of products every day. The Group's extensive distribution network combined with its highly efficient productive assets ensure product availability anytime and everywhere where the Group operates and enables it to tailor its approach and response to the diverse and changing needs of our customers, including with respect to demand and frequency of delivery, in a cost-effective manner, which the Group believes results in strong customer loyalty. To respond quickly and effectively to changes in demand and consumer preferences, the Group uses flexible, top-notch technology that can shift production among products in different price-point categories and formats in a short time frame. Grupo Bimbo continuously invests in the improvement of its distribution network and production facilities. In 2018, such investments were approximately of the amount of $14,000 million Pesos. We believe that the Group's efficient production platform and extensive distribution network will continue to support its profitable growth and market penetration.

Strategic Product, Channel and Geographic Diversification with Balanced Presence in Established and Developing Markets. Grupo Bimbo believes that its diversified and balanced portfolio of products provides value to its distribution channels, allows it to reach a broad consumer base and gives us access to a wide range of consumption occasions. Since 2000, the Group evolved from a strong local leader to a global participant. The Group's disciplined approach to acquisitions and organic growth is centered on expanding its geographic footprint across developed and emerging markets (which represented 57.0% and 43.0% of its net sales for the year ended December 31, 2018, respectively), strengthen the Group's presence in its different distribution channels, adapting its product portfolio and strategies to the regions where the Group operates, achieving economies of scale and realizing important revenue and cost synergies. The Group's global character is reflected in the geographic diversification of our revenue stream that reduces reliance on any single geographic region and currency to drive performance. In the last five years the Group has increased its exposure to international markets primarily through acquisitions. In 2012, 40.0% of the Group's revenue derived from its operations in Mexico, while its operations in Mexico accounted for 31% of its revenue for the year ended December 31, 2018. The Group believes that its strategic geographic footprint, in addition to its global scale and global marketing, positions the Group ahead of its competitors to take advantage of the highly fragmented baking industry. The Group's presence in developed and emerging markets allows it to tackle the diversity of growth opportunities and the pace of change in the industries in which the Group participates. The breath of its capabilities allows it to serve the traditional, modern, foodservice and other channels. Grupo Bimbo leverages its global presence to share innovative products, processes and technologies. For example, under our brands The Rustik Bakery and Stonemill Bakehouse, Grupo Bimbo markets artisanal bread produced using innovative technologies.

Innovative Product Development. The Group offers its consumers a variety of baked goods and snacks under a broad range of categories, pricing levels, flavors and presentations to cover every meal, consumption occasion and consumer profile. The Group continuously invests in market and consumer research, ethnographic research, product innovation and development, analysis of the nutritional value of our products and food safety and quality control. Grupo Bimbo has gained a deep understanding of its consumers and markets as a result of its experience and research, the investment in technology and the input from its sales force that allows it to retrieve and analyze key information of its consumers and identify the elements customers consider priorities in order to recognize the Group as their preferred supplier. The quality of the Group's market intelligence allows it to both track and create new market trends and place the right products for each point of sale at the right time. Access to this information, combined with the Group's consumer knowledge, expertise, flexible production capabilities and distribution network allows the Group to satisfy changing consumer demand and anticipate trends, such as "on-the-go" and "healthy" trends that have recently emerged. In addition, consumers are increasingly developing responsible and informed consumption habits and demand for transparency from food companies. In line with this trend, the Group regularly reformulates its products to improve their nutritional profile and provide clean labels. From 2011 to 2016 the Group improved the nutritional profile of 37.0% of its products, as part of its continued focus on quality and the importance of offering nutritious and delicious products to the consumers. Through the

Group's seven innovation centers and its strategic alliances with institutions, doctors and experts, as well as with food and health regulatory authorities and research centers, the Group aims to continue offering value-added, differentiated and relevant products to maintain and grow its leadership in the baking and snacks industry. Innovative products successfully introduced across its markets include Takis® in the snacks category, Salmas® in the healthy products portolio, Artesano® and The Rustik Bakery bread brands, the latter was recognized as the most innovative product in Europe in 2016 by Kantar.

Efficient Production Capabilities and Low-Cost Business Model. The Group believes that its capacity to operate efficiently and at low cost is a fundamental advantage that will allow it to continue growing and place its products in the hands of all people. The Group's commitment to operate efficiently increases its ability to provide consumers with high-quality products at the lowest possible cost. The Group dynamically manages and revises its supply, production and distribution processes to achieve cost reductions throughout the supply chain. The Group's initiatives aimed at becoming a low-cost producer include obtaining cost savings from waste reduction and generating economies of scale along the production chain. In 2016, Grupo Bimbo introduced the "Zero Based Budgeting" initiative which continues to allow it to identify additional areas of cost optimization and capture and sustain savings across every function of the organization. In line with the Group's global procurement initiative, the Group selects the most competitive suppliers of raw materials based on a number of factors, including price competitiveness, timely delivery, response time, quantity, quality and innovation. Grupo Bimbo uses state-of-the-art technology to increase efficiency, reduce waste and optimize the use of energy and water in its production plants and sales centers. In addition, Grupo Bimbo frequently reviews the location of its production facilities and sales centers based on the demographics, needs and trends in each market to optimize resources. In order to better position the Group within the competitive environment and optimize its production facilities and footprint, in 2018 facilities were closed and some production lines were relocated. The Group believes that its focus on cost control allows it to improve our supply and distribution chains, transfer value to the customers and consumers, and increase the Group's profitability, competitiveness and quality.

Experienced Management Team and Strong Commitment of the Group's Associates. The Group's strong senior management team has successfully developed and consolidated its market leadership by focusing on effective and rapid response to the constantly changing consumer demands and competitive environment in the markets in which the Group operates. The Group's management team has implemented innovative ideas and best practices in production and distribution across the organization and has successfully identified, completed and integrated over 41 acquisitions during the past ten years which have resulted in significant synergies and growth. The Group's management team is committed to maintaining transparency and accountability with respect to its shareholders and the market and has implemented corporate governance practices beyond those required by applicable law. The focus on profitability, reinvestments and consistent cash flow generation has historically provided Groupp Bimbo with a resilient balance sheet to grow organically and through its acquisitions. While the Group believes that its management team has the depth, leadership, expertise and motivation to execute the growth strategy, the Group is conscious that an experienced management team is not enough to ensure consumer satisfaction and loyalty. Every day, the Group's more than 138,000 associates contribute to the quality and competitiveness of each "Bimbo" product and are one of our core competitive advantages. Grupo Bimbo associates are part of its brand delivery experience and a crucial element to maintain its brand-customer relationship, which distinguishes the Group from its competitors as a deeply humane company.

Sustainability Commitment and Distinctive Corporate Culture. The Group's commitment to actions that benefit its associates and communities, and its culture of passion, dedication and unwavering commitment to customer service are grounded in the Group's way of doing business. The Group's sustainability efforts are focused on its consumers, the planet, the communities where the Group operates and its associates. Grupo Bimbo strives to provide its consumers with memorable experiences at every consumption occasion and support their overall wellbeing by offering products with high nutritional value through responsible marketing campaigns, providing transparent information, and promoting sports, healthy eating habits and healthy lifestyles. Initiatives on community development include donations to, and sponsorship of, educational institutions, sports institutions and reforestation programs, as well as investments to support urban infrastructure, recreational facilities, green areas, schools and natural disaster relief. The Group's efforts to preserve the planet are focused on promoting environmental care and reducing its carbon footprint, water consumption and waste production. The Group's associates are part of its brand-delivery experience, continued growth and superior products. As a result, their safety, wellbeing and professional growth are paramount to the organization. Actions aimed at improving the safety and wellbeing of the Group's associates and consumers include the launching of healthcare-related campaigns, conducting medical checkups and promoting sporting activities, such as our Global Energy race which had more than 112,000 participants in 2018. Grupo Bimbo sustainable business model has allowed it to be part of the Sustainability Index of the Mexican Stock Exchange since its inception in 2011 and the FTSE4Good Emerging Index since 2017. The Group believes its commitment to sustainability provides its customers with additional reasons to trust the Group's brands and strengthen their loyalty while continue offering career plans that enable it to adapt the development of its associates to its corporate growth needs.

	Net sales for the periods ended December 31,		
Region	**2018**	**2017**	**2016**
	(in millions of Mexican pesos)		
North America	143,848	137,662	135,219
Mexico	99,859	90,367	81,455
Latin America	28,192	28,602	29,100
EAA……	25,574	18,658	12,607
Eliminated in consolidation	(9,207)	(7,774)	(6,240)
Total	**288,266**	**267,515**	**252,141**

Region	**Number of production plants***
North America	81
Mexico	38
Latin America	32
EAA……	48

1.2) Business Units

USA

In the United States, the Group conducts operations primarily through BBU and Barcel USA.

At January 2019 BBU is recognized to be the largest baking company in the United States according to IRI and IBISWorld. The Group consolidated its leading position through several major acquisitions, such as Sara Lee (2011) Weston Foods US Inc. (2009) and Earthgrains Bakery Group Inc. (2011), followed by significant integration and restructuring work across the entire supply chain.

BBU has the most extensive geographic presence of any baking company in the United States, where the Group has renowned brands in every market segment of the industry, with a portfolio that serves a variety of price points and consumption occasions, from breakfast to dinner, festive meals and snack times. According to information from IRI, BBU holds a leading position in several categories, including sales of premium and mainstream bread, buns and rolls, sweet baked goods, English muffins and bagels, and snacks. Currently, BBU operates 64 production plants across the United States and has a nationwide distribution network. Grupo Bimbo maintains strong relationships with large retailers and small convenience stores across the United States, which enhances its ability to market its products.

BBU has an attractive brand portfolio comprised of leading national brands, such as Thomas'® English muffins and bagels, Sara Lee® for packaged bread, Artesano by Sara Lee® for artisanal bread, Ball Park's® buns, Entenmann's® snack cakes, and brands of healthy wide-pan bread, such as Arnold®, Brownberry® and Oroweat®; and regional brands, such as Mrs. Baird's®, Freihofer's®, Stroehmann®, Rainbo®, Heiners® and Colonial®. BBU also produces and distributes some of Grupo Bimbo's Mexican brands, such as Bimbo and Marinela, in the United States. BBU holds brands in the United States, covering 50 states, and is present in 83.8% of American households, according to IRI. In addition to selling under its own brands, BBU participates in several categories in the private label segment. In particular, BBU sells fresh packaged bread under private labels to our strategic customers.

In the United States, Grupo Bimbo also produces, distributes and markets frozen bread, buns and rolls. The Group currently operates four production plants for the frozen bakery business in the United States. Grupo Bimbo sells our frozen products under the leading brands Wholesome Harvest®, California Gold Sourdough®, Grace Baking® and Tenderflake®.

BBU's extensive distribution network has allowed the Group to significantly expand its market share in the United States. The Group's main distribution channels are large retailers, convenience stores and the food service industry, the latter has recently been reinforced with Bimbo QSR enabling it to strengthen its presence within a high-growth channel.

As a result of the East Balt acquisition, the Group consolidated its presence within the quick service restaurant distribution channel in the United States and the rest of the world to become a leading participant in such channel.

BBU is headquartered in Horsham, Pennsylvania.

Barcel USA

Barcel USA is the Group's U.S. based salty snacks and confectionery division. Currently Barcel USA, produces, locally, importsfrom our manufacturing facilities located in Mexico salty snacks and imports 100% of its confectionery to commercialize in different chains throughout the country.

Barcel USA portfolio includes diverse brands, such as one of the Group's most popular brand Takis (one of the fastest growing salty snacks in the U.S.), as well as Barcel Artisan Style Kettle chips, Churritos Stix and Hispanic confitery brands in Ricolino® and Dulces Vero®

The Company employs over 250 associates across the U.S. Barcel USA is headquartered at Coppell, Texas. The location has the only salted snack plant in the United States and three production lines. The distribution of products is handled mostly with a DSD delivery model in addition to an important growing business of direct sales to customers through cross platform.

Canada

On May 23, 2014, the Group completed the acquisition of Canada Bread, one of Canada's largest baking companies, which represented the Group's entrance to the Canadian market. With the addition of this business, Bimbo expanded its geographic presence in North America, reaching a consumer base in Canada and expanding its product portfolio by including frozen bread as a new line of business for the Company. Canada Bread is now known as Bimbo Canada.

Since then, Bimbo Canada has grown, both organically as through acquisitions. On February 2, 2015, Vachon Bakery Inc., Canada's leading producer of snack cakes, was acquired. On March 29, 2015, two bakery production facilities were acquired from one of the Company's major customers. On July 13, 2015, Italian Home Bakery was acquired, introducing craft capabilities into the Canadian network. Finally, on March 2 2017, Stonemill Bakehouse was acquired, further expanding the artisan capabilities of the company and introducing slow-release organic products.

Bimbo Canada´s current core business is the manufacturing and sales of bakery products, including fresh and frozen bread, buns and rolls, bagels and pastries and tarts Bimbo Canada has several leading brands most of which hold the first or second position in their respective categories, as corroborated by Neilson's data. Popular brands include Dempsters®, Villagio®, POM®, Bens®, Grace Baking®, Tenderflake® and Goldminer®. In addition to selling branded products, the Company also participates in several categories in the private label segment. The Group maintain strong relationships with large retailers across Canada, which enhances its ability to market its products.

There are currently 19 production plants in Canada. Distribution is either through a warehouse or through a large direct distribution network, operated primarily by independent distributors.

The main offices are located in Etobicoke, Ontario, Canada.

<u>Mexico</u>

Currently, the Group operates 38 production plants across the country, with a proprietary nationwide distribution network. Its distribution goes from small convenience stores to big retailers, hypermarkets, price clubs, convenience stores and other institutional clients with whom it maintains strong relationships.

Bimbo

Bimbo started operations in Mexico in 1945. Bimbo produces, distributes and sells packaged bread, sweet baked goods, buns, cakes, pastries, salty cookies, crackers, cereal bars, packaged wheat tortillas, and *tostadas*, among others. Bimbo has a strong presence in Mexico where some of its products are considered staples, such as the packaged bread. These products are marketed under the Bimbo®, Oroweat®, Marinela®, Tía Rosa®, Wonder®, Milpa Real®, Lara®, Del Hogar®, Gabi®, Saníssimo®, Lonchibón® and Suandy®, among others. Additionally, Bimbo produces, distributes and markets high-end pastry and artisan bread marketed under the Group´s brands El Globo, La Balance and El Molino, through direct points of sale.

The Group´s brands have high consumer recognition in the Mexican market and are supported by the country's most extensive distribution network, making Grupo Bimbo the leader in the packaged bread market in the country, with continued gains in market share as consumer preferences evolve and it introduces innovative products.

Bimbo is also the Mexican snack cake market leader and the number two cookie and cracker producer in terms of sales, according to information from Nielsen. However, the Mexican baked goods market remains highly competitive and fragmented. Furthermore, according to Nielsen, Bimbo has quickly established market leadership in the cereal bars category through its brands Branfrut®, Multigrano®, Doble Fibra® and Plus Vita®, demonstrating its ability to identify new consumer trends and satisfy them with innovative products.

Bimbo has steadily maintained its high market share in the packaged wheat tortillas market, as more Mexicans look for convenient, packaged wheat tortillas with longer shelf life. In addition, the Group´s brands Milpa Real® and Saníssimo® lead the *tostadas* market, according to information from Nielsen.

Bimbo's main offices are headquartered in Mexico City.

<u>Barcel</u>

Barcel produces, distributes and markets salted snacks and confectionery goods including fried chips, peanuts, corn-based salted snacks, lollipops, marshmallows, chocolates, chocolate-covered marshmallows, chewing gum and gummy candies. Among its main brands are Barcel, the second-ranked salted snack brand in Mexico according to Nielsen, and Ricolino, Mexico's second-ranked candy and chocolate brand according to Nielsen, as well as Dulces Vero®, La Corona® and Coronado®. Barcel has consolidated its position as a key player in the market offering innovative and well-differentiated products, such as snacks and confectionery goods.

Barcel has increased its reach and customer base with an expanding presence and a complementary product portfolio in the U.S. as well as through exporting its products to 12 countries across the world. In addition, organic growth combined with several acquisitions, Barcel has strengthened its position in the Mexican salted snacks and confectionery goods market.

Barcel is headquartered in Lerma, in the State of Mexico.

Latin America

The Group has been present in Latin America since 1995. Through a series of acquisitions and organic growth, as well as the implementation of innovative ideas and best practices in production and distribution, Grupo Bimbo has become the market leader across the region. The Group operates in 15 Central and South American countries, including Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

Grupo Bimbo also operates in Venezuelaand Argentina, economies that according to the IFRS qualify as hyperinflationary. Likewise, even though for financial purposes the Group no longer consolidates its subsidiaries in Venezuela, Grupo Bimbo chose to classify its financial equity investments in equilty in its subsidiaries in Venezuela as equity and alternative financial instruments designated at fair value, as it intends to maintain these investments for the foreseeable future.

The Group has 32 manufacturing plants with an extensive distribution network tailored to each of the markets in the countries in which it participates. Its main products in the region include packaged bread, sweet baked goods, toasted bread, tortillas, pita, bread, pizza crust, cakes, snack cakes and muffins, cookies, *alfajores*, snacks, pasta and *empanada* wrappers, frozen bread and patisserie, all of which are sold under the brands Bimbo®, Marinela®, Ana María®, Barcel®, Braun®, Breddy®, Dinner®, Crocantíssimo®, Fargo®, Fuchs®, Grillé®, Holsum®, Ideal®, Lactal®, Los Sorchantes®, Maestro Cubano®, Mamá Inés®, Marinela®, Monarca®, Nutrella®, Oroweat®, Plus Vita®, Pullman®, PYC®, Rap10®, Ricolino®, Saníssimo®, Supan® and Tía Rosa® among others.. The innovation in connection with these brands is a product of the processes and deep understanding of the consumer and the market and of the identification and insight of their needs.

In recent years, the Company has continuously increased its market penetration in the traditional channel and maintains strong relationships with retailers across Latin America, which enhances its ability to market its products.

The Group´s Latin American operations has its headquarters in Bogotá, Colombia, Santiago de Chile, Chile and Sao Paulo, Brazil.

Europe

The Group has been present in Spain, Portugal, the United Kingdom, France, Italy, Rusia, Switzerland, Turkey and Ukraine after its acquisitions of Sara Lee, Canada Bread, Panrico and East Balt in 2011, 2014, 2016 and 2017, respectively.

Grupo Bimbo the leading branded bread seller in Spain and Portugal, and the leading producer of bagels in the United Kingdom according to Nielsen. Since 2017, the Group also serves the quick service restaurant distribution channel in France, Italy, Russia, Switzerland, Turkey and Ukraine.

It operates 23 production plants in Europe and an extensive distribution network served by independent operators, which delivers to supermarket chains and other institutional clients.

In Spain and Portugal specifically, the Company has a strong presence in the bread, pastries and snacks categories, with brands such as Bimbo, where the Group's Bimbo packaged bread brand is a household name.

Panrico, a company acquired in 2016, was founded in 1962 and currently is one of the leading players in the baking industry in Spain and Portugal in terms of sales, and participates in the sweet baked goods and buns and rolls categories. This acquisition allowed Grupo Bimbo to include well-positioned brands to its portfolio, such as Donuts, Qé! ®, Bollycao®, La Bella Easo® and Donettes®, among others. This transaction further strengthened the Group's profile in Spain and Portugal through enhanced synergies, as well as complementing its distribution network and production facilities, as a result the Group is becoming the leader in the branded sweet baked goods market.

In the United Kingdom the Company participates in the fresh and frozen baking business through the bagels, croissants, among other bakery products. The Group markets its products through the New York Bakery Co. brand.

The Group also holds a leading position in terms of sales of buns and tortillas, among other products to big QSR clients through our Bimbo QSR business in France, Switzerland, Italy, Russia, Turkey and Ukraine such as McDonald's, KFC, Burger King, among others.

The European headquarters are located in Madrid, Spain.

Asia

The Group has been operating in Asia since 2006 through its subsidiary Bimbo China. Bimbo China's production plant in Beijing produces and distributes packaged bread, pastries, cookies and ready-to-eat food, among others, mainly under the Bimbo brand. Grupo Bimbo maintains a continuously-growing distribution network which is tailored to the local market. The Group operations in Asia have grown organically and through acquisitions. As pioneers in the packaged bread market, the Group has developed new products, including rolls filled with sweet beans and bread filled with spicy meat, to satisfy region-specific tastes. Grupo Bimbo also produces western-style products, which it expects to meet the growing Asian demand for international products and changes in dietary trends. The Group's principal Asian markets are the cities of Beijing, Tianjin and Hebei in China. As a result of the development of its distribution network and products with longer shelf lives, the Group is also able to sell its products in more distant regions in the heartland of China. Bimbo China is headquartered in Beijing.

On May 25, 2017, the Group entered into an agreement with the then existing equity holders of Ready Roti India Private Limited, or Ready Roti, pursuant to which we acquired a 65.0% stake in Ready Roti. Established in 1993, Ready Roti is the leading baking company in New Delhi and its metropolitan area. Ready Roti produces packaged bread, pizza dough, and sweet and salted buns through four production plants. Its leading brands include Harvest Gold® and Harvest Selects®. With this acquisition, the Group expanded its geographic footprint by entering into a new market, further increased its presence in, and exposure to, emerging markets, and supported its geographic and product diversification, in line with its strategy to become one of the world's top food companies.

On February 12, 2018, the Group entered into a binding agreement for the acquisition of Mankattan Group, one of the most relevant players in the baking industry in China. As a result of this acquisiton, the Group incorporated ten plants in China, considering the integration of its existing Beijing plant and the plants previously acquired with the QSR business of East Balt.

Furthermore, as a result of the acquisition of East Balt, the Group became a relevant player in China, Russia and South Korea offering buns and rolls, muffins, bagels, among other products to big QSR clients through our Bimbo QSR business. This recent operation enabled the Group to participate in a new high-growth channel within the region.

Africa

In 2017 the Group entered into Morocco through the acquisition of Adghal Group. The company produces and distributes baked goods in Morocco through three production plants. Its brand portfolio includes well-positioned brands, such as Belle, among others. This transaction provides Grupo Bimbo with an entry point to a new continent through an established baked goods business that will benefit from the Group's global expertise.

Also, as a result of the acquisition of East Balt the Group ventured in the foodservice sector in South Africa and Morocco, enhancing the manufacturing footprint with 3 and 2 plants, respectively.

1.3) Products

During more than 70 years the Company has developed a diversified portfolio of over 13,000 products under more than 100 renowned brands to cover every meal, consumption occasion and segment.

The Group's portfolio of renowned brands includes five brands under which retail sales accounted above a billion dollar, two brands that sold more than U.S.$500 million, five with more than U.S.$250 million and nine brands that sell more than U.S.$100 million.

The Group's business has always focused on producing and distributing a large portfolio of products tailored to the local markets, such as bread, sweet baked goods, cookies and crackers, salty snacks, confectionery goods, pre-packaged food, consumer food solutions and other products enjoyed around the world by millions of people every day.

a. Innovation

As one of the largest food companies in the world in terms of sales, Grupo Bimbo has always focused on offering delicious and nutritious products to its consumers. The Group's success is based on constantly adapting to consumer needs and preferences. Grupo Bimbo believes that its experience and knowledge of consumer preferences and consumption patterns in the regions where it operates, combined with its commitment to innovate, improve the quality of its products and its operating efficiency, provides it with a significant advantage over its competitors. As a result of the Group's continuous investments in research and technology, it has improved the nutritional value of its existing products, introduced new and healthy options and continued to extend the shelf life of its products to further benefit the consumers. Through its innovations, the Group intends to reinforce its identity as a global company with a local character through a constant pipeline of new products that seek to address its diverse consumers' needs and preferences and enhance its consumer base.

Innovation provides an informed consumer a choice of alternative productswhich can be part of healthy lifestyles. The Group strives to ensure that its products suit the tastes of its consumer's base and are mindful of their needs in the countries where the Group operates. Grupo Bimbo aims to continue to be one of the leading innovators within its product categories and to continue introducing new products that benefit from its strong brand franchise.

Grupo Bimbo maintains its commitment to work continuously in actions that foster the adoption of healthy lifestyles through the improvement of its products, promotion of adequate diets and frequent practice of physical activity, in order to become a local and global benchmark regarding health and wellbeing initiatives. Globally, the issues of health, nutrition and wellbeing are not only relevant, but a priority. Therefore, as the leading baking company in the world in term of sales, the Group works to harness all the factors that have a positive impact on the wellbeing of its consumers and associates.

Improvement of nutritional profiles of the Group's product portfolio innovations in technology, processes and ingredients, aligned with our Health and Wellbeing strategy, continues to be one of the most relevant action lines of the Company. Grupo Bimbo strives to find the proper balance between nutrition and taste in its products. Therefore, in 2008, the Group became a member of International Food and Beverage Alliance to implement the Global Strategy of the World Health Organization on Diet, Physical Activity and Health, with five fundamental commitments:

- Developing healthier products with improved nutritional value;
- Adopting responsible publicity and marketing for children under the age of 12 years;
- Providing nutritional information to consumers through clear and user-friendly labeling;
- Promoting physical activity and healthy lifestyles; and
- Making alliances with health organizations and research institutions.

As of 2018, Grupo Bimbo updated the Global Health and Wellness Policy setting new nutritional guidelines that consider the following points:

1. Nutritional profiles considering nutrients to be restricted (saturated fats, trans fatty acids, sodium and sugars) and ingredients and nutrients to be added (fiber, proteins, whole grains, among others) in all our product categories.
2. Consumption patterns.
3. Objective public.
4. Responsible use of additives by eliminating those that do not have a good perception of our consumers and leaders of interest.
5. External validation (Rayner Methodology), which allows us to calibrate and give credibility to our model.

Under these new guidelines in our portfolio, we define a strict commitment to increase the nutritional quality of our product portfolio. This change modifies the complying achievements of past years, on the basis of a 26% global compliance with these new guidelines.

Equally, to promote the competitiveness of the Group's products, Grupo Bimbo formes strategic alliances with universities and research centers to develop new technologies for its product development program. The work with institutions, doctors and experts, as well as with food and health regulatory authorities is important to achieve continuous improvement of the nutrient profile of the Group's products. Grupo Bimbo maintains strategic alliances with research centers, such as the International Maize and Wheat Improvement Center (CIMMYT) and recognized institutes like the Whole Grains Council, Consumer Goods Forum and the International Food and Beverage Alliance (IFBA). In addition, the Health and Welfare action platforms remain aligned to those defined by the World Health Organization (WHO) in order to adopt internationally-recognized strategies and best practices. The Group participates in the Access to Nutrition Index (ATNI), which evaluates the strategy of the world's major food and beverage producers regarding their nutrition-related commitments, practices and performance. Finally, Grupo Bimbo has laboratories and facilities engaged in the production of prototypes and the testing and validation of new ingredients, as well as conducting functionality studies and evaluating new products. Newly developed products are approved by committees and evaluated through market testing. Significant results from our innovation and nutrition centers include:

- The launch of biodegradable packaging technology which, unlike normal polyethylene, is broken down up to ten times faster than conventional polyethylene packaging; and
- The development of products with healthy ingredients and no artificial preservatives such as Bimbo Vital Apple & Nuts and Cranberry & Nuts in Mexico, to provide consumers products with full nutritional benefits, aligned to new market trends.

b. Seasonality

In most categories, the Company's products show seasonal behavior, with greater levels of consumption during holidays, rainy seasons, and cooler temperatures. In order to stabilize the demand for its products, Bimbo has developed various promotions and advertising campaigns and new products that are launched during lower consumption periods in the different regions, which do not overlap due to the Group's geographical coverage.

1.4) Production Processes

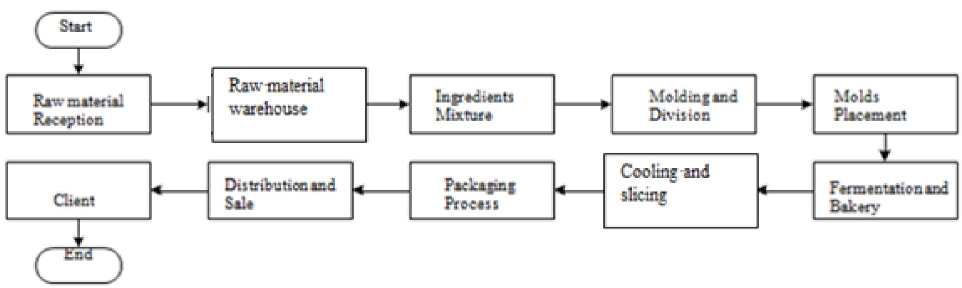
a. Production Processes

The Group makes ongoing investments to implement state-of-the-art technology and equipment in order to increase efficiency, reduce waste and optimize energy and water usage in its production facilities. The Group has been adopting and implementing modern automated production processes for each of its lines of business and maintain strict operation and control systems, resulting in efficiencies throughout its production processes within a competitive cost structure. The Group manages its production process in order to promote the quality production of its products at the lowest cost. Grupo Bimbo believes its focus on cost control, sustainability and transparency allows it to pass value along to its customers and increase its profitability. The Group's production process has slight variations among products, but generally includes the mixing of ingredients, baking, slicing, packaging and distribution of the products. Some of the Group's plants may be programmed to produce a variety of products also contributing to operating efficiencies.

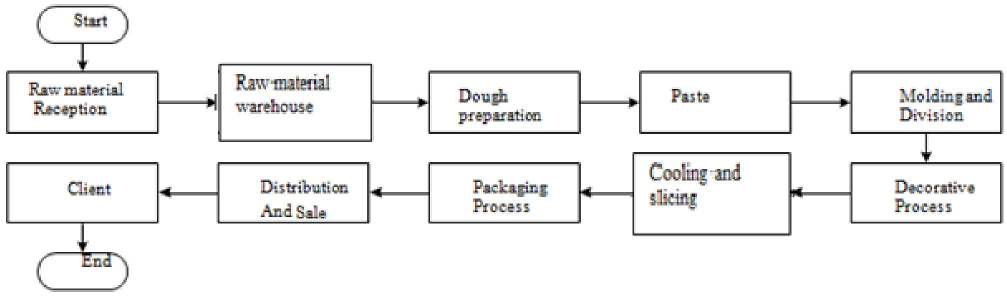
As part of the Group's strategy to respond to the changing needs of the market, it has implemented and continuously updates innovative systems to increase the capacity, quality, and production potential of its facilities. Grupo Bimbo aims to locate its production plants and sales centers optimally in their markets with relation to warehousing and population centers. The Group's production process constantly evolves, as it shares global best practices from recently acquired companies and from its existing operations. To that end, the Group constantly redesigns its facilities and incorporates new technology (either developed by the Group or acquired from third parties), significantly optimizing capacity and reducing production costs as a result of process redesign in plants, automatization and better productivity.

The diagrams below show the Group's primary production processes for sweet baked goods, packaged bread and snacks.

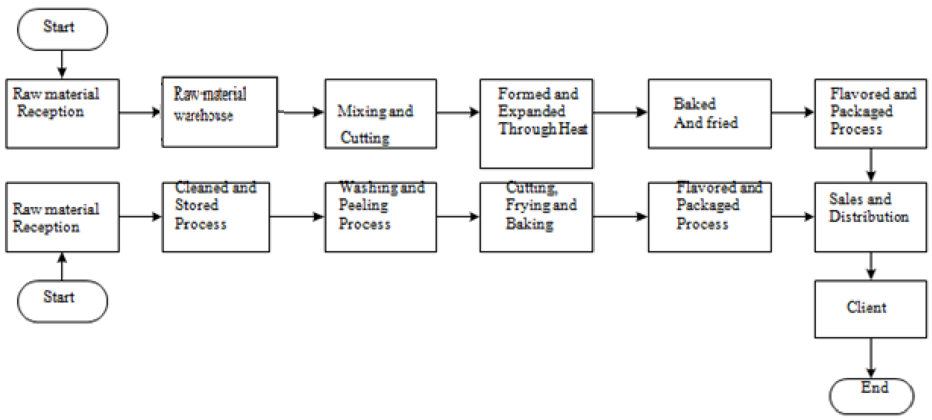
PACKAGED BREAD



SWEET BAKED GOODS



SALTED SNACKS



b. Environmental Administration

Planet Pillar

This environmental strategy is divided in four strategic lines of action:

CARBON FOOTPRINT	**WATER FOOTPRINT**	**INTEGRAL MANAGEMENT OF WASTE**	**NATURAL CAPITAL**

Grupo Bimbo is committed to the application of day-to-day environmental management to efficiently use resources and improve all aspects of the value chain, having within the strategic business decisions, the commitments to generate economic, social and environmental value.

The relevant environmental matters have been determined through the assesments of issues and impact on the environmental performance indicators of the odirect perations, the legal compliance, and custumers requirements, the management of such indicators and specific requirements of the relevant parties.

The strategy focuses on two main parts, the first related to efforts within plants and direct operations and the second to initiatives in each area of the value chain.

Within the plants there is a focus on compliance with standards defined in a list of good environmental practices, the monitoring of indicators for continuous improvement of the environmental performance of each operation and the implementation of new technologies that help to reduce impact.

In the case of the areas of the value chain, at the end of 2017 and during 2018, the following were held planning exercises with the key Directions and key Functional Areas to define the main impacts and risks of each link, as well as strategic projects to be worked on in the coming years. There is an environmental leader who, within his activities, coordinates these efforts in the following areas and reports them to the Global Environmental Committee, a management mechanism that presents the progress of projects in areas and plants, as well as possible synergies and needs.

For the Planet Pillar, Grupo Bimbo has 2020 as its goals:

- 10% reduction in fuels (electricity, gas and diesel)
- 30% reduction in water consumption
- 90% recycling
- 50% reduction in food waste
- 80% renewable electrical energy
- 1 project in each country and each area of the value chain

During 2018, Grupo Bimbo received awards for its environmental performance:

- 14 plants with Energy Star certificate in the U.S. EE. UU.
- Appointment by the Environmental Protection Agency as the Energy Star member of the year in U.S.
- 31 plants in Mexico with “Industria Limpia” "
- 3 plants in Mexico with the “Excelencia Ambiental” award "
- 3 plants in Europe with ISO 14001 certification
- 1 plant in Costa Rica with the "Bandera Azul" acknowledgement
- 1 plant in Venezuela with the “Soy Responsable en la Categoría Ambiental” award,
- 1 plant in Costa Rica with the “Galardón Eficiencia Energética” acknowledgement

Carbon Footprint

As part of the environmental strategy, the Carbon Footprint section refers to actions related to energy efficiency in plants and the use of renewable energies.

Energy Efficiency Plants

The plants have more than 10 practices ranging from lighting, high-efficiency equipment and different technologies.

In 2018, the German methodology of Learning Networks for Efficiency was introduced. Energy and Energy Management, based on the international standard ISO 50001, which allowed 10 of the plants in Mexico to implement Energy Efficiency projects. to achieve improved performance and reduced environmental impacts. Under the same methodology, Argentina has an initiative with the local government, with the objective of achieving the following reduce environmental impacts and create networks with the Industrial Sector that allow for to make a satisfactory benchmark.

Renewable Energies

As part of the Environmental strategy in the carbon footprint initiative, an area was created to strengthen and focus efforts on renewable energy, which reports to the Global Financial Planning Department which facilitates environmental and financial assessments of projects.

Continuing the strategy, Grupo Bimbo signed the RE100 commitment in which by 2025 all operations must be supplied with renewable electric energy.

Bimbo Solar

24 sites with solar panels, for a total of 2 MW installed.

Beginning of phase 2 - Installation of solar roofs in plants for a total of 20 MW and currently in the process of installation.

CDM

Biggest solar roof in Mexico with 2.3 MW installed.

Clean Enery Certificates

Generation of the first clean energy certificates for distributed generation in Mexico.

PPA

Completion of the Santa Rita East wind power contract, which will come into operation in 2019 to become 100% renewable in the United States.

Chile

Installation of a 2.5 MW solar roof on the Ideal plant, being the largest in a single roof in the country.

Distribution

Green Sales Centers continue to implement initiatives such as LED and natural lighting; in vehicles, initiatives such as alternative fuels, renewals and EURO technologies as well as projects for the use of transport and efficiency in routes such as supply chain footprint analysis that seeks to contribute to the digital transformation of Grupo Bimbo through the optimization of the node network. With its implementation we are looking for to satisfy consumer demand, reduce environmental impact and increase energy efficiency. profitability of the business.

To date, the reduction of tons of CO_2 per kilometer traveled has been achieved with almost 5,000 tons of CO_2 in Primary and Secondary Distribution with projects such as Supply Chain Master Footprint and Max Cube,

Alternate fuel vehicles GB:

- Ethanol 106
- GLP 620
- GNC 1,062
- Electric 418

In Mexico 184 trips were made by rail, this modality is used door to door for trips greater than 500 km, thus avoiding the use of land motor units.

USA

Bimbo Bakeries USA was awarded by the ACT (Advanced Clean Transportation) within the private sector for being one of the fleet operators that demonstrate leadership in sustainable transportation with more than 300 vehicles that use alternative fuels such as propane and CNG. It also received the 2018 Certification Award: plants that exceed 75% of the bakery industry average.

Challenge Award 2018: plants that have improved energy intensity by 10% within 5 years of the New Recipient - Ft. Worth baseline

There are 23 active plants that have been recognized by Energy Star for certification or challenge since 2012. BBU has the most receivers for any commercial bakery or even for a food company. The Company is the "gold" food manufacturing standard for EPA Energy Star.

Latin America

Colombia received certification for the use of carbon neutral, this certification was managed for a period of 2 consecutive months, through the option to purchase the reductions achieved. Costa Rica implemented the use of LED lights in its fleet and Autovend machines. At year-end this region totaled 52 vehicles and 370 Autovend machines under this initiative.

Brazil

Brazil incorporated the use of ethanol in the monitoring vehicles which meant a reduction of CO^2 emissions. It also incorporated fuel controls for below-average performance, developing and training drivers towards more efficient driving.

Mexico

In November 2018, Grupo Bimbo in Mexico received the Clean Transport Certificate from SEMARNAT for obtaining excellent environmental performance for the eighth consecutive year. Throughout the year, 59 Actros Euro V DEF and 1210 Sprinter Euro V DPF 2211 units with particle filters were acquired.

Refrigerants

In 2018, a refrigerant survey was carried out based on the validation and collection of data used in Grupo Bimbo's operations, specifically in Mexico, Canada, the United States, Latin America, Iberia and the United Kingdom. The process consisted of recording the information of each plant, such as: Refrigeration Capacity, Equipment Location and Total Refrigerant Quantity.

Likewise, in 2018 the Global Policy on the Use and Migration of Refrigerants was implemented, applicable to all the organizations of Grupo Bimbo.

Water Footprint

In order to reduce water consumption, the Company encourages the responsible use of water by promoting practices such as:

- Efficient cleaning processes in operations
- Adoption of technologies that save money and improve their use
- Incorporation of alternative sources such as rainwater harvesting
- Constant improvement in water reuse, such as the use of treated water for different purposes as the irrigation of green areas, sanitary services and washing of our vehicles
- we ensure the highest quality in our downloads to return it to nature in the future in the best conditions.

Grupo Bimbo has invested in technology and innovation to achieve optimum results in terms of water footprint reduction, under three lines of action:

- Consumption: During 2018, the total water consumption per ton produced, equivalent to 35 Olympic swimming pools, decreased by 2% with respect to the previous year. Regions such as Canada, Central and South America reduced their consumption by over 8%. Globally, Grupo Bimbo has 57 rainwater collection systems.
- Treatment and Reuse: 74% of the total treated water is reused in services such as irrigation of green areas, services and vehicle washing. Globally, Grupo Bimbo has more than 57 treatment plants and 33 plants reuse treated water captured from rainwater systems. In 2018, new wastewater treatment technologies were introduced, focused on optimizing the treatment process in order to reduce the spaces required in the process and obtain better water quality for reuse.

- Analysis of the risk due to water scarcity and quality: Grupo Bimbo seeks to deepen the issue of potential risks of water stress in the future, therefore, a detailed study was carried out to focus efforts on the current situation of the projects.

Residual Management

The global goal for 2020 is to achieve 90% recycling and 50% reduction for specific waste such as Food Waste. In 2018 we have the following results:

- 34 plants with zero waste to sanitary landfill
- 134 plants with a recycling rate above 80%.
- 35 plants with 0 waste diverted to landfill
- 34 plants compost the sludge resulting from the treatment of water in the plants of processing
- 8% reduction in the total waste generated at the plants with respect to 2016

The Integrated Waste Management strategy consists of three main initiatives:

- Design: Since 2010 Grupo Bimbo has reduced 2.8 million kilograms of plastic packaging, of which in 2018 represented 0.5 million kilograms. This was achieved through practices of improvement and reduction of calibres without affecting the quality and safety of the products.
- Technologies: 100% of packaging in Mexico and some in Latin America has oxo-biodegradable additives.
- Recycling: Globally, Grupo Bimbo has more than 80% of recycling operations and continues to work to achieve the goals, as well as reduction practices in cardboard and packaging such as the playo de las tinas.

In Canada, Mexico, Brazil, Spain and the United Kingdom, post-consumption programs are incorporated, which consist of social, institutional and mobile collection programs for the collection of waste and its exchange for basic consumer products, providing the community with social, environmental and economic benefits. In Mexico, for example, schools promote the collection of post-consumer plastic films for recycling.

Natural Capital

Agriculture: During 2018 a Toolkit was developed for understanding and implementing the Internal Market Policy, which includes fact sheets on environmental, social and labor issues relevant to agricultural production in supply chains around the world. In Mexico, in collaboration with CIMMYT (International Maize and Wheat Center) and two of the main allies, commercial integration models were developed and responsible sourcing of commercially competitive and susceptible to be replicated to other producers associated with basic grains.

In addition, two landscape-scale projects are being developed in the state of Chiapas in southern Mexico. Both projects are aimed at protecting natural ecosystems while working with farmers to ensure resilient livelihoods (conservation of forests in the municipalities of Marqués de Comillas and conservation of critical mangrove and wetland habitats in the La Encrucijada Biosphere Reserve).

The adoption of sustainable agricultural practices within the framework of agrifood systems has allowed greater productivity and adequate management of natural resources, contributing to the environmental and economic viability of these, the achievements were:

- 7 informative events - aimed at promoting the application of sustainable technological innovations in agriculture, with the presence of 209 farmers.
- 136 producers directly benefited
- 1,465 hectares applying agricultural innovations
- 691 hectares with sustainable agriculture
- 12 sustainable agricultural practices
- 12% reduction in water used for irrigation (228 m3 of water per ton)

- 21% higher yield with sustainable agricultural practices compared to traditional practices.
- 11% greater utility with sustainable agricultural practices compared to traditional practices.

Biodiversity: In 2018, together with 77 companies, 137.35 hectares of forests were reforested and 5,000 hectares of forest ecosystems in Mexico were conserved. In collaboration with the Mexican Alliance for Biodiversity AMEBIN, work has been done to understand the dependencies of the private sector in terms of natural capital in order to develop indicators of natural capital that allow for focused and clear actions to be taken on dependencies and impacts.

Purchasing: At the beginning of contracting suppliers, the code of conduct is informed to them, which covers issues related to ethics, anti-corruption laws, quality of information and and food safety, working conditions and environmental standards. With PYME suppliers there are specific programmes, e.g. the DESEO programme. In Mexico the Green Purchasing project carried out an analysis to select the most appropriate priority suppliers of 2 of the most important categories (295 of Raw Materials and 50 of Packaging) according to the purchase amount and sustainability impact by type of input.

During 2018, work was done on monitoring the suppliers evaluated during 2017 with action plans to improve their performance.

c. Inventory

Production Inputs

The quality and continuous supply of the Group's raw materials are critical factors in its production process. The Group has adopted stringent supply policies whereby it requires its suppliers to comply with the detailed specifications of the raw materials and to provide quality control certificates for their products. The Group also performs laboratory tests with raw materials supplied by third parties and routinely inspect the production plants and facilities of the Group's suppliers.

The Group has developed an integrated and efficient supply chain of raw materials and packaging, and it works continuously to improve its efficiency, creating lasting relationships with suppliers that meet the Group's high quality standards. Grupo Bimbo seeks to maintain low supply costs without sacrificing the quality of raw materials. Cost savings are achieved through waste reductions, economies of scale in procurement, production and distribution, among other initiatives focused on becoming a low-cost producer. For example, the Group had significant savings in 2018 as a result of the centralization of its global adquisition processes.

Wheat flour is the Group's main raw material and the Group reviews its relationship with its main suppliers continuously. Wheat is generally traded in dollars and is subject to price fluctuations according to factors such as climate, crop production and supply and demand in the world market, among others. The Group continuously enters into hedging agreements to manage its exposure to price fluctuations and ensure the timely supply of its main raw materials.

Other important raw materials for the Group's business lines are sugar, edible oils, fats and eggs, as well as the plastics used to package its products. The Group has minority interests in some of its main suppliers of eggs and sugar. In addition to said raw materials, the Group also buys plastic containers from various suppliers. The Group currently does not depend on any supplier in the market in which the Group operates.

The Group's raw materials are administered using the first-in, first-out method to preserve the freshness of its products. Due to the nature of the Group's products, its inventories of raw materials, mainly perishable products, have a high turnover rate. Grupo Bimbo receives most of its supplies continuously, in some cases, with daily deliveries. The Group's corporate offices lead the negotiations of its main raw materials with the suppliers, while its inventories are managed directly by each plant and storage plant. Local plants and storage facilities also manage and directly place orders for raw materials that can be obtained locally.

Finished Products

Grupo Bimbo has strategically located production plants, distribution centers and sales centers, which allows it to consolidate its operations in each region and to efficiently distribute its products. In addition, Grupo Bimbo has successfully implemented an information system that allows it to synchronize its production capabilities with consumer demands based on information retrieved several times a day from its sales force, resulting in optimal levels of customer order management and thus, very low inventories of its finished products.

Due to the nature of some of its products and their commitment to freshness, inventory has a high turnover rate. Its inventories of dried products, such as toasted bread and breadcrumbs, cookies, candies and chocolates, have a lower turnover rate.

d. Quality System

The safety and quality of the food is essential for Grupo Bimbo. In recent years, the Group has strengthened its quality and hygiene control systems to ensure food safety and the consistency of its products in the various regions where the Group operates. The Group has a quality control area totally dedicated to monitoring compliance with sanitary regulations and other sanitary policies and applicable internal policies.

The Company continuously implements quality control systems adapted to the individual needs of each product line and we have adopted the highest international standards, driven by its commitment to guarantee the satisfaction of its customers. This system implies guarantee of quality control and food safety, providing a better service to the client, promoting and preserving a healthy work environment and respecting the environment to contribute to the general development of the community. Given the importance of food quality and safety, part of the Group's quality control system aims to continuously control and improve the quality of consumables, processes and finished products. With the implementation of the Group's quality control system, it has won several awards over the years, which is why Grupo Bimbo is recognized as one of the most ethical companies in the world as of 2017.

The Group has earned the loyalty of its customers and consumers by meeting the most stringent international standards in the food industry, certified by independent organizations and agencies with a recognized international reputation. Recently, 136 of our plants have a food safety standard recognized by the GFSI (Global Food Safety Initiative), whose mission is to provide continuous improvement in management systems to manage the safety of food for consumers around the world.

1.5) Prices

The Group's pricing strategy is closely related to the general conditions of the market and the cost of its inputs and operations. The Group seeks to maintain a low cost production to offer its customers the most competitive prices, guaranteeing the best quality. Our comprehensive pricing strategy also considers competition, sensitivity and product potential, market research and other factors to determine the price of the Group's products.

1.6) Marketing and Promotion

Brands need to be on social networks to create a relationship with their consumers. To respond to this virtual reality, Grupo Bimbo has implemented a robust platform for digital marketing on social networks and websites that promote the creation of communities of like-minded consumers related to its brands and categories, as well as the creation of relevant content to generate commitment by these users.

Apart from using open television as the means of communication to the greatest extent, the Company also uses other means, such as pay television, external advertising, radio, press, mobile advertisement (through signage on vehicles where its products are transported) and digital media.

Grupo Bimbo initiated the execution of new commitments regarding adveritsing and marketing to children, following the World Health Organization's (WHO) recommendations. Therefore, the focus of its marketing encourages the adoption of healthy lifestyles, advertising only those products addressed to children under 12 years old that comply with established nutritional profiles, based on scientific evidence and worldwide standards.

Grupo Bimbo continues to carry out massive advertisement and promotion campaigns aimed at maintaining the image and growth of its leading products, and supporting new products that have been launched to the market. Additionally, through its advertising agencies and media centers, the Company has made a great effort to communicate specific products and new launches to its consumers.

1.7) Technology and Information Systems

a. Technology and Information Systems

Grupo Bimbo uses automatized information systems for both operational and management levels, which have been developed in various stages. The operational information systems link processes that include planning and receipt of materials, production control, sales process and integration with clients. As a result, this provides greater control and operational efficiency.

Furthermore, management information systems synthesize the operational, financial, commercial and accounting information that has been concentrated in the various plants and agencies in all the business sectors.

One of the main objectives of the above-mentioned systems integration is that inside the organizational structure of Grupo Bimbo the maximum responsibility may be delegated to each of its members, including the lower levels of the organization chart.

Grupo Bimbo has a policy of continuous technological modernization that helps meet the needs of the operations, of the business, and of regulatory compliance in the locations where it operates. The Group is currently upgrading all of its ERP and Business Intelligence platforms throughout a world-class Software as a Service strategy. This is a strategic and multi-year work program whereby analysis and administration of the accounting, financial, procurement, manufacturing and human resources transactions are faster. Additionally, platforms supporting logistics, transportation and supply chain are being upgraded.

Currently the operations in China, Iberia, Latin Centro, Latin Sur, United Kingdom, Frozen and Canada are working through an outsourcing system for both infrastructure and applications. Likewise, the Group has advanced planning solutions for supply and distribution, using a similar on demand platform.

2) Distribution Channels

Grupo Bimbo uses direct distribution channels to deliver its product in more than 3.3 million points of sale. It is believed that this has been key to its success. For example, one of the largest fleets in America has been developed with approximately 60,000 distribution routes around the world, with an average life of 7 years.

The Group has more than 1,800 sales centers, each of which depends on the operations of one or more plants. Every day the products are distributed from the plants, agencies and warehouses. Plants, agencies and warehouses can produce more than one brand.

Delivery	Transportation	Trailer	Others	Third parties	Total
42,021	1,995	5,704	6,204	15,417	71,341

The Group's sales force distributes its products to its customers from its distribution centers according to predetermined itineraries. Currently, all routes can deliver and collect products returned from consumers at each visit. The products can be returned by consumers if they were not sold and replaced by fresh products at no cost. The products collected are not considered fresh, although they can still be consumed, they are collected a few days before their expiration date.

The returned products are sent to sales centers that sell "cold bread", where the product is offered for sale for two to four days at a lower price.

Each product is shown for sale according to its useful life, which varies 7 days in the case of bread, months in the case of chocolates, cookies and snacks.

Based on production and sales levels, visits to each consumer can be daily, every three days, twice a week or weekly. Consumers are classified according to their purchase volume, type of distribution channel and individual characteristics. Group customers include hypermarkets, supermarkets, price clubs, family businesses, food services, which includes institutional customers, fast food chains, schools, vending machines and traditional customers. It has the ability to adapt the approach and response to the diverse and changing needs of consumers, including the frequency of delivery, in a cost-effective manner.

Grupo Bimbo operates directly all routes in Mexico and most routes in Latin America. While more than half of the routes in the United States and most of the routes in Canada and Europe are operated by independents. Generally long-term contracts are entered into with these independent distributors by virtue of which they agree to sell the Group's products exclusively. The terms of these contracts also specify which territories the independent distributors will cover and their compensation, based on the sales performance. There is strict control over the management of the brand, advertising strategies, prices and the right to purchase from each of the independent distributors under certain circumstances. The Group's distribution model is adapted to each country in which it operates, for example, it is believed that the use of independent distributors reduces distribution costs and increases the flexibility to add points of sale in an efficient manner, maintaining the quality of the services

3. Main Customers

Grupo Bimbo has more than 3.3 million points of sale in the markets where it operates. It also has a strong relationship with its consumers and an interest in understanding and fulfilling its specific needs. The Group has a broad base of consumers in the countries in which it operates, ranging from large customers to small convenience stores (most relevant in emerging markets), as well as institutional customers (fast food restaurants, schools, vending machines, among others) and e-commerce platforms, such as Amazon, Freshdirect®, Peadpod® and ShopRite®, among others.

Region	Type of Client	Relevant Client
Northamerica		
United States	Supermarket chains, price clubs, food service chains, institutional clients and small convenience stores.	Wal-Mart, Kroger, Albertsons and Ahold.
Canada	Retail, food service chains and other large institutional clients.	Sobey’s, Metro, Costco, and Wal-Mart.
Mexico	Small convenience stores, large retail stores, supermarkets, warehouses, price clubs, convenience stores and government-owned supermarkets.	Wal-Mart, Oxxo, Soriana, and Costco. We also serve large fast food chains and other institutional clients, such as 3G Capital (Burger King), KFC and McDonald's.

Latin America	Small convenience stores, supermarket chains and hypermarkets.	Wal-Mart, Grupo Casino, Cencosud and 3G Capital.
Europe, Asia, Africa		
Europe	Supermarkets, hypermarkets and food service chains.	Carrefour, DIA, 3G Capital, Tesco and Sainsbury's.
Asia	Retail and food service chains.	Burger King, KFC and McDonald's.
África	Retail and food service chains.	Burger King, KFC and McDonald's.

4) Patents, Trademarks, Licenses and Other Contracts

4.1. Brands and Logos

Grupo Bimbo's most important brands, slogans and logos are protected by trademarks in the countries in which the Group operates and in many other countries. The Company manufactures or commercializes more than 13,000 products with more than 100 well-known brands, including, Bimbo®, Oroweat®, Arnold®, Brownberry®, Barcel®, Dempster's®, Thomas'®, New York Bakery Co. ®, Milpa Real®, Supan®, Marinela®, Fargo®, Ricolino®, Tia Rosa®, Monarca®, Entenmann's®, Ideal®, Ana Maria®, Pullman®, Los Sorchantes® Donuts®, Harvest Gold®, among others.

Currently, the Company has approximately 7,417 brand files and registries in Mexico and more than 21,281 abroad. The Group has brands registries in Africa, North and South America, Asia, Europe and Middle East. However, the trademark for Bimbo is held by others in Chile, Puerto Rico and certain European countries, and the trademark for Marinela has been registered by third parties in El Salvador and Honduras. Therefore, the Company's products in those countries are sold under the brands Ideal and Marinela, respectively, however the Company's designs and packages are used in those countries. In addition, the Company has several has several domain names registries addressed to the customers in the geographical areas it operates.

4.2. Patents and Copyrights

Patents

The protection of the Company's inventions through patents is very important for Grupo Bimbo. The Company operates mainly with technology developed by its Research and Development Department, which regularly requests patent protection of such inventions in Mexico and abroad.

To date, Grupo Bimbo has 176 patents (including industrial designs and utility models) in Mexico and 318 abroad, mainly in the United States of America, Canada, Argentina, Chile, China, Colombia, Korea, Costa Rica, El Salvador, the Philippines, Guatemala, India, Peru, the Czech Republic, Taiwan, Turkey, Venezuela and the European Union.

Copyrights

The major characters, publications, computer systems, logos and package designs used by the Group in its products are protected by copyrights in the countries where it operates and in other countries.

Litigation

Up to December 31, 2018, Grupo Bimbo was not a party, in Mexico or abroad, of any judicial, administrative or arbitration proceeding in connection with the intellectual property out of the ordinary course of business or which may have a significant adverse effect in its operations. See Section "2. THE COMPANY— b) Business Description— xi) Judicial, Administrative or Arbitration Processes".

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry collusion among several bread suppliers, including Canada Bread from 2001 to 2017. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved have admitted to inappropriate conduct. Canada Bread has not been charged with any offenses. Both the Group and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Group was notified of certain class actions initiated by groups of consumers and/or consumer associations against all the parties allegedly involved in Canada's Competition Bureau investigation.

4.3. Contracts

Grupo Bimbo executes and maintains several contracts within the ordinary course of business, such as leases, bailments, supply agreements, raw materials and machinery purchase agreements, manufacturing agreements, distribution and commercialization agreements, sponsorship, license and all of service agreements necessary for its operations, which may be short, medium or long term agreements, depending on the needs and strategies of the Group.

5.) Applicable Legislation and Tax Status

The development of the Group's business is regulated by laws, rules, regulations and generally applicable provisions issued by governmental authorities, as the federal, state and municipal authorities. Laws and regulations relating to environmental protection, health, marketing and intellectual property are particularly important for the results of the Company.

In Mexico, the principal laws applicable to Grupo Bimbo are laws relating to trade, taxes, intellectual property, corporate governance, securities and environmental protection, such as the Commerce Code (*Código de Comercio*), the General Law of Business Entities (*Ley General de Sociedades Mercantiles*), the General Ecologic Equilibrium and Environmental Protection Law (*Ley General del Equilibrio Ecológico y Protección al Ambiente*), the Income Tax Law (*Ley del Impuesto sobre la Renta*), the Intellectual Property Law (*Ley de la Propiedad Industrial*), the Mexican Securities Market Law (*Ley del Mercado de Valores*), the National Waters Law (*Ley de Aguas Nacionales*) and the General Law on Waste Prevention and Comprehensive Management (*Ley General para la Prevención y Gestión Integral de los Residuos*). In addition, Grupo Bimbo is governed in particular by the provisions included in its by-laws.

The Group is subject to the General Health Law (*Ley General de Salud*), the Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*), the Metrology and Standardization Federal Law (*Ley Federal sobre Metrología y Normalización*), the Federal Labor Law (*Ley Federal del Trabajo*), the Federal Duties Law (*Ley Federal de Derechos*), the Customs Law (*Ley Aduanera*), the Federal Law for Administrative Procedures (*Ley Federal del Procedimiento Administrativo*), the Federal Law for the Protection of Personal Data in Possession of Private Sector People (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), the Federal Antitrust Law (*Ley Federal de Competencia Económica*) and the Social Security Law (*Ley del Seguro Social*), as well as to several of their regulations.

Additionally, the Group is also required to comply with several regulations and Mexican Official Standards, (known in Spanish as "NOMs"), related to labeling and packaging, sanitary specifications, nutritional specifications, hygiene standards for food processing, beverages or dietary supplements, foods based on grains, edible seeds, flour, semolina or mixtures thereof, test methods, information for collectibles promotions or promotions through sweepstakes and contests, and net contents, among others.

Regarding the production plants of the Group, they must obtain operating licenses, file statements as a company generating hazardous waste, register the Company as a company generating hazardous and non-hazardous waste, prepare a management plan for hazardous and non-hazardous waste, obtain environmental licenses, obtain wastewater discharge permits, obtain permits to separate trash, obtain concession agreements for the use and exploitation of national waters, among others. In addition, for the construction of new plants, facilities or its expansion, the Group must obtain environmental impact assessments and risk analysis, construction licenses and licenses for land use, among others.

In the other countries in which Grupo Bimbo operates, it is subject to equivalent laws and regulations.

As a result of the dynamism of the laws, Grupo Bimbo schedules periodic revisions to its plants and operations to keep pace with the regulatory changes. In addition, the Group is subject to internal requirements and policies that represent standards above the minimum required by the applicable laws.

Amendments to, or enactment of, environmental laws, including laws related to climate change, could require Grupo Bimbo to make significant investments to comply with such laws, which could affect its operating results.

Failure to comply with its obligations under applicable laws and regulations could result in the imposition of administrative sanctions or other penalties to the Company.

Tax Status

Grupo Bimbo is required to comply with tax laws and regulations in the countries in which operates.

In Mexico, the Group is subject to Income Tax. The tax rate of Income Tax in 2018 applicable to the Group was 30% pursuant to the Income Tax Law of 2014 which shall remain the same for 2019 and the subsequent years. Regarding income tax in other countries, which the Company's subsidiaries must assess, this calculation is performed individually pursuant to the specific regimes of each country. Specifically, the U.S. is authorized to file a consolidated income tax return, and Spain to file a consolidated income tax return staring from the 2013 fiscal year.

Each of the subsidiaries of the Group outside Mexico is required to determine and pay its taxes under the individual legal entities regime. The annual tax return is filed within the six months following the end of the fiscal year; additionally, companies must perform provisional monthly payments during said fiscal year.

6) Human Resources

From its foundation the Group has a personnel policy aimed at harmonizing the Company's interest with those of its associates; this has led to the consolidation of an excellent labor relationship. The Company has sought to extend this philosophy to the companies that has acquired.

The Company pays special attention to hiring personnel, conducts periodic assessments, and provides continuous guidance and training to its associates. The company works to meet the concerns of its associates and to promote their personal and professional development.

The following table shows the number of associates in the Group over the past three years:

	As of December 31		
	2018	**2017**	**2016**
Unionized	86,984	86,729	85,951
Non-unionized	51,448	51,442	44,962
Total	**138,432**	**138,171**	**130,913**

Grupo Bimbo has developed a number of internal guidelines that allow it to maintain a positive relationship with unionized staff. Most of the Group's operations have collective bargaining agreements, which are negotiated in accordance with the applicable labor provisions in each of the countries where the Group operates.

Grupo Bimbo currently has labor relationships with several unions, including in the United States, the International Brotherhood of Teamsters and Bakery, Confectionery, Tobacco and Grain Millers International Union; in Mexico, and Canada the *Sindicato Nacional de Trabajadores Harineros, Panificadores de Alimentos, del Transporte, Similares y Conexos de la República Mexicana* and the *Sindicato Nacional de Trabajadores de la Industria Alimenticia, Similares y Conexos de la República Mexicana*; and in Canada, the International Brotherhood of Teamsters, CSN (Conféderation des Syndicats Nationaux), UFCW (United Food and Commercial Workers International Union), Unifor and IUOE (International Union of Operating Engineers).

Since Grupo Bimbo´s foundation, it has worked to promote and preserve a healthy labor environment. The Group has been recognized for its day-to-day commitment to the safety and health of its associates and customers and a preventive approach to well-being. For this reason, in every country in which it operates it has a transparent and respectful relationship policy with the legitimate representatives of the associates' interests, whether syndicates, unions, cooperatives or any other collective form of association of its personnel. For this it has earned acknowledgment as an exemplary company from the Mexican Employees Confederation (*Confederación de Trabajadores de Mexico*) and by labor authorities in Mexico.

The Group strives to live its philosophy as a sustainable, highly productive and deeply humane Company.

7) Environmental Performance

112+ people from 34 cities and 22 countries participated in the Global Energy Race.	7 innovation centers, 1 food lab and 1 kitchen lab work on improving the nutritional profiles and developing new products	On the carbon footprint +100 thousand tons of CO2 were spared for using renewable energies. In primary transportation, since 2012, 25% of CO2 emisions from diesel have been reduced.	BBU was named "2018 ENERGY STAR Partner of the Year" by the US Environmental Protection Agency in the recognition of the strategies implemented in the baking industry.	Ps. 110.3 million donated to social development nonprofits in Grupo Bimbo.
1.4m+ slices of bread were donated to local food banks in line with the commitment to give 1 slice of bread per covered kilometer in the race	In 2018, 37% of our products have improved their nutritional profile	97% of the waste generated in production processes was recycled	35 plants successfully implemented waste management processes to entirely eliminate landfill deliveries and 134 plants recycle over 80% of their residues.	176 Good Neighbor projects took place across the plants, to improve the quality of life for thousands of people

58k+ boys and girls participated in the *Futbolito Bimbo* tournament	Grupo Bimbo has manufactured 106 ethanol vehicles, 620 LP vehicles, 1,062 natural gas vehicles, 430 electric vehicles, which were developed in Bibmo´s subsidiary Moldex	50% increase in water collection from rain in comparison with 2017	83k+ people, among associates, relatives and friends participated in volunteer programs of Grupo Bimbo	18% reduction in consumption of water in the processes of production vs. 2009
95% traceability in top suppliers of palm oil 2.8 million kg of plastic less since 2010 thanks to the decrease in sizes in our packaging	The RE-100 was signed to achieve the 100% renewable electric energy by 2025.	74% of the reuse of treated water globally and 91% in Mexico, which is used for gardening water and carwash services. Among others.	40% of the work units achieved a significant decrease in accidents-accidentsfor every 100 collaborators-while the biggest operationin Mexico maintained the same result as 2017.	+38 thousand hours of training at the Inclusion and Diversity Seminar

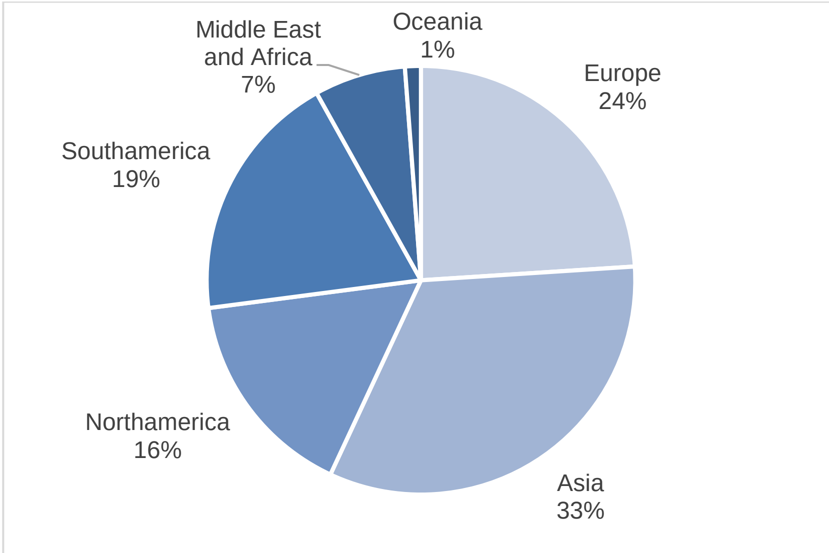
8) Market Information

8.1 Baking Industry General Overview

According to IBISWorld, growth in the baked goods industry will be higher between 2018-2023, with industry revenue expected to increase at an average annual rate of 2.6% to more than U.S.$580 billion over the five years to 2023. Growth in emerging markets primarily results from changing consumer diets that incorporate a greater range of wheat-based productsand markets such as Europe and the United States, has remained stable over the past five years. Certain markets, including the United States and Europe, have shown a shift towards functional bread products, which include healthy ingredients such as organic grains, calcium, vitamins and minerals, fruit infusions, and cleaner labels.

We believe that rising consumer awareness of nutritional issues represents an opportunity for continued growth in both emerging and mature markets through the launching of innovative, specialty and free-from products.

The following graph shows the revenue breakdown by region of the global baking industry (August 2018).



Source: IBISWorld, "Global Bakery Goods Manufacturing" August 2018. Asia includes North Asia, South East Asia, and India and Central Asia

Market Concentration

The industry remains highly competitive and fragmented, most players consist of small local bakeries. The three major global players are estimated to account for less than 10.0% of the market, with no single player controlling more than 5.0% of the global market. Industry leaders, including Grupo Bimbo, Mondelez, and Campbells, are currently driving the industry's consolidation attempt through their aggressive acquisition strategies.

The table below shows the estimated market share of the major global players in the baked goods industry as of 2018 according to GlobalData:

Participant	Estimated market share
Grupo Bimbo, S.A.B. de C.V.	4.5%
Mondelez International	3.6%
Campbells Soup Company	1.4%

Source: GlobalData, August 2018

Quality and price continue to be two major factors for competition in the industry, which is why the industry's largest companies are driven mainly by brand recognition, product differentiation and the ability to deliver high-quality products that appeal to the needs and tastes of the consumer base.

Sales Channels and Distribution Network

We categorize the industry's sales channels into four major categories: traditional ("Mom & Pops"), modern (supermarkets, convenience stores, and others), foodservice (quick service restaurants, hospitals, restaurants and others), and others (wholesale, vending machines, and others).

Supermarkets continue to account for the majority of the industry's global sales, primarily in markets such as North America and Western Europe, while in emerging markets, such as South America, North Asia and Eastern Europe, they tend to rely more on traditional channels.

It is important to mention that the distribution network is becoming wider and wider as recent advances in technology and packaging have increased the durability of bakery products, increasing the ability to be delivered over longer distances.

Industry Outlook

According to IBISWorld (August 2018), the key external drivers for the global industry moving forward include:

- GDP of BRIC countries: an increase in the demand for bread and other bakery products,
- Global consumer spending: emerging from an overall increase in disposable income, and
- World price of sugar and wheat: The rise or fall of two of the major inputs in bakery products are likely to affect the producers' margins, although any additional costs will probably be passed on to consumers.

Most of this growth is expected to originate from rising demand in emerging markets, specifically Latin America, Asia, and Eastern Europe. Meanwhile, growth in mature markets will depend highly on the successful introduction and traction of organic, gluten-free options in line with the recent trend.

The Baking Industry by Country/Region

North America

North America, according to IBISWorld, represents 16.0% or U.S.$130 billion of the global industry's revenue as of 2016.

It is considered to be a mature market with established brands and expected growth is to come from healthier baked goods generated. Thus, differentiated products, solid cost controls and distribution density and efficiency are key performance drivers in this market.

We operate in the U.S. market through Bimbo Bakeries USA, Inc., or BBU, and Bimbo Frozen. Our major competitors in the U.S. include: Flower Foods, Pepperidge Farm and private label brands.

The principal participants in the Canadian fresh bakery market are Bimbo Canada, and George Weston Limited. We also participate in the frozen category through Bimbo Frozen.

Mexico

According to GlobalData, the industry is expected to register a compound annual growth rate of 5.6% from 2015 to 2020. In terms of products, tortillas and packaged bread remain staple products in the country and are expected to continue to do well.

The strongest competition is the significant number of artisanal bakeries, small family-owned bakeries and in-store bakeries in supermarkets, in addition to regional packaged bread competitors such as Dulcipán, El Panqué, Pan Filler, among others.

We lead the packaged bread market in Mexico, with our iconic Bimbo® brands.

The major competitors in the cookies category include global market participants such as our company, Gamesa, a PepsiCo. brand, Nabisco, Mondelez International, and local market participants such as Cuétara, and Dondé, among others. As of 2018, we were also the Mexican snack cake market leader and the number two cookie and cracker producer in terms of sales under our brands Marinela®, Lara®, Gabi®, Bimbo®, Tia Rosa® and Suandy®, according to information from Nielsen. We are a leading participant in this category and our main competitors are the Kellogg Company, Quaker, General Mills and other imported bars.

We also participate in the packaged tortilla market with our Tía Rosa®, Milpa Real®, Del Hogar® and Wonder® brands, which compete mainly with products from Gruma and Maseca, among others. Particullarle Tía Rosa is the number 1 brand in the tortilla category (Nielsen).

Latin America

The South America region, which includes countries like Brazil, Argentina, Chile, Paraguay and Uruguay is the third largest segment in terms of industry revenue, accounting for an estimated 19%, according to IBISWorld (2018). The region has experienced strong growth over the past five years, driven mainly by Brazil, Argentina and Chile. however, the market penetration of packaged bread remains relatively low.

The strongest competition comes from the significant number of artisanal bakeries, small family-owned bakeries and in-store bakeries in supermarkets.

Grupo Bimbo lead the packaged bread market in every Latin American country in which we operate, in the categories of sliced bread, buns and rolls, with strong local brands such as Pullman®, Plus Vita®, Nutrella®, Fargo®, Ana Maria® and Lactal®, as well as regional brands such as Bimbo®. In bread, cakes and tortillas with brands such as Ana Maria® and regional brands like is Bimbo®

Europe, Asia and Africa

Europe, Asia and Africa, together represent almost 65% of the global baking goods market according to IBISWorld (2018).

Western Europe is the largest global market for bakery products. The participation of private labels and artisanal bakeries is significant in the region.

As is the case globally, the industry remains highly fragmented in the continent with more than 16,000 companies competing in the European bread and bakery products industry, according to IBISWorld (2018). The vast majority of these players are small artisanal bakeries, adding to the fragmentation.

In Europe, the Company mainly operates through Bimbo Iberia, Bimbo UK and Donuts (formerly owned by Panrico). The Company is the market leader in the branded packaged bread market in Spain and Portugal, with participation in the packaged bread and sweet baked goods categories under the brands Bimbo®, Silueta®, Martínez®, Donuts®. In the United Kingdom we are a leading producer in the bagel, ambient croissants and pain au-chocolat markets, with our brand New York Bakery Co.®, and our principal competitors in such market are Weight Watchers, Kings Mill and other private label players. We also hold a leading position in the United Kingdom in the vienoisserie category.

According to IBISWorld, Asia accounted 33.0% of the global baked goods industry during 2018 and is currently one of the fastest growing regions, driven by Japan, South Korea, China and Hong Kong. Central Asia and India, where bread-related items such as naan and roti are pivotal in everyday meals, represented approximately 8% of global industry revenues. This is expected to keep growing as the demand for Western-style baked goods increases, In China's case, the growth has been driven by sustained economic prosperity, increased urbanization, more working women and the growing influence of Western cultures and diets.

We have been pioneers in developing the packaged bread market in China, in the categories of packaged baked goods, cakes and tortillas, by adapting our products to local preferences such as bread filled with sweet beans, green tea and spicy meat. We participate in the Chinese market principally through our brand Bimbo® and Mankattan®.

In Idia, we are also a baking leader in New Delhi. Currently, brands in the region include Harvest Gold® and Ready Roti®, among others.
As for Africa, we manufacture snacks cakes in Morocco through our brand Belle®.

The Global Foodservice and Quick Service Restaurant Channels

Sales are estimated to account for U.S. $128 billion or 24.0% of the market for baked goods in 2019, according to IBISWorld, the quick service restaurant and fast food segment contributed revenues of over U.S.$1,200 billion in 2018, equating to 19.5% of the industry's aggregate value according to GlobalData. Recent growth of the quick service restaurants industry has been driven by increasing consumer disposable income, the increasing prevalence of Western-style food as well as growing demand from emerging economies.

GlobalData expects the global foodservice industry performance to accelerate, with an anticipated CAGR of 5.9% for the five-year period 2015 – 2020.

Among the product categories of the global quick service restaurants industry, burgers account for the top product categories with 34.3% market share, followed by sandwiches (11.3%), chicken with 10.5%, pizza and pasta (8.8%) based on IBISWorld research.

We believe we are well positioned to benefit from the future potential growth in the quick service restaurants industry in the world based on East Balt Bakeries' (now Bimbo QSR) existing presence through established operations in the U.S., China, South Korea, France, Spain, Italy, Portugal, Switzerland, the United Kingdom, Russia, Turkey and South Africa.

We also participate in Latin America, including Mexico, by serving major foodservice clients.

The Snacks Industry

Snack and confectionery products (collectively snacks), represent a large and diverse segment of the broader packaged food market, with estimated global sales of U.S.$130 billion in 2017 according to GlobalData. With urbanization and longer working hours, consumers eat snacks for convenience, increasingly replacing meals.

The global snacks segment considers categories such as confitery, salad snacks and cany.

Relevant Markets

We participate in the snack industry in North America, Latin America and Europe.

In the North American snacks market mainly through the Takis® and Barcel® brands. Takis has 1.8% market share within the tortilla chips subcategory in North America and is the fourth global leading tortilla chips brand according to GlobalData.

According to information of GlobalData, in Mexico we have a market share of 18.1% in the snack industry, the second largest position. The Ricolino® brand is the second largest within the confectionery category, capturing 12.6% of the market, while the Barcel® brand has a 5.9% share of the savory snacks category. Within sweet snacks, the Marinela brand also holds a number two position with a market share of 16%.

Grupo Bimbo is the fifth largest market player in the snacks market in Latin America, with an especially strong presence in savory snacks. The Barcel® brand has a market share of 1.1% in savory snacks and is the fourth nuts brand in Latin America according to GlobalData.
European snacks consumers prefer artisanal & premium products. Private label accounts for 17.0% of the European snacks market compared to 8.7% of the overall global snacks market. We operate in Europe mostly with Ortiz®, Bimbo® and Donuts® brands in savory snacks category.

9.) Corporate Structure

Grupo Bimbo is a holding company that, as of December 31, 2018 was a direct or indirect owner of shares in its 7 primary operational subsidiaries. The table shown below lists the most important companies, their main activity and the equity holding percentage held by Grupo Bimbo in each one of them.

Subsidiary Companies	Main Activity	Shareholding
Bimbo, S.A. de C.V.	Baking	97%
Barcel, S.A. de C.V.	Candies and Snacks	98%
Canada Bread Corporation, Ltd.	Baking	100%
Bimbo Bakeries USA, Inc.	Baking	100%
Bimbo do Brazil, Ltda.	Baking	100%
Bakery Iberia Investments, S.L.U.	Baking	100%
East Balt (Bimbo QSR)**	Baking	100%

**Bakery Donuts was acquired on July 21, 2016. ** East Balt (Bimbo QSR) was acquired on October 15, 2017, same date in which the Company gained control through BBU Bimbo, S.A. de C.V. and Grupo Bimbo.*

10) Main Assets Description

10.1 Facilities

a. Production Plants

As of December 31, 2018, Grupo Bimbo had 199 production plants distributed as follows:

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

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

- 32 in Latin America; in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru, Uruguay and Venezuela.

- 18 in Canada; in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Nova Scotia, Ontario and Québec;

- 25 in Europe, in Spain, Portugal, Italy, France, Switzerland, Ukraine, Russia and the United Kingdom.

- 18 in Asia, in China, India, South Korea and Turkey.

- 5 in Africa, Morocco and South Africa.

These plants produce traditional sliced bread, premium bread, buns & rolls, breakfast (English muffins and bagels), frozen bread, cakes, pastries, cookies, crackers, snacks, tortillas, pita, wraps, pizza base, tostadas, totopos, prepackaged foods and confectionary goods, among others. The Group owns approximately 90% of the production plants it operates and leases the remaining from third parties.

Generally speaking, the Group has all insurances needed for the industry in order to transfer all risks through specific provisioning.

In 2018, the Group made capital expenditures in the amount of approximately $750 million US dollars, which were financed with own resources.

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

MEXICO

	Number of plants
Bimbo S.A.	27
Organización Barcel	10
Moldes y Exhibidores, S.A. de C.V.	1
TOTAL	**38**

US & CANADA

	Number of plants
Bimbo Bakeries USA	56
Organización Barcel	1
Bimbo Frozen	7
Bimbo Canada	14
Bimbo QSR	3
TOTAL	**81**

LATIN AMERICA

South	Number of plants
Argentina	5
Brazil	6
Peru	2
Paraguay	1
Uruguay	2
Chile	1
TOTAL	**17**

Central	Number of plants
Guatemala	1
El Salvador	1
Honduras	1
Costa Rica	1
Panama	1
Colombia	7
Venezuela	1
Ecuador	2
TOTAL	**15**

EUROPE

	Number of plants
Spain	14
Portugal	1
Switzerland	1
France	3
Italy	2
Ukraine	1
Russia	1
United Kingdom	2
TOTAL	**25**

ASIA

	Number of plants
China	11
India	5
South Korea	1
Turkey	1
TOTAL	**18**

AFRICA

	Number of plants
South Africa	2
Morocco	3
TOTAL	**5**

The following table shows the capacity utilization percentage of the production in all the Company's operations as of December 31, 2018:

Organization and type of product	
Bimbo, S.A. de C.V. Bread, rolls, doughnuts, cakes, toasts, cookies, cakes, waffer cookies, tortillas	53%
Bimbo Bakeries USA Bread, rolls, doughnuts, cakes, pies, tortillas, *tostadas*, muffins and cakes	64%
Latin South Organization Bread, rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	36%
Latin Central Organization Bread, rolls, doughnuts, toasts, cookies, pastries and tortillas	49%
Barcel, S.A. de C.V. Snacks, sweets, confectionery and chocolates	56%
Bimbo Iberia Bread, buns, doughnuts, flatbread, toasts and cereal bars	44%

Bimbo Canada Bread, cakes, rolls, tortillas, muffins and cereal bars	54%
Bimbo Frozen Baguettes, artisan bread, bagels, Danish bread and pie	44%
Bimbo Brazil Bread, rolls, doughnuts, cakes, toasts, pastries, cookies, Swiss rolls, puff pastry and tortillas	42%
Bimbo United Kingdom Bagels, croissants	67%
Bimbo China Bread, pastries, cakes, tortillas and cookies.	28%

Capacity utilization was calculated based on 168 productive hours per week. Hours are used as a parameter because the product mix of each line implies the utilization of different volumes and weight, which prevents the direct comparison of all products and line capacities.

b. Agencies

As an important part of its distribution process, the Company has approximately 1,700 sales centers, each of which is supplied by one or more production plants. These centers may be exclusive for some of its brands or may handle several brands making use of the same infrastructure.

10.2) Asset Maintenance

The Group has a policy to have preventive predictive maintenance programs applied to all its assets, including various equipment and vehicular fleets in order for operations not to be suddenly affected. The purpose is that all the Group's premises and equipment present optimal operational and appearance conditions, and that they not only comply with the governmental rules and regulations, but that they provide for the wellbeing and a safe environment for the personnel.

When the situation requires so, corrective maintenance is used. However, such situations occur eventually and, therefore, they do not represent a habit of the Company.

In this regard, the Company allocates approximately 3% of the net sales to preventive, predictive and corrective maintenance previously described. Likewise, it is important to mention that during the last year, the Company has allocated nearly 2% of its sales in investments to support the growth, equipment modernization and productivity of its lines. All these resources have been financed with the Company's own resources.

10.3) Guarantees on Assets

On the date of this Annual Report, the Company has only created liens on its assets as ordinary course of business. None are material.

10.4) Insurance

The Group has solutions that protect cybersecurity against intrusions that alter the operation of the Group, as well as its Board of Directors or any other position of command that is exposed to obligations and responsibilities in the performance of its position, with respect to errors and omissions derived from the daily functions of such position.

Our facilties as well as third parties liabilities are covered by specific insurance policies regarding the risks we cope with.

In the case of the vehicular fleet for distribution, Grupo Bimbo's policy is not to rely on conventional insurance for its own damages; it has created a "self-insurance" program, based both on available cash flows and its maintenance policy, as well as its strong discipline for driving its vehicle, although the Group complies with the local regulations by having coverage for third party liability in every region.

In accordance with the above, the Company has auto shops to repair its vehicles. A study indicates that given the infrequency of vehicular incidents, these repairs are less expensive than paying a traditional insurance policy.

11) Judicial, Administrative or Arbitration Processes

Currently, Grupo Bimbo is involved in several legal proceedings, which are considered part of the ordinary course of business and incidental to its operations. Except as described in this Annual Report, Grupo Bimbo has no judicial, governmental or arbitration proceedings against it (including proceedings pending or that may be reported) of which it has knowledge for twelve months prior to the date of this Annual Report, that may have or have had in the recent past, a material adverse effect on its financial position or its operation results. Moreover, at the date of this Annual Report, the Company does not fall within the circumstances established in Articles 9 and 10 of the Bankruptcy Act (Ley de Concursos Mercantiles) and has not been declared or may be declared in bankruptcy.

In 2017 Canada's Competition Bureau commenced an investigation over allegations relating to an industry coluusion among several bread suppliers, including Canada Bread from 2001 to 2017. As of the date of this report investigations by Canada's Competition Bureau are ongoing and certain parties involved, have admitted to inappropriate conduct. Canada Bread has not been charged with any offenses. Both the gGoup and Canada Bread are fully cooperating with Canada's Competition Bureau as it conducts its inquiry. In addition, the Group was notified of certain class actions initiated by groups of consumers and/or consumer associations against all the parties allegedly involved in Canada's Competition Bureau investigation.

12) Shares Representing the Capital Stock

At the date of this Annual Report, the theoretical value of Bimbo's share capital totaled $4,199 million pesos, represented by 4,672,571,464 outstanding Series "A" common nominative shares, with no par value, fully subscribed and paid, all of them representing the minimum fixed portion without right of withdrawal of the capital stock. See Note 15 to the Audited Financial Statements.

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

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

In accordance with the corporate bylaws, the capital stock is variable. The capital stock shall be represented with Series "A" common nominative without nominal value expression shares. Additionally, the Company may issue non-voting and/or limited-voting, nominative, without nominal value expression shares, which shall be denominated with the series name determined by the Meeting that approves the issuance thereof. In no case shall the non-voting and/or limited voting shares represent more than twenty-five percent (25%) of the total capital stock placed among the investing public or of the total shares placed therein. However, the National Banking and Securities Commission (known in Spanish as "CNBV") or, otherwise, the competent authority, may extend the above-mentioned limit up to an additional twenty-five percent (25%), provided that this percentage is represented by non-voting shares, with the limitation of other corporate rights, or by restricted voting shares, which shall be convertible into common shares within a term not exceeding five (5) years, computed as of their placement (See Section "4. ADMINISTRATION— d) Corporate Bylaws and Other Agreements").

On July 30, 1998, Bimbo made a capital increase and issued 60,000,000 shares, resulting in fixed capital of 2,299,288,054 common, nominative shares with no par value.

On May 7, 2002, Bimbo approved a total modification of the company's bylaws and a capital reduction for a total amount of $397,555,574 pesos and the cancellation of 245,800,000 common, nominative treasury shares.

On April 15, 2011, Bimbo carried out a split of the shares representing its capital stock, making outstanding Issuance 2011-I, through which the Company's capital stock was not modified and remained represented by 4,703,200,000 shares.

13) Dividends

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

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

During 2018, dividends were paid on a basis of 0.35 pesos per share.

Historically, the Company has paid dividends resulting from profits generated during each period. The Company's management considers that this situation will continue in the future; however, it cannot assure that this will happen.

An additional income tax of 10% is applicable to dividends paid when they are distributed to individuals and foreign residents. The Income Tax is paid via a withholding of such tax, resulting in a final payment by the shareholder. In the case of foreigners, treaties to avoid double taxation may apply. This tax will apply for the distribution of profits generated since 2014.

Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2018, 2017 and 2016, the legal reserve, in historical Mexican pesos, was of an amount of $500.

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

The balances of the shareholders' equity tax accounts as of December 31 were:

	2018		**2017**	**2016**
Paid-in-Capital	32,404	$	30,911	$28,951
Net after-tax income	69,310		60,416	51,474

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

3) SELECTED FINANCIAL INFORMATION

	2018	2017	2016
Net sales	288,266	267,515	252,141
Operating profit	18,509	17,472	18,084
EBITDA	31,705	27,289	29,298
Equity holders of the parent	5,808	4,629	5,898
Basic earnings per ordinary share	1.24	0.98	1.25
Dividend per share	0.35	0.29	0.24
Total Assets	263,316	259,249	245,165
Short-term portion of long-term debt	1,153	1,885	1,452
Long-term debt	88,693	91,546	80,351
Total Equity	84,575	77,024	75,076

Note: amounts in millions of Pesos.

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

Grupo Bimbo, through its main subsidiaries, is mainly engaged in the production, distribution and commercialization of bread, bakery, premium bread, breakfast bread (muffins and bagels), frozen bread, cakes, snack cakes, cookies and crackers, tortillas, pita, pizza crisp, *tostadas, totopos*, snack, and packaged foods among others. The Company manufactures more than 113,000 products. The sale of such products constitutes Grupo Bimbo's only line of business. The division between bakery products, and salted snacks and confectionery goods referred to in this Annual Report is an organizational division, the only purpose of which is to achieve administrative efficiencies and which derive from historical reasons. In some cases, such division is shown exclusively in order to differentiate the market for such products. Grupo Bimbo has no significant export sales.

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

	As of December 31:		
	2018	2017	2016
	Total Sales		
Mexico	99,859	90,367	81,455
North America	143,848	137,662	135,219
Latin America	28,192	28,602	29,100
Europe	25,574	18,658	12,607
Eliminated on Consolidation	(9,207)	(7,774)	(6,240)
	Operating Profit		
Mexico	15,750	13,753	13,141
North America	5,100	7,701	7,161
Latin America	(529)	(1,284)	(2,453)
Europe	(1,481)	(2,395)	(351)
Eliminated on Consolidation	(301)	(303)	586

	Adjusted EBITDA		
Mexico	18,200	15,951	15,520
North America	12,994	12,642	12,733
Latin America	732	551	280
Europa	105	(1,572)	179
Eliminated on Consolidation	(326)	(283)	586
	Total Assets		
Mexico	63,569	60,640	47,836
North America	142,161	145,155	154,417
Latin America	22,387	23,265	27,080
Europe	36,468	31,822	17,188
Eliminated on Consolidation	(1,269)	(1,633)	(1,356)

b) Report on Significant Debt

The Company's relevant financing facilities are described below.

At the date of this Annual Report, the Group is current in the payment of principal and interest of all its relevant loans.

The Company has complied with all the negative and affirmative covenants, including several financial ratios established in credit facilities entered into and executed by the Company and its subsidiaries.

1. International Bonds (Senior Notes) and Local Notes (*Certificados Bursátiles*)

a. International Senior Notes:

1. Issued on June 30, 2010 under Rule 144 A and Regulation S for $800,000,000 dollars, with maturity on June 30, 2020.

2. Issued on January 25, 2012, for $800,000,000 dollars, with maturity in 2022. Issued under Rule 144 A and Regulation S.

3. Issued on June 27, 2014, for $800,000,000 dollars, with maturity in 2024 and for $500,000,000 dollars, maturing in 2044, under Rule 144 A and Regulation S.

4. On November 10, 2017, the Group issued senior notes in the international markets for $350,000,000 dollars with maturity on 2047, under Rule 144 A and Regulation S.

5. On April 17, 2018, the Group issued senior subordinated perpetual notes in the international markets for $500,000,000.00 dollars, under Rule 144 A and Regulation S.

b. Domestic Notes (*Certificados Bursátiles*)

1. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such notes accure a fixed annual interest rate of 8.18% with a biannual payment. The proceeds from this issuance were used for the advanced payment of notes Bimbo 12, the parcial payment of a revolving line of credit hired by Canada Bread and the partial payment of East Balt's acquisition.

2. Bimbo 16 – Issued on September 14, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such notes accure a fixed annual interest rate of 7.56% with a biannual payment. The proceeds from this issuance are for debt refinancing.

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

2. Revolving committed line of credit (multicurrency)

On May 2018, the Company renewed and amended the terms and conditions of the committed multicurrency line of credit opened originally on April 26, 2010 and modified in 2013, 2016 and February 2018.

In accordance to the new terms and conditions, there are ten financial institutions engaged in this line of credit. The total amount is up to USD$2 million, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced to USD$1.6 million. The drawdowns against this line of credit bear interest at the London Interbank Offered Rate (LIBOR) plus 0.95% for drawdowns made in USD, at the Canadian Dollar Offered Rate (CDOR) plus 0.95% for drawdowns made in Canadian dollars, at the Interbank Equilibrium Interest Rate (TIIE) plus 0.725% for drawdowns made in Mexican pesos, and at the Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.

In March 2018, the Company terminated an Euro-denominated credit facility, originally executed on November 6, 2015.Under such credit facilities there were 3 committed credit institutions. The credit facility represented a total amount of €350 million euros, with maturity on February 6, 2021 and with an applicable interest rate equal to EUROLIBOR plus 1.00%. As of December 31, 2017.

3). Other Loans

Certain subsidiaries have entered into other direct loans to meet their working capital needs. The maturity dates for such loans range from 2018 to 2025.

Summary of Affirmative and Negative Covenants and Acceleration Causes

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

Affirmative Covenants	**Negative Covenants**	**Events of Default**
Provide periodic financial information and information on material events	Do not modify its main business activity	Non-payment of interest or principal
Preserve its legal standing and incorporation and the necessary permits to perform its operations	Do not merge, liquidate or sell its "material assets"	Disclose false or inaccurate relevant information
Use the proceeds for the agreed purpose	Do not engage in transactions with "related parties" unless they are in arm's length or in case of certain exceptions	Failure to comply with any affirmative or negative covenants of the credit facilities
In the case of the Domestic Notes (Certificados Bursátiles), maintain registration with the RNV	Do not allow its "key subsidiaries" to be restricted in the payment of dividends or equity to its lenders.	Failure to pay the principal or interest on debt of more than U.S.$100 million, or if any "material debt" is accelerated and requires the Company to pay an amount greater than U.S.$100 million.

Comply with tax and labor obligations	Do not create “liens” except for any “permitted liens”	If the Company or any of its “material subsidiaries” is declared insolvent or in bankruptcy
Maintain a *pari passu* payment priority amongst the corporate creditors	In the case of some credit facilities, to maintain ratios of interest coverage and leverage within certain levels	If a judgment is passed against the Company, requiring the payment of an amount greater than U.S.$150 million, and such amount is not secured during a grace period.
		If the Company fails to pay any social security or housing fees (IMSS, INFONAVIT or SAR)
		If assets or important assets” of Grupo Bimbo are expropriated.
		If the Company rejects the validity of the Domestic Notes (Certificados Bursátiles)
		If there is a “change of control”

The negative and affirmative covenants and events of default in credit facilities or bank loans of the Company described in this Section are, with some particular differences of the banking market, similar to those contained in the Domestic Notes (*Certificados Bursátiles*).

C) Management’s Discussion and Analysis of the Company’s Financial Status and Results of Operations Status

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

The following analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the comments in the forward-looking statements as a result of various factors, including, but not limited to, those set forth in "Forward-Looking Statements" and "Risk Factors" and the matters set forth in this annual report.

Our audited consolidated financial statements are expressed in Mexican pesos. The financial information that concerns us as of the end of year (December 31st, 2018) is included in this annual report and is presented in US dollars solely for the convenience of the reader.

Factors that affect our results of operations and financial condition

The main factors that affect our results of operations are:

Prices of raw materials. We use a variety of basic products in the preparation of our products, which include wheat flour, edible oils and fats, sugar, eggs as well as plastics to package our products. As a result, our consolidated operating results are affected by changes in the prices of these basic products, among others.

Sales volume. Our consolidated sales volume is impacted by general economic conditions, product prices, new product launches and the extent and effectiveness of our advertising and promotion.

Cost of advertising and promotion. We support our brands and products as well as new product launches through extensive advertising and promotions tailored to our brands and targeted to consumers in the specific markets in which we operate. We typically increase advertising and promotional spending during periods where we are experiencing pressure on sales volume.

Prices of products. Prices for our products are impacted by the cost of raw materials and distribution as well as the Special Excise Tax (IEPS by Spanish acronym) tax imposed in Mexico on our products in Mexico and the price sensitivity of consumers in the various food categories and markets in which we operate.

Distribution efficiencies. We constantly review our distribution processes to reduce costs and increase efficiency across our organization. For example, we have recently implemented initiatives that have improved our sales execution and leveraged our distribution, including customizing sales execution by customer type.

Exchange rates. Our consolidated financial statements are expressed in Mexican pesos. We generate revenue mainly in Mexican pesos and US dollars and, to a lesser extent, in other local currencies in the countries where we operate. As a result, differences in the currency exchange rate can impact our financial statements, particularly with respect to our results of operations in the United States and Canada.

Factors affecting the comparability of recent results of operations and financial conditions

Acquisitions

The following table shows major acquisitions that we have completed in the past three years:

Year	Company acquired / Assets	Country
2018		
December 17	Nutra Bien	Chile
June 28	Mankattan	China
May 31	El Paisa	Colombia
March 27	International Bakery	Peru
2017		
October 15	East Balt Bakeries	11 countries in North America, Europe, the Middle East, Africa and Asia
September 19	Bay Foods Inc.	United States of AMerica
May 25	Ready Roti	India
March 30	Adghal	Marroco
March 32	Stonemill	Canada
2016		
July 21	Panrico	Spain and Portugal
Feburary 27	Panettiere	Colombia
January 24	General Mills	Argentina

Critical Accounting Policies

The preparation of financial statements in comformity with IFRS requires that management make estimates and assumptions about the carrying amounts of assets and liabilities that are not evident from other sources.

Estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if it affects both the current and future periods.

The critical accounting policies used in the preparation of our audited consolidated financial statements included in this annual report are those that are important both for the presentation of the financial condition and the results of operations and for those that require significant judgments with regard to estimates used in arriving at recognition of amounts in the financial statements.

We disclose our significant accounting policies in the accompanying notes to our audited consolidated financial statements included in this annual report.

The following policies affect the most important estimates and judgments used in preparation of our financial statements differ with these judgments and estimates may affect our future results of operations and financial condition.

The use of critical judgment in applying accounting policies

Consolidation of structured entities. We have entered into agreements with third party contractors or independent operators in which they hold no direct or indirect interest but which qualify as structured entities. We have concluded that we have control with respect to certain independent operators, primarily with respect to rights or obligations to secure or grant them, as well as the maintenance obligation related to the distribution routes. In other cases, we have concluded that we do not exercise control over such independent operators.

Key sources of estimation uncertainty

Useful lives, residual values and depreciation and amortization methods of long-lived assets. We periodically review the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and other intangibles. Additionally, for intangibles, we determine if their useful lives are finite or infinite.

Impairment of goodwill. Determining whether the goodwill is impaired requires an estimate of the value in use of the cash-generating units to which the goodwill has been alloctaed. The calculation of the value in use requires estimating the future cash flows that expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Fair value is determined based on multiples of EBITDA. For the determination of an appropriate multiple, we identify comparable entities.

Fair value. Derivative financial instruments are recognized at fair value as of the date of the consolidated statement of financial position. Additionally, the fair value of certain financial instruments, mainly with respect to long-term debt, is disclosed in the accompanying notes to our audited consolidated financial statements included in other parts of this annual report, although there is no risk of adjustment to the related carrying amount. A detailed description of the methodologies to determine the fair values of the derivative instruments as well as to determine the fair value disclosures for the long-term debt is included in note 3 to our audited consolidated financial statements. Finally, we have acquired businesses that require to be determined at the date of acquisition, for consideration paid, identifiable assets acquired and liabilities assumed and non-controlling interest, as described in note 1 to our audited consolidated financial statements.

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

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

Determination of recoverable deferred tax assets. To determine whether a deferred income tax related to tax losses carryforward is impaired, we prepare tax projections to determine its recoverability.

Employee benefits, insurance and other liabilities. Insurance risks exist in the United States with respect to the liability for general damages to other parties, car insurance and employee benefits that are self-insured by us with coverage subject to specific limits agreed in an insurance program. Provisions for claims are recorded on a claim-incurred basis. Insurable risk liabilities are determined using historical data. The net liabilities as of December 31, 2018, 2017 and 2016 amounted to $ 4,757 million, $ 4,929 million and $ 5,085 million, respectively.

1. Results of Operations

Comparative analysis of fiscal years ended on December 31, 2018 and 2017

Net Sales

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

Net sales	2018	2017	% Difference
North America	143,848	137,662	4.5
Mexico	99,859	90,367	10.5
Latin America	28,192	28,602	(1.4)
Europe, Asia Africa	25,574	18,658	37.1
Eliminated on consolidation	(9,207)	(7,774)	**NA**
Total	**288,266**	**267,515**	**7.8**

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

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

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

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

Gross Profit

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

Region	Year terminated on December 31, (in millions of pesos)		
	2018	2017	%
Mexico	56,031	49,994	12.1
North America	76,780	74,129	3.6
Latin America	12,820	13,201	(2.9)
EAA	9,283	6,932	33.0
Eliminated on Consolidation	(2,315)	(1,504)	N/A
Total	**152,599**	**142,752**	**6.8**

Operating Profit

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

In 2018, a charge was recorded that did not generate cash flows of $907 million of pesos corresponding to the impairment of long-lived assets.

Region	Year terminated on December 31, (in millions of pesos)		
	2018	2017	%
Mexico	15,750	13,753	14.5
North America	5,100	7,701	(33.8)
Latin America	(529)	(1,284)	58.8
EAA	(1,481)	(2,395)	38.2
Total	**18,509**	**17,472**	**5.9**

Comprehensive Result of Financing

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

Taxes

In 2018, taxes registered a decrease of 22%, for a total of $4,897 million, while the effective tax rate was 41.8%, compared to 52.6% in 2017, mainly due to the Tax Reform, enforced in the United States.

Net Majority Income

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

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

Operating Profit before Depreciation and Amortization and other non-monetary charges (Adjusted EBITDA)

EBITDA Adjusted	2018	2017	%
Mexico	18,200	15,951	14.0
Nort America	12,994	12,642	2.8

Latin America	732	551	32.9
Europe	105	(1,572)	NA
Total	**31,705**	**27,289**	**16.2**

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

Financial Structure

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

Average debt maturity was 10.6 years with an average cost of 5.97%. Long-term debt comprised 98.7% of the total; 59% of the debt was denominated in US dollars, 36% in Mexican pesos and 5% in Canadian dollars. The total debt to adjusted EBITDA ratio, excluding the VSP charge was 2.8 times compared to 3.4 times at December 31st, 2017, while the net debt to adjusted EBITDA ratio was 2.6 times compared to 3.2 times at December 31st, 2017.

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

Comparative analysis of fiscal years ended on December 31, 2017 and 2016

Net Sales

Net sales for 2017 registered an increase of 6.1%, mainly reflecting organic growth in Mexico and the acquisitions made, including Bimbo QSR, Ready Roti, Grupo Adghal and Donuts Iberia.

Net sales	2017	2016	% Difference
North America	137,662	135,219	1.8
Mexico	90,367	81,455	10.9
Latin America	28,602	29,100	(1.7)
Europe, Asia Africa	18,658	12,607	48.0
Eliminated on Consolidation	(7,774)	(6,240)	NA
Total	**267,515**	**252,141**	**6.1**

North America: Net sales increased 1.8%, as a result of the good performance of the snack category, the strategic brands in the United States and the bread category in Canada, as well as the benefits of the exchange rate and a 0.4 contribution % due to the integration of Bimbo QSR. The previous was offset by the continuous pressure on the private brand and the premium and frozen category.

Mexico: During the year, net sales in Mexico grew 10.9% driven by a continuous increase in volumes in all channels, especially in opportuneness and traditional channels, as well as by price increases below inflation and by a favorable price mix. The categories of sweet baked goods, snacks and confectionery had an outstanding performance, backed by a greater outcome in market and the good performance of the Vital and Panditas brands, as well as the launch of new products, such as chocolate Kracao, under the brand Ricolino.

Latin America: Net sales decreased 1.7%. The results were negatively affected by the change in the accounting method of the Venezuelan operation, which was implemented on June 1, 2017. Excluding Venezuela, sales increased, registering a good performance of the volumes in the Latin South divisions. and Latin Centro, particularly in Argentina and Colombia; the latter benefited from the new plant that boosted sales for the pastry category. The good results of the traditional channel, as a result of a greater market penetration, contributed to this growth.

EAA (Europe, Asia and Africa): Sales increased 48% in 2017, driven by acquisitions completed during the last twelve months, including Bimbo QSR, Ready Roti, Grupo Adghal and Donuts Iberia. However, organic growth was affected by the delays related to the integration in Iberia, together with production difficulties in a line in the United Kingdom and the plant in China.

Gross Profit

Consolidated gross profit grew 4.9% in the year, while the margin contracted 60 basis points. This was due to the increase in the costs of raw materials in Mexico due to a stronger US dollar, due to the hedges implemented whose effect is expected to decrease gradually in 2018, as well as the impact on sales in Iberia, combined with a different business mix by incorporating the results into Bimbo QSR. These effects were offset to some extent by lower costs of raw materials in North America and Latin America.

	Year terminated on December 31, (in millions of pesos)		
Region	**2017**	**2016**	**%**
Mexico	74,129	72,025	2.9
North America	49,994	46,428	7.7
Latin America	13,201	13,264	(0.5)
EAA	6,932	5,576	24.3
Eliminated on Consolidation	(1,504)	(1,150)	NA
Total	**142,752**	**136,143**	**4.9**

Profit before Other Income and Expenses

Profit before other income and expenses decreased 3.9% in the year, while the margin contracted 80 basis points. This is due to the following factors:

I. The impact of higher costs in Mexico mentioned above, which was partially offset by the solid performance of the volumes and efficiencies derived from the initiatives to reduce costs, such as the zero-based budget;

II. Higher distribution costs in Canada, related to the weak performance in the frozen category and with two workers' interruptions in Canada, which have already been solved; and

III. The increase in general expenses in Latin America, due to the change in the accounting method in Venezuela, an operation that had previously contributed to profitability.

Operating Profit

Operating profit decreased 3.4% compared to the previous year, with a contraction of 60 basis points in the margin. This was derived from the aforementioned operating pressures, together with higher integration expenses as a result of the acquisition of Donuts Iberia, as expected, with an expense of approximately US $ 70 million. These factors were partially offset by:

I. A non-monetary benefit in North America, as a result of the valuation of obligations for multipatronal pension plans ("MEPPs");

II. Lower restructuring expenses in North America; and

III. A reduction in non-monetary charges compared to the previous year.

In 2017, a charge was recorded that did not generate cash flows of $545 million of pesos corresponding to the impairment of long-lived assets.

	Year terminated on December 31, (in millions of pesos)		
Region	**2017**	**2016**	**%**
Mexico	13,753	13,141	4.7
North America	7,701	7,161	7.5
Latin America	(1,284)	(2,453)	(47.7)
EAA	(2,395)	(351)	(582.3)
	(303)	586	NA
Total	**17,472**	**18,084**	**(3.4)**

Comprehensive Result of Financing

In 2017, the Company recorded a cost of $ 5,755 million, compared to $ 4,592 million in the previous year. This increase of $ 1,163 million reflects the impact of the depreciation of the bolivar and a greater loss on the result of the monetary position in Venezuela, which compares with a profit in this item during the same period of the previous year. Likewise, there was an increase in the level of debt due to acquisitions concluded during the period.

Taxes

In 2017, taxes registered a decrease of 8.2%, for a total of $ 6,282 million, while the effective tax rate was 52.6%, compared to 50.3% in 2016.

This increase in the rate is a consequence of:
I. A non-monetary charge of $ 706 million pesos derived from the tax reform in the United States (known as "Tax Cuts and Jobs Act");
II. The inflationary effects of monetary balance and results accounts, as well as non-deductible expenses in Mexico;
I. The impact of not recognizing deferred tax benefits in some countries; and
II. Higher rates in some countries, mainly due to better results in the United States.

-Majority Net Income

The preponderant net income decreased 21.5%, with a contraction of 60 basis points in the margin, attributable to the pressure on operating income, higher financing costs and a higher effective rate of 52.6%.

Earnings per share totaled $ 0.98, against $ 1.25 in 2016.

Operating Profit before Depreciation and Amortization and other non-monetary charges (Adjusted EBITDA)

Adjusted EBITDA	**2017**	**2016**	**% Change**
Mexico	15,951	15,520	2.8
Nort America	12,642	12,733	(0.7)
Latin America	551	280	96.8
Europe	(1,572)	179	NA
Total	27,289	29,298	**(6.9)**

Adjusted EBITDA registered a decrease of 6.9%, while the margin contracted 140 basis points. The contraction of the margin in Northamerica is attributed to inventory adjustements during the forth quarter of 2016.

Financial Structure

As of December 31, 2017, the total debt was $ 93,431 million, compared to $ 80,351 million as of December 31, 2016. This 16.2% increase was mainly the result of the adquisition of additional debt to finance the adquisition of Bimbo QSR.

The average maturity of the debt is 11.4 years, with an average cost of 5.2%. Long-term debt represents 97% of the total debt. Likewise, 60% of the debt is denominated in US dollars, 20% in Mexican pesos, 17% in Canadian dollars and 3% in euros.

The ratio of total debt to adjusted EBITDA was 3.5.8 times, compared to 2.8 times as of December 31, 2016. The proforma multiple, including Bimbo QSR EBITDA, was 3.3 times. The adjusted net debt to EBITDA ratio was of 3.2 times, compared to 2.6 times as of December 31, 2016.

2. Financial position, liquidity and capital resources

a. Internal and external liquidity sources

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

Likewise, BIMBO has obtained various credit lines from several financial institutions. Notwithstanding the foregoing, the Company cannot assure that it will have access to the sources of capital mentioned above. BIMBO has not had any cyclical credit requirements and generally, financing needs are associated with growth operations and not with working capital.

b. Debt level

The table contained in "Selected Financial Information" contains information on the Company's debt at the end of the last three fiscal years. See Section "3. FINANCIAL INFORMATION - Selected Financial Information". There is no cyclicality in the Company's financing requirements.

Significant Indebtedness

(a) International Senior Notes:

1. Issued on June 30, 2010 under Rule 144 A and Regulation S for $800,000,000 dollars, with maturity on June 30, 2020.

2. Issued on January 25, 2012, for $800,000,000 dollars, with maturity in 2022. Issued under Rule 144 A and Regulation S.

3. Issued on June 27, 2014, for $800,000,000 dollars, with maturity in 2024 and for $500,000,000 dollars, maturing in 2044, under Rule 144 A and Regulation S.

4. On November 10, 2017, the Group issued senior notes in the international markets for $650,000,000 dollars with maturity on 2047, under Rule 144 A and Regulation S.

(b) Domestic Notes (*Certificados Bursátiles*)

1. Bimbo 17 – Issued on October 6, 2017 for $10,000,000,000 pesos with maturity on September 24, 2027. Such notes accure a fixed annual interest rate of 8.18% with a biannual payment The proceeds from this issuance were used for the advanced payment of notes with ticker symbol "BIMBO 12", the parcial payment of a revolving line of credit hired by Canada Bread and the partial payment of East Balt's acquisition.

2. Bimbo 16 – Issued on September 12, 2016 for $8,000 million pesos, with maturity on September 2, 2026. Such notes accure a fixed annual interest rate of 7.56% with a biannual payment. The proceeds from this issuance are for debt refinancing.

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

Credit facilities

On May 21, 2018 the Entity renewed and amended the terms and conditions of the committed multicurrency line of credit, which was originally obtained on April 26, 2010 and modified in 2013, 2016 and February 2018. In accordance with the new terms and conditions, the financial institutions engaged in this line of credit are BBVA Bancomer S.A., Banco Nacional de México S.A., HSBC Bank USA N.A., HSBC México S.A., Banco Santander (México) S.A., JPMorgan Chase Bank N.A., Bank of America N.A., ING Bank N.V., MUFG Bank Ltd. and Mizuho Bank Ltd. The total amount is up to USD$2 million, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced to USD$1.6 million. The drawdowns against this line of credit bear interest at the London Interbank Offered Rate (LIBOR) plus 0.95% for drawdowns made in USD, at the Canadian Dollar Offered Rate (CDOR) plus 0.95% for drawdowns made in Canadian dollars, at the Interbank Equilibrium Interest Rate (TIIE) plus 0.725% for drawdowns made in Mexican pesos, and at the Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.
In 2018 and 2017, the Entity has made drawdowns against and payments to this line of credit. As of December 31, 2018, 2017 and 2016, there is no outstanding balance on this line of credit.
See Section "3. FINANCIAL INFORMATION – c) Report on Significant Debt".

Other

Certain subsidiaries have entered into other direct loans to meet their working capital needs. The maturity dates for such loans range from 2018 to 2025.

Events of Default

For a description of the events of default contained in the material financings of the Company, see "See Section "3. FINANCIAL INFORMATION – c) Report on Significant Debt".

Liquidity

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

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

Commitments

Grupo Bimbo S.A.B. de C.V., along with some of its subsidiaries, through credit letters, has insured certain labor obligations and contingent risks related to labor risks of some of its subsidiaries. The value of these letters as of December 31, 2018, 2017 and 2016, totaled $307, $301 and $366 million US dollars, respectively. In addition, the Company mantains collateral securities related to its subsidiaries for $4.9 million US dollars.

The Company has signed self-supply energy agreements in which it commits to purchase certain amounts of energy for a renewable period of 18 years at an agreed price, updated in accordance with the Mexican Consumer Price Index (INPC) during the first 15 years. Although these agreements have the characteristics of a derivative financial instrument, they can be qualified as an exception, as they are for self consumption; therefore, they are recorded in the financial statements as energy consumption is incurred. The energy purchase commitment for 2019 is estimated in $336, same amount that adjusted with inflation corresponds to the annual commitment of the 13 years' term of the agreement.

Additionally, on March 30, 2018 the Company signed an agreement to purchase virtual energy with BBU, in the United States, for a period of 12 years, which shall be identified as a financial asset designated at fair value with changes in other comprehensive results. The consumption of energy is estimated to commence on September 2019.

c. Treasury Policies

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

d. Material committed capital expenditures

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

Both issues are guaranteed by the Group's main subsidiaries.

e. Changes in the Balance Sheet

Below is information on the cash flows generated by the operations, investments and financing activities during 2018, 2017 and 2016. The table contained in the Section "3. FINANCIAL INFORMATION - a) Selected Financial Information" includes certain financial ratios that show changes in the financial status of the Company during these years.

Cash Flows from Operating Activities

For fiscal year ended December 31, 2018 and 2017

For the fiscal year ended December 31, 2018, net cash flow from operations decreased by $188 million to $20,982 million compared to $21,170 million in 2017. The cash flows remain steady primarily due to the gross income of 2018 which had a $243 million difference compared to 2017; the operation flows increased derived from accounts receivable from customers, other accounts receivable, inventory and suppliers, as well as the payment of mayor benefits to employees and social provisions, which counteract the positive net cash flows generated by the operation activites.

For fiscal year ended December 31, 2017 and 2016

For the fiscal year ended December 31, 2017, net cash flow from operations decreased by $1,957 million to $ 21,170 million compared to $ 23,127 million in 2016, primarily as a result of higher costs of raw materials in Mexico, higher distribution expenses in Canada and higher general expenses in Latin America.

Cash Flow from Investing Activities

For fiscal year ended December 31, 2018 and 2017

For the fiscal year ended December 31, 2018, net cash used in investing activities decreased by $8,679 million to $18,391 million, compared to $27,070 million in 2017, primarily due to minor adquisitions which decrease $8,882, since the only adquisitions were of $3,600 (Mankattan, El Paisa, International Bakery and Nutra Bien.

For fiscal year ended December 31, 2017 and 2016

For the fiscal year ended December 31, 2016, net cash used in investing activities increased by $10,755 million Pesos to reach $27,070 million pesos, compared to $16,315 million pesos in 2016, primarily as a result of the acquisition of East Balt Bakeries, or Bimbo QSR in October 2017.

Cash Flow from Financing Activities

For the year ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash provided by financing activities decreased by $8,814 million to $(2,322) million pesos, compared to $6,492 million in net cash provided by financing activities for the year ended on December 31, 2017, primarily due to a decrease of the disposition of debt and an increase in the debt services costs of $2,851 million and an increase in the repurchase of shares of $1,054 million pesos.

For the year ended December 31, 2017 and 2016

For the year ended December 31, 2016, net cash provided by financing activities increased by $10,878 million pesos to reach $6,492 million pesos, compared to $(4,383) million pesos in 2016, primarily due to the acquisition of Bimbo QSR.

Borrowings from Banks and Other Financial Institutions

Our total consolidated indebtedness decreased to Ps.93,431 million as of December 31, 2017, from Ps.89,846 million as of December 31, 2018, primarily as a result of the prepayment of $123 million dollars of the revolving credit facility.

On November 10, 2017, we obtained U.S.$650 million through our offering of the 4.700% Notes due 2047, issued to refinance our indebtedness and for other general corporate purposes.

On June 27, 2014, we obtained U.S.$800 million through our offering of 3.875% Notes due 2024, or the 3.875% Notes due 2024, issued to refinance our indebtedness and for other corporate purposes. Also on June 27, 2014, we obtained U.S.$500 million through our offering of 4.875% Notes due 2044, or the 4.875% Notes due 2044, issued to refinance our indebtedness and for other corporate purposes.

On January 25, 2012, we obtained U.S.$800 million through our offering of 4.50% Notes due 2022, or the 4.50% Notes due 2022, issued to refinance our indebtedness and for other corporate purposes.

On June 30, 2010, we obtained U.S.$800 million through our offering of 4.875% Notes due 2020, or the 4.875% Notes due 2020, issued to refinance our indebtedness and for other corporate purposes.

The total amount is up to USD$2 million, maturing on October 7, 2023. However, on October 7, 2021 the amount will be reduced to USD$1.6 million. The drawdowns against this line of credit bear interest at the London Interbank Offered Rate (LIBOR) plus 0.95% for drawdowns made in USD, at the Canadian Dollar Offered Rate (CDOR) plus 0.95% for drawdowns made in Canadian dollars, at the Interbank Equilibrium Interest Rate (TIIE) plus 0.725% for drawdowns made in Mexican pesos, and at the Euro Interbank Offered Rate (EURIBOR) plus 0.95% for drawdowns made in euros.

In addition, we have issued and outstanding the following notes (certificados bursátiles) in the Mexican capital markets, which were issued under issuing programs authorized by the CNBV:

- Notes (*certificados bursátiles*) issued on September 12, 2016 in the aggregate principal amount of Ps.8,000 million, maturing in September 2026 and bearing interest at a rate of 7.56%, or the 7.56% Notes due 2026; and

- Notes (*certificados bursátiles*) issued on October 3, 2017 in the aggregate amount of Ps.10,000 million, maturing in October 2027 and bearing interest at a rate of 8.18%, or the 8.18% Notes due 2027.

The following table sets forth our outstanding financial indebtedness as of the dates indicated below:

	As of December 31,			
	2018		2017	2016
	(in millions of U.S.$)[1]			
4.875% Notes due 2044	500	9,841	9,868	10,332
3.875% Notes due 2024	800	15,746	15,788	16,531
4.50% Notes due 2022	800	15,746	15,788	16,531
4.875% Notes due 2020	800	15,746	15,788	16,531
4.700% Notes due 2047	650	12,794	12,828	---
Syndicated Revolving Euro Credit Facility[5]	---	---	2,356	3,457
Syndicated Revolving Credit Facility	---	---	---	---
7.56% Notes due 2026	398	7,830	8,000	8,000
6.83% Notes due 2018	---	---	---	5,000
8.18% Notes due 2027	494	9,723	10,000	
Short-term working capital facilities	---	---	---	---
Other loans	142	2,783	3,450	5,817
Less current portion of long-term debt	59	(1,153)	(1,885)	(1,452)
Less debt issuance costs	19	(363)	(435)	(396)
Long-term debt	**4,507**	**88,693**	**91,546**	**80,351**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.19.68 per U.S.$1.00, the exchange rate published by the Mexican Central Bank on December 27, 2018 in the Mexican Federal Official Gazette. See "Exchange Rates."

(2) The U.S. dollar amount for debt denominated in U.S. dollars represents the outstanding balance in U.S. dollars of such debt as of the relevant date, and are not translations of the respective Mexican peso amount using the convenience translation exchange rateof $19.68 pesos per dollar. However, the total long-term debt in the U.S. dollar columns represents a translation of the respective amount in Mexican pesos using the convenience translation exchange rate used throughout this offering memorandum and, therefore, does not constitute the sum of the individual debt amounts listed on the U.S. dollar columns.

(3) Certain of our subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2017 to 2025, with a weighted average interest proportional to their respective currencies.

(4) We repaid in full and terminate the Syndicated Revolving Euro Credit Facility on March 2, 2018 with funds borrowed under the Syndicated Revolving Credit Facility. As of the date of this offering memorandum, there is outstanding amount under this facility.

We also maintain certain facilities under which letters of credit are issued by financial institutions from time to time at our request, primarily in support of our workers, compensation obligations. The value of such letters of credit at December 31, 2017, 2016 and 2015 are U.S.$301 million, U.S.$366 million and U.S.$344 million, respectively.

Our credit facilities and instruments governing our outstanding debt securities contain certain customary restrictions, affirmative covenants and negative covenants, which up to the present date have been complied with.

We continuously explore financing alternatives, which in the future may include, among others, issuances of additional securities in the Mexican and the international capital markets, additional credit facilities, leases and securitization of all or any portion of our assets.

Contractual Obligations

We, along with certain of our subsidiaries have issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain of our subsidiaries. The value of such letters of credit at December 31, 2018, 2017 and 2016 are U.S.$307 million, U.S.$301 million, and U.S.$366 million, accordingly.

We also have entered into contracts which require us to purchase certain amounts of renewable energy for an 18-year period at a fixed price adjusted every year for the first 15 years of the contracts in accordance with the Mexican National Consumer Price Index. Such contracts are recognized in the consolidated financial statements as the consumption of energy occurs. The aggregate estimated commitment to purchase energy in 2019 amounts to Ps.336 million, and is to be updated annually based on inflation, for the remaining 12 years of the contract.

Additionally, on March 30, 2018 the Company signed an agreement to purchase virtual energy through BBU, in the United States, for a period of 12 years, which shall be identified as a financial asset designated at fair value with changes in other comprehensive results. The consumption of energy is estimated to commence on September 2019.

We have entered into long term commitments under operating leases, related to the facilities we use to produce, distribute and sell our products. These commitments vary from three to 15 years, with a renewal option of between one and five years. Certain leases require us to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. Lease expense were Ps. 6,231 million, Ps.5,754 million and Ps.4,861 million for the years ended December 31, 2018, 2017 and 2016, respectively. The aggregate amount of future minimum lease commitments as of December 31, 2018, is as follows:

	As of December 31, 2018	
	Operating Leases	Financing Leases Non-controlling Interest
Years	(in millions of Ps.)	
2019	4,243	885
2020	3,220	743
2021	2,445	565
2022	1,848	425
2023 and thereafter	5,358	377
Total minimum lease payments	17,114	2,995
Interest	0	(542)
Present value of minimum lease payments	17,114	2,453

Other long-term commitments as of December 31, 2017, include our obligations resulting from financial instruments, accounts payable and debt amortization as follows:

	Less than 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
	(in millions of Ps.)			
Debt	5,833	24,700	22,905	86,558
Derivative financial instruments		962	963	------------------
Trade accounts payable	21,983	---	---	---
Total	**27,816**	**25,662**	**23,868**	**86,558**

Quantitative and Qualitative Disclosure about Market Risk

During the normal course of our operations we are exposed to risks inherent with variables related to financing as well as variations in the prices of some of our raw materials that are traded in international markets. We have established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks. Main financial risks to which we are exposed are: interest rate risk, foreign currency risk, price risk, liquidity risk, credit risk and capital risk.

Our corporate treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and the credit risk that results from the ordinary course of business. Meanwhile, the purchases department is responsible for risk management of fluctuations in commodity prices and reviews the consistency of our open positions in the derivatives markets with our corporate risk strategy. Both departments report their activities to our Risk Management Department.

As a result of the dynamism of the variables to which we are exposed, hedging strategies are evaluated and monitored on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within our organization. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

The table below shows the integration of our financial derivatives portfolio for the periods indicated:

	As of December 31,		
	2018	**2017**	**2016**
		(in millions of Ps.)	
Assets			
Current:			
Forwards on currency exchange	37	33	---
Forwards on raw materials	---	189	169
Options – FX	26	114	---
Options – premium paid	29	45	---
Swaps	---	---	---
Futures contracts:			
Fair value of wheat, corn, soybean oil, natural gas and diesel	14	301	136
Total asset derivatives – current	106	682	305
Long-term swaps	3,017	2,592	3,448
Liabilities			
Current:			
Swap	-12	(13)	---
Forwards on currency exchange	---	---	(9)
Forwards on raw material	-76	---	---
Forwards on interest rate	---	---	---
Futures contracts:			
Fair value of wheat, corn, soybean oil, natural gas and diesel	-791	(228)	(363)
Total liabilities derivatives – current	-879	(241)	(372)
Long-term liabilities derivatives (swaps)	-347	---	(3,352)
Stockholders' equity:			
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	-490	144	(692)
Closed contracts for unused futures	2	(24)	(165)
Deferred income tax, net	119	(30)	267
Accumulated other comprehensive income related to derivative financial instruments	-369	90	(590)

For further information on our risk management policies, our derivative financial instruments and a sensitivity analysis on interest rates and currencies, see note 13 to our audited consolidated financial statements.

Off-Balance Sheet Arrangements

We do not currently have transactions involving off-balance sheet arrangements.

f. Unregistered transactions

As of December 31, 2018, 2017 and 2016 there were no material transactions resulting in cash flows.

3. Internal Control

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

d) ESTIMATIONS, PROVISIONS AND CRITICAL ACCOUTING RESERVES

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

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

1) *Statement of compliance*

The consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards as issued by the IASB and following referred to as IFRS.

2) *Basis of preparation*

The consolidated financial statements of the Company have been prepared on the historical cost basis except for certain assets and liabilities (derivative financial instruments assets and debits (financial derivatives) valued at fair market value, at the end of each period, and for non-monetary assets in subsidiaries located at hiperinflacionary economies, that are adjusted by inflation, as explained in the accounting policies below.

***a)* Historical cost**

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

***b)* Fair value**

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

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

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

3) ***Basis of consolidation***

As of December 2018, 2017 and 2016, the consolidated financial statements incorporate the financial statements of the Company and those entities over which it exercises control, including structured entities ("SE"). Control is achieved when the Company:

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

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

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

Subsidiary	**% of ownership**	**Country**	**Segment**	**Main Activity**
Bimbo, S. A. de C. V.	97	Mexico	Mexico	Baking
Barcel, S. A. de C. V.	98	Mexico	Mexico	Candies and Snacks
BBU	100	U.S.	United States	Baking
Canada Bread Corporation, LLC	100	Canada	United States	Baking
Bimbo do Brazil, Ltda.	100	Brazil	Latin America	Baking
Bakery Iberian Investments, S.L.U.	100	Spain and Portugal	EAA	Baking

Subsidiaries are consolidated from the date on which control is transferred to the Entity and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired during the year are recognized in the consolidated statement of profit or loss and statement of comprehensive income from the acquisition date, as applicable.

Non-controlling interest represents the portion of profit or loss and net assets that do not correspond to the Entity and is recognized separately in the consolidated financial statements.

The political and economic situation in Venezuela has significantly limited the capacity of the Entity's subsidiaries in Venezuela to maintain their production process under normal conditions. In view of the above, and since Grupo Bimbo will continue its operations in Venezuela, as of June 1, 2017, the Entity changed the method under which it consolidated the financial position and performance of its operations in

Venezuela; therefore, at the date of these financial statements, the Entity measures its investment in Venezuela at fair value. This change resulted in a net impairment loss on the investment of $54, which was recognized in the statement of profit or loss for 2017 under other (income)/expenses.
Equity investments in non-listed companies previously classified as financial assets as of December 31, 2017 are now classified and measured as equity instruments designated at fair value through OCI as of January 1, 2018. The Entity elected to classify irrevocably its equity investments in affiliates in Venezuela under this category as it intends to hold these investments for the foreseeable future. As of December 31, 2018, the Entity recognized an impairment loss of $386 in other comprehensive income.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Entity and to the non-controlling interests. Comprehensive income is attributed to the equity holders of the parent of the Entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group balances and transactions are eliminated on consolidation.

4) ***Business combinations***

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

At the acquisition date, all identifiable assets acquired and liabilities assumed in a business combination are measured at fair value, except for:

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

Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree that are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (as of December 31, 2018, 2017 and 2016, the Entity does not have share-based payments);

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

Goodwill is measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If, after reassessment, the fair value of the net assets acquired and liabilities assumed at the acquisition date is in excess of the aggregate consideration transferred, the amount recognized for non-controlling interests in the acquiree and any previous interest held over the acquiree is recognized in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the proportionate share of the acquiree’s identifiable net assets. The election is made on a transaction-by-transaction basis.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on the classification of the contingent consideration. Contingent considerations classified as equity are not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent considerations classified as assets or liabilities are remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, and the corresponding gain or loss is recognized in profit or loss.

When a business combination is achieved in stages, any previous interest held over the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment is appropriate if that interest is disposed of.

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

5) ***Assets available for sale***

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal grou$Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

6) ***Recognition of the effects of inflation***

Inflationary effects are recognized in the financial statements when the economy of the currency in which the Entity’s transactions are recorded is considered hyperinflationary. In 2017, and 2016, the operation in Venezuela qualified as hyperinflationary in relation to the inflation of the three preceding years and for which the effects of inflation were recognized. These effects are not material to the financial position, performance or cash flows of the Company. Since June 1, 2017, the Company modifyied the valuation method for its investments in Venezuela, therefore the inflation effects were acknowledged until May 2017.

As of July 2018, the operation in Argentina is considered as a hyperinflationary economy, therefore the Company’s subsidiaries in such country, recognized the accumulated inflation adjustments.

7) ***Leases***

A lease that transfers substantially all the risks and rewards incidental to ownership to the Entity is classified as a finance lease. All other leases are classified as operating leases.

The Entity as a lessee

Assets acquired through finance leases are recognized at the inception of the lease at the lower of either their fair value or the present value of minimum lease payments. The liability for the lessor is recognized in the statement of financial position as a finance lease liability.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's accounting policy for borrowing costs. Contingent rent is expensed in the period in which they occur.

As of January 2016, the IASB issued the NIIF 16 Leasing, which introduces a new accounting model of leasing for the lessee, where the lessee recognizes an asset for the right to use the underlying asset and a liability for the payment obligation under the lease.

Transition to NIIF 16

The Company has decided to to adopt the retrospective approach for the transition of the NIIF 16, therefore the company will adopt th following considerations for the transition: acknowledge the cumulative effect of the new rule as of January 1, 2019. Therefore, the financial information of the previous years will not be modifyied. As well as, from the transition date of the NIIF 16 (January 1, 2019), the Company has convened to apply the practical file and continue to consider the agreements that qualifyied as leasing under the previous accounting standards NIC 17 and CINIIF 4.

Additionaly, the Company has convened to use the grace periods proposed by the rule in such lease agreements that end during the following 12 months counted from the initial application date, and for such lease agreements were the underlying assets have less vale, such leases will be registered directly in the results and subject to revelation.

As a result, from the application of the rule NIIF 16, the operative income of the Company will increase as well as the interest costs. This as result of themodification in the accounting method which will classify the lease expenses as operative leases according to the NIC 17.

8) ***Foreign currency transactions***

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

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

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

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

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos using the prevailing exchange rate at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. The assets and liabilities of operations in hyperinflationary economies are translated using the exchange rate prevailing at the reporting date. The exchange differences arising on translation for consolidation are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. Exchange differences resulting from the translation are recognized in other comprehensive income.

9) ***Cash and cash equivalents***

Cash and cash equivalents principally consist of bank deposits in checking accounts and highly liquid, readily available low-risk investments in short-term securities, maturing within three months following the purchase date. Cash is stated at nominal value and cash equivalents are stated at fair value. Gains and losses from changes in the value of cash and cash equivalents are recognized in profit or loss (see financial assets below). Cash and cash equivalents principally consist of investments in government debt instruments with daily maturities.

10) ***Financial assets***

Financial assets are acknowledged whenever the Company becomes part of the contractual provisions of the instruments.

1. <u>Loans and receivables</u>

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

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

2. <u>Impairment of financial assets</u>

The Company assesses at each reporting date whether its non-FVTPL financial assets are impaired.

The Company recognizes a provision for expected credit losses (ECLs) on trade receivables. The Entity uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Entity's historical credit loss experience and is subsequently adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current direction and forecast of future conditions at the reporting date, including the time value of money, when applicable.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Entity may also consider a financial asset to be in default when internal or external information indicates that the Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Regarding trade receivables, the carrying amount is reduced through the use of an allowance account. Trade receivables that are considered uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses are reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

11) ***Inventories and cost of sales***

Inventories are stated at the lower of cost and net realizable value. Which are recorded according with the following criteria:

- Raw material, containers, packages and renovations: at the adquisition costs, which includes the costs of the goods plus import duties, reducing the corresponding discounts, following the average cost method.
- Finished products and orders in process: the material costs, direct work force costs and a ratio of the indirect costs of production based on the standard operative capacity.

Net realizable value represents the estimated selling price for inventories in the normal course of operations less all estimated costs of completion and costs necessary to make the sale.

12) ***Property, plant and equipment***

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

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

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

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

	Years
Infrastructure	15
Building foundations	45
Roofs	20
Fixed facilities and accessories	10
Manufacturing equipment	10
Vehicles	13
Office furniture and fixtures	10
Computer equipment	3
Leasehold improvements	The lower from the term of the agreement and the lifespan of the goods

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

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

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

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

13) ***Investments in associates***

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

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

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

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

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

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

14) ***Intangible assets***

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

Intangible assets are classified as having either finite or indefinite useful lives, considering the terms of the agreement at the time of adquisition. The brands are considered as indefinite when acquired, otherwise they are amortized.

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

15) ***Impairment of tangible and intangible assets, other than goodwill***

At the end of each reporting period, the Company assesses whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the Entity estimates the asset's recoverable amount. If it is not possible to estimate the recoverable amount of the individual asset, the Entity determines the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis can be identified, corporate assets are also allocated to the cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

16) ***Goodwill***

Goodwill arising from business combinations is recognized at the cost determined on the acquisition date of the business, as described in the business acquisitions policy note above, net of any accumulated impairment losses (see Note 11).

Goodwill is allocated to each cash-generating unit (or group of cash-generating units) that is expected to benefit from the synergies achieved from the combination.

The cash-generating units to which goodwill has been allocated are tested for impairment on an annual basis, or more frequently if there are any indicators of impairment. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment in goodwill is recognized directly in profit or loss. Any loss from impairment in the value of goodwill cannot be reversed in future years.

When the relevant cash-generating unit is disposed of, the amount of goodwill is included in the calculation of gains or losses at the time of the disposal.

The Company's policy for goodwill arising on the acquisition of an associate is described in Note 3m.

17) *Financial liabilities*

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

Financial liabilities are classified as either "Financial liabilities at fair value through profit or loss" or "Other financial liabilities". Note 13 provides further detail regarding financial liabilities.

18) *Hedging activites and derivatives*

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

At the inception of a hedge relationship, the Entity formally documents the hedge relationship between the hedging instrument and the hedged items, including the risk management objective and strategy for undertaking the hedge. Periodically, the Entity documents whether the derivative financial instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives are not offset in the consolidated financial statements unless there is an enforceable legal right to offset the recognized amounts and there is an intention to settle. Derivatives are accounted for as non-current assets or liabilities if the remaining maturity of the instrument is more than 12 months and the instrument is not expected to be realized or settled in those 12 months. All other derivatives are accounted for as current assets or liabilities.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI under valuation effects of cash flow hedges. The gain or loss relating to the ineffective portion is immediately recognized in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of Translation effects of foreign subsidiaries. The gain or loss relating to the ineffective portion is immediately recognized in profit or loss under Foreign exchange gain/(loss), net. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss on the disposal of the foreign operation.

19) *Provisions*

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount represents the present value of these cash flows (when the effect of the time value of money is material).

All contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized, less cumulative amortization recognized in accordance with IFRS 15.

20) *Income tax*

Income tax expense is the aggregate amount of current tax and deferred tax.

1. <u>Current income tax</u>

Current income tax is calculated based on the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Entity operates and generates taxable income. The related income tax expense is recorded in profit or loss as incurred.

2. <u>Deferred income tax</u>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the temporary differences reverse based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities based on tax rates that have been enacted at the reporting date and where applicable, they include unused tax losses and certain tax credits. Deferred tax assets or liabilities are recognized for all temporary differences, with certain exceptions. The Company recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except: i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary differences will not reverse in the foreseeable future, and; iii) When the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that taxable profit will be available against which the deductible temporary difference can be utilized.

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

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

3. Current and deferred tax for the year

Current and deferred taxes are recognized as either income or an expense in the consolidated statement of profit or loss, except for tax items that must be recognized as other comprehensive income items or in equity. For business combinations, the tax effect is included in the recognition of the business combination.

21) *Employee benefits from termination, retirement and statutory employee profit sharing ("PTU")*

a. Pensions and seniority premiums

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

A defined benefit plan is a different post-employment plan than a defined contribution plan. The cost of providing benefits under a defined benefit plan that includes pensions and seniority premiums is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are immediately recognized in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in profit or loss at the date of the plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The defined benefit retirement plan obligation recognized in the statement of financial position comprises of the present value of the net defined benefit obligation. The present value of the net defined benefit obligation is determined based on the discounted value of estimated net cash flows, using interest rates tied to government bonds denominated in the same currency in which the benefits are to be paid and whose terms are similar to those of the obligation.

b. Statutory employee profit sharing

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

Short-term employee benefits

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

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

c. Termination benefits

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

a) Long term bonus,

The Company grants a long term bonus to certain executives, calculated with metric basis of their performance. The bonus is paid 30 months after granted.

b) Multi-employer pension plans ("MEPP")

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

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

22) ***Revenue recognition***

The principal original income originated from client agreements for the sale of products (traditional packaged bread, frozen bread, salty snacks and confectionery good, among others) are recognized once the products are transferred to the client, since the obligation is considered fullfiled at that time, and the total consideration that the Company has the right to collect in exchange for those products is received. In order to determine the price of the products the Company considers variable considerations (such as the right to return products and discounts).

Return rights

Certain agreements grant the client the right to return the products during a determined period. The Company uses the estimated value method to calculate the produtes that will be returned, this method calculates the variable amount of the compensation that the Company will have the right to collect. From the produsta that are expected to be returnes the Company recognizes a loss for reimbursement instead of an income.

Client discounts

The Company offers determined discounts to certain clients when the conditions provided under the agreements are fullfiled. The discountes are deduced for the amounts payable by such clients. The Company uses the more probable amounts for the agreements with one threshold of discounts and the estimated value method for the agreement with more than one threshold of discounts.

23) ***Reclassifications***

The consolidated financial statements for the years ended on December 31, 2017 and 2016 have been reclassified in certain areas to adjust the presentation used in 2018. The effects on said reclassifications were applied retrospectively to the balance sheet as of December 31, 2017 and 2016, according to the NIC8 Accounting Policies Changes in Accounting Estimates and Errors.

	Reference		Balance as of December 31, 2017 as originally reported		Reclassifications		Balance as of December 31, 2017
Investments in associates	(a)	$	2,764	$	(446)	$	2,318
Other assets, net	(a)	$	1,966	$	446	$	2,412
Trade payables	(b)	$	18,796	$	881	$	19,677
Short-term portion of long-term debt	(b)	$	2,766	$	(881)	$	1,885
Provision for repurchase of shares	(c)	$	667	$	(667)	$	-
Share capital	(c)	$	4,227	$	(2)	$	4,225
Retained earnings	(c)	$	60,180	$	669	$	60,849

	Reference		Balance as of December 31, 2016 as originally reported		Reclassifications		Balance as of December 31, 2016
Other accounts payable and accrued liabilities	(d)	$	19,881	$	2,379	$	22,260
Current income tax	(d)	$	3,851	$	(2,808)	$	1,043
Employee benefits and social welfare	(e)	$	30,488	$	429	$	30,917
Trade payables	(b)	$	16,652	$	698	$	17,350
Short-term portion of long-term debt	(b)	$	2,150	$	(698)	$	1,452
Provision for repurchase of shares	(c)	$	720	$	(720)	$	-
Share capital	(c)	$	4,227	$	(1)	$	4,226
Retained earnings	(c)	$	56,915	$	721	$	57,636

	Reference		Balance as of December 31, 2015 as originally reported		Reclassifications		Balance as of December 31, 2015
Provision for repurchase of shares	(c)	$	770	$	(770)	$	-
Retained earnings	(c)	$	52,146	$	770	$	52,916

(a) The Company presented in the investment item in subsidiaries, joint business and associates, its investments in Venezuela, which was classify as other non-financial and non-current assets, when applying the criteria provided by NIIF 9: Financial Instruments.

(b) Change in the presentation criteria for trade payables that were previously presented as other current financial liabilities.

(c) Modifications to the criteria for the presentation of the reserve for repurchased shares, in order to present the treasury stock (*acciones en tesorería*) as a decrease in the capital stock.

(d) The Company used to group in the same item all payable taxes, notwithstanding, it was decided to separate the income from other taxes, for its relevance.

(e) Payable bond for associates were reclassified from short to long term.

4) GOVERNANCE

a) EXTERNAL AUDITORS

The external auditor selection is entrusted to the Audit & Corporate Practices Committee, which recommends hiring to the Board of Directors. The Board of Directors is the body that approves the hiring of the external audit firm and, if applicable, the additional or ancillary services to the external audit.

The Audit & Corporate Practices Committee conducts a tender for external audit services every 5 years, regardless of considering the possibility of doing so within a shorter period. The Committee selects from among the firms whose background, reputation, partners, international coverage, methodology and technology meet the expectations and needs of the Board of Directors, the Committee and the Company's Management.

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

Since 2018, Mancera, S.C. (member of Ernst & Young), has been in charge of auditing the Company's consolidated financial statements.

In the different reviews and reports which have been periodically made to the Group's Financial Statements, this audit firm has not issued an opinion with observations, notes or a negative opinion, nor has refrained from issuing an opinion in connection thereto.

During 2018, Mancera, S.C. rendered to Grupo Bimbo and its subsidiaries services other than audit, consisting among others a diagnosis of compliance with global policies, advisory regarding possible adquisitions and other financial advises.

b) TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTERESTS

In the ordinary course of business, Grupo Bimbo enters into commercial transactions with some of its affiliates, including in connection with the supply of raw materials, office supplies and uniforms for its associates.

These transactions are approved by the Board of Directors of the Company, except for transactions that (i) are not material, or (ii) are entered into in the ordinary course of business and on an arm's length basis. The transactions with related parties are reviewed by the Audit & Corporate Practices Committee prior to their approval or confirmation by the Board of Directors except for cases in which waivers represent less than 5% of Grupo Bimbo consolidated assets.

Grupo Bimbo shall continue to carry out transactions with its associate and affiliate companies in the future. Transactions with related companies are entered into on an arm's length basis; therefore, the Group considers that the terms are not less favorable than those which may be obtained in a comparable transaction with an unrelated company (see Note 17 of the Audited Financial Statements).

From January 1, 2018 and up to April 30, 2019, Grupo Bimbo has not engaged in any relevant transactions with related parties.

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

	2018	2017	2016
Disbursements for:			
Purchase of raw materials	$2,396	$3,263	$2,771
Finished products	$1,336	$1,653	$1,581
Office supplies, uniforms and others	$527	$434	$360
Financial services	$766	$697	$634

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

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

2) Net balances payable to associates are:

	2018	2017	2016
Beta San Miguel, S. A. de C. V.	$ 563	$ 615	$ 479
Efform, S. A. de C. V.	25	49	33
Fábrica de Galletas La Moderna, S. A. de C. V.	128	118	67
Frexport, S. A. de C. V.	20	10	128
Industrial Molinera Montserrat, S. A. de C. V.	--------	4	11
Makymat, S. A. de C. V.	21	12	13
Mundo Dulce, S.A. de C.V.	53	48	63
Pan-Glo de México, S. de R. L. de C. V.	28	22	11
Proarce, S. A. de C. V.	22	40	22
Fin Común Servicios Financieros, S.A. de C.V.	-------		-
Uniformes y Equipo Industrial, S. A. de C. V.	41	37	25
Others	8		1
Total	$ 909	$ 955	$ 853

c) MAIN OFFICERS AND SHAREHOLDERS

Board of Directors

In accordance with the corporate bylaws, the Company's management is entrusted to a Board of Directors and a Chief Executive Officer who performs the duties established by the LMV. The members of the Board of Directors are elected, as a general rule, by the shareholders of the Company at the annual ordinary general Shareholders' Meeting, except when the Board of Directors appoints temporary directors without the intervention of a shareholders' meeting in the event of a resignation of a director or the lack of a designated alternate director. The Board of Directors shall be comprised by a minimum of five (5) and a maximum of twenty-one (21) directors, of which at least twenty-five percent (25%) shall be independent directors.

Each shareholder or group of shareholders holding at least 10% or more of the capital stock is entitled to designate or revoke one director. The Board of Directors meets at least once every quarter but at minimum once a year. The bylaws of Grupo Bimbo provide that the shareholders may elect an alternate director for each director. The alternate directors for the independent directors shall also have the independent character.

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

The Board of Directors appointed and ratified during the Ordinary General Shareholders' Meeting held on April 29, 2019 is comprised of seventeen (17) directors, who will remain in their positions until the people appointed to substitute them take possession; they may be reelected indefinitely and will receive the remuneration determined by the Ordinary General Shareholders´ Meeting. The following table includes the name of the members of the Board of Directors and the period during which they have acted as directors:

Board Members	Position	Gender*
Daniel Javier Servitje Montull	Member / President	Male
José Ignacio Mariscal Torroella	Member	Male
Mauricio Jorba Servitje	Member	Male
María Luisa Jorda Castro	Member (I)	Female
Ricardo Guajardo Touché	Member (I)	Male
Arturo Manuel Fernández Pérez	Member (I)	Male
Luis Jorba Servitje	Member	Male
María Isabel Mata Torrallardona	Member	Female
Nicolás Mariscal Servitje	Member	Male
Javier de Pedro Espínola	Member	Male
Ignacio Pérez Lizaur	Member (I)	Male
Edmundo Miguel Vallejo Venegas	Member (I)	Male
Jorge Pedro Jaime Sendra Mata	Member	Male
Jaime Chico Pardo	Member	Male
Estibalitz Laresgoiti Servitje	Member	Female
Mr. Jaime A. El Koury	Member (I)	Male
Rogelio M. Rebolledo Rojas	Member (I)	Male
Andrés Obregón Servitje	Member	Male
Luis Miguel Briola Clement(1)	Secretary	Male

(1) Secretary and alternate secretary of Bimbo are not members of the Board of Directors.
(I): Independent member of the Board of Directors. 35% of the members are independent.
* 13.04% of the members of the Board of Directors are women and 86.95% are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull is a member of the Board of Directors of Grupo Financiero Banamex, S.A. de C.V., Coca-Cola Femsa, S.A.B de C.V., Instituto Mexicano para la Competitividad, A.C., The Global Consumer Goods Forum, Latin America Conservation Council (The Nature Conservancy), Stanford GSB Advisory Council and Aura Solar.

José Ignacio Mariscal Torroella

Mr. Mariscal Torroella is President of Grupo Marhnos and Chairman of the Committee of Una Sola Economía of the Mexican Business Coordination Council (*Consejo Coordinador Empresarial*). Mr. Mariscal Torroella is a member of the Board, Executive Committee, Chairman of the Human Development Committee and Vice President for International Affairs of COPARMEX. Mr. Mariscal Torroella is a member of the Board of Directors of Grupo Calidra, Grupo Financiero Aserta, City Express, Aura Solar, a Member of BIAC, Comité de Asesores de Comercio e Industria de la OECD and a member of the advisory board of the Executive Commission of the Confederación USEM. He is also Chairman of the Fundación León XIII, Vice President of Fincomún Servicios Financieros Comunitarios and the former President and Member of the Board of UNIAPAC International and of the Foundation, and of the Monitoring Committee of IMDOSOC.

Mr. Mariscal Torroella is a brother-in-law of Daniel Javier Servitje Montull and uncle of Nicolás Mariscal Servitje.

Mauricio Jorba Servitje

Mr. Jorba Servitje is a Member of the Board of Directors of VIDAX and the Board of Directors and Management of Promociones Monser, S.A. de C.V.

Mr. Mauricio Jorba Servitje is a brother of Luis Jorba Servitje and cousin of Daniel Javier Servitje Montull.

Maria Luisa Jorda Castro

Ms. Jorda Castro is a member of the Board of Directors of Orange Espagna and a member of the Audit Committee of Orange. She is a member of the Board of Directors of Merlin Properties and Chair of its Audit Committee. She is also member of the Board of Directors and member to the Audit and Control Committee of Tubos Reunidos, S.A. Member of the Board of Governors and Audit Committee of the Instituto de Consejeros y Administradores (ICA). She was a member of Jazztel's board and a member of its Audit Committee. She has been chair of Jazztel's Audit Committee.

In addition, Mrs. Jorda Castro has served in several executive positions throughout her 30-year career, in various Management, Investment and Audit Committees. She was CFO of Grupo Deoleo, Internal Audit Director of SOS Corporación Alimentaria (now Deoleo, S.A.), and Internal Audit and Corporate Governance Director at Metrovacesa, CFO at the Corporación Empresarial ONCE, CFO at Grupo Alimentos y Aceites SA, and CFO at Testa (previously Prima Inmobiliaria) and Grupo Ayco (previously Inmobiliaria Alcázar).

Ricardo Guajardo Touché

Mr. Guajardo Touché is member of the Board of Directors of Grupo Financiero BBVA Bancomer, S.A. de C.V., Instituto Tecnológico y de Estudios Superiores de Monterrey, Grupo Fomento Económico Mexicano, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Alfa, S.A.B. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Grupo Aeroportuario del Sureste, S.A.B. de C.V., Grupo Coppel, S.A. de C.V. and Vitro, S.A.B. de C.V., as well as Vice-Chairman of Fondo para la Paz and Chairman of SOLFI and President of SOLOFI, Corporación de Microfinanzas.

Arturo Manuel Fernández Pérez

Mr. Fernández Pérez is the Dean of Instituto Tecnológico Autónomo de México or ITAM, and a member of the Board of Directors of Industrias Peñoles, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B. de C.V., Valores Mexicanos, Casa de Bolsa, S.A.B. de C.V., Grupo Financiero BBVA Bancomer, S.A. de C.V., Grupo Profuturo, S.A.B. de C.V., and Fresnillo, plc.

Luis Jorba Servitje

Mr. Jorba Servitje is Chief Executive Officer of Frialsa Frigoríficos, Chairman the Board of Efform, S.A. de C.V. and of Texas Mexico Frozen Food Council, International Association of Refrigerated Warehouses, World Food Logistics Organization and World Group of Warehouses.

Mr. Jorba Servitje is a brother of Mauricio Jorba Servitje and cousin of Daniel Javier Servitje Montull.

María Isabel Mata Torrallardona

Ms. Mata Torrallardona is the Chief Executive Officer of Fundación José T. Mata, A.C. and a member of the Board of Directors of Tepeyac, A.C.

Ms. Mata Torrallardona is the wife of Mr. Javier de Pedro Espínola.

Nicolás Mariscal Servitje

Mr. Mariscal Servitje is Chief Executive Officer of Grupo Marhnos and a member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural, A.C.

Mr. Mariscal Servitje is a nephew of Daniel Javier Servitje Montull, José Ignacio Mariscal Torroella, Raúl Obregón del Corral and Fernando Francisco Lerdo de Tejada Luna.

Estibalitz Laresgoiti Servitje

Mrs. Laresgoiti Servitje has a medical degree from Universidad Anáhuac, a Master's Degree in Immunology from the Instituto Politécnico Nacional, a Master's Degree in Neuroscience from the Oberta University of Catalonia and a Doctorate in Health Psychology from the Walden University of Minneapolis, MN. She is a speaker and a member of the Counseling Council of Mead Johnson Nutrition. Clinical She practices Immunology at the ABC Medical Center. She is a researcher and professor of Immunology and Psychology at ITESM. She is Professor of Basic and Advanced Statistics at the UNAM. She is Professor of Immunology in the Master of Science at the IPN. She is Professor of Immunology at the Universidad Panamericana. She is a member of the National System of Researchers at CONACYT.

Mrs. Laresgoiti Servitje is the niece of Daniel Javier Servitje Montull

Javier de Pedro Espínola

Mr. de Pedro Espínola is the Manager and Chief Financial Officer of MXO Trade S.A. de C.V. and member of the Board of Directors MXO Trade, S.A. de C.V., Global Biotherapeutics, Fundación José T. Mata and Grupo Colchones Restonic, S.A. de C.V.

Mr. de Pedro Espínola is the husband of Ms. Mata Torrallardona.

Ignacio Pérez Lizaur

Mr. Pérez Lizaur is a Partner of Consultores Pérez Lizaur, S.C. He is a Member of the Board of Directors of Fundación Mexicana para el Desarrollo Rural A.C. and Chair of the Corporate Practices Committee at Newell Rubbermaid Inc. He is also President of the Trustees and member of the Social Investment Committee and President of the Credit and Financial Risks Committee at Nacional Monte de Piedad (Mexico City).

Edmundo Miguel Vallejo Venegas

Mr. Vallejo Venegas is a professor of Business Policy at the Instituto Panamericano de Alta Dirección de Empresas (known in Spanish as “IPADE”), in Mexico City, and the former President and Chief Executive Officer of GE Latin America.

Jorge Pedro Jaime Sendra Mata

Mr. Sendra Mata is Manager of JJ Textiles, S.A. and Member of the Board of Directors of db Homes S.A. and JRPVJ, Inc.

Jaime Chico Pardo

Jaime Chico Pardo is founding partner and President of ENESA, S.A. de C.V. and a member of the Board of Directors of Honeywell International Inc and Chicago Booth GSB.

Jaime A. El Koury

Jaime A. El Koury was partner of Cleary Gottlieb Steen & Hamilton LLP from 1986 until 2014. He is an alternate member in the Board of Directors of Coca Cola FEMSA, S.A.B. de C.V. since 2015. He graduated from Yale University as a Bachelor in Arts and Economics, and Juris Doctor and is authorized to practice law in New York and Puerto Rico.

Rogelio M. Rebolledo Rojas

Mr. Rogelio M. Rebolledo Rojas has a degree in Chemical Engineering from the UNAM and an MBA from the University of Iowa. He is member of the Board since July 2008, Chairman of the Audit Committee and Member of the Compensation Committee of Kellogg Company's. For 27 years, he held various key positions as CEO of the Mexican operations of Sabritas and Gamesa. Subsequently, as President of Frito Lay Latin America and Asia Pacific was a key element for the growth and expansion of the company. As President of the Board and CEO of Frito Lay International division, in the year 2000, Mr. Rebolledo assumed responsibilities for the European, Middle Eastern and South African markets. After his retirement from Frito Lay, he was CEO and Chairman of the Board of the Pepsi Cola bottling group in Mexico from 2004 to mid 2007. He is currently a member of the Board of Directors of Clorox Company and José Cuervo Internacional.

Andrés Obregón Servitje

Managing Partner and co-founder of EMX Capital, manager of private equity funds focused on investments in Mexican medium-sized companies. Over the last 15 years he has actively participated in investments in various sectors such as education, food, financial services, logistics and manufacturing.

Participates in the Board of Directors of several companies, including ILSP Global Seguridad Privada, Grupo Calidra and the dental clinic network Dentalia; as well as in the Investment Committees of EMX Capital itself and of the venture capital fund ALLVP.

He is an Industrial Engineer from the Universidad Iberoamericana and has a Master's Degree in Business Administration from Stanford University.

Luis Miguel Briola Clément

Mr. Briola joined Grupo Bimbo in 2004 and serves as the General Counsel and Secretary of the Board of Directors since April 2005. Mr. Briola holds a law degree from Escuela Libre de Derecho and a Master Degree of Laws from Columbia University.

In the ordinary course of business, the Company has executed transactions with some of the companies, in which the members of its Board of Directors work or in which its key officers worked. Such transactions have been carried out on an arms-length basis and the Company considers that none of them is relevant.

1.1) Board of Directors' Powers

The Board of Directors establishes guidelines and general strategies to conduct the business and supervises its fulfillment accordingly.

The Board of Directors is the Company's legal representative, and has the broadest powers for the administration of the Company's businesses, with general power of attorney for lawsuits and collections, administrate properties and to exercise acts of ownership, without any limitation, in order to appoint and remove the Chief Executive Officer, executives, managers, officers and attorneys-in-fact, and to determine their attributions, working conditions, compensations and guaranties and, in particular, to grant powers and faculties to managers, officers, lawyers and any other people in charge of the Company's labor relationship in accordance with the provisions of the by-laws.

The Company's Board of Directors also has the power to approve any transfer of the Company's shares, when such transfer represents more than 3% of the voting shares in one or more transactions.

Likewise, for the performance of its duties, the Board of Directors shall be aided by an Audit & Corporate Practices Committee, a Results Evaluation Committee and a Finance & Planning Committee, whose duties and integration are described herein below. See Section "4. GOVERNANCE – c) Administration and Shareholders".

1.2) Board of Directors' Resolutions

Each director is entitled to one vote at any meeting of the Board of Directors. Meetings of the Board of Directors are legally convened when at least the majority of the members are present. Resolutions at Board of Directors' meetings are valid when approved by the majority of directors present at the meeting. The Chairman of the Board of Directors has a deciding vote in the event of a draw. The resolutions taken outside a meeting of the Board of Directors, by unanimous vote, will be for all legal purposes as valid as if they had been adopted at the meeting of the Board of Directors, provided that they are confirmed in writing.

Pursuant to the Mexican Securities Market Law, any director who has a conflict of interest to vote in any transaction must disclose such fact to the chairman of the Board of Directors and should abstain from voting on such transaction. Any director who violates this provision will be liable to the Company for any resulting damages or losses. In addition, directors must keep confidential all acts, facts or events that have not been disclosed to the public generally, and must keep confidential any discussions held at each meeting.

1.3) Intermediate Administration Bodies

The Board of Directors in order to perform its duties has the support of the following committees, which assist the Board of Directors in the administration of the Company.

2) Audit & Corporate Practices Committee

In accordance with the Mexican Securities Market Law and the bylaws, the Company has an Audit & Corporate Practices Committee, comprised of at least three members who must all be independent, including its chairman. The chairman of the Audit a&nd Corporate Practices Committee shall be appointed and/or removed from his position, exclusively, by the General Ordinary Shareholders´ Meeting and shall not be able to be the chairman of the Board of Directors. This Committee performs the audit activities, as well as those corporate practices activities established by the Securities Market Law, the bylaws, and as determined by the Board of Directors.

The General Ordinary Shareholders Meeting held on April 29, 2019 ratified Edmundo Miguel Vallejo Venega as chairman of the Committee, and ratified Arturo Manuel Fernández Pérez, Ignacio Pérez Lizaur, Maria Luisa Jorda Castro and Jaime A. El Koury as members of the Audit & Corporate Practices Committee. All members are independent within the meaning of the Mexican Securities Market Law.

The main duties of the Audit & Corporate Practices Committee include to (i) supervise and assess the external auditors, as well as all the reports issued by them (including their opinion with respect to the financial statements), (ii) review and supervise the preparation of the financial statements for their approval by the Board of Directors, (iii) inform the Board of Directors of the status of the internal controls and procedures and the internal audit function of the Company, (iv) supervise and draft opinions required under the Mexican Securities Market Law with respect to transactions with related parties and transactions representing 20% or more of the consolidated assets, (v) draft the opinions and request the directors and independent experts to prepare the reports required under the Mexican Securities Market Law, (vi) research and to inform the Board of Directors of any significant finding out of the ordinary course of business, (vii) review and analyze recommendations for improvements by the shareholders, directors, executive officers or third parties and take the corresponding actions to perform such recommendations, (viii) call for shareholders' meetings, (ix) supervise the performance of the instructions issued by the Board of Directors and shareholders to the chief executive officer, (x) supervise the mechanisms and internal controls performance that allow the controlled companies operations to comply with the applicable laws, (xi) such other responsibilities provided for in the Mexican Securities Market Law.

The Audit and Corporate Practices Committee may meet at any time. The meetings of this committee are regarded as legally convened when the majority of its members are present and its resolutions will be valid when approved by a majority of the present members at the meeting. The Chairman of the Audit and Corporate Practices Committee has a deciding vote in the event of a draw.

Based on the professional profiles of the members of the Audit & Corporate Practices Committee, the Company considers that such members may be deemed financial experts.

The Chairman of the Audit & Corporate Practices Committee must prepare an annual report on the activities corresponding to the committee and submit it for the approval of the Board of Directors.

3) Evaluation & Results Committee

The Evaluation and Results Committee is comprised of members of the Board of Directors who are appointed by the Board of Directors or the Shareholders´ Meeting.

On July 19, 2018, by means of the board meeting the members of the Results & Evaluation Committee were ratified as follows: Raúl Carlos Obregón del Corral, who serves as Chairman of the committee, Edmundo Miguel Vallejo Venegas, Daniel Javier Servitje Montull, Luis Jorba Servitje and Nicolás Mariscal Servitje, appointed by the Board of Directors.

The Results & Evaluation Committee is in charge of (i) analyzing and approving the general compensation structure for the executive officers and associates, and the general compensation policies, which include policies for increasing, decreasing and changing in general and individual compensation, except for the compensation of the Chief Executive Officer and other senior executive officers which is determined by the Board of Directors with the opinion of the Audit & Corporate Practices Committee, (ii) evaluating the results of operations of the Company and their impact on the compensation of the executive officers and employees, (iii) analyzing and revising the salary levels applicable to the executive officers and employees, including annual compensation plans and promotions and criteria for pension plans, (iv) requesting the opinion of an independent expert, if necessary, to appropriately comply with its duties, (v) requesting the executive officers and employees to prepare and provide the committee with the reports required to comply with its duties, (vi) acting as a consultation body for the Board of Directors in all aspects related to the associates, and (vii) coordinating all the activities related to other committees, as the case may be.

The Committee also works as advisory and evaluation body for the possible candidates for the Board of Directors, proposed by the shareholders or directors.

Based on the professional profiles of the members of the Evaluation and Results Committee, the Company considers that several of its members may be deemed financial experts.

4) Finance & Planning Committee

The Finance and Planning Committee is comprised of members of the Board of Directors, who are appointed by the Board of Directors or by the Shareholders' Meeting.

The Finance & Planning Committee is in charge of analyzing and presenting for the approval of the Board of Directors, the long-term strategies, and the investment and risk management policies.

The Finance & Planning Committee has the following powers: (a) to analyze and submit to the Board of Directors' approval, the evaluation of the long-term and budget strategies, as well as the Company's main investment and finance policies; (b) by the Board of Directors' express delegation, it may approve: (i) transactions which imply the acquisition or conveyance of properties with a value equal to, or lower than, three percent of the Company's consolidated assets; (ii) the granting of guaranties or the assumption of liabilities in an amount equal to, or less than, three percent of the Company's consolidated assets; (iii) investments in debt securities or in banking instruments, exceeding three percent of the Company's consolidated assets; provided, however, that these are made in conformity with the policies approved to that effect by the Board; c) to propose and, as the case may be, evaluate and periodically review policies for the performance of the Company's and its subsidiaries' treasury; d) request an opinion from independent experts in the cases it deems necessary, for the appropriate performance of its duties; e) to request from the Company's or its subsidiaries´ relevant executive officers and other employees, reports regarding the preparation of the financial information and of any other kind deemed necessary for the performance of its duties; f) to act as a consultation body for the Board of Directors in everything pertaining to the above mentioned duties, including financial matters, as well as in connection with the review and recommendation of investment projects and/or diversification of the Company and its subsidiaries, observing their congruence and profitability. Likewise, it shall coordinate activities related to the Company's other committees, when so required.

On July 19, 2018, by means of the board meeting, the members of the Finance and Planning Committee were ratified, who are Messrs. José Ignacio Mariscal Torroella, who serves as Chairman of the Committee, Daniel Javier Servitje Montull, Javier De Pedro Espínola, Luis Jorba Servitje, Raúl Obregón del Corral, Ricardo Guajardo Touché, and Messrs. Rogelio Rebolledo and Jaime Chico Pardo were appointed as new members of the Finance and Planning Committee, by the Board of Directors.

Based on the professional profiles of the members of the Finance & Planning Committee, the Company considers that several of its members may be deemed financial experts.

a. Self-assessment of the Board of Directors and other management bodies

Starting in 2017, Directors and their Committees implemented a self-assessment regarding Board and Committee performance as collegiate bodies in order to maintain Bimbo at the forefront of best corporate governance practices on a global level, as well as in the search for improvements and value creation for the Company, which will have an impact on the business results.

The benefits of the Board and Committees' self-assessment:

1. Transparency and continuous improvement regarding the tasks of the Directors and Committees.
2. Improve the Board's knowledge and understanding regarding the perspective that stakeholders have in the strategy and governance of the company.
3. Identify Governance processes in order to strengthen the experience of the Board, communications and meetings.
4. Strengthen the alignment between Grupo Bimbo's mission and vision, facilitating the prioritization of certain matters.

The matters in which the self-assessment focuses are: structure, composition, agenda development, responsibilities, tasks and duties, effectiveness (if such information has added value), communication, relationship with management, the long-term shareholders, reporting and follow up.

The self-assessment will take place annually in March starting in 2017, and may be updated as a result of global trends and results of previous self-assessments.

b. Code of Ethics and Compliance

Grupo Bimbo relies on self-regulated measures that govern its business practices. Its Code of Ethics covers general aspects such as policies for its interaction with society, government and competitors, as well as its associates, suppliers, consumers, customers, board members, partners and shareholders.

In 2013, the Group created an Ethics & Regulatory Compliance Committee, a collegiate body in charge of monitoring the compliance of Global Integrity Policies, and appointed, as of 2014, a General Counsel and Compliance Director, who will implement and monitor, and enforce the compliance program at Grupo Bimbo.

During 2014 the Board of Directors approved the Global Integrity Policy of Grupo Bimbo, updated on April 2018, which are binding to all board members, executives, associates, suppliers and third parties of the Group, who are instructed in the same periodicity and who are monitored regarding their compliance; this includes guidelines based on best practices and international standards on integrity and anti-corruption laws to ensure that individuals and entities acting on behalf of the Group do so with integrity and in compliance with the law; likewise it establishes a Code of Conduct for Suppliers Third Parties designed to ensure that parties who have business with Grupo Bimbo act with integrity and comply with the policies and the applicable laws.

The Ethics & Regulatory Compliance Committee is responsible for promoting the values contained in the Code of Ethics and its Global Integrity Policy and strengthening compliance with the regulatory framework of the countries in which Grupo Bimbo operates. The Ethics $ Regulatory Compliance Committee is in charge of (i) developing and recommending policies and guidelines for the appropriate compliance with applicable law, (ii) reviewing and recommending improvements to the internal controls and procedures, (iii) checking internal audit programs and legal compliance enformcement programs, (iv) instructing and performing internal and external research, (v) sanctioning actions or behaviors against internal and external rules, laws and regulations, and (vi) enforcing compliance with the Code of Ethics, Code of Conduct, as well as compliance with policies and laws, and analyzes complaints related to any breach thereof.

Additionally, the Ethics & Regulatory Compliance Committee monitors anonymous claims made to the internal hotline by associates or third parties, which is accessed by e-mail: comenta@grupobimbo.com.

The main compliance issues that are overseen by the Ethics Committee and the General Counsel and Regulatory Compliance are: anti-corruption, restricted party transactions, money laundering, and data protection.

Additionally, the Executive Committee approved a new Economic Competition Policy in Mexico, which will strengthen internal practices and procedures in order to ensure a fair and competitive market.

In early 2015, the Board of Directors also approved the guidelines, policies and control mechanisms for the trading of securities made by the directors, officers and associates of Grupo Bimbo that have privileged and confidential information according to LMV.

c. Key Executive Officers

The following table shows the names of the Group's key executive officers as of the date of this Annual Report, their current position and their seniority in the Company. The CEO of the Group is appointed by the Board of Directors and maintains its position at the discretion of said board.

Nombre	Position	Age	Years with the Group	Gender*
Daniel Javier Servitje Montull	Chief Executive Officer and Chairman of the Board of Directors of Grupo Bimbo	60	35	Male
Diego Gaxiola Cuevas	Chief Global Financial Officer	47	2	Male

Javier Augusto González Franco	Senior Executive VP Grupo Bimbo	62	40	Male
Pablo Elizondo Huerta	Senior Executive VP Grupo Bimbo	64	40	Male
Raúl Ignacio Obregón Servitje	Chief Global of Transformation	45	16	Male
Gabino Miguel Gómez Carbajal	Director General Adjunto Grupo Bimbo	58	36	Male
Rafael Pamias Romero	Senior Executive VP	55	2	Male
Raúl Argüelles Díaz González	Chief Global Human Relations Officer	54	6	Male
José Gabriel Calderón	Chief Global Auditing Officer	50	8	Male
Miguel Ángel Espinoza Ramírez	President of Bimbo	60	36	Male
Alfred Penny	President of BBU	62	37	Male

- 100% of the key officers of the Company are men.

Daniel Javier Servitje Montull

Mr. Daniel Servitje Montull has served as Chief Executive Officer of Grupo Bimbo since 1997, and as Chairman of the Board of Directors since 2013. He holds a degree in Business Administration from Universidad Iberoamericana, in Mexico. In 1987 he obtained an MBA degree from Stanford University. He joined Grupo Bimbo in February 1982, where he has been responsible for different positions, including VP of Bimbo, Chief Executive of Marinela and VP of Grupo Bimbo.

Diego Gaxiola Cuevas

Mr. Gaxiola Cuevas has served as our Chief Global Finance Officer since August 2017. Mr. Gaxiola Cuevas has more than 20 years of experience in similar positions, including, most recently, having served as Chief Financial Officer of Alsea, a leading operator of quick service restaurants, coffee shops, and casual dining establishments in Latin America and Spain. Before Alsea, Mr. Gaxiola Cuevas worked for Grupo Desc. S.A.B. de C.V. in corporate finance and in Grupo Televisa, S.A.B. de C.V. he had various positions in finance. Mr. Gaxiola Cuevas holds a master's degree in finance from Universidad Anahuac and a bachelor's degree in business administration from Newport University and Universidad Iberoamericana.

Javier Augusto González Franco

Mr. González Franco has served as Executive VP of Grupo Bimbo since February 2014. He holds a degree in Chemical Engineering from Universidad Nacional Autónoma de México ("UNAM"), an MBA from Universidad Diego Portales, in Chile, an Advanced Management degree from Harvard University and a degree from the IMD in Switzerland. Mr. González Franco joined Grupo Bimbo in 1977 and has served as Assistant General Manager of Latin America, Deputy General Manager of Bimbo, President of Barcel and President of Bimbo.

Pablo Elizondo Huerta

Mr. Elizondo Huerta has served as Executive VP of Grupo Bimbo since January 2008. Mr. Elizondo is also Vice Chairman of the Board of ConMéxico (Consejo Mexicano de la Industria de Productos de Consumo A.C.). Mr. Elizondo holds a degree in Chemical Engineering from UNAM and an Advanced Management degree from Harvard University. Mr. Elizondo Huerta joined Grupo Bimbo in 1977 and has served as General Manager of Wonder in Mexico City, General Manager of Bimbo in Hermosillo, Director of Latin America, General Corporate Manager and Commercial Director of Bimbo and Director of Bimbo.

Raúl Ignacio Obregón Servitje

Mr. Obregón Servitje has served as Global Chief Transformation since 2016. He joined the Company in 1998 and has since served as President of Bimbo South America, Corporate Director of Sales, Director of Big Customers at Bimbo, General Manager of Bimbo Peru and also worked in Bimbo Bakeries. Prior to joining the Company, he worked at Citibank Mexico. Mr. Obregón Servitje holds a degree in chemical engineering from Universidad Iberoamericana, an MBA from Boston University and specialization courses from Harvard Business School.

Gabino Miguel Gómez Carbajal

Mr. Gómez Carbajal has served as Senior Executive VP since early 2016. Mr. Gómez Carbajal holds a degree in marketing from ITESM, an MBA from Miami University and studies at IPADE. Mr. Gómez Carbajal joined the Company in 1981. Mr. Gómez Carbajal served as Vice President of Business Development, Vice President of Bimbo and Vice President of Latin America at the Company.
Pablo Elizondo Huerta.

Rafael Pamias Romero

Mr. Pamias has served as Executive Vice President since 2017. Mr. Pamias holds a degree in business administration from ESADE (Barcelona), and a Master in International Management from the American Graduate School of International Management, Phoenix (Arizona). He has previously served as director and Brand Manager of Bonafont, Danone, Waters Division, among others.

Raúl Argüelles Díaz González

Mr. Argüelles Díaz González has served as Chief Human Relations Officer of Grupo Bimbo since January 2013. Mr. Argüelles Díaz González studied Industrial Engineering at UNAM and he holds a Master's degree in Administrative Engineering from Stanford University. Additionally, he has completed various seminars at Stanford, Harvard and Michigan Universities. His professional experience includes acting as manager of various private companies in the areas of Human Resources, Corporate Affairs and Institutional Relations. Mr. Argüelles Díaz González joined Grupo Bimbo in 2011 as Chief Human Global Relations Officer of Grupo Bimbo.

José Gabriel Calderón Goyenaga

Mr. José Gabriel Calderón has served as the Internal Audit Global Director since June 2016. Mr. Calderón is a public accountant with a master degree in corporate finance from the Costa Rica University. He is also a Public Accountant authorized by the Public Accountant's College of Costa Rica. He served previously as the Finance and Administration Director of the Latin Centro Organization. Before joining Grupo Bimbo, Mr. Calderón worked in Danish APMoller Maerks, world leader in the maritime cargo transport in the positions of Global Business Controller and Regional Finance Manager for Latin America.

Miguel Ángel Espinoza Ramírez

Mr. Espinoza Ramírez has served as President of Bimbo since February 2014. He holds a degree in Industrial Engineering from Instituto Tecnológico de Chihuahua and has completed various programs at the IPADE and the Advanced Management Program in Harvard University. Mr. Espinoza Ramírez joined Grupo Bimbo in 1981 and among his previous positions, he has served as General Manager of Dulces y Chocolates Ricolino, Vice President of Barcel del Norte, Administrative Manager of Organización Barcel, President of Barcel, Commercial Manager of Bimbo, and later, President of South America Operations.

Alfred Penny

Mr. Penny has served as President of BBU since April 2013. From 1987 to 1997 he served as Controller in the Northeast of the U.S., as Director of Strategic Planning and Productivity and as General Manager of the

Intermountain region for Kraft Baking. Mr. Penny was appointed as Vice President and General Manager of Entenmann's in 1997. Mr. Penny was appointed as Executive Vice President of George Weston Bakeries Inc., in 2007. Mr. Penny was appointed as Executive Vice President after the acquisition of Weston Foods Inc. by Grupo Bimbo in January 2009.

d. Compensation

Compensation to the Directors and members of the Company's Committees is determined by the General Ordinary Shareholders´ Meeting. Such compensation, as of the General Ordinary Shareholders´ Meeting held on April 29, 2019, is as follows: Directors receive $120,000 pesos per meeting attended in Mexico and $250,000 pesos per meeting attended abroad. The members of the Audit and Corporate Practices Committee receive $110,000 pesos per meeting attended, the members of the Finance and Planning Committee and the members of the Results and Evaluation Committee receive $55,000. The Company's officers who are also Directors and/or members of any of the Committees shall not be entitled to receive any compensation. In 2018, the total amount corresponding to the compensation mentioned in this paragraph totaled approximately $15 million pesos.

Compensation paid to key officers and relevant managing members for the fiscal year ended as of December 31, 2018 totaled approximately $767 million pesos, which represented 1.3% of the Company's total consolidated general expenses. This figure includes payments for bonuses and retirement bonuses. Additionally, as of December 31, 2018, the amount accrued by the Company and its subsidiaries for the key officers´ and relevant managing members pension plans is $1,022 million pesos.

e. Executives and Directors Virtual Shares Plan

As of 2013, the Virtual Share Plan (known is Spanish as "Plan Acciones por VEAB - *Valor Económico Agregado BIMBO*") for executive officers and directive officers is in effect. This plan allocates an annual number of Virtual Shares in accordance with the level, the salary of the officer and the results obtained by the Business Unit to which it is associated and the average share price of Bimbo in the BMV, in January of the following year. The number of Virtual Shares is paid 30 months after the average share price of Bimbo in the BMV in June through a taxable bonus.

f. Principal Shareholders

As of the date of this Annual Report 4,703,200,000 Series "A", ordinary, nominative shares with no par value, representing the capital stock are authorized, and registered in the RNV (National Securities Registry) and have been listed on the BMV (Mexican Stock Exchange) since 1980 under the ticker symbol "BIMBO".

During this period 30,628,536 treasury stock (*acciones en tesorería*) were registered, therefore, the total amount of issued shares was of 4,672,571,464

The companies mentioned herein below hold an interest of approximately 67% in BIMBO's capital stock. The following table shows the information referring to the Principal Shareholders' interest, in accordance with the Company's Stock Transfer Book until December 31, 2018:

Name	No. of shares	% Capital Stock
Normaciel, S.A. de C.V.	1,763,123,500	37.5
Promociones Monser, S.A. de C.V.	550,268,544	11.7
Banco Nacional de México, S.A. as fiduciary	296,265,488	6.3
Philae, S.A. de C.V.	232,692,104	4.9
Marlupag, S.A. de C.V.	161,213,536	3.4
Sendamos, S.A.P.I. de C.V.	150,000,000	3.2
Other	1,549,636,828	32.9
Total	**4,703,200,000**	**100%**

Regarding the above shareholders, Normaciel, S.A. de C.V. holds significant influence.

Moreover, the Company believes that Mr. Daniel Javier Servitje Montull, as Chief Executive Officer and Chairman of the Board, has a significant influence on the management, conduct and execution of the business. Therefore, it could be considered that he has power of command.

To the best knowledge of the Company, no member of the Board of Directors or other key officer of Grupo Bimbo, individually, hold shares representing more than 1% and less than 10% of the outstanding shares of Grupo Bimbo.

g. Description of the labor inclusion policy or program

As of this date, Grupo Bimbo has gender diversity and inclusion policies that are aimed to ensure an environment of inclusion and non-discrimination in the operations of the Group worldwide. The policies apply to all temporary and permanent personnel of Grupo Bimbo, as well as to the interaction with shareholders, customers and suppliers in their relationship with the Company. The Company's Global Personnel and Relations Division is in charge of preparing and updating these policies, which are approved by the Global Management of Internal Control and Risk Management, the Board of Directors and the General Management of Grupo Bimbo. In general terms, every employee of the Company must (i) reject the discrimination of any person and for any reason, establish and promote an environment of respect, avoiding the use of inappropriate, discriminatory, sexist or disqualifying language, (ii) avoid at all times discrimination in access to employment, working conditions, professional development, training and participation in decision-making processes, (iii) encourage the formation of diverse work teams and assignment of responsibilities equitable and not abuse the authority and use of the hierarchical position, (iv) promote an environment free of isolation, ridicule and jokes that denigrate people, promote harmony and good coexistence, (v) respect cultural differences and of opinion, and (vi) not conduct discriminatory behaviors by personal characteristics protected by law, including by reason of race, sex , religion, color, nationality, age, disability or marital status. Likewise, the employees of Grupo Bimbo must not ignore an act or condition of harassment, abuse, discrimination and another that goes against the foundations of diversity and inclusion. All employees who witness or are victims of these behaviors should report them to their direct manager, to the personnel area and / or in an internal hot line of Grupo Bimbo.

d) BYLAWS AND OTHER AGREEMENTS

As of December 30, 2005 the new Securities Market Law was published in the Official Gazette of the Federation (*Diario Oficial de la Federación*), which became effective on June 28, 2006, and in accordance with that BIMBO's Corporate Bylaws were amended by virtue of an Extraordinary Shareholders´ Meeting held on November 14, 2006. In that meeting, among other things, the total amendment to the Corporate Bylaws was approved, and was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of this city under mercantile folio No. 9,506, dated December 6, 2006. With the amendment to the Corporate Bylaws, the Company adjusted to the securities laws in effect.

Among the most relevant amendments are the ones regarding the creation of a regime applicable to the *sociedades anónimas bursátiles* (the shares of which are traded in the BMV) to improve their organization and functioning, as well as their responsibilities regime.

The Company is a publicly traded variable capital corporation (*sociedad anónima bursátil de capital variable*) incorporated under Mexican law. On November 14, 2006, at the general extraordinary shareholders' meeting, the shareholders resolved to amend the bylaws entirely to comply with the provisions of the Mexican Securities Market Law applicable to publicly traded corporations and to adopt the form of a publicly traded stock corporation. Such amendment to the bylaws was notarized by public deed No. 30,053 dated November 16, 2006, granted before Ana de Jesús Jiménez Montañez, Public Notary number 146 of Mexico City, and filed in the Public Registry of Commerce of this city under mercantile folio No. 9,506, dated December 6, 2006. A copy of the current bylaws has been filed with the CNBV and the BMV on June 10, 2014, and is available for review at the following websites: www.gob.mx/cnbv, www.bmv.com.mx and www.grupobimbo.com.

1) Rights Granted by Shares

Holders of Series "A" shares are entitled to one vote in the General Ordinary and Extraordinary Shareholders' Meetings. With no shares of this kind existing as of this date, the Company may issue, under the Securities Market Law, non-voting and/or limited voting shares. As the case may be, holders of Series "A" shares may not attend the Special Meetings held by the holders of non-voting and/or limited voting shares and neither have they voting rights in the Special Meetings held by the holders of non-voting and/or limited voting shares.

The holders of limited voting shares shall be entitled to attend and vote at a rate of one vote per each share, only and exclusively in the Special Meetings held by the holders of such shares and in the General Extraordinary Shareholders' Meetings held to discuss any of the following matters: a) transformation of the Company; b) merger with another company or companies, when the Company is the merged party; c) cancellation of the limited voting shares filing in the RNV and in domestic and foreign stock exchanges in which the same are registered, except in quoting systems or other markets not organized as stock exchanges; and d) any other matter provided for in the Securities Market Law.

Holders of limited voting shares may not attend General Ordinary Meetings, except in the events expressly provided for in the Securities Market Law. Neither may they attend the General Extraordinary Shareholders´ Meetings held to discuss matters in which they have no voting rights.

Additionally, shareholders holding limited or restricted voting shares, for each ten percent (10%) of the Company's capital stock that they individually or collectively hold, shall have the rights conferred in the Corporate Bylaws and the General Commercial Corporations Law.

Shareholders holding non-voting shares shall have the rights granted by the Securities Market Law.

2) Shareholders' Meetings and Voting Rights

Under the bylaws of the Group, two types of shareholders' meetings may be held: ordinary and extraordinary. Ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings.

An annual ordinary shareholders' meeting must be convened and held at least once a year within the first four months following the end of each fiscal year to discuss the following, pursuant to the bylaws or the Mexican Securities Market Law, (i) the approval of the financial statements for the previous fiscal year, (ii) the annual reports prepared by the Audit & Corporate Practices Committee and the allocation of the profits for the previous year (including, if applicable, the payment of dividends), (iii) the appointment of members of the Board of Directors, (iv) the appointment of the chairman of the Audit & Corporate Practices Committee, (v) the increase or decrease of the variable capital and the issuance or cancellation of the corresponding shares, (vi) the determination of the amount that may be allocated to repurchase the shares, and (vii) the approval of any transaction representing 20% or more of the consolidated assets, during any fiscal year.

Extraordinary shareholders' meetings are those called at any time to consider any of the following matters (i) the extension of the duration or the dissolution of the Company, (ii) any increase or decrease in the fixed capital and the issuance of the corresponding shares, (iii) any public offering of the shares, (iv) any change in the corporate purpose or nationality, (v) any transformation, merger or spin-off involving the Company, (vi) any issuance of preferred stock, (vii) any redemption of the shares with retained net profits, (viii) any amendments to the bylaws, including amendments to change in control provisions, and (ix) any other matters for which applicable Mexican law or the bylaws specifically require a general extraordinary shareholders' meeting (x) the cancellation of the registry of the shares with the RNV.

All of the shareholders of Grupo Bimbo, duly registered in the shareholders' registry book, will be able to propose topics to be discussed in the Shareholders Meetings. The shareholders must send the proposals to the secretary of the Board of Directors, who will check them and if applicable, will submit them for the consideration of the Board of Directors in their following meeting, previous to the next ordinary or extraordinary shareholders meeting.

In the next Board of Directors ordinary meeting, the Board will analyze the proposals and will determine the suitability of including them in the agenda for the next ordinary or extraordinary shareholders meeting.

a) In case of approval, such topics would be included in the agenda for the next ordinary or extraordinary shareholders meeting.

b) In case of dismissal, the board would give notice to the respective shareholder.

The contact information of the secretary of the board is: secretaria.gb@grupobimbo.com

Shareholders' meetings may be called at any time by the chairman of the Board of Directors, the chairman of the Audit & Corporate Practices Committee or the secretary and alternate secretary of the Board of Directors. Any shareholder or group of shareholders representing at least 10% of the capital stock of Grupo Bimbo, including shares with limited or non-voting rights, has the right to request publication of a call to a shareholders' meeting. In addition, according to the bylaws, any holder of one share is entitled to request that the Board of Directors or the chairman of the Audit & Corporate Practices Committee to call a general shareholders' meeting in the event that no such general shareholders' meeting has been convened and held within two consecutive fiscal years or if the following matters have not been discussed at the general shareholders' meetings convened and held during such period (i) discuss, approve or modify the report prepared by the Board of Directors, (ii) the appointment of members of the Board of Directors, and (iii) the determination of the compensation for the directors.

Shareholders' meetings are required to be held in the corporate domicile of Grupo Bimbo, which is Mexico City. Calls for shareholders' meetings must be published in the Electronic System established by the Ministry of Economy or in one newspaper of general circulation in Mexico City at least 15 calendar days prior to the date of the meeting. Each call must set forth the place, date and time of the meeting and agenda for the meeting. Calls must be signed by whoever calls them. From the date on which a call is published until the date of the corresponding meeting, all material information regarding the meeting must be available to shareholders at the corporate headquarters of the Company.

To be admitted to any shareholders' meeting, shareholders must submit their stock certificates or evidence of their shares deposited in the Indeval or any other institution authorized to act as securities depositary in accordance with the Mexican Securities Market Law, with at least 48 hours (computed in terms of business days) prior to the shareholders' meeting. Such stock certificates or evidence of their deposit must be exchanged for a certificate issued by the Company for that purpose, stating the name of the corresponding shareholder and the number of shares held. Such certificates shall serve as admission tickets for the shareholders' meeting. The members of the Board of Directors, the Chief Executive Officer and the external auditor may attend the shareholders' meetings.

Shareholders may be represented at shareholders' meetings through proxies' fact appointed by means of a form prepared by Grupo Bimbo and made available to shareholders through broker-dealers or at the offices of the Company, at least 15 calendar days prior to the shareholders' meeting. Such forms must comply with the requirements of the Mexican Securities Market Law and its ancillary provisions.

Ordinary meetings are regarded as legally convened pursuant to a first call when at least 50% of the common shares representing the capital are present or duly represented. Any number of common shares represented at an ordinary meeting of shareholders convened pursuant to a second or subsequent call constitutes a quorum.

Resolutions at ordinary meetings of shareholders are valid when approved by a majority of the shares present at the meeting.

Extraordinary shareholders' meetings are regarded as legally convened pursuant to a first call when at least 75% of the shares representing the capital are present or duly represented. On a second or subsequent call, extraordinary shareholders' meetings are legally convened when at least 50% of the shares representing the outstanding capital are present or duly represented.

Resolutions at an extraordinary meeting of shareholders are valid when adopted by the holders of shares representing at least 50% of the capital stock.

3) Minority Shareholders’ Rights

Pursuant to the Mexican Securities Market Law, the bylaws include minority right shareholder protections, some of which have already been described above. These minority protections include provisions that allow:

a. Holders of at least 10% of the outstanding voting capital stock have the right to:

- request a call for a shareholders' meeting;

- request that resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and

- appoint one member of the Board of Directors and one alternate member of the Board of Directors.

b. Shareholders of 20% of the outstanding voting capital stock may oppose judicially to any resolution adopted at a shareholders' meeting and to request a court order to suspend the resolution temporarily, if the request is made within the following 15 days of the adjournment of the meeting where the resolution was made, provided that (i) the challenged resolution violates Mexican law or the bylaws, (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution, and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that the Company may suffer as a result of suspending the resolution, in the event that the court ultimately rules against the opposing shareholders.

c. Shareholders of 5% or more of the outstanding capital stock may initiate a liability action against some or all of the directors (for the benefit of the Company and not their personal benefit), for violations of their duty of care or duty of loyalty, in an amount equal to the damages or losses caused to the Company. Actions initiated on these grounds have a five-year statute of limitations.

Since 2016, contact information for the shareholders and/or members of the board was included in Grupo Bimbo’s webpage.

Email: secretaria.gb@grupobimbo.com
Phone: +52 (55) 5268 6600
Address: Prolongación Paseo de la Reforma 1000, Col. Peña Blanca Santa Fe, Del. Álvaro Obregón, Ciudad de México, C.P. 01210, México.

5) CAPITAL MARKETS

a) SHAREHOLDING STRUCTURE

As of the date of this Annual Report, shares representing the Company's capital stock are Series "A" common, ordinary, nominative, with no par value shares, which are filed in the RNV. Such shares began being quoted in the BMV in February 1980, when the Company carried out its initial public offer. Since February 1, 1999 BIMBO is part of the Price and Quotation Index (*Índice de Precios y Cotizaciones*) of the Mexican Stock Exchange (BMV).

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

b) SHARE BEHAVIOR IN THE SECURITIES MARKETS

The Following tables show the maximum, minimum and closing adjusted quoting prices in nominal pesos, as well as the volume of BIMBO's Series "A" shares in the BMV, during the indicated periods.

Annual	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Closing	
2011	28.47	23.07	28.47	577,729,900
2012	33.47	28.44	33.47	557,993,449
2013	45.80	31.72	40.20	597,627,669
2014	43.17	32.53	40.70	521,029,420
2015	49.04	37.81	45.95	481,273,569
2016	59.86	44.43	47.01	621,595,607
2017	48.51	42.19	43.51	532'853,721
2018	46.46	35.07	39.15	592,951,520

Quarterly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
4T13	44.14	38.00	40.20	156,556,062
1T14	40.20	32.53	35.24	162,076,946
2T14	39.88	35.18	38.07	132,364,415
3T14	43.17	38.29	38.94	129,206,788
4T14	40.90	35.60	40.70	97,381,271
1T15	44.49	37.81	43.26	137,895,407
2T15	44.33	40.26	40.66	124,190,771
3T15	43.87	39.12	42.81	110,934,043
4T15	49.04	42.54	45.95	108,253,348
1T16	53.91	45.02	51.07	127,121,339
2T16	57.84	47.80	57.22	188,060,532
3T16	59.86	50.49	51.11	152,784,422
4T16	53.41	44.43	47.01	153,629,314
1T17	48.51	45.45	46.59	113,411,734
2T17	47.12	44.79	45.60	155,633,455
3T17	44.47	42.61	43.97	129,533,839
4T17	44.14	42.19	43.51	134,274,693
IT18	46.78	39.78	39.78	144,417,012
2T18	43.66	35.07	38.69	141,984,460
3T18	40.69	37.07	39.91	148,735,153
4T18	40.66	36.38	39.15	157,814,895

Monthly	Pesos per Series "A" share			Volume of Series "A" traded
	Maximum	Minimum	Maximum	Minimum
January 2017	48.38	45.31	46.23	42,915,138
February 2017	48.44	45.85	47.42	30,199,786
March 2017	48.51	45.45	46.59	40,296,810
April 2017	47.80	45.17	46.08	38,056,824
May 2017	46.75	43.03	43.03	48,227,746
June 2017	47.12	44.79	45.60	69,348,885
July 2017	47.67	44.49	45.01	43,067,794
August 2017	45.02	42.80	43.34	48,794,396
September 2017	44.47	42.61	43.97	37,671,649
October 2017	45.88	43.97	44.32	37,415,786
November 2017	46.09	43.10	43.45	46,113,755
December 2017	44.14	42.19	43.51	50,745,152
January 2018	46.56	43.07	45.40	57,521,549
February 2018	46.31	43.73	44.11	44,966,055
March 2018	44.08	39.78	39.78	41,929,408
April 2018	43.66	39.38	43.53	35,455,949
May 2018	43.53	37.33	38.06	41,918,701
June 2018	38.69	35.07	38.69	64,609,809
July 2018	40.39	37.07	39.66	41,832,214
August 2018	40.66	38.26	39.75	44,392,447
September 2018	40.69	38.41	39.91	62,510,492
October 2018	39.86	36.38	38.05	52,690,226
November 2018	40.66	36.79	39.00	67,375,445
December 2018	39.93	37.77	39.15	37,749,224

c) MARKET MAKER

As of this date and during the fiscal year ended on December 31st, 2018, the Company does not have a market maker.

6) RESPONSIBLE PEOPLE

Los suscritos manifestamos bajo protesta de decir verdad que, en el ámbito de nuestras respectivas funciones, preparamos la información relativa a la Emisora contenida en el presente Reporte Anual, la cual a nuestro leal saber y entender, refleja razonablemente su situación. Asimismo, manifestamos que no tenemos conocimiento de información relevante que haya sido omitida o falseada en este Reporte Anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

Daniel Javier Servitje Montull Director General y Presidente del Consejo de Administración	Diego Gaxiola Cuevas Director de Administración y Finanzas

Luis Miguel Briola Clément
Director Jurídico

7) EXHIBITS

a) Audit Committee's opinion corresponding to the year ended as of December 31, 2018

b) Independent Auditor's Report to the Board of Directors and Shareholders of Grupo Bimbo, S.A.B. de C.V., corresponding to the year ended as of December 31, 2018

c) Audited Financial Statements for the years ended as of December 31, 2018, 2017 and 2016

d) Audit Committee's Report corresponding to the years ended as of December 31, 2018, 2017 and 2016

e) Audited Financial Statements for the years ended as of December 31, 2017, 2016 and 2015

Mexico City, March 28, 2019

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

In my capacity as chairman of the Audit and Corporate Practices Committee, (the "Committee") of Grupo Bimbo, S.A.B. de C.V., (the "Company"), and pursuant to the provisions of subsection e), section II of the Article 42 of the Securities Market Act, I hereby give you the opinion of the Committee regarding the content of the report of the Director General in relation to the financial situation and the results of the Company for the year ended as of December 31, 2018.

In the opinion of the Committee, the accounting and information policies and criteria, followed by the Company and considered in the preparation of the consolidated financial information, are adequate and sufficient and were prepared in accordance with the international financial reporting standards. Therefore, the consolidated financial information presented by the Chief Executive Officer reasonably reflects the financial position and results of the Company as of December 31, 2018 and for the year ended on said date.

Sincerely,

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

Mexico City, March 28, 2019

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

Dear Sirs.

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

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

INTERNAL CONTROLS

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

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

CODE OF ETHICS

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

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

EXTERNAL AUDIT

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

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

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

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

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

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

INTERNAL AUDIT

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

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

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

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

FINANCIAL INFORMATION AND ACCOUNTING POLICIES

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

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

COMPLIANCE WITH REGULATORY STANDARDS AND LAWS; CONTINGENCIES

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

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

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

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

COMPLIANCE WITH OTHER OBLIGATIONS

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

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

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

TRANSACTIONS WITH RELATED PARTIES

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

EVALUATION OF MANAGEMENT

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

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

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

Sincerely,

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