

Industrias Bachoco S.A.B. de C.V.
Form 20-F
April 30, 2014

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

**..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**..ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934**

For the fiscal year ended December 31, 2013

OR

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

OR

**..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number: 333-7480

INDUSTRIAS BACHOCO, S.A.B. DE C.V.
(Exact name of Registrant as specified in its charter)

Bachoco Industries

(Translation of Registrant's name into English)

The United Mexican States
(Jurisdiction of incorporation
or organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing twelve Series B Shares.	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding Shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Series B Capital Stock: 600,000,000 Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statements item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 23 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes No

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Introduction

Industrias Bachoco, S.A.B. de C.V. is a holding company with no operations other than holding the stock of its subsidiaries. Our two main subsidiaries are Bachoco, S.A. de C.V. (“BSACV”), located in Mexico, and Bachoco USA, LLC (“Bachoco USA”) located in the United States of America (“United States” or “U.S.”).

References herein to “Bachoco,” “we,” “us,” “our,” “its” or the “Company” are, unless the context requires otherwise, to Industrias Bachoco, S.A.B. de C.V. and its consolidated subsidiaries as a whole.

Additionally, references herein to “OK Industries” or “OK Foods” are, unless the context requires otherwise, to Bachoco USA and its consolidated subsidiaries as a whole.

We are incorporated under the laws of the United Mexican States (“Mexico”), but we have operations in both Mexico and the U.S. Our principal executive offices are located in Mexico at Avenida Tecnológico 401, Ciudad Industrial, zip code 38010, Celaya, State of Guanajuato, Mexico, and our main telephone number is +52 (461) 618 3500, or +52 (461) 618 3555.

Presentation of Information

Fiscal Year

The fiscal year for Bachoco and its subsidiaries in Mexico ends in December. The fiscal year for Bachoco USA and its subsidiaries in the U.S. ends in April each year. Notwithstanding the foregoing, for purposes of our consolidated financial statements, the accounting year period for all the Company’s subsidiaries ends on December 31.

Currency

Except as otherwise indicated, all data in the financial statements included below and in Item 18 (which together with the attached notes constitute our “Audited Consolidated Financial Statements”) and the selected financial information included throughout this Form 20-F (this “Annual Report”) have been presented in millions of nominal pesos unless

otherwise indicated. References herein to “pesos” or “\$” are to the lawful currency of Mexico.

References herein to “dollar”, or “USD\$” are to the lawful currency of the United States of America.

This Annual Report contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such dollar amounts have been translated from pesos at an exchange rate of \$13.09 to USD\$1.00 (one dollar), the exchange rate on December 31, 2013, according to the *Banco de Mexico* (or the “Central Bank”).

Accounting Practices

In January 2009, the *Comision Nacional Bancaria y de Valores* (Mexican Banking and Securities Commission or “CNBV”) published certain amendments to the Rules for Public Companies and other participants in the Mexican Securities Market that require public companies to report financial information in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective as of January 1, 2012.

Following these amendments, on January 1, 2012, we adopted IFRS, meeting the CNBV requirements. At the same time, our financial statements as of and for the fiscal year ended December 31, 2011, and the opening balance as of January 1, 2011, were converted from Mexican Financial Reporting Standards (MFRS) to IFRS to make them comparable to our financial statements for fiscal year 2012.

Our Audited Consolidated Financial Statements included elsewhere in this Annual Report have been prepared in accordance with IFRS, as issued by the IASB.

The rules and regulations of the Securities and Exchange Commission, or SEC, do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as published by the IASB) to reconcile such financial statements to accounting principles generally accepted in the United States of America (“U.S. GAAP”). As such, while Bachoco has in the past reconciled its consolidated financial statements prepared in accordance with MFRS to U.S. GAAP, those reconciliations are no longer presented in Bachoco’s filings with the SEC.

Other References

Bachoco’s production volume is measured in “tons”, which term refers to metric tons of 1,000 kilograms, equal to 2,204.6 pounds; the term “billion” refers to one thousand million (1,000,000,000).

Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as “GAAP.” For this purpose, a non-GAAP financial measure is generally defined by the Securities and Exchange Commission (the “SEC”) as a numerical measure of a company’s historical or financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of comprehensive income, statement of financial position or statement of cash flows (or equivalent statements) of the company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

The Company discloses in this Annual Report the so-called non-GAAP financial measures, EBITDA result, EBITDA margin, and Net debt. EBITDA result is defined as profit before income tax expense (benefit), financial income (expense), net and depreciation. EBITDA margin is defined as EBITDA result divided by total net revenues. Net debt is defined as long-term debt (including the current portion) minus cash and cash equivalents, primary financial

instruments and derivative financial instruments. The non-GAAP financial measures of EBITDA result and EBITDA margin are not a substitute for the GAAP measure of net income. Rather, these measures are provided as additional information to complement the GAAP measure of net income by providing further understanding of the Company's results of operations from management's perspective. Additionally, the non-GAAP financial measure of Net debt is not a substitute for the GAAP measure of Total debt. Rather, this measure is provided as additional information to contemplate the GAAP measure of Total debt by providing further understanding of the Company's debt obligations. Accordingly, they should not be considered in isolation nor as a substitute for an analysis of the Company's financial performance, liquidity or debt obligations.

Company management believes that disclosure of these non-GAAP measures are an important supplemental measure of the Company's operating performance and debt obligations because investors, financial analysts and other interested parties frequently use EBITDA and Net debt in the evaluation of other companies in the same industry in which the Company operates.

Market Data

This Annual Report contains certain statistical information regarding the Mexican chicken, egg and balanced feed (or “feed”) markets. We have obtained this information from a variety of sources, including but not limited to; *Union Nacional de Avicultores* (the National Poultry Union or “UNA”), the *Consejo Nacional de Fabricantes de Alimentos Balanceados y de la Nutricion Animal, A.C.* (or “CONAFAB”), the U.S. Department of Agriculture (or “USDA”), and the *Banco the Mexico*, among others.

Other sources of statistical information used by the Company include *Consejo Mexicano de Porcicultura* (the Mexican Pork Council or “CMP”), *Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentos* (“Ministry of Agriculture, Livestock, Rural Development, Fishing and Food” or “SAGARPA”), among others.

The producers’ associations rely principally on data provided by their members. Information for which no source is cited was prepared by us on the basis of our knowledge of the Mexican chicken, egg, feed, turkey and swine markets and the wide variety of information available regarding these markets. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable.

Forward-looking Statements

We may from time to time make written or oral forward-looking statements in our periodic reports to the SEC on Forms 20-F and 6-K, in our annual report to stockholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by one of our officers, directors or employees to analysts, institutional investors, representatives of the media and others.

Examples of such forward-looking statements include, but are not limited to: (i) projections of revenues, income (or loss), earnings (or loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios; (ii) statements of our plans, objectives or goals or those of our management, including those relating to new contracts; (iii) statements about future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guidel” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties, and a number of unexpected changes could cause actual results to deviate from our plans, objectives, expectations, estimates and intentions. We recognize that the

accuracy of our predictions and our ability to follow through on our intentions depend on factors beyond our control. The potential risks are many and varied, but include unexpected changes in: economic, weather and political conditions; raw material prices; competitive conditions; and demand for chicken, eggs, turkey, balanced feed, beef and swine.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

A. Selected Financial Data

The financial information set forth below is derived from our Audited Consolidated Financial Statements, which are included in Item 18. We provide details on the figures and year-to-year changes in our Audited Consolidated Financial Statements.

The tables below present our key financial information for the fiscal years indicated. Except as otherwise indicated, the amounts are presented in millions of nominal pesos, except per share amounts, which are presented in pesos.

INCOME STATEMENT DATA

In millions, for the year ended December 31,

	2013 USD\$	2013 \$	2012 \$	2011 \$
Net revenues	3,033.7	39,710.7	39,367.4	27,735.0
Cost of sales	2,534.5	33,176.6	33,318.2	24,797.0

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Gross profit	499.2	6,534.1	6,049.2	2,938.0
General, selling and administrative expenses	251.4	3,291.0	3,396.7	2,974.7
Other income (expenses), net	2.3	30.7	(23.8)	1,000.0
Operating income	250.1	3,273.8	2,628.8	963.2
Net finance income	9.0	118.4	165.0	177.6
Income tax	103.2	1,350.4	602.0	(38.6)
Controlling interest	155.7	2,038.4	2,184.6	1,177.3
Non-controlling interest	0.3	3.4	7.2	2.1
Profit for the year	156.0	2,041.8	2,191.8	1,179.4
Basic and diluted earnings per share ⁽¹⁾	0.26	3.40	3.65	1.96
Basic and diluted earnings per ADR ⁽²⁾	3.12	40.84	43.80	23.52
Dividends per Share ⁽³⁾	0.12	1.584	0.50	0.50
Weighted average Shares outstanding ⁽⁴⁾	599,993	599,993	598,960	599,822

(1) Calculated based on the weighted average number of basic and diluted shares. No potentially dilutive shares exist in any of the years presented, for which reason, basic and diluted earnings per share are the same.

(2) Each ADR represents twelve shares.

(3) Dividends per share have been computed by dividing the total amount of dividends paid by the weighted average shares outstanding.

(4) In thousands of shares.

STATEMENT OF FINANCIAL POSITION DATA**In millions as of December 31**

	2013 USD\$	2013 \$	2012 \$	2011 \$
Total assets	2,198.7	28,781.6	28,040.2	24,717.3
Cash and cash equivalents	513.1	6,716.9	4,179.5	2,625.7
Primary and derivative financial instruments	77.6	1,015.8	964.9	420.9
Total liabilities	659.3	8,630.4	8,951.5	7,337.5
Short-term debt ⁽¹⁾	42.6	557.6	1,197.1	1,453.0
Long-term debt	115.4	1,510.2	1,526.6	384.4
Total stockholders' equity	1,539.4	20,151.1	19,088.7	17,379.8
Capital stock	89.7	1,174.4	1,174.4	1,174.4

(1) Includes notes payable to banks and current installments of long term debt.

MARGINS

In percentage, for the years ended December 31:

	2013	2012	2011
Gross margin	16.5 %	15.4 %	10.6 %
Operating margin	8.2 %	6.7 %	3.5 %
Margin for the year	5.1 %	5.6 %	4.3 %

Other Indicators

The tables set below present key indicators.

VOLUME SOLD BY BUSINESS LINE

In thousands of tons, as of December 31,

	2013	2012	2011	2010	2009
Total sales volume:	1,771.1	1,861.6	1,606.3	1,473.3	1,418.4
Poultry	1,429.2	1,485.2	1,205.9	1,125.8	1,061.5
Others	341.9	376.4	400.4	347.5	356.9

Gross Domestic Product, Inflation Rate and CETES

The chart below includes Mexican gross domestic product (“GDP”) and Inflation Rate data from 2009 to 2013, and the average interest rates on 28-day Mexican treasury bills (“CETES”), as provided by the Mexican Central Bank.

Gross Domestic Product

Mexico has historically experienced uneven periods of economic growth. Mexican gross domestic product, or GDP, increased by 5.5% in 2010, increased by 3.9% in 2011 and increased by 3.9% in 2012. Mexican GDP growth surpassed Mexican government forecasts in 2012 and the Mexican government estimated an increase in the Mexican GDP by 1.1% in 2013.

Interest Rate

Mexico historically has had, and may continue to have, high real and nominal interest rates. The interest rates on 28-day Mexican government treasury securities averaged 3.8%, 3.9% and 4.3% for 2013, 2012 and 2011, respectively. High interest rates in Mexico could increase our financing costs and thereby impair our financial condition, results of operations and cash flow.

Inflation Rate

In the past Mexico has experienced high levels of inflation, although the rates have been lower for more than a decade. The annual rate of inflation, as measured by changes in the Mexican National Consumer Price Index, or NCPI, was 4.4% in 2010, 3.8% in 2011, 3.6% in 2012 and, according to statistics released by the *Banco de Mexico*, 3.97% in 2013. An adverse change in the Mexican economy may have a negative impact on price stability and result in higher inflation than its main trading partners, including the United States.

GDP, INFLATION RATE AND CETES DATA

Year	GDP	Inflation Rate	CETES
2013	1.1 %	3.97 %	3.8 %
2012	3.9 %	3.57 %	3.9 %
2011	3.9 %	3.82 %	4.3 %
2010	5.5 %	4.40 %	4.4 %
2009	(6.5)%	3.57 %	5.4 %

On April 15, 2014, the 28 day CETES rate was 3.22%.

Exchange Rates

During 2009, although the Mexican peso-dollar exchange rate depreciated during the first half of 2009, the peso stabilized and strengthened its position in the second half of 2009, leading the Mexican peso-dollar exchange rate to appreciate 5.4% in 2009 with respect to the exchange rate in effect on December 31, 2008.

In 2010, the Mexican peso strengthened its position during the year as compared to the dollar, appreciating approximately 5.3% since the end of 2009, while the inflation rate for 2010 was 4.40%.

During the first half of 2011, the exchange rate of the peso to the dollar was stable, showed an average rate of \$11.89 per one dollar. This stability changed drastically during the second half of the year, where we observed a higher average rate peso-dollar of \$12.97, with a final depreciation of 13.0% by the end of the year with respect to year-end of 2010.

In 2012, the Mexican peso strengthened its position during the year as compared to the U.S. dollar, according to the U.S. Federal Reserve Bank, with the average peso-dollar exchange rate being \$13.15 and appreciated with respect to the U.S. dollar by 7.1% at year-end (or 7.9% according with *Banco de Mexico*' statistics).

In 2013, the exchange rate of the peso against the dollar started the year strong with an upward trend, but ended the year with a slight depreciation of 1.0% compared with December 31, 2012.

The following table sets forth the high, low, average and year-end exchange rates for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York, for periods indicated:

EXCHANGE RATE FOR THE LAST 5 YEARS

In pesos per one dollar

	High	Low	Average ⁽¹⁾	Close
	\$	\$	\$	\$
2013	13.43	11.98	12.76	13.10 ⁽¹⁾
2012	14.37	12.63	13.15	12.96
2011	14.25	11.51	12.43	13.95
2010	13.19	12.16	12.62	12.38
2009	15.41	12.63	13.50	13.08

EXCHANGE RATE FOR THE LAST 6 MONTHS

March 2014	13.33	13.06	13.19	13.06
February 2014	13.51	13.20	13.29	13.23
January 2014	13.46	13.00	13.22	13.36
December 2013	13.22	12.85	13.01	13.10 ⁽¹⁾
November 2013	13.41	12.70	12.96	13.11
October 2013	13.25	12.77	12.99	13.00

Source: http://www.federalreserve.gov/releases/h10/Hist/dat00_mx.htm.

(1) As of December 31, 2013, the exchange rate for the year end for the Banco de Mexico was \$13.09 per one dollar.

On April 15, 2014, the exchange rate for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York was \$13.096 per one dollar.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

The Company is exposed to a wide range of risks. Note that the order in which the below risks are described does not necessarily reflect the effect that any of the below risks would have on the Company.

Risks Related to Economic, Political and Regulatory Conditions

Bachoco's core businesses are conducted in Mexico and in the United States and, therefore its performance depends among other factors, on the economic conditions prevailing in those countries, and particularly in Mexico. The Company's risk exposure related to economic conditions includes risks related to economic performance, exchange rates, interest rates, as well as other political, economic and social events that may negatively affect the Company's performance and may result in lower demand for, and lower real pricing of, our products.

Additionally, the Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. Prolonged periods of weak economic conditions in Mexico may have, and in the past have had, a negative effect on our Company and a material adverse effect on our results and financial condition.

Unfavorable economic conditions in Mexico or the United States, such as a recession or increases in interest and inflation rates could have an adverse effect on our financial performance.

If the Mexican or U.S. economies experience a high inflation rate, recession or economic slowdown, consumers may not be able to purchase our products as usual, especially in Mexico, where these factors have a direct impact on the consumers, and as a consequence our earnings may be adversely affected.

High interest rates in Mexico or in the U.S. could adversely affect our costs and our earnings due to the impact those changes have on our variable-rate debt instruments; on the other hand, we may benefit from the interest we earn on our cash balance. Mexico historically has had, and may continue to have, high real and nominal interest rates.

A strong variation in the exchange rates between the peso and dollar could negatively affect our financial results, as a greater percentage of our sales are made in pesos, and a large percentage of our raw material purchases are made in dollars.

Furthermore, the Company could be adversely affected by negative economic conditions prevalent in the U.S. or other countries, even when economic conditions in such countries may differ significantly from economic conditions in Mexico, as investors' reactions to developments in any of these other countries may have an adverse effect on our securities. Consequently, the market value of our securities may be adversely affected by events taking place outside of Mexico or the U.S.

Political events and regulatory changes in Mexico, including transition to a new presidential administration, could affect Mexican economic conditions and as a consequence, negatively affect our operations.

The Company has operations in both Mexico and the U.S., but is incorporated under the laws of Mexico, and a greater percentage of our sales are made in Mexico. Accordingly we foresee an impact mainly from negative developments in the political, regulatory and economic conditions in Mexico.

Mexican political events may significantly affect our operations. On July 2012, the presidential election in Mexico led to the election of a new president and political party, Enrique Peña Nieto of the Partido Revolucionario Institucional. Mexico's new president has started to implement significant changes in laws, public policy and regulations that could eventually affect Mexico's political and economic situation. Any such changes may have an adverse effect on our business. For example, President Enrique Peña Nieto has proposed energy and fiscal reforms, among others, in order to foster economic growth. Secondary Rules of these reforms still are in process and it is still unclear the effect these and other possible reforms may have on the Mexican economy.

Political disagreements between the executive and the legislative branches could result in deadlock and prevent the timely implementation of political and economic reforms. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results.

Although the recent U.S. presidential election did not result in a change of the nations' leadership, any political or regulatory change in the U.S. regarding Mexico, may also affect the economic conditions in Mexico and, as a consequence, affect our financial performance.

Government regulations in Mexico and the U.S. could cause a material increase in the Company's costs of operations and thus could have a negative impact on our results of operations.

Every region that Bachoco operates is subject to extensive federal, state and foreign laws and regulations that govern the production, packaging, storage, moving and marketing in the food industry and the poultry industry in particular, including several provisions relating to the discharge of materials into the environment.

We may be subject to fines, closures of our facilities, asset seizures, injunctions or criminal sanctions if we are held by a court of competent jurisdiction to be non-compliant with any of the applicable laws and regulations.

The adoption of new regulations or changes in the prevailing regulatory environment governing the food industry may entail restrictions in the daily operation of our Company, or increases in our expenses or production costs, conditions that could negatively affect our financial results.

Additionally, the imposition of new taxes or changes in the existing tax rates in Mexico or the U.S. could have an adverse impact on our operations and, as a result, negatively affect our financial results.

Risks Related to Bachoco and the Poultry Industry

The poultry industry in Mexico and the U.S., as well as the chicken industry in other countries has undergone cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability.

The market that we serve is subject to volatility with respect to supply and raw material prices, which affects our product prices. We cannot assure you that future cyclical, excess supply, increases in main raw materials prices, or downturns in real prices will not adversely affect our financial results.

The largest single component of our cost of sales is the cost of grains used to prepare balanced feed, including sorghum and corn, and some other ingredients such as: soybean meal and marigold extract, among others.

Increase or volatility in main raw materials prices may adversely affect or operating and financial results.

The price of most of these raw materials is subject to significant volatility resulting from weather conditions, the size of harvests, governmental agricultural policies, currency exchange rates, transportation, storage costs, and other factors.

Furthermore, the cost of corn in the U.S. may be affected by an increase in the demand of ethanol, which can reduce the supply of corn in the U.S. market, adversely affecting our operations in the U.S.

High prices or volatility in main raw materials, could adversely affect our production costs and as a consequence our financial results.

Supply, demand and the prices we are able to charge for our products may fluctuate due to competition from other food producers and the economic performance in the countries we are present may adversely affect our operating and financial results.

Excess in chicken or eggs supply caused by increases in production from our competitors coupled with a weak demand for our products in the markets we operate may result in a downturn in prices for these products, and as a result, our operating margins and financial results could be negatively affected.

We face competition from other chicken producers in all markets in which we sell our products. These chicken producers have the financial resources and operating strengths to directly compete with our Company. We expect to continue to face strong competition in every market, as our existing or new competitors are likely to broaden their product lines and extend their geographic markets. Accordingly, we cannot assure you that our performance will not be adversely affected by increased competition.

Raising animals and meat processing involve animal health and disease control risks, which can have an adverse impact on our results of operations.

Our operations in Mexico and in the U.S. depend on raising animals and meat processing, which are subject to risks such as diseases (like different types of influenza) and contamination during production, packaging, storage or distribution processes.

Live chickens and swine are susceptible to infections by a variety of microbiological agents that may result in higher mortality rates, affecting our earnings and financial results.

Our chicken, turkey, beef and eggs products are subject to contamination during processing, packaging, distribution or conservation. Potential contamination of our products during processing, however, could affect a larger number of our products, which may have a significant impact on our results.

Natural disasters such as hurricanes, tornadoes or earthquakes, may result in additional losses of inventory and damage to our plants and equipment.

Natural disasters could significantly damage our facilities. Our facilities in Mexico are susceptible mainly to earthquakes and hurricanes. Our facilities near Mexico's coast are most vulnerable to the risk of severe weather. Our U.S. facilities are located in Arkansas and Oklahoma, a region vulnerable to being hit by tornadoes. Extensive damage to these facilities could affect our ability to conduct our regular production, as a result, reduce our operation results.

Our growth through mergers, acquisitions or joint ventures may be impacted by challenges in integrating significant acquisitions.

We have made in the past, and may make in the future, certain acquisitions in order to continue our growth. Acquisitions involve risks, including, among others, the following: failure of acquired businesses to achieve expected results; inability to retain or hire key personnel of acquired businesses; inability to retain the same client and supplier base; and inability to achieve expected synergies and/or economies of scale. If we are unable to successfully integrate or manage our acquired businesses, we may not realize anticipated cost savings and revenue growth, which may result in reduced profitability or losses.

Elimination of tariff barriers may adversely affect our performance.

U.S. producers may increase exports to Mexico as chicken, eggs and swine are free of import quotas to Mexico according to the North American Free Trade Agreement ("NAFTA"). Poultry producers in the United States have developed low cost production methods and have been successful in exporting primarily frozen and value-added poultry to other countries, especially in periods of overcapacity in the United States a condition that could have a material adverse effect on our performance in Mexico.

Regulations on animal health and environmental changes in Mexico could affect Mexican poultry industry conditions and as a consequence negatively affect the Company.

Our processes are subject to several animal health and environmental regulations that include animal raising, transportation, packaging, storage and distribution regulations. Drastic changes in any of these regulations could negatively affect our daily operations and inability to supply our products, and as a consequence affect our financial results. It also may include the implementation of new processes or equipment to comply with the new regulations, condition that may negatively affect our liquidity, as our capital investments could increase.

Our inability to maintain good relationships with our work force and its labor union, may affect our processes and as a consequence our financial results.

If we are unable to maintain good relations with our employees and with our labor union we may be faced with significant work stoppages as a result of labor problems, a condition that may affect our processes and our operating results.

Risks relating to Bachoco's investors and its American Depositary Receipts (or ADRs)

The Robinson Bours family owns 73.25% of our total shares outstanding and their interests may differ from other security holders. With that percentage they hold the power to elect a majority of the members of our Board of Directors and have the power to determine the outcome of certain other actions requiring the approval of our stockholders, including whether or not dividends are to be paid and the amount of such dividends.

The Company trades its ADR's on the New York Stock Exchange ("NYSE") with each ADR representing twelve common shares.

The prevailing market prices for the ADRs and the Shares could decline if the Robinson Bours family sold substantial amounts of their Shares, whether directly, or indirectly, through two Mexican trusts through which they hold their Shares, or if the perception arose that such a sale could occur. See Item 7 for more details about the Company's trusts.

The market value of our securities may be affected by economic and market conditions prevailing in any other country, although economic conditions in such countries may differ significantly from economic conditions in

Mexico. Investors' reactions to developments in any of these other countries may have an adverse perception and consequently, the market value of our securities may be adversely affected by events elsewhere.

Payment of cash dividends may be affected by the exchange rate of the peso versus the dollar.

Because we pay cash dividends in pesos, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADRs upon conversion of such cash dividends by The Bank of New York Mellon, who acts as our Depositary Bank.

The protection afforded to non-controlling stockholders in Mexico is different from that in the U.S.

Under Mexican law, the protection afforded to minority stockholders is different from those in the United States. In particular, the law concerning fiduciary duties of directors is not well developed, there is no procedure for class actions or stockholder derivative actions, and there are different procedural requirements for bringing stockholder lawsuits. As a result, in practice it may be more difficult for the minority stockholders of Bachoco to enforce their rights against us or our directors or our controlling stockholder than it would be for stockholders of a U.S. company.

Our bylaws restrict the ability of non-Mexican stockholders to invoke the protection of their governments with respect to their rights as stockholders.

As required by Mexican law, our bylaws provide that non Mexican stockholders shall be considered as Mexicans with respect to their ownership interests in Bachoco and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican stockholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the stockholder's rights as a stockholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in Bachoco. If you invoke such governmental protection in violation of this agreement, your Shares could be forfeited to the Mexican government.

Our bylaws may only be enforced in Mexico.

Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws may be brought only in Mexican courts. As a result, it may be difficult for non-Mexican stockholders to enforce their stockholder rights pursuant to the bylaws.

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. As a result, it may be difficult for investors to affect service of process within the United States on such persons or to enforce judgments against them. This pertains also to any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Non-Mexican stockholders may not be entitled to participate in future preemptive rights offerings.

Under Mexican law and our bylaws, if we issue new Shares for cash as part of a capital increase, we must grant our stockholders the right to purchase a sufficient number of Shares to maintain their existing ownership percentage in the Company (“preemptive rights”). We can allow holders of ADRs in the United States to exercise preemptive rights in any future capital increase only in one of the following two circumstances: (i) we file a registration statement with the Securities and Exchange Commission with respect to that future issuance of Shares; or (ii) the offering qualifies for an exemption from the registration requirements of the Securities Act.

We make no promises that we will file a registration statement with the Securities and Exchange Commission to allow holders of ADRs in the United States to participate in a preemptive rights offering. As a result, the equity interests of such holders in the Company may be diluted proportionately. In addition, under current Mexican law, it is not practicable for the depository to sell preemptive rights and distribute the proceeds from such sales to ADR holders.

Corporate disclosure and accounting in Mexico may differ from other countries.

There may be less, or different, publicly available information about issuers of securities in Mexico than is regularly published by or about issuers of securities in other countries with highly developed capital markets. In addition, due to country-by-country differences in accounting and other reporting principles and standards, our corporate disclosures may differ in content from disclosures made under other principles and standards.

ITEM 4. Information of the Company

A. History and Development of the Company

The Company was legally formed in Mexico as Industrias Bachoco, S.A.B. de C.V., on April 17, 1980, in Obregon, State of Sonora, Mexico, and is frequently referred to as Bachoco.

We are incorporated under the laws of the United Mexican States, but we have operations in both Mexico and the U.S. Our principal executive offices are located in Mexico at Avenida Tecnologico 401, Ciudad Industrial, zip code 38010, Celaya, State of Guanajuato, Mexico, and our telephone number is +52 (461) 618 3500 and +52 (461) 618 3555.

Our investor relations agent in the United States is I-advize Corporate Communications, located at 82 Wall Street, Suite 805 in New York, New York.

Our main business line is poultry, which includes chicken and eggs. The Company also produces and sells a wide range of other products that include, but are not limited to, balanced feed, live swine, beef and turkey value-added products.

Important events in the development of the Company's business

We were founded in 1952 and have grown from a small commercial table egg operation in the state of Sonora, into a vertically integrated Company and the leading poultry company in Mexico as well as, in our opinion, one of the most important poultry companies worldwide.

In 1963, we started operations in the cities of Navojoa, Los Mochis and Culiacan, producing just table eggs. In 1971, we commenced the production of chicken in an operating facility that we opened in the city of Culiacan.

In 1974, we established a new complex in Celaya, Guanajuato, Mexico. Our products were widely accepted in that region, which led us to open offices and distribution centers in Mexico City. In 1993, we moved our headquarters from the Obregon to Celaya city, and opened a new complex in the city of Techamalco, in the Southeast of Mexico.

In 1994, we continued expanding our coverage, this time with a new complex in Lagos de Moreno city, in the Western Mexico. By 1994, we had four productive complexes strategically located throughout Mexico and an important presence in the Mexican poultry market share.

In September 1997, we began trading on the Mexican Stock Exchange (or “BMV”) and on the NYSE, with 600 million shares outstanding and a free float of 17.25%, the remaining 82.75% is held since that year by the Robinson Bours Family through two Control trusts.

Furthermore, in December, 1999, we acquired Campi. With this acquisition we entered the chicken market in the South of Mexico, starting a new business line selling balanced feed to third parties. In 2001, we established our sixth productive complex in Gomez Palacio city, located in the Northeast of Mexico.

In December 2006, we acquired most of the assets and inventories of Del Mezquital to start a new complex in Hermosillo city, located in Northern Mexico, close to the border with the United States. In 2007, through a business agreement with Grupo Libra and Grupo Agra we entered in a new business, the sales of turkey and beef value added products, and increased our production capacity of table eggs. Both Companies are located in Northeast Mexico.

In 2009, we made diverse business agreements with a companies located at the Northeast of Mexico; to improve capacity and efficiency in our Northeast production complex headquartered in Monterrey, we; (i) acquired the assets of a balanced feed mill and a soybean processing plant from Productora de Alimentos Pecuarios de Nuevo Leon (ii) acquired the assets of a chicken processing plant from Avi Carnes Monterrey (iii) entered into agreements to rent breeder farms and egg incubation plants from Reproductoras Asociadas, and one-day-old breeder capacity farms and egg incubation plants from Produccion Avicola Especializada; and (iv) made arrangements with contract growers to acquire their inventories.

In August 20, 2011, we acquired Trosi de Carnes, S.A. de C.V. (or “Trosi”) business; this facility is located in Monterrey, Northern Mexico. Trosi produces and sells processed beef and chicken.

On November 1, 2011, the Company entered the U.S. market and increased its export business with the acquisition of the American poultry company, OK Foods. This company has operations across the River Valley area in Arkansas and Oklahoma. It supplies grocery retailers, food service distributors and commodity customers throughout the U.S. as well as foreign markets. Our U.S. subsidiary, Bachoco USA, is the holding company of OK Foods.

In December 2011, the Company carried out a transaction to buy certain property assets of Mercantil Agropecuaria Coromuel, S.A. de C.V. (or “MACSA”), whereby, the Company reinforced its presence in the State of Baja California in Mexico, with three distributions centers.

In July 2013, the Company reached an agreement to acquire the Arkansas breeding assets of Morris Hatchery Inc., a U.S. company. These assets comprise mainly equipment and bird inventory (laying hens that produce hatching eggs). For more detail regarding this last acquisition please see Note 4 to our Consolidated Financial Statements included in this annual report.

Capital Expenditures

During the last two years we have financed most of our capital expenditures with resources generated by our operations.

Following is a summary of the capital expenditures incurred by the Company during periods mentioned therein with the amounts having been computed under IFRS.

In 2013, we made capital expenditures of \$587.4 million which was mainly allocated toward productivity projects in our chicken farms and in some of our processing plants, increasing eggs production capacity, additional IT systems, replacement of our transportation fleet and, of other equipment in all of our facilities .

In 2012, we made capital expenditures of \$951.8 million that are used for the replacement of our transportation fleet, the completion of certain expansion projects and the implementation of productivity projects across all of our facilities in both the U.S. and Mexico.

In 2011 we made capital expenditures of \$707.5 million, to implement new technologies in the processing plants located in Coatzacoalcos, Culiacan and Celaya. Additionally, in Celaya we built a water treatment plant and updated our transportation fleet.

At present, as part of its regular course of business, the Company continues with its replacement of equipment and productivity projects.

B. Business Overview

General

Bachoco owns and manages more than a thousand facilities, organized in nine production complexes and 64 distribution centers in Mexico, and one production complex in the United States.

We participate in the food industry in Mexico and in the U.S., mainly in the poultry industry.

We are the leader in the Mexican poultry industry, and one of the largest poultry producers globally. In 2011, we entered the U.S. chicken market through our acquisition of OK Foods.

In Mexico, our core business is poultry (chicken and egg products), but we also produce and sell a wide range of other products which we refer to as “other business lines” which include, among others, the production and selling of balanced feed, live swine, beef and turkey value-added products, as well as a laboratory that produces vaccines for the poultry industry.

Sales generated by these other business lines, except for the balanced feed sales on an individual basis, do not represent more than 1.0% of our total sales. Balanced feed represents 4.6% of our total sales in 2013.

In the United States, our sole business line is chicken products.

In the recent years, we have not experienced material changes in the development or production of our products.

Principal Markets

We operate mainly in Mexico and in the U.S. We estimate that we are the biggest producer of chicken products in Mexico. Based on our internal estimates, we currently account for approximately 35.0% of the Mexican chicken market and are the second largest producer of eggs with an estimated market share of approximately 5.6%. We currently estimate that we have a 2.8% market share in the balanced feed products.

As noted previously, in the U.S. we produce and distribute chicken products only. Based on our internal estimates, we currently account for approximately 2.0% of this market.

The following table sets forth, for each of the periods indicated, our net revenues by main product lines as a percentage of total net revenues, as of December 31, 2013, 2012 and 2011:

NET REVENUES BY BUSINESS LINES

In millions of pesos, for the year ended December 31,

	2013		2012		2011	
	\$	%	\$	%	\$	%
Net Revenues	39,710.7	100.0	39,367.4	100.0	27,735.0	100.0
Poultry	35,943.9	90.5	35,797.2	90.9	24,697.2	89.0
Others	3,766.8	9.5	3,570.3	9.1	3,037.80	11.0

Our poultry business is our largest business lines in terms of revenues. Within our poultry business, our main products are chicken and eggs, which are described in more detail in the following paragraphs. Within our “Others” segment, our main product is balanced feed, which is also described in more detail in the following paragraphs.

Overview of the Chicken Industry in Mexico

According to the UNA, chicken products are the main source of protein consumed in Mexico.

Mexico is among the ten main chicken producers worldwide, with an estimated production of 2,905.5 thousand tons of chicken meat in 2013, and a per capita consumption of 24.9 kilograms a year, a slight decrease when compared to 25.8 kilograms for the year 2012.

Fresh chicken is the most popular meat consumed in Mexico. According to the UNA more than 90% of chicken is sold fresh, and just a small percentage is sold frozen and with value added (marinated, breaded, partially cooked and fully cooked, among others). These products have found limited acceptance among Mexican consumers due to historical consumer preferences for fresh chicken.

We estimate that we are Mexico's largest chicken producer with around 35.0% market share, and when combined with our two largest vertically integrated competitors in Mexico, we account for approximately 59.0% of total Mexican poultry production.

According to the USDA, Mexico is a main destination for U.S. chicken exports. Chicken imports from the U.S. have increased from 204.1 thousand tons in 2008 (when restrictions for leg quarters imports were phased out in January 2008) to approximately 390.0 thousand tons in 2013. This increase was due to the decrease in Mexican production and lower price levels in the U.S. and other foreign markets.

Chicken products in Mexico are classified into six main categories: live, public market, rotisserie, supermarket broiler, chicken parts and value-added products. Bachoco operates in all these categories.

For a better understanding of the chicken market in Mexico following is a brief description of each category of chicken products:

Live chicken is sold alive to small independent slaughtering operations or to wholesalers that contract with independent slaughtering operations for processing.

Public market chicken is a whole broiler presented either un-eviscerated or eviscerated, generally sold within 48 hours after slaughter. This product is sold to consumers without any packaging or brand identification.

- **Rotisserie chicken** is a whole broiler presented eviscerated and ready to cook.

- **Supermarket chicken** is a fresh whole broiler presented with the edible viscera packed separately.

Chicken cuts refers to cut-up fresh chicken parts sold wrapped in trays or in bulk principally to supermarket chains, the fast-food industry and other institutional food service providers.

Value-added products refer mainly to cut-up fresh chicken parts with value-added treatment like marinating, breading and individual quantity frozen.

We operate in all these chicken categories; our product mix varies from region to region, reflecting different consumption and distribution patterns.

SALES AND VOLUME OF CHICKEN BY CATEGORY

In 2013	Industry /volume ⁽¹⁾	Bachoco /volume	Bachoco /sales
Live	n/a	36	29
Public market	n/a	13	13
Rotisserie	n/a	26	27
Supermarket	n/a	5	5
Chicken parts	n/a	12	15
Value-added products	n/a	8	11
In 2012	Industry /volume ⁽²⁾	Bachoco /volume	Bachoco /sales
Live	33	36	30
Public market	19	13	13
Rotisserie	26	27	28
Supermarket	12	5	5
Chicken parts	6	10	12
Value-added products	4	8	11
In 2011	Industry /volume ⁽²⁾	Bachoco /volume	Bachoco /sales
Live	33	36	29
Public market	20	14	14
Rotisserie	26	27	27
Supermarket	12	5	5
Chicken parts	6	12	16
Value-added products	3	6	9

(1) Industry information for 2013 is not available as of the date of this report.

(2)

Source: UNA.

Overview of the Chicken Industry in the U.S.

According to the USDA and the UNFA, chicken is the main protein consumed in the U.S., but unlike in Mexico, most of the chicken is sold to producers uncut, and the cuts are mainly sold frozen and with value-added (more than 85%). This is due to a large increase in demand for the three main components of chicken: the breast, wing, and leg quarters, respectively.

The U.S. is the world's largest producers of chicken. Its annual production is estimated at 17.2 million tons or 37.8 billion pounds in 2013 a 2.1% increase over the 16.8 million tons produced in 2012, and its per capita consumption is also one of the highest worldwide, per annum, estimated at 43.6 kilograms (around 96.0 pounds).

The U.S. chicken industry is more consolidated and vertically integrated. Most producers of chicken use state-of-the-art technology in its processes. It is estimated that the main four chicken producers account for 52% of the total chicken production in the U.S.

Another characteristic of the chicken industry in the U.S. is the use of contract growers, with more than 85% of chicken produced by contract growers. Such production consists of providing the growers with chickens, balanced feed, vaccines, medicines and training required for the growing of chickens. The grower supplies its facilities and labor required in order to bring the chickens to slaughter-ready weight. The contract grower is then paid based on the productivity and efficiency of its flock.

Brazil and the U.S. are the main exporters of chickens worldwide, and their main destinations are Mexico, China, Russia and the Middle East, among other countries. We estimate that our market share is around 2.0% in the U.S.

Overview of the Egg Industry in Mexico

According to the UNA, Mexico has the largest per capita consumption of eggs (or “table eggs”) in the world.

There is an estimated per capita consumption of around 21.9 kilograms for 2013, compared to 20.8 kilograms in 2012.

Mexico’s 2013 annual egg production is estimated at 2,532.0 million tons, an increase of 6.1% as compared with 2,386.6 million tons produced in 2012.

When compared to other protein sources, eggs are among the cheapest sources of protein in Mexico. The egg industry is more fragmented than the chicken industry.

Table eggs in Mexico are classified in three main categories: bulk, packaged and processed.

-

Bulk is distributed in large 360 egg cases.

- **Packaged** in branded packages of mainly 12, 18, 24 or more eggs.

- **Processed** is liquid or powdery eggs used mainly by the bakery industry.

Bachoco participates in the bulk and packaged categories of eggs but does not participate in the processed market.

We estimate that we are the second largest producer of table eggs in Mexico. In 2013, we produced 5.6% of the total eggs produced in Mexico in terms of tons. We sell both brown and white eggs. We estimate that we are the largest producer of brown eggs in Mexico, and the largest marketer of packaged eggs with brand identification.

In 2013, 2012 and 2011, the volume sold by table eggs category in the Mexican industry and in the Company was:

SALES AND VOLUME OF EGG BY CATEGORY

In 2013	Industry /volume ⁽¹⁾		Bachoco /volume		Bachoco /sales	
Bulk	n/a		40	%	36	%
Packaged	n/a		60	%	64	%
Processed	n/a		0	%	0	%
In 2012	Industry /volume ⁽²⁾		Bachoco /volume		Bachoco /sales	
Bulk	80	%	42	%	38	%
Packaged	14	%	58	%	62	%
Processed	6	%	0	%	0	%
In 2011	Industry /volume ⁽²⁾		Bachoco /volume		Bachoco /sales	
Bulk	80	%	45	%	34	%
Packaged	14	%	55	%	66	%
Processed	6	%	0	%	0	%

(1) Industry information for 2013 is not available as of the date of this report.
 (2) Source: UNA.

Overview of the Balanced Feed Market in Mexico

According to the *Consejo Nacional de Fabricantes de Alimento Balanceado y de la Nutricion Animal, A.C.* ("CONAFAB"), Mexico is among the ten biggest producers of balanced feed worldwide.

According to CONAFAB, it is estimated that 29,120 thousand tons of balanced feed were produced in Mexico in 2013, a slight increase from 28,439 thousand tons of balanced feed produced in 2012.

Producers of balanced feed are classified as either commercial or integrated; commercial manufacturers produce for the market while integrated manufacturers mostly produce for themselves and occasionally for other producers.

Bachoco participates in both channels, integrated and commercial, as it produces balanced feed used for internal consumption as well as balanced feed it ultimately sells to third parties.

In 2013, it is estimated by CONAFAB that the production mix between commercial and integrated is about 38% and 62%, respectively. This mix has not changed much over the past several years.

The following table sets forth, for each of the periods indicated, our net volume sold of balanced feed:

BALANCED FEED VOLUME SOLD

Thousands of tons	Production (1)	Bachoco's Production	Estimated Market Share	
2013 ⁽²⁾	11,182	316	2.8	%
2012	10,914	351	3.2	%
2011	10,518	379	3.6	%

(1) According to CONAFAB, balanced feed produced by commercial producers in Mexico.

(2) CONAFAB estimates

Seasonality Effects

The poultry industry worldwide is very susceptible to price changes in its main raw materials, such as corn, soybean meal and sorghum. As a result, the industry is characterized by cyclical periods of higher profitability leading to overproduction followed by periods of lower prices and lower profitability.

Our sales are moderately seasonal in Mexico. Generally, we experience the highest levels of sales in the second and fourth quarters due to higher chicken consumption during the holiday seasons.

As for our sales in the U.S., there is slightly less seasonality due to the mix of products offered in the market, but breast meat prices are typically higher in the second and third quarters and wings are more in demand in the fourth and first quarters.

Pricing for chicken and eggs products

Chicken and eggs are considered a commodity item. Changes to the supply or demand, and changes in raw material prices can directly impact in sale prices, and as a result affect the profitability of main producers. Another factor that impacts chicken pricing mainly in U.S. is the international demand.

Main Raw Materials and Sources of Supply

As a vertically integrated company our processes start in our main business lines with production of balanced feed, as well as with the buying of grandparent breeder flocks.

Our production of chicken processes starts with the purchasing of one-day birds called “grandparent” birds. These birds are raised to maturity in our farms where fertile eggs are produced to continue through our production processes. Grandparent birds are bought mainly in the U.S. and also in some other countries from genetic bird firms.

The largest single component of our cost of sales is the cost of balanced feed raw materials, mainly grain (corn and sorghum), as well as soybean meal used to prepare balanced feed. We operate our own feed mills to produce balanced

feed for both; individual business consumption as well as to sell to third parties.

The prices of these ingredients are subject to significant volatility resulting from weather, the size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rates and other factors. The Company engages in hedging of its feed costs in order to assure more stable cost of grains.

In Mexico, domestic crops are limited, therefore a large percentage of our raw materials are imported from the U.S. In 2013, in terms of volume, we bought approximately 48.5% of our total grain from the domestic market and the remaining 51.5% from the U.S.

Marketing Channels Used by the Company

Marketing and Distribution of Chicken Products in Mexico

We have developed an extensive distribution system to participate in all the existing distribution channels of chicken and eggs products. We consider our distribution system one of the Company's strengths, where we have developed extensive expertise and knowledge of the business.

We participate and operate in all the following marketing channels:

Live Chicken. Unlike most other countries, Mexico has a large marketing channel of live chicken which mainly operates in the central and southern regions of Mexico.

Wholesalers. Large percentages of our chicken sales operate via wholesalers. The main products marketed in this channel are live and public market chicken as well as rotisserie. We do not have exclusive supply agreements with our customers.

Institutional. We sell a large amount of product to institutional customers. We mainly sell chicken cuts and rotisserie chicken in the institutional channel. Success in supplying the institutional channel depends on consistency and good service, and only larger producers with more modern processing facilities and distribution capacity can compete in this market.

Supermarket. We sell cuts and value-added products as well as supermarket chicken types through supermarket channels or convenience stores. In this channel we emphasize our brand image as well as our superior service, reinforced by frequent delivery to ensure freshness, to build consumer's loyalty.

Retail. A wide range of products are sold under this marketing channel that goes from the live chicken to value-added or public market and supermarket chicken type. The Company supplies several points of sale that directly sell these products to the customers.

We use our own fleet to transport the majority of rotisserie chickens, supermarket broilers and other chicken products to our customers in Mexico. We try to cooperate with existing distribution channels and do not compete with wholesale distributors, except in areas where we supply our own distribution capacity where needed for market penetration.

We distribute products from our processing plants to our cold-storage facilities and warehouses, which serve as a midpoint in distribution to wholesalers and local customers. From our cold-storage facilities, we service wholesalers, retailers and transport certain products directly to supermarkets and food-service operations. Our distribution infrastructure includes more than 64 cold-storage warehouses and facilities and a large fleet of vehicles.

Marketing and Distribution of Chicken Products in the U.S.

Our U.S. operations which lie across the River Valley area in Arkansas and Oklahoma produce only chicken products. Those plants mainly supply grocery retailers, food service distributors, national accounts and commodity customers throughout the U.S. The U.S. complex also services the foreign market and exports to several countries including those in Asia, Russia and Mexico. Our distribution line through this plant is handled mainly through third parties.

Marketing and Distribution of Eggs Products in Mexico

Eggs are mostly sold packaged with brand identification. We sell white and brown eggs; the branded carton of brown eggs is a premium product in the Mexican market, because consumers perceive them to be of higher quality. Brown eggs command a small premium over white eggs.

In some regions, however, we have reallocated part of our production from brown eggs to white eggs due to local market preferences. Our marketing strategy in the eggs business is to gradually move from bulk to packaged white eggs. Packaged eggs are less vulnerable to price fluctuation and create brand loyalty.

We have designed our egg distribution system to transport eggs from our laying farms to customers in all sales regions.

- **Wholesalers**. We sell eggs in bulk; these wholesalers operate mainly in central Mexico. This product is sold to consumers mainly by kilogram and not by unit.

- **Institutional**. We sell eggs in bulk in this institutional marketing channel.

- **Supermarket**. We sell eggs packaged with brand identification and a large number of presentation patterns in packages of 12, 18, 24 or more eggs.

- **Retail**. We distribute eggs directly to customers in packages with brand identification.

Marketing and Distribution of Balanced Feed in Mexico

Our production of balanced feed to third parties, accounts for a wide range of products; we produce balanced feed products mainly in the poultry industry, but we also produce in other markets such as dogs, cattle, swine and fish, among other species.

We sell balanced feed products mainly to small livestock producers and through a network of small distributors located mainly in central and southern Mexico. Currently, we have 4 feed plants dedicated to producing balanced feed to third parties.

Patents, Licenses and Other Contracts

The Company's operations are not dependent on the existence of patents or licenses or contracts signed with customers or suppliers.

Material Effects of Government Regulations on the Company's Business

Every region where Bachoco operates is subject to extensive federal, state and foreign laws and regulations, which can have a material effect on the Company. Such laws and regulations include among others, the following:

Import and Export Regulations

Effective January 1, 2008, there is a free chicken market between Mexico and the U.S. This allows U.S. producers to export any amount of chicken (mainly leg quarters) free of tariffs to Mexico.

The U.S. chicken exports to Mexico have substantially increased since applicable restrictions on such imports have recently phased out. However, this development does impact the Mexican market for chicken because neither we, nor any other Mexican chicken producer, are yet able to export similar products to the U.S. Our production complex in the U.S. exports chicken products to several countries such as Russia, China and Mexico, among others, and therefore it is subject to various laws and regulations that apply in each of these countries.

Antitrust Regulations

In Mexico, the *Ley Federal de Competencia Economica* (“Mexican Economic Competition Law” or “LFCE”), regulates monopolies and monopolistic practices.

Under this law, Mexican producers, including Bachoco are required to notify the *Comision Federal de Competencia* (“Competition Federal Commission or “COFECO”) of all proposed transactions exceeding specified threshold amounts as set forth in the Mexican Economic Competition Law. The COFECO can impose conditions on, and prevent or unwind, any such transactions by Mexican companies. We have complied with all requirements under this law.

In December 2009, Mexico’s CFC published a notice announcing an investigation of the Mexican poultry sector regarding possible monopolistic business practices. No specific companies were cited as conducting business in this manner. We, along with other Mexican producers and distributors, were required to provide information to the commission during the following years. As a result the CFC determined the following:

In November 2012, the CFC imposed a \$1.4 million fine on Bachoco, arguing that Bachoco conspired with local -producers to fix the prices of chicken in Chetumal, state of Quintana Roo. Price fixing is an activity not permitted by applicable Mexican law.

In January 2013, the CFC released a new statement announcing a fine of \$1.6 million, arguing that Bachoco conspired with other local producers to fix prices of chicken in Cancun, state of Quintana Roo.

In all cases, the Company disagreed with the CFC’s resolution and appealed all of the resolutions according to the provisions of Mexican law, to assert our rights as a company that contributes to the development of the country and to a free market.

As of the date of this Annual Report, these files remain open; the CFC is evaluating our impugnation and is expected to release a response in the upcoming months.

Antidumping Regulations

Since 2003, chicken (excluding leg quarters for which the Mexican government had imposed certain temporary restrictions), eggs and swine import quotas were eliminated by virtue of the NAFTA. Poultry producers in the United States have developed extremely low-cost production methods and have been successful in exporting primarily frozen and value-added poultry to other countries, including Mexico, especially in periods of overcapacity in the United States.

On January 1, 2008, the restrictions previously imposed for leg quarters were phased out. As a result, there are no restrictions on exporting these products to Mexico at this time.

In February of 2011, the *Secretaria Mexicana de Economia* (or “Ministry of Economy”) initiated an antidumping investigation focusing exclusively on imports of leg quarters from the U.S. to Mexico. This investigation was requested by Bachoco and by two other Mexican poultry companies.

As a result of this investigation, in January of 2012, the Ministry of Economy issued a preliminary ruling on anti-dumping procedures and confirmed dumping conditions on chicken leg quarters imported from the United States, including margins ranging from 62.90% to 129.77%, stating that such practices damaged the Mexican poultry industry.

The Ministry of Economy had the authority to impose anti-dumping duties, but did not proceed as the interested parties expressed the desire to reach an agreement. The companies involved provided new arguments.

Consequently, on August 7, 2012, after examining all final arguments, the authorities confirmed the existence of dumping conditions that caused harm to the domestic poultry industry. The Ministry of Economy imposed anti-dumping duties on imports of chicken leg quarters from the United States, but stated that such penalties would not be applied immediately, as the poultry industry was being affected by the presence of avian flu type H7N3 in the state of Jalisco. It is worth noting that, the Company's facilities were not affected by this outbreak of influenza.

As of the date of this report, we do not have any further information from the Ministry of Economy regarding the application of such duties to the chicken industry. We do not believe we will be subject to any antidumping fines and thus have not recorded any provisions in our consolidated financial information.

Environmental and Sanitary Regulation

The chicken industry is subject to government regulation in the health and environmental safety areas, including provisions relating to water and air pollution and noise control. Below is a description of the principal laws and administrative authorities in these areas in Mexico and the U.S.:

Mexico. The *Servicio Nacional de Sanidad Inocuidad y Calidad Alimentaria* (or "The Mexican Sanitary Authority" or "SENASICA"), the *Ley General de Equilibrio Ecologico y Proteccion Ambiental* (General Law of Ecological Balance and Environmental Protection) and the *Secretaria del Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources or "SEMARNAT").

The United States. The U.S. Department of Agriculture (or "USDA"), the Centers for Disease Control, the Environmental Protection Agency ("EPA"), the U.S. Department of Homeland Security (or "DHS") and the U.S. Department of Labor (or "DOL").

All of these laws or regulations can bring administrative and criminal proceedings against companies that violate environmental and safety laws and regulations, and after certain administrative procedures, such violations can result in the closure of non-complying facilities.

The Company provides information to these authorities on a regular basis or whenever required, to assure the Company's compliance thereof. Our Mexican and U.S. subsidiaries are also in compliance with all current regulations

and are constantly monitored to ensure compliance in case of any changes in the regulatory environment.

C. Organizational Structure

The Company is a holding company with no operations other than holding the stock of its subsidiaries. Our main operating subsidiaries are BSACV and Bachoco USA (the holding company for OK Foods), which own our main operating assets.

As of and for the fiscal year 2013, our subsidiary BSACV accounted for 77.5% of consolidated total assets and 70.6% of total consolidated sales and our subsidiary Bachoco USA, accounted for 12.2% of consolidated total assets and 22.5% of total consolidated sales.

All of our subsidiaries are directly owned by us in the percentages listed below. The following table shows our main subsidiaries as of December 31, 2013 and 2012:

PERCENTAGE EQUITY INTEREST

Subsidiary	Country	2013	As of December 31,	
			2012	2011
Aviser, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco Comercial, S.A. de C.V.	Mexico	99.99	99.99	99.99
Campi Alimentos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Operadora de Servicios de Personal, S.A. de C.V.	Mexico	99.99	99.99	99.99
PEC LAB, S.A. de C.V., and subsidiary	Mexico	64.00	64.00	64.00
Secba, S.A. de C.V.	Mexico	99.99	99.99	99.99
Sepetec, S. A. de C.V.	Mexico	99.99	99.99	99.99
Servicios de Personal Administrativo, S.A. de C.V.	Mexico	99.99	99.99	99.99
Induba Pavos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco USA, LLC. and subsidiaries	U.S.	100.00	100.00	100.00

Bachoco USA is a subsidiary incorporated on March 2, 2012 to serve as the holding company for O.K. Industries, Inc., the American poultry company we acquired in November 2011.

For more detail regarding the Company's subsidiaries, see Note 5 of our Consolidated Financial Statements included herein.

D. Property, Plant and Equipment

We have more than a thousand production facilities in Mexico and in the U.S. (most of which are farms) and 64 distribution centers that are located throughout Mexico, to ensure freshness and minimize transportation time and costs.

We own most of our facilities, we own around the 75% of our farms and lease a limited number of other farms and sales centers. We also employ a network of contract growers.

The following table indicates Bachoco's production facilities and the number of each type of facility both in Mexico and the U.S., as of December 31, 2013:

BACHOCO'S FACILITIES

Facilities	Number of Facilities:	
	In Mexico	In The U.S.
Chicken breeding farms	172	101
Broiler grow-out farms	484	328
Broiler processing plants	8	2
Hatchery	22	3
Egg production farms	125	0
Swine breeding farms	1	0
Swine grow-out farms	22	0
Feed mills	18	2
Further process plants	4	2

Bachoco's facilities in Mexico

Our facilities in Mexico are located all over the country, grouped in several complexes with offices in Merida, Coatzacoalcos, Tecamachalco, Celaya, Lagos de Moreno, Monterrey, Gomez Palacios, Culiacan and Hermosillo.

Each of these complexes mainly includes; farms, feed mills, incubation facility, processing plants, and distribution centers.

Our eight processing plants process around 10 million chickens per week and our laying farms produce around 12 thousand tons of commercial eggs each month.

Four of the eighteen feed mill plants are dedicated to the production of balanced feed for sales to third parties and the remaining fourteen are dedicated mainly to internal consumption. We produce around 28 thousand tons of balanced feed per month for sale to third parties.

We own other facilities, including two poultry manure-processing plants. We also own a laboratory that produces vaccines for the poultry industry, which we mainly use for internal purposes but we also sell some vaccines to third parties.

Expansion, Construction or Issues Related to Our Facilities in Mexico

In April 2010, our facilities located in Mexicali, B.C. were affected by an earthquake that hit northwestern Mexico, which affected our egg production farm. Our affected farm represented approximately 9.0% of our total egg production. Our other facilities located in that region, including feed mill and distribution centers, were essentially undamaged. Our affected farm recommenced operations at the end of 2010, with pre-earthquake production capacity restored by the end of 2011.

In February 2013, several of our breeder farms located in the state of Guanajuato were affected by an outbreak of avian influenza type H7N3. As a result, the Company experienced a reduction in chicken volume sold of around 4.0% for the year. Once the outbreak was under control, the Company was able to gradually recover its production level and, by the end of the third quarter, production capacity was restored to pre-outbreak levels. For more detail, see Note 1 of our Consolidated Financial Statements included herein.

Bachoco's facilities in the U.S.

We have facilities across the River Valley area in Arkansas and Oklahoma. We process around 3 million chickens per week in those facilities. Our offices are in Fort Smith, Arkansas. Our slaughter and deboning plants and feed mills are located in Fort Smith and Heavener, Oklahoma. We have further processing plants in Fort Smith and Muldrow, Oklahoma; our hatcheries in Fort Smith, Heavener and Stigler, Oklahoma; our broiler research farms, in Greenwood and Hartford, Arkansas; and our cooler storage and distribution center, in Muldrow city.

Expansion, Construction or Issues Related with Our Facilities in the U.S.

In July 2013, the Company reached an agreement to acquire the Arkansas breeding assets of Morris Hatchery Inc., comprised mainly of equipment and bird inventory. This facility has a production capacity of around 350 thousand laying hens that produce hatching eggs.

The Company plans to carry out several projects, primarily in Mexico gradually increase our chicken and egg production in the next few years.

ITEM 4.A. Unresolved Staff Comments

None

ITEM 5. Operating and Financial Review and Prospects

A. Operating Results

In January 2009, CNBV published certain amendments to the Rules for Public Companies and other participants in the Mexican Securities Market that require public companies to report financial information in accordance with the IFRS as issued by the IASB, effective as of January 1, 2012.

Following these amendments, for the year ended December 31, 2012, we adopted IFRS, with January 1, 2011 as our transition date. Thus, we timely issue our periodic reports under IFRS, meeting all the CNBV requirements.

The rules and regulations of the SEC, do not require foreign private issuers that prepare their financial statements on the basis of IFRS (as issued by the IASB) to reconcile such financial statements to U.S. GAAP. As such, while the Company has in the past reconciled its consolidated financial statements prepared in accordance with MFRS to U.S. GAAP, those reconciliations are no longer presented in Bachoco's filings with the SEC.

Year 2013 Overview

Overall, we view 2013 as a positive year. We reached historically high sales and EBITDA levels, achieved efficiencies in key processes, maintained a constant supply to our customers and kept a strong financial position.

Financial and operating results were sound during the first half 2013, with strong demand and good level of chicken prices. The Company was able to capitalize and translate these favorable market conditions into solid operating and financial results. Second half results were not as positive, with declining chicken prices and oversupply in the Mexican poultry market being the main drivers of weak results as compared to the first half of 2013. However, financial and operating results returned to a more positive trajectory by the end of the year.

We faced several external challenges during the year, the most significant having been the outbreak of avian flu which affected some of our breeders farms in central Mexico. In response, we took several measures, such as immediately reinforced our bio-security programs, bought hatching eggs, used cold storage inventory of chicken, and adjusted our production and supply program to assure the supply of products to our customers. As a result of these remedial measures, we were able to return to pre-outbreak levels of volume in a relatively short period of time.

We recognized a charge of \$350.8 million in inventory reduction due to the effect of this outbreak.

One of our strengths is to assure a constant supply of products to our customers, even under unfavorable conditions, such as during the influenza outbreak described above.

Our U.S. operation continues to have positive results in terms of EBITDA in 2013, as we continue capture synergies between our Mexico and U.S. operations.

Macroeconomic Conditions in Mexico

The Mexican inflation rate does not have a material effect on Bachoco's financial performance. According to statistics released by the *Banco de Mexico*, the inflation rate was 3.97% in 2013, while the Mexican government estimates that GDP increased by 1.1%.

Even as general economic conditions in Mexico have been stable, the Mexican peso showed a slight depreciation by the end of the year, and we also noticed some pressures in Mexican consumption.

According to UNA estimates for 2013, total chicken volume produced in Mexico decreased slightly as a consequence of the outbreak of avian flu. As a result, chicken consumption decreased approximately 3.0%. Egg volume increased approximately 6.1%, while egg consumption increased approximately 5.3%.

Operating Performance

The following financial information of 2013 is reflected in millions of pesos unless otherwise indicated, with comparative figures for the same periods in 2012, and was derived from our consolidated financial statements prepared under IFRS. Such information should be read in conjunction with our Audited Consolidated Financial Statements included herein.

The following table sets forth selected components of our results of operations for each of the periods indicated:

INCOME STATEMENT DATA

In millions of pesos, for the years ended December 31,

	2013	2012	2011
	\$	\$	\$
Net revenues	39,710.7	39,367.4	27,735.0
Cost of sales	33,176.6	33,318.2	24,797.0
Gross profit	6,534.1	6,049.2	2,938.0
General, selling and administrative expenses	3,291.0	3,396.7	2,974.7
Other income (expenses), net	30.7	(23.8)	1,000.0
Operating income	3,273.8	2,628.8	963.2
Net finance income	118.4	165.0	177.6
Income tax	1,350.4	602.0	(38.6)

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Controlling interest	2,038.4	2,184.6	1,177.3
Non-controlling interest	3.4	7.2	2.1
Profit for the year	2,041.8	2,191.8	1,179.4
Basic and diluted earnings per share ⁽¹⁾	3.40	3.65	1.96
Basic and diluted earnings per ADR ⁽²⁾	40.84	43.80	23.52
Dividends per Share ⁽³⁾	1.584	0.50	0.50
Weighted average Shares outstanding ⁽⁴⁾	599,993	598,960	599,822

(1) Calculated based on the weighted average number of basic and diluted shares. No potentially dilutive shares exist in any of the years presented, for which reason, basic and diluted earnings per share are the same.

(2) Each ADR represents twelve shares.

(3) Dividends per share have been computed by dividing the total amount of dividends paid by the weighted average shares outstanding.

(4) In thousands of shares.

Operating Results 2013 vs 2012

The following table sets forth, for each of the periods indicated, our net revenues by main product lines as a percentage of total net revenues, in each period:

NET REVENUES BY BUSINESS LINES**In millions of pesos**

	2013		2012		Change	
	\$	%/sales	\$	%/sales	\$	%
Net Revenues	39,710.7	100.0	39,367.4	100.0	343.3	0.9
Total Poultry	35,943.9	90.5	35,797.2	90.9	126.7	0.4
Others	3,766.8	9.5	3,570.3	9.1	217.6	6.1

NET REVENUES BY GEOGRAPHY**In millions of pesos**

	2013		2012		Change	
	\$	%/sales	\$	%/sales	\$	%
Net Revenues	39,710.7	100.0	39,367.4	100.0	343.3	0.9
In Mexico	31,193.3	78.6	31,195.9	79.2	(2.6)	0.0
In the U.S.	8,517.4	21.4	8,171.5	20.8	345.9	4.2

Net Revenues

Net sales for fiscal year 2013 totaled \$39,710.7 million; an increase of \$343.3 million; or 0.9%; from the \$39,367.4 million of net sales recorded in 2012.

In 2013 and 2012, poultry represented 90.5% and 90.1% of total sales respectively and the others segment accounted for the remaining 9.5% and 9.1% of total sales.

This increase was mainly due to higher prices in our main products within each segment, which was partially offset by lower volume sold during the second and third quarters of 2013, as follows:

In our poultry segment, sales of chicken products decreased 0.3% during 2013 as a result a 4.0% decrease in chicken volume sold, partially offset by a 3.5% increase in prices.

Also within our poultry segment, sales of eggs increased 14.7% during the 2013 fiscal year. This increase is mainly attributed to a 17.0% increase in the price of eggs, partially offset by a 2.0% decrease in volume from 2012.

Within our other business line segment, sales of balanced feed decreased 8.6% in 2013, as a result of a 10.1% decrease in volume sold as a consequence of oversupply conditions in the market, partially offset by a 1.6% of increase in prices.

Our Other segment also includes sales of live swine, sales of value added turkey and beef products, vaccines and other by-products. All of these products, on an individual basis account for less than 1% of our total sales. In 2013, value-added beef products and swine continued experiencing sales growth.

The following table sets forth a breakdown of our operating results for each of the periods indicated:

COST OF SALES

	2013		2012		Change	
	\$	%/sales	\$	%/sales	\$	%
Cost of sales	33,176.6	83.5	33,318.2	84.6	(141.6)	(0.4)
Poultry	29,847.7	75.2	30,210.8	76.7	(363.2)	(1.2)
Others	3,328.9	8.4	3,107.4	7.9	221.6	7.1

Our total cost of sales decreased \$141.6 million or 0.4% for the year ended December 31, 2013 when compared to the year ended December 31, 2012 reached in 2012.

This decrease was mainly driven by a decline of 4.9% in volumes sold, which represented a \$1,628.1 million decrease in our cost of sales. The decrease in volumes sold was primarily the result of a decrease in our sales of chicken products (within our poultry segment), as a consequence of the avian influenza outbreak that affected our chicken production (as further discussed above).

The 4.9% decrease was partially offset by an increase of 4.7% in our production cost of sales per unit, which represented a total increase of \$1,429.2 million in our cost of sales. The main factors that contributed to the increase in our production cost per unit were:

- 23.7% of the total increase, or \$350.8 million, was due to a reduction in our chicken inventory as a result of the avian influenza outbreak described above.

- 18.8% of the total increase, or \$278.9 million, was due to changes in our product mix.

- 24.2% of the increase, or \$357.7 million, was due to a higher hatching eggs unit cost. As an integrated company, we normally use our own hatching eggs farms to produce chicken products, but as a result of the outbreak of the avian influenza that affected some of these facilities, we ended up having to buy more hatching eggs from third parties at a higher cost.

- 12.8% of the increase, or \$189.1 million was due to an increase in the number of products bought from third parties.

It is worth noting that the largest single component of our cost of sales is the cost related to our balanced feed raw materials, which has accounted for approximately 70% of our total cost of sales in the last few years. Within this area, corn, sorghum and soybean meal are the main components of our balanced feed production costs. These components are subject to high volatility caused by supply, weather conditions and exchange rates, among others.

Lastly, besides balanced feed production costs, our cost of sales includes other factors such as: salaries and wages and energy costs that have represented approximately 6.5% and 5.0% of our total cost of sales, respectively, in the last few years. There are also many other factors with much smaller contributions to our overall cost of sales. All of these secondary factors individually registered immaterial changes from 2012 to 2013.

GENERAL, SELLING AND ADMINISTRATIVE EXPENSES

	2013		2012		Change	
	\$	%/sales	\$	%/sales	\$	%
Total SG&A	3,291.0	8.3	3,396.7	8.6	(105.6)	(3.1)

In 2013, our general, selling and administrative expenses totaled \$3,291.0 million, compared to \$3,396.7 million in 2012, representing a decrease of \$105.6 million or 3.1% that was mainly attributed to:

The reduction was due to actuarial adjustments to our employees benefit plans, mainly actuarial gains recognized in the year, see Note 21 in our Audited Consolidated Financial Statements. Variations in the rest of the components were minimal.

This decrease is also a result of our strict control of operating expenses. In 2013 and 2012, our General, selling and administrative expenses represented 8.5% and 8.6% of total sales, respectively.

The main components that comprised our SG&A in the past few years are: freights and transportation equipment expenses (about 35%), labor (about 32%) and publicity (about 5%), with no significant variation in these percentages.

OTHER INCOME (EXPENSE) NET

	2013		2012		Change	
	\$	%/sales	\$	%/sales	\$	%
Other income (expense) net	30.7	0.1	(23.8)	(0.1)	54.5	129.0

Other income (expense) includes the gains and losses on sales of unused fixed assets as well sales of hens and other by-products.

In 2013 we recognized other net income of \$30.7 million and in 2012 we recorded other net expenses of \$23.8 million. In 2013, we sold the land at one of our farms, in the southern region of the country, generating a gain on sale.

OPERATING INCOME

2013	2012	Change
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	\$	%/sales	\$	%/sales	\$	%
Operating Income	3,273.8	8.2	2,628.8	6.7	645.0	24.5

Operating income in 2013, totaled \$3,273.8 million, this represented an increase of \$645.0 million or 24.5%, when compared to operating income of \$2,628.8 million reached in 2012, which was mainly attributed to an increase in sales, a reduction in cost of sales and efficiencies in operating expenses.

The operating margin in 2013 and 2012 was 8.2% and 6.7% respectively.

NET FINANCE INCOME

	For the year ended December 31,					
	2013	% over	2012	% over	Change	
	\$	sales	\$	sales	\$	%
Net Finance Income	118.4	0.3 %	165.0	0.4 %	(46.6)	(28.2)
Financial Income	344.8		270.0		74.8	27.7
Financial Expense	226.4		105.0		121.4	115.6

In 2013, we reported net financial income of \$118.4 million, compared to net financial income of \$165.0 million in 2012. This was mainly due to higher interest expenses in 2013.

Financial income of \$344.8 million in 2013 was mainly due to a \$314.2 million of interest income and a \$28.1 million in foreign currency exchange gain. This gain was partially offset by \$97.0 million in interest expense and a \$129.3 million in commissions and financial expenses.

In 2012, we recognized a net financial income of \$270.0 million, of which \$222.1 million was interest income, \$35.2 million was foreign currency exchange gain and \$12.8 million was represented by a gain from the valuation of financial instruments. These gains were partially offset by \$105.0 million of interest expense in 2012.

For more details see Note 29 to our Audited Consolidated Financial Statements.

The following table sets forth our tax position for each of the periods indicated which is described in more detail in Note 20 to our Audited Consolidated Financial Statements included herein:

TOTAL INCOME TAX

	For the year ended December 31,			
	2013	2012	Change	
	\$	\$	\$	%
Total income taxes (benefit) expense,	1,350.4	602.0	748.4	124.3
Current income tax in Mexico	1,227.3	366.4	860.9	235.0
Deferred income tax in Mexico	147.4	207.1	(59.7)	(28.8)
Deferred Income tax in the U.S.	(24.3)	28.5	(52.8)	(185.3)

In 2013, total income tax expense was \$1,350.4 million, compared to income tax expense of \$602.0 million in 2012. This increase is mainly attributable to a \$674.8 million charge related to changes in tax rates pursuant to a fiscal reform that was enacted in 2013.

Through December 31, 2013, the Company was subject to a simplified tax regime, whereby its statutory tax rate was 21%. As a result of changes in the Mexican Tax Law enacted in 2013, such simplified regime was eliminated and beginning in 2014, the Company will be subject to a new and equivalent regime named regime for agriculture, livestock, forestry and fisheries, which applies to companies exclusively dedicated to these activities and applies a 30% tax rate. The effects on deferred income taxes are reflected in tax expense in 2013 as the changes were enacted in 2013, resulting in the aforementioned \$674.8 million charge.

In 2013, our effective tax rate and tax expense differed from income tax at the statutory rate of \$712.4 million mainly due to the effect of companies outside of simplified regime, which increased tax expense by approximately \$23.2 million, or 1% of total income tax expense; the net tax effect of inflation of \$(64.4) million, which decreased income tax expense and represents (2.0%) of total income tax expense; and an increase of \$674.8 million related to the aforementioned changes in tax rates from the 2013 tax reform discussed above.

In 2012, our effective tax rate and tax expense differed from income tax at the statutory rate of \$586.7 million mainly due to the effect of companies outside of simplified regime, which increased tax expense by approximately \$61.8 million, or 2.0% of total income tax expense; and the net tax effect of inflation, which decreased income tax expense by approximately \$(47.6) million or (2.0%) of total income tax expense.

Our deferred income tax liability in 2013 increased \$103.3 million, as a result of the following movements in temporary differences during the year; an increase of \$512.9 million for property plant and equipment, \$190.1 million for prepaid to suppliers, and \$95.2 million for accounts receivable, partially offset by decreases of \$597.8 in trade payable, and \$80.6 million for tax loss carry forwards.

The charges to deferred income tax in 2012 are represented by a slight increase in deferred tax assets of \$12.9 million when compared with 2011, partially offset by an increase in deferred tax liabilities of \$210.8 million, mainly due to an increase in deferred tax liabilities associated with inventories in 2012.

The following table sets forth our profit for the year for each of the periods indicated:

PROFIT FOR THE YEAR

In millions of pesos	For the years ended December 31,			
	2013	2012	Change	
	\$	\$	\$	%
Profit for the year attributable to:	2,041.8	2,191.8	(150.0)	(6.8)
Controlling interest	2,038.4	2,184.6	(146.2)	(6.7)
Non-controlling interest	3.4	7.2	(3.8)	(52.8)
Basic and diluted earnings per share ¹	3.40	3.65	(0.3)	(6.8)
Net income per ADR ¹	40.84	43.80	(3.0)	(6.8)

¹ in pesos

As a result of the factors detailed above, our net income for 2013 totaled \$2,041.8 million, or \$3.40 per basic and diluted share (\$40.84 per ADR), a \$150.0 million or 6.8% decrease when compared to \$2,191.8 million in net income

or \$3.65 per basic and diluted share (\$43.80 per ADR) reported in 2012.

Our net consolidated net margin in 2013 was 5.1% compared to a consolidated net margin of 5.6% in 2012.

The following table shows reconciliation of EBITDA and EBITDA margin to consolidated net income for each of the periods indicated.

EBITDA RESULT

	For the years ended December 31,			
	2013	2012	Change	
	\$	\$	\$	%
Net income	2,041.8	2,191.8	(150.0)	(6.8)
Income tax expense (benefit)	1,350.4	602.0	748.4	124.3
Net finance income	(118.4)	(165.0)	(46.6)	(28.8)
Depreciation	816.7	837.8	(21.1)	(2.5)
EBITDA result	4,090.5	3,466.6	623.9	18.8
EBITDA margin (%)	10.3	8.8	% -	-

EBITDA in 2013 and 2012 reached \$4,090.5 and \$3,466.6 million respectively, representing an EBITDA margin of 10.3% and 8.8%. These represent historical amounts for the Company, mainly as a result of strong net sales together with decreases in cost of sales and general, administrative and selling expenses.

Operating Results 2012 vs 2011

The following table sets forth, for each of the periods indicated, our net revenues by main product lines as a percentage of total net revenues, in each period:

NET REVENUES BY BUSINESS LINES

In millions of pesos	For the years ended December 31,			
	2012		2011	
Net Revenues:	\$39,367.4	100.0%	\$27,735.0	100.0%
Poultry	35,797.2	90.9 %	24,697.2	89.0 %
Others	3,570.2	9.1 %	3,037.8	11.0 %

NET REVENUES BY GEOGRAPHY

In millions of pesos	For the years ended December 31,			
	2012		2011	
Net Revenues:	\$39,367.4	100.0%	\$27,735.0	100.0%
In Mexico	31,195.9	79.2 %	26,356.2	95.0 %
In the U.S. ¹	8,171.5	20.8 %	1,378.8	5.0 %

¹ Sales are chicken products, included within the poultry segment.

Net Revenues

In 2012, we reported the highest sales in the Company's history. Net sales for fiscal year 2012 totaled \$39,367.4 million, \$11,632.4 million or 41.9% more than \$27,735.0 million of net sales recorded in 2011. This increase was due to higher sales of chicken, which resulted from the consolidation of OK Foods into our results of operations. Below is further discussion of various products in each segment:

In our poultry segment, sales of chicken products increased 45.9% during 2012 as a result of increased sales of chicken driven by the integration of our new operation in the U.S.

Also within our poultry segment sales of eggs increased 34.6% during the 2012 fiscal year. The increased sales volume is attributed mainly to the full recovery of our production capacity in the Mexicali facility, which was damaged by an earthquake in 2010. Additionally, we observed a recovery in the prices of eggs during 2012, which had been lagging in recent years.

In our other business line segment, sales of balanced feed had an increase of 6.8% in 2012, as a result of an increase of 15.1% in prices, partially offset by 7.2% decrease in volume sold. This recovery in prices has continued after a couple of years of significant increases in production costs. The reduction in volume is mainly a consequence of recent increased competition and hence supply in this market.

Our other business line segment also includes sales of live swine, sales of value-added turkey and beef products, -vaccines and other by-products. All of these products on an individual basis account for less than 1% of the Company's total sales. In 2012, value-added beef products and swine experienced significant sales growth.

The following table sets forth a breakdown of our operating results for each of the periods indicated:

OPERATING RESULTS

In millions of pesos	As of December 31,			
	2012		2011	
Net revenues	\$39,367.4	100.0%	\$27,735.0	100.0%
Cost of sales	33,318.2	84.6 %	24,797.0	89.4 %
Gross profit	6,049.2	15.4 %	2,938.0	10.6 %
General, selling and administrative expenses	3,396.7	8.6 %	2,974.7	10.7 %
Other income (expense) net	(23.8)	(0.1)%	1,000.0	3.6 %
Operating income	2,628.8	6.7 %	963.2	3.5 %

Cost of Sales

The table below sets forth the Company's cost of sales for the years ended December 31, 2011 and 2012:

In millions of pesos	For the Year Ended December 31,		
	2012	2011	Var.
Cost of sales	\$ 33,318.2	\$ 24,797.0	8,521.2

Our total cost of sales increased \$8,521.2 or 34.4% for the year 2012, when compared to the year 2011. This increase was mainly driven by increases in the production costs of chicken, eggs and balanced feed, which increased 10.5%, 10.8%, and 11.2%, respectively, when compared to the year 2011.

Corn, sorghum and soybean meal are the main components of our production costs. These components are subject to high volatility caused by supply, weather conditions and exchange rates, among others. For the year 2012, we obtained approximately 47.0% of our grain needs in Mexico, and the remaining 53.0% was bought in the U.S. In the case of soybean meal, we obtained approximately 25.0% of our needs in Mexico, and the remaining 75.0% from other countries, mainly from the U.S.

Total cost of sales increased \$8,521.2 million from 2011 to 2012 and the main components of this increase were:

The 76.4% of the total increase or \$6,510.2 million was due to a full year integration of the companies we acquired in the second half of 2011, TROSI, MACSA, and mainly OK Foods.

The 20.1% of the total increase or \$1,712.8 million was due to increases in the costs of our balanced feed raw materials, whose main ingredients are grain and soybean meal, both which displayed a high rate of volatility and historically high increases worldwide during 2012 when compared with 2011.

It is worth noting that the single largest component of our cost of sales is the cost related to our balanced feed raw materials, which has accounted for approximately 71% of our total cost of sales in the last few years.

Lastly, besides balanced feed costs, our cost of sales includes other factors such are: salaries and wages and energy costs that have represented approximately 6.5% and 5.0% of our total cost of sales, respectively, in the last few years. There are also many other factors with much smaller contributions to our overall cost of sales. All of these secondary factors individually registered immaterial changes from 2011 to 2012.

Our gross profit in 2012 totaled \$6,049.2 million, with a gross margin of 15.4%. This represented an increase of 105.9% as compared to the previous year, mainly due to the increase in our net revenues in 2012.

General, Selling and Administrative Expenses

The table below sets forth the Company's general, selling and administrative expenses for the year ended December 31, 2012 and 2011:

In millions of pesos	For the years ended December 31,		
	2012	2011	variation
General, Selling and Administrative Expenses	\$ 3,396.7	\$ 2,974.7	\$ 422.0

In 2012, our general, selling and administrative expenses totaled \$3,396.7 million, compared to \$2,974.7 million in 2011, representing an increase of \$422.0 million or 14.2% that was mainly attributed to:

\$329.0 million, or 78% of this increase, was due to a full year integration of the companies we acquired in the second half of 2011, TROSI, MACSA, and mainly OK Foods.

- \$42.4 million, or 10% of this increase, was due to an increase in salaries and wages.

\$41.1, or 9.7% of the increase, was due to an increase in our transportation equipment and freights, both as part of our sales and marketing expenses.

The main components that comprise our SG&A are freight and transportation equipment expenses, salaries and wages, and publicity expenses, with contributions of approximately 35%, 32% and 5%, respectively, in the past few years.

It is worth noting that, in 2012, SG&A represented 8.6% of total sales compared to 10.7% reported in 2011. This improvement was as a result of our strict monitoring and control of our operating expenses.

Other Income (Expense) Net

Other income (expense) includes gains and losses on the sale of unused assets as well as sales of hens and other by-products.

In 2012, we recorded other expenses of \$23.8 million, compared with \$1,000.0 million of other income reported in 2011; this is mainly attributed to a gain on the purchase price in the business acquisition of OK Foods in November of 2011.

For more details of other income see Note 30 and Note 4-a) for more detail about business acquisitions of our Audited Consolidated Financial Statements.

Operating Income

In millions of pesos	For the years ended December 31,		
	2012	2011	variation
Operating income	\$ 2,628.8	\$ 963.2	\$ 1,665.6

Operating income in 2012, totaled \$2,628.8 million 172.9% higher than \$963.2 million of other income reported in 2011, which was mainly a result of an increase in sales in 2012.

Net Finance Income

The following table sets forth our net finance income for each of the periods indicated:

NET FINANCE INCOME

	For the year ended December 31,	
	2012	2011
Net finance income	\$ 165.0	\$ 177.6
Financial income	270.0	248.3
Financial expense	105.0	70.6

We reported net financial income of \$165.0 million in 2012 compared with net financial income of \$177.6 million in 2011. This was mainly due to interest earned on the Company's cash position, which remained strong throughout both years.

The financial income of \$270.0 million in 2012 was mainly to the \$222.1 million of interest income, \$35.2 million of gain on exchange rate changes, net, and \$12.8 million of gain from valuation effects of financial instruments, which result was partially offset by \$105.0 million of interest expense in 2012.

In 2011, financial income totaled \$248.3 million, mainly as a result of \$193.8 million in interest income and an exchange gain, net of \$54.5 million, which result was partially offset by interest expense in 2011 of \$69.7 million and \$0.9 million as a result of valuation effect in financial instruments.

For more details see Note 29 of our Audited Consolidated Financial Statements.

Taxes

The following table sets forth our tax position for each of the periods indicated which is described in more detail in Note 20 of our Audited Consolidated Financial Statements included herein:

TAXES In millions of pesos	For the years ended of December 31,	
	2012	2011
Total income taxes (benefit) expense,	\$ 602.0	\$ (38.6)
Income tax	366.4	69.6
Deferred income tax	207.1	(100.3)
Income tax in the U.S.	28.5	(7.8)

Total taxes in 2012 totaled \$602.0 million, compared to a tax benefit of \$38.6 million reported in 2011. This decrease was primarily a result of strong results and income in 2012 compared with a weak performance in our 2011 results.

In 2012, the main components of the income tax expense are: a) computed “expected” tax expense for \$586.7 million, which represents 21.0% of total income tax expense; b) the effect of companies outside of simplified regime for \$61.8 million, which represents 2.0% of total income tax expense; and c) the net tax effect of inflation for \$(47.6) million, which represents (2.0%) of total income tax expense.

In 2011, the main components of the income tax benefit are: a) computed “expected” tax expense for \$239.6 million, which represents 21.0% of total income tax benefit; b) the effect of companies outside of simplified regime for \$27.0 million, which represents 2.0% of total income tax benefit; c) the non-taxable gain on purchase of foreign subsidiary for \$(220.0) million, which represents (19.0%) of total income tax benefit, and d) the net tax effect of inflation for \$(67.9) million, which represents (6.0%) of total income tax benefit.

The main components of deferred income tax in 2012 are a slight increase in deferred tax assets for \$12.9 million when compared with year 2011, partially compensated by an increase in deferred tax liabilities for \$210.8 million, mainly due to an increase in deferred tax assets-inventories in 2012.

Profit for the year

The following table sets forth our profit for the year for each of the periods indicated:

PROFIT FOR THE YEAR

In millions of pesos	For the years ended December			
	31, 2012		2011	
Profit for the year	\$2,191.8	5.6%	\$1,179.4	4.3%
Net controlling interest	2,184.6		1,177.3	
Net non-controlling interest	7.2		2.1	
Basic and diluted earnings per share (in pesos)	3.65		1.96	
Net income per ADR (in pesos)	43.80		23.52	

As a result of the reasons detailed above, our profit for the year in 2012 totaled \$2,191.8 million, or \$3.65 per basic and diluted share (\$43.80 per ADR), an increase when compared to \$1,179.4 million in net income or \$1.96 per basic and diluted share (\$23.52 per ADR) reported in 2011.

Our net consolidated margin in 2012 was 5.6% compared to a net consolidated margin of 4.3% in 2011.

EBITDA Result

EBITDA in 2012 reached \$3,466.6 million, representing a margin of 8.8%, compared to EBITDA in 2011 of \$1,709.0 million and a margin of 6.2%.

The following table shows reconciliation of EBITDA and EBITDA margin to consolidated net income for each of the periods indicated.

EBITDA

	For the years ended December 31,	
	2012	2011
Net income	\$ 2,191.8	\$ 1,179.4
Income tax expense (benefit)	602.0	(38.6)
Net finance income	(165.0)	(177.6)
Depreciation	837.8	745.8
EBITDA result	3,466.6	1,709.0
EBITDA margin (%)	8.8	6.2

Critical Fiscal and Accounting Policies

The following information is a summary of the fiscal and accounting policies that could materially affect the Company's operations or investments.

Income Tax, Asset Tax and Flat Rate Business Tax, Year 2013

The Company and each of its subsidiaries file separate income tax returns. Through December 31, 2013, BSACV, the Company's main subsidiary, was subject to the simplified regime, with a tax rate of 21%. Beginning in January 1, 2014, BSACV is now subject to a new regime named regime for agriculture, livestock, forestry and fisheries, which applies to companies exclusively dedicated to these activities and applies a 30% tax rate.

O.K. Industries, subsidiary is located in the U.S. and it has a different fiscal period than the rest of the subsidiaries located in Mexico. O.K. Industries' fiscal year ends in April each year, while the rest of the Companies end in December.

For more information please see Note 20 of the Audited Consolidated Financial Statements.

Starting on January 1, 2014, the simplified tax regime, the Flat Rate Business Tax ("IETU") and the cash deposit cash ("IDE") laws were eliminated.

Income Tax

After a 2010 tax reform, the tax rate was increased from 19.0% to 21.0% in the simplified regime and from 28.0% to 30.0% in the general regime. In 2013, the Mexican Government approved further changes, and as a result the income tax subsidy for the simplified regime phased out.

Therefore, for fiscal year 2011 to 2013 the income tax rate was 21.0% for the simplified regime and 30.0% for the general regime. Starting in 2014, and in accordance with new regulations approved in 2013, the income tax for both regimes will be 30.0%.

The income tax rate for OK Foods is 38.79%.

Main changes from new tax reform

The main impact on income taxes for the Company resulted from the tax reform enacted in 2013 is the increase from 21% to 30% of the tax rate applicable to BSACV, the Company's main subsidiary, and the limitation on the deductibility by 53%, of expenditure for wages that are exempt income for the employees.

Flat Rate Business Tax

The IETU was published on October 1, 2007 and it came into effect on January 1, 2008. The IETU rate was 17.5% in 2013, 2012 and 2011 was based on cash flows, and limited certain deductions. Through December 31, 2013, IETU was required to be paid only when it is greater than the income tax to be paid in any given year. As a result of the aforementioned changes in Mexican Tax Law in 2013, IETU was eliminated. As the Company had projected that it would only pay regular income tax, it did not have any deferred income taxes calculated under the IETU regime, such that elimination of IETU did not have a significant impact on the Company's results.

Use of Estimates and Judgments in Certain Accounting Policies

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

Business combinations or acquisition of assets

Management uses its professional judgment to determine whether the acquisition of a group of assets constitutes a business combination. This determination may have a significant impact in how the acquired assets and assumed liabilities are accounted for, both at the initial recognition and subsequently.

Fair value of biological assets

The Company estimates the fair value of biological assets as the price that would be received or paid in an orderly transaction between market participants at the measurement date. As part of the estimate, the Company considers the maturity periods of such assets, the necessary time span for the biological assets to reach a productive stage, as well as future economic benefits obtained.

The balance of current biological assets is integrated by hatching eggs, growing pigs and growing poultry, while the balance of non-current biological assets is integrated by poultry in its different production stages and breeder pigs.

Non-current biological assets are valued at its production cost less accumulated depreciation or accumulated impairment losses, because the Company believes that there is no observable or reliable market for such assets. Also, the Company believes that there is no reliable method for measuring the fair value of non-current biological assets. Current biological assets are valued at fair value when there is an observable market, less sale expenses.

Key sources of estimation uncertainty

Below are critical estimates and assumptions in the application of accounting policies with significant effects on the amounts recognized in the consolidated financial statements, as well as information on assumptions and uncertainty of estimates that have a significant risk of resulting in a material adjustment in future years.

Assessments to determine the recoverability of deferred tax assets

As part of the tax analysis carried out by the Company, on an annual basis the Company prepares projections of taxable income for purposes of determining if taxable income will be sufficient to recover the benefit of deferred tax assets recognized from deductible temporary differences, including tax losses and other tax credits.

Useful lives and residual values of property, plant and equipment

Useful lives and residual values of property, plant and equipment are used to determine depreciation expense of such assets and are defined according to the analysis by internal and external specialists. Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the estimate, measurement of the net carrying amount of assets and the corresponding depreciation expense are prospectively affected.

Measurements and disclosures at fair value

Fair value is a measurement based on the price a market participant would be willing to receive to sell an asset or pay to transfer a liability, and is not a measure specific to the Company. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the purpose of a measurement at fair value in both cases is to estimate the price at which an orderly transaction to sell the asset or to transfer the liabilities would be carried out among the market participants at the date of measurement under current market conditions.

When the price of an identical asset or liability is not observable, the Company determines the fair value using another valuation technique which maximizes the use of relevant observable information and minimizes the use of unobservable information. As the fair value is a measurement based on the market, it is measured using the assumptions that market participants would use when they fix a price to an asset or liability, including assumptions about risk.

Impairment of long-lived assets and goodwill

The carrying amount of long-lived assets is reviewed for impairment when situations or changes in circumstances indicate that it is not recoverable, except for goodwill which is reviewed on an annual basis, at a minimum. If there are indicators of impairment, a review is carried out to determine whether the carrying amount exceeds its recoverable value and whether it is impaired. The recoverable value is the highest of the asset's fair value, less selling costs, and its value in use which is the present value of the future estimated cash flows generated by the asset. The value in use calculation requires the Company's management 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.

B. Liquidity and Capital Resources

We are a holding company with no significant operations of our own. Our principal sources of liquidity are:

- The sales of our products through our subsidiaries in the Mexican and U.S. markets;

Credit lines we use from time to time; as of December 31, 2013 and 2012, the unused credit lines of the Company totaled \$5,418.0 and \$2,664.9 million respectively. The Company did not pay any commission or charge for the unused credits.

The current local bond issue program available until August 2017. For more details please refer to Item 12 ("Description of Securities Other than Equity Securities") of this Annual Report.

TOTAL CASH, CASH EQUIVALENTS, PRIMARY AND DERIVATIVES FINANCIAL INSTRUMENTS

In millions of pesos	As of December 31,			
	2013	2012	Change	
	\$	\$	\$	%
Total cash, cash equivalents, and primary and derivative financial instruments	7,732.7	5,144.4	2,588.3	50.3
Cash and cash equivalents	6,716.9	4,179.5	2,537.4	60.7
Primary financial and derivative financial instruments	1,015.8	964.9	50.9	5.3

In 2013, cash and cash equivalents, primary financial instruments and derivative financial instruments totaled \$7,732.7 million, \$2,588.3 million or 50.3%, more than \$5,144.4 million recorded in 2012. The increase is mainly due to our strong operating results in the first half of 2013.

ACCOUNTS RECEIVABLE

In millions of pesos	As of December			
	31,			
	2013	2012	Change	
	\$	\$	\$	%
Total accounts receivable	2,227.8	2,220.6	7.2	0.3

Accounts receivable slightly increased \$7.2 million or 0.3% when compared to 2012, but our collection rate showed a slight improvement as our days outstanding reduced in about 0.1 days.

For more detail please see Note 9 of the Audited Consolidated Financial Statements.

ACCOUNTS PAYABLE

In millions of pesos	As of December			
	31, 2013	2012	Change	
	\$	\$	\$	%
Total accounts payable	3,759.1	3,445.2	313.9	9.1

In 2013, accounts payable increased \$313.9 million or 18.2% when compared to 2012, mainly attributed to income tax payable for \$383.5 million registered closer to year end in 2013.

TOTAL DEBT

In million of pesos	As of December			
	31, 2013	2012	Change	
	\$	\$	\$	%
Total debt	2,067.8	2,723.7	(655.9)	(24.1)
Short-term debt ⁽¹⁾	557.6	1,197.1	(639.5)	(53.4)
Long-term debt ⁽²⁾	10.2	26.6	16.4	(61.6)
Long-term debt (Local bond issue)	1,500.0	1,500.0	0.0	0.0
(1)	Includes notes payable to banks and current portion of long-term debt.			
(2)	Does not include current installments of long-term debt.			

As of December 31, 2013, total debt was \$2,067.8 million, a decrease of \$655.9 million or 24.1% when compared to the \$2,723.7 million recorded as of December 31, 2012.

Most of our long term debt consists of a local bond issuance of \$1,500.0 million in the second quarter of 2012, maturing in 2017. This bond accrues interest at the reference rate of 28-day TIIE (“Equilibrium Interbank Interest Rate”), plus accruing interest at TIIE + 0.60%. The funds obtained were used primarily used to pre-pay certain outstanding debt, some of which was previously incurred in the context of our acquisition of OK Foods.

For details of maturity of our debt and the prevailing interest rates, see Note 17 of our Audited Consolidated Financial Statements.

WORKING CAPITAL

In million of pesos	As of December 31,			
	2013	2012	Change	
	\$	\$	\$	%
Working Capital	10,953.5	9,651.5	1,302.0	13.5

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Total current assets	15,324.3	14,381.8	942.5	6.6
Total current liabilities	4,370.8	4,730.3	(359.5)	(7.6)

The working capital in the table above was calculated as current assets minus current liabilities.

In 2013, our working capital increased \$1,302.0 million or 13.5% when compared to year 2012, this was mainly due to increases in our level of cash and, a decrease in our short-term debt.

We believe that our current level of working capital is sufficient for the regular course of our operations. Nevertheless, our working capital needs may be susceptible to change, as they depend mainly on the cost of our main raw materials which affect or inventory cost, and on the level of accounts payable. Our working capital can also change from one quarter to another as the buying of domestic raw material depends of the harvest season.

CAPITAL EXPENDITURES

In millions of pesos, for the years ended December 31,

	2013	2012	2011
	\$	\$	\$
Capital Expenditures	587.4	951.8	707.5

Most of the capital investments in the past years were financed with resources generated from our own operations.

In 2013 and 2012 capital expenditures totaled \$587.4 and \$951.8 million respectively, incurred primarily in the replacement of our transportation fleet, the completion of certain expansion projects and the implementation of productivity projects in our chicken farms and in some processing plants, increasing eggs production capacity, additional IT systems, replacement of our transportation fleet and of other equipment in our facilities. Our capital expenditures were lower in 2013 as compared with 2012 as we reduce our expansion projects; we are expecting this trend to change in following years as we resume our growing plans.

In 2012, we made capital expenditures of \$951.8 million that are used for the replacement of our transportation fleet, the completion of certain expansion projects and the implementation of productivity projects across all of our facilities in both the U.S. and Mexico.

In 2011 we made capital expenditures of \$707.5 million, to implement new technologies in the processing plants located in Coatzacoalcos, Culiacan and Celaya. Additionally, in Celaya we built a water treatment plant and updated our transportation fleet.

The Company plans to carry out several projects, primarily in Mexico to gradually increase our poultry production in the next few years

OPERATING LEASES

In millions of pesos, for the years ended December 31,

	2013	2012	2011
	\$	\$	\$
Operating Leases expense	286.0	290.1	188.2

We entered into operating leases for certain offices, production sites, computer equipment, and vehicles. These agreements have terms ranging between one and five years and some of them contain renewal options.

See Note 24 to our Audited Consolidated Financial Statements for more information.

Financial Instruments

In the normal course of our business, we use various financial instruments to hedge exposure to financial risks involving fluctuations in currency exchange rates and commodity price risk in connection with fluctuations in the prices for our feed ingredients.

The main risk that the Company faces is the volatility in the exchange rate of the peso against the U.S. dollar.

A strong variation in the exchange rates between the peso and the dollar could affect our financial results, as a greater percentage of our sales are made in pesos, and a large percentage of our purchases of raw material are made in dollars.

As part of our normal operations, we purchase financial derivative instruments in order to ensure greater certainty for our purchases of U.S. dollars. We plan over a six month period into the future and, depending on the expected uncertainty for that period, decide if it is economically advisable to purchase or sell any hedging instrument.

We have followed different strategies with respect to derivatives which involved call and put options in U.S. dollars. Our risk committee approves any change in policies and reviews the application of current policies.

See Note 8 to our Audited Consolidated Financial Statements for more information.

LIABILITIES IN FOREIGN CURRENCY

	As of			
	December 31,		Change	
	2013	2012		
	\$	\$	\$	%
Short-term liabilities in foreign currency⁽¹⁾	392.7	643.5	(250.8)	(39.0)

(1) The foreign currency is dollars.

In 2013 and 2012 our bank debt denominated in U.S. dollars totaled \$392.7 million (equivalent to \$30 million USD), \$250.8 million or 39% lower than the \$643.5 million pesos (equivalent to \$50 million USD) in 2012. The short-term bank debt in U.S. dollars had an annual average interest rate of 1.49% in 2013, 1.06% in 2012.

Our risk committee approves any change in policies and reviews the application of current policies.

Overall, at the end of 2013, we have assets denominated in U.S. dollars for \$2,391.1 million and liabilities for \$2,477.7 million; a net liability position of \$86.5 million

For more details see Note 8 and Note 17 to our Audited Consolidated Financial Statements.

C. Research and Development, Patents and Licenses, etc.

None.

D. Trend Information

The most significant trends that might have a negative impact on the Company's operating performance are the following:

During the past several months we observed a decline in the cost of our main raw materials (corn, sorghum and soybean meal). If this trend continues, although it could positively affect our cost of sales, as production costs would decrease, this may force us to have to decrease the prices of our main products, and as a consequence, face a decline in our total revenues.

Additionally, as previously mentioned, beginning in 2014, the Company is now subject to a higher income tax rate; which went from 21% to 30%. This 9% difference in the tax rate will negatively affect our after-tax results in 2014.

Finally, we may also be negatively affected by any poultry sanitary issues that may arise in regions where our production centers are located, which may affect our production volumes and production costs.

E. Off-Balance Sheet Arrangements

In 2013, except for our operating lease agreements, we do not have off-balance sheet arrangements that might have current or future effect on the Company's financial condition. Disclosure of operating leases is included in this Annual Report in the Item 5-B.

F. Tabular Disclosure of Contractual Obligations

Our major categories of indebtedness included the following:

As of December 31, 2013 and 2012, we had \$16.4 and \$115.6 million in current portion of long-term debt respectively.

Long-term debt to banks, excluding the current installments of long-term debt as of December 31, 2013 and 2012 - were \$10.2 and \$26.6 million respectively, plus an additional \$1,500.0 million as a result of our local bond issue in 2012 and maturing in 2017.

The weighted average interest rates on long-term debt, excluding the local bond issuance, for years 2013 and 2012 were 4.93% and 5.40% respectively.

See Note 17-b) of our Audited Consolidated Financial Statements for more detail.

The Company has certain leases related to operating assets, including farms and administrative offices. The following table summarizes the Company's contractual obligations as of December 31, 2013. The table does not include current installments of long-term debt, accounts payable or pension liabilities.

CONTRACTUAL OBLIGATIONS

In millions of pesos

	Total	2014	2015	2016	2017	2018
		\$	\$	\$	\$	\$
Long-term debt ⁽¹⁾	1,510.2	-	7.7	2.5	1,500	-
Operating leases ⁽²⁾	194.8	58.1	40.5	38.1	36.2	21.9

(1) See Note 17-c) of the Audited Consolidated Financial Statements for more detail.

(2) See Note 24 of the Audited Consolidated Financial Statements for more detail.

Operating leases expense for 2013 was \$286.0 and, current installments made under long term debt were \$16.4 million.

The Company has entered into grain supply agreements with third parties as part of the regular course of its operations. However, the payment terms are not fixed for which reason no amounts have been included in the table above.

The following table sets forth the maturity amounts of interest to be paid in connection with the long-term debt described above.

In millions of pesos

	Total	Less than 1 year	From 1 To 3 years	From 3 to 5 years
Interest	\$317.3	\$ 89.5	\$ 179.1	\$ 48.7

The Company's future minimum rental payments required under its operating leases having an initial or remaining non-cancellable lease term in excess of one year as of December 31, 2013, and for each of the five succeeding years, are as follows:

MINIMUM PAYMENTS OF OPERATING LEASES

In millions of pesos	Total	2014	2015	2016	2017	2018
Operating Leases	\$116.6	\$31.9	\$31.9	\$17.6	\$17.6	\$17.6

G. Safe Harbor

Not applicable.

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors

The Board of Directors is responsible for the management of our business. The Board of Directors consists of an odd number of directors, never fewer than five, and corresponding alternate directors, each of whom is elected for a term of one year.

Alternate directors are authorized to serve on the Board of Directors in place of directors who are unable to attend meetings or otherwise participate in the activities of the Board of Directors.

At our annual stockholders' meeting held on April 23, 2014, we ratified the membership of our Board of Directors, which is composed of the following members:

MEMBERS OF THE BOARD	Year of Birth	Member since
Chairman of the Board and Proprietary Shareholder Director:		
Francisco Javier R. Bours Castelo	1953	1982
Proprietary Shareholder Directors:		
Jose Gerardo Robinson Bours Castelo	1958	2008
Jesus Enrique Robinson Bours Muñoz	1951	1994
Jesus Rodolfo Robinson Bours Muñoz	1957	2002
Arturo Bours Griffith	1955	1994
Octavio Robinson Bours	1952	1997
Ricardo Aguirre Borboa	1954	1994
Juan Salvador Robinson Bours Martinez	1965	1994
Alternate Directors:		
Jose Eduardo Robinson Bours Castelo	1956	1994
Jose Francisco Bours Griffith	1950	1994
Guillermo Pineda Cruz	1948	1994
Gustavo Luders Becerril	1953	2011
Independent Directors:		
Avelino Fernandez Salido	1938	2003
Humberto Schwarzbeck Noriega	1954	2003
Secretary of the Board:		
Eduardo Rojas Crespo	1969	2008

Honorary Members of the Board

Enrique Robinson Bours Almada, Mario Javier Robinson Bours Almada, and Juan Bautista Salvador Robinson Bours are co-founders of the Company and Honorary members of the board.

The following table identifies the relationships among members of each of the four Bours families:

Cousins

in law-related

Brothers:

- Arturo Bours Griffith
- Octavio Robinson Bours
- Jose Francisco Bours Griffith

Brothers:

- Jesus Enrique Robinson Bours Muñoz
- Jesus Rodolfo Robinson Bours Muñoz

Brothers:

- Francisco Javier R. Bours Castelo
- Jose Gerardo Robinson Bours Castelo
- Jose Eduardo Robinson Bours Castelo

- Guillermo Pineda Cruz

- Ricardo Aguirre Borboa

- Juan Salvador Robinson Bours Martinez
- Gustavo Luders Becerril

Our bylaws provide for the creation of an executive committee of the Board of Directors, which may exercise certain of the Board's powers in full, subject to certain limitations.

Francisco Javier R. Bours Castelo, Chairman of the Board of Directors since 2002. Before his election as Chairman, he was Vice-Chairman for several years. Mr. Bours holds a degree in Civil Engineering from the Instituto Tecnológico y de Estudios Superiores Monterrey ("ITESM"). He currently serves as Chairman of the Boards of Directors of the following companies: Megacable Holdings, S.A.B. de C.V., Inmobiliaria Trento S.A. de C.V., Agriexport S.A. de C.V., Acuicola Boca, S.A. de C.V., and Centro de Servicios Empresariales del Noroeste, S.A. de

C.V.

Jose Gerardo Robinson Bours Castelo, Proprietary Shareholder Director since 2008. He previously served as Systems Manager. Mr. Bours holds a degree in Computer Engineering from the ITESM. He currently serves as member of the Board of the following companies: Megacable Holdings, S.A.B. de C.V., Congeladora Horticola, S.A. de C.V., Acuicola Boca, S.A. de C.V., Industrias Boca, S.A. de C.V. and Centro de Servicios Empresariales del Noreste, S.A. de C.V. He is also Chairman of Fundacion Mexicana para el Desarrollo Rural del Valle del Yaqui and the ITESM in Obregon.

Jesus Enrique Robinson Bours Muñoz, Proprietary Shareholder Director since 1994. He has previously worked in Bachoco as Production Director and Divisional Manager. Mr. Robinson Bours holds a degree in Engineering from the University of Arizona. He is also a member of the Board of Directors of San Luis Corporacion S.A. de C.V., and Megacable Holdings, S.A.B. de C.V.

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Jesus Rodolfo Robinson Bours Muñoz, Proprietary Shareholder Director since 2002. Mr. Robinson Bours previously served in the Company as Production Manager in the Northwest and Bajío divisions, Commercial Manager in Northwest Division and Purchasing Manager at the Bajío Division. Mr. Robinson Bours holds a degree in Agricultural Engineering from the University of Arizona. He has business experience in agriculture and raising livestock with Agrícola Monte Cristo S.A. de C.V., Agrícola Río Yaqui S.P.R. de R.L., Agrícola Nacapul S.P.R. de R.L., Ganadera Cocoreña S.P.R. de R.L. and Chairman of the Board of the Cultural Center of Cocorit, A.C.

Arturo Bours Griffith, Proprietary Shareholder Director since 1994. Mr. Bours Griffith completed professional studies at the University of Arizona. He is also Chairman of the board of Qualyplast, S.A. de C.V., and a member of the board of Megacable Holdings, S.A.B. de C.V., Centro de Servicios Empresariales del Noreste, S.A. de C.V., and Taxis Aereos del Noroeste, S.A. de C.V.

Octavio Robinson Bours, Proprietary Shareholder Director since 1997. Mr. Robinson Bours holds a degree in Agricultural Engineering from the ITESM. He has experience in producing swine, and is also a member of the board of Choya, S.A. de C.V., and runs a business of agriculture and aquaculture.

Ricardo Aguirre Borboa, Proprietary Shareholder Director since 1994. He is also a member of the Audit Committee and Corporate Practices of Bachoco. Mr. Aguirre holds a degree in Agricultural Engineering from the ITESM. He is member of the Board of Directors of: the newspaper El Debate, Tepeyac Produce, Inc., Servicios del Valle del Fuerte, S.A. de C.V., Agrobo, S.A. de C.V., Agrícola Santa Veneranda, S.P.R. de R.L., Colegio Mochis, Grupo Financiero Banamex, in Sinaloa, and Director of Granja Rab, S.A. de C.V.

Juan Salvador Robinson Bours Martinez, Proprietary Shareholder Director since 1994. He has served Bachoco as Purchasing Manager. Mr. Robinson Bours holds a degree in Industrial Engineering from the ITESM. His other appointments include Chairman of the board and CEO of Llantas y Accesorios, S.A. de C.V. and member of the Board of Megacable Holdings, S.A.B. de C.V.

Jose Eduardo Robinson Bours Castelo, member of the Board since 1994. Mr. Robinson is an alternate Director for Mr. Francisco Javier R. Bours Castelo and Mr. Jose Gerardo Robinson Bours Castelo. Mr. Robinson Bours holds a degree in Industrial Engineering from the ITESM and is has been of the Board and CEO of the Del Monte Foods. He was previously Commercial Director of Industrias Bachoco, a Senator of the Mexican Congress and was governor of the state of Sonora, Chairman of the Board of National Agribusiness Council (*Consejo Nacional Agropecuario*), Chairman of the Board of Umbrella Organization of the Private Sector Mexico (*Consejo Coordinador Empresarial*), and Member of the Board of Nafinsa, Bancomext and Focir, among others.

Jose Francisco Bours Griffith, Alternate Director of Mr. Octavio Robinson Bours and Mr. Arturo Bours Griffith, since 1994. Mr. Bours holds a degree in Civil Engineering from the Universidad Autonoma de Guadalajara. Mr. Robinson Bours has worked at Bachoco as Engineering Manager. He is currently dedicated to agricultural operations and has run an aquaculture farm for nine years.

Guillermo Pineda Cruz, Alternate Director of Jesus Enrique Robinson Bours and Mr. Arturo Bours Griffith since 1994. Mr. Pineda holds a degree in Civil Engineering from the ITESM and a master's degree in Business Administration from the Instituto Tecnologico de Sonora. He is also a member of the Board of Directors of Banamex and was a regional member of the Board of Directors of Grupo Financiero Serfin, Inverlat and InverMexico. He co-founded Edificadora PiBo, S.A. de C.V. and has been its President and CEO since 1983.

Gustavo Luders Becerril, Alternate Director of Juan Salvador Robinson Bours Martinez and Mr. Ricardo Aguirre Borboa, was named Alternate Director during the annual general meeting held in April 2011. Mr. Luders holds an Accounting degree from the ITESM. He is a vegetable and fruit grower; he has served as Chairman of the Agricultural and Industrial Union Credit of the Yaqui Valley, Chairman of the Company Citricola Yaqui, and as Agent of citrus products in the Sonora state region.

Avelino Fernandez Salido, Independent Director, is member of the board since 2003. He is also a member of the board of Banamex, and BBVA Bancomer. He is also Chairman of the Board of the following companies: Grupo Cajeme Motors, S.A. de C.V., Navojoa Motors, S.A. de C.V., Turymayo S.A. de C.V. and Gasolineras Turymayo S.A. de C.V. His business experience is in the marketing of grains.

Humberto Schwarzbeck Noriega, Independent Director, is member of the board since 2003. He holds a degree in economics from the ITESM. He is currently CEO of Yeso Industrial de Navojoa S.A. de C.V. Mr. Schwarzbeck was elected as President of the Audit and Corporate Practices Committee, during the stockholders meeting that took place on April 24, 2013.

Eduardo Rojas Crespo was named Secretary of the Board of Directors in 2008. He holds a Law Degree from the UNAM. He also holds a post-graduate diploma in Environmental Law and Due Diligence, and a Specialty as well as a Master's Degree, both in Corporate Law; these three from the Anahuac University. Mr. Rojas has worked for Bachoco since 2004 as our Chief Legal Officer. Before joining Bachoco, Mr. Rojas worked for 10 years as the Chief Legal Officer of Grupo Fimex.

Cristobal Gustavo Mondragon Fragoso was Related Proprietary Director from April 25, 2011 to the day of his death on January 7, 2013. Mr. Mondragon joined Bachoco in 1982 and was Chief Executive Officer since 2001 to October 2010. Previously, Mr. Mondragon served in Bachoco as Administration Manager, as Manager of Corporate Finance and as Chief Financial Officer.

Honorary members

Mr. Enrique Robinson Bours Almada, Chairman of the Board and co-founder of the Company, he retired in April 2002. Mr. Bours led the Company for 50 years. The Board named as Mr. Javier Robinson Bours Castelo, Mr. Enrique Robinson Bours's nephew, as his successor.

Mr. Mario Javier Robinson Bours Almada, member of the Board of Directors, retired in April 2008, and was named as a Life Honorary Propriety Shareholder Director. On the same date, the Board named Mr. Jose Gerardo Robinson Bours Castelo as a Proprietary Shareholder Director in the place of Mr. Mario Javier Robinson Bours Almada.

Juan Bautista S. Robinson Bours Almada, Mr. Bours was co-founder of Industrias Bachoco, S.A.B. de C.V. and a Proprietary Shareholder Director for 57 years. Mr. Bours got retired in April 2011 and named as a Life Honorary Propriety Shareholders Director. On the same date the Board named Mr. Juan Salvador Robinson Bours Martinez as a Propriety Shareholders Director in the place of Mr. Juan Bautista S. Robinson Bours Almada.

*Executive Officers***EXECUTIVE OFFICERS**

Name	Position	Year of Birth
Rodolfo Ramos Arvizu	Chief Executive Officer	1957
Trent Goins	Chief Executive Officer, U.S. Operations	1978
Daniel Salazar Ferrer	Chief Financial Officer	1964
Ismael Sanchez Moreno	Director of Personnel	1965
Ernesto Salmon Castelo	Director of Operations	1962
Andres Morales Astiazaran	Director of Sales and Marketing	1968
Marco Antonio Esparza Serrano	Comptroller Director	1955
Alejandro Elias Calles Gutierrez	Director of Purchasing	1956

EXCECUTIVE OFFICER THAT HAVE LET THE COMPANY IN THE LAST 12-MONTHS

Name	Position	Year of Birth	Date in which they left the Company
Jose Luis Lopez Lepe	Director of Personnel	1947	July 2013
David Gastelum Cazares	Director of Sales	1957	December 2013
Paul Fox	Chief Executive Officer, U.S. Operation	1966	February 2014

In 2013, Mr. Lopez, Director of Personnel, and Mr. Gastelum, Director of Sales, retired after a successful career in the Company. Their positions were assumed by Ismael Sanchez Moreno and Andres Morales Astiazaran, respectively.

Besides, in February 2014, Paul Fox, Chief Executive Officer, in the U.S. Operation left the Company; its position was taken by Trent Goins.

A biography of the Executive Offices is set forth below:

Rodolfo Ramos Arvizu, Chief Executive Officer. Mr. Ramos joined us in 1980 and, he was named as Chief Executive Officer in November 2010. Previously, Mr. Ramos served Bachoco as its Technical Director since 1992

and also held positions in the Egg Quality Control Training Program and in Poultry Management as well as serving as Supervisor of the Commercial Egg Production Training Program, Manager of Raw Material Purchasing and as a Director of Production. Ramos holds a degree in Agricultural Engineering from the ITESM.

Trent Goins joined O. K. Foods, Inc., in January, 2003 as a management trainee. He was made Regional Sales Manager in 2005 with responsibility for retail sales. In 2008, Goins became Sr. Vice President of Sales and Marketing, a position he held until his appointment as CEO/President of O. K. Foods in February, 2014. Mr. Goins has served as past president and current board member of The Poultry Federation and is a present member of the National Chicken Council where he serves on the Executive Committee.

Daniel Salazar Ferrer, Chief Financial Officer. He joined us in 2000 and assumed his current position in January 2003. Previously, Mr. Salazar worked for four years as Chief Financial Officer at Grupo Covarrubias and as Comptroller at Negromex, a company of Grupo Desc. Mr. Salazar holds an Accounting degree from Universidad Tecnologica de Mexico, a master's degree in Business Administration from the ITESM, and a Diploma from the IPADE (D1).

Ernesto Salmon Castelo, Director of Operations, joined us in 1991 and assumed his current position in 2000. Previously, Mr. Salmon worked for Gamesa, S.A. de C.V. and for us as Sales Manager in Sonora, Northwestern Distribution Manager, Manager of the Processing Plant in Celaya, Southeastern Division Manager and Bajio Division Manager. Mr. Salmon holds a degree in Chemical Engineering from Instituto Tecnológico de Sonora and a master's degree in Business Administration from the ITESM.

Andres Morales Astiazaran, Director of Sales and Marketing, assumed this position in January 2014. Previously Mr. Morales was Director of Marketing and Modern Channels since July 2006. Before joining us, Mr. Morales worked for 4 years as Sales and Marketing Vice President in Smithfield Foods, a U.S. Company with offices in Sonora, Mexico. Previously Mr. Morales worked for Bachoco as Marketing Manager, Manager of the Northeast division and then as National Manager of Bachoco. Mr. Morales holds an accounting degree from the ITESM and attended marketing courses at Northwestern University, the University of Chicago, the ITESM and the IPADE (D1).

Marco Antonio Esparza Serrano, Comptroller Director since March 2009. Before joining Bachoco, Mr. Esparza worked for more than 25 years in the pharmaceutical industry for three multinational companies. During that time, Mr. Esparza managed and directed every area within Finance and Administration as Accounting Manager, Tax Manager Comptroller, Financial Planning Director and Finance Director. Mr. Esparza holds a degree in public accounting and several post-graduate diplomas in Business Administration, Economics and Direction of Enterprises from universities such as Instituto Politecnico Nacional, University of California at Berkeley, the ITESM, University of Almeria Spain and the IPADE.

Alejandro Elias Calles Gutierrez, was named purchasing Director in 2010. Mr. Calles joined Bachoco in January 2010 as Manager of Purchasing. Previously Mr. Calles worked as the CEO of “Agroinsumos Cajeme,” Chairman of the Board of the “Distrito de Riego” in the Yaqui River, Secretary of the SAGARPA in the state of Sonora, and Leader of the Secretaries of SAGARPA in Mexico and Manager of the leasing department of Inverlat. Mr. Calles holds a degree in Agronomy from the ITESM.

Ismael Sanchez Moreno, Mr. Sanchez joined Bachoco in 2013. Prior to his affiliation with Bachoco, Mr. Sanchez held several senior human resources positions, including change Management Director and Planning and Development Human Resources Director at Gupo Modelo. He previously worked for Cemex as Organization and Compensation Director, General Manager for Commercial Innovation Processes and Development and Training Senior Manager. Mr. Sanchez graduated with a degree in Politics Sciences and Sociology from the Complutense University of Madrid, and holds an MBA from the IE Business School and a MS in Human Resources from CEF.

B. Compensation

The table below sets forth the aggregate compensation paid to our directors and executive officers, for services they rendered in their respective capacities, for the years ended December 31, 2013 and 2012.

TOTAL COMPENSATIONS	As of December 31,		
	2013	2012	2011
	\$	\$	\$

Compensation, net (in millions pesos) 52.8 39.3 44.5

C.

Board Practices

We do not have any special agreements or contracts with any member of our board. All of our board members are subject to the specific expiration dates of their current terms of office.

Audit and Corporate Practices Committee

The mandate of the Audit and Corporate Practices Committee is to establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, pursuant to our bylaws and Mexican law, among others, the Audit and Corporate Practices Committee must do the following:

- Submit an annual report to the Board of Directors;

- Inform the Board of Directors of the current condition of the internal controls and internal auditing system of the Company or of the entities it controls, including any irregularities detected;

- Require the relevant directors and other employees of the Company, or of the entities it controls, to provide reports relative to the preparation of the financial information or any other kind of reports or information it deems appropriate to perform its duties;

- Receive observations formulated by shareholders, Board members, relevant officers, employees and, in general, any third party with regard to the matters under the Audit Committee duties, as well as carry out the actions that, in its judgment, may be appropriate in connection with such observations;

- Inform the Board of Directors of any material irregularities detected as a result of the performance of its duties and, as applicable, inform the Board of Directors of the corrective actions taken, or otherwise propose the actions that should be taken;

- Call Shareholders Meetings and cause the items it deems pertinent to be inserted into the agendas of such Shareholders' Meetings; and

- Assist the Board of Directors in selecting candidates for audit and reviewing the scope and terms of the auditor's engagement, as well as evaluate the performance of the entity that provides the external auditing services and analyze the report, opinions, statements and other information prepared and signed by the external auditor.

Mr. Avelino Fernandez was the President of the Audit Committee from April 2007 until April 2011, when Mr. Felizardo Gastelum Felix succeeded him to the Presidency.

Mr. Felizardo Gastelum Felix was President of the Audit and Corporate Practices Committee and Financial Expert of the Company from April 27, 2011 until his death on April 18, 2012. Currently, no member of our audit committee possesses all the characteristics included in the definition of an “audit committee financial expert” within the meaning of this Item 16A.

On August 22, 2012, Mr. Humberto Schwarzbeck was elected as Interim President of the Audit and Corporate Practices Committee. Later, during the stockholders meeting that took place on April 24, 2013, Mr. Schwarzbeck was elected as President of the Audit and Corporate Practices Committee which is composed of the following members:

AUDIT AND CORPORATE PRACTICES COMMITTEE

Name	Position	Member since
Humberto Schwarzbeck Noriega	President	2003
Ricardo Aguirre Borboa	Member	2003
Avelino Fernandez Salido	Member	2003

Mr. Ricardo Aguirre Borboa represents the controlling shareholders and has no voting rights in the audit committee.

D.

Employees

The Company has employees in Mexico and the United States.

In 2013, around 59.0% of our employees in Mexico were members of labor unions in our operations in Mexico. As of March 2014 and the date of this annual report, labor relations with our employees in Mexico are governed by 51 separate collective labor agreements, each relating to a different group of employees and negotiated on behalf of each such group by a different labor union.

In general, we believe that we have good relations with our employees. We have not experienced significant work stoppages as a result of labor problems.

As is typical in Mexico, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. We seek to attract dependable and responsible employees to train at each of our plants and facilities. We offer our employees attractive salary and benefit packages, including a pension and savings plan.

In our U.S. operations none of our employees are members of labor unions. As of the date of this Annual Report labor relations with our U.S. employees are not governed by any collective labor bargaining agreements

As is typical in the U.S., wages and other terms and conditions of employment are renegotiated periodically. We seek to attract dependable and responsible employees to train at each of our plants and facilities. We offer our employees attractive salary and benefit packages, including a health insurance and a retirement savings plan.

WORKFORCE

	2013	2012	2011	2010	2009
Total employees:	24,486	25,272	25,326	23,473	24,065
in Mexico	21,404	22,048	22,473	23,473	24,065
In the U.S.	3,082	3,224	2,853	0	0

E.

Share Ownership

To the best of our knowledge, no individual director or manager holds Shares of the Company. At this time, we have not developed a share options plan for our employees.

ITEM 7. Major Stockholders and Related Party Transactions

Before September 2006, our common stocks consisted of 450,000,000 Series B Shares and 150,000,000 Series L Shares. Holders of Series B Shares were entitled to one vote at any general meeting of our stockholders for each Series B Share held. Holders of Series L Shares were entitled to one vote for each Series L Share held, but only with respect to certain matters. We had UBL Units consisting of one Series B Share and one Series L Share and B Units consisting in two Series B Shares.

During the extraordinary meeting held on April 26, 2006 Shareholders approved the Company's plan to convert the Series L Shares into Series B Shares, with full voting rights, as well as the dissolution of UBL and UBB Units into their components Shares.

This process was completed in September 2006, and included two steps: separating the UBL and UBB Units trading on the Mexican Exchange into their component Shares and converting the Series L Shares into Series B Shares, thereby creating a single share class, the Series B Shares. These Shares are trading on the Mexican stock market. The ADR which trade on the NYSE still consist of twelve underlying Shares, but they are all Series B Shares, with full voting rights.

Currently, the Company's common stock consists of 600,000,000 Shares with full voting rights.

A. Major Shareholders

The Robinson Bours family owned 82.75% of the total shares outstanding of the Company. Their position was established through two Mexican trusts; the Control Trust and the Underwriting Trust (or "Family Trust") that together held 496,500,000 Shares outstanding. The remaining 17.25% of shares were the free float of the Company.

On December 9, 2013, the Company announced that the Underwriting Trust had sold 9.5% of its shares. This transaction was carried out through the Mexican Stock Exchange at the market price. As a result of this transaction, the Company's free float increased from 17.25% to 26.75% over the total shares outstanding.

As a result, the Capital Stock is distributed as follows:

	Before the transaction		After the transaction	
	Shares ⁽¹⁾	Position	Shares ⁽¹⁾	Position
Family Trusts	496,500,000	82.75 %	439,500,000	73.25 %
Control Trust	312,000,000	52.00 %	312,000,000	52.00 %
Underwriting Trust	184,500,000	30.75 %	127,500,000	21.25 %
Float⁽²⁾	103,500,000	17.25 %	160,500,000	26.75 %
	(1)		All shares B Class with full voting rights.	
	(2)		Trading on the BMV and at the NYSE.	

According to our Depositary Bank, as of March 31, 2014 we had 4,348,047 ADRs outstanding in the NYSE, which represent 8.7% over the total shares and 32.5% over the free float.

ADRs Outstanding	2013	2012	2011
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Total ADRs Outstanding	4,593,364	4,560,699	6,071,748
Percentage Over Total Shares	9.2	% 9.1	% 12.1

We estimate that the difference between total shares outstanding at the NYSE and the total free float represents the shares trading at the Mexican Stock Exchange.

According to information providing by the Bank of New York Mellon as of December 31, 2013, and March 31, 2014, from the 100.0% of the total Shares of the Company, there were approximately 78 and 83 shareholders in the NYSE respectively.

According to most recent information providing by stock houses at the date of our 2014 Bachoco's stockholders Annual meeting, we estimated that there are 1,061 Shareholders at the BMV.

The following table sets forth the Company's main shareholders, which held 1.0% or more of the total shares of the Company, as of December 31, 2013.

	Shares⁽¹⁾	Position	Country
Control Trust	312,000,000	52.00 %	Mexico
Underwriting Trust	127,500,000	21.25 %	Mexico
Royce & Associates LLC	17,885,652	3.0 %	U.S.
River Road Asset Management LLC	6,477,060	1.1 %	U.S.

(1) All shares B Class with full voting rights.

As of the date of March, 2014 there have been no significant changes in the composition of the Company's main shareholders.

B. Related Party Transactions

It is our policy not to engage in any transaction with or for the benefit of any stockholder or member of the Board of Directors, or any entity controlled by such a person or in which such a person has a substantial economic interest, unless (i) the transaction is related to our business and (ii) the price and other terms are at least as favorable to us as those that could be obtained on an arm's-length basis from a third party.

We have engaged in a variety of transactions with entities owned by members of the Robinson Bours family, all of which we believe were consistent with this policy and not material to our business and results of operations.

We expect to engage in similar transactions in the future. All of these transactions are described below:

We regularly purchase vehicles and related equipment from distributors owned by various members of the Robinson Bours family. The distribution of vehicles and related equipment is a highly competitive aspect of business in the areas in which we operate. We are not dependent on affiliated distributors and are able to ensure that the pricing and service we obtain from affiliated distributors are competitive with those available from other suppliers.

The Robinson Bours Stockholders also own Taxis Aereos del Noroeste, S.A. de C.V., an air transport company that provides transportation for members of the Board of Directors to and from meetings at our headquarters in Celaya, Guanajuato in Mexico.

We purchased feed and packaging materials from enterprises owned by Robinson Bours Stockholders, the family of Enrique Robinson Bours and the family of Juan Bautista Robinson Bours.

We also have accounts payable to related parties. These transactions took place among companies owned by the same set of stockholders.

Neither we nor our subsidiaries have loaned any money to any of our directors or officers, controlling shareholders or entities controlled by these parties.

REVENUES FROM RELATED PARTY
TRANSACTIONS

In millions of Pesos	As of December		
	2013	2012	2011
	\$	\$	\$
Feed and packaging materials	42.7	38.7	24.3
Vehicles and related equipment	0.0	0.5	0.7
Air Transportation Services	0.0	0.0	0.0

EXPENSES INCURRED IN RELATED PARTY
TRANSACTIONS

In millions of Pesos	As of December 31,		
	2013	2012	2011
	\$	\$	\$
Feed and packaging materials	523.8	608.5	477.3
Vehicles and related equipment	157.5	129.8	145.3
Air Transportation Services	7.4	10.1	10.1

BALANCES WITH RELATED PARTIES

In millions of Pesos	As of	
	December 31,	
	2013	2012
	\$	\$
Feed and packaging materials	40.2	65.6
Vehicles and related equipment	13.9	22.4
Air Transportation Services	0.0	0.0

As of December 31, 2013 and 2012, the balances due to related parties are the balances owed denominated in pesos, which do not accrue interest, payable in cash in the short-term, for which there are no guarantees.

See Note 19 to our Audited Consolidated Financial Statements for more detail regarding income and expenses incurred in connection with third parties transactions.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

Our Audited Consolidated Financial Statements are included in Item 18 of this Annual Report. The Audited Consolidated Financial Statements were audited by independent registered public accounting firms and are accompanied by their audit reports.

The Auditors

On September 3, 2013, we announced that the Company's Board of Directors, as per the Audit Committee's recommendation, approved the selection of Deloitte Touche Tohmatsu / Galaz, Yamazaki, Ruiz Urquiza, S.C. ("Deloitte") as the Company's independent registered public accounting firm, effective as of September 30, 2013.

Legal Proceedings

We are a party to certain legal proceedings in the ordinary course of our business.

We believe that none of these proceedings, individually or in the aggregate, is likely to have a material adverse effect on the Company's Audited Consolidated Financial positions and consolidated results of operations.

Dividends Policy

Pursuant to Mexican law and our bylaws, the declaration, amount and payment of annual dividends are determined by a majority vote of the shareholders, generally but not necessarily on the recommendation of the Board of Directors.

DIVIDENDS

	As of December 31,		
	2013	2012	2011
Total dividends paid (in million pesos)	950.400	299.2	299.9
Dividend paid per Share (in pesos)	1.584	0.500	0.500
Dividends paid per ADR (in pesos)	19.000	6.000	6.000

Although there can be no assurance as to the amount or timing of future dividends, we expect to pay an annual dividend pro rata to holders of outstanding Shares in an amount of approximately 20.0% of the prior year's net income. The declaration and payment of dividends will depend on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors and the shareholders, including debt instruments which may limit our ability to pay dividends.

Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries, principally BSACV. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends. BSACV, our principal operating subsidiary, could, in the future, enter into loan agreements containing covenants whose terms limit its ability to pay dividends under certain circumstances.

Mexican law requires that 5.0% of our net income each year be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20.0% of our capital stock. Mexican corporations may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The Company complies with this requirement and it is able to distribute dividends.

B.

Significant Changes

The Company and each of its subsidiaries file separate income tax returns. Through December 31, 2013, BSACV, the Company's main subsidiary, was subject to the simplified regime. This simplified regime is applicable to agriculture, cattle-raising and fishing, among others, and permitted a reduced tax rate. See further discussion below.

Starting on January 1, 2014, the simplified tax regime, the Flat Rate Business Tax ("IETU") and the cash deposit cash ("IDE") laws were repealed.

ITEM 9. The Offer and Listing

A. Offer and Listing Details

We trade with fully registered shares, since 1997. The Company trades in the NYSE and the BMV with one single class of shares, with full rights.

On the NYSE, we trade through ADRs, with full registration, level 3, and each of our ADRs represents twelve shares. Our Depositary Bank is the Bank of New York Mellon.

The following tables set forth the high, low and close prices of the Shares on the BMV and NYSE, reported by these companies, for each of the periods indicated.

SHARE PRICES

Year	Mexican Stock Exchange			The New York Stock Exchange		
	Ticker Symbol: Bachoco			Ticker Symbol: IBA		
	In nominal pesos per Share			In U.S. Dollar per ADR		
High	Low	Close	High	Low	Close	
2013	45.25	28.80	44.16	43.08	27.02	40.27
2012	30.13	20.59	30.13	27.97	18.86	27.92
2011	27.86	20.30	22.30	28.75	17.40	19.07
2010	26.99	18.40	25.55	26.10	17.01	24.19
2009	26.00	11.85	25.00	23.16	9.03	23.00

Quarter	High	Low	Close	High	Low	Close
4Q-2013	45.25	42.00	44.16	41.84	38.43	40.27
3Q-2013	45.13	37.30	43.02	43.08	34.39	39.47
2Q-2013	37.20	32.60	37.08	35.30	31.14	34.70
1Q-2013	34.27	28.80	32.92	33.89	27.02	27.69
4Q-2012	30.13	25.35	30.13	27.97	23.50	27.92
3Q-2012	26.35	24.38	25.77	24.06	21.51	24.06
2Q-2012	25.10	21.53	24.90	22.15	19.55	21.95
1Q-2012	23.30	20.59	22.50	21.55	18.86	21.06

Month	High	Low	Close	High	Low	Close
Mar 2014	44.79	42.00	44.79	28.03	27.07	27.82
Feb 2014	32.34	28.97	31.80	30.35	27.02	30.01
Jan 2014	34.27	31.82	32.92	33.89	29.91	32.12
Dec 2013	45.12	43.01	44.16	41.84	39.25	40.27
Nov 2013	45.25	43.10	43.11	41.55	39.49	39.73
Oct 2013	44.79	42.00	44.79	41.24	38.43	40.99

Source: yahoo finance

The following tables set forth the total trading volume of our Shares and ADRs on the BMV and NYSE, respectively, for each of the periods indicated.

TRADING VOLUME OF THE COMPANY'S SHARES

	BMV	NYSE
	In Shares	In ADR
Year	Total Volume	Total Volume
2013	99,089,400	4,332,600
2012	44,787,100	4,525,400
2011	31,333,000	3,338,300
2010	14,527,900	2,174,700
2009	4,816,500	2,670,400
Quarter	Total Volume	Total Volume
4Q-2013	70,033,300	(1) 1,188,300
3Q-2013	8,791,500	1,222,900
2Q-2013	10,389,900	950,000
1Q-2013	9,874,700	971,400
Last 6 months	Total Volume	Total Volume
Mar 2014	1,767,800	147,700
Feb 2014	1,341,100	164,000
Jan 2014	6,731,700	644,000
Dec 2013	65,799,500	691,900
Nov 2013	2,051,500	246,600
Oct 2013	2,182,300	249,800

source: yahoo finance

Market Maker

On January 24, 2011, the Company hired Accival services as its market maker in order to promote and increase liquidity of its shares listed on the BMV.

The market maker was traded for two periods of six months and ended its operation on December 24, 2011. Although there was a significant increase in trading volume, the Company decided not to renew a third period with the market maker.

B.

Plan of Distribution

Not applicable.

C.

Markets

On September 19, 1997, Bachoco commenced trading on the BMV, and on the NYSE.

As of March 31, 2014 there was 4,348,047 ADRs outstanding at the NYSE, It represented 8.7% of the total Shares of the Company or the 32.5% of the free float.

Based on these figures, we can assume that the remaining 67.5% of the free float is trading at the Mexican Stock Exchange.

Exchange	Country	Ticker Symbol	Securities
BMV	Mexico	Bachoco	Shares
NYSE	U.S.	IBA	ADR

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Information regarding the memorandum and articles of association are included in our F-1 Form and, an English translation of our bylaws is attached in this annual report, and is incorporated by reference herein and is also available on our web page www.bachoco.com.mx

The discussion set forth below contains information concerning our capital stock and a brief summary of the material provisions of the bylaws and applicable Mexican law. This summary does not purport to be complete and is qualified

in its entirety by reference to the bylaws and the applicable provisions of Mexican law.

General

The Company was incorporated on April 17, 1980 as a variable capital corporation (*sociedad anonima de capital variable*) under the laws of Mexico. To fully comply with Mexican laws, the Company modified its name to Industrias Bachoco, S.A.B. de C.V. (*sociedad anonima bursatil de capital variable*) in April 2007.

In 1995, our stockholders authorized the issuance of up to 15,525,000 additional Series B Shares and 15,525,000 additional Series L Shares, all constituting fixed capital, to be issued in connection with the global offering of Shares that took place on September 19, 1997 (the “Global Offering”).

On April 21, 1997, we restructured our capital by (i) declaring a four-to-one stock split of the 106,678,125 Series B Shares and 35,559,375 Series L Shares outstanding, (ii) converting 7,762,500 Series L Shares (on a post-split basis) into Series B Shares and (iii) combining all of the 434,475,000 Series B Shares and 134,475,000 Series L Shares outstanding (in each case, on a post-split basis) into 134,475,000 Units and 150,000,000 B Units. Holders of Units were entitled to exercise all the rights of holders of the Series B Shares and Series L Shares underlying their Units. Each B Unit consisted of two Series B Shares. B Units entitle the holders thereof to exercise all the rights of holders of the Series B Shares underlying such B Units. Immediately prior to the Global Offering, our outstanding capital stock consisted of 434,475,000 Series B Shares and 134,475,000 Series L Shares, all of which were duly authorized, validly issued and are fully paid and non-assessable.

During the annual shareholders meeting held on April 26, 2006, shareholders approved to proceed with the anticipated conversion of the Series L Shares into Series B Shares, which have full voting rights. This conversion was effective in September 2006 and included two steps: separating the UBL and UBB Units currently trading on the Mexican Stock Exchange into their component Shares, and converting the Series L Shares into Series B Shares (on a one-to-one basis), thereby created a single share class, the Series B Shares, which represents all of our Common Stock.

The Robinson Bours Stockholders have advised us that they intend to ensure that the Control Trust will hold at least 51.0% of the Series B Shares at any time outstanding. See “—Foreign Investment Legislation” in this Item.

On April 27, 2011 during the extraordinary Stockholders meeting the Article Two - XII of our bylaws were modified as follows:

Prior language	Current language
Produce, transform, adapt, import, export, purchase and sell, under any title,	“Produce, transform, adapt or manufacturing of processed food in package and/or canned and/or in flask, as well as import, export, purchase and sell, under any title, machinery, parts, materials, raw materials, industrial products, goods and merchandise of any kind”
machinery, parts, materials, raw materials, industrial products, goods and	
merchandise of any kind	

Note: An English translation of our complete bylaws is attached in this annual report.

Registration and Transfer

Shares are evidenced by certificates in registered form, which may have dividend coupons attached. We maintain a registry and, in accordance with Mexican law, we recognize as stockholders only those holders listed in the stock registry. Stockholders may hold their Shares in the form of physical certificates (which, together with notations made in our stock registry, evidence ownership of the Shares) or through book entries with institutions that have accounts with Indeval.

Indeval is the holder of record in respect of Shares held through it. Accounts may be maintained at Indeval by brokerage houses, banks and other entities approved by the CNBV. Ownership of Shares maintained at Indeval is evidenced through Indeval’s records and through lists kept by Indeval participants.

In accordance with Article 130 of the Ley General de Sociedades Mercantiles (“Mexican Corporations Law”), the Board of Directors must authorize any transfer of stock, or any securities based on such stock, when the number of Shares sought to be transferred in one act or a succession of acts, without limit of time or from one group of interrelated stockholders or stockholders who act in concert, constitutes 10.0% or more of the voting stock issued by the Company. If the Board of Directors refuses to authorize such a transfer, the Board must designate one or more purchasers of the stock, who must pay the interested party the prevailing price on the Mexican Stock Exchange. The Board must issue its resolution within three months of the date on which it receives the relevant request for authorization and in any case, must consider: (i) the criteria that are in the best interests of the Company, the Company’s operations and the long-term vision of the activities of the Company and its Subsidiaries; (ii) that no shareholder of the Company is excluded, other than the person that intends to acquire control of the financial benefits that may result from the application of the terms of this clause; (iii) that the taking of the Control of the Company is not restricted in an absolute manner; (iv) that the provisions of the Securities Market Law, with respect to acquisition public offerings, are not contravened; and (v) that the exercise of the patrimonial rights of the acquirer are not rendered without effect.

If any person participates in a transaction that would have resulted in the acquisition of 10.0% or more voting stock of the Company without having obtained the board’s prior approval, they must pay the Company a fine equal to the market value of the Shares.

Any person who participates in an act that violates the terms of Article 130 discussed in the preceding paragraph will be obligated to pay the Company a fine in an amount equal to the value of the Shares owned directly or indirectly by the stockholder, or the value of the Shares involved in the prohibited transaction, if such person does not own Shares issued by the Company. In the case of a prohibited transaction that would have resulted in the acquisition of 10.0% or more of the voting stock of the Company, the fine will be equal to the market value of those Shares, provided that board authorization was not obtained in advance.

According to our bylaws, a majority of the members of the Board of Directors must authorize in writing, by a resolution made at a Board of Directors’ meeting, any change in the control of the Company. Our Board of Directors has the right to decide if a person or a group of persons is acting for the purpose of acquiring control of the Company.

“Control” or “Controlled” means (i) to directly or indirectly impose decisions at the general meetings of shareholders, stockholders or equivalent bodies or to appoint or remove the majority of the directors, managers or equivalent officers; (ii) to hold title to the rights that directly or indirectly allow the exercise of votes with respect to more than fifty percent of the capital stock; or (iii) to directly or indirectly direct the management, the strategy or the principal policies of the Company, whether through the ownership of securities, by contract or otherwise.

Voting Rights and Stockholders’ Meetings

Each share entitles the holder thereof to one vote at any general meeting of the stockholders. Holders are currently entitled to elect all members of the Board of Directors.

Our bylaws provide that the Board of Directors shall consist of at least five members and no more than twenty one. The stockholders also appointed four alternate Shareholder Directors to the Board of Directors.

General stockholders' meetings may be ordinary or extraordinary meetings. Extraordinary general meetings are meetings called to consider the matters specified in Article 182 of the Mexican Corporations Law and the bylaws, including changes in the fixed portion of the capital stock and other amendments to the bylaws, liquidation, merger, transformation from one type of corporate form to another, change in nationality and changes of corporate purposes.

General meetings called to consider all other matters, including election of the directors, are ordinary meetings. An ordinary general meeting of the Company must be held at least annually during the four months following the end of the preceding fiscal year to consider certain matters specified in Article 181 and 182 of the Mexican Corporations Law, including, principally, the election of directors, the approval of the report of the Board of Directors regarding their company's performance, the Company's financial statements for the preceding fiscal year and the allocation of the profits and losses of the preceding year, and to approve the transactions that the Company or the entities that the Company controls intend to carry out, in terms of article 47 of the Securities Market Law, in one fiscal year, when such transactions represent 20.0% (twenty percent) or more of the consolidated assets of the Company, based on the figures corresponding to the closing of the immediately preceding quarter, independently of the manner in which such transactions are carried out, whether simultaneously or successively, but which due to their characteristics, may be considered as a single transaction. Holders of Shares may vote at such Meetings.

Under our bylaws, the quorum on first call for a general ordinary meeting is at least 50%. If a quorum is not available on first call, a second meeting may be called at which action may be taken by a majority of those present, regardless of the number of Shares represented at the meeting. On a second call, Ordinary General Shareholders' Meetings will be considered validly held regardless of the number of common or ordinary Shares represented therein and the resolutions of such Meetings will be valid when passed by majority vote of the Common Stock therein.

The quorum on first call for a general extraordinary meeting or a special meeting is 75% of the outstanding Shares with voting rights on the matters to be addressed in that meeting. If a quorum is not available on first call, a second meeting may be called, provided that at least 50% of the outstanding Shares with voting rights on the matters to be addressed in that meeting are represented.

Our bylaws require the approval of holders of at least 95% of the outstanding Shares and the approval of the CNBV for the amendment of the controlling stockholders' obligation under the bylaws to repurchase Shares and certain other provisions in the event of delisting. See "—Other Provisions—Repurchase in the Event of Delisting." For more detail, see our bylaws on our webpage at www.bachoco.com.mx. Holders of ADRs are entitled to instruct the Depositary as to the exercise of the voting rights.

According to our bylaws, stockholders with a right to vote may ask to postpone a vote on any matters on which they believe they do not have enough information as defined by Article 199 of the Mexican Corporation Law. Stockholders with a right to vote, including a limited right to vote, and who hold at least 20% of the capital stock, may legally object to the decisions of a general stockholders' meeting, with respect to matters in which they have rights, without the percentage established under article 201 of the General Law of Business Entities being applicable in such case.

Moreover, holders of shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5% or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors

or executive officers. The exercise of such action will not be subject to the compliance with the requirements set forth under articles 161 and 163 of the General Law of Business Entities.

The Board of Directors, or its President or Secretary or the judicial authority, as applicable, must issue notices of calls of Shareholders' Meetings. In addition, shareholders that jointly or separately represent at least 10% of the capital of the Company may request the President of the Board of Directors or the President of the Audit Committee to call a General Shareholder's Meeting, without the percentage indicated under article 184 of the General Law of Business Entities being applicable for such purpose. If the notice of meeting is not issued within fifteen days after the date of the corresponding request, a Civil or District Judge of the Company's domicile will issue such notice at the request of the interested parties that represent the requesting 10% of the capital, who must present their stock certificates for such purpose.

At least 15 days prior to the meeting, notice of the meeting must be published in the Diario Oficial de la Federacion (“Official Gazette”) or in a newspaper of general circulation in Mexico City. Stockholders’ meetings may be held without such publication provided that 100% of the outstanding Shares with voting rights on the matters to be addressed by such meeting are represented.

From the moment that a call for a stockholders’ meeting is made public, all the information related to the meeting must be available to the stockholders. In order to attend a stockholders’ meeting, a stockholder must request and obtain an admission card by furnishing, at least 24 hours before the time set for holding the stockholders’ meeting, appropriate evidence of ownership of Shares in us and depositing such Shares with our corporate secretary or with an institution authorized to accept such deposit. If so entitled to attend the meeting, a stockholder may be represented by proxy signed before two witnesses. Additionally, the stockholder may be represented at the stockholders’ meetings by a person named by proxy, on a printed form that we issue, which, under Mexican law, must identify our Company and indicate clearly the matters to be addressed in the meeting, with enough space for the instructions that the stockholder specifies. We are obliged to make information on the upcoming meeting available to the intermediaries in the stock market, for the time specified in Article 173 of the Mexican Law, in order to give the intermediaries time to send it to the stockholders they represent. The Secretary of the Board of Directors must verify that this requirement is met and report on this matter at the stockholders’ meeting. See “—Registration and Transfer.”

Members of the Board

Under the Mexican Corporations Law, a Board of Directors must conform to the following requirements:

-The Board of Directors will be integrated by a minimum of five and a maximum of twenty-one principal members.

- At least twenty-five percent of the members of the Board of Directors must be independent, in accordance with the terms of article 24 of the Securities Market Law.

- For each principal member, a substitute will be appointed, in the understanding that the substitutes of independent Board members must also be independent.

Besides satisfying all of the requirements mentioned above, failure to meet these standards for any reason will not constitute grounds for judicial action challenging any act, contract, or agreement undertaken by the board, an intermediate committee or other delegated authority. Furthermore, such standards will not be mandatory for the validity or existence of such acts.

The Board of Directors must meet at least every three months at our address or any other place in Mexico and on the dates that the board determines. Meetings previously scheduled in accordance with a schedule pre-approved by the board do not need to be called. Meetings must be called by at least 25% of the members of the Board of Directors, the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Secretary or the Alternate Secretary of the Board or the President of the Audit Committee. Members of the board must be notified via e-mail or in writing at least five calendar days in advance of a meeting.

Dividends and Distributions

At the annual ordinary general stockholders' meeting, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the board, to the holders of Shares for their consideration. The holders of Shares, once they have approved the financial statements, determine the allocation of our net profits, if any, for the preceding year. As of December 31, 2013, our legal reserve fund was equal to at least 20% of our paid-in capital stock. Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the stockholders determine, including a reserve for the repurchase of our Shares. The remaining balance of net profits, if any, is available for distribution as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been paid or absorbed.

Holders of shares and, accordingly, holders of ADRs will have equal rights, on a per Share basis, to dividends and other distributions, including any distributions we make upon liquidation. Partially paid Shares participate in any distribution to the extent that such Shares have been paid at the time of the distribution or, if not paid, only with respect to the proportion paid.

Changes in Capital Stock

An increase of capital stock may generally be affected through the issuance of new shares for payment in cash or in kind, by capitalization of indebtedness or by capitalization of certain items of stockholders' equity. An increase of capital stock generally may not be realized until all previously issued and subscribed Shares of capital stock have been fully paid. Generally, a reduction of capital stock may be effected to absorb losses, to redeem Shares, or to release stockholders from payments not made. A reduction of capital stock to redeem Shares is effected by reimbursing holders of Shares pro rata or by lot. Stockholders may also approve the redemption of fully paid Shares with retained earnings. Such redemption would be affected by a repurchase of Shares on the Mexican Stock Exchange (in the case of Shares listed thereon).

Except under limited circumstances, the bylaws require that any capital increase affected pursuant to a capital contribution be represented Shares.

The fixed portion of our capital stock may only be increased or decreased by resolution of a general extraordinary meeting and an amendment to the bylaws, whereas the variable portion of our capital stock may be increased or decreased by resolution of a general ordinary meeting. See "Other Provisions—Fixed and Variable Capital."

No resolution by the stockholders is required for decreases in capital stock resulting from exercise of our right to withdraw variable Shares or from our repurchase of our own Shares or for increases in capital stock resulting from our sale of Shares we previously purchased. See “Other Provisions—Purchase by the Company of its Shares” and “Other Provisions—Appraisal Rights.”

Preemptive Rights

Except in certain limited circumstances, in the event of a capital increase through the issuance of new Shares for payment in cash or in kind, a holder of existing Shares of a given Series at the time of the capital increase has a preferential right to subscribe for a sufficient number of new Shares of the same Series to maintain the holder's existing proportionate holdings of Shares of that Series or, in the event of a capital increase through the issuance of limited-voting or non-voting stock only, to subscribe for a sufficient number of the Shares to be issued to maintain the holder's existing proportionate holdings of our capital stock. Preemptive rights must be exercised within 15 days following the publication of notice of the capital increase in the Diario Oficial de la Federacion (Official Gazette) or following the date of the stockholders' meeting at which the capital increase was approved if all stockholders were represented at such meeting; otherwise, such rights will lapse. Under Mexican law, preemptive rights cannot be waived in advance by a stockholder, except under limited circumstances, and cannot be represented by an instrument that is negotiable separately from the corresponding share. The Robinson Bours Stockholders, including the Selling Stockholders, have waived all preemptive rights with respect to the Shares and the ADRs being offered in the Global Offering. Holders of ADRs that are U.S. citizens or are located in the United States may be restricted in their ability to participate in the exercise of preemptive rights.

Foreign Investment Legislation

Ownership by foreigners of Shares of Mexican companies is regulated by the Ley de Inversion Extranjera ("Foreign Investment Law") and by the Reglamento de la Ley para Promover la Inversion Mexicana y Regular la Inversion Extranjera ("Foreign Investment Regulations"). The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican state and certain other activities exclusively for Mexican individuals or Mexican corporations, and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own up to 100.0% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission, in which case an approval from the Foreign Investment Commission will be necessary in order for foreign investment to exceed 49.0% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to maintain a control position. Pursuant to our bylaws, foreigners may only own Shares up to 49.0%.

Other Provisions

Fixed and variable capital

As a “sociedad anonima de capital variable”, we are permitted to issue Shares constituting fixed capital and Shares constituting variable capital. The issuance of variable capital Shares, unlike the issuance of fixed capital Shares, does not require an amendment of the bylaws, although it does require approval at a general ordinary stockholders’ meeting. In no case may the capital of the Company be decreased to less than the minimum required by law and any decrease in the shareholders’ equity must be registered in the Equity Variations Book that the Company will keep for such purpose.

Repurchase in the event of delisting

In the event of cancellation of the registration of the Company’s Shares in such Registry, whether at the request of the Company or by a resolution of the National Securities and Banking Commission under applicable law, the Company agrees to make a public offering for the acquisition of the total number of the Shares registered prior to the cancellation. The Company must contribute to a trust for at least six months, the necessary resources to purchase at the same price of the public offering, the Shares of the investors that did not attend or did not accept such offer, in case that after the public offering for purchase has been made and prior to the cancellation of the registration of the Shares that represent the capital stock of the Company or of other securities issued based on such Shares in the National Securities Registry, the Company had been unable to acquire 100.0% of the paid in capital stock.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that our current and future foreign stockholders are formally bound to the Mexican Secretaria de Relaciones Exteriores (“Ministry of Foreign Relations”) to consider themselves as Mexican nationals with respect to our Shares that they may acquire or of which they may be owners, and with respect to the property, rights, concessions, participations or interests that we may own or rights and obligations that are based on contracts to which we are party with the Mexican authorities, and not to invoke the protection of their government under penalty, should they do so, of forfeiting to the Mexican State the corporate participation that they may have acquired. In the opinion of Galicia & Robles, S.C., our special Mexican counsel, under this provision a non-Mexican stockholder (including a non-Mexican holder of ADRs) is deemed to have agreed not to invoke the protection of his own government by requesting such government to interpose a diplomatic claim against the Mexican government with respect to the stockholder’s rights as a stockholder, but is not deemed to have waived any other rights it may have with respect to its investment in us, including any rights under U.S. securities laws. If the stockholder should invoke such governmental protection in violation of this agreement, its Shares could be forfeited to the Mexican State. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of capital stock by foreign investors.

Exclusive Jurisdiction

Our bylaws provide that legal actions relating to any conflict between our stockholders and us, or among the stockholders in connection with matters related to us, may be brought only in courts in Mexico City. Therefore, our stockholders are restricted to the courts of Mexico City.

Duration

The duration of our existence under our bylaws is indefinite.

Repurchase of our own Shares

We may repurchase our Shares on the Mexican Stock Exchange at any time at the then prevailing market price. Any repurchases will be charged to the Stockholders Equity as long as these Shares belong to the same Company or to the Capital Stock in the event that we convert these Shares to treasury stock, and in this last case no resolution of the stockholders’ meeting is required. At each annual ordinary Stockholder’s Meeting, the maximum amount of resources that may be used to repurchase Shares will be expressly defined. The Board of Directors will name the persons

responsible for the operation of the repurchase process. The Shares that belong to the Treasury Stock or us can be resold among the public stockholders; in the latter case, no resolution of a stockholders' meeting is necessary for an increase in capital. The economic and voting rights corresponding to such repurchased Shares may not be exercised during the period in which such Shares are owned by us, and such Shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any stockholders' meeting during such period.

Non-Subscribed Shares

With prior authorization of the CNBV, we may issue non-subscribed Shares provided that such Shares will be held by a depositary institution and that there is compliance with the conditions of Article 53 of the Ley del Mercado de Valores (“Mexican Securities Law”). In any extraordinary stockholders’ meeting at which this issuance of non-subscribed Shares is approved, the preference rights established by Article 132 of the Mexican Corporations Law must be respected. With a quorum at the meeting, the approval of the issuance will take effect, even with respect to stockholders that were not present at the meeting, such that we will be free to issue these Shares with no prior publication. When a minority of stockholders representing at least 25.0% of the voting capital stock vote against the issuance of these Shares, such issuance cannot be made. Any stockholder that votes against this issuance at the stockholders’ meeting will have the right to request that we sell its Shares before issuing the new non-subscribed Shares. In such event, we will have the obligation to sell first the Shares belonging to such stockholders, at the same price that the non-subscribed Shares are to be offered to the public.

Stockholder Conflicts of Interest

Under Mexican law, any stockholder that has a conflict of interest with respect to any transaction must abstain from voting thereon at the relevant stockholders’ meeting. A stockholder that votes on a business transaction in which its interest conflicts with that of ours may be liable for damages if the transaction would not have been approved without such stockholder’s vote.

Board Member Conflicts of Interest

Under Mexican law, any member of the Board of Directors who has a conflict of interest with us in any transaction must disclose such fact to the other members of the Board of Directors and abstain from voting. Any member of the Board of Directors who violates such provision may be liable for damages caused to us. Additionally, members of the Board of Directors and statutory auditors may not represent other stockholders at any stockholders’ meeting.

Appraisal Rights

Whenever the stockholders approve a change of corporate purpose, a change in our nationality or transformation from one type of corporation form to another, any stockholder entitled to vote on such change or transformation who has voted against it has the right to withdraw from us and receive the amount calculated as specified under Mexican law attributable to its Shares, provided such stockholder exercises its right to withdraw within 15 days following the

adjournment of the meeting at which the change or transformation was approved. Under Mexican law, the amount that a withdrawing stockholder is entitled to receive is equal to its proportionate interest in our capital stock according to the most recent balance sheet that has been approved by an ordinary general meeting of stockholders.

Actions against Directors

Under Mexican law, holders of Shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5.0% (five percent) or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors or executive officers. The exercise of such action, among others, will be subject to the compliance with the requirements set forth under the Mexican Law.

Audit Committee and Corporate Practices

Under our bylaws, the Board of Directors is required to create an Audit Committee and Corporate Practices under the terms and conditions outlined below:

The Audit Committee and Corporate Practices will consist of members of the Board of Directors. The President of the Audit Committee and Corporate Practices and a majority of the committee members must be independent, as independence is defined under the Mexican Securities Market Law.

The mandate of the audit committee and corporate practices is to establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable, and accurately reflects our financial position.

For more detail or to read more about the Committee's activities please refer to "Audit Committee and Corporate Practices" section in Item 6 to this Annual Report. For additional information, also see Article 35 of the Mexican Securities Market Law.

Related Party Transactions

See "Related Party Transactions" included in Item 7 to this Annual Report.

C. Material Contracts

None.

D. Exchange Controls

Ownership by foreigners of Mexican companies is regulated by the Foreign Investment Law and by the Foreign Investment Regulations. The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican Government and certain other activities exclusively for Mexican individuals or Mexican corporations and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own 100% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission in which case an approval from the Foreign Investment Commission shall be necessary in order for foreign investment to exceed 49.0% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to

maintain a control position of his shares. Pursuant to our bylaws, foreigners may only own Shares up to 49% of shares.

E.

Taxation

The following discussion is a general summary of the principal U.S. federal income tax consequences and the principal Mexican federal tax consequences of the acquisition, ownership and disposition of Shares or ADRs. This summary does not purport to address all material tax consequences that may be relevant to holders of Shares or ADRs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of our voting stock, investors that hold Shares or ADRs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of Shares or ADRs that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia;

- an estate, the income of which is subject to U.S. federal income tax without regard to its source; or

- a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership holds Shares or ADRs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership considering the purchase of Shares or ADRs should consult its own independent tax advisor regarding the U.S. federal income tax consequences of investing in Shares or ADRs through a partnership.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See “U.S. Federal Income Taxation—Passive Foreign Investment Company Rules” below. This discussion is based on the federal income tax laws and regulations of the United States and Mexico, judicial decisions, published rulings and administrative pronouncements, all as in effect on the date hereof, and all of which are subject to change (and some changes may have retroactive effect) and different interpretations. Further, this discussion does not address U.S. federal estate and gift tax, U.S. Medicare contribution tax or the alternative minimum tax consequences of holding Shares or ADRs or the indirect consequences to holders or equity interests in partnerships (or any other entity treated as a partnership for U.S. federal income tax purposes) that own Shares or ADRs. In addition, this discussion does not address the non-U.S., non-Mexican, state or local tax consequences of holding Shares or ADRs. Prospective purchasers of Shares or ADRs should consult their own tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Shares or ADRs, including, in particular, the effect of any non-U.S., non-Mexican, state or local tax laws.

A Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, between the United States and Mexico (the “Tax Treaty”) took effect on January 1, 1994. The Tax Treaty was amended by a second Protocol signed September 8, 1994. The second Protocol entered into force on October 2, 2005. The Tax Treaty was amended by a third Protocol signed November 26, 2002, the provisions of which took effect in part on September 1, 2003, and in part on January 1, 2004. The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

In general, for U.S. federal income tax purposes, holders of ADRs evidencing ADRs will be treated as the beneficial owners of the Shares represented by those ADRs. However, see the discussion below under “Taxation of Dividends” regarding certain statements made by the U.S. Treasury concerning depository arrangements.

U.S. Federal Income Taxation

U.S. Holders

The following discussion is a summary of the material U.S. federal income tax consequences to holders of Shares or ADRs that are U.S. Holders and that hold those Shares or ADRs as capital assets (generally, for investment purposes).

Taxation of Dividends

Cash distributions paid with respect to the Shares or ADRs to the extent paid out of our earnings and profits (as determined under U.S. federal income tax principles) will be included in the gross income of a U.S. Holder as ordinary income on the day on which the dividends are received by the U.S. Holder, in the case of Shares, or the Depositary, in the case of ADRs. We do not currently maintain calculations of our earnings and profits under U.S. federal income tax principles. Because these calculations are not made, distributions should be presumed to be taxable dividends for U.S. federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Mexican income taxes withheld on dividends received on Shares or ADRs. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Mexican income taxes, provided the U.S. Holder elects to deduct (rather than credit) all foreign income taxes for that year. Dividends received with respect to Shares or ADRs will be treated as foreign source income, subject to various classifications and other limitations. For purposes of the U.S. foreign tax credit limitation dividends paid with respect to Shares or ADRs generally will constitute “passive category income” for most of U.S. Holders. The U.S. Treasury Department has expressed concerns that parties to whom depositary shares such as the ADRs are released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of such ADRs. Accordingly, the analysis of the creditability of Mexican income taxes described above could be affected by future actions that may be taken by the U.S. Treasury Department. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own independent tax advisors regarding the availability of foreign tax credits with respect to any Mexican income taxes withheld.

Dividends paid in pesos will be included in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. Holder, in the case of Shares, or by the Depositary, in the case of ADRs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt by the U.S. Holder or the Depositary, as the case may be, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect

of the dividends. U.S. Holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received which are converted into U.S. dollars on a date subsequent to receipt.

Cash dividends to corporate U.S. Holders will not be eligible for the dividends-received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain exceptions for short term and hedged positions, and provided that we are not a PFIC (as discussed below), dividends received by certain U.S. Holders (including individuals) with respect to the Shares or ADRs will be subject to U.S. federal income taxation at preferential rates if such dividends represent "qualified dividend income." Dividends paid on the Shares or ADRs will be treated as qualified dividend income if (i) we are eligible for the benefits of the Tax Treaty or the Shares or ADRs are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. We expect to be eligible for the benefits of the Tax Treaty. In addition, under current guidance issued by the Internal Revenue Service ("IRS"), the ADRs should qualify as readily tradable on an established securities market in the United States so long as they are listed on the New York Stock Exchange, but no assurances can be given that the ADRs will be or remain readily tradable under future guidance.

The U.S. Treasury Department has announced its intention to promulgate rules pursuant to which shareholders (and intermediaries) will be permitted to rely on certifications from issuers to establish that dividends qualify for the reduced rate of U.S. federal income taxation. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of Shares or ADRs should consult their own tax advisors regarding the availability of the reduced rate in the light of their own particular circumstances.

Distributions to U.S. Holders of additional Shares with respect to their Shares or ADRs that are made as part of a pro rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax. If holders of the ADRs are restricted in their ability to participate in the exercise of preemptive rights, the preemptive rights may give rise to a deemed distribution to holders of the Shares under Section 305 of the Code. Any deemed distributions will be taxable as a dividend in accordance with the general rules of the income tax treatment of dividends discussed above.

Taxation of Capital Gains

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Shares or ADRs generally will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Shares or ADRs and the amount realized on the disposition. A U.S. Holder generally will have an adjusted tax basis in its Shares or ADRs equal to its U.S. dollar cost for such Shares or ADRs. Gain or loss recognized by a U.S. Holder on the sale or other disposition of Shares or ADRs will generally be long-term gain or loss if, at the time of disposition, the U.S. Holder has held the Shares or ADRs for more than one year.

Certain U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deduction of a capital loss is subject to limitations under the Code.

Gain realized by a U.S. Holder on a sale or other disposition of Shares or ADRs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if any Mexican withholding tax is imposed on the sale or disposition of the Shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. Alternatively, a U.S. Holder may deduct the Mexican tax withheld from its gross income, provided such U.S. Holder does not claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the Shares or ADRs.

In some cases, gain may be treated as foreign source income by holders eligible for the benefits of the Tax Treaty. U.S. Holders should consult their own tax advisors regarding the application of the Tax Treaty to gain or loss recognized on the sale or other taxable disposition of Share or ADRs.

Deposits and withdrawals of Shares by U.S. Holders in exchange for ADRs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75.0% of its gross income is passive income, or (2) on average at least 50.0% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions. The determination as to whether a non-U.S. corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are suffering from different interpretations. In addition, the PFIC determination is made annually and generally is based on the value of a non-U.S. corporation's assets (including goodwill) and composition of its income. In determining whether we are a PFIC, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least a 25.0% interest by value is taken into account.

Based on current estimates of our income and assets, we do not believe that we were classified for our most recently-ended taxable year, or will be classified for our current taxable year, as a PFIC for U.S. federal income tax purposes, and we intend to continue our operations in such a manner that we will not become a PFIC in the future, although no assurances can be made regarding determination of our PFIC status in the current or any future taxable year. If we are treated as a PFIC for any taxable year, a U.S. Holder would be subject to special rules (and may be subject to increased tax liability and form filing requirements) with respect to (a) any gain realized on the sale or other disposition of Shares or ADRs, and (b) any "excess distribution" made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on the Shares or ADRs exceed 125.0% of the average annual distributions the U.S. Holder received on the Shares or ADRs during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Shares or ADRs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Shares or ADRs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which the Issuer was a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were treated as a PFIC.

In addition, a U.S. Holder generally must file IRS Form 8621 periodically to disclose ownership of an equity interest in a PFIC during any taxable year.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to Shares or ADRs and the application of recently enacted legislation to their particular situation.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial holders of Shares or ADRs that are neither U.S. Holders nor partnerships for U.S. federal income tax purposes (“Non-U.S. Holders”).

Subject to the discussion below under “U.S. Backup Withholding and Information Reporting,” a Non-U.S. Holder of Shares or ADRs will not be subject to dividend or U.S. federal income or withholding tax on a dividend paid by us or gain realized on the sale of Shares or ADRs, unless (i) such dividend or gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder) or (ii) in the case of gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

In general, dividends on Shares or ADRs, and payments of the proceeds of a sale or other taxable disposition of Shares or ADRs, paid within the United States, by the U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding at a current rate of 28%, unless the U.S. Holder (i) establishes that it is an exempt recipient or (ii) with respect to backup withholding, provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred. Payments made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the Non-U.S. Holder to the payor or intermediary and the payor or intermediary does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. The amount of any backup withholding withheld from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by filing a timely refund claim with the IRS.

In addition, U.S. Holders should be aware that legislation enacted in 2010 imposes reporting requirements with respect to the holding of foreign financial assets, including stock of foreign issuers, if the aggregate value of all of such assets exceeds \$50,000, subject to certain exceptions. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our common Shares and the application of these reporting requirements to their particular situation.

Mexican Taxation

Taxation of Dividends

Dividends, either in cash or in any other form, paid with respect to the Shares constituting the Shares or the ADRs will not be subject to Mexican withholding tax.

Taxation of Capital Gains

Gain on the sale or other disposition of ADRs by holders who are not Mexican Residents (as defined below) will not be subject to Mexican income tax. Deposits of Shares in exchange for ADRs and withdrawals of Shares in exchange for ADRs will not give rise to Mexican income tax.

Gain on the sale of Shares by a holder who is not a Mexican Resident (as defined below) will not be subject to Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance, and provided certain requirements set forth by the Mexican Income Tax Law are complied with. Sales or other dispositions of Shares made in other circumstances generally would be subject to Mexican tax, except to the extent that a holder is eligible for benefits under an income tax treaty to which Mexico is a party of. Under the Tax Treaty, gain on the sale or other disposition of Shares by a U.S. resident (if eligible for benefits under the Tax Treaty) who is a holder of less than 25% of our capital stock during the twelve-month period preceding such sale or disposition will not be subject to Mexican tax, unless (i) 50% or more of the fair market value of our assets consist of “immovable property” (as defined in the Tax Treaty) situated in Mexico, or (ii) such gains are attributable to a permanent establishment or fixed base of such U.S. resident in Mexico.

For a holder that is not a Mexican Resident and that does not meet the requirements referred to above, gross income realized on the sale of Shares will be subject to a 5% Mexican withholding tax if the transaction is carried out through the Mexican Stock Exchange. Alternatively, a holder that is not a Mexican Resident can choose to be subject to a 20% withholding rate on the net gain obtained, as calculated pursuant to Mexican Income Tax Law provisions.

The Mexican tax rules governing the taxation of gains of holders who are not Mexican Residents on dispositions of their Shares or ADRs were amended during 2002. Holders who are not Mexican Residents who disposed of their Shares or ADRs during 2003 should consult their own Mexican tax advisors on the Mexican tax treatment of such dispositions.

For purposes of Mexican taxation (*Ley del Impuesto sobre la renta*), an individual is a resident of Mexico (a “Mexican Resident”) if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 days, whether consecutive or not, during a calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a Mexican Resident if it has been incorporated under Mexican law. A company is also considered to be a Mexican Resident if its headquarters are located in Mexico. A Mexican citizen is presumed to be a resident of Mexico for tax purposes unless such person can demonstrate otherwise. If a person is deemed to have a permanent establishment or fixed base in Mexico for tax purposes, such permanent person shall be required to pay taxes in Mexico on income attributable to such permanent establishment or fixed base, in accordance with applicable tax laws.

Other Mexican Taxes

There are no Mexican inheritance, succession or similar taxes applicable to the ownership, transfer or disposition of ADRs or Shares by holders that are not Mexican Residents; provided, however, that gratuitous transfers of Shares may in certain circumstances cause a Mexican federal tax to be imposed on the recipient. There is no Mexican stamp, issue, registration or similar taxes or duties payable by holders of ADRs or Shares. Brokerage fees on securities transactions carried out through the Mexican Stock Exchange are subject to a 16%, valued added tax.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H.

Documents on Display

The documents concerning us which are referred to in this document are available in our company headquarters, located at avenida Tecnologico No. 401, Ciudad Industrial, Celaya, Guanajuato, zip code 38010, Mexico, for any inspection required. Part of this information is available on our web page, at www.bachoco.com.mx.

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I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of our business, we hold or issue various financial instruments that expose us to financial risks involving fluctuations in currency exchange rates and interest rates. Also, we are exposed to commodity price risk in connection with fluctuations in the prices for our feed ingredients.

The Company is exposed to the following risks related to the use of financial instruments to which risk management is applied: credit risk, liquidity risk, market risk, and operational risk.

Note 8 of our Audited Consolidated Financial Statements presents information on the Company's exposure to each of the aforementioned risks, and the Company's objectives, policies and procedures for risk measurement and management. Further quantitative disclosures are included in various sections of these Audited Consolidated Financial Statements included in this annual report.

Risk management framework

The risk philosophy adopted by the Company seeks to minimize the risk and, therefore, to enhance its business stability, by opting for a sound relationship between the levels of risk assumed and its operating capabilities, for ensuring a better decision-making.

Risk Management means the "Set of objectives, policies, procedures and actions implemented to identify measure, monitor, limit, control, report and disclose the various types of risks to which the entity is exposed".

Currency Fluctuation

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to cost and expenses which are denominated in U.S. dollars. See Risk Factors under Item 3.

In 2013, 2012 and 2011 we recognized foreign exchange gains of \$28.1, \$35.2 and \$54.5 million, respectively. These gains are mainly attributed to positive results in our investments of cash.

As of December 31, 2013, a hypothetical increase of \$0.5 pesos in the exchange rate, would have resulted in a decrease in the foreign currency position of \$2.3 million, which represents a loss from foreign currency exchange rates. On the other hand, a decrease of \$0.5 pesos in the exchange rate would have resulted in an increase in our foreign currency position of \$2.3 million, which represents a gain from foreign currency exchange rates.

We manage our exchange rate exposure primarily through management of our financial structure. As part of our normal operations, we plan over a six-month period into the future and, depending on the expected uncertainty for that period, decide if it is economically advisable to purchase or sell any hedging instrument. We purchase financial derivative instruments in order to ensure greater certainty in our purchases of U.S. dollars.

The main risk that the Company faces with the use of these derivative instruments is the volatility in the exchange rate of the peso against the U.S. dollar. Our risk committee approves any change in policies and reviews the application of current policies.

For more details see Note 8 to our Audited Consolidated Financial Statements.

No assurance can be given as to the future valuation of the Mexican peso and how further movements in the peso could affect our future earnings. In order to mitigate our foreign exchange risk, we have established a Risk Committee which meets at least once a quarter and approves the guidelines and policies for entering into these operations. We also work with independent consultants who make evaluations of our positions and provide us with consulting services. Said companies do not sell any financial instruments to us.

As of December 31, 2013 and 2012, we did not have derivative positions related to exchange rates.

Interest Rates

Our earnings may also be affected by changes in interest rates due to the impact those changes have on our variable rate debt instruments.

As of December 31, 2013, we had borrowings of approximately \$2,723.6 million pursuant to variable rate debt instruments, representing approximately 9.8% of our total assets.

Based on our debt position on December 31, 2013, we estimate that a hypothetical increase in the interest rate of 25 basis points would increase our interest expense by \$ 4.9 million, negatively impacting our net income by the same. Whereas, we estimate that a hypothetical decrease in the interest rate of 25 basis points, would decrease our interest expense by \$4.9 million, positively impacting our net income by the same.

Any such increase would likely be partially offset by an increase in interest income due to our strong cash and cash equivalent position.

For more detail, see Note 8 of our consolidated Financial Statements.

Feed Ingredients

The price of sorghum, soy meal, and corn is subject to significant volatility resulting, from many external factors like weather conditions, the size of harvests, transportation and storage costs, among others. In order to reduce the potential adverse effect of grain price fluctuations, we vary the composition of our feed to take advantage of current market prices for the various types of ingredients used.

Based on our results for 2013, we estimate that a hypothetical increase in the price of corn bushel and short-ton of soybean meal of 7.5%, would increase the loss in our overall derivative position instruments to \$ 1.6 million, negatively affecting our results. Whereas, we estimate that a hypothetical decrease in the price of corn bushel and short-ton soybean meal of 7.5%, would decrease the loss in our overall derivative position instruments to 0.7 million, positively affecting our results.

For more detail, see Note 8 of our consolidated Financial Statements.

ITEM 12. Description of Securities Other Than Equity Securities

A. Debt Securities

On August 29, 2012, we issued bonds for \$1,500 million through a public issuance of local bonds (“Certificados Bursatiles” or “CBs”) in the local debt capital markets for a tenor of 5 years, maturing in 2017.

The bonds issued have a 28-day TIE interest rate plus + 0.60%. The principal of the bonds will be amortized at face value, in one payment, on the date of maturity.

This represented our first bond offering, which was distributed among a wide range of local investors. The funds obtained were utilized in accordance with the Company’s financial requirements.

This first \$1,500 million bonds issuance is part of a bond issuance program for up to \$5,000 million that the Company has available for issuance within the next five years, in accordance with its financial needs.

The CBs does not provide restrictions of payment of cash dividends.

For more detail, see Note 17 of our Audited Consolidated Financial Statements.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D.

American Depository Receipts

The Bank of New York Mellon (or “BNY”) has been our Depositary Bank since the day of our initial public offering of shares continues to act in that capacity as of the date of this document. BONY is located in Church Street Station, in New York, N.Y. 100286.

Fees and charges that a Holder of our ADRs may have to pay, either directly or indirectly

Our Depositary may charge each person to whom ADRs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADRs or deposited securities, and each person surrendering ADRs for withdrawal of deposited securities in any manner permitted by the deposit agreement or whose ADRs are cancelled or reduced for any other reason, [US\$5.00 for each 100 ADRs] (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, the case may be. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The Depositary collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADRs or to whom ADRs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADRs), whichever is applicable:

Persons depositing or withdrawing shares must pay:

\$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)

\$.02 (or less) per ADR

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADRs

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

- Issuance of ADRs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADRs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to ADR registered holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR registered holders
- Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

We will pay all other charges and expenses of the Depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the Depositary. The fees described above may be amended from time to time.

Fees and other direct and indirect payments made by the Depositary and us

The Depositary has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADR program. The Depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the Depositary has agreed to provide additional payments to the Company based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

Pursuant to our letter agreement with our Depositary, in 2013 and 2012, we received a payment of US\$92,800 and US\$300,000 (less fees), respectively, as payment of expenses we incurred related to the maintenance of our ADR program, including investor relations expenses and exchange application and listing fees. Payment made in 2012 corresponds to expenses incurred in years 2012, 2011 and 2010.

PART II

ITEM 13. Default, Dividend Arrearages and Delinquencies

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, as of December 31, 2013, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its original 1992 Internal Control—Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013, has been audited by Deloitte, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting in the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm to the Board of Directors and Stockholders of Industrias Bachoco, S.A.B. de C.V.

We have audited the internal control over financial reporting of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of

changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated April 28, 2014 expressed an unqualified opinion on those financial statements.

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

/s/ Abel García Santaella

C.P.C. Abel García Santaella
Querétaro, Qro., Mexico

April 28, 2014

ITEM 16. [Reserved]

ITEM 16.A. Audit Committee Financial Expert

Currently, no member of our audit committee possesses all the characteristics included in the definition of an “audit committee financial expert” within the meaning of this Item 16A. We consider that the combined financial expertise of the members of our audit committee meet much of this requirement. Our audit committee has the authority and appropriate funding to obtain outside advice, as it deems necessary, to carry out its duties.

ITEM 16.B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, as well as to other officers and employees. Our code of ethics is available free of charge upon request through our investor relations website www.bachoco.com.mx. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver upon request on our website at the same address.

ITEM 16.C. Principal Accountant Fees and Services

On September 3, 2013, we announced that the Company’s Board of Directors, as per the Audit Committee’s recommendation, approved the selection of Deloitte as the Company’s independent registered public accountant, effective as of September 30, 2013. Therefore in 2013, we incurred in expenses related to audit services with two firms:

Audit and Non-Audit Fees

The following table sets forth the fees billed by Deloitte and KPMG, our successor and predecessor independent registered public accounting firms and paid by us. All amounts are in nominal thousands of pesos, no taxes are included.

AUDIT FEES OF KPMG

As of December 31,

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In thousands of pesos,	2013	2012
Total Fees:	\$ 7,384	\$ 10,348
Audit fees	6,590	7,967
Audit related fees	689	1,972
Other	105	409

The total 2012 audit fees agreed to be paid to KPMG was \$7.3 million.

KPMG audit related fees in the table above are fees related to the review of the annual Reports to be released to the Mexican and New York stock exchanges, as well as fees billed by KPMG related to expenses they incurred in connection with the performance of their audit, such as lodging and traveling.

Fees included in "other" for 2013 and 2012, were related to services provided in connection with the adoption of IFRS plus in 2012 also include the issuance of local bonds.

AUDIT FEES OF DELOITTE

	As of December 31,	
In thousands of pesos,	2013	2012
Total Audit Fees	\$ 2,417	\$ n/a

The total 2013 audit fees agreed to be paid to Deloitte is \$7.1 million.

Audit Committee Approval Policies and Procedures

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us.

ITEM 16.D. Exemptions from the Listing Standards for Audit Committees

According to the New York Stock Exchange's Listing Standards for Audit Committees of a Foreign Private Issuer, Ricardo Aguirre, a member of our audit committee, currently does not meet the independence standards set forth in Rule 10A-3b(1)(ii)(B) of the Exchange Act. Therefore, with respect to Mr. Aguirre, we rely on the exemption provided in Rule 10A-3(b)(1)(iv)(D) of the Exchange Act because Mr. Aguirre (i) represents the Company's controlling shareholders, (ii) only has observer status on, and is not a voting member or the chair of, the Company's audit committee and (iii) is not an executive officer of the Company. Our reliance on such exemption does not materially adversely affect the ability of our audit committee to act independently and to satisfy the other requirements of Rule 10A-3(b).

ITEM 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Every year during the annual ordinary stockholder meeting, the Board proposes the approval of an amount to be used in a repurchase plan of our shares. The repurchase plan is approved for a period of one year. All the shares set in the table below were repurchased pursuant to the repurchase plan in force at the date of the purchase.

The table set below sets forth the information regarding the purchase plan approved by the Board of Directors in the three recent fiscal years.

REPURCHASE PLAN APPROVED

Year	Announced date	Expiration date	Amount
------	----------------	-----------------	--------

				Estimate number of shares that may be purchase under the plan	
2011	April 27, 2011	April 25, 2012	\$335,640,000	12,000,000	
2012	April 25, 2012	April 24, 2013	\$195,770,700	12,000,000	
2013	April 24, 2013	April 23, 2014	\$391,560,000	12,000,000	(1)

(1) The amount includes current shares in the repurchase plan.

The table below sets forth information about the repurchase of our shares on the BMV:

REPURCHASE OF SHARES IN 2013

Monthly operation of the repurchase plan in 2013	Total number of shares purchased	Average price paid per share (in pesos)	Total number of shares purchase as part of the publicly announced plan	Estimate maximum number of shares that may yet be purchased under the plan
Opening balance	0	\$ 0.00	0	12,000,000
January	0	0.00	0	12,000,000
February	100,000	30.70	100,000	11,900,000
March	0	0.00	0	11,900,000
April	0	0.00	0	11,900,000
May	0	0.00	0	11,900,000
June	0	0.00	0	11,900,000
July	0	0.00	0	11,900,000
August	0	0.00	0	11,900,000
September	0	0.00	0	11,900,000
October	0	0.00	0	11,900,000
November	0	0.00	0	11,900,000
December	0	0.00	0	11,900,000
Total 2013	100,000	30.70	100,000	11,900,000

REPURCHASED OF SHARES IN 2014

Monthly operation of the repurchase plan in 2014	Total number of shares purchased	Average price paid per share (in pesos)	Total number of shares purchased as part of the publicly announced plan	Estimate maximum number of shares that may yet be purchased under the plan
Opening balance	0	\$ 0.00	0	12,000,000
January 2014	0	0.00	0	12,000,000
February 2014	145,084	46.93	145,084	11,854,916
March 2014	4,391	47.70	4,391	11,850,525
Total as of March 31, 2014:	149,475	46.95	149,475	11,850,525

REPURCHASE PLAN BALANCE

	Number of Shares
Total shares in the repurchase plan as of March 31, 2012	0
(+) Total shares purchased in 2013	100,000
(-) Total shares sold in 2013	100,000
Total shares in the repurchase plan as of December 31, 2013	0
(+) Total shares purchased as of March 31, 2014	149,475
(-) Total shares sold as of March 31, 2014	0
Total shares in the repurchase plan as of March 31, 2014	149,475

ITEM 16.F. Changes in Registrant's Certifying Accountant

KPMG Cardenas Dosal, S.C. ("KPMG") was previously our principal accountants. On August 27, 2013, that firm was dismissed as principal accountants, and Deloitte, Member of Deloitte Touche Tohmatsu Limited ("Deloitte"), was named and engaged as our principal accountants for the year ended December 31, 2013. The decision to change accountants was recommended by our Audit and Corporate Practices Committee and approved by our Board of Directors on August 27, 2013.

The auditor-client relationship between KPMG and us formally ceased on April 14, 2014, upon KPMG's completion of the audit of the reclassification to retrospectively apply the change in classification described in note 2b) to our consolidated financial statements as of December 31, 2012 and January 1, 2012 and for the years ended December 31, 2012 and 2011 forming part of our Audited Consolidated Financial Statements included elsewhere in this Annual Report.

During the two fiscal years ended December 31, 2012 and the subsequent interim period through April 14, 2014, there were no: (1) disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference on the subject matter of the disagreement in connection with its audit reports, or (2) reportable events as that term is defined in Item 16F(a)(1)(v) of Form 20-F.

The audit reports of KPMG on our consolidated financial statements as of and for the years ended December 31, 2012 and 2011 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG's report on our consolidated financial statements as of and for the years ended December 31, 2011 and 2010, contained a separate paragraph stating that "As disclosed in note 3 to the consolidated financial statements, new and revised Mexican Financial Reporting Standards were adopted in 2011, with prospective or retrospective application, being specified in each case."

The audit reports of KPMG on the effectiveness of our internal control over financial reporting as of December 31, 2012 and 2011 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

We have provided KPMG with a copy of the foregoing disclosure, and have requested that KPMG furnish us with a letter addressed to the SEC stating whether or not KPMG agrees with such disclosure, which we have attached to this Annual Report as Exhibit 16.1 as required by Item 16F(a)(3) of Form 20-F.

During the two fiscal years ended December 31, 2012, and any subsequent interim period through August 27, 2013, we have not consulted with Deloitte regarding either (i) the application of accounting principles to a specific completed or contemplated transaction; (ii) the type of audit opinion that might be rendered on our financial statements; or (iii) any matter that was either the subject of a disagreement (as described in Item 16F(a)(1)(iv) and the related instructions to such Item of Form 20-F) or a reportable event (as described in Item 16F(a)(1)(v) of Form 20-F).

ITEM 16.G. Corporate Governance

Comparison of our Corporate Governance Rules and the Rules of the NYSE Applicable to U.S. Registered Companies

On November 4, 2003, the SEC approved final corporate governance standards for companies listed on the NYSE (“NYSE Corporate Governance Standards”). According to such standards, foreign private issuers are subject to a more limited set of requirements regarding corporate governance than those imposed on U.S. domestic issuers. As a foreign private issuer, we must comply with four NYSE Corporate Governance Standards:

- prior to July 31, 2005, we must comply with the requirements set forth by the SEC concerning audit committees;

we must submit an annual Written Affirmation to the NYSE and an Interim Written Annual Affirmation each time a change occurs in the Board of Directors or the Audit Committee;

our CEO must promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules; and

we must provide a brief description disclosing any significant ways in which our corporate governance practices differ from those followed by U.S. companies under NYSE listing standards.

Pursuant to Section 303A.11 of the NYSE Corporate Governance Standards, we are required to disclose any significant ways in which our corporate governance practices differ from those required to be followed by domestic companies under NYSE listing standards. A brief description disclosing the significant ways in which our corporate governance practices differ from those followed by U.S. companies under the NYSE listing standards is set forth below:

NYSE Corporate Governance Rules for Domestic Issuers

Director Independence. Majority of board of directors must be independent. “Controlled companies,” which would include our company if it were a U.S. issuer, are exempt from this requirement.

A director is not independent if such director is:

- (i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary;
- (ii) an employee, or an immediate family member of an executive officer, of the company, its parent or a consolidated subsidiary, other than employment as interim chairman or CEO;

Our Corporate Governance Practices

Pursuant to the Mexican Securities Market Law and our bylaws, our stockholders are required to appoint a board of directors of between five and 20 members, 25% of whom must be independent. Our board of directors is not required to make a determination as to the independence of our directors.

Under Article 14 Bis of the Mexican Securities Market Law, a director is not independent if such director is:

- (i) an employee or officer of the company (one-year cooling off period);
- (ii) a stockholder that, without being an employee or officer of the company, has influence or authority over the company’s officers;

NYSE Corporate Governance Rules for Domestic Issuers

(iii) a person who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services only (and other than compensation for service as interim chairman or CEO or received by an immediate family member for service as a non-executive employee);

(iv) a person who is affiliated with or employed, or whose immediate family member is affiliated with or employed in a professional capacity, by a present or former internal or external auditor of the company, its parent or a consolidated subsidiary;

(v) an executive officer, or an immediate family member of an executive officer, of another company whose compensation committee's membership includes an executive officer of the listed company, its parent or a consolidated subsidiary; or

(vi) an executive officer or employee of a company, or an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues (charities are not included, but any such payments must be disclosed in the company's proxy (or, if no proxy is prepared, its Form 10-K / Annual Report)).

Our Corporate Governance Practices

(iii) a consultant, or partner or employee of a consultant, to the company or its affiliates, where the income from the company represents 10% or more of the overall income of such consultant;

(iv) an important client, supplier, debtor or creditor (or a partner, director or employee thereof). A client and supplier is considered important where its sales to or purchases from the company represent more than 10% of the client's or supplier's total sales or purchases. A debtor or creditor is considered important whenever its sales to or purchases from to the company represent more than 15% of the debtor's or creditor's total sales or purchases;

(v) an employee of a non-profit entity that receives contributions from the company that represent more than 15% of the total contributions received;

(vi) a CEO or other high ranking officer of another company in which the issuer's CEO or other high ranking officer is a member of the board of directors; or

NYSE Corporate Governance Rules for Domestic Issuers

(vii) “Immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law and anyone (other than domestic employees) who shares the person’s home. Individuals who are no longer immediate family members due to legal separation, divorce or death (or incapacity) are excluded. §303A.02(b)

Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03

Audit committee. Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07

Our Corporate Governance Practices

(vii) a “family member” related to any of the persons mentioned above in (i) through (vi). “Family member” includes a person’s spouse, concubine or other relative of up to three degrees of consanguinity and affinity, in the case of (i) and (ii) above, and a spouse, concubine or other relative of up to one degree of consanguinity or affinity in the case of (iii) through (vi) above.

There is no similar requirement under our bylaws or applicable Mexican law.

The members of our audit committee are independent as independence is defined by Rule 10A-3.

Our audit committee complies with the requirements of the Mexican Securities Market Law and has the following attributes:

- We have a three-member audit committee, which is composed of one proprietary director and two proprietary independent directors.
- The president of the audit committee and one additional member are independent. Under the Mexican Securities Market Law, the president and the majority of the members of the audit committee must be independent.
- Our audit committee operates pursuant to a written charter adopted by our board of directors. See Item 6 for a detailed description of the duties of our audit committee.
- Pursuant to our bylaws and Mexican law, our audit committee submits an annual report regarding its activities to our board of directors.

NYSE Corporate Governance Rules for Domestic Issuers

Our Corporate Governance Practices

Nominating/corporate governance committee.

Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. “Controlled companies,” which would include our company if it were a U.S. issuer, are exempt from these requirements. §303A.04

We are not required to have a nominating/corporate governance committee, and it is not expressly recommended by the Mexican Code of Best Corporate Practices.

Compensation committee. Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. “Controlled companies,” which would include our company if it were a U.S. issuer, are exempt from this requirement. §303A.05

We are not required to have a compensation committee. As recommended by the Mexican Code of Best Corporate Practices, we have an evaluation mechanism for assisting the board of directors in approving executive officer compensation.

Equity compensation plans. Equity compensation plans require stockholder approval, subject to limited exemptions. §303A.08

Stockholder approval is not expressly required under Mexican law or our bylaws for the adoption and amendment of an equity-compensation plan. However, regulations of the Mexican Banking and Securities Commission require stockholder approval under certain circumstances. We currently do not have any equity-compensation plans in place.

Code of Ethics. Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. §303A.10

We have adopted a code of ethics, which has been accepted by to our chief executive officer, chief financial officer, controller and persons performing similar functions, as well as to other officers and employees. We are required by Item 16B of Form 20-F to disclose any waivers granted to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions. We have no such waivers in place.

ITEM 16.H. Mine Safety Disclosure

Not applicable.

PART III

ITEM 17. Financial Statements

Not applicable.

ITEM 18. Financial Statements

See the Audited Consolidated Financial Statements including Notes, incorporated herein by reference.

ITEM 19. Exhibits

Index of Exhibits

Documents filed as exhibits to this Annual Report:

Exhibit No.	Description
1.1	An English translation of the Bylaws (<i>estatutos sociales</i>) of Industrias Bachoco, S.A. de C.V. dated June 29, 2007 (incorporated by reference to Exhibit 1.1 on Form 20-F filed with the U.S. Securities and Exchange Commission on June 29, 2007 (File No. 333-07950)).
2.1	Form of Amended and Restated Deposit Agreement, among Industrias Bachoco, S.A. de C.V., the Depositary and each Owner and Beneficial Owner from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1.1 on Form F-6 filed with the U.S. Securities and Exchange Commission on August 18, 2006 (File No. 333-07480)).

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- 2.2 Trust Agreement, dated April 1, 1995, among Banco Internacional, S.A., Institucion de Banca Multiple, Grupo Financiero Prime Internacional, as trustee, and the stockholders of the Company named therein, together with an English translation, (incorporated by reference on our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission on August 22, 1997 (File No. 333-7472)).
- 2.3 Trust Agreement, dated August 20, 1997, among Banco Internacional, S.A., Institucion de Banca Multiple, Grupo Financiero Bital, as trustee, and the stockholders of the Company named therein, together with an English translation, (incorporated by reference on our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission on August 22, 1997 (File No. 333-7472)).
- 8.1 Subsidiaries of Industrias Bachoco S.A. de C.V.
- 12.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 16.1 Letter dated April 30, 2014 of KPMG Cardenas Dosal S.C. as required by Item 16.F of Form 20-F.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

INDUSTRIAS BACHOCO,
S.A.B de C.V.

By: /s/ Daniel Salazar Ferrer
Daniel Salazar Ferrer
Chief Financial Officer

Date: April 30, 2014

INDUSTRIAS BACHOCO, S.A.B. DE C.V.

AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2012, 2013 and January 1, 2012

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Report of Independent Registered Public Accounting Firm to the Board of Directors and Stockholders of Industrias Bachoco, S.A.B. de C.V.

We have audited the accompanying consolidated statement of financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the "Company") as of December 31, 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries as of December 31, 2013 and the results of their operations and their cash flows for the year ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 28, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

Galaz, Yamazaki, Ruiz Urquiza, S. C.

Member of Deloitte Touche Tohmatsu Limited

/s/ Abel García Santaella

C.P.C. Abel García Santaella

Querétaro, Qro., Mexico

April 28, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Industrias Bachoco, S.A.B. de C V:

We have audited the accompanying consolidated statements of financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the "Company") as of December 31, 2012 and January 1, 2012, and the related consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries as of December 31, 2012 and January 1, 2012, and the results of their operations and their cash flows for the years ended December 31, 2012 and 2011, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As mentioned in note 4 to the 2013 consolidated financial statements, on November 1, 2011, the Company acquired 100% percent of the voting stock of OK Industries, Inc. (the "Acquired Entity") which owns five consolidated subsidiaries. OK Industries, Inc. operates and is located in the United States of America (U.S.A.). The results of operations of the Acquired Entity have been included in the consolidated financial statements from such date. The

acquisition of this company originated a gain on bargain purchase of \$1,000,565, (thousands of Mexican pesos) which was booked in other income in 2011.

As mentioned in note 5 to the 2013 consolidated financial statements, on March 2, 2012, Bachoco USA, LLC. was incorporated as a subsidiary of Industrias Bachoco, S.A.B. de C.V. and acquired 100% of the shares of OK Industries. From such date Bachoco USA, LLC. acts as the holding company of OK Industries, Inc. and, therefore, of the operations of the Company in the U.S.A.

KPMG Cárdenas Dosal, S.C.

/s/ Demetrio Villa Michel

Demetrio Villa Michel

Querétaro, México

April 30, 2013, except as to note 2 b) to the 2013 consolidated financial statements, which is as of April 14, 2014.

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INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2013 and 2012, and January 1, 2012

(Thousands of pesos)

Assets	Note	December 31, 2013	December 31, 2012	January 1, 2012
Current assets:				
Cash and cash equivalents	7	\$ 6,716,894	4,179,541	2,625,661
Primary financial instruments	8	1,004,106	961,968	410,721
Derivative financial instruments	8	11,735	2,938	10,208
Accounts receivable, net	9	2,227,802	2,220,638	2,235,152
Inventories, net	10	2,738,222	4,599,355	3,230,987
Current biological assets	11	1,420,174	1,496,964	1,548,722
Prepaid expenses and other current assets	12	1,156,362	868,878	752,150
Assets available for sale	13	49,053	51,507	95,647
Total currents assets		15,324,348	14,381,789	10,909,248
Non-current assets:				
Property, plant and equipment, net	14	11,652,449	11,949,516	12,112,945
Non-current biological assets	11	1,109,936	1,106,120	1,029,642
Goodwill	15	344,259	300,848	300,848
Other non-current assets	16	350,599	301,911	364,637
Total non-currents assets		13,457,243	13,658,395	13,808,072
Total assets		\$ 28,781,591	28,040,184	24,717,320
Liabilities and equity	Note	December 31, 2013	December 31, 2012	January 1, 2012
Current liabilities:				
Short term debt	17	\$ 541,200	1,081,496	1,277,750
Current installments of long-term debt	17	16,392	115,560	175,243
Trade payable and other accounts payable	18	3,759,112	3,445,245	2,921,441

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Related parties	19	54,095	88,039	78,543
Total current liabilities		4,370,799	4,730,340	4,452,977
Long term liabilities:				
Long term debt, excluding current installments	17	1,510,210	1,526,602	384,370
Deferred income tax	20 d)	2,701,191	2,597,940	2,400,107
Employee benefits	21	48,245	96,613	100,038
Total long term liabilities		4,259,646	4,221,155	2,884,515
Total liabilities		8,630,445	8,951,495	7,337,492
Equity:				
Capital stock	25	1,174,432	1,174,432	1,174,432
Share premium		399,641	399,641	399,641
Reserve for repurchase of shares		99,601	99,474	88,481
Foreign currency translation reserve		(87,090)	(26,916)	64,387
Actuarial remeasurements, net	21	(60,967)	-	-
Retained earnings		18,586,228	17,405,360	15,614,760
Equity attributable to controlling interest		20,111,845	19,051,991	17,341,701
Non-controlling interest		39,301	36,698	38,127
Total equity		20,151,146	19,088,689	17,379,828
Commitments	27			
Contingencies	28			
Total liabilities and equity		\$ 28,781,591	28,040,184	24,717,320

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Profit and Loss and Other Comprehensive Income

Years ended December 31, 2013, 2012 and 2011

(Thousands of pesos, except share and per share amount)

	Note	2013	2012	2011
Net revenues		\$39,710,726	39,367,431	27,734,990
Cost of sales		(33,176,599)	(33,318,207)	(24,797,037)
Gross profit		6,534,127	6,049,224	2,937,953
General, selling and administrative expenses		3,291,006	3,396,655	2,974,733
Other income (expenses), net	30	30,704	(23,810)	999,965
Operating income		3,273,825	2,628,759	963,185
Finance income	29	344,785	270,032	248,282
Finance costs	29	(226,366)	(105,000)	(70,640)
Net finance income		118,419	165,032	177,642
Profit before income taxes		3,392,244	2,793,791	1,140,827
Income taxes	20	1,350,439	602,020	(38,616)
Profit for the year		\$2,041,805	2,191,771	1,179,443
Other comprehensive income (loss) items:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effect		32,672	(186,095)	64,387
Items that will not be reclassified subsequently to profit or loss:				
Actuarial remeasurements		(61,057)	-	-
Taxes from actuarial remeasurements		18,317	-	-
Other comprehensive (loss) income items		(10,068)	(186,095)	64,387

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Comprehensive income for the year		\$2,031,737	2,005,676	1,243,830
Profit attributable to:				
Controlling interest		\$2,038,422	2,184,567	1,177,346
Non-controlling interest		3,383	7,204	2,097
Profit for the year		\$2,041,805	2,191,771	1,179,443
Comprehensive income attributable to:				
Controlling interest		\$2,028,354	1,998,472	1,241,733
Non-controlling interest		3,383	7,204	2,097
Comprehensive income for the year		\$2,031,737	2,005,676	1,243,830
Weighted average outstanding shares		599,992,952	598,959,882	599,822,448
Basic and diluted earnings per share	26	\$3.40	3.65	1.96

See accompanying notes to consolidated financial statements.

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INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2013, 2012 and 2011

(Thousands of pesos)

	Note	Attributable to owners of the Company					Retained earnings	Total	Non-controlling interest	Total equity
		Capital stock	Share premium	Reserve for repurchase of shares	Foreign currency translation reserve	Actuarial rereasurements net				
Balance at January 1, 2011		\$1,174,432	399,641	88,690	-	-	14,737,340	16,400,103	29,917	16,430,020
Dividends paid	25 (d)	-	-	-	-	-	(299,926)	(299,926)	-	(299,926)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(912)	(912)
Repurchase and sale of shares	25 (c)	-	-	(209)	-	-	-	(209)	-	(209)
Acquired non-controlling interest		-	-	-	-	-	-	-	7,025	7,025
Comprehensive income for the year:										
Profit for the year		-	-	-	-	-	1,177,346	1,177,346	2,097	1,179,443
Other comprehensive income		-	-	-	64,387	-	-	64,387	-	64,387
		-	-	-	64,387	-	1,177,346	1,241,733	2,097	1,243,830

Total comprehensive income for the year										
Balance at December 31, 2011		1,174,432	399,641	88,481	64,387		15,614,760	17,341,701	38,127	17,379,000
Dividends paid 25 (d)	-	-	-	-	-	-	(299,175)	(299,175)	-	(299,175)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(491)	(491)
Repurchase and sale of shares 25 (c)	-	-	-	10,993	-	-	-	10,993	-	10,993
Disposal of non-controlling interest from dissolution	-	-	-	-	-	-	-	-	(8,142)	(8,142)
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	2,184,567	2,184,567	7,204	2,191,771
Other comprehensive income	-	-	-	-	(91,303)	-	(94,792)	(186,095)	-	(186,095)
Total comprehensive income for the year	-	-	-	-	(91,303)	-	2,089,775	1,998,472	7,204	2,005,676
Balance at December 31, 2012		1,174,432	399,641	99,474	(26,916)	-	17,405,360	19,051,991	36,698	19,088,000
Dividends paid 25 (d)	-	-	-	-	-	-	(950,400)	(950,400)	-	(950,400)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(780)	(780)
Repurchase and sale of shares, net 25 (c)	-	-	-	127	-	-	-	127	-	127
IAS 19 R adoption effect 21 (a)	-	-	-	-	-	(18,227)	-	(18,227)	-	(18,227)

Comprehensive
income for the
year:
Profit for the
year
Other
comprehensive
income

-	-	-	-	-	2,038,422	2,038,422	3,383	2,041,8
-	-	-	(60,174)	(42,740)				