1. Purpose

Establish the general guidelines for the accounting of goodwill from a business acquisition, according to the International Financial Reporting Standards 3 Business Combinations (IFRS 3) and the Accounting Standard 36 Impairment of assets (IAS 36).

2. Scope

This policy applies to the associates of the Administration & Finance Department, from each of Grupo Bimbo's subsidiaries, responsible for the accounting record of the goodwill from the business combination.

3. Definitions

Acquirer: The entity that obtains control over the acquired.

Acquired: The business which control is obtained by the acquirer in a business combination.

***Purchase Price Allocation* (*PPA)*:** It is the calculation to determine the reasonable value of the identifiable assets and related transactions assumed to measure subsequently the financial performance of the acquired business.

Business combination: Transaction or event where the acquirer obtains the control of one or more business.

Consideration: Price paid to a third party for the business acquisition.

Contingent consideration: Obligation of the acquirer to transfer additional assets or related transactions into the heritage, to the previous owners of the acquired, as part of the Exchange of the control of this, as long as the determined future events happened, or certain conditions are complied.

Goodwill: Asset that represents the economic benefits that emerge from other acquired assets, in a business combination, that are not individually identified nor recognized separately. Normally corresponds to the difference between the consideration paid for the business acquisition and to the assigned value of the net acquired assets.

Recoverable amount: It is referred to the greatest amount between the reasonable value of an asset or a cash generating unit, minus the disposal costs and its value in use.

Business: Set integrated with activities and assets that could be done and managed respectively by an entity, to provide goods or services or generate income.

Cash generating unit: Identifiable group of assets that generate net cash inflows in favor of an entity.

Impairment loss: It is the quantity in which the value in books from an asset or a cash generating unit, exceeds its recoverable amount.

Value in use: It is the present value of the estimated future cash flows that are expected for an asset or cash generating unit.

4. Responsibilities

Global Controllership Department: Determine the value of the initial goodwill, in a business combination. Share the support documentation to determine the initial goodwill with the local controller of the acquired entity. Coordinate the accounting assignment of the Purchase Prices Allocation (PPA). Keep updated and ensure the compliance of this policy.

Global Mergers & Acquisitions Department: Provide to the Global Controllership Department the necessary information to determine the initial goodwill (e.g. purchasing contracts, benefit amount, special operation conditions, etc.).

Global Financial Planning Department: Design the specialist to determine the reasonable value of the identifiable assets and the assumed liabilities. Review and validate the determinable reasonable value. Manage the development of the impairment tests that should be done annually.

Local Controllership Areas: Provide the initial balance of the acquired entity at the moment of the purchase and the support documentation of the consideration paid for the recognition of the initial goodwill. Ensure the recognition, measurement and record of the goodwill in the accounting of the acquired entity. Review and validate the adjustments of the purchase price assignation. Prepare and send the information that requires the Global Controllership Department in the periods established (e.g. accounting movement of goodwill).

5. General guidelines

Initial Recognition

- Each business combination is accounted through the purchase method, according to IFRS 3. The application of this method requires the goodwill recognition and measurement, according to the following:

Initial Goodwill =	Transferred consideration
	+
	Non-controller participation
	-
	Acquired identifiable assets
	-
	Assumed liabilities

- When the net worth, between the value of the acquired identifiable assets and the assumed liabilities, is less than the sum of the transferred consideration and the non-controller participation, it will be recognized as a purchase in “very advantageous” terms. This profit will be recognized in the acquirer results at the acquisition date.

Business acquisition by stages

If there is a business acquisition by stage, the acquirer should measure again, when it has the control, the participation previously kept in the acquired heritage, to its reasonable value, and should recognize the correspondent profit or loss in the result of the period.

Subsequent measurement

After determining the initial goodwill, the value of this should be increased or diminished by the difference, between the value in books to the purchase date and the reasonable value of the identifiable assets and assumed liabilities, that is determined during the measurement period of the Purchase Prices Allocation (PPA), according to the following:

- The measurement period should not exceed a year, from the date of acquisition. Some examples of identifiable assets and assumed liabilities that should be measured to a reasonable value are:
  - Properties, bakery and equipment

    - Brands
    - Relationships with customers
    - Distribution rights
    - Non-competition agreements
    - Contingent liabilities
    - Contingent consideration (in case of existing)
- A specialist should be involved capable of considering all of the facts and circumstances to conclude if the acquirer will adjust retroactively the amounts recognized on the acquisition date.
- After considering all of the facts and circumstances that exist on the acquisition date, the review could result in changes to the reasonable value of the contingent consideration, which could be adjusted during the measurement period.

Recognition and measure of loss of the value

If there is an impairment loss from the goodwill value acquired in a business combination, it should be annually proved by comparing its value in books against the recoverable amount to a determined date, according to the following:

- The recoverable amount will be calculated for the individual asset, unless the asset does not generate cash inflows that are independently produced from other assets or group of assets, in this case, the recoverable amount will be determined by the cash generating unit where the asset belongs.
- The cash generating units, to which the goodwill belongs, will undergo verification of its value, by comparing its amount in books (that includes the goodwill) with the recoverable amount. This verification should be done each year at the same date and recognize its result within the accounts, before closing the exercise.
- When a loss is determined for impairment loss of a unit, this will distribute its assets to reduce the amount on books, in the following order:
    - Goodwill
    - Other intangible assets (brands, relationships with customer and non-competition agreements)
    - Properties, bakery and equipment (giving priority to the manufacturing equipment)
- The goodwill will be recognized to its value in books, this means, the losses will be deducted because of the accumulated impairment loss. These losses should not be reversed in subsequent periods, even when the result of the correspondent tests indicates it.
- When a cash generating unit is available, the amount of the net attributable goodwill will be included in the determination of the profit or loss.

Presentation

The goodwill will be presented in the financial statements of the acquired business, as a long-term asset.

Revelation

The goodwill revelation in the financial statements should be done as following:

- *Per cost:* a reconciliation between an initial value and a final value of the period, considering the recognized movements during this and the adjustments because of variation in exchange rate.
- *Per accumulated impairment:* a reconciliation between the initial value and the final value of a period, considering the impairments recognized in this and the adjustments because of variation in exchange rate.
- Include the description of the principal cash generating units.
- Include the description of the used estimations to measure the recoverable input of the cash generating units.

6. Responsibility / Ownership

The Global Controllership Department is the assigned owner of this policy and is primarily responsible for its contents, updating, monitoring of its compliance and submission for approval before the Steering Committee and CEO.

7. Updates

The changes implemented in between versions are described below:

Revision / History of the revision				
Version	**Revision Date**	**Updated by:**	**Approved by:**	**Main Changes**
1				