sembrando juntos | GRUPO BIMBO

SEMBRANDO JUNTOS

A RESPONSIBLE FUTURE

EXECUTIVE SUMMARY 2012 INTEGRATED ANNUAL REPORT

GRUPO BIMBO® TODAY

150
PLANTS IN 19 COUNTRIES

UNITED STATES

69 Plants

MEXICO

41 Plants

LATIN AMERICA

30 Plants

MORE THAN 2.2 MILLION
POINTS OF SALE

180,000
EQUIVALENT TONS OF CO_2e
EMISSIONS ELIMINATED BY THE *PIEDRA LARGA* WIND FARM

MORE THAN US $12,000 MILLION

MORE THAN 10,000 PRODUCTS IN OUR PORTFOLIO

IBERIA

8 Plants

Silueta · Martinez · BIMBO · EAGLE

ASIA

2 Plants

宾堡 BIMBO · 百萬莊園 Million Land House · FOOD 金红伟 JINHONGWEI ®

Note: By march 2013, unless otherwise is specified.

MORE THAN 125,000 ASSOCIATES AROUND THE WORLD

6 RESEARCH AND DEVELOPMENT CENTERS

MORE THAN 51,000 DISTRIBUTION ROUTES

OUR MISSION:

To nourish, delight and serve our world.

OUR 2015 VISION:

States what we look forward to become in two years: the best baking company in the world and a leader in the food industry, where our people make the difference every day.

- A company with trustworthy, leading brands for our consumers.
- Our customers' preferred supplier.
- A forward-looking and innovative company.
- A strong and sound company.
- An extraordinary place to work.

HIGHLIGHTS OF THE YEAR

Total Net Sales registered on 2012

MXN 173.1 BILLION

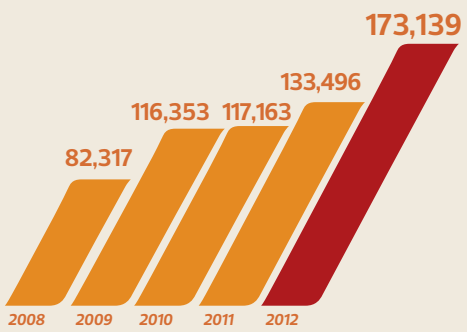
FINANCIAL HIGHLIGHTS

- Integration of three major acquisitions: Sara Lee North American Fresh Bakery, which included certain disposals; Sara Lee in Iberia; and Fargo in Argentina
- Consolidated sales rose 29.7%, driven by acquisitions and solid organic growth in Mexico and Latin America
- Operating and EBITDA margins impacted by the integration of acquisitions
- Issued US$800 in senior unsecured notes and Ps. 5.0 billion in *Certificados Bursátiles* to refinance existing indebtedness
- Inauguration of the Piedra Larga wind farm, the largest renewable energy project in the food industry.
- The Share Services Center of Grupo Bimbo, received the 2012 Excellency Award and the Barcel Lerma Plant received the National Quality Prize.
- In alliance with Mercedes Benz, the new fleet of ecological vehicles was integrated to the distribution of Grupo Bimbo products. This fleet works with the Blue Efficiency and NGT (Natural Gas Technology).
- Grupo Bimbo became 1st place winner of the TV/E Corporate Sustainability Film Awards in two categories: Community Investment and Best Short Film in the 2012 edition.

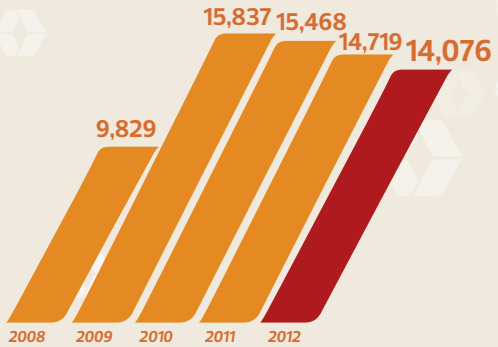
NET SALES*[1]	2012	2011	% VARIATION
GRUPO BIMBO	173,139	133,496	29.7
Mexico	70,491	64,368	9.5
United States	78,927	53,810	46.7
Latin America	22,674	18,352	23.6
Iberia	5,182	393	>100
OPERATING INCOME*[1]	**2012**	**2011**	**% VARIATION**
GRUPO BIMBO	7,387	9,534	-22.5
Mexico	7,922	7,534	5.1
United States	1,118	3,058	-63.4
Latin America	-1,101	-949	16.0
Iberia	-570	-81	>100
NET INCOME*	**2012**	**2011**	**% VARIATION**
	2,431	5,206	-53.3
NET MAYORITY INCOME*	**2012**	**2011**	**% VARIATION**
	2,028	4,875	-58.4
Total Assets	137,140	143,235	-4.3
Total liabilities*	90,082	94,536	-4.7
Stockholders' equity*	47,058	48,699	-3.4
Book value per share[2]	9.51	9.92	-4.1
Earnings per share[2]	0.43	1.04	-58.4
Net debt to EBITDA	2.7X	2.9X	-
Net debt/ stockholders' equity	0.80X	0.86X	-
ROA	1.8%	3.6%	-
ROE	5.2%	10.7%	-

* Figures expressed in millions of nominal pesos.
(1) Consolidated results exclude inter-company transactions.
(2) Data in Mexican pesos based on outstanding shares of 4,703, 200,000 for 2011 and 2012.

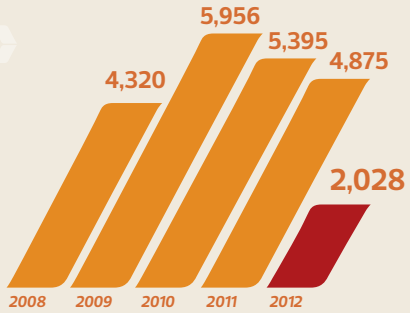
NET SALES *[1]



EBITDA *[1]



NET MAYORITY INCOME *[1]



* Figures expressed in millions of nominal pesos.
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LETTER FROM THE CHAIRMAN OF THE BOARD

IMPRESSIVE RISE IN SALES

"Our efforts over the course of the past year were focused largely on assimilating three sizeable acquisitions we had made the year before.".

I am pleased to present to you the results of this Group for fiscal year 2012.

Our efforts over the course of the past year were focused largely on assimilating three sizeable acquisitions we had made the year before. Each of these acquisitions required the concerted efforts of practically all areas of our general management, in addition to the time of our executive personnel and a significant amount of economic resources.

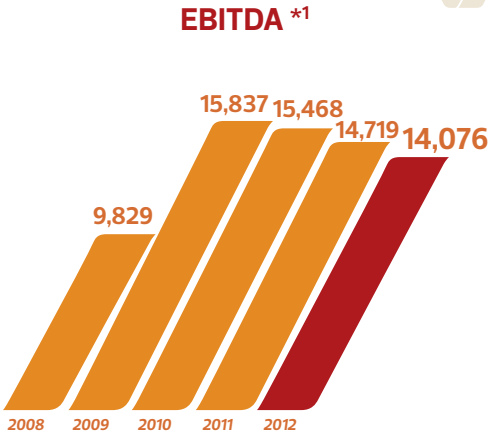
They also turned out into an impressive rise in sales, along with a restriction in profits.

The results of the fiscal year show consolidated sales growth of 29.7% over 2011. EBITDA declined by 4.4% and majority net income dropped by 58.4%.

The results of the past year were not what we expected, even though we are confident that the actions taken in response to them will bring more satisfactory results in the future.

NATIONAL EFFORT FOR THE ENVIRONMENT

"In October, we inaugurated the Piedra Larga Wind Farm, which has 45 wind generators that provide enough electrical energy to cover consumption in almost all of our plants and other operating centers of Grupo Bimbo in Mexico".



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Although we started out the year with a clear awareness of the need for prudent management of our investments, we made those outlays that were necessary.

We open a new bakery plant in Brasilia, a Barcel snack plant in Texas, and recovered a plant in the Canary Islands that we did not own at the time of our acquisitions in Spain and Portugal.

In October, we inaugurated the PiedraLarga Wind Farm, which has 45 wind generators that provide enough electrical energy to cover consumption in almost all of our plants and other operating centers of Grupo Bimbo in Mexico. This is a big step forward, not only because of the savings it brings us, but because of its importance in the nationwide effort to reduce environmental contamination.

We carried out a major remodeling of our corporate headquarters in Santa Fe, which were built almost 20 years ago.

Among other recognitions, Barcel was awarded the National Quality Prize by the Mexican federal government.

We began significant expansions of plants in Santiago de Chile, Mogi and Raposo in Brazil and Tenjo in Columbia. We also completed construction of a plant in Topeka, Kansas in the United States.

We closed nine plants in 2012. Six of these were in United States, the result of divestitures ordered by US authorities for the integration of Sara Lee; two were by Barcel in the confectionery business and another was an El Globo plant, because management found that we could operate more efficiently elsewhere.

As is the case every year, I am happy to remark that all of our collective bargaining contracts with workers in Mexico were renewed to the complete satisfaction of all parties, something I am very proud of because it reflects an effort of many years to build a company with a soul.

I am also pleased to report that management's administration of the past fiscal year was approved, as well as the report to the Board of Directors. The Board's approval is based on the opinion of our auditors, and the Board considers the Group's financial statements to been prepared in accordance with International Financial Reporting Standards (IFRS); the accounting policies and criteria were applied consistently and appropriately to the circumstances of this Group, and the financial information faithfully and reasonably reflects the position and results of this Corporation.

As in the past, together with this report, we are presenting the Shareholders with the following reports:

- **Report of the Audit Committee and Corporate Practices Committee.**
- **Report of the Chief Executive Officer**
- **Report on Compliance with Fiscal Obligations**
- **Report on Primary Accounting and Information Policy and Criteria**
- **Report on the Company's Financial Position**

As in previous years, I wish to express my gratitude to our management for its efforts, and to all of our associates, unions and shareholders for their unfailing support.

ROBERTO SERVITJE
CHAIRMAN OF THE BOARD OF DIRECTORS

LETTER FROM THE CHIEF EXECUTIVE OFFICER

2012 was a transitional year for Grupo Bimbo. We focused on integrating three transformative acquisitions while investing in a low-cost production profile, and doing so at a time when consumer demand was still weak in some of our key markets. In that context, we are pleased that performance in the year showed steady volume growth in most regions and a rise in net sales.

Key developments in the year

The Mexican market delivered healthy performance, with stable volume growth across all channels and categories supported by effective sales execution initiatives.

In the United States, despite a still weak consumption environment, volumes trended positively over the course of the year and headed into 2013 with a clear upswing benefitted by new opportunities in the marketplace. The Sara Lee integration advanced according to plan, strongly positioning the new BBU as a transformative leader creating value for consumers. Synergies from the integration, combined with productivity initiatives such as waste reduction, yielded almost US$120 million in benefits during the year. We continued to invest in modernizing our manufacturing platform and expanding the distribution footprint.

SOLID GROWTH

"The Mexican market delivered healthy performance with stable volume growth across all channels and categories supported by effective sales execution initiatives".

In Latin America, strong net sales growth in the year reflected the integration of Fargo in Argentina as well as volume gains derived from ongoing market penetration efforts across the region. The exception was Brazil. We decided to undertake a comprehensive restructuring process at year-end in order to get the operation back on track. The opportunity remains compelling there, and we enjoy healthy market share and strong brand positioning.

In Iberia, the integration of the Sara Lee business positioned us as the leading branded bread company. While performance was in line with expectation, the cost structure in this region is high and we faced a challenging price and consumption environment. Notwithstanding, we have a strong team in place working hard to leverage our brands and building on the opportunity.

To refinance our debt and extend maturities, we successfully placed US$800 million of notes in the international market and Ps. 5,000 million of *Certificados Bursátiles* (domestic bonds) in our home market. Both issues were oversubscribed, indicating the market's confidence in our financial profile.

I am pleased to report that our safety track record improved in the year, progress that indicates a comprehensive safety culture is developing. Grupo Bimbo places the highest value on its associates thus we must continue to make safety a key priority.

We continue to transform our portfolio as part of our commitment with health and wellbeing, through product reformulation and the adherence to the World Health Organization guidelines.

Financial results

Grupo Bimbo adopted International Financial Reporting Standards (IFRS) in 2012 thus all figures, including for prior years, have been adjusted accordingly. Net sales in 2012 rose 29.7% over 2011, to Ps. 173.1 billion, primarily reflecting higher volumes in Mexico and Latin America and the integration of the three acquisitions. Consolidated gross margin declined a slight 30 basispointsto 50.7%, reflecting the cost increase in raw materials at the beginning of the year and the effect of the exchange rate in the raw materials valued in American Dollars in Mexico and Latin America

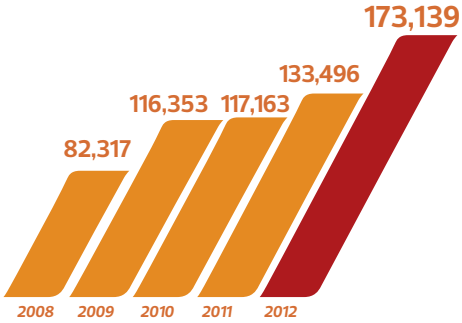
Profit before other income & expenses rose 2.7% to Ps. 10.5 billion, while operating income, which includes integration expenses, fell 22.5% to Ps. 7.38 billion, with a 2.8 percentage point contraction in the margin to 4.3%.

Total financing costs were higher in 2012 due to a rise in interest expenses reflecting higher interest rates related to the extended average life of debt, and an exchange loss compared to a gain in the previous year.

The effective tax rate for 2012 increased 12.2 percentage points to 47.4%, mainly on a tax charge in the fourth quarter related to the partial cancellation of deferred income tax benefits from previous fiscal losses in Brazil, taken in accordance with International Financial Reporting Standards (IFRS) adopted in 2012. As a result, the net margin contracted by 2.5 percentage points to 1.2%.

The balance sheet remains solid and flexible. Total debt at December 31, 2012 was Ps. 42 billion, compared to Ps. 46 billion in December 2011. The average maturity is 5.9 years, with a profile that aligns maturities and currencies to expected cash flows. The total debt to EBITDA ratio was 3.0x compared to 3.1x at December 2011.

NET SALES *[1]



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Outlook

After a challenging 2012, we enter 2013 with greater optimism regarding continued growth and stronger operational performance.

We will focus on improving profitably and reducing debt, with a commitment to lowering our leverage ratio in 2013 though disciplined cash management; advancing the integration of Fargo and Sara Lee; capitalizing on momentum in the US market; implementing company-wide waste reduction initiatives and a global procurement strategy as part of our goal of becoming a low-cost producer; building on our talent development and leadership management model; and enhancing our consumer-facing health, nutrition and wellness initiatives with the support of our R&D teams.

We still face economic weakness in certain markets and gross margins may come under pressure with higher raw material costs, but overall the consumption environment in most of our regions continues to trend positively, and our continued integration efforts combined with ongoing operational improvements should support healthier margins in the year.

I would like to extend my appreciation to the entire Grupo Bimbo team of more than 125,000 associates for their dedication and efforts over the year, as well as to our customers, suppliers, partners and communities for their continued confidence and support.

Sincerely,

DANIEL SERVITJE
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The highest governing body of this organization is the shareholders' meeting, which has the faculty to designate the members o the Board.

According to the social statutes at Grupo Bimbo, the Board must be integrated by a minimum of five and a maximum of twenty one owner members, out of which at least twenty five percent must be independent members.

The Board, appointed and ratified during the General Extraordinary and Ordinary Shareholders' Meeting held on April 11, 2012, is made up of 18 (eighteen) regular members, who will remain in their post until the persons appointed to replace them assumes his or her duties.

The Board is in charge of defining the long term business strategy, approve the main business decisions, supervise the organization's management tasks, manage risks, look after the normative compliance, as well as to select, evaluate and remove the Chief Executive Officer and the top management directives that are relevant for the Society.

In order to perform its duties, the Board of Directors is supported in turn by three committees.

Audit Committee

The Audit Committee is made up solely of Independent (outside) Members and its primary duties are: to ensure that Grupo Bimbo operates in accordance with the applicable laws and regulations, with the faculty to evaluate and supervise administrative efforts regarding compliance with accounting policies and practices and the performance of Grupo Bimbo's internal and external auditor or auditors; investigate violations of internal control and internal auditing policies; and evaluate risk management policies, among others. The Audit Committee may also express its opinion on relevant modifications or changes in the accounting policies, criteria and practices by which Grupo Bimbo's financial statements are prepared, as well as the execution of relevant or unusual transactions, and may issue opinions regarding transactions with related parties.

President

Henry Davis
Arturo Fernández
Thomas Heather
Agustín Irurita
Ignacio Pérez

Evaluation and Results Committee

This committee analyzes and approves the general compensation structure for executives of Grupo Bimbo, as well as general compensation policies and guidelines and development programs for executives and associates of Grupo Bimbo and its subsidiaries. The Committee also analyzes the financial results of Grupo Bimbo and their impact on the general compensation structure of the Group.

President

Raúl Obregón
Javier de Pedro
Daniel Servitje
Roberto Servitje

Finance and Planning Committee

Analyzes Grupo Bimbo's long-term strategies and its primary investment and financing policies, identifies its risks and evaluates policies for managing those risks, and submits these evaluations for approval by the Board of Directors.

President

José Ignacio Mariscal
Ricardo Guajardo
Luis Jorba
Raúl Obregón
Lorenzo Sendra
Daniel Servitje
Guillermo Jorge Quiroz

The following table shows the names of the members of the Board and the period that they have accomplished as Board Members.

MEMBERS OF THE BOARD

Owner Members	Service	Board Members
Roberto Servitje	35	Advisor/President
Henry Davis	11	Advisor
Arturo Fernández	3	Advisor
Ricardo Guajardo	7	Advisor
Thomas Heather	Less than a year	Advisor
Agustín Irurita	6	Advisor
Luis Jorba Servitje	3	Advisor
Mauricio Jorba	16	Advisor
Fernando Lerdo de Tejada	1	Advisor
Nicolás Mariscal	4	Advisor
José Ignacio Mariscal	23	Advisor
María Isabel Mata	4	Advisor
Raúl Obregón	15	Advisor
Javier de Pedro	1	Advisor
Ignacio Pérez	1	Advisor
Lorenzo Sendra	31	Advisor
Daniel Servitje	18	Advisor /President's subsitute
Edmundo Vallejo	Less than a year	Advisor.

Chairman	Alternate Chairman
Roberto Servitje	Daniel Servitje

Secretary	Alternate Secretary
Luis Miguel Briola	Pedro Pablo Barragán

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS

Unless otherwise stated, all figures herein, including those for prior periods, are expressed in millions of nominal Mexican pesos and are prepared in accordance with International Financial Reporting Standards (IFRS), which the Company adopted in 2012. The principal effects on the profit and loss statement are: i) the line items "Employee Profit Sharing" and "Other Income & Expenses" are registered above the operating line; ii) higher depreciation costs, reflecting updated asset valuations; and iii) different accounting treatment for employee benefits. The Company now also discloses "Profit Before Other Income & Expenses" in addition to "Operating Income," as under IFRS the latter includes non-recurring other income and expenses, including integration expenses.

Overview

Grupo Bimbo's results in 2012 reflected solid sales growth from the integration of new operations as well as organic improvements across multiple markets. Nonetheless, there was pressure on operating results that was mainly explained by higher commodity prices at the beginning of the year and the unfavorable impact of foreign exchange rates on dollar-linked raw materials, the higher cost structure of Sara Lee operation in the United States and Iberia, integration-related expenses and ongoing investments in the Company's distribution network and manufacturing facilities. Net sales rose 29.7% to Ps. 173,139, while operating income declined 22.5% to Ps. 7,387, with a 2.8 percentage point contraction in the margin to 4.3%. Net majority income fell 58.4% to Ps. 2,028, while net margin was 1.2%, a decline of 2.5 percentage points from the previous year.

Factors Affecting Performance

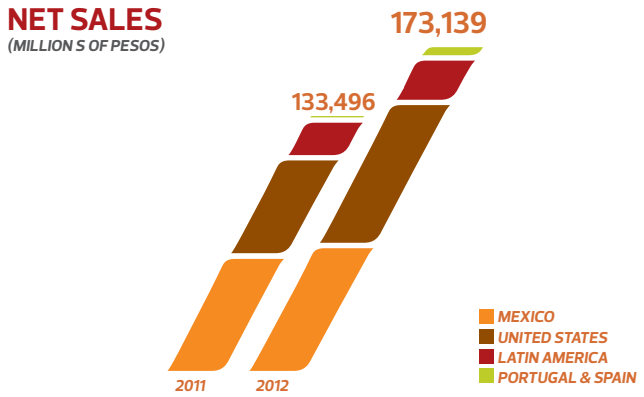
The key factors and trends that impacted the Company's operating and financial performance in 2012 included:

- The first full year of operations for three major acquisitions: Sara Lee Corporation's fresh bakery businesses in the United States and Iberian peninsula, and Fargo in Argentina.
- A continued recovery in the consumption environment in most of the Company's markets, with the exception of Brazil and Iberia; in the United States, despite sequential quarterly improvements, total volumes were still weak on a comparative basis.
- Average input costs in dollars were lower in the second half of the year; however, this was not sufficient to mitigate the impact of the devaluation of the Mexican peso against the US dollar in the first nine months of the year, putting pressure on gross margins.
- We continued to invest in the expansion and penetration of our US and Latin American markets, with expenses allocated to the manufacturing base, client and route development and distribution logistics.
- As expected, operating profitability was diluted by the integration of the acquisitions made in the United States and Iberia due to their higher cost structure, as well as integration-related expenses for all the acquired businesses.
- We registered a non-cash charge in the United States related to the withdrawal from two Multiemployer Pension Plans; this decision generates an economic benefit to the Company while safeguarding the retirement benefit for associates, provides visibility into future pension liabilities and reduces potential cash flow volatility.
- A higher effective tax rate for 2012 largely reflecting a tax charge related to the partial cancellation of deferred income tax benefits from previous fiscal losses in Brazil, reflecting a more conservative approach towards the expected recovery of those losses in the short term.
- Issuance of US$800 million in senior unsecured notes and Ps. 5.0 billion in *Certificados Bursátiles* to refinance existing indebtedness used in part to fund the Sara Lee acquisitions; these issues increased average maturity and brought the average cost of debt to 4.5%.

Net Sales

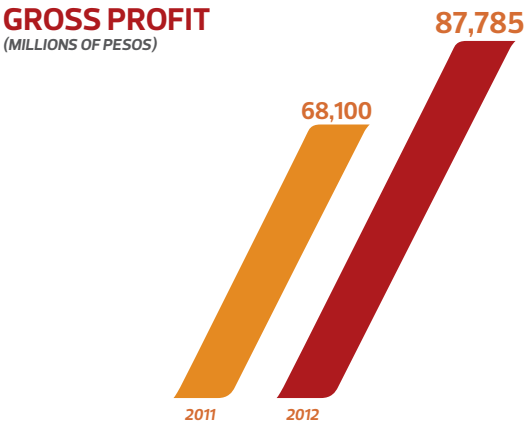
Consolidated net sales totaled Ps. 173,139 in 2012, a 29.7% increase over 2011 reflecting the integration of acquisitions and solid organic growth in Mexico and Latin America. By region, net sales increased as detailed below:

- In Mexico, sales rose 9.5% to Ps. 70,491, reflecting stable volume growth across all channels and categories supported by ongoing sales execution initiatives to improve performance at the point of sale.
- In the United States, net sales rose 46.7% to Ps. 78.927 as a result of the Sara Lee acquisition and to a lesser extent favorable FX rates in the first nine months of the year, which helped offset the weak volume recovery.
- In Latin America, net sales rose 23.5% to Ps. 22,674 reflecting market penetration efforts across the region, particularly in the mom & pop channel, and from the Fargo integration in Argentina. These factors were partially offset by the weaker consumption in Brazil.
- In Iberia, net sales totaled Ps. 5,182 in 2012 in line with expectations; this figure is not comparable to performance in 2011 which included only 28 days of results.



Gross Profit

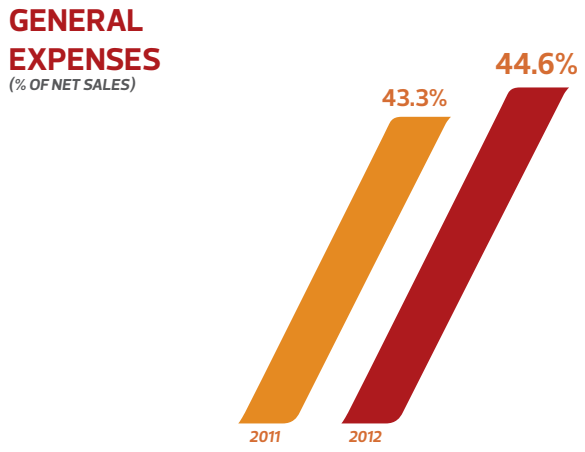
Consolidated gross profit in the year totaled Ps. 87,785, a 28.9% rise over 2011, while gross margin contracted 30 basis points to 50.7%. Despite lower average raw material costs in the second half of the year, this performance reflects the unfavorable impact of FX rates during most of the year, mainly in Mexico.



Operating Expenses

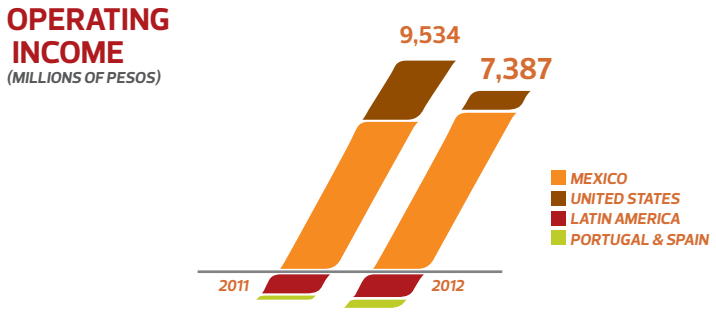
Operating expenses totaled Ps. 77 billion and represented 44.6% of net sales in 2012, compared to 43.3% in 2011. This reflected a combination of: i) the higher expense structure of the Sara Lee operations in the United States and Spain; ii) investments in expansion in Latin America and the United States; and iii) one-time non-cash charges related to a restructuring process in Brazil in distribution and IT.

These effects were partially offset by the benefits obtained from synergies and waste reduction initiatives in the United States totaling approximately US$120 million during the year. Additionally, as a result of IFRS compliance, pension funds financial expenses in Mexico and the United States, which had previously been expensed as an operating item, were reclassified as a financial expense (thus impacting the Comprehensive Financing Result).



Operating Income

On a consolidated basis, operating income declined 22.5% to Ps. 7.387 million. The aforementioned operating performance was further impacted by Other Income & Expenses during the year, which included: i) integration expenses in the United States (Ps. 1,553), Iberia (Ps. 213 million) and Latin America (Ps. 121 million); ii) a non-cash expense in the United States generated by the withdrawal from two Multiemployer Pension Plans (MEPPs) (Ps. 1.1 billion); iii) a non-cash labor provision to cover previous years' liabilities following a new labor law in Venezuela applicable retroactively (Ps. 88 million). This led to a 2.8 percentage points decline in the consolidated margin to 4.3%.



Comprehensive Financing Result

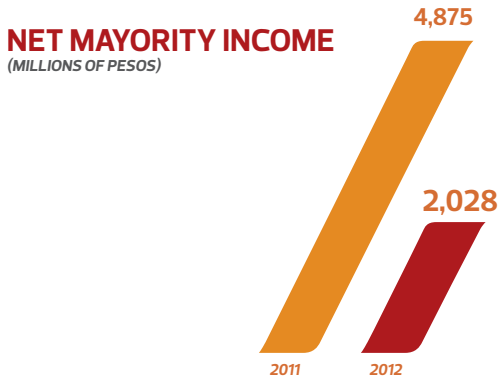
Comprehensive financing resulted in a Ps. 2,810 million cost in 2012, compared to Ps. 1,550 million in 2011. This is attributable to a combination of: i) an increase in interest expense from the rise in interest rates related to the extended average life of debt; ii) the reclassification of pension fund financial expenses in Mexico and the United States, which had previously been expensed as an operating item; and iii) a Ps. 91 million exchange loss compared to a Ps. 651 million gain in the previous period, arising mainly from dollar-denominated cash holdings used to pay for the Sara Lee North American Fresh Bakery business.

Taxes

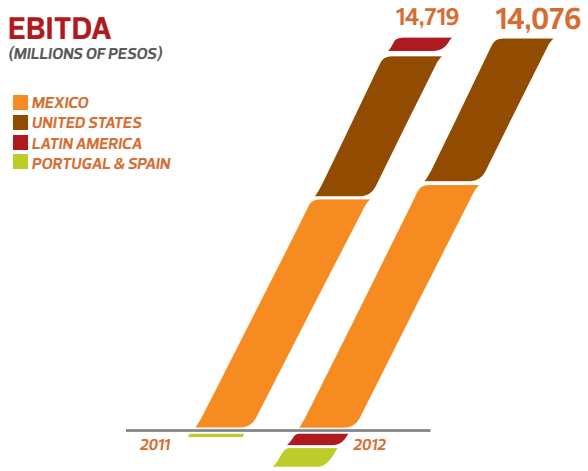
The effective income tax rate for 2012 was 47.4%, compared to 35.2% in 2011. This reflects mainly a more conservative approach towards the expected recovery of previous fiscal losses in Brazil, in accordance with IFRS, which suggests that the amortization of previously registered losses may take longer than initially expected. To reflect this, a tax charge was registered to partially cancel deferred income tax benefits.

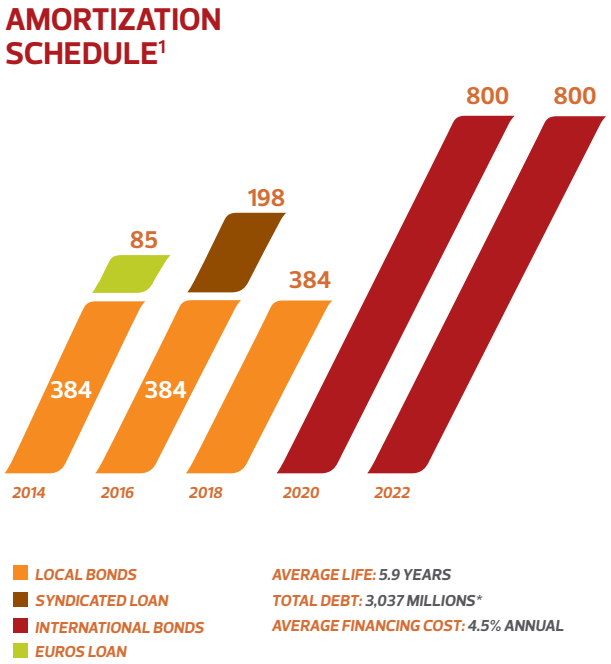
Net Majority Income

Net majority income fell 58.4% to Ps. 2,028, while the margin contracted 2.5 percentage points to 1.2%. This result is explained by operating performance, higher financing costs and an increase in the effective tax rate.



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
Consolidated EBITDA totaled Ps. 14,076 million, a decrease of 4.4% compared to 2011. EBITDA margin contracted 2.9 percentage points to 8.1%.

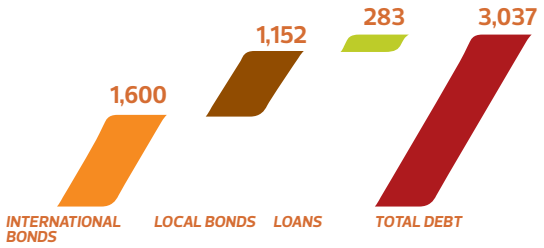


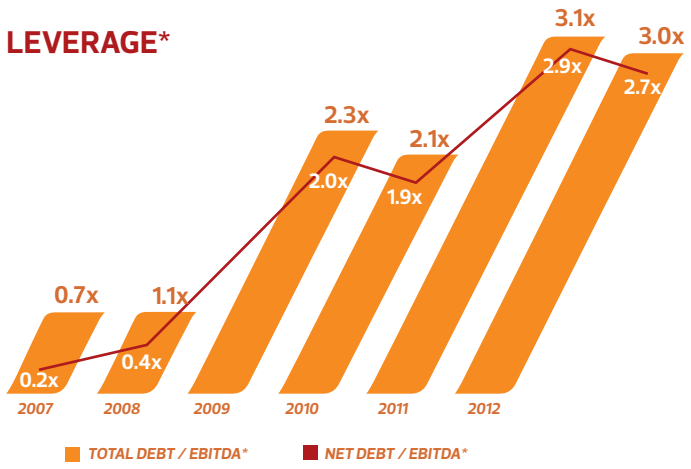


Financial Structure
The Company's cash position as of December 31, 2012 totaled Ps. 4,278 million, compared to Ps. 3,966 million in December 2011. Total debt at December 31, 2012 was Ps. 41,971 million, compared to Ps. 45, 992 million in December 2011. This reflected payments of Ps. 2,900 million during the course of the year.

Long-term debt comprised 96% of the total; 95% of the total was denominated in U.S. dollars, maintaining a natural economic and accounting hedge in alignment with the Company's strong cash flow in dollars. The average maturity was 5.9 years with an average cost of 4.5%.

The total debt to EBITDA ratio was 3.0 times compared to 3.1 times at December 2011.





[1] Does not include subsidiaries debt (USD $178 million dollars. F/X December 2012 $13.0101.

* 2012 and 2011 expressed in accordance with Internacional Reporting Standards (IFRS). Every other years are expressed in compliance with Mexican Financial Reporting Standards (NIF).

AUDIT'S COMMITTEE REPORT

Mexico City, March 20, 2012

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 Committee, which as of this year has assumed the statutory duties of the Corporate Practices Committee by mandate of the Ordinary Annual Shareholders' meeting of 11 April 2012, I hereby present to you the report of the activities carried out by the Audit Committee during the year ended December 31, 2012. In carrying out our work, we abided by the recommendations established in the Code of Best Corporate Practices.

The Committee met in plenary sessions seven times during the year, and according to its work plan, 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 employees of the Company with the Code of Ethics, which was revised and updated this year.

We were promptly informed by management of the issues that arose through our operation of a hotline for Group associates, in its first full year in operation.

External Audit

The independent auditing firm that supplies these services remains the same as in preceding years, and is the same in all the countries in which this Company has a presence.

The fee for these auditing services were agreed upon in the original negotiation, so these were approved, including additional fees to account for the growth of the group and other permitted services. We ensured that these payments did not interfere with the independence of that firm.

Pursuant to the CNBV Unified Issuers' Bulletin regarding the turnover of external auditors who certify the company's financial statements, we appointed a new auditor to replace the existing person and asked the Board of Directors to approve that appointment. The new external auditor will assume the post as of fiscal year 2013.

Together with the external auditors, we analyzed their approach, work program and areas of interaction with Grupo Bimbo's Internal Audit department.

We maintained direct and ongoing communication with the external auditors as necessary during the meetings of this Committee, and they kept us regularly informed 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 conducted the evaluation of the services of the external auditing firm for the year 2012 and were promptly informed of the preliminary financial statements.

Internal Audit

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

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, 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 verified the existence and effectiveness of an annual training plan for personnel of the area.

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 manner consistent with the prior year, taking into account the changes applicable in the year 2012 as well as in the year 2011 relating to the adoption of International Financial Information Standards. As a result, the information presented by management reasonably reflects the financial position, results of operations and cash flows of the Company.

We approved the adoption of the new accounting procedures and standards that took effect in 2012 and were issued by the organization responsible for international accounting standards, whose application in Mexico is mandatory only for companies listed on the Mexican Stock Exchange.

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 comprehensive and consistent procedures were in place to identify and address them promptly and in an appropriate manner.

The Risk Committee created by the Company's management informed us of the methodology used to identify and evaluate the risks the group faces and we verified that they were being monitored and mitigated where possible, and that they were taken into account in the work plans of the Internal Auditors.

Compliance with other obligations

We met with Management executives and officers as 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 to the Committee members.

Corporate Practices

The Shareholders' Meeting agreed to merge the Corporate Practices Committee with the Audit committee to simplify the corporate structure, so that this year, the Committee I head has assumed this responsibility, and we are thus reporting on the activities carried out in performance of these duties:

We reviewed the Internal Regulations of the Audit Committee to include faculties and obligations pertaining to transactions with Related Parties. We also reviewed the internal policy on transactions with Related Parties as well as the Policy on xxx and on the use of corporate property by Related Parties. These documents were approved by the Board of Directors on the recommendation of this Committee.

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 2012, as well as for recurring transactions that are expected to be conducted in fiscal year 2013 that require Board approval.

We reviewed and recommended for approval by the Board the policies for the designation, evaluation and compensation of the Chief Executive Officer as well as the members Bimbo's Executive Committee in 2012.

In my capacity as Chairman of the Audit 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,

HENRY DAVIS SIGNORET
CHAIRMAN OF THE AUDIT COMMITTEE
GRUPO BIMBO, S.A.B. DE C.V.

AUDIT COMMITTEE'S LETTER

Mexico City, March 20, 2013

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

In my capacity as chairman of the Audit Committee, which absorbed the duties of the Corporate Practices Committee pursuant to authorization by the Shareholders' Meeting (the "Committee") of Grupo Bimbo, S.A.B. de C.V. (the "Company"), and in accordance with point e), section II of Article 42 of the Securities Market Act, I hereby present you the opinion of the Committee regarding the content of the report of the Chief Executive Officer regarding the financial situation and results of the Company for the year ended December 31, 2012.

In the opinion of the Committee, the accounting and information policies and criteria followed by the Company and used to prepare the consolidated financial information are appropriate and sufficient, and consistent with Mexican financial reporting standards. Therefore, the consolidated financial information presented by the Chief Executive Officer reasonably reflects the financial situation and results of the Company as of December 31, 2012.

Sincerely,

HENRY DAVIS SIGNORET
CHAIRMAN OF THE AUDIT COMMITTEE
GRUPO BIMBO, S.A.B. DE C.V.

MEXICO [1]*

Financial Regional Highlights

	2012	2011	% VAR.
Net Sales	70,491	64,368	9.5%
Operating Income	7,922	7,534	5.1%
EBITDA	9,735	9,206	5.7%
Total Assests	45,287	46,585	-2.8%
Total liabilities	58,188	64,890	-10.3%

USA [1]*

Financial Regional Highlights

	2012	2011	% VAR.
Net Sales	78,927	53,810	46.7%
Operating Income	1,118	3,058	-63.4%
EBITDA	5,027	5,295	-5.1%
Total Assests	72,718	79,870	-9.0%
Total liabilities	27,837	27,884	-0.2%

LATIN AMERICA [1]*

Financial Regional Highlights

	2012	2011	% VAR.
Net Sales	22,674	18,352	23.6%
Operating Income	-1,101	-949	16.0%
EBITDA	-253	319	<-100
Total Assests	19,750	20,169	-2.1%
Total liabilities	5,773	5,979	-3.4%

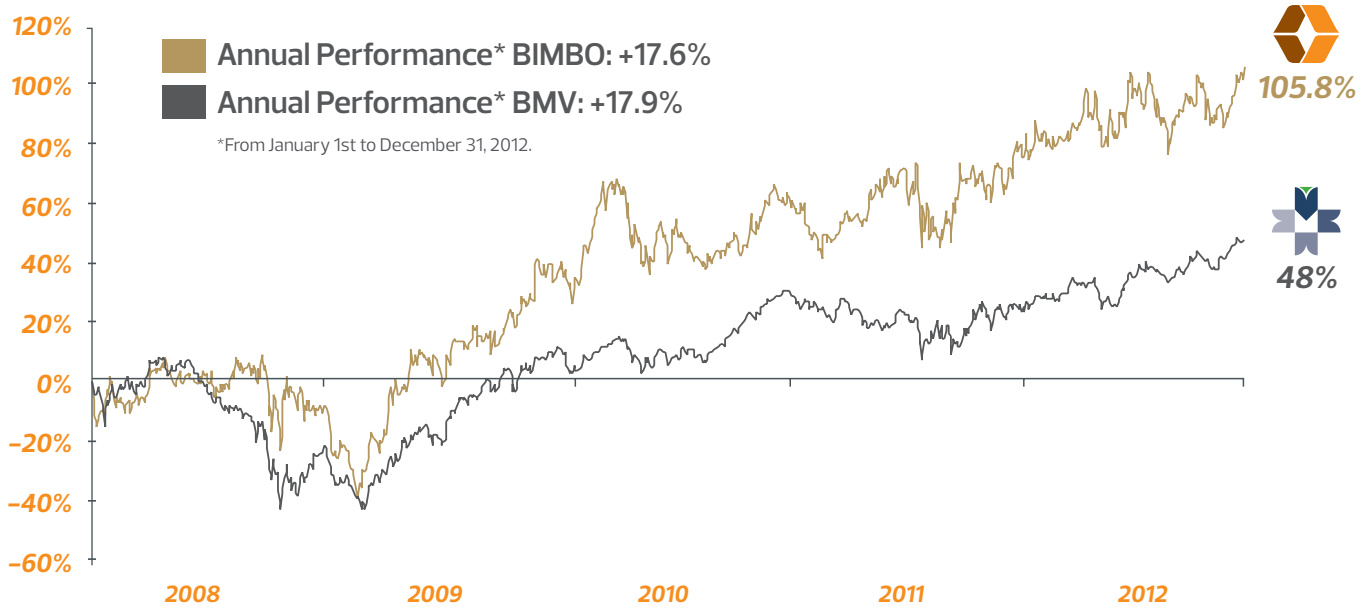
PORTUGAL & SPAIN [1]*

Financial Regional Highlights

	2012	2011	% VAR.
Net Sales	5,182	393	>100
Operating Income	-570	-81	>100
EBITDA	-451	-73	>100
Total Assests	3,886	4,101	-5.2%
Total liabilities	2,013	2,030	-0.8%

[1] Consolidated results exclude inter-company transactions. / *Figures expressed in millions of nominal pesos.

SHARES' VALUE HISTORIC TABLE



sembrando juntos

OUR 2015 VISION FOR SOCIAL RESPONSIBILITY

In 2015 we confirm our leadership in Social Responsibility and the implementation of the model in all our operations, strengthening our competitive advantage and responding to our stakeholders' requests.

Social Responsibility aims our daily acting being a fundamental aspect in the economic, social and environmental development.

Our model is based in four pillars: Wellbeing, Planet, Community and Associates.

sembrando juntos | Wellbeing

We work for the innovation and the reformulation of our portfolio and look forward to maintain the relationship with the academic, public, and private institutions to keep on promoting physical activity and good nutrition habits.

sembrando juntos | Planet

We promote the efficient use of the resources to reduce the impact that our operations might cause to the environment. Throughout our program "Reduction of our Footprint", we have accomplished important goals to reach higher efficiency in our processes.

sembrando juntos | Community

We keep a constant interest for the improvement of our operationsand we look forward to contribute on the wellbeing of the communities where we are present. Our initiatives in favor of society revolvearound the promotion of the physical activity, the preservation of the environment and educational programs.

sembrando juntos | Associates

We base our relationship with our associates in what we call the Golden Rule: Respect, Fairness, Trust and Care. We look forward to promote the personal and professional development of our people. We promote a culture of health and safety and we operate a management model of prevention for work risks.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report Dated March 22, 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Grupo Bimbo, S. A. B. de C .V. (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and January 1, 2011 (transition date), the consolidated statements of income, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statement of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Bimbo, S. A. B. de C .V. and its subsidiaries as of December 31, 2012 and 2011 and January 1, 2011 (transition date) and their financial performance and cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Jorge Alamillo Sotomayor

March 22, 2013

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2012, 2011 and January 1, 2011 (transition date)
(In millions of Mexican pesos)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
ASSETS				
Current assets:				
Cash and cash equivalents		$ 4,278	$ 3,966	$ 3,325
Accounts and notes receivable- net	5	16,294	17,574	13,394
Inventories- net	6	4,591	4,980	3,132
Prepaid expenses		621	766	457
Derivative financial instruments	13	123	18	145
Guarantee deposits for derivative financial instruments		566	470	35
Assets available for sale		665	703	–
Total current assets		27,138	28,477	20,488
Notes receivable from independent operators		1,484	1,686	2,102
Property, plant and equipment- net	8	42,011	42,419	30,976
Investment in shares of associated companies and other permanent investments	9	2,142	1,803	1,553
Derivative financial instruments	13	533	417	393
Deferred income taxes	18	6,054	7,605	2,700
Intangible assets- net	10	26,690	28,193	19,063
Goodwill	11	29,754	32,048	19,812
Other assets- net		1,334	587	881
Total		$ 137,140	$ 143,235	$ 97,968
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	12	$ 1,573	$ 4,042	$ 1,624
Trade accounts payable		9,488	9,090	5,954
Other accounts payable and accrued liabilities		10,800	10,499	6,876
Due to related parties	17	677	904	802
Income tax	18	2,040	719	624
Statutory employee profit sharing payable s		750	756	709
Derivative financial instruments	13	237	222	–
Total current liabilities		25,565	26,232	16,589
Long-term debt	12	40,398	41,950	31,308
Derivative financial instruments	13	936	1,961	231
Employee labor obligations and workers' compensation	14	20,208	19,340	5,893
Deferred income taxes	18	1,382	1,725	1,610
Other liabilities		1,593	3,328	484
Total liabilities		90,082	94,536	56,115
Stockholders' equity:				
Capital stock	15	4,227	4,227	4,227
Reserve for repurchase of shares	15	906	754	759
Retained earnings	15	41,635	40,312	36,084
Accumulated translation effects of foreign subsidiaries	15	(1,470)	1,870	–
Remeasurement effects of employee benefits	15	(430)	(145)	–
Valuation effects of cash flow hedges	15	(132)	(354)	(19)
Equity attributable to owners of the Company		44,736	46,664	41,051
Non-controlling interests in consolidated subsidiaries		2,322	2,035	802
Total stockholders' equity		47,058	48,699	41,853
Total		$ 137,140	$ 143,235	$ 97,968

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2012 and 2011
(In millions of Mexican pesos, except earnings per common share)

	Notes	December 31, 2012	December 31, 2011
Net sales		$ 173,139	$ 133,496
Cost of sales		85,354	65,396
Gross profit		87,785	68,100
General expenses:			
Distribution and selling		65,635	48,270
Administrative		11,599	9,553
Integration costs		1,950	–
Other general expenses	20	1,214	743
		80,398	58,566
Operating income		7,387	9,534
Interest expense			
Interest income		3,332	2,760
Exchange loss (gain), net		(510)	(432)
Monetary position gain		91	(651)
Net financing costs		(103)	(127)
		2,810	1,550
Equity in income of associated companies		49	51
Income before income taxes		4,626	8,035
Income tax expense	18	2,195	2,829
Consolidated net income		$ 2,431	$ 5,206
Net income attributable to owners of the Company		$ 2,028	$ 4,875
Net income attributable to non-controlling interests		$ 403	$ 331
Basic earnings per common share		$ 0.43	$ 1.04
Weighted average number of shares outstanding (000's)		4,703,200	4,703,200

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2012 and 2011
(In millions of Mexican pesos)

	December 31, 2012	December 31, 2011
Consolidated net income	$ 2,431	$ 5,206
Other comprehensive income (loss):	3,208	(5,375)
Translation effects related to hedge of net investment		
Income tax on hedge of net investment	(962)	1,613
Remeasurement effects of employee benefits	(438)	(213)
Valuation effects of cash flow hedges	317	(500)
Deferred income tax relating to other comprehensive income items	58	232
Translation effects of foreign subsidiaries	(5,586)	5,694
Total other comprehensive income (loss) for the year	(3,403)	1,451
Comprehensive (loss) income for the year	$ (972)	$ 6,657
Comprehensive (loss) income attributable to owners of the Company	$ (1,240)	$ 6,265
Comprehensive income attributable to non-controlling interests	$ 268	$ 392

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011
(In millions of Mexican pesos)

	Capital stock	Reserve for repurchase of shares	Retained earnings	Accumulated other comprehensive Income (loss)	Equity attributable to owners of the Company	Non-controlling interests in consolidated subsidiaries	Total stockholders' equity
Balances at the beginning of 2011 (transition date)	$ 4,227	$ 759	$ 36,084	$ (19)	$ 41,051	$ 802	$ 41,853
Consolidation effect of special purpose entities	–	–	–	–	–	967	967
Dividends declared	–	–	(647)	–	(647)	(126)	(773)
Decrease in reserve for repurchase of shares	–	(5)	–	–	(5)	–	(5)
Balances before comprehensive income	4,227	754	35,437	(19)	40,399	1,643	42,042
Consolidated net income for the year	–	–	4,875	–	4,875	331	5,206
Other comprehensive income	–	–	–	1,390	1,390	61	1,451
Total comprehensive income	–	–	4,875	1,390	6,265	392	6,657
Balances as of December 31, 2011	4,227	754	40,312	1,371	46,664	2,035	48,699
Consolidation effect of special purpose entities	–	–	–	–	–	20	20
Dividends declared	–	–	(705)	–	(705)	(136)	(841)
Increase in reserve for repurchase of shares	–	152	–	–	152	–	152
Balances before comprehensive income (loss)	4,227	906	39,607	1,371	46,111	1,919	48,030
Consolidated net income for the year	–	–	2,028	–	2,028	403	2,431
Other comprehensive loss	–	–	–	(3,403)	(3,403)	–	(3,403)
Total comprehensive (loss) income	–	–	2,028	(3,403)	(1,375)	403	(972)
Balances as of December 31, 2012	**$ 4,227**	**$ 906**	**$ 41,635**	**$ (2,032)**	**$ 44,736**	**$ 2,322**	**$ 47,058**

See accompanying notes to consolidated financial statements.

Grupo Bimbo, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011
(In millions of Mexican pesos)

	December 31, 2012	December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	$ 4,626	$ 8,035
Adjustments for:		
Depreciation and amortization	5,467	4,289
Loss on sale of property, plant and equipment	96	72
Equity in income of associated companies	(49)	(51)
Impairment of long-lived assets	120	332
Provision of multi- employer pension plans	1,102	564
Interest expense	3,332	2,760
Interest income	(510)	(432)
Changes in assets and liabilities:		
Accounts and notes receivable	932	1,324
Inventories	362	(880)
Prepaid expenses	145	(220)
Other assets	(211)	(742)
Trade accounts payable	397	2,347
Other accounts payable and accrued liabilities	(1,992)	(2,046)
Due to related parties	(227)	98
Income tax paid	1,201	(3,097)
Derivative financial instruments	(1,010)	1,576
Statutory employee profit sharing	(6)	47
Employee labor obligations and workers' compensation	(16)	774
Net cash flows generated by operating activities	13,759	14,750
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(6,796)	(6,425)
Proceeds from sale of property, plant and equipment	317	681
Acquisition of trademarks and other assets	(427)	(8)
Dividends received	24	23
Investments in shares of associated companies	(314)	(222)
Interest collected	453	341
Business acquisition, net of cash received	–	(13,804)
Net cash flows used in investing activities	(6,743)	(19,414)
FINANCING ACTIVITIES:		
Proceeds from long-term debt	15,855	21,192
Payment of long-term debt	(19,600)	(12,904)
Interest paid	(2,553)	(2,371)
Payments of interest rate swaps	(1,594)	(1,347)
Interest rate swaps collected	1,822	1,373
Repurchase of shares	152	(5)
Dividends paid	(841)	(773)
Net cash flows (used in) generated by financing activities	(6,759)	5,165
Adjustments to cash flows due to exchange rate fluctuations and inflationary effects	55	140
Net increase in cash and cash equivalents	312	641
Cash and cash equivalents at the beginning of the year	3,966	3,325
Cash and cash equivalents at the end of the year	$ 4,278	$ 3,966

See accompanying notes to consolidated financial statements.

1. ACTIVITIES AND SIGNIFICANT EVENTS

a. ***Activities*** — Grupo Bimbo, S. A. B. de C. V. and y Subsidiaries ("Grupo Bimbo" or the "Company") are engaged in the manufacture, distribution and sale of bread, cookies, cakes, candies, chocolates, snacks, tortillas and processed foods.

The Company operates in the following geographical areas: Mexico, the United States of America ("USA"), Central and South America ("OLA"), Europe and China. Due to its minimal significance, the financial information of China is aggregated with Mexico in the disclosures that follow.

Corporate offices are based in Santa Fe, Mexico City, Mexico, 1000 Prolongación Paseo de la Reforma, Colonia Peña Blanca Santa Fe, Álvaro Obregón, Zip code 01210, Distrito Federal, Mexico.

b. ***Significant events*** — During 2012, the Company did not make any significant acquisitions; however in 2011, the Company purchased several businesses in Spain and Portugal, referred to as Iberia ("Iberia"), in Argentina, referred to as Fargo ("Fargo") and in the USA, referred to as Sara Lee ("Sara Lee"), as described below:

Company	Country	Acquisition Cost	Date
2011:			
Fargo	Argentina	$ 1,608	September 19
Sara Lee	USA	10,249	November 9
Iberia	Spain and Portugal	2,085	December 5
		$ 13,942	

Fargo

On September 19, 2011, the Company completed the acquisition of Compañia de Alimentos Fargo, S. A., after receiving the appropriate permits and authorizations. The acquisition was paid for through the exercise of a purchase option to acquire the 70% stake in Fargo owned by Madera, L. L. C. (the Company already owned 30% of Fargo but was unable to exercise its purchase option given certain legal restrictions in Argentina). Accordingly, as of December 31, 2011, the Company holds 100% of the voting equity of Fargo.

Fargo is the largest producer and distributor of bread and bakery products in Argentina, with annual sales of approximately US$150 million. With five plants and over 1,500 employees, the company sells its products under the brands of FARGO®, LACTAL® and ALL NATURAL®, among others, through wholesale channels and retail and institutional customers. A divestiture of a minor portion of the business was required by the Argentinian authorities as a condition precedent to obtaining control of Fargo. This divestiture took place on the same day as the purchase of Fargo.

Accounting for the Acquisition of Fargo

The acquisition was recorded in conformity with the International Financial Reporting Standard ("IFRS") 3, *Business Combinations*. The following table summarizes the recognized amounts of identifiable assets and assumed liabilities at September 19, 2011, converted into Mexican pesos at the exchange rate applicable at such date.

Consideration transferred		$ 1,608
Amounts recognized for identifiable assets and assumed liabilities		
Cash and cash equivalents	$ 13	
Accounts receivable	309	
Inventories	83	
Property, plant and equipment	824	
Identified intangible assets	1,011	
Other assets	8	
Total identifiable assets		2,248
Goodwill		508
Total acquired assets		2,756
Current liabilities	485	
Deferred tax	621	
Long-term liabilities	42	
Total assumed liabilities		1,148
Value of the acquiree	$	1,608

The valuation and allocation of fair values of the acquisition, during the measurement period resulted in an increase to the preliminary amounts allocated to deferred tax and goodwill, in the amount of $76.

Sara Lee USA

On November 9, 2010, the Company announced an agreement to acquire 100% of the fresh bakery business of Sara Lee Corporation in the USA "North American Fresh Bakery" for a preliminary acquisition cost of US$959 million. The closing of the transaction was subject to the resolution of regulatory approvals. On October 21, 2011, the State Department of Justice ("DOJ") concluded its analysis of Grupo Bimbo's proposal to acquire the fresh bakery of Sara Lee Corporation. As part of the regulatory approval conditions, the Company agreed to divest certain brands, property, plant and equipment and routes, including Sara Lee ® and Earthgrains ® brands in the state of California and some minor brands in the Harrisburg / Scranton region in Pennsylvania and in metropolitan areas in the Cities of Kansas, Oklahoma and Omaha. The divestitures are presented as assets held for sale in the accompanying consolidated statement of financial position; however, the related operations are not presented as discontinued operations given that they do not represent a component, a separate major line of business or geographical area of operations of the Company. The required divestitures were concluded on February 23, 2013 (see Note 26). The revenue attributable to these divestitures amounted approximately to US$155 million of the total sales of Sara Lee of approximately US$2 billion for the full year ended December 31, 2011.

The acquisition was consummated on November 6, 2011. The final purchase price was negotiated at US$709 million, which was subsequently adjusted for certain items to US$752.06 million, equivalent to $10,249, which reflects both the net assets acquired as well as the divestitures agreed upon with the DOJ. The acquisition agreement includes the use of the license of the brand Sara Lee®, free of royalties, for its use in bakery products in America, Asia, Africa and Eastern and Central Europe, as well as a list of regional brands with high recognition in their respective local markets.

Accounting for the Acquisition of Sara Lee

The acquisition was recorded in conformity with IFRS 3. The following table summarizes the recognized amounts of identifiable assets and assumed liabilities at November 6, 2011, converted into Mexican pesos at the exchange rate applicable at such date.

Consideration transferred		$ 10,249
Amounts recognized for identifiable assets and assumed liabilities		
Cash and cash equivalents	$ 41	
Accounts receivable	1,673	
Inventories	603	
Deferred tax	3,290	
Property, plant and equipment	5,469	
Identified intangible assets	4,588	
Other assets	151	
Total identifiable assets		15,815
Goodwill		9,361
Total assets acquired		25,176
Current liabilities	2,863	
Long-term liabilities	12,064	
Total assumed liabilities		14,927
Value of the acquiree		$ 10,249

Sara Lee participates in several Multi—Employer Pension Plans ("MEPP") that provide defined benefits to certain employees of the Company covered by collective bargaining agreements. As part of the acquisition, the Company has determined that it is probable that it will withdraw from the MEPP and thus recognized a withdrawal liability, at the present value of the obligation, as part of the acquisition accounting of Sara Lee. The amount included in the table above related to long—term liabilities includes $8,354 million, representing management's best estimate of the withdrawal liability.

The Company concluded the determination of fair value, within the 12 months following the acquisition date. As a result of such evaluation, changes in accounts receivable, deferred taxes, property, plant and equipment, identified intangible assets, other assets, goodwill, current liabilities and long-term liabilities were made. The most significant changes amounts related to increases in deferred tax of $440, goodwill for $910 and other long-term liabilities of $1,801 and a decrease in currents liabilities of $573.

Iberia

On October 10, 2011, the Company announced an agreement to acquire 100% of the fresh bakery business of Sara Lee Corporation in Spain and Portugal for an acquisition price of 114 million euros. The acquisition was consummated on December 5, 2011.

The operation includes, among others, the acquisition of brands Bimbo®, Silhouette®, Martinez® and Eagle® brands, which enjoy wide recognition and market leadership in the categories of bread, cakes and snacks; as well as seven plants and over 800 distribution routes.

This acquisition positions Grupo Bimbo as the leading branded bread company on the Iberian Peninsula and provides the Company with entry to the European market through an established bakery business.

Accounting for the Acquisition of Iberia

The acquisition was recorded in conformity with IFRS 3. The following table summarizes the recognized amounts of identifiable assets and assumed liabilities at December 5, 2011, converted into Mexican pesos at the exchange rate applicable at such date.

Consideration transferred		$ 2,085
Amounts recognized for identifiable assets and assumed liabilities		
Cash and cash equivalents	$ 84	
Accounts receivable	1,290	
Inventories	167	
Property, plant and equipment	945	
Identified intangible assets	719	
Deferred tax	314	
Other assets	190	
Total identifiable assets		3,709
Goodwill		451
Total assets acquired		4,160
Current liabilities	1,830	
Long-term liabilities	245	
Total assumed liabilities		2,075
Value of the acquiree		$ 2,085

The Company concluded the determination of the fair value within the 12 months following the acquisition date. As a result of such evaluation, the Company recorded changes in the amounts allocated to accounts receivable, identifiable assets and deferred taxes resulting in an increase in goodwill of $451. The most significant change related to a decrease in deferred tax asset in the amount of $304.

Sources of financing

In 2011, the Company obtained financing in the amount of US$1,300 million. A portion of the proceeds obtained from this financing was used to partially pay for the acquisition of Sara Lee and Iberia. Additionally, the Company entered into two long–term committed revolving credit facilities of EUR$65 million and US$90 million, which were also partially used to pay for the acquisitions. The remaining proceeds from these financings were used to prepay the existing Company debt (see Note 12, long-term debt).

Consolidated figures

The following table presents condensed information of Sara Lee, Iberia and Fargo as of December 31, 2012 and 2011, and for year ended December 31, 2011 and the 55–day, 26–day and 103–day periods ended as of December 31, 2011, that have been included in the consolidated financial statements of Grupo Bimbo.

	Year Ended December 31, 2012			
	Consolidated	Sara Lee	Iberia	Fargo
	January 1 to December 31, 2012	January 1 to December 31, 2012	January 1 to December 31, 2012	January 1 to December 31, 2012
Net sales	$ 173,139	$ 25,816	$ 5,182	$ 2,441
Operating income (loss)	$ 7,387	$ (677)	$ (570)	$ (28)
Net income (loss) attributable to owners of the Company	$ 2,028	$ (930)	$ (502)	$ (42)
Depreciation, amortization, impairment and provision of MEPP	$ 6,689	$ 975	$ 119	$ 69
EBITDA (*)	$ 14,076	$ 298	$ (451)	$ 41

(*) Earnings before interest, taxes, depreciation, amortization (EBITDA) is defined as the operating profit (loss); plus depreciation, amortization, impairment and provision of MEPP. The Company uses the measure as a performance indicator.

	Year Ended December 31, 2011			
	Consolidated	Sara Lee	Iberia	Fargo
	January 1 to December 31, 2011	November 9 to December 31, 2011	December 5 to 31, 2011	September 19 to December 31, 2011
Net sales	$ 133,496	$ 4,074	$ 392	$ 722
Operating income (loss)	$ 9,534	$ (105)	$ (79)	$ 35
Net income (loss) attributable to owners of the Company	$ 4,875	$ (133)	$ (67)	$ 17
Depreciation, amortization, impairment and provision of MEPP	$ 5,185	$ 131	$ 9	$ 7
EBITDA*	$ 14,719	$ 26	$ (70)	$ 42

	As of December 31, 2011			
	Consolidated	Sara Lee	Iberia	Fargo
Total assets	$ 143,235	$ 28,588	$ 4,101	$ 1,033
Total liabilities	$ 94,536	$ 18,069	$ 2,030	$ 655

The revenues and net loss that the acquired entities would have contributed to the 2011 consolidated figures as if these entities were acquired on January 1, 2011, would have been $38,224 and $(390), respectively.

The goodwill generated in 2011 resulting from these acquisitions amounted to $10,320, mainly generated from expected synergies in Argentina and in the USA, where the Company already operated, and achievement of efficiencies in Iberia.

During 2011, the Company incurred $373 in fees and expenses related to these acquisitions, classified as operating expenses. Additionally, in 2012, the Company incurred $1,950 in integration costs to utilize synergies and unify operating procedures.

2. BASIS OF PREPARATION

a. *Statement of compliance*

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). These financial statements are the first set prepared by the Company in conformity with IFRS, therefore IFRS 1, *First-time Adoption of International Financial Reporting Standards*, was applied. January 1, 2011, was the "date of transition" to IFRS.

The impact of the transition to IFRS on comprehensive income (loss), stockholders' equity and cash flows is explained in Note 24.

b. *Basis of presentation*

The accompanying consolidated financial statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value

Fair value is defined as 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.

c. *Consolidated financial statements*

As of December 31, 2012 and 2011, the consolidated financial statements include those of Grupo Bimbo, S. A. B. de C. V. and entities controlled by the Company, including special purpose entities ("SPE"), its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. An SPE is consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity. The most significant subsidiaries and SPE are shown below:

Subsidiary	% of ownership	Country	Main Activity
Bimbo, S. A. de C. V.	97	Mexico	Bakery
Bimbo Bakeries USA, Inc. ("BBU")	100	United States	Bakery
Barcel, S. A. de C. V.	97	Mexico	Candies and snacks
Bimbo do Brasil, Ltda.	100	Brazil	Bakery
Iberia	100	Spain and Portugal	Bakery

Income and expenses of the subsidiaries acquired or disposed during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition date and up to the effective date of disposal, as appropriate. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

All significant intra-group balances and transactions have been eliminated in the accompanying consolidated financial statements.

During 2012 and 2011, net sales of Bimbo S. A. de C. V. and Barcel, S. A. de C. V, located in Mexico, represented approximately 37% and 45%, respectively, of consolidated net sales. During 2012 and 2011, net sales of BBU, located in the USA represented approximately 46% and 40%, respectively, of consolidated net sales.

d. *Business acquisitions*

Business acquisitions are recognized using the acquisition method. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and any equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, with certain exceptions. Goodwill is measured as the excess of the sum of the consideration paid the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the acquisition occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, 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.

e. *Recognition of the effects of inflation*

Inflationary effects are recognized in the financial statements when the economy of the currency in which the Company's transactions are recorded is considered hyperinflationary. The Mexican economy ceased to be hyperinflationary in 1999. Therefore, inflation effects for the Company's Mexican operations were recognized through that date, except for certain property, plant and equipment, for which inflation was recognized through 2007, as permitted by Mexican Financial Reporting Standards ("MFRS"), and retained as deemed cost as permitted by the transition rules of IFRS. Inflation continues to be recognized for operations in those countries operating in hyperinflationary economic environments, which are not significant to the Company's financial position, performance or cash flows.

f. *Foreign currencies*

In preparing the financial statements of each individual subsidiary, transactions in currencies other than the Company´s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 13);

- 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, and

- 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;

Consolidated financial statements are prepared in Mexican pesos. The assets and liabilities of the Company's foreign operations are translated to Mexican pesos using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. For the foreign operations operating in an inflationary environment, their financial statements amounts are affected by the country´s price index and are subsequently translated using the exchange rate at the end of the period for all line items. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests when appropriate).

On the disposal of a foreign operation all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company is reclassified to profit or loss. Any exchange difference attributable to non-controlling interest is cancelled, but is not reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period.

The Company has investments in foreign subsidiaries whose functional currency is other than the Mexican peso and is thus exposed to the risk of foreign currency translation. In addition, the Company has entered into financial assets and liabilities in different currencies, mainly in US dollars, which exposes the Company to foreign currency risk related to commercial activities and purchase of inputs during the normal course of its operations. For further details, refer to Note 13.

g. Comprehensive income statement

The Company presents comprehensive income in two separate statements: i) consolidated statement of income and ii) consolidated statement of comprehensive income (loss). Expenses in the statement of income are classified by function, following the practice of the sector to which the Company belongs; the nature of those expenses is presented in the accompanying notes. Additionally, the Company presents the subtotal of operating income, although nor required by IFRS, solely to provide a better understanding of the Company's economic and financial performance.

h. Cash flow statement

The Company presents its cash flow statement using the indirect method. Proceeds from interest and dividends are presented in investing activities, whereas payment of interest and dividends are presented as financing activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses, maturing within three months as of their acquisition date with minimal risk of fluctuations in value. Cash is stated at nominal value and cash equivalents are stated at fair value. Fluctuations in fair value are recognized in profit and loss (see financial assets below). Cash equivalents are primarily represented by investment in sovereign debt with daily maturities.

b. Financial assets

Financial assets, other than cash, are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (except for those financial assets classified as at fair value with changes through profit and loss) are added to the fair value of the financial asset. Subsequent measurement depends on the category in which the financial asset is classified.

Financial assets are classified into the following categories: "Financial assets at fair value through profit or loss ("FVTPL")", "held to maturity investments", "available-for-sale financial statements", and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As of the date of the consolidated statement of financial position, the Company only maintains financial assets at fair value with changes through profit and loss and loans and receivables. Note 13 provides further detail regarding financial assets.

<u>Financial assets at FVTPL</u>

Financial assets are classified as at FVTPL when they are either designated as at FVTPL (and comply with certain conditions to be directly classified as such) or they are held for trading purposes. The Company has not designated financial assets as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the short-term. Derivative financial instruments are also classified as trading, except those designated and effective as hedging instruments (the specific accounting policy for derivative financial instruments is explained in more detail within the notes).

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. It is classified as current when expected to be recovered in a period of 12 months of less; otherwise it is classified as long-term.

Loans and receivables

Loans and receivables are non-derivative financial assets that provide rights to 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 (the effective interest method is explained within the accounting policy of financial liabilities). Loans and receivables are presented as current, unless maturity is beyond 12 months from the reporting date, for which they would then be presented as long-term.

At the end of each reporting period, management assess if there is objective evidence of impairment of financial assets. Impairment of financial assets occurs when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of a financial asset, the estimated future cash flows have been affected.

For financial assets carried at amortized cost, the loss for impairment is the difference between the asset´s carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

c. *Inventories and cost of sales*

Inventories are stated at the lower of cost and net realizable value. Cost is comprised of acquisition cost, import duties, transport, handling, loading, and storage cost at the customs and distribution centers; returns on purchases are deducted from cost. 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. Cost is determined by using the average cost method.

d. *Assets available for sale*

Long-lived assets that are expected to be recovered through sale (instead of internal use) are classified as available for sale,within current assets, and are measured at the lower of carrying value or fair value, less costs of sale.

e. *Property, plant and equipment*

Property, plant and equipment are carried at acquisition cost, 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, as permitted by IFRS 1.

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. Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to the cost of the asset.

Cost for expansion, remodeling or improvements that enhance the capacity and extend the useful life of the asset are also capitalized. Repairs and maintenance costs are recognized in profit and loss of the period they are incurred. The carrying amount of the replaced asset, if any, is derecognized when replaced, and the effect is recognized in profit and loss.

Freehold land is not depreciated. Depreciation of the other property, plant and equipment is calculated using the straight-line method, to write-off the cost of the assets to their residual values over their estimated useful lives, 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	Term of the lease contract

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.

Depreciation methods, residual values and the useful lives of assets are reviewed and adjusted, if necessary, annually, at each reporting date.

The carrying value of an asset is reduced at its residual value, when the carrying amount exceeds its residual value.

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 income (expense) line.

Leasehold improvement and adaptations to buildings and premises in which the Company is the lessee are recognized at historic cost less the respective depreciation.

f. *Associates and joint ventures*

Associates are entities in which the Company has significant influence, but does not exercise control. Generally it refers to those entities in which the Company has an ownership between 20% and 50% of voting rights.

A joint venture is a contractual agreement whereby the Company and other parties undertake an economic activity that is subject to joint control, meaning when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Such investments are recorded using the equity method and are initially recognized at cost. Goodwill is recognized as part of the carrying amount of the investment (net of any accumulated loss for impairment of any) as identified at the time of the acquisition.

g. *Intangible assets*

Intangible assets are primarily comprised of trademarks and customer relationships resulting from the acquisition of business in the USA, Iberia and certain trademarks in South America, and are recorded at their fair value on 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 it is incurred.

Intangible assets are classified as having either finite or indefinite useful lives. 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.

h. *Impairment of long lived assets, other than goodwill*

The Company reviews the carrying amounts of long—lived assets other than goodwill, when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the fair value less costs to sell. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to profit or loss, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the Company's products, competition and other legal and economic factors. For the purposes of impairment analysis, the assets are grouped into identifiable smaller cash generating groups (cash generating unit). Long-lived assets with indefinite lives, other than goodwill, subject of impairment are tested for impairment at each reporting date to identify and likely reversal of such impairment.

i. *Goodwill*

Goodwill arising on acquisition of a business is carried at cost, which is determined as explained in the business acquisitions policy note above, less accumulated impairment losses.

For purposes of impairment testing, goodwill is allocated to each cash-generating unit (or group of cash generating units) that is expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

j. *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 with changes through profit and loss) are reduced 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.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when they are designated as at FVTPL (and comply with certain conditions to be directly classified as such) or when they are held for trading. The Company has not designated financial liabilities as at FVTPL. Derivative financial instruments are classified as trading, except those designated and effective as hedging instruments (the specific accounting policy for derivative financial instruments is explained in more detail within the notes).

Other financial liabilities

Other financial liabilities, mainly including borrowings and trade and other payables, are subsequently measured at amortized cost using the effective interest method, recognizing interest expense using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, (or when appropriate a shorter period), to the net carrying amount on initial recognition.

The Company derecognizes a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire.

k. *Derivative financial instruments and hedging activities*

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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 Company only holds derivative financial instruments classified as cash flow hedges and hedges of net investment in foreign operations. The Company documents all hedging relationships at the beginning of the transaction, including their objectives and risk management strategies for undertaking derivative transactions. Periodically, the Company documents whether the derivative financial instruments is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The fair value of derivative financial instruments used as hedging instruments is disclosed in Note 13.

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 other comprehensive income and accumulated under "Valuation effects of cash flow hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting or when the Company revokes the hedging relationship. Any gain or loss recognized in other comprehensive income, accumulated in equity remains in equity, and is recognized when the forecasted 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 recognized immediately in profit or loss, and is included in the "Exchange loss(gain), net" line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated other comprehensive income are reclassified to profit or loss on the disposal of the foreign operation.

l. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the estimated amount required to be settled and the amount initially recognized less cumulative amortization recognized.

m. Income taxes

Income tax expense comprises current tax and deferred tax. Current and deferred tax are recognized in the consolidated statement of income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

In Mexico, income taxes are comprised of regular income tax (*Impuesto Sobre la Renta* or ISR) and a business flat tax *(Impuesto Empresarial a Tasa Única* or IETU), and are recorded when incurred. Current tax is the higher of ISR or IETU, which are based on taxable profit or cash flows of the year, respectively.

Current income taxes are calculated in accordance with rates that have been enacted as of the end of the reporting period for the countries in which the Company operates.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the end of the reporting period. In Mexico, to recognize the deferred tax, the Company determines, based on tax projections, whether it expects to incur ISR or IETU, and recognizes the deferred taxes respective tax is expected to be payable on the year on the respective tax base that is expected to be incur each year.

The deferred income tax is recognized using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not recognized on the following temporary differences: i) amounts that arise from the initial recognition of assets or liabilities resulting from transactions other than in a business combination, that affects neither the accounting profit nor the taxable profit; ii) those related to investments in subsidiaries and associates, to the extent that it is not likely they will reverse in the foreseeable future, and, iii) those that result from the initial recognition of goodwill. The deferred income tax asset is recognized only to the extent that it is likely there will be future taxable profits it can be used against.

Income taxes assets and liabilities are offset only when there is a legal right to offset the amounts and the amounts are related to the same tax authority or jurisdiction, or in the case of several entities, when there is an intention to liquidate on a net basis or the assets and liabilities are expected to realize simultaneously.

n. Employee benefits

i. 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 employees have rendered service entitling them to the contributions.

Defined benefit plans are post-employment plans, other than defined contribution plans. The cost of providing benefits under defined benefit plans is determined using the Projected Unit Credit Method for actuarial valuations, which are carried out at the end of each reporting period. Actuarial gains and losses are recognized immediately through other comprehensive income in the period they occur in order for the net pension liability to reflect the full value of the plan deficit or surplus. Past services costs and gains and losses from settlements of plan benefits are recognized directly in profit or loss of the year they occur.

The Company early adopted International Accounting Standard ("IAS") 19, Employee Benefits, as of January 1, 2011.

The amount recognized in the consolidated statement of financial position as a liability or asset for defined benefit plan represents the present value of the net defined benefit obligation (defined benefit obligation minus the fair value of plan assets). 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.

The Company provides cash payments to certain executives, which is calculated using performance metrics. The payment, net of ISR withheld, is used to purchase shares of the Company. The employee may dispose of such shares, even if he or she leaves the Company.

ii. Statutory employee profit sharing

Statutory employee profit sharing is recorded in profit or loss of the year in which it is incurred, when the Company has a legal or constructive obligation, as a result of past events and the amount can be reliably estimated.

iii. Termination benefits

The Company 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.

iv. 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 IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Equity

An equity instrument is any contract that evidences a residual interest in the net assets of the Company, after deduction of all its liabilities. Equity instruments are recognized at the amount of the consideration received less direct issue costs. Common shares are classified as equity.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from the sale of products in the normal course of operations of the Company. Revenue is presented net of rebates and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred substantially all the risk and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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 the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. *Useful lives, residual values and depreciation and amortization methods of long-lived assets*
   As described in Note 3, the Company periodically reviews the estimated useful lives, residual values and depreciation and amortization methods of long-lived assets, including property, plant and equipment and intangibles. Additionally, for intangibles, the Company determines whether their useful lives are finite or infinite. During the periods presented in the accompanying consolidated financial statements, there were no modifications to such estimates.

2. *Allowance for doubtful accounts*
   The Company considers the facts involved in determining the allowance for doubtful accounts, which are mainly the credit risk of the customer, unguaranteed accounts and significant delays in collection according to the established credit limits.

3. *Impairment of goodwill*
   Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4. *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, although there is no risk of adjustment to the related carrying amount. A detailed description of the methodologies to determine fair values of derivative instruments as well as to determine fair value disclosures for long-term debt is included in Note 13. Finally, the Company has acquired business that require fair value to be determined, at the date of acquisition, for consideration paid, identifiable assets acquired and liabilities assumed and non-controlling interest (if the fair value option is elected); see further detail in Note 1.

   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. Management considers the valuation techniques and selected assumptions appropriate.

5. *Employee benefits*
   Cost of defined benefit plans and MEPP provided to employees 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.

6. *Determination of income taxes*
   To recognize deferred income taxes, the Company prepares tax projections to determine whether it expects to incur in IETU or ISR, and accordingly recognizes the related deferred taxes.

7. *Employee benefits, insurance and other liabilities*
   Insurance risks exists in the USA which respect to the liability for general damages to other parties, car insurance and employee benefits that are self-insured by the Company with coverage subjected 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 of the Company. The net liabilities at December 31, 2012 and 2011 amounted to $ 2,945 and $2,995, respectively.

Critical judgment in applying accounting policies

The following are the critical judgments, apart from those, involving estimations that management has made in the process of applying the Company's accounting policies and that have a significant effect on the consolidated financial statements:

1. *Consolidation of special purpose entities*
   As described in more detail in Note 7, BBU and Sara Lee have entered into agreements with third party contractors ("Independent Operators"), in which they hold no direct or indirect shareholding but that qualify as special purpose entities ("SPE"). The Company has concluded that they have control with respect to certain independent operators, primarily with respect to rights or obligations to secure or grant financing, as well as the maintenance obligation related to distribution routes. In other cases, the Company has concluded it does not exercise control over such independent operators.

5. ACCOUNTS AND NOTES RECEIVABLE

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Clients and agencies	$ 11,804	$ 12,010	$ 7,249
Allowance for doubtful accounts	(812)	(628)	(310)
	10,992	11,382	6,939
Notes receivable	254	801	601
Notes receivable from independent operators	416	399	276
Income, value –added and other recoverable taxes	3,731	4,330	4,021
Sundry debtors	901	662	338
Other accounts and notes receivable			
Sanalp 2005, S. L., related party	–	–	1,092
Madera, L. L. C., related party	–	–	127
	$ 16,294	$ 17,574	$ 13,394

The average credit period on sales of goods in Mexico, USA and OLA is 30, 60 and 30 days, respectively. Allowance for doubtful accounts is recognized for the full amount of receivables 180 days or more past due and 75% receivables 90–180 days past due.

There are no significant past due but not impaired receivables in Mexico and OLA. In USA as of December 31, 2012 and 2011, $452 and $499 were past due but not impaired since collection was expected.

6. INVENTORIES

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Finished products	$ 1,628	$ 1,721	$ 1,095
Orders in–process	174	157	94
Raw materials, containers and wrapping	2,571	2,832	1,735
Other	(6)	11	47
Allowance for slow–moving inventories	(34)	(23)	(1)
	4,333	4,698	2,970
Raw materials in–transit	258	282	162
	$ 4,591	$ 4,980	$ 3,132

7. SPECIAL PURPOSE ENTITIES

BBU and Sara Lee enter into franchise agreements with independent third party contractors ("Independent Operators") representing distribution rights to sell and distribute the Company's products via direct–store–delivery to retail outlets in defined sales territories. BBU and Sara Lee do not hold equity interests in any of the Independent Operator entities. Independent Operators generally finance the purchase of distribution rights through note agreements with a financial institution which, in the aggregate, are partially guaranteed by Sara Lee or financed by BBU. In addition, BBU and Sara Lee maintain explicit and implicit commitments to maintain the function of routes to ensure product delivery to customers. BBU and Sara Lee determined that all Independent Operators which are separate legal entities, qualify as special purpose entities that are in substance controlled by the Company, mainly as a result of providing or guaranteeing financing, as well as its obligation to maintain distribution routes. Accordingly, such SPE are consolidated by the Company.

Assets and liabilities of SPE included in the accompanying consolidated financial statements are as follows:

	December 31, 2012	December 31, 2011
Inventories – finished goods	$ 23	$ 22
Property – trucks	830	829
Intangible distribution rights	2,208	2,140
Total assets	$ 3,061	$ 2,991
Current maturities of long-term debt:		
Obligations under capital leases	$ 289	$ 236
Independent Operator loans	87	98
Other current liabilities	38	38
Long-term debt:		
Obligations under capital leases	302	399
Independent Operator loans	456	589
Due to related companies	902	664
Total liabilities	$ 2,074	$ 2,024
Non-controlling interest	$ 987	$ 967

Financing provided by BBU to the SPE is eliminated in the accompanying consolidated financial statements.

There is no effect of consolidation of the Independent Operators on the statement of comprehensive income, as all transactions are eliminated upon consolidation against non-controlling interest.

Lease obligations are secured by the vehicles subject to lease and do not represent additional claims on the Company's general assets. The Company's maximum exposure for losses associated with the Independent Operators is limited to $543 of long–term debt of the Independent Operators as of December 31, 2012.

Also, the Company has sold certain equipment and distribution rights in the USA to former employees and certain third parties, which are also Independent Operators, but are not considered SPE, as they are individuals and not legal entities, and are thus not consolidated. These rights, totaling $1,899 are presented in the accompanying consolidated statement of financial position as long–term notes receivable from Independent Operators; of which $416 are current and $1,483 are long-term.

BBU finances 90% of the distribution rights sold to certain Independent Operators. The notes bear an annual interest rate ranging from 9.75% to 10.75% and are payable in 120 monthly installments.

8. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of beginning and ending carrying values in 2012 and 2011 is as follows:

	Balances as of January 1, 2012	Additions	Additions from business acquisitions	Translation effect	Retirements	Revaluation for inflation	Balance as of December 31, 2012
Investment:							
Building	$ 12,307	$ 1,744	$ –	$ (602)	$ (502)	$ 97	$ 13,044
Industrial machinery and equipment	38,469	2,245	–	(1,308)	(695)	199	38,910
Vehicles	10,635	1,102	–	(81)	(357)	25	11,324
Office furniture	686	87	–	(32)	(215)	8	534
Computer equipment	2,580	449		(100)	(115)	10	2,824
Total investments	64,677	5,627	–	(2,123)	(1,884)	339	66,636
Depreciation:							
Building	(4,996)	(1,688)	–	259	489	(73)	(6,009)
Industrial machinery and equipment	(17,792)	(2,346)	–	399	184	(117)	(19,672)
Vehicles	(4,598)	(789)	–	134	161	(27)	(5,119)
Office furniture	(480)	(64)	–	22	183	–	(339)
Computer equipment	(2,060)	(274)	–	181	83	(1)	(2,071)
Total accumulated depreciation	(29,926)	(5,161)	–	995	1,100	(218)	(33,210)
	34,751	466	–	(1,128)	(784)	121	33,426
Land	4,280	419	–	(102)	(215)	13	4,395
Projects-in-progress and machinery in transit	3,559	1,261	–	(150)	(296)	(24)	4,350
Reclassified as assets available for sale	(171)	–	–	11	–	–	(160)
Net investment	$ 42,419	$ 2,146	$ –	$ (1,369)	$ (1,295)	$ 110	$ 42,011

	Balances as of January 1, 2011	Additions	Additions from business acquisitions	Translation effect	Retirements	Revaluation for inflation	Balance as of December 31, 2011
Investment:							
Building	$ 10,850	$ 921	$ (141)	$ 749	$ (193)	$ 121	$ 12,307
Industrial machinery and equipment	30,098	2,487	5,687	2,655	(2,709)	251	38,469
Vehicles	8,296	1,324	854	601	(494)	54	10,635
Office furniture	641	41	43	21	(61)	1	686
Computer equipment	2,045	147	296	184	(99)	7	2,580
Total investments	51,930	4,920	6,739	4,210	(3,556)	434	64,677
Depreciation:							
Building	(4,834)	(453)	–	(265)	635	(79)	(4,996)
Industrial machinery and equipment	(15,734)	(2,184)	–	(1,287)	1,549	(136)	(17,792)
Vehicles	(3,756)	(717)	–	(455)	333	(3)	(4,598)
Office furniture	(428)	(422)	–	(15)	432	(47)	(480)
Computer equipment	(1,617)	(259)	–	(283)	99	–	(2,060)
Total accumulated depreciation	(26,369)	(4,035)	–	(2,305)	3,048	(265)	(29,926)
	25,561	885	6,739	1,905	(508)	169	34,751
Land	3,461	235	410	207	(34)	1	4,280
Projects-in-progress and machinery in transit	1,954	1,340	260	42	(36)	(1)	3,559
Reclassified as assets available for sale	–	–	(171)	–	–	–	(171)
Net investment	$ 30,976	$ 2,460	$ 7,238	$ 2,154	$ (578)	$ 169	$ 42,419

9. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES, JOINT VENTURES AND OTHER PERMANENT INVESTMENTS

At December 31, 2012 and 2011 and January 1, 2011, the investment in shares of associated companies, joint ventures and other permanent investments are as follows:

Associated companies	% of ownership	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Beta San Miguel, S. A. de C. V.	8	$ 508	$ 447	$ 378
Mundo Dulce, S. A. de C. V.	50	336	304	291
Fábrica de Galletas La Moderna, S. A. de C. V.	50	267	267	255
Grupo La Moderna, S. A. de C. V.	3	156	156	156
Congelación y Almacenaje del Centro, S. A.de C. V.	15	98	88	83
Fin Común, S. A. de C. V.	30	71	74	79
Productos Rich, S. A. de C. V.	18	101	95	78
Grupo Altex, S. A. de C. V.	11	76	67	70
Ovoplus, S. A. de C. V.	25	46	51	52
Innovación en Alimentos, S. A. de C. V.	50	29	27	28
Pierre, L. L. C.	30	–	14	14
Blue Label de México, S. A. de C. V.	40	427	210	–
Others	Various	27	3	69
		$ 2,142	$ 1,803	$ 1,553

10. INTANGIBLE ASSETS

Following is an analysis of the intangible assets balance by geographical area:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Mexico	$ 9,425	$ 9,452	$ 1,941
USA	15,423	16,710	16,115
Iberia	754	792	–
OLA	1,593	1,771	1,007
Assets available for sale	(505)	(532)	–
	$ 26,690	$ 28,193	$ 19,063

At December 31, 2012 and 2011, and January 1, 2011, detail of intangible assets is as follows:

	Average useful life	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Trademarks	Indefinite	$ 19,479	$ 20,320	$ 15,407
Rights of distribution and use	Indefinite	2,329	2,268	36
		21,808	22,588	15,443
Customer relationships	18 years	5,629	6,048	3,833
Licensing agreements and software	8 and 2 years	333	358	247
Non-compete agreements	5 years	23	25	18
Others		34	36	23
		6,019	6,467	4,121
Accumulated amortization		(1,137)	(862)	(501)
		4,882	5,605	3,620
		$ 26,690	$ 28,193	$ 19,063

Intangibles related to customer relationships stems from the acquisition of Weston Foods, Inc. in 2009 and Sara Lee Bakery Group, Inc. in 2011. The net carrying amount of customer relationships from the acquisition of Weston Foods and Sara Lee as of December 31, 2012 are $3,119 and $1,143, and will be fully amortized in approximately 14 and 17 years, respectively.

The intangible assets by geographical area correspond to the following:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Mexico:			
Barcel	$ 1,141	$ 1,141	$ 1,133
El Globo	360	360	360
Bimbo	310	310	310
BBU	6,998	6,998	34
Others	111	111	104
USA	15,423	16,710	16,115
Iberia	754	792	–
OLA:			
Brazil	623	730	726
Fargo	556	587	–
Others	414	454	281
	$ 26,690	$ 28,193	$ 19,063

Movements in trademarks during the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Balance as of January 1	$ 20,320	$ 15,407
Acquisitions	–	4,730
Impairment	–	(64)
Adjustments due to variations in exchange rates	(841)	247
Balance as of December 31	$ 19,479	$ 20,320

Amortization for the years ended December 31, 2012 and 2011 was $306 and $254, respectively.

During 2011, the Company recognized an impairment loss in trademarks, assigned to the USA segment, for $64, recognized in general expenses in the consolidated statements of income. Such impairment loss was the result of decreased sales of the related products in such segment.

For the purpose of impairment tests, the fair value of trademarks was estimated using the relief from royalty valuation technique, using a range of royalty rates between 2% and 5%, 3% being the rate used for most trademarks.

11. GOODWILL

Following is an analysis of the balance of goodwill by geographical area:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Mexico	$ 1,232	$ 1,232	$ 1,232
USA	30,706	32,992	20,771
Iberia	426	451	–
OLA	1,831	2,044	1,707
	34,195	36,719	23,710
Impairment	(4,441)	(4,671)	(3,898)
	$ 29,754	$ 32,048	$ 19,812

Movements in goodwill during the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Balance as of January 1	$ 32,048	$ 19,812
Acquisitions	–	10,320
Impairment	(120)	(268)
Adjustments due to variations in exchange rates	(2,174)	2,184
Balance as of December 31	$ 29,754	$ 32,048

The Company recognized an impairment loss of goodwill in 2012 related to El Globo (which is assigned to the Mexico reportable segment) in the amount of $120 and in 2011 in Brazil (which is assigned to the OLA reportable segment) in the amount of $268. The impairment loss originated principally from the negative results in operations related to these segments, as reflected in discounted cash flow analyses.

Movement in accumulated impairment losses as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Balance as of January 1	$ 4,671	$ 3,898
Impairment	120	268
Adjustment due to variations in exchange rates	(350)	505
Balance as of December 31	$ 4,441	$ 4,671

Allocation of goodwill to cash generating unit

When analyzing impairment, goodwill is allocated to cash-generating units, which are represented mainly by Mexico (Bimbo, Barcel and El Globo), USA, Brazil and others (Iberia and Argentina). Balances of goodwill assigned to each cash-generating unit, after impairment losses, are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Mexico (El Globo)	$ 218	$ 338	$ 338
USA	26,396	28,649	16,932
Brazil	811	950	1,212
Others	2,329	2,112	1,330
	$ 29,754	$ 32,048	$ 19,812

El Globo

The recoverable amount of the Mexico cash-generating unit (which includes El Globo) is determined based on a value-in-use method, which uses cash flow projections based on financial budgets approved by management of the Company. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Company. The Company considers a 10-year period for cash flow projections as it is expected that during such period El Globo will reach such average growth rate of the industry. In 2012 and 2011, the pre-tax discount rate used in such projections was 9.3% per annum, considering the time value of money and the specific risks associated with the cash-generating unit. A change of 100 basis points in operating margin would cause the carrying value of the Mexico cash-generating unit to exceed its recoverable amount by $262.

USA

The recoverable amount of the USA cash-generating unit is determined based on a value-in-use method, which uses cash flow projections based on financial budgets approved by management of the Company. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Company. The Company considers a 10-year period for cash flow projections as it is expected that during such period USA will reach such average growth rate of the industry. In 2012 and 2011, the pre-tax discount rate used in such projections was 6.9% per annum, considering the time value of money and the specific risks associated with the cash-generating unit. Management believes that a possible significant change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not result in the carrying value of the cash-generating unit to exceed its recoverable amount.

Brazil

The recoverable amount of Brazil as a cash-generating unit is determined based on a value in use method, which uses cash flow projections based on financial budgets approved by management of the Company. The cash flows beyond the 10-year period have been extrapolated; using growth rates and operating profit reaching 8% that consider both long-term average operating profits for the industry as well as past experience of the Company. The Company considers a 10-year period for cash flow projections as it is expected that during such period Brazil will reach such average growth rate of the industry. In 2012 and 2011, the pre-tax discount rate used in such projections was 9.1% per annum, considering the time value of money and the specific risks associated with the cash-generating unit.

A change in the operating profit considered, where the Company reaches to 7.5% - 8% in 2018, an a deceleration in the growth rate in 1% for 5 years, would cause the carrying value of Brazil to exceed its recoverable amount by $178.

Others

The recoverable amount of the Others cash-generating unit is determined based on a value in use method which uses cash flow projections based on financial budgets approved by management of the Company, covering a period from 1 to 5 years. Management believes that the possibility of significant changes in the key assumptions on which the recoverable amount is based would not result in the carrying value of the cash-generating unit to exceed its recoverable amount.

The key assumptions vary among each cash-generating unit; however, the key long-term assumptions with the most significant impact in cash flow projections are those included in the perpetuity. Amounts and ranges of such assumptions are as follows:

Increase in sales	3%
Operating margin	8 - 12%
Capital expenditures as percentage of depreciation	100%

12. LONG-TERM DEBT

	Fair Value	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
International bonds – On January 25, 2012, the Company issued a bond under U.S. Securities and Exchange Commission ("SEC") Rule 144 A Regulation S for US$800 million maturing on January 25, 2022. Such bond pays a fixed interest rate of 4.5%, with semiannual payments. The proceeds from this issuance were used to the refinance the Company's debt.	$ 11,750	$ 10,408	$ -	$ -
On June 30, 2010 the Company issued a bond under U.S. SEC Rule 144 A Regulation S for US$800 million maturing on January 30, 2020. Such bond pays a fixed interest rate of 4.875% with semiannual payments. The proceeds from this issuance were used to the refinance the Company's debt, extending the maturity date.	$ 11,426	$ 10,408	$ 11,183	$ 9,886
Local bonds – As of December 31, 2012, the Company holds the following local bonds due as follows:				
Bimbo 12- Issued on February 10, 2012, maturing in August 2018, with a fixed interest rate of 6.83%	5,143	5,000	-	-
Bimbo 09- Issued June 15, 2009, maturing in June 2014, with interest at the 28-day Interbank Equilibrium rate ("TIIE") plus 1.55%	5,104	5,000	5,000	5,000
Bimbo 09-2- Issued June 15, 2009, maturing in June 2016, with a fixed interest rate of 10.60%	2,286	2,000	2,000	2,000
Bimbo 09U- Issued June 15, 2009 in the amount of 706,302,200 UDIs, maturing in June 2016, with a fixed interest rate of 6.05%. The UDI value at December 31, 2012, 2011 and January 1, 2011 was $4.8746, $4.6913 and $4.5263 Mexican pesos per UDI, respectively.	3,854	3,443	3,313	3,197
Bimbo 02-2- Issued in May 17, 2002, maturing in May 2012.	-	-	750	750
Syndicated bank loan 2009 – On January 15, 2009, the Company entered into a long–term bank loan in the amount of the equivalent of US$1,700 million, in which BBVA Bancomer, S. A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lead agent and a syndicate bank. The loan consists of two tranches, the first which matured in January 2012 (Tranche A), and the second with semiannual maturities from July 2012 to January 2014 (Tranche B). During July 2010, the Company used the proceeds from the issuance of the International Bond, to settle Tranche A in full and during April 2011, used the proceeds from the new syndicated bank loan to settle Tranche B in full.	-	-	-	10,736
Syndicated bank loan 2011 - On April 26, 2011, the Company entered into a long–term bank loan in the amount of the equivalent of US$1,300 million, in which Bank of America, N. A., as lead administrative agent, and a bank syndicate, comprised of ten institutions as of the date of the accompanying consolidated financial statements, participate. This bank loan is amortized on a semiannual basis from October 2014 to April 20, 2016. The Company pays interest at London Interbank Offered Rate ("LIBOR") plus 1.10%. The proceeds obtained from this financing were used to refinance existing obligations of the Company contracted during the acquisition of Weston in 2009 and to partially pay for the acquisition of Sara Lee. In January 2012, the Company prepaid US$1,102 million with the proceeds of the issuance of debt obtained during 2012.	2,702	2,576	18,172	-

	Fair Value	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Syndicated revolving Multi-currency credit facility – On April 26, 2010, the Company entered into a long–term syndicated revolving multi–currency credit facility with six financial institutions up to the amount of the equivalent of US$750 million. During December 2011, the Company entered into an agreement to amend the terms and conditions of this credit facility with ten financial institutions, increasing the credit facility up to the amount of US$1,500 million and establishing a new maturity date on December 27, 2016. The debt incurs interest at LIBOR plus 1.25% for withdrawals in US dollars and TIIE rate plus 1.00% for withdrawals in Mexican pesos. As of December 31, 2011, the balance of this line–of–credit was US$90 million, which bears interest at LIBOR plus 1.00%. The proceeds obtained from this financing were used to partially pay for the acquisition of Sara Lee. On February 2012, the Company fully paid this credit with the proceeds of the issuance of debt obtained during 2012.	–	–	1,258	–
Euro credit facility – On October 24, 2011, the Company entered into a long–term committed revolving credit facility with a European Bank in the amount of EUR$65 million, which currently bears interest at the European Interbank Offered rate (''EURIBOR'') plus 1.00%. The Euro Revolving Credit Facility matures on July 17, 2014. The proceeds obtained from this financing were used to partially pay for the acquisition of Iberia.	1,113	1,121	1,178	–
Mexican Peso revolving credit facility – On October 24, 2010, the Company entered into a committed revolving credit facility with a Mexican Bank in the amount of $5,200, which currently bears interest at the TIIE plus 2.50%. The Mexican Peso Revolving Credit Facility matured on April 27, 2012. In February 2012, the Company fully paid this credit with its own resources.	–	–	2,100	–
Dollar revolving credit facility – On June 30, 2011, BBU revised its unsecured revolving line of credit contracted with an American Bank. The revised line of credit agreement provides for borrowings of up to US$40 million and has a maturity date of November 30, 2013. Interest payments are due monthly on the outstanding balance calculated per annum at LIBOR plus 0.90%. As of December 31, 2012, the Company had no outstanding balance under the line of credit. There are no financial debt covenants associated with this revolving line of credit.	–	–	–	–
Others – Certain subsidiaries have entered into other direct loans to meet their working capital needs, maturing from 2013 to 2018, at various interest rates	2,312	2,312	1,249	1,641
	45,690	42,268	46,203	33,210
Less – Current portion of long–term debt	(1,573)	(1,573)	(4,042)	(1,624)
Less – debt issuance costs	(297)	(297)	(211)	(278)
Long–term debt	$ 43,820	$ 40,398	$ 41,950	$ 31,308

At December 31, 2012, long–term debt matures as follows:

Year	Amount
2014	$ 6,220
2015	107
2016	8,023
2017	–
2018 and thereafter	26,048
	$ 40,398

The committed dual–currency revolving credit facility, local bonds, international bond and syndicate bank loan are guaranteed by the principal subsidiaries of Grupo Bimbo. At December 31, 2012 and 2011, the Company has complied with all the obligations, including financial ratios established in the loan agreements.

13. FINANCIAL INSTRUMENTS

13.1 Categories of financial instruments as of December 31, 2012 and 2011 and January 1, 2011:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,278	$ 3,966	$ 3,325
Accounts and note receivables, net	16,294	17,574	13,394
Derivative financial instruments	123	18	145
Guarantee deposits for derivative financial instruments	566	470	35
Total current assets	21,261	22,028	16,899
Non–current assets:			
Notes receivable from independent operators	1,484	1,686	2,102
Investment in shares of associated companies, joint venture and other permanent investments	2,142	1,803	1,553
Derivative financial instruments	533	417	393
Total financial assets	$ 25,420	$ 25,934	$ 20,947
LIABILITIES			
Current liabilities:			
Bank loans	$ 1,573	$ 3,292	$ 1,624
Bonds	–	750	–
Trade accounts payable	9,488	9,090	5,954
Other accounts payable and accrued liabilities	10,800	10,499	6,876
Due to related parties	677	904	802
Derivative financial instruments	237	222	–
Total current liabilities	$ 22,775	$ 24,757	$ 15,256
Bank loans	$ 4,439	$ 20,555	$ 10,584
Bonds	35,959	21,395	20,724
Derivative financial instruments	936	1,961	231
Total financial liabilities	$ 64,109	$ 68,668	$ 46,795

13.2 Risk management

During the normal course of its operations, the Company is exposed to risks inherent with variables related to financing as well as variations in the prices of some of its raw materials that are traded in international markets. The Company has established an orderly risk management process that relies on internal bodies that assess the nature and extent of those risks.

Main financial risks the Company is exposed to are:

- Market risk
- Interest rate risk
- Foreign currency risk
- Price risk
- Liquidity risk
- Credit risk
- Capital risk

The Company's Corporate Treasury is responsible for managing the risks associated with interest rate, foreign currency, liquidity and credit risk that result from the ordinary course of business. Meanwhile, the Market Risk Subcommittee for commodities is responsible for risk management of purchase prices of commodities and reviews the consistency of Company´s open positions in the futures markets with the Company's corporate risk strategy. Both functions report their activities to the Risk Management Department. The main objectives of the Risk Management Department are as follows:

- Identify, evaluate and monitor external and internal risks that could significantly impact the Company;
- Prioritize risks;
- Secure the assignment and monitoring of risk;
- Validate the functions and/or those responsible for risk management;
- Validate the progress in each of the prioritized risks; and
- Recommend future action to take.

Given that the variables the Company is exposed are dynamic in behavior, hedging strategies are evaluated and monitored formally on an ongoing basis. Additionally, such strategies are reported to the relevant governing body within the Company. The primary purpose of hedging strategies is to achieve a neutral and balanced position in relation to the exposure created by certain financial variables.

13.2.1 Market risks

The Company is exposed to the financial risks associated with fluctuations in foreign currency and interest rates, which are managed by Corporate Treasury. The Company is also exposed to price risk related to certain commodities purchased in its operation, which is managed by commodities subcommittees. The Company occasionally uses derivative financial instruments to mitigate the potential impact of fluctuations in these variables and prices on its results. The Company considers that the derivative financial instruments it enters into provide flexibility that allows for greater financial stability, better earnings visibility and certainty regarding costs and expenses to be paid in the future.

The Company determines the amounts and objective parameters of the primary positions for which the derivative financial instruments are entered into, with the objective of minimizing one or more of the risk exposures in a transaction or group of transactions associated with the primary position.

The Company only enters into derivative financial instrument contracts with recognized financial institutions of well-known solvency and within the limits set for each institution.

The principal types of derivative financial instruments used by the Company are:

a) Contracts that establish a mutual obligation to exchange cash flows on specific future dates, at the nominal or reference value (swaps):

   1. Interest rate swaps to balance the mix of fixed and variable interest rates used for financial liabilities.
   2. Cross currency swaps, to change the currency in which both the principal and interest of a financial liability are expressed.

b) Foreign currency exchange forwards;

c) Foreign currency exchange calls;

d) Commodity futures; and

e) Options on commodities futures.

Market risk exposure is monitored and reported on an ongoing basis to the responsible governing area within the Company.

The Company has established a policy that derivative financial instruments are entered into exclusively to hedge a risk. Accordingly, in order to enter into a derivative financial instrument contract, it must necessarily be associated with a primary position that exposes the Company to a specific risk. Consequently, the notional amounts of the Company's derivative financial instruments will be consistent with the amounts of the primary positions that are being hedged. The Company does not enter into derivative financial instruments for speculative purposes. If the Company decides to enter into a hedging strategy whereby options are combined, the net premiums paid/collected must represent a cash outflow, meaning the Company should not enter into derivative financial instrument transactions for speculative purposes.

Derivative financial instruments are comprised as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Assets:			
Current –			
Forwards	$ 3	$ 1	$ 6
Premiums paid on options, net	13	–	–
Swaps	29	–	–
Futures contracts:	–	–	–
Fair value of wheat and soybean oil		11	131
Fair value of natural gas and diesel	78	6	8
Total asset derivatives – current	$ 123	$ 18	$ 145
Long-term swaps	$ 533	$ 417	$ 393
Liabilities:			
Current –			
Swaps	$ –	$ (62)	$ –
Forwards	–	(1)	–
Futures contracts:	–	–	–
Fair value of wheat, corn, and soybean oil	(237)	(62)	–
Fair value of natural gas and diesel		(97)	–
Total derivatives liabilities – current	$ (237)	$ (222)	$ –
Swaps	$ (936)	$ (1,961)	$ (230)
Forwards (wheat)	–	–	(1)
Total derivatives liabilities – long- term	$ (936)	$ (1,961)	$ (231)

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Stockholders' equity:			
Fair value of financial instruments designated as cash flow hedges, net of accrued interest	$ 68	$ (450)	$ (11)
Closed contracts for unused futures	(288)	(52)	(8)
	(220)	(502)	(19)
Deferred income tax, net	88	148	–
Accumulated other comprehensive income related to derivative financial instruments	$ (132)	$ (354)	$ (19)

13.2.2 Interest rate risk management

The Company is exposed to interest rate risk, mainly with respect to its financial liabilities. The risk is managed through an adequate mix of fixed and variable rates, which on occasion, is achieved by entering into derivative financial instruments, such as interest rate swaps, which are accounted for as hedging instruments when they comply with the all criteria to be classified as such.

Management considers that its interest rate risk related to its financial assets is limited as their maturities are generally current.

As of December 31, 2012 and 2011 and January 1, 2011, the Company held long-term debt that bore interest at variable rates referenced to the TIIE, UDI, LIBOR and EURIBOR and entered into interest rate swaps to fix such interest rates. The swaps have been designated as cash flow hedges.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on balances exposed to interest rate risk, considering both derivative and non-derivative instruments at the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the interest rate risk during the period due to variances in the balances exposed to such risk. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 20 basis points in the one-month LIBOR and 10 basis points in the one-month EURIBOR represents management´s best estimate of a reasonable potential change with respect to those rates. The changes in the basis point determined by management would result in a one hundred percent changes of the interest rate. The Company has fully mitigated interest rate risks related to fluctuations in TIIE and the value of UDI through interest rate swaps.

An increase/decrease of 20 basis points in LIBOR, would result in a decrease/increase in profit or loss of approximately $2 and $36 for the years ended December 31, 2012 and 2011, respectively. Such amounts are not deemed significant to the results of the operations of the Company.

An increase/decrease of 10 basis points in EURIBOR would result in a decrease/increase in profit or loss of approximately $1 and $1 for the years ended December 31, 2012 and 2011, respectively. Such amounts are not deemed significant to the results of the operations of the Company.

An increase of 15 basis points in LIBOR would result in an increase in the Company´s comprehensive income of approximately $1 and a decrease of 15 basis points in LIBOR would result in a decrease in Company´s comprehensive income of approximately $1 for the year ended December 31, 2012.

An increase of 100 basis points in TIIE, would result in an increase in the Company´s comprehensive income of approximately $67 and a decrease of 100 basis points in LIBOR, would result in a decrease in Company´s comprehensive income of approximately $69 for the year ended December 31, 2012.

13.2.3 Foreign currency risk management

The Company undertakes transactions denominated in a variety of foreign currencies and presents its consolidated financial statements in Mexican pesos; it also has investments in foreign operations whose currencies differ from the Mexican peso. Accordingly, it is exposed to foreign currency risk (i.e., the forecasted purchase of inputs, contracts and monetary assets and liabilities) and foreign currency translation risk (i.e. net investments is foreign subsidiaries). The main risk is with respect to the parity of Mexican pesos to US dollars.

– Management of translation of foreign currency risk

  The Company has investments in foreign subsidiaries whose functional currency is other than the Mexican peso, which exposes it to the risk of foreign currency translation. Also, the Company has contracted intercompany financial assets and liabilities with those foreign subsidiaries, in various currencies, therefore representing a foreign currency risk.

  The risk is mitigated through the issuance of one or more loans denominated in currencies other than the functional currency to naturally hedge exposure to foreign currency, and presented as a net investment in foreign subsidiaries within other comprehensive income.

  As of December 31, 2012 and 2011, loans that have been designated as hedges on the net investment in foreign subsidiaries amounted to US$2,953 and US$2,735 million, respectively.

  As of December 31, 2012 and 2011, amounts that have been designated as hedges of intercompany long-term debt are EUR$406 and EUR$375 million, respectively.

  Risk management policy regarding foreign currency also contemplates hedging expected foreign currency cash flows, mainly related to future purchases of inputs. Such purchases qualify as hedged items, represented by "highly probable" forecasted transactions for purposes of hedge accounting. At the time the purchase occurs, the Company adjusts the non-financial asset that is considered the hedged item for the gain or loss previously recognized in other comprehensive income.

– Management of foreign currency transactional risk

  The risk management policy regarding foreign currency exchange rate risk is to hedge forecasted cash flows related to future obligations. Such transactions comply with the criteria to be considered "highly probable" forecasted transactions for purposes of hedge accounting.

– Foreign currency sensitivity analysis

  The sensitivity analyses below have been determined based on the balances exposed to foreign currency exchange rate risk for both derivative and non-derivative instruments as of the date of the consolidated statement of financial position; therefore, the analyses may not be representative of the foreign currency exchange rate risk that existed during the year due to variances in the balances exposed to such risk.

  A depreciation/appreciation of 1 peso per US dollar, represents management´s estimate of a reasonable potential change on the parity of both currencies, and would result in an increase/decrease of approximately $29 and $8 in profit or loss for the years ended December 31, 2012 and 2011, respectively.

Detail of derivative transactions to hedge the interest and exchange rate risk

The characteristics of the derivatives used to hedge the risks mentioned above and their fair values are as follows:

Amounts as of December 31, 2012						
Date of Commencement	Maturity	Notional amount	Interest rate Paid	Interest rate Collected		Fair value
A) Short-term swaps that convert the debt from US dollars to euros and modify the interest rate from a fixed rate based on US dollars to a fixed rate based on euros:						
October 17, 2011	June 17, 2013	50.0(**)	3.52% (Euros)	3.43% (USD)	$	29
B) Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
September 13, 2010	June 6, 2016	155.3 (*)	6.35% (USD)	10.60% (Pesos)		6
C) Swaps that modify the Bimbo 09U local bond currency and interest rate:						
June 10, 2009	June 6, 2016	$1,000	10.54% (Pesos)	6.05% (UDI)		175
June 24, 2009	June 6, 2016	$2,000	10.60% (Pesos)	6.05% (UDI)		347
D) Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
February 14, 2012	August 3, 2018	50.0 (*)	6.83% (Pesos)	3.24% (USD)		1
February 15, 2012	August 3, 2018	50.0 (*)	6.83% (Pesos)	3.30% (USD)		3
February 17, 2012	August 3, 2018	50.0 (*)	6.83% (Pesos)	3.27% (USD)		1
Total long-term assets					$	533
E) Swaps that fix the rate of the long–term bank loan in US dollars:						
May 27, 2009	January 15, 2014	112.5 (*)	2.33% (Fixed)	0.30% (LIBOR)	$	(16)
F) Swaps that fix the interest rate of the Bimbo 09 local bond:						
February 24, 2011	June 9, 2014	1,000	8.00% (Fixed)	6.35% (TIIE+1.55%)	$	(22)
February 24, 2011	June 9, 2014	1,000	7.94% (Fixed)	6.35% (TIIE+1.55%)		(22)
February 28, 2011	June 9, 2014	1,000	8.03% (Fixed)	6.35% (TIIE+1.55%)		(21)
June 26, 2009	June 9, 2014	2,000	7.43% (Fixed)	4.80% (TIIE)		(70)
G) Swaps that convert the Bimbo 09 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
February 11, 2011	June 9, 2014	166.0 (*)	5.06% (USD)	8.98% (Pesos)		(152)
April 27, 2011	June 9, 2014	86.6 (*)	3.73% (USD)	7.94% (Pesos)		(107)
April 25, 2011	June 9, 2014	86.2 (*)	3.83% (USD)	8.03% (Pesos)		(114)
April 28, 2011	June 9, 2014	86.7 (*)	3.78% (USD)	8.00% (Pesos)		(121)
H) Swaps that convert the Bimbo 09U local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
February 17, 2011	June 6, 2016	83.1 (*)	6.47% (USD)	10.54% (Pesos)		(88)
February 17, 2011	June 6, 2016	166.3 (*)	6.53% (USD)	10.60% (Pesos)		(175)
I) Swaps that convert the Bimbo 12 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
February 17, 2012	August 3, 2018	72.1 (*)	6.83% (Pesos)	3.33% (USD)		(7)
February 17, 2012	August 3, 2018	70.0 (*)	6.83% (Pesos)	3.27% (USD)		(10)
February 17, 2012	August 3, 2018	100.0 (*)	6.83% (Pesos)	3.25% (USD)		(11)
Total current liabilities (swaps)					$	(936)

(*) Amounts in millions of US dollars

(**) Amounts in millions of euros

A) On October 20, 2011, the Company entered into a cross currency swap, with respect to a loan that was entered into to partially finance the acquisition of Iberia, which converts US$68.4 million of the syndicated bank loan to 50 million euros. The instrument also changes the interest rate from a fixed rate of 3.43% in USD to a fixed interest rate of 3.52% in euros.

B) In connection with the issuance of the Bimbo 09–2 local bonds, for a national amount of $2,000 (equivalent to US$155.3 million), in 2010 the Company entered into a foreign currency swap, which convert the debt from Mexican pesos to US dollars. The exchange rate was set at $12.88 Mexican pesos per US dollar, and the fix interest rate to be paid is 6.35%.

C) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Company entered into two foreign currency swaps for $1,000 and $2,000 that together hedge the entire Bimbo 09U issue and converts the debt from 6.05% in UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

D) and I) In order to convert all the Bimbo 12 local bonds from Mexican pesos to US dollars, between February 14 and 17, 2012 the Company entered into 6 cross currency swaps for an amount of US$50, $50, $72.1, $70, $100 and $50 respectively. All the instruments earn interest at a rate of 6.83% in Mexican pesos and pay interest at a rate of 3.24%, 3.30%, 3.27%, 3.27%, 3.25% and 3.33% respectively.

E) To hedge the interest rate risk on the US dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Company entered into three swaps that originally totaled US$300 million and fixed the LIBOR rate to a weighted average rate of 1.63% and 1.66%. As a result of the prepayment in 2011 and 2010 of a portion of the US$300 million and by contracting a cross-currency swap that converts US$68.4 million to euros, as of December 31, 2012, US$112.5 million remain outstanding, which were allocated as hedge of the syndicated bank loan 2011.

F) To hedge the interest rate risk on the issuance of the Bimbo 09 local bonds, on June 26, 2009 the Company entered into an interest rate swap for $2,000 that fix the variable rate to 7.43%, effective July 13, 2009. Additionally, on February 24, 2011, the Company entered into two instruments for $1,000 that fixes TIIE + 1.55% to 8.00% and 7.94%, respectively. On February 28, 2011, the Company entered into another instrument for $1,000 that fixes TIIE + 1.55% to 8.03%.

G) In order to convert the fixed portion of the Bimbo 09 local bonds from Mexican pesos to US dollars, on February 17, 2011, the Company entered into foreign currency and interest rate swaps for $2,000 (equivalent to US$166 million). The exchange rate was set at $12.05 Mexican pesos per US dollar and the interest rate at 5.06%. Additionally, between April 25 and 28, 2011, the Company entered into three additional instruments, each one for $1,000, with exchange rates set at $11.53, $11.55 and $11.60 Mexican pesos per US dollar and fixed interest rates of 3.78%, 3.73% and 3.83%, respectively.

H) In order to convert the liability positions of instruments related to the issuance of the Bimbo 09-U bonds from Mexican pesos to US dollars, on February 17, 2011, the Company entered into two foreign currency and interest rate swaps, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. The exchange rates applicable to these instruments were set at $12.03 Mexican pesos per US dollar and interest was fixed at 6.47% and 6.53%, respectively.

Amounts as of December 31, 2011					
Date of Commencement	Maturity	Notional amount	Interest rate Paid	Interest rate Collected	Fair Value
A) Swaps that convert the debt from USD to Euros and modify the interest rate from a fixed rate based on US dollars to a fixed rate based on euros:					
October 20, 2011	June 17, 2013	50.0(**)	3.52% (Euros)	3.43% (USD)	$ 45
B) Swaps that modify the Bimbo 09U local bond currency and interest rate:					
June 10, 2009	June 6, 2016	$1,000	10.54% (Pesos)	6.05% (UDI)	126
June 24, 2009	June 6, 2016	$2,000	10.60% (Pesos)	6.05% (UDI)	246
Total long-term assets					$ 417
C) Swaps that fix the rate of the long–term credit line in US dollars:					
May 29, 2009	January 13, 2012	25 (*)	1.66% (Fixed)	0.30% (LIBOR)	$ (1)
May 29, 2009	January 13, 2012	100 (*)	1.63% (Fixed)	0.30% (LIBOR)	(1)
D) Swaps that convert the Bimbo 02–2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:					
September 15, 2010	May 3, 2012	58.6 (*)	5.70% (USD)	10.15% (Pesos)	(60)
Total current liabilities					$ (62)
E) Swaps that fix the rate of the long–term bank loan in US dollars:					
May 27, 2009	January 15, 2014	150 (*)	2.33% (USD)	0.30% (LIBOR)	(49)
F) Swaps that modify the Bimbo 09 local bond currency and interest rate:					
February 24, 2011	June 9, 2014	1,000	8.00% (Fixed)	6.35% (TIIE+1.55%)	$ (28)
February 24, 2011	June 9, 2014	1,000	7.94% (Fixed)	6.35% (TIIE+1.55%)	(27)
February 28, 2011	June 9, 2014	1,000	8.03% (Fixed)	6.35% (TIIE+1.55%)	(28)
June 26, 2009	June 9, 2014	2,000	7.43% (Fixed)	4.80% (TIIE)	(101)
G) Swaps that convert the Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:					
September 13, 2010	June 6, 2016	155.3 (*)	6.35% (USD)	10.60% (pesos)	(188)
H) Swaps that convert the Bimbo 09 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:					
February 11, 2011	June 9, 2014	166.0 (*)	5.06% (USD)	8.98% (pesos)	(339)
February 17, 2011	June 6, 2016	83.1 (*)	6.47% (USD)	10.54% (pesos)	(198)
February 17, 2011	June 6, 2016	166.3 (*)	6.53% (USD)	10.60% (pesos)	(397)
April 27, 2011	June 9, 2014	86.6 (*)	3.73% (USD)	7.94% (pesos)	(203)
April 25, 2011	June 9, 2014	86.2 (*)	3.83% (USD)	8.03% (pesos)	(198)
April 28, 2011	June 9, 2014	86.7 (*)	3.78% (USD)	8.00% (pesos)	(205)
Total long-term liabilities					$ (1,961)

(*) Amounts in millions of US dollars

(**) Amounts in millions of euros

A) For the purpose of financing the acquisition of Iberia, on October 20, 2011, the Company entered into a cross currency swap that converts US$68.4 million of the Syndicated bank loan into EUR$50 million. Under this instrument, the Company receives a fixed rate of 3.43% US dollars and pays a fixed rate of 3.52% euros.

B) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Company entered into two foreign currency swaps for $1,000 and $2,000 that together hedge the entire Bimbo 09U issue and converts the debt from 6.05% UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

C) and E) To hedge the interest rate risk on the US dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Company entered into three swaps that originally totaled US$300 million and fix the one-month LIBOR to an average rate of 1.63% and 1.66%. On August 25, 2011 the Company prepaid US$175 million of Tranche A of the Bank Loan, so the remaining balance of the hedging instrument of US$125 million was assigned to hedge the Tranche B Bank Loan. Additionally, to hedge the interest rate risk on the US dollar portion of Tranche B of the Bank Loan, on May 27, 2009, the Company entered into a swap for US$150 million that fixes the one-month LIBOR rate at 2.33%.

Tranche B of the Bank Loan was prepaid and the swaps were assigned to the New Syndicated Bank Loan issued in April 2011.

D) and G) In connection with the issuance of the Bimbo 02-2 and the Bimbo 09-2 local bonds, in September 2010 the Company entered into a foreign currency swap and an interest rate swap for $750, equivalent to US$58.6 million, and $2,000, equivalent to US$155.3 million, respectively, which convert the debt from Mexican pesos to US dollars and modify the related interest rates. The applicable exchange rates were $12.79 and $12.88 Mexican pesos per US dollar, and the interest rates to be paid are 5.70% and 6.35%, respectively.

F) To hedge the interest rate risk on the issuance of the Bimbo 09 local bonds, on June 26, 2009 the Company entered into an interest rate swap for $2,000 that fixes TIIE at 7.43% rate, effective July 13, 2009. Additionally, on February 24, 2011, the Company entered into two instruments for $1,000 that fix the variable TIIE plus 1.55% rate to 8.00% and 7.94%. On February 28, 2011, the Company entered into another instrument for $1,000 that fixes the variable TIIE plus 1.55% rate to 8.03%.

H) In order to convert the fixed portion of the Bimbo 09 Revolving Certificates from Mexican pesos to US dollars, on February 17, 2011, the Company entered into foreign currency and interest rate swaps for $2,000 (equivalent to US$166 million), fixing the exchange rate at $12.05 Mexican pesos per US dollar and the interest rate at 5.06%. Additionally, between April 25 and 28, 2011, the Company entered into three instruments, each one for $1,000, with fixed exchange rates of $11.53, $11.55 and $11.60 Mexican pesos per US dollar and fixed interest rates of 3.78%, 3.73% and 3.83%, respectively.

In order to convert the aforementioned instruments from Mexican pesos to US dollars, on February 17, 2011, the Company entered into two foreign currency and interest rate swaps, one for $1,000 (equivalent to US$83.1 million) and the second for $2,000 (equivalent to US$166.3 million), respectively. The exchange rates applicable to these instruments were $12.03 Mexican pesos per US dollar and interest was fixed at 6.47% and 6.53%, respectively.

Amounts as of January 1, 2011						
Date of Commencement	Maturity	Notional amount	Interest rate Paid	Interest rate Commencement		Fair Value
A) Swaps that convert the Bimbo 02–2 and Bimbo 09-2 local bonds from Mexican pesos to US dollars and modify their interest rates from Mexican pesos fixed to US dollars fixed:						
September 15, 2010	May 3, 2012	58.6 (*)	5.70% (USD)	10.15% (Pesos)	$	38
September 13, 2010	June 6, 2016	155.3 (*)	6.35% (USD)	10.60% (Pesos)		105
B) Swaps that modify the Bimbo 09U local bond currency and interest rate:						
June 10, 2009	June 6, 2016	$1,000	10.54% (Pesos)	6.05% (UDI)		85
June 24, 2009	June 6, 2016	$2,000	10.60% (Pesos)	6.05% (UDI)		165
Total long-term assets					$	393
C) Swaps that fix the interest rate in Bimbo 09 local bonds:						
June 26, 2009	June 9, 2014	$2,000	7.43% (Fixed)	4.87% (TIIE)	$	(87)
D) Swaps that fix the rate of the long–term credit facility in US dollars:						
May 27, 2009	January 15, 2014	150 (*)	2.33% (USD)	0.26% (LIBOR)		(59)
May 29, 2009	January 13, 2012	25 (*)	1.66% (Fixed)	0.26% (LIBOR)		(3)
May 29, 2009	January 13, 2012	100 (*)	1.63% (Fixed)	0.26% (LIBOR)		(12)
E) Swaps that fix the rate of the long–term debt in Mexican pesos:						
June 5, 2009	January 13, 2012	$1,500	6.51% (Fixed)	4.87% (TIIE)		(23)
June 5, 2009	January 15, 2014	$1,500	7.01% (Fixed)	4.87% (TIIE)		(46)
Total long-term liabilities					$	(230)

(*) Amounts in millions of US dollars

A) In connection with the issuance of the Bimbo 02-2 and the Bimbo 09-2 local bonds, in September 2010 the Company entered into a foreign currency swap and an interest rate swap for $750 and $2,000, respectively, which convert the debt from Mexican pesos to US dollars and modify the related interest rates. The applicable exchange rates were 12.79 and 12.88, and the fixed interest rates to be paid are 5.70% and 6.35%, respectively.

B) In connection with the issuance of the Bimbo 09U local bonds, between June 10 and 24, 2009, the Company entered into two foreign currency swaps for $1,000 and $2,000 that together cover the entire Bimbo 09U issue and convert the debt from UDIs to Mexican pesos at fixed rates of 10.54% and 10.60%, respectively.

C) To cover the interest rate risk on the issuance of the Bimbo 09 local bonds, on June 26, 2009 the Company entered into an interest rate swap for $2,000 that fixes TIIE at 7.43% effective in July 13, 2009.

D) To cover the interest rate risk on the dollar portion of Tranche A of the Bank Loan, between May 27 and 29, 2009, the Company entered into three swaps that totaled US$300 million and fix the one-month LIBOR to an average rate of 1.64%. Additionally, to cover the interest rate risk on the US dollar portion of Tranche B of the Bank Loan, on May 27, 2009, the Company entered into a swap for US$150 million that fixes the one-month LIBOR rate at 2.33%.

E) To cover the interest rate risk on the Mexican pesos portion of Tranche A of the Bank Loan, on June 5, 2009, the Company entered into a swap for $1,500 that fixes the 28-day TIIE rate at 6.51%. Since the Company prepaid the portion of Tranche A on August 25, 2010, the related hedge was transferred to the Tranche B Bank Loan. Additionally, to cover the interest rate risk on the Mexican pesos portion of Tranche B of the Bank Loan, on June 5, 2009, the Company entered into a swap for $1,500 that fixes the 28-day TIIE rate at 7.01%.

Foreign Currency Hedge

The Company held forward contracts based on projections of expenses in euros. These instruments cover a notional amount of $24.9, $20 and $25.3 million euros as of December 31, 2012 and 2011 and January 1, 2011, respectively, and fix the exchange rate for the purchase of foreign currency at a price of $17.022, $ 18.1345 and $ 16.3261 Mexican pesos per euro. Their fair value is $3, $1 and $6 at the end of each year, respectively.

Based on its projections of expense, Corporate treasury has diverse obligations in USD, for which reason, at December 31, 2012, it maintains a portfolio of options and forwards that result in a long-term position in forwards with monthly maturities of US$128 million at an average exchange rate of $13.9996 Mexican pesos per USD. The net fair value of the instruments is $(2).

As of December 31, 2011, the Company entered into a forward to hedge the cash outflows related to financial and/or operating liabilities denominated in US dollars. This instrument hedges a notional amount of debt of US$10 million and fixed the exchange rate for purchases of foreign currency at $ 13.8363 Mexican pesos per USD, respectively. The fair value is $(1).

13.2.4 Commodities price risk management

In accordance with the Company´s risk management policies, it enters into wheat, natural gas, and other commodities futures contracts to minimize the risk of variation in international prices of such inputs.

Wheat, the main input used by the Company, together with natural gas, are some of the commodities hedged. The transactions are carried out in recognized commodity markets, and through their formal documentation are designated as cash flow hedges of forecasted transactions. The Company performs prospective and retrospective effectiveness tests of the instruments to ensure they mitigate the variability of cash flows from fluctuations in the price of such inputs.

As of December 31, 2012 and 2011 and January 1, 2011, the Company has recognized, in other comprehensive income, closed contracts that have not yet been transferred to cost of sales due to the fact that the wheat under these contracts has not been used for flour consumption.

Detail of derivative transactions that hedge commodities price risk

As of December 31, 2012 and 2011 and January 1, 2011, the contracted futures and their main characteristics were as follows:

Amounts as of December 31, 2012						
		Contracts				Fair
Commencement date	Position	Number	Maturity	Region		Value
Futures contracts to fix the purchase price of natural gas and diesel:						
Various (diesel)	Long	2,530	Various	USA	$	48
Various (gasoline)	Long	735	Various	USA		30
Various (natural gas)	Long	350	Various	Mexico	$	–
Various (natural gas)	Long	246	Various	USA	$	–
Total current assets					$	78
Futures contracts to fix the purchase price of wheat and soybean oil:						
August through December 2012 (wheat)	Long	6,815	May through December 2013	USA	$	(189)
April through December 2012 (wheat)	Long	3,113	May through December 2013	Mexico		(33)
Various (corn)	Long	174	July through December 2013	USA		(5)
Various (soybean oil)	Long	581	March through December 2013	USA		(6)
October through December 2012 (wheat)	Long	179	March through July 2013	OLA		(4)
Total current liabilities					$	(237)

Amounts as of December 31, 2011					
		Contracts			Fair
Commencement date	Position	Number	Maturity	Region	Value
Futures contracts to fix the purchase price of wheat and soybean oil:					
September through December 2011	Long	879	From March to September 2012	USA	$ 8
Various (soybean oil)	Long	335	From March to May, 2012	USA	3
Total current assets					$ 11
Futures contracts to fix the purchase price of natural gas and diesel:					
Various (Diesel)	Long	1,004	Various	USA	$ 3
Various (Gasoline)	Long	469	Various	USA	3
Total current assets					$ 6
Futures contracts to fix the purchase price of wheat and soybean oil:					
June through December 2011	Long	3,474	From March to December 2012	Mexico	$ (60)
July through November 2011	Long	133	From March to September 2012	OLA	(2)
Total current liabilities					$ (62)
Futures contracts to fix the purchase price of natural gas:					
Various (natural gas)	Long	524	Various	Mexico	$ (65)
Various (natural gas)	Long	215	Various	USA	(32)
Total current liabilities					$ (97)

Amounts as of January 1, 2011					
		Contracts			Fair
Commencement date	Position	Number	Maturity	Region	Value
Futures contracts to fix the purchase price of wheat and soybean oil:					
November 2010	Long	1,132	March 2011	Mexico	$ 48
November 2010	Long	1,160	March 2011	USA	75
November 2010	Long	14	March 2011	OLA	1
Various (soybean oil)	Long	138	March to May 2011	USA	7
Total current assets					$ 131
Futures contracts to fix the purchase price of natural gas and diesel:					
August through December 2010	Long	524	June 2011 through December 2012	Mexico	$ 8
August through October 2010	Long	315	March through December 2011	USA	–
Total current assets					$ 8

As of December 31, 2012 and January 1, 2011, the Company held two forward contracts to hedge cash flows related to the purchase of inputs denominated in US dollars. As of December 31, 2011 there are no hedges of currency forwards for purchase of inputs.

Amounts as of December 31, 2012				
		Contracts		
Commencement date	Maturity	Notional Amount	Average exchange rate	Fair Value
Forwards to hedge cash flows related to the purchase of inputs in USD:				
September through December 2012	Between January and April 2013	US$80 millions	$12.9730	2

Amounts as of January 1, 2011				
		Contracts		
Commencement date	Maturity	Notional Amount	Average exchange rate	Fair Value
Forwards to hedge cash flows related to the purchase of inputs in USD:				
October through November 2010	Between January and April 2011	US$60 millions	$12.4242	(1)

Embedded derivative instruments – As of December 31, 2012 and 2011 and January 1, 2011, the Company has not identified any embedded derivative financial instruments that require bifurcation.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of financial assets and liabilities is determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active, liquid markets are determined with reference to their quoted market prices.

The fair value of other financial assets and liabilities are determined in accordance with accepted pricing models, generally based on discounted cash flow analysis.

In particular, the fair value of loans from financial institutions is determined using the income approach, discounting the contractual cash flows of these liabilities at current rates estimated by the Company. Such current rates are determined through quotations obtained from a variety of counterparties. The rates used were 1.67%, and 1.84% for loans denominated in dollars and euros, respectively. This valuation is considered Level 3, based on the hierarchy described below.

As of December 31, 2012 , 2011 and January 1, 2011, the carrying value of financial assets and liabilities does not vary significantly from their fair value.

The fair value of long-term debt was determined based on the prices provided by Valuación Operativa y Referencias de Mercado S. A. de C. V. ("VALMER") which is an entity supervised by the CNBV, that provides prices for financial instruments. Such valuation is considerate as Level 1, according to the hierarchy described as follows:

Fair value hierarchy

The amount of assets and liabilities in the consolidated statements of financial position, measured at fair value, are grouped into one of the following three hierarchy levels. Categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13.2.5 Liquidity risk management

Corporate treasury is responsible for managing liquidity risk. Risk management allows the Company to determine its short-, medium- and long-term cash flow needs, while seeking financial flexibility. The Company maintains sufficient liquidity through an orderly management of its resources and ongoing monitoring of cash flows, as well as maintaining a variety of credit lines (some of them committed) with bank institutions and proper management of working capital. These actions ensure the payment of future obligations. The Company believes that due to the nature of its business, liquidity risk is low.

Obligations resulting from financial instruments and debt amortization are as follows:

	X<1 year	1 year <X<3 years	3 years<X<5 years	X>5years
Debt	$ 2,162	$ 9,597	$ 11,769	$ 32,385
Derivative instruments	(273)	326	(458)	767
Total	$ 1,889	$ 9,923	$ 11,311	$ 33,152

13.2.6 Credit risk management

Credit risk arises from the possible loss if a customer is unable to pay its obligations, loss on investments and principally the risk related to derivative financial instruments.

When accounts receivable to customers is impaired, the Company recognizes an allowance for doubtful accounts. The allowance is increased for those accounts beyond 90 days past due, based on the results of the analysis of each account and the overall results of changes in the accounts receivable and the seasonality of the customers' business. The methodology used to determine the allowance has been applied consistently and the allowance has been historically sufficient to cover impaired unrecoverable accounts.

With respect to operations with derivative financial instruments related to interest rate and exchange rate hedges, these instruments are entered into bilaterally (OTC), with counterparties of high repute that meet certain criteria mentioned below, and who maintain a significant and continuous commercial relationship with the Company.

These counterparties are deemed of high repute, as they are sufficiently solvent -based on their "counterparty risk" rating from Standard & Poor´s- for short- and long-term obligations in local and foreign currency. The counterparties with whom the Company has contracts with respect to derivative financial instruments are:

Banco Nacional de México, S. A., BBVA Bancomer, S. A., Barclays Bank, PLC W. London, Bank of America México, S. A., Merrill Lynch Capital Services, Inc., HSBC Bank, ING. Investment Bank, JP Morgan Chase Bank, N. A., Banco Santander, S. A., Mizuho Corporate Bank, Ltd. and The Bank of Tokyo Mitsubishi ufj, Ltd.

Commodities derivatives financial instruments are contracted in the following recognized markets:

a. Minneapolis Grain Exchange (MGE)
b. Kansas City Board of Trade (KCBOT)
c. Chicago Board of Trade (CBOT)
d. Mercado a Término de Buenos Aires
e. New York Mercantile Exchange (NYMEX)

Exposure to each counterparty is monitored on a monthly basis.

All derivative financial instrument transactions are performed under a standardized contract and duly executed by the legal representatives of the Company and those of the counterparties.

Appendix and annexes to the contract, establish the settlement and other relevant terms in accordance with the manners and practices of the Mexican market.

Some derivative financial instrument contracts include the establishment of a security deposit or other securities to guarantee payment of obligations arising from such contracts. Credit limits that the Company has with its counterparties are large enough to support its current operations; however the Company maintains cash deposits as collateral for payment of derivative financial instruments.

For those commodities future contracts executed in recognized, international markets, the Company is subject to the regulation of those markets. These regulations include, among others, establishing an initial margin call for futures contracts and subsequent margin calls required of the Company.

13.2.7 Equity structure management

The Company maintains a healthy relation between debt and equity, to maximize the shareholders' return.

The Company's equity structure consists of net debt of $37,693 and shareholders' equity of $47,058. The Company is not subject to any external requirement related to equity.

As of December 2012 the leverage ratio, calculated as net debt over total equity was 0.80%.

Leverage ratio

The leverage ratio at the end of each period is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Debt (i)	$ 41,971	$ 45,992	$ 32,932
Cash and cash equivalents	4,278	3,966	3,325
Net debt	37,693	42,026	29,607
Stockholders' equity	47,058	48,699	41,853
Net debt to stockholders' equity	0.80 times	0.86 times	0.70 times

(i) Debt is comprised of bank loans and short- and long-term bonds.

14. EMPLOYEE BENEFITS AND WORKERS´ COMPENSATION

Net projected liabilities of employee and welfare benefits plans and workers' compensation, by geographical area, are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Retirement in México	$ 2,912	$ 1,989	$ 1,480
Retirement and post-retirement benefits in USA	5,362	5,259	3,260
Workers' compensation in USA	2,534	2,754	1,153
MEPP in USA	9,400	9,338	-
Total net liability	$ 20,208	$ 19,340	$ 5,893

a. *Mexico*

The Company has a defined benefit pension and seniority premium plan. The Company is also required to pay termination benefit obligations, which does not qualify post-retirement benefit plans under IFRS, for which reason a liability for the benefits is not recognized until the obligation occurs, generally upon payment. The Company´s funding policy is to make discretionary contributions. During 2012 and 2011, the Company has not contributed to the plans.

Seniority premiums payment consist of a one–time payment of 12 days for each year worked based on the final salary, not exceeding twice the minimum wage, applicable at the payment date, established by law for all its personnel, as stipulated in the respective employment contracts. Such benefits vest for employees with 15 or more years of service.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2012 and 2011 and January 1, 2011 by Jose Muriel Delsordo, member of Colegio Nacional de Actuarios, A. C.. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Discount rate	7.13%	7.64%	7.64%
Wage increases	4.50%	4.54%	4.54%

The amounts recognized in profit or loss with respect to defined benefit pension plans:

	December 31, 2012	December 31, 2011
Current service cost	$ 407	$ 370
Interest cost	498	473
Interest income on plan assets	(351)	(390)
Net cost of the period	$ 554	$ 453

The net cost of the period was allocated $120 and $114 in 2012 and 2011, respectively, as cost of sales and the remainder as general expenses. The interest on the net obligation was recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Present value of defined benefit obligation	$ 7,716	$ 6,637	$ 6,041
Less- Fair value of plan assets	4,804	4,648	4,561
Underfunded status of the defined benefit obligation	$ 2,912	$ 1,989	$ 1,480

Movements in the present value of the defined benefit obligation:

	December 31, 2012	December 31, 2011
Present value of the defined obligation as of January 1,	$ 6,637	$ 6,041
Service cost	407	370
Interest cost	498	473
Experience adjustments on the obligation	416	(30)
Benefits paid	(242)	(217)
Present value of the defined benefit obligation as of December 31	$ 7,716	$ 6,637

Movements in fair value of plan assets:

	December 31, 2012	December 31, 2011
Plan assets at fair value as of January 1	$ 4,648	$ 4,561
Return on plan assets	351	390
Experience adjustments on the obligation	47	(86)
Benefits paid	(242)	(217)
Plan assets at fair value as of December 31	$ 4,804	$ 4,648

Categories of plan assets:

	Fair value of plan assets		
	As of December 31, 2012	As of December 31, 2011	As of January 1, 2011 (transition date)
Equity instruments	$ 1,675	$ 842	$ 808
Debt instruments	2,916	3,406	3,689
Others	213	400	64
Total	$ 4,804	$ 4,648	$ 4,561
Expected weighted return	$ 7.13	$ 8.67	$ 8.67
Real weighted return	$ 13.54	$ 5.60	$ 8.60

Fair value of the assets of the plan are measured using valuation techniques that include inputs that are not based on observable market data.

The amounts of experience adjustments are as follows:

	As of December 31, 2012	As of December 31, 2011
Defined benefit obligation	$ 7,716	$ 6,637
Less – Fair value of plan assets	4,804	4,648
Underfunded status	$ 2,912	$ 1,989
Experience adjustments on the defined benefit obligation	$ 416	$ (30)
Experience adjustments on plan assets	$ 47	$ (86)

b. ***USA –*** The Company has established a defined benefit pension plan that covers eligible employees, the benefits of the plan were frozen. The Company´s funding policy is to make discretionary contributions. As of December 31, 2012 and 2011, the Company contributed to such plan $540 and $456, respectively.

The Company also has established post-retirement employee welfare plans, which covers the medical insurance of certain eligible employees. The Company has insurance and pays these expenses as they occur.

The most recent actuarial valuations of the plan assets and present value of defined benefits obligation were performed as of December 31, 2012 and 2011 and January 1, 2011 by Mercer (US), Inc. The present value of defined benefits obligation, cost of services of the year, and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Average of discount rates	3.65% – 4.2%	4.30 – 4.65%	5.85%
Wage increases	3.75%	3.75%	3.75%
Inflation rates	2.75%	2.75%	1.64%

The amounts recognized in profit or loss with respect to defined benefit pension plans and post-retirement benefits:

	December 31, 2012	December 31, 2011
Current service cost	$ 234	$ 125
Interest cost	686	465
Prior service costs and other	(225)	25
Interest income on plan assets	(485)	(285)
Net cost of the period	$ 210	$ 330

The net cost of the period was allocated $119 and $123 in 2012 and 2011, respectively, in the consolidated statements of income as cost of sales and the remainder as general expenses. The interest on the obligation and the expected return on the plan assets are recognized as finance costs.

The following table shows the funded status of the pension and seniority premium obligations as of the date thereon:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Present value of defined benefit obligation	$ 16,959	$ 16,471	$ 7,546
Less – Fair value of plan assets	11,597	11,212	4,286
Underfunded status of defined benefit obligation	$ 5,362	$ 5,259	$ 3,260

Movements in the present value of the defined benefit obligation:

	December 31, 2012	December 31, 2011
Present value of the defined obligation as of January 1	$ 16,471	$ 7,546
Service cost	233	125
Interest cost	686	465
Effect of experience adjustments	(323)	(148)
Effect of changes in demographic assumptions	95	45
Effect of changes in financial assumptions	1,679	501
Business acquisitions	–	7,483
Adjustment for fluctuation in currency exchange	(1,141)	990
Benefits paid	(741)	(536)
Present value of the defined benefit obligation as of December 31	$ 16,959	$ 16,471

Movements in fair value of plan assets:

	December 31, 2012	December 31, 2011
Plan assets at fair value as of January 1	$ 11,212	$ 4,286
Interest income, and others	465	269
Return on plan assets	742	516
Employer and employee contributions	523	449
Business acquisitions	–	5,573
Adjustment for fluctuation in currency exchange	(777)	563
Benefits paid	(568)	(444)
Plan assets at fair value as of December 31	$ 11,597	$ 11,212

Categories of plan assets:

	Fair Value of plan assets		
	As of December 2012	As of December 2011	As of January 1, 2011 (transition date)
Equity instruments	$ 4,386	$ 3,658	$ 1,576
Debt instruments	5,608	5,655	2,301
Others	1,604	1,899	409
Total	$ 11,598	$ 11 212	$ 4,286
Expected weighted return	$ 4.57	$ 7.25	$ 7.5
Real weighted return	$ 12.3	$ 13.9	$ 8.7

Fair value of the assets of the plan are measured using valuation techniques that include inputs that are not based on observable market data.

The amounts of experience adjustments are as follows:

	December 31, 2012	December 31, 2011
Present value of defined benefits obligation	$ 16,959	$ 16,471
Less – Fair value of plan assets	11,597	11,212
Underfunded status	5,362	5,259
Experience adjustments on plan obligation	(323)	(148)
Experience adjustments on plan assets	$ 742	$ 516

Multi-employer pension plans (MEPP)

The Company participates in defined benefits plans defined as MEPP. A MEPP is a fund in which several unrelated employers, in the same or similar industry, make payments to fund retirement benefits for unionized employees enrolled in the plan. Originally, it was set to facilitate the mobility of employees between companies in the same industry preserving pension benefits. Usually they are administered by a trust that is overseen by representatives of all employers and employees. Currently BBU participates in 34 MEPPs.

Some of the Company's MEPP qualify as a defined contribution plans. Therefore, annual contributions are recognized in profit or loss. Other plans qualify as defined benefits, however are accounted for in the same way, as the Company does not have sufficient available information to complete the respective calculations as the nature of the collective plans and involvement of the Company in the management of the plans is limited.

Contributions to the MEPP for the years ended December 31, 2012 and 2011 were $1,426 and $917, respectively. The estimated contributions for 2013 are approximately $1,587.

In case that other employer exits the MEPP´s program, without satisfying the liability of its exit, the non-covered amount is distributed to the other active employers.

Generally, the distribution of the liability for the exit of the plan related to the relation between the Company´s obligations to the plan and the relation to the other contributors to the plan.

When the exit of a MEPP is highly probable to happen, is recognized as a provision for the estimated future cash outflows present value, discounted at the actual rate.

The MEPP withdrawal liability generated form the acquisition of Sara Lee, as mentioned in Note 1, is $8,354, resulting from the contractual obligation on the underfunded plans. The amount was determined based on information provided by the fund´s administrator, upon intention to exit the plan. In addition to the amount above, BBU also obtained the information related to other plans not related to Sara Lee´s, for which BBU has expressed its intention to withdraw, and recorded, as a charge to profit or loss in 2011 $564.

During 2012, the Company decided to exit two other MEPPs, in which they participate that resulted in a withdrawal liability and related expense of $954, presented in the other operating expenses line.

Liabilities that have been recorded with respect to the MEPP concept are subject to changes based on changes in wages, seniority and the mix of employees in the plan, which are recognized within income of the year in addition to amounts that are contributed in different MEPPs.

The estimated cost of the withdrawal liability of all the plans is $21,271, of which the Company has provisioned $9,934. The differential not provisioned represents the Company´s best estimate of withdrawal cost of the other plans, for which as of the date of the accompanying consolidated financial statements, the Company does not have the intent of withdrawing.

Welfare benefit plans USA

The Company maintains a welfare benefit plan that covers certain eligible employees' postretirement medical expenses. Amounts correspond to expenses that are recorded in profit or loss as incurred. These obligations are classified as current or long-term welfare benefit plans and the amounts are included in the income statement. As of December 31, 2012, 2011 and January 1, 2011, these liabilities were:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Welfare benefit plans			
Current (a)	$ 1,313	$ 1,180	$ 573
Long-term	2,534	2,754	1,153
	$ 3,847	$ 3,934	$ 1,726

(a) Included in other accounts payable and accrued expenses

15. STOCKHOLDERS' EQUITY

a. At December 31, 2012, stockholders' equity consists of the following:

	Number of shares	Historical value	Restatement / translation effect	Total
Fixed capital series "A"	4,703,200,000	$ 1,901	$ 2,326	$ 4,227
Reserve for repurchase of shares		747	159	906
Retained earnings		28,307	11,300	39,607
Consolidated net income		2,028	–	2,028
Accumulated translation effect of foreign subsidiaries		–	(1,470)	(1,470)
Accumulated effect of employee benefits		(430)	–	(430)
Unrealized loss on cash flow hedges		(132)	–	(132)
Non-controlling interest in consolidated subsidiaries		2,188	134	2,322
Total		$ 34,609	$ 12,449	$ 47,058

The amounts reclassified from other comprehensive income to profit and loss in 2012 and 2011 were $195 and $178, respectively.

b. Effective April 29, 2011, as a result of a four–to–one stock split, Grupo Bimbo's shareholders authorized an increase in common shares from 1,175,800,000 to 4,703,200,000. Weighted average number of shares outstanding, basic earnings per common share and dividends per share are presented in the accompanying consolidated financial statements as if the stock split had occurred at the beginning of the first comparable period presented.

Capital stock is fully subscribed and paid–in and represents fixed capital. Variable capital cannot exceed 10 times the amount of minimum fixed capital without right of withdrawal and must be represented by Series "B", ordinary, nominative, no–par shares and/or limited voting, nominative, no–par shares of the Series to be named when they are issued. Limited voting shares cannot represent more than 25% of non–voting capital stock.

c. Dividends declared in 2012 and 2011 were:

Approval date:	Mexican pesos per share	Total value
April 20, 2012	$ 0.150	$ 705
April 28, 2011	$ 0.137	$ 647

During 2012 and 2011, the dividends paid to non–controlling shareholders were $136 and $126, respectively.

d. 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, 2012, 2011 and January 1, 2011, the legal reserve, in historical Mexican pesos, was $500.

e. Stockholders' equity, except restated paid–in capital and tax-retained earnings, will be subject to income taxes payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

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

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Paid-in capital	$ 26,310	$ 25,406	$ 24,473
Net after-tax income	26,175	22,377	18,253
Total	$ 52,485	$ 47,783	$ 42,726

16. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

a. The monetary position in the equivalent of million dollars, presented below, is comprised solely by the Mexican Companies, as the foreign subsidiaries operate mostly in their local currency and the majority of balances in foreign currency relate to transactions with related parties, hence are eliminated in the consolidated financial statements. At December 31, 2012 and 2011,and January 1, 2011, the foreign currency monetary position in the equivalent of millions of US dollars, for the Mexican entities only, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Current assets	$ 52	$ 112	$ 77
Liabilities–			
Short-term	(36)	(31)	(53)
Long-term	(1,884)	(2,274)	(1,076)
Total liabilities	(1,920)	(2,305)	(1,129)
Liability position, net	(1,868)	(2,193)	(1,052)
Mexican pesos equivalent	$ (24,303)	$ (30,655)	$ (13,000)

b. As mentioned in Note 20, the Company has significant operations in the USA, OLA and Iberia.

c. The transactions in millions of US dollars, for the Mexican entities only, after elimination of the transactions between consolidated subsidiaries, were as follows:

	December 31, 2012	December 31, 2011
Export sales	$ 1	$ 6
Import purchases of raw materials	$ 109	$ 105
Purchases of fixed assets from foreign countries	$ 17	$ 35

d. The exchange rates in effect at the dates of the consolidated statements of financial position and of issuance of the accompanying consolidated financial statements were as follows:

	March 22, 2013	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Mexican pesos per one US dollar	$ 12.3909	$ 13.0101	$ 13.9787	$ 12.3571

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	December 31, 2012	December 31, 2011
Interest income	$ 1	$ 68
Purchases of:		
Raw materials	$ 5,741	$ 5,279
Finished products	$ 1,341	$ 1,173
Supplies, uniforms and other	$ 488	$ 983

Sales and purchases to related parties are made at market prices expected between independent 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 or prior years for bad or doubtful accounts in respect of the amounts owed by related parties.

b. The net balances due to related parties are:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Beta San Miguel, S. A. de C. V.	$ 51	$ 361	$ 295
Efform, S. A. de C. V.	28	28	27
Fábrica de Galletas La Moderna, S. A. de C. V.	89	42	21
Frexport, S. A. de C. V.	82	87	80
Grupo Altex, S. A. de C. V.	243	229	159
Industrial Molinera Montserrat, S. A. de C. V.	32	11	20
Makymat, S. A. de C. V.	8	6	6
Mundo Dulce, S.A. de C.V.	58	75	64
Ovoplus del Centro, S. A. de C. V.	5	9	48
Pan-Glo de México, S. de R. L. de C. V.	11	1	4
Paniplus, S. A. de C. V.	21	21	24
Proarce, S. A. de C. V.	39	26	35
Uniformes y Equipo Industrial, S. A. de C. V.	10	8	19
	$ 677	$ 904	$ 802

c. Employee benefits granted to Company key management were as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Short- and long –term direct benefits	$ 351	$ 328	$ 305
Cash payments for purchase of shares	88	80	45
Severance benefits	$ 494	$ 449	$ 408

18. INCOME TAXES

Income taxes in México –

The Company's Mexican operations are subject to ISR and IETU.

ISR – The ISR rate in 2012 was 30%, will remain at 30% for 2013 and will decrease to 29% in 2014 and 28% for 2015 and thereafter. Beginning in 2010, Mexican entities are subject to ISR on an individual basis.

IETU – Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate was 17.5%. The Asset Tax Law ("IMPAC") was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid may be recovered, according to the terms of the law.

Current income tax is the greater between ISR and IETU.

Based on its financial projections, the Company determined that some of its Mexican subsidiaries will pay ISR in some years and IETU in others. Consequently, those subsidiaries determined their deferred income taxes by year under both regimes, recognized a deferred each year depending on which resulted in a greater liability. The remaining subsidiaries are expected to pay ISR and have thus determined their deferred income taxes based on ISR.

In the last quarter of 2011, the Company determined the deferred income taxes for its acquisitions of Sara Lee USA, Sara Lee España and Fargo, resulting in the recognition of deferred income tax assets (liabilities) of $3,290, $314 and $(621), respectively.

Income taxes in other countries –

Foreign subsidiaries calculate income taxes on their individual results, in accordance with the regulations of each country. The subsidiaries in the USA have authorization to file consolidated income tax returns.

The tax rates applicable in other countries where the Company mainly operates and the period in which tax losses may be applied, are as follows:

	Statutory income tax rate (%)		
	December 31, 2012	December 31, 2011	Period of expiration of tax loss carryforwards
Argentina	35.0	35.0	(A) 5
Austria	25.0	25.0	(B)
Brazil	34.0	34.0	(C)
Colombia	33.0	33.0	(D)
Costa Rica	30.0	30.0	3
Chile	(E) 20.0	20.0	(F)
China	25.0	25.0	5
El Salvador	25.0	25.0	(G)
Spain	30.0	30.0	15
USA	(H) 35.0	(H) 35.0	20
Guatemala	(I) 31.0	(I) 31.0	(G)
Netherlands	25.0	25.0	9
Honduras	(J) 25.0	(J) 25.0	3
Hungary	19.0	19.0	(F)
Luxembourg	21.0	21.0	(F)
Nicaragua	30.0	30.0	3
Paraguay	10.0	10.0	(G)
Panama	25.0	27.5	5
Peru	30.0	30.0	(K)
Czech Republic	19.0	19.0	(L)
Uruguay	25.0	25.0	(L)
Venezuela	34.0	34.0	(M)

(A) Tax losses from sales of shares or other equity investments may only be offset against income of the same nature. The same applies for losses on derivatives. Foreign source tax losses may only be amortized with income from foreign sources.

(B) Tax losses generated after 1990 may be applied indefinitely but may only be offset each year up to an amount equal to 75% of the net taxable profit for the year.

(C) Tax loses may be applied indefinitely, but may only be offset each year up to an amount equivalent to 30% of the net taxable profit for the year.

(D) Tax losses generated in 2005 and 2006 may be amortized within the following eight years, but only up to 25% of the income tax of each year. Beginning 2007, tax losses may be amortized without limitation with respect to value or period.

(E) The income tax rate was 20% in 2011 and 18.5% in 2012 and in 2013, will return to 17%.

(F) No expiration date.

(G) Operating losses are not amortizable.

(H) A state tax should be added to this percentage, which varies in each state of the US. The weighted average combined statutory tax rate for 2012 and 2011 was 39.1% and 39.2%, respectively.

(I) The general tax rate is 5% but the tax base is calculated as follows: Total gross revenues less non– taxable revenues. The optional tax rate is 31% but the tax basis is different: Net income less non-taxable revenues, plus nondeductible expenses, and other deductions.

(J) In the case of a taxable income greater than 1 million Lempiras, an additional 6% must be paid as temporary solidarity tax.

(K) There are two alternatives allowed for tax loss amortization: 1) over the following four years or 2) unlimited amortization up to 50% of the net taxable profit of each year. The Company chose option 1. Once made, an election may not be changed, until the accumulated losses of previous years are applied.

(L) Tax losses may be amortized in the following five years of being generated.

(M) Depending on the nature of the tax losses, the period of amortization may vary: 1) Operating, 3 years; 2) tax inflation adjustment, 1 year; 3) foreign, can only be applied to foreign profits, 3 years; and 4) those originated in tax havens can only be applied to those profits obtained in such jurisdictions, 3 years.

Operations in the USA, Argentina, Colombia, Guatemala, Panamá and Nicaragua are subject to minimum payments of income tax.

Details of provisions, effective tax rate and deferred effects

a. Consolidated taxes on the consolidated income are as follows:

	December 31, 2012	December 31, 2011
Income tax:		
Current	$ 2,636	$ 2,760
Deferred	(488)	2
	2,148	2,762
IETU:		
Current	$ 3	$ 17
Deferred	44	50
	47	67
	$ 2,195	$ 2,829

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income for the years ended December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Income before taxes	$ 4,626	$ 8,035
Statutory rate in Mexico	30%	30%
ISR at statutory tax rate	1,388	2,410
Add (less) tax effects of the following items:		
Inflationary effects on the monetary financial position	379	428
Nondeductible expenses, nontaxable revenues and other	115	70
Difference in tax rates and currency of subsidiaries in different tax jurisdictions	(256)	193
Tax effect on the values of property, plant and equipment	(109)	(79)
IETU	47	67
Participation in the results of associates	(15)	(15)
Change in unrecognized tax benefits	646	(245)
Income tax recognized in profit or loss	$ 2,195	$ 2,829
Effective tax rate	47%	35%

In 2012, the effective tax rate increased mainly due to the increase in unrecognized tax benefits stemming from tax loss carry forwards at certain subsidiaries for which they determined it was necessary to have tax profits in the previous years, as well as tax projections where they would generate sufficient taxable profits to recover the benefits of such losses. Therefore, certain subsidiaries that have tax losses did not recognize the related benefit of those tax losses.

Additionally, the Company decided to derecognize a portion of the deferred tax asset generated by its Brazilian operations, originating an expense in profit or loss of the year. These changes are originated because of the deceleration in the operations of the Brazilian subsidiary and its history of recent tax losses. Tax losses can be applied indefinitely, but only at an amount equivalent to 30% of the net taxable profit for the year.

c. The main items originating a deferred income tax asset as of December 31, 2012 and 2011 are:

	January 1, 2011 (transition date)	Effects through profit or loss	Effects through comprehensive income	Changes due to business acquisitions	December 31, 2011
Allowance for doubtful accounts	$ (109)	$ 89)	$ –	$ (21)	$ (219)
Inventories and payments in advance	9	–	–	23	32
Property, plant and equipment	2,010	196	–	1,359	3,565
Intangible and other assets	3,493	128	–	1,027	4,648
Other reserves	(3,095)	(2,181)	(75)	(5,138)	(10,489)
Employee profit sharing	(212)	(15)	–	–	(227)
Tax loss carry forwards	(3,502)	(123)	–	(506)	(4,131)
Tax loss carry forwards reserve	173	381	–	273	827
Translation effect for hedge of net investment	–	1,626	(1,626)	–	–
Deferred IETU	205	50	–	–	255
Other items	(62)	79	(158)	–	(141)
Total (asset) liability, net	$ (1,090)	$ 52	$ (1,859)	$ (2,983)	$ (5,880)

	December 31, 2011	Effects through profit or loss	Effects through comprehensive income	Changes due to business acquisition	December 31, 2012
Allowance for doubtful accounts	$ (219)	$ (81)	$ –	$ –	$ (300)
Inventories and payments in advance	32	(50)	–	–	(18)
Property, plant and equipment	3,565	(358)	–	–	3,207
Intangible and other assets	4,648	372	–	–	5,020
Other reserves	(10,489)	162	153	–	(10,480)
Employee profit sharing	(227)	2	–	–	(225)
Tax loss carry forwards	(4,131)	(255)	–	–	(4,386)
Tax loss carry forwards reserve	827	792	–	–	1,619
Translation effect for hedge of net investment	–	(962)	962	–	–
Deferred IETU	255	44	–	–	299
Other items	(141)	(110)	843	–	592
Total (asset) liability, net	$ (5,880)	$ (444)	$ 1,652	$ –	$ (4,672)

The deferred income tax asset and liability have not been offset in the accompanying consolidated statements of financial position as they result from different taxable entities and tax authorities. Gross amounts are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 (transition date)
Deferred income tax asset	$ (6,054)	$ (7,605)	$ (2,700)
Deferred income tax liability	1,382	1,725	1,610
Total asset, net	$ (4,672)	$ (5,880)	$ (1,090)

d. As of December 31, 2012, tax loss carry forwards, pending amortization against future income taxes, expire as follows:

Years	Amount
2013	$ 256
2014	224
2015	293
2016	242
2017	60
2018 and thereafter	12,849
	13,924
Unrecognized tax losses	(5,145)
Total	$ 8,779

19. COSTS AND EXPENSES BY NATURE

Cost of sales and distribution, selling, administrative, and other general expenses presented on the consolidated statements of income, are comprised as follows:

	December 31, 2012	December 31, 2011
Cost of sales		
Raw materials and manufacturing expenses	$ 78,247	$ 60,194
Freight, fuel and maintenance	3,838	2,872
Depreciation	3,269	2,330
	$ 85,354	$ 65,396

	December 31, 2012	December 31, 2011
Distribution, selling, administrative and other expenses		
Wages and salaries	$ 28,030	$ 18,466
Depreciation	2,198	1,959
Freight, fuel and maintenance	5,816	3,791
Professional services and consulting	10,054	8,050
Advertising and promotional expenses	4,539	3,681
Other	29,761	22,619
	$ 80,398	$ 58,566

20. OTHER GENERAL EXPENSES

a. Other general expenses are comprised as follows:

	December 31, 2012	December 31, 2011
Tax incentives	$ (95)	$ (79)
Loss on sale of fixed assets	96	72
Provision for withdrawal of MEPP	954	564
Provision for MEPP	148	–
Other	111	186
	$ 1,214	$ 743

21. COMMITMENTS

Guarantees and/or guarantors

a. Grupo Bimbo, S. A. B. de C. V., along with certain subsidiary companies have guaranteed bonded issued letters of credit to guarantee certain commercial obligations and contingent risk related to workers' compensation of certain subsidiaries. The value of such letters of credit at December 31, 2012 and 2011 and January 1, 2011 are US$221.1, US$214.1 and US$98.2 million, respectively.

b. Iberia entered into a contract with third parties, which principally consists of purchase obligations for certain products at a preferential price. The future economic benefit of these estimated at $28. Iberia is also obligated to pay 75% of severance cost to terminated employees of the third parties. The approximate cost of severance is $114. This contract matures in 2015 and may be cancelled only if notification is provided three years in advance.

c. The Company entered into energy self-consumption contracts, committing to acquire certain amounts of renewable energy for a 18 years period at a fixed price, that will be updated according to changes in the INPC factors for the first 15 years. Even though the contracts have derivative financial instruments characteristics, they fall in the exception of "own-use"; therefore, they are recognized in the financial statements as the consumption of energy occurs. The estimated commitment to purchase energy in 2013 amounts $350, and is to be updated annually based on inflation , for the remaining 17 years of the contract.

Lease commitments

a. The Company has long–term commitments under operating leases, principally for the facilities used to produce, distribute and sell its products. These commitments vary from 3 to 14 years, with a renewal option of between one and five years. Certain leases require the Company to pay all related expenses, such as taxes, maintenance and insurance for the term of the contracts. Lease expense was $3,056 and $2,349 for the years ended December 31, 2012 and 2011, respectively. The total amount of future minimum lease commitments is as follows:

Years	Operating leases	Finance leases	Finance leases Non-controlling Interest
2013	$ 1,798	$ 31	$ 281
2014	1,322	29	170
2015	1,027	24	119
2016	819	18	85
2017	1,579	4	46
2018 and thereafter	343	–	14
Total minimum lease payments	6,888	106	715
Amounts representing interest	–	10	122
Present value of net minimum payments	–	96	593
Total	$ 6,888	$ 96	$ 593

22. CONTINGENCIES

Certain contingencies exist, of varying nature, that have arisen in the normal course of business of the Company, for which management has evaluated the likelihood of loss as remote, probable or possible. Based on such evaluation, for those contingencies for which the Company believes it is probable it will be required to use future resources to settle its obligation, the Company has accrued the following amounts:

Type	Amount
Labor-related	$ 237
Tax-related	275
Total	$ 512

Those contingencies for which management does not believe it is probable that it will be required to use future resources to settle its obligations and that are not expected to have a material adverse effect are not accrued until other information becomes available to support the recognition of a liability.

The Company has restricted cash of $331 and pledged certain assets in Brazil amounting to an additional $24 million as a guarantee of certain tax contingencies, which are presented in other long–term assets.

23. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on four geographical zones: Mexico, USA, OLA and Iberia. The products which are the source of segment income is comprised of bread (for all segments) and confectionery (Mexico and USA).

The following is the principal data by reportable segment based on the geographical areas in which the Company operates for the years ended December 31, 2012 and 2011:

	2012					
	México	USA	OLA	Iberia	Consolidation eliminations	Total
Net sales	$ 70,491	$ 78,927	$ 22,674	$ 5,182	$ (4,135)	$ 173,139
Operating income (loss) (*)	$ 7,922	$ 1,118	$ (1,101)	$ (570)	$ 18	$ 7,387
Depreciation, amortization, impairment and provision of MEPP	$ 1,813	$ 3,909	$ 848	$ 119	$ –	$ 6,689
EBITDA (*)	$ 9,735	$ 5,027	$ (253)	$ (451)	$ 18	$ 14,076
Net income of controlling stockholders	$ 4,211	$ 180	$ (1,879)	$ (502)	$ 18	$ 2,028
Interest income	$ 184	$ 519	$ 39	$ 6	$ (238)	$ 510
Interest expense	$ 2,479	$ 588	$ 401	$ 102	$ (238)	$ 3,332
Total assets	$ 45,287	$ 72,718	$ 19,750	$ 3,886	$ (4,501)	$ 137,140
Total liabilities	$ 58,188	$ 27,837	$ 5,773	$ 2,013	$ (3,729)	$ 90,082

	2011					
	México	USA	OLA	Iberia	Consolidation eliminations	Total
Net sales	$ 64,368	$ 53,810	$ 18,352	$ 393	$ (3,427)	$ 133,496
Operating income (loss) (*)	$ 7,534	$ 3,058	$ (949)	$ (81)	$ (28)	$ 9,534
Depreciation, amortization, impairment and provision of MEPP	$ 1,672	$ 2,237	$ 1,268	$ 8	$ –	$ 5,185
EBITDA (*)	$ 9,206	$ 5,295	$ 319	$ (73)	$ (28)	$ 14,719
Net income of controlling stockholders	$ 4,517	$ 1,559	$ (834)	$ 265	$ (632)	$ 4,875
Interest income	$ 167	$ 262	$ 25	$ 2	$ (24)	$ 432
Interest expense	$ 2,073	$ 341	$ 361	$ 9	$ (24)	$ 2,760
Total assets	$ 46,585	$ 79,870	$ 20,169	$ 4,101	$ (7,490)	$ 143,235
Total liabilities	$ 64,890	$ 27,884	$ 5,979	$ 2,030	$ (6,247)	$ 94,536

(*) Amount does not include intercompany royalties.

	January 1, 2011					
	México	USA	OLA	Iberia	Consolidation eliminations	Total
Total assets	$ 37,493	$ 48,047	$ 14,905	$ –	$ (2,477)	$ 97,968
Total liabilities	$ 44,713	$ 9,466	$ 5,458	$ –	$ (3,522)	$ 56,115

For the years ended December 31, 2012 and 2011, net sales of the Company's principal client represented 14% of consolidated net sales. There were no other customers to whom sales exceed 10% of total consolidated sales.

24. TRANSITION TO IFRS

The accompanying consolidated financial statements as of and for the year ended December 31, 2012 are the first consolidated financial statements prepared by the Company in accordance with IFRS. Transition date is January 1, 2011, therefore the comparative financial statements for the year ended December 31, 2011, which were previously prepared and issued under Mexican Financial Reporting Standards or MFRS, have been modified to adopt IFRS as of the transition date. Accordingly, the Company applied IFRS 1 – First-time Adoption of IFRS. According to IFRS 1, the Company applied the following mandatory exceptions and certain voluntary exemptions to retrospective adoption.

The Company applied the following mandatory exceptions to retrospective application of IFRS, as follows:

Estimates – Estimates under IFRS at the transition date are consistent with estimates made as of such date under MFRS, unless there is evidence that those estimates were made in error.

Hedge accounting – The Company only claimed hedge accounting for those derivative financial instruments that met IFRS hedge accounting treatment from the date of transition.

Non–controlling interests **–** The Company prospectively applied the guidance with respect to certain recognition and presentation requirements related to non–controlling interests from its date of transition.

The Company has elected the following optional exemptions to retrospective application of IFRS, as follows:

Business combinations **–** All business combinations that occurred before the date of transition have not been restated to reflect the measurement or recognition criteria required by IFRS.

Deemed cost **–** The Company has elected the option to measure certain items of property, plant and equipment at their revalued amounts under MFRS as "deemed cost" under IFRS as of its date of transition, except for some cases in which the acquisition cost was utilized.

Employee benefits **–** The Company elected to recognize all cumulative unrecognized actuarial gains and losses as of its date of transition.

Cumulative translation differences **–** The Company elected to set the previously accumulated cumulative translation balance recognized within stockholders' equity to zero at its transition date.

Investments in subsidiaries, associates and joint ventures **–** The exemption to recognize investments in subsidiaries, associates and joint ventures at deemed cost is applicable only in the separate financial statements. Therefore, it is not applicable in the consolidated financial statements of the entity.

Borrowing costs **–** Capitalization of interest costs on qualifying assets under IFRS will be done prospectively.

Other exemptions are not applicable to the Company.

Reconciliation of MFRS and IFRS:

The effects of adopting IFRS were not significant to the Company´s consolidated financial statements.

IFRS 1 requires the reconciliation of stockholders' equity, comprehensive income and the cash flows of the previous periods. The transition to IFRS did not affect the Company's statement of cash flows.

Following are reconciliations of the Company's consolidated comprehensive income and stockholders' equity to IFRS.

Assets:

	Note	December 31, 2011 (last period prepared under MFRS)	January 1, 2011 (date of transition)
Total equity under MFRS		$ 50,425	$ 44,537
Property, plant and equipment, net	(a)	(1,116)	(1,052)
Intangibles, net	(b)	(372)	(372)
Goodwill	(b)	(457)	(457)
Other assets	(c)	(315)	(381)
Long- term debt	(c)	211	278
Employee benefits – long-term	(d)	(1,913)	(1,122)
Deferred PTU	(e)	182	249
Deferred taxes effects	(f)	484	977
Deferred taxes related to the translation effect of foreign subsidiaries	(g)	1,570	(804)
Total equity under IFRS		$ 48,699	$ 41,853

	Note	December 31, 2011 (last period prepared under MFRS)
Net income under MFRS		$ 5,660
Depreciation of property, plant and equipment	(a)	(64)
Employee benefits costs	(d)	(579)
Deferred PTU	(e)	(67)
Inflationary effects on inflation in subsidiaries		13
Deferred income taxes	(f)	243
Total adjustments to net profit or loss	(c)	(454)
Net income under IFRS		$ 5,206

Notes to MFRS and IFRS reconciliation

A description of the differences between MFRS and IFRS, as of the date of the mentioned consolidated financial statements, are as follows:

a. Property, plant and equipment- IFRS requires the identification and separation of property, plant and equipment into their components, which was principally with respect to buildings, which resulted in an increase to accumulated depreciation and depreciation expense.

b. Intangible assets and goodwill – The effect corresponds to elimination of inflationary effects on intangible assets and goodwill. According to IFRS, inflationary effects are recognized in the financial statements when the economy of the currency in which the Company´s transactions are recorded is considered hyperinflationary. The Mexican economy ceased to be hyperinflationary in 1999 and, as a result, the inflationary effects that were recognized by the Company (except for property, plant and equipment) from 1999 to December 31, 2007 under MFRS have been eliminated.

c. Other assets and long-term debt – Mainly due to the required reclassification under IFRS of debt issuance costs, which are presented net of the related debt, previously presented within other assets. Additionally, the effective interest method was applied with respect to the amortization of such debt issuance costs.

d. Employee benefits –The effect represents the elimination of employee liabilities for severance and the recognition of unamortized actuarial gains and losses as of the date of transition. According to IFRS, liabilities for severance payment are not recognized unless the Company is able to provide evidence of its commitment to end the working relationship with the employee or has made the employee an offer to encourage voluntary retirement. Therefore at January 1, 2011, the termination liability was eliminated and unamortized actuarial gains and losses recognized under MFRS were recognized in retained earnings. In addition, in 2011, the effect includes the discounting the MEPP liabilities to their present value as required under IFRS in the amount of $233. The adjustment also includes effect related to the withdrawal of BBU from certain MEPP (plans others than those related to the acquisition of Sara Lee) in the amount of $331, according to information obtained upon acquisition that withdrawal of such plans was more likely than not.

e. Deferred PTU - IFRS does not permit recognition of deferred PTU assets or liabilities; therefore, the recognized liability under MFRS was eliminated.

f. Deferred taxes - Deferred income taxes were recalculated based on the revised carrying values of assets and liabilities under IFRS.

g. Deferred taxes related to the translation effect of foreign subsidiaries - Represents the cancellation of the beginning balance and the 2010 and 2011 effect of deferred taxes related to the translation effects of foreign operations. The Company chose the option to recycle the beginning balance to retained earnings and to reverse the 2011 effect. Under IFRS, such deferred tax effects are not recognized when the Company has the ability to control the reversal of temporary differences.

Additionally, there were other items that affected retained earnings in the amounts of $3,780 and $(541), but did not affect total stockholder´s equity at the date of transition, as they related to the effects of inflation and conversion effect as of January 1, 2011, as explained previously.

Reclassifications

According to IFRS, Venezuela is the only hyperinflationary country as of 2011. Therefore, the statement of income only includes inflation for that subsidiary and the inflationary effects recorded for an other countries were eliminated.

In conformity with IFRS, current statutory employee profit sharing is presented within operating income; under MFRS, it was presented after operating income.

25. NEW ACCOUNTING PRINCIPLES

The new accounting principles, modifications and interpretations issued, but not effective as of January 1, 2012 and that have not been adopted by the Company are as follows:

– *IAS 1 (revised), Presentation of Financial Statements* – Amendments to IAS 1 require entities to separate items presented in other comprehensive income items into two categories based on whether they can be reclassified to profit or loss in the future. Entities that decide to present items of other comprehensive income before taxes must present the related taxes to the two categories separately. The amendment is applicable for annual periods beginning after July 1, 2012.

– *IFRS 9, Financial Instruments* – IFRS 9 was issued in November 2009, established requirements of classification, recognition and measurement of financial assets. IFRS 9 was reissued in October 2010 to, add the requirements of classification and measurement of financial liabilities and derecognition requirements.

The main requirements of IFRS 9 are described as follows:

– Under IFRS 9, all recognized financial assets that are currently within the scope of IAS 39 Financial Instruments: Recognition and Measurement will be subsequently measured at either amortized cost or fair value. Specifically, debt investments held within a business model whose objective is to collect the contractual cash flows and has contractual cash flows which are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other debt instruments and equity investments must be measured at fair value. Additionally, under IFRS 9, an irrevocable election can be made at initial recognition to measure the investment (which is not held for trading) at fair value through other comprehensive income generally recognized in profit or loss.

– The most significant effect of IFRS 9 regarding the classification and measurement of financial assets relates to the accounting treatment of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities designated as at fair value through profit or loss, the amount of change in fair value of the financial liability that is attributable to changes in credit risk of that liability, is presented under other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase a discrepancy in the accounting statement. Changes in fair value attributable to credit risk of financial liabilities not classified subsequently to the income statement. Previously, under IAS 39, the entire amount of the change in fair value of financial liabilities designated as at fair value through profit or loss were presented in the income statement.

In May 2011, it was issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

IFRS 10 Consolidated Financial Statements – IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. According to IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. The definition of control in IFRS 10 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 Joint Arrangements – IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements.

Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle is the key factor in determining the existence of a jointly controlled entity.

IFRS 12 Disclosure of Interests in Other Entities – IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. In general, the disclosure requirements set out in IFRS 12 are more extensive than those in the current standards.

– IAS 28 (revised), Investments in Associates and Joint Ventures – Its purpose is to set the requirements in the application of the equity method for investments in associates and joint ventures. This standard replaces the previous version of IAS 28 Investments in associates and is mandatory from January 1, 2013.

– IFRS 13, Fair Value Measurement – IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS requires or permits fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The standard is mandatory as of January 1, 2013. Early adoption is permitted.

The amendments to IAS 32- Offsetting Financial Assets. Clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off and simultaneous realization and settlement.

The amendments to IFRS 7- Financial Liabilities and the related disclosures require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are required for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The Company is in the process of evaluating the effects of adoption of the aforementioned standards on its consolidated financial statements.

26. EVENTS AFTER THE REPORTING PERIOD

The Company evaluated subsequent events as of March 22, 2013, the date these consolidated financial statements were available to be issued.

On February 23, 2012, the Company made, through its subsidiary in USA, the divestures required by the State Department of Justice resulting from the acquisition of Sara Lee (Note 1). The Company received an advance of US$40 in cash from Flowers Food Inc. in exchange for certain trademarks and property and equipment located in Stockton, California.

27. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On March 22, 2012, the issuance of the accompanying consolidated financial statements was authorized by Lic. Daniel Servitje Montull, Chief Executive Officer, and the Board of Directors of the Company. Consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to stockholders' approval at the General Stockholders' meeting, where they may be modified, based on provisions set forth by Mexican General Corporate Law.

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