

Letter from the Chairman & CEO

Dear shareholders:

2017 was **a transition year** in terms of reinvestment and restructuring to create long-term value and drive profitability.

The year was marked by several challenging circumstances, including a difficult global economic and political environment and the severe natural disasters we experienced in some of our geographies. Internally, we also faced the restructuring of our Frozen business, as well as operational issues in our U.K. and Chinese markets.

However, **this year's milestones** make me feel very proud of Grupo Bimbo. Here is a snapshot:

- ▶ We captured strategic opportunities to enter ten new countries, through the acquisitions of: Ready Roti in India, a dynamic and growing market; Adghal Group in Morocco; and most recently East Balt Bakeries, now Bimbo QSR, which gives us a leading position within the high-growth QSR business, enabling us to serve customers and quick-service restaurants in a new way.
- ▶ We also completed two small but strategic acquisitions in the markets where we currently operate: Stonemill in Canada and Bays English Muffins in the United States.
- ▶ In addition to this, we set a record for the number of customers served on a frequent and regular basis through our DSD system, with more than three million points of sale reached globally.
- ▶ We have always believed in investing for a brighter future; 2017 was no exception, we worked on a deep industrial

transformation, having successfully integrated 32 plants into our manufacturing footprint and closed ten, resulting in the creation of a lean and efficient foundation for our supply chain.

- ▶ On the road to our 2020 Vision, we created the Global Transformation Office to accelerate our ten strategic initiatives. In the meanwhile, we launched our business accelerator, ELEVA, which offers funding, mentoring and potential commercial alliances to promising startups. This new venture multiplies our possibilities for success in the search for innovation in products and processes.
- ▶ Having said so, all these initiatives were aimed at **driving profitability** for the long run. Among our more than US\$680 million investment in CAPEX, we started up a LEED Gold certified plant in Bogotá and another one in Tepeji del Río, Mexico.
- ▶ We invested US \$70 million in the integration of Donuts Iberia in Europe, which has been a complex process but is already yielding positive results. Similarly, the investments in migrating to a new enterprise technology brought more visibility, improved analytics, and a leap forward for our planning, execution and reporting capabilities.
- ▶ During the year, the deployment of zero base budgeting generated approximately \$160 million dollars in savings.

- ▶ Given the current situation in Venezuela, we changed our accounting method for this operation's financial results to a Fair Value basis, while continuing to serve this market the best we can.
- ▶ We accessed capital, supporting our strategy to drive the expansion of Grupo Bimbo's industry leadership, while enhancing our financial profile by increasing the average tenor of our debt to 11.4 years and maintaining health and flexibility in our balance sheet.
- ▶ These would not have happened without **taking care of our people, our communities and our environment**. For example, our Safety Incident Rate improved by 15%, with a reduction of 400 accidents.
- ▶ As part of our **sustainability** strategy we created a department to focus our efforts on renewable energies. In addition, even with our acquisition-driven growth in the year, we managed to maintain stable environmental performance across our plants.
- ▶ We continue to remain strongly committed to the ten principles of the UN Global Compact, as well as to the 17 UN Sustainable development goals.

Although the economic and political outlook for 2018 is uncertain, I am excited for the path ahead, and feel confident about our future growth in the marketplace, and our prospects for increased profitability and financial health.

I anticipate a strong year towards our Vision of *transforming the baking industry and expanding our global leadership to better serve more consumers*.

DANIEL SERVITJE
Chairman and CEO

