

Consolidated Financial Statements

Statutory Auditor's Report



TO THE SHAREHOLDERS' MEETING OF GRUPO NUTRESA S.A.

February 22, 2018

I have audited the accompanying consolidated financial statements of Grupo Nutresa S. A., which contain the financial position statement at December 31, 2017, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended; the summary of the main accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the fair preparation and reasonable presentation of these consolidated financial statements in accordance with the accounting and financial information standards accepted in Colombia, and for the internal control the management considers relevant to the preparation of these financial statements in a way that they are free from material misstatements due to fraud or error, select and apply the appropriate accounting policies, as well as establish the accounting estimates that are reasonable in the circumstances.

Statutory auditor's responsibility

My responsibility is to express an opinion on such financial statements based on my audit. I performed my work in accordance with the auditing and financial information standards accepted in Colombia. Those standards require me to comply with ethical requirements, to plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit includes, among other things, performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the financial statements due to fraud or error. In the assessment of those risks, the auditor considers the internal control relevant to the entity for the preparation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonability of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate enough to provide a basis for my audit opinion.



TO THE SHAREHOLDERS' MEETING OF GRUPO NUTRESA S.A.

February 22, 2018

Opinión

In my opinion, the accompanying financial statements, faithfully taken from the accounting records, present fairly, and in all material respects, the financial position of Grupo Nutresa S. A. at December 31, 2017, and the result of its operations and its cash flows for the year then ended, in accordance with the accounting and financial information standards accepted in Colombia.

A handwritten signature in black ink, appearing to be 'B. Moreño', is positioned above the printed name of the auditor.

Bibiana Moreño Vásquez
Statutory Auditor - Professional Card No. 167200-T
Appointed by PricewaterhouseCoopers Ltda.
(See attached certification)

Certification of the **financial Statements**

THE UNDERSIGNED LEGAL REPRESENTATIVE AND THE GENERAL COUNSEL OF GRUPO NUTRESA S.A.

CERTIFY:

22 of February of 2018

We have previously verified all claims, herewith contained, in the Consolidated Financial Statements, at December 31, 2017 and 2016, according to, the regulations, and the same that have been faithfully taken, from the Financial Statements of the Parent Company, and its subsidiaries, duly certified and audited.

In accordance with the above stated, in relationship to the Financial Statements, herewith mentioned, we declare the following:

1. The assets and liabilities, are stated and the recorded transactions, have been recorded, during said years.
2. All realized economic transactions, have been recognized.
3. The assets represent rights, and liabilities represent obligations, obtained or under the responsibility of the Companies.
4. All elements have been recognized, in the appropriate amounts, and in accordance with the accounting norms and the financial information accepted in Colombia.
5. The economic transactions, that impact the Companies, have been correctly classified, described, and disclosed.
6. The Financial Statements and Notes, do not contain misstatements, errors, differences or material inaccuracies, which could impact the financial position, equity, and operations of the Companies. Similarly, appropriate procedures, reporting systems, and control of the financial information, have been established, to insure accurate reporting to third-party users, of such.



Carlos Ignacio Salgado Palacio
President



Jaime León Montoya Vásquez
General Accountant - T.P. 45056-T

Certification of the Financial Statements **Law 964 of 2005**

Gentlemen
Shareholders
Grupo Nutresa S.A.
Medellin

THE UNDERSIGNED LEGAL REPRESENTATIVE OF GRUPO NUTRESA S.A.

CERTIFIES:

22 of February of 2018

That the Consolidated Financial Statements, and the operations of the Parent Company, and its subsidiaries, at December 31, 2017 and 2016, do not contain any defects, differences, inaccuracies, or errors that impede the knowledge of the true and fair presentation, of the financial situation, of the same.

The foregoing, is stated, for purposes of compliance with Article 46 of Law 964 of 2005.

And is signed, as a record, on the 22nd day of the month of February of 2018.



Carlos Ignacio Ballego Palacio
President

Statement of Financial Position

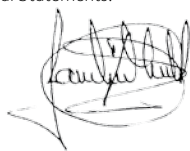
At December 31st of 2017 and 2016 (Values expressed in millions of Colombian Pesos)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	8	\$ 435.643	\$ 219.322
Trade and other receivables	9	957.568	889.197
Inventories	10	982.816	1.028.417
Biological assets	11	81.518	75.677
Other current assets	12	221.475	246.832
Non-current assets, held for sale	13	6.557	100.330
Total current assets		\$ 2.685.577	\$ 2.559.775
Non-current assets			
Trade and other receivables	9	26.509	23.495
Investments in associated and joint ventures	14	180.451	164.510
Other financial non-current assets	15	4.133.963	3.885.206
Property, plant and equipment, net	16	3.395.671	3.390.946
Investment properties	17	72.306	71.842
Goodwill	18	2.118.226	2.034.454
Other intangible assets	19	1.181.350	1.163.671
Deferred tax assets	20.4	415.072	356.994
Other non-current assets	12	100.352	48.661
Total non-current assets		\$ 11.623.900	\$ 11.139.779
TOTAL ASSETS		\$ 14.309.477	\$ 13.699.554
LIABILITIES			
Current liabilities			
Financial obligations	21	557.133	847.689
Trade and other payables	22	993.241	888.840
Income tax and taxes, payable	20.3	207.776	163.362
Employee benefits liabilities	23	172.730	161.592
Current provisions	24	9.820	2.734
Other current liabilities	25	14.261	49.746
Total current liabilities		\$ 1.954.961	\$ 2.113.963
Non-current liabilities			
Financial obligations	21	2.474.077	2.277.429
Trade and other payables	22	158	158
Employee benefits liabilities	23	226.574	216.744
Deferred tax liabilities	20.4	702.967	705.700
Other non-current liabilities	25	559	600
Total non-current liabilities		\$ 3.404.335	\$ 3.200.631
TOTAL LIABILITIES		\$ 5.359.296	\$ 5.314.594
SHAREHOLDER EQUITY			
Share capital issued	27.1	2.301	2.301
Paid-in-capital	27.1	546.832	546.832
Reserves and retained earnings	27.2	3.396.462	3.655.280
Other comprehensive income, accumulated	28	4.541.854	3.746.572
Earnings for the period		420.207	395.734
Equity attributable to the controlling interest		8.907.656	8.346.719
Non-controlling interest	27.4	42.525	38.241
TOTAL SHAREHOLDER EQUITY		\$ 8.950.181	\$ 8.384.960
TOTAL LIABILITIES AND EQUITY		\$ 14.309.477	\$ 13.699.554

The Notes are an integral part of the Consolidated Financial Statements.



Carlos Ignacio Gallego Palacio
President
(See attached certification)



Jaime León Montoya Vásquez
General Accountant - T.P. 45056-T
(See attached certification)



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Comprehensive Income Statement

From January 1st to December 31st (Values expressed in millions of Colombian Pesos)

	Notes	2017	2016
Continuing operations			
OPERATING REVENUE	6.1	8.695.604	8.676.640
Cost of goods sold	30	\$ (4.855.635)	\$ (4.966.031)
Gross profit		\$ 3.839.969	\$ 3.710.609
Administrative expenses	30	(399.846)	(401.100)
Sales expenses	30	(2.551.874)	(2.384.866)
Production expenses	30	(139.088)	(147.694)
Exchange differences on operating assets and liabilities	32	255	15.873
Other operating income, net	31.1	25.109	22.149
OPERATING PROFIT		\$ 774.525	\$ 814.971
Financial income	33.1	13.941	10.982
Financial expenses	33.2	(307.548)	(324.637)
Portfolio dividends	15	54.386	50.545
Exchange differences on non-operating assets and liabilities	32	(21.401)	(8.642)
Loss on net monetary position		-	(32.946)
Share of profit of associates and joint ventures	14	5.994	6.103
Other income, net	31.2	3.290	28.492
Income before tax and non-controlling interest		\$ 523.187	\$ 544.868
Current income tax	20.3	(144.956)	(172.866)
Deferred income tax	20.3	47.179	29.533
Profit after taxes from continuous operations		\$ 425.410	\$ 401.535
Discontinued operations, after income tax	34	(1.070)	(1.844)
NET PROFIT FOR THE PERIOD		\$ 424.340	\$ 399.691
Profit for the period attributable to:			
Controlling interest		420.207	395.734
Non-controlling interest	27.4	4.133	3.957
Net profit for the period		424.340	399.691
Earnings per share (*)			
Basic, attributable to controlling interest (in Colombian Pesos)		913,25	860,06
(*) Calculated on 460.123.458 shares, which have not been modified during the period covered by these Financial Statements.			
OTHER COMPREHENSIVE INCOME			
Items that are not subsequently reclassified to profit and loss:			
Actuarial gains on defined benefit plans	23.2 - 28	(2.654)	(17.390)
Equity investments measured at fair value	15 - 28	252.402	395.023
Income tax from items that will not be reclassified	28	(81)	5.119
Total items that are not subsequently reclassified to profit and loss		\$ 249.667	\$ 382.752
Items that are or may be subsequently reclassified to profit and loss:			
Share of other comprehensive income of associates and joint ventures	14 - 28	4.762	(3.414)
Exchange differences on translation of foreign operations	28	143.782	(202.497)
Income tax from items that will be reclassified	28	(1.550)	176
Total items that are or may be subsequently reclassified to profit and loss:		\$ 146.994	\$ (205.735)
Other comprehensive income, net taxes		\$ 396.661	\$ 177.017
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$ 821.001	\$ 576.708
Total comprehensive income attributable to:			
Controlling interest		816.026	572.828
Non-controlling interest		4.975	3.880
Total comprehensive income		821.001	576.708

The Notes are an integral part of the Consolidated Financial Statements.



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Change in Equity Statement

From January 1st to December 31st (Values expressed in millions of Colombian Pesos)

	Share capital issued	Paid-in-capital	Reserves and retained earnings	Earnings for the period	Other comprehensive income, accumulated	Total equity attributable to the controlling interest	Non-controlling interest	Total
EQUITY AT DECEMBER 31ST OF 2016	2.301	546.832	3.655.280	395.734	3.746.572	8.346.719	38.241	8.384.960
Profit for the period				420.207		420.207	4.133	424.340
Other comprehensive income for the period					395.819	395.819	842	396.661
Comprehensive income for the period	-	-	-	420.207	395.819	816.026	4.975	821.001
Transfer to accumulated results			395.734	(395.734)		-		-
Cash dividends (Note 27.3)			(245.706)			(245.706)	(692)	(246.398)
Tax on wealth (Note 20.7)			(8.712)			(8.712)		(8.712)
Realization of other comprehensive income			(3.096)		3.096	-		-
Reclassifications			(396.367)		396.367	-		-
Other equity movements			(671)			(671)	1	(670)
EQUITY AT DECEMBER 31ST OF 2017	2.301	546.832	3.396.462	420.207	4.541.854	8.907.656	42.525	8.950.181
EQUITY AT DECEMBER 31ST OF 2015	2.301	546.832	3.373.840	428.152	3.569.478	7.920.603	34.359	7.954.962
Profit for the period				395.734		395.734	3.957	399.691
Other comprehensive income for the period					177.094	177.094	(77)	177.017
Comprehensive income for the period	-	-	-	395.734	177.094	572.828	3.880	576.708
Transfer to accumulated results			428.152	(428.152)		-		-
Cash dividends (Note 27.3)			(229.141)			(229.141)	(441)	(229.582)
Tax on wealth (Note 20.7)			(21.992)			(21.992)		(21.992)
Tax on equity (Note 20.2)			37.965			37.965		37.965
Revaluation of equity for hyperinflationary economies			67.237			67.237		67.237
Other equity movements			(781)			(781)	443	(338)
EQUITY AT DECEMBER 31ST OF 2016	2.301	546.832	3.655.280	395.734	3.746.572	8.346.719	38.241	8.384.960

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Cash-flow Statement

From January 1st to December 31st (Values expressed in millions of Colombian Pesos)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Collection from sales of goods and services	\$ 8.571.873	\$ 8.630.392
Payments to suppliers for goods and services	(5.942.715)	(6.198.605)
Payments to and on behalf of employees	(1.519.534)	(1.429.959)
Income taxes and tax on wealth, paid	(150.378)	(221.788)
Other cash outflows	1.957	27.897
Net cash flow from operating activities	\$ 961.203	\$ 807.937
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchases of equity of associates and joint ventures (Note 14)	(20.717)	(36.583)
Purchases of property, plant and equipment (Note 16)	(244.024)	(403.062)
Amounts from the sale of productive assets	17.804	41.004
Purchase of Intangibles and other productive assets	(13.771)	(8.108)
Investment/divestment in assets held for sale, net	99.605	-
Dividends received (Note 15)	61.928	49.661
Interest received	10.163	7.221
Decrease of cash and cash equivalents from classification of investments in subsidiaries to financial instruments	-	(3.179)
Other cash inflows	2.041	28.751
Net cash flow used in investment activities	\$ (86.971)	\$ (324.295)
CASH FLOW FROM FINANCING ACTIVITIES		
Amounts (used in) from loans	(119.218)	25.391
Dividends paid (Note 27.3)	(243.051)	(224.805)
Interest paid	(259.085)	(276.981)
Fees and other financial expenses	(34.156)	(32.409)
Other cash (outflows) inflows	(6.791)	15.729
Net cash flow used in financing activities	\$ (662.301)	\$ (493.075)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT FROM ACTIVITIES		
	\$ 211.931	\$ (9.433)
Cash flow from discontinued operations	(916)	-
Net foreign exchange differences	5.306	(57.309)
Net increase (decrease) in cash and cash equivalents	216.321	(66.742)
Cash and cash equivalents at the beginning of the period	219.322	286.064
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 435.643	\$ 219.322

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Comments on the consolidated financial statements

Management monitoring indicators

Grupo Nutresa assesses the management of sustainability on economic, social, and environmental dimensions; to measure the management in the economic dimension, indicators, such as, total sales, international sales, sales in Colombia, and EBITDA, are used.

For Grupo Nutresa, EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization), is calculated by eliminating depreciation charges, amortization, and unrealized gains or losses from exchange differences in operating assets and liabilities, from the operating income. It is considered that EBITDA is most significant for investors, because it provides an analysis of operating results and segment profitability, using the same measurement used by management. Likewise, EBITDA allows comparison of the results, or benchmarks with other companies in the same industry and market. EBITDA is used to track the evolution of the business and establish operating and strategic objectives. EBITDA is commonly reported and widely used amongst analysts, investors, as well as, other stakeholders interested in the industry. EBITDA is not a measurement, explicitly defined as such, in IFRS, and may therefore, not be comparable with similar indicators used by other companies. EBITDA should not be considered an alternative to operating income, as an indicator of operating results, nor as an alternative to cash flows from operating activities as a measurement of liquidity.

The following table details the reconciliation between the EBITDA and the operating income of Grupo Nutresa, for the period covered by these Financial Statements, and is as follows:

	2017	2016
OPERATING EARNINGS	774.525	814.971
Depreciation and amortization (Note 30)	268.000	228.092
Unrealized exchange differences from operating assets and liabilities (Note 32.6)	1.654	(14.110)
EBITDA (SEE DETAILS BY SEGMENT IN NOTE 6.2)	1.044.179	1.028.953

Tabla 1

Management of Capital

The generation of value growth is a fundamental part of the strategic objectives set by the Group. This translates into the active management of the capital structure and the return on investment, which balances the sustained growth of current operations, the development of business plans for investments, and growth through business acquisitions underway.

In every one of the investments, the goal is to seek a return that exceeds the cost of the capital (WACC). The administration periodically evaluates the return on the invested capital of its businesses and projects to verify that they are in line with the value generation strategy.

Similarly, for each investment, the various sources of funding, both internal and external, are analyzed to secure a suitable profile for the duration of that specific investment, as well as, cost optimization. In accordance with a moderate financial risk profile, the capital structure of the Group aims towards obtaining the highest credit ratings.