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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, 2003

OR

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

for the transition period from to

Commission File Number: 1-14852

GRUMA, S.A. de C.V.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Calzada del Valle, Ote. 407
Colonia del Valle
San Pedro Garza García, Nuevo León
66220, México

(Address of principal executive offices)

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

Title of each class:

Name of exchange on which registered:

Series B Common Shares, without par value
American Depositary Shares, each
representing four Series B Common
Shares, without par value

New York Stock Exchange*
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:

7.625% Notes due 2007

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:

450,133,443 Series B Common Shares, without par value

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

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

PART I

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PRESENTATION OF FINANCIAL INFORMATION

Gruma, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) organized under the laws of the United Mexican States, or Mexico.

In this Annual Report on Form 20-F, references to “pesos” or “Ps.” are to Mexican pesos, and references to “U.S. dollars,” “U.S.\$,” “dollars” or “\$” are to United States dollars. “We,” “our,” “us,” “our company,” “GRUMA” and similar expressions refer to Gruma, S.A. de C.V. and its consolidated subsidiaries, except when the reference is specifically to Gruma, S.A. de C.V. (parent company only) or the context otherwise requires.

This Annual Report contains our audited consolidated financial statements as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003. The financial statements have been audited by PricewaterhouseCoopers, independent registered public accounting firm.

We publish our financial statements in pesos and prepare our consolidated financial statements in accordance with accounting principles generally accepted in Mexico, commonly referred to as “Mexican GAAP.” Mexican GAAP differs in certain significant respects from accounting principles generally accepted in the United States of America, commonly referred to as “U.S. GAAP.” See Note 20 to our audited consolidated financial statements for information relating to the nature and effect of such differences and for a quantitative reconciliation of our consolidated net income and stockholders’ equity to U.S. GAAP.

As the Mexican economy has experienced significant levels of inflation in the past, we are required under Mexican GAAP to recognize the effects of inflation in our financial statements. Under Bulletin B-10, issued by the Mexican Institute of Public Accountants, we are required to present our financial information in inflation-adjusted monetary units to allow for more accurate comparisons of financial line items over time and to mitigate the distortive effects of inflation on our financial statements. Unless otherwise indicated, all financial information in this Annual Report has been restated in pesos of constant purchasing power as of December 31, 2003.

We are required to determine our monetary position gain/loss to reflect the effect of inflation on our monetary assets and liabilities. We determine our net monetary position by subtracting our monetary liabilities from our monetary assets and then adjusting our net monetary position by the appropriate inflation rate for the period with the resulting monetary gain or loss reflected in earnings. In so doing, we can reflect the effect inflation is having on our monetary items.

Pursuant to Bulletin B-15, we apply the actual inflation rate in the relevant country of each non-Mexican subsidiary and then translate the inflation-adjusted financial statements into pesos.

For the purposes of the quantitative reconciliation to U.S. GAAP, we have restated the data as of December 31, 2002 and for years ended December 31, 2001 and 2002 in pesos of constant purchasing power as of December 31, 2003 using the Mexican National Consumer Price Index, or NCPI, rather than the international restatement factor in Bulletin B-15. For a more detailed discussion of Mexican GAAP inflation accounting methodologies, see “Item 5. Operating and Financial Review and Prospects—Management’s Discussion and Analysis of Results of Operations—Overview of Accounting Presentation.”

MARKET SHARE AND OTHER INFORMATION

The information contained in this Annual Report regarding market share and market position of corn flour, tortillas and wheat flour in Mexico, Venezuela, Central America and the United States is presented for the twelve-month period ended December 31, 2003. Market share and market position information for Mexico and Central America is based primarily on our own estimates and internal analysis. Market share and market position information for Venezuela is based on data provided by Information Resource Inc. Market and market position information for the United States is based on data from the Tortilla Industry Association as well as our own estimates and internal analysis. While we believe our internal research and estimates are reliable, they have not been verified by any independent source and we cannot assure you as to their accuracy.

All references to “tons” in this Annual Report refer to metric tons. One metric ton equals 2,204 pounds. Estimates of production capacity contained herein assume operation of the relevant facilities on the basis of 24 hours a day, 360 days a year on three shifts and assume only regular intervals for required maintenance.

FORWARD LOOKING STATEMENTS

This Annual Report includes “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including the statements about our plans, strategies and prospects under “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” Some of these statements contain words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “strategy,” “plans” and other similar words. Although we believe that our plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. Actual results could differ materially from the forward-looking statements as a result of risks, uncertainties and other factors discussed in “Item 3. Key Information—Risk Factors,” “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” These risks, uncertainties and factors include: general economic and business conditions, including changes in the Mexican peso/U.S. dollar exchange rate, the Venezuelan bolívar/U.S. dollar exchange rate, and conditions that affect the price of corn and wheat; potential changes in demand for our products; price and product competition; and other factors discussed herein.

PART I**ITEM 1. Identity of Directors, Senior Management and Advisors.**

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable.

Not applicable.

ITEM 3. Key Information.**SELECTED FINANCIAL DATA**

The following tables present our selected consolidated financial data as of and for each of the years indicated. The data as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 are derived from and should be read together with our financial statements included herein and "Item 5. Operating and Financial Review and Prospects."

Our consolidated financial statements are prepared in accordance with Mexican GAAP, which differs in certain significant respects from accounting principles generally accepted in the United States of America. Note 20 to the consolidated financial statements provides information relating to the nature and effect of such differences, as they relate to us, and provides a reconciliation to U.S. GAAP of majority net income and total stockholders' equity.

Pursuant to Mexican GAAP, the consolidated financial statements and the selected consolidated financial data set forth below restate the components of stockholders' equity using the NCPI factors and record gains and losses in purchasing power from holding monetary assets or liabilities. Under Mexican GAAP, non-monetary assets, with the exception of inventories and fixed assets of non-Mexican origin, are restated using the NCPI factors. Inventories are restated at current replacement costs while fixed assets of foreign origin are restated by the inflation rate of the country of origin prior to translation to pesos at the period-end exchange rate. Mexican GAAP also requires restatement of all financial statements to pesos of constant purchasing power as of the date of the most recent balance sheet presented, and accordingly all data in the consolidated financial statements and in the selected consolidated financial data set forth below have been restated in pesos of constant purchasing power as of December 31, 2003. The effects of inflation accounting under Mexican GAAP, other than for the use of a specific index for the restatement of fixed assets of foreign origin, have not been reversed in the reconciliation to U.S. GAAP. See Note 20 to our consolidated financial statements.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2003, except per share amounts)				
Income Statement Data:					
Mexican GAAP:					
Net sales	Ps. 19,385,050	Ps. 20,945,280	Ps. 20,573,402	Ps. 20,660,420	Ps. 23,041,522
Cost of sales	(12,769,034)	(13,353,234)	(12,973,861)	(12,921,388)	(14,671,572)
Gross profit	6,616,016	7,592,046	7,599,541	7,739,032	8,369,950
Selling, general and administrative expenses	(6,168,418)	(6,655,986)	(6,538,275)	(6,131,105)	(6,621,626)
Operating income	447,598	936,060	1,061,266	1,607,927	1,748,324
Net comprehensive financing income (cost):					
Interest expense	(765,274)	(908,699)	(728,899)	(610,566)	(531,858)
Interest income	176,369	169,070	101,179	62,147	64,680
Monetary position gain (loss), net	242,304	255,010	195,606	173,407	188,073
Foreign exchange gain (loss), net	99,299	(66,363)	108,722	(283,483)	(181,667)
Total net comprehensive financing income (cost)	(247,302)	(550,982)	(323,392)	(658,495)	(460,722)
Other (expenses) income, net	(198,812)	41,225	75,486	129,860	(175,018)
Income before income tax and Other items	1,484	426,303	813,360	1,079,292	1,112,534
Income tax (current and deferred)	(311,113)	(24,769)	(299,925)	(604,726)	(675,977)
Employees' statutory profit sharing (current and deferred)	(2,553)	512	(14,128)	(13,941)	4,698
Other items(1)	91,861	73,383	69,628	174,573	235,151
Minority interest	(129,919)	(207,420)	(207,861)	(211,536)	(183,432)
Majority net income (loss)	(350,240)	268,009	361,074	423,662	492,974
Per share data:					
Majority net income (loss) per share(2)	(0.93)	0.62	0.83	0.95	1.11
U.S. GAAP:					
Net sales	19,358,766	20,712,433	19,381,846	19,784,829	22,840,798
Operating (loss) income	(124,328)	847,598	1,262,922	1,486,344	1,778,014
Net (loss) income	(599,460)	74,217	207,810	322,214	589,050
Per share data:					
Net (loss) income per share(2)	(1.59)	0.17	0.48	0.72	1.32

	1999	2000	2001	2002	2003
	(thousands of Mexican pesos of constant purchasing power as of December 31, 2003, except capital stock and operating data)				
Balance Sheet Data (at period end):					
Mexican GAAP:					
Property, plant and equipment, net	14,199,991	14,435,382	13,711,059	13,557,299	13,029,626
Total assets	26,012,985	25,015,399	23,800,322	23,859,382	23,381,682
Short-term debt(3)	378,204	1,471,029	386,813	851,815	499,329
Long-term debt(3)	8,278,994	6,717,772	7,208,740	6,522,038	5,980,269
Total liabilities	11,283,518	11,470,704	10,783,990	10,893,809	10,456,869
Excess of book value over cost of subsidiaries acquired, net	354,611	419,538	116,554		
Capital stock	14,068,384	14,009,792	14,017,795	13,804,346	14,122,966
Total stockholders' equity(4)	14,374,856	13,125,157	12,899,778	12,965,573	12,924,813
U.S. GAAP:					
Total assets	25,541,855	24,202,192	22,243,520	22,442,234	22,869,349
Long-term debt	8,600,294	6,937,006	7,058,314	6,491,291	6,163,582
Capital stock	14,068,849	13,811,135	13,819,160	13,804,346	14,122,966
Total stockholders' equity	10,557,319	9,605,730	9,229,541	8,920,409	9,243,180
Other Financial Information:					
Mexican GAAP:					
Capital expenditures	3,021,416	1,719,956	750,684	1,003,996	767,776
Depreciation and amortization	1,140,966	861,685	900,855	1,063,336	1,142,941
Resources provided by (used in):					
Operating activities	420,101	1,827,946	1,675,374	1,557,527	1,334,301
Financing activities	3,155,137	(662,101)	(1,073,564)	(872,449)	(1,054,733)
Investing activities	(3,526,707)	(1,498,534)	(294,082)	(640,381)	(396,632)
U.S. GAAP:					
Depreciation and amortization	1,210,562	1,085,591	1,187,382	1,077,077	1,033,576
Net cash provided by (used in):					
Operating activities	296,765	1,514,244	1,334,669	1,004,378	1,184,816
Investing activities	(3,843,343)	(1,612,022)	(282,795)	(563,156)	(251,790)
Financing activities	3,647,154	(181,284)	(743,561)	(583,532)	(839,708)
Operating Data:					
Sales volume (thousands of tons):					
Gruma Corporation (corn flour and tortillas)(5)	799	836	856	899	979
GIMSA (corn flour)	1,547	1,507	1,436	1,386	1,395
Venezuelan Operations (corn flour, wheat flour and other products)	221	455	458	454	518
Molineria de México (wheat flour)	318	480	489	536	575
Gruma Centroamérica (corn flour and other products)(5)	129	137	140	139	144
PRODISA (tortillas and bread)	30	29	28	15	21
Production capacity (thousands of tons):					
Gruma Corporation (corn flour and tortillas)	1,312	1,329	1,335	1,346	1,394
GIMSA (corn flour)(6)	2,345	2,345	2,345	2,345	2,345
Venezuelan Operations (corn flour, wheat flour and other products)(7)	789	780	792	792	792
Molineria de México (wheat flour)	697	717	717	717	717
Gruma Centroamérica (corn flour and other products)	163	172	181	217	217
PRODISA (tortillas and bread)	73	81	42	42	42
Number of employees	16,513	17,208	15,585	14,887	15,104

(1) Other items include extraordinary items, equity in earnings of associated companies and gain from sale of subsidiaries and associated companies' common stock.

- (2) Based upon weighted average of outstanding shares of our common stock (in thousands), giving retroactive effect to the stock dividend declared in April 1999, as follows: 377,456 shares for the year ended December 31, 1999; 435,515 shares for the year ended December 31, 2000; 433,235 shares for the year ended December 31, 2001; 446,202 for the year ended December 31, 2002; and 445,098 shares for the year ended December 31, 2003;.
- (3) Short-term debt consists of bank loans and the current portion of long-term debt. Long-term debt consists of debentures and bank loans.
- (4) Total stockholders' equity includes minority interests as follows: Ps.3,182 million at December 31, 1999; Ps.2,799 million at December 31, 2000; Ps.2,708 million at December 31, 2001; Ps.2,785 million at December 31, 2002; and Ps.2,862 million at December 31, 2003.
- (5) Net of intercompany transactions.
- (6) Includes 300,000 tons of temporarily idled production capacity.
- (7) Includes 83,309 tons of temporarily idled production capacity.

DIVIDENDS

Our ability to pay dividends is limited by Mexican law, our bylaws (*estatutos sociales*) and by financial covenants contained in some of our credit agreements. Because we are a holding company with no significant operations of our own, we have distributable profits to pay dividends to the extent that we receive dividends from our subsidiaries. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends.

Pursuant to Mexican law and our bylaws, the declaration, amount and payment of dividends are determined by a majority vote of the holders of the outstanding shares represented at a duly convened shareholders' meeting. The amount of any future dividend would depend on, among other things, operating results, financial condition, cash requirements, losses for prior fiscal years, future prospects, the extent to which debt obligations impose restrictions on dividends and other factors deemed relevant by the board of directors and the shareholders.

In addition, under Mexican law, companies may only pay dividends:

from earnings included in year-end financial statements that are approved by shareholders at a duly convened meeting;

after any existing losses applicable to prior years have been made up or absorbed into capital;

after at least 5% of net profits for the relevant fiscal year have been allocated to a legal reserve until the amount of the reserve equals 20% of a company's paid-in capital stock; and

after shareholders have approved the payment of the relevant dividends at a duly convened ordinary shareholders' meeting.

Holders of our American Depositary Receipts, or ADRs, on the applicable record date are entitled to receive dividends declared on the shares represented by American Depositary Shares, or ADSs, evidenced by such ADRs. The depositary will fix a record date for the holders of ADRs in respect of each dividend distribution. We pay dividends in pesos and holders of ADSs will receive dividends in U.S. dollars (after conversion by the depositary from pesos, if not then restricted under applicable law) net of the fees, expenses, taxes and governmental charges payable by holders under the laws of Mexico and the terms of the deposit agreement.

The ability of our subsidiaries to make distributions to us is limited by the laws of each country in which they were incorporated and by their constitutive documents. For example, our ability to repatriate dividends from our Venezuelan Operations may be adversely affected by exchange controls and other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk." In the particular case of Gruma Corporation, our principal U.S. subsidiary, its ability to pay dividends is subject to financial covenants contained in some of its debt and lease agreements, including covenants which limit the amount of dividend payments. Upon the occurrence of any default or event of default under these credit and lease agreements, Gruma Corporation generally is prohibited from making any dividend or other payments. See "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness."

In April 1999, we issued 5,882,717 series B shares in connection with the capitalization of retained earnings of approximately Ps.141 million. In that year we issued a stock dividend of one series B share for each 60 outstanding series B shares. We did not pay dividends in 2000, 2001 or 2002. We paid dividends of Ps.294 million in 2003 and Ps.315 million (nominal terms) in 2004.

EXCHANGE RATE INFORMATION

Mexico has had a free market for foreign exchange since 1991. Prior to December 1994, the Mexican central bank (*Banco de México*) kept the peso-U.S. dollar exchange rate within a range prescribed by the government through intervention in the foreign exchange market. In December 1994, the government suspended intervention by *Banco de México* and allowed the peso to float freely against the U.S. dollar. The peso declined sharply in December 1994 and continued to fall under conditions of high volatility in 1995. In 1996 and most of 1997, the peso fell more slowly and was less volatile. In the last quarter of 1997 and for much of 1998, the foreign exchange markets were volatile as a result of financial crises in Asia and Russia and financial turmoil in countries including Brazil and Venezuela. The peso declined during this period, but was relatively stable in 1999, 2000 and 2001. In late 2001 and early 2002, the Mexican peso appreciated considerably against the U.S. dollar and, more strongly, against other foreign currencies. From the second quarter of 2002 and until the end of 2003, the Mexican peso depreciated in value. To date in 2004, the foreign exchange markets have been volatile due to international developments, including events in Argentina and Venezuela as well as the war in the Middle East and the weaker U.S. dollar. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units.

Year	Noon Buying Rate (Ps. Per U.S.\$)			
	High (1)	Low (1)	Average (2)	Period End
1999	Ps. 10.6000	Ps. 9.2430	Ps. 9.5630	Ps. 9.4800
2000	10.0870	9.1825	9.4716	9.6180
2001	9.9720	8.9460	9.3255	9.1560
2002	10.4250	9.0005	9.7458	10.4250
2003	Ps. 11.4063	Ps. 10.1130	Ps. 10.8460	Ps. 11.2420
2004 (through June 18)	11.6350	10.8050	11.2355	11.3400
December 2003	11.4063	11.1725	11.2510	11.2420
January 2004	11.0973	10.8050	10.9200	11.0120
February 2004	11.2450	10.9095	11.0320	11.0620
March 2004	11.2290	10.9180	11.0190	11.1830
April 2004	11.4315	11.1570	11.2700	11.4020
May 2004	11.6350	11.3815	11.5200	11.4140
June 2004(3)	11.4885	11.3400	11.3970	11.3400

- (1) Rates shown are the actual low and high, on a day-by-day basis for each period.
(2) Average of month-end rates.
(3) Through June 18, 2004.

On June 18, 2004, the noon buying rate for pesos was Ps.11.34 to U.S.\$1.00.

RISK FACTORS

Risks Relating to Mexico

Our Business Operations Could Be Affected by Economic Conditions in Mexico

We are a Mexican company with a significant portion of our consolidated assets located in Mexico and 35% of our consolidated net sales derived from our Mexican operations. As a result, Mexican economic conditions could impact our sales and profitability.

In December 1994, Mexico experienced an economic crisis characterized by exchange rate instability and significant devaluation of the peso, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth, reduced consumer purchasing power and high unemployment. In addition, the financial crises in 1998 and early 1999 in Asia, Russia and Latin America resulted in instability in the foreign exchange markets and international financial markets. These events resulted in limited liquidity for the Mexican government and for local corporations as well as an increase in interest rates in Mexico. The recent economic and financial crises in Argentina and recent civil and political unrest in Venezuela could produce similar results. See “— Adverse Developments in Other Emerging Market Countries May Affect Mexico or the Price of Our Securities.” Although the Mexican economy declined by 0.3% in 2001, the Mexican economy grew by 0.9% in 2002, by 1.3% in 2003 and by 3.7% in the first quarter of 2004.

Our Business Operations Could Be Affected by Government Policies in Mexico

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy could have a significant effect on Mexican private sector entities, as well as on market conditions, prices and returns on securities of Mexican issuers, including our securities.

On December 1, 2000, Vicente Fox of the *Partido Acción Nacional* (National Action Party, or PAN) was inaugurated as president of Mexico, ending more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (Institutional Revolutionary Party, or PRI). Neither the PRI nor the PAN succeeded in securing a majority in the Congress or Senate. In elections held in July 2003 the PAN lost additional seats in the Congress and state governorships. The resulting gridlock has impeded the process of reform in Mexico which may adversely

affect economic conditions in Mexico or our business and results of operations. During 2004, there will be elections for governors in ten of 32 states and for local legislatures in 14 states.

In the case of our sales of corn flour, governmental policies have affected us negatively and may continue to do so. The elimination of the tortilla subsidy for consumers, coupled with the government's decision to close *Compañía Nacional de Subsistencias Populares*, or CONASUPO, which resulted in the sale of its corn reserves at below market prices, reduced sales and hurt profits in 1999. The Mexican government issues corn import permits to corn purchasers typically based upon the availability of domestic corn, which contributes to the stability of domestic corn prices. However, in the past, in election years, the Mexican government has increased the number of corn import permits, which has driven down the price of domestic corn, which had the effect of reducing sales of corn flour. We currently depend on corn import permits to ensure an adequate supply of corn in non-corn producing regions of the country. We cannot assure you that the Mexican government will not take actions that could adversely affect us. See "Item 5. Operating and Financial Review and Prospects—Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Effects of Deregulation of the Mexican Tortilla and Corn Flour Industry."

The level of environmental regulation and enforcement in Mexico has increased in the past. The *Comisión Nacional del Agua* ("Water National Commission" or "CNA"), has brought enforcement proceedings against us for water discharges from five of our facilities in Mexico. While we are vigorously defending this action, we cannot assure you that we will succeed or that further actions of this type will not be brought against us. We expect the trend toward greater environmental regulation and enforcement to continue and to be accelerated by international agreements between Mexico and the United States. The promulgation of new environmental regulations or higher levels of enforcement may adversely affect us. See "Item 8. Financial Information—Legal Proceedings".

Devaluations of the Mexican Peso Affect our Financial Performance

As of December 31, 2003, 99% of our debt obligations were denominated in U.S. dollars. However, we generate 48% of our revenues in U.S. dollars which in 2003 represented 173% of our then outstanding debt obligations. While the dollar revenues we earn may act as a natural hedge for part of our dollar-denominated debt obligations, we have not entered into derivative contracts to hedge our foreign currency risk. Therefore, we remain exposed to foreign exchange risks that could affect our ability to meet our obligations and result in foreign exchange losses on our dollar-denominated obligations.

The peso depreciation of 1994 to 1996 resulted in an aggregate net foreign exchange loss of Ps.314 million over this three-year period. We posted net foreign exchange gains of Ps.109 million in 2001, net foreign exchange losses of Ps.283 million in 2002 and net foreign exchange losses of Ps.182 million in 2003. Any significant decrease in the value of the peso relative to the U.S. dollar in the near term may have an adverse effect on our liquidity and on our ability to meet our dollar-denominated debt obligations.

High Levels of Inflation and High Interest Rates in Mexico Could Adversely Affect the Business Climate in Mexico and our Financial Condition and Results of Operations

Mexico has experienced high levels of inflation in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index, was 4.40% for 2001, 5.70% for 2002 and 3.98% for 2003. From January through May 2004, the inflation rate was 1.46%. On June 18, 2004, the 28-day CETES rate was 6.54%. While the substantial part of our debt is dollar-denominated at this time, high interest rates in Mexico may adversely affect the business climate in Mexico generally and our financing costs in the future and thus our financial condition and results of operations.

Developments in Other Countries Could Adversely Affect the Mexican Economy, the Market Value of Our Securities and Our Results of Operations

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, economic conditions in Mexico have become increasingly

correlated to economic conditions in the United States. Therefore, adverse economic conditions in the United States could have a significant adverse effect on the Mexican economy. In addition, in the past, economic crises in Asia, Russia, Brazil, Argentina and other emerging market countries adversely affected the Mexican economy.

We cannot assure you that the events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition and results of operations.

You May Be Unable to Enforce Judgments Against Us in Mexican Courts

We are a Mexican corporation (*sociedad anónima de capital variable*). Most of our directors and executive officers are residents of Mexico, and a significant portion of the assets of our directors and executive officers, and a significant portion of our assets, are located in Mexico. You may experience difficulty in effecting service of process upon our company or our directors and executive officers in the United States, or, more generally, outside of Mexico and in enforcing civil judgments of non-Mexican courts in Mexico, including judgments predicated on civil liability under U.S. federal securities laws, against us, or our directors and executive officers. We have been advised by our General Counsel, that there is doubt as to the enforceability in original actions in Mexican courts of liabilities predicated solely on the U.S. federal securities laws.

Differences Between Mexican GAAP and U.S. GAAP May Have an Impact on the Presentation of Our Financial Information

Our annual audited consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. Financial results reported using Mexican GAAP may differ substantially from those results that would have been obtained using U.S. GAAP. We are required, however, to file an annual report on Form 20-F containing financial statements reconciled to U.S. GAAP, although this filing only contains year-end financial statements reconciled to U.S. GAAP for our three most recent fiscal years. See Note 20 to our audited consolidated financial statements.

Risks Relating to Our Company

The Presence of Genetically Altered Corn and Wheat in Our Products May Have a Negative Impact on Our Sales, Profits or Stock Price

As we do not grow our own corn or wheat, we are required to buy these items from various producers in the United States, Mexico and elsewhere. Although we only buy corn and wheat from farmers and grain elevators who agree to supply us with approved varieties of grain and we have developed a protocol to test and monitor our grain for certain strains of bacteria and chemicals that have not been approved for human consumption, we may unwittingly buy genetically modified corn and wheat that is not approved for human consumption. This may result in costly recalls and subject us to lawsuits.

In recent years, various claims have been alleged, mostly in the United States and the European Union, that genetically modified foods are unsafe for human consumption, pose risks of damage to the environment and create legal, social and ethical dilemmas. Some countries, particularly in the European Union, have instituted a de facto moratorium on the import of grain produced from genetically modified seeds. Some countries have imposed labeling requirements on genetically modified agricultural and food products, which may affect the acceptance of these products. To the extent that we may be perceived to be a seller of genetically modified foods, this may have a significant negative impact on our sales, profits or stock price or may force us to pay a premium for non-genetically modified foods.

Claims Related to the Alleged Presence of StarLink™ Yellow Corn in Cornmeal Sold May Have a Significant Effect on Our Profitability

In October 2000, two of our U.S. subsidiaries initiated a voluntary recall of all yellow corn products, replacing them with products made from white corn because of the possibility that the yellow corn products may have contained StarLink™, a protein not approved for human consumption in the United States. Because of this, for a time we sold only products made from white corn in the U.S., which is more expensive than yellow corn.

Since that date we have been sued by various parties alleging damages due to the alleged presence of this protein. We cannot assure you that we will not be subject to additional suits regarding this matter or similar matters in the future. However, this risk has been reduced by our implementation of a stringent testing protocol, our agreement with a third party to indemnify us for consumer claims alleging the presence of StarLink™ yellow corn, and the Cry9C protein, in our products and the Environmental Protection Agency's promulgation of the "Plant Incorporated Protectant Rule," or PIP Rule, which states that the detection of DNA tracks of the Cry9C protein in products will no longer provide, by itself, a basis for government intervention. See "Item 8. Financial Information—Legal Proceedings."

Downgrades of Our Debt May Increase Our Financing Costs or Otherwise Adversely Effect Us or Our Stock Price

We are currently rated BBB- by Standard & Poor's and Ba2 by Moody's. These ratings represent an improvement since 1999 when Standard & Poor's lowered its rating of our notes. Any downgrade or changes in outlook could cause our costs with respect to new debt to increase which could ultimately affect our stock price.

Fluctuations in the Cost and Availability of Corn and, to a Lesser Extent, Wheat May Affect Our Financial Performance

Our financial performance may be effected by the price and availability of corn and, to a lesser extent, wheat and wheat flour as each raw material represented 28%, 15% and 5% of our cost of sales in 2003, respectively. Mexican and world markets have experienced periods of over-supply and shortage of corn and wheat, some of which have caused adverse effects on our results of operations. Because of this volatility, we may not always be able to pass along our increased costs to our customers in the form of price increases. We cannot always predict whether or when shortages or over-supply of corn and wheat will occur. In addition, as described above, future Mexican or other governmental actions could affect the price and availability of corn and wheat. Any adverse developments in domestic and international corn and wheat markets could have a material adverse effect upon our business, financial condition, results of operations and prospects.

We Have Suffered Losses at PRODISA, Our Mexican Packaged Tortilla Operations

We have suffered operating losses at PRODISA, our packaged tortilla operations in Mexico, amounting to Ps.237 million in 2001, Ps.79 million in 2002 and Ps.57 million in 2003. PRODISA's operating losses in 2001 resulted primarily from the operation of the bread business which was discontinued in November 2001. While PRODISA's Operating losses have decreased in 2002 and 2003, we cannot assure you that this trend will continue.

Risks Related to Venezuela

Venezuela Presents Significant Economic Uncertainty and Political Risk, Which May in the Future Have an Adverse Impact on Our Operations and Financial Performance

Our operations in Venezuela accounted for approximately 15% of our net sales in 2003. The current president, Hugo Chávez, was elected in December 1998. The new constitution, brought into force in December 1999, required new elections, which were held on July 20, 2000. Chávez was re-elected for a six-year term. His election, as a candidate of the Movimiento Quinta República, or MRV, represents a radical disenfranchisement of the Venezuelan population from traditional political parties. Subsequent congressional elections failed to result in the MRV gaining decisive control of the legislative body. Therefore, it is difficult and premature to determine the nature of new policies this administration will continue to adopt. Our financial condition and results of operations may be adversely affected by such policies.

In recent years, political instability and civil unrest have plagued Venezuela. The severe civil and political unrest in Venezuela presents a risk to our business that we cannot control and that cannot be accurately measured or estimated. As a result of the nation-wide general strike that began in early December 2002, our Venezuelan Operations temporarily suspended operations for an average of 14 days. In response to such strike and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls in early 2003. Foreign exchange controls could limit our ability to convert bolívares (the Venezuelan currency) into other currencies and transfer funds out of Venezuela. On February 6, 2003, the Venezuelan government set a single

fixed exchange rate for the bolívar against the U.S. dollar of 1,600.00 bolívares to U.S.\$1.00. Thereafter, on February 2004, the Venezuelan government set a new single fixed exchange rate for the bolívar against the U.S. dollar of 1,920.00 bolívares to U.S.\$1.00. In addition, in February 11, 2003, the Venezuelan government established price controls on products such as corn flour and wheat flour. Our financial condition and results of operations could be adversely affected due to the fact that (i) a portion of our sales are denominated in bolívares, (ii) our Venezuelan Operations produce products that are subject to price controls and (iii) we may have difficulties repatriating dividends from our Venezuelan Operations and importing some of our raw material requirements because of the foreign exchange controls.

Risks Related to the United States

We May Be Unable to Maintain Our U.S. Profit Margin in the Face of a Consolidated Retail Environment

Net sales in the U.S. constituted 48% of our total sales in 2003. As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers demand lower pricing and increased promotional programs. There is a risk that we will not be able to maintain our U.S. profit margin in this environment.

Risks Related to Our Controlling Shareholders and Capital Structure

Holders of ADSs May Not Be Able to Vote at our Shareholders' Meetings

Our shares are traded on the New York Stock Exchange in the form of ADSs. There can be no assurance that holders of our shares through ADSs will receive notices of shareholder meetings from our ADS depository with sufficient time to enable such holders to return voting instructions to our ADS depository in a timely manner. Under certain circumstances, a person designated by us may receive a proxy to vote the shares underlying the ADSs at our discretion at a shareholder meeting.

Holders of ADSs Are Not Entitled to Attend Shareholder Meetings, and They May Only Vote Through the Depository

Under Mexican law, a shareholder is required to deposit its shares with a Mexican custodian in order to attend a shareholders' meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depository as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreement, but a holder of ADSs will not be able to vote its shares directly at a shareholders' meeting or to appoint a proxy to do so. In addition, such voting instructions may be limited to matters enumerated in the agenda contained in the notice to shareholders and with respect to which information is available prior to the shareholders' meeting.

Holders of ADSs May Not Be Able to Participate in Any Future Preemptive Rights Offering and as a Result May Be Subject to a Dilution of Equity Interest

Under Mexican law, if we issue new shares for cash as a part of a capital increase, we must generally grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of our shares through ADSs in the United States to exercise any preemptive rights in any future capital increases unless (i) we file a registration statement with the U.S. Securities and Exchange Commission, or SEC, with respect to that future issuance of shares or (ii) the offering qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares through ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We are under no obligation to, and there can be no assurance that we will, file a registration statement with the SEC to allow holders of our shares through ADSs in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the ADS depository of preemptive rights and distribution of the proceeds from such sales to the holders of our shares through ADSs is not possible. As a result, the equity interest of holders of our shares through ADSs would be diluted proportionately and such holders may not receive any economic compensation. See "Item 10. Additional Information—Bylaws—Preemptive Rights."

The Protections Afforded to Minority Shareholders in Mexico Are Different From Those in the United States

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors and controlling shareholders is not well developed and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

We Have Significant Transactions With Affiliates That Could Create Potential Conflicts of Interest

We have obtained loans from a subsidiary of Grupo Financiero Banorte, S.A. de C.V., a financial institution in which we own 10.9% of its capital stock. We purchase some of our inventory ingredients from our shareholder and associate Archer-Daniels-Midland Company, or Archer-Daniels-Midland. During 2001, 2002 and 2003, we purchased U.S.\$90 million, U.S.\$84 million and U.S. \$111 million, respectively, from Archer-Daniels-Midland. Transactions with affiliates may create the potential for conflicts of interest. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Exchange Rate Fluctuations May Affect the Value of Our Shares

Fluctuations in the exchange rate between the Peso and the U.S. Dollar will affect the U.S. Dollar value of an investment in our shares and of dividend and other distribution payments on those shares. See "Item 3. Key Information—Exchange Rate Information."

Our Bylaws Restrict the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments With Respect to Their Rights as Shareholders

As required by Mexican law, our bylaws provide that non-Mexican shareholders shall be considered as Mexican in respect of their ownership interests in Gruma, S.A. de C.V. and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder 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 shareholder's rights as a shareholder, 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 Gruma, S.A. de C.V. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited to the Mexican government.

Our Controlling Shareholder Exerts Substantial Control Over Our Company

As of April 30, 2004, Roberto González Barrera controlled directly or indirectly approximately 52.6% of our outstanding shares. Consequently, Mr. González Barrera has the power to elect the majority of our directors and to determine the outcome of most actions requiring approval of our stockholders. The interests of Mr. González Barrera may differ from those of our other shareholders. Mr. González Barrera's holdings are described under "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."

Mr. González Barrera has pledged part of his shares in our company to secure some of his borrowings. If there is a default and the lenders enforce their rights against any or all of these shares, Mr. González Barrera could lose control over us and a change of control could result. In addition, this could trigger a default in one of our credit agreements and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Some Corporate Decisions; Our Relationship With Archer-Daniels-Midland Could Become Adverse and Hurt Our Performance

Archer-Daniels-Midland owns, directly or indirectly, approximately 29.1% of our outstanding shares. However, a portion of such interest is held through a Mexican corporation jointly owned with Mr. González Barrera, who has the sole authority to determine how those shares are voted. Thus, Archer-Daniels-Midland only has the right to vote 24.1% of our outstanding shares. In addition, Archer-Daniels-Midland has the right to nominate two of the 14 members of our board of directors and their corresponding alternates. Subject to certain requirements under

Mexican law, Archer-Daniels-Midland may also: initiate civil lawsuits against members of the board of directors, members of the audit committee, and statutory auditors for breach of duty; appoint a statutory auditor; judicially oppose resolutions adopted at shareholder meetings; request the deferral of any vote regarding an issue about which it does not believe it has been sufficiently informed. As a result, Archer-Daniels-Midland may influence the outcome of actions requiring the approval of our shareholders or our board of directors. Mr. González Barrera and Archer-Daniels-Midland have also granted each other rights of first refusal in respect of their shares in our company, subject to specified conditions.

Archer-Daniels-Midland owns, directly or indirectly, approximately 29.1% of our outstanding shares and an interest of 5.0% in Molinos Nacionales, C.A., or MONACA, 40.0% in Molinera de México, S.A. de C.V., or Molinera de México, and 20.0% in Azteca Milling, L.P., or Azteca Milling. These subsidiaries account for 38.0% of our revenue. Although we own a majority ownership interest in these subsidiaries, in each of Azteca Milling and Molinera de México we are required to obtain the consent and cooperation of Archer-Daniels-Midland with respect to certain matters in order to increase our capital expenditures and to implement and expand upon our business strategies.

We cannot assure you that our relationships with Archer-Daniels-Midland will be harmonious and successful. Disagreements with Archer-Daniels-Midland could affect the execution of our strategy and, as a result, we may be placed at a competitive disadvantage.

Our Antitakeover Protections May Deter Potential Acquirors

Certain provisions of our bylaws could make it substantially more difficult for a third party to acquire control of us. These provisions in our bylaws may discourage certain types of transactions involving the acquisition of our securities. These provisions could discourage transactions in which our shareholders might otherwise receive a premium for their shares over the then current market price. Holders of our securities who acquire shares in violation of these provisions will not be able to vote, or receive dividends, distributions or other rights in respect of, these securities and would be obligated to pay us a penalty. For a description of these provisions, see “Additional Information—Bylaws—Antitakeover Protections.”

We Are a Holding Company and Depend Upon Dividends and Other Funds From Subsidiaries to Service Our Debt

We are a holding company with no significant assets other than the shares of our subsidiaries. As a result, our ability to meet our debt service obligations depends primarily upon our receiving sufficient funds from our subsidiaries. Under Mexican law, companies may only pay dividends:

from earnings included in year-end financial statements that are approved by shareholders at a duly convened meeting;

after any existing losses applicable to prior years have been made up or absorbed into capital;

after at least 5% of net profits for the relevant fiscal year have been allocated to a legal reserve until the amount of the reserve equals 20% of a company's paid-in capital stock; and

after shareholders have approved the payment of the relevant dividends at a duly convened meeting.

In addition, Gruma Corporation is subject to covenants in some of its debt and lease agreements which partially restrict the amount of dividends that can be paid, limit advances or loans to us, and require the maintenance of specified financial ratios and balances. For additional information concerning these restrictions on inter-company transfers, see “Item 3. Key Information—Dividends” and “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

We own approximately 83.2% of the outstanding shares of Grupo Industrial Maseca, S.A. de C.V., or GIMSA, 95% of MONACA, 50% of Derivados de Maíz Seleccionado, S.A. or DEMASECA, 80% of Azteca Milling (through Gruma Corporation) and 60% of Molinera de México. Accordingly, we are entitled to receive only our *pro rata* share of any of these subsidiaries' dividends.

Our ability to repatriate dividends from our Venezuelan Operations may be adversely affected by exchange controls and other other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

ITEM 4. Information on the Company.

DESCRIPTION OF BUSINESS

We are one of the largest corn flour and tortilla producers and distributors in the world. Based on production and sales volumes, we are one of the leading producers and distributors of corn flour and tortillas in the United States, the leading producer of corn flour and one of the leading producers of wheat flour in Mexico and the second largest producer of corn flour and wheat flour in Venezuela. We are also the largest producer of corn flour and tortillas in Central America.

Our focus has been and continues to be the efficient and profitable expansion of our core business—corn flour, tortilla, and wheat flour production. We pioneered the dry corn flour method of tortilla production, which offers several advantages over the centuries-old traditional wet dough method. These advantages include higher production yields, reduced production costs, more uniform quality and longer shelf life. The corn flour method of production offers significant opportunities for growth. Using our technology and know-how, we hope to encourage tortilla and tortilla chip producers in Mexico, Central America and the United States to convert to the corn flour method of tortilla and tortilla chip production. Additionally, we hope to increase the presence of our other core businesses, including packaged tortillas in the United States, Mexico, Central America and Europe and wheat flour in Mexico and Venezuela.

The following table sets forth our revenues by geographic market for years ended December 31, 2001, 2002 and 2003.

	Year ended December 31,		
	2001	2002	2003
	(in millions of Pesos of constant purchasing power as of December 31, 2003)		
United States (includes			
European operations)	Ps. 9,806	Ps. 9,986	Ps. 11,217
Mexico	7,089	6,880	7,357
Venezuela	2,416	2,676	3,357
Central America	1,262	1,118	1,111
Total	Ps. 20,573	Ps. 20,660	Ps. 23,042

History and Developmental Highlights

Gruma, S.A. de C.V. is a corporation (*sociedad anónima de capital variable*) registered in Monterrey, Mexico under the *Ley General de Sociedades Mercantiles*, or the Mexican Companies Law on December 24, 1971 with a corporate life of 99 years. Our full legal name is Gruma, S.A. de C.V., but we are also known by our commercial names: Gruma and Maseca. The address of our principal executive office is Calzada del Valle Ote. 407, Colonia del Valle, San Pedro Garza García, Nuevo León, 66220 México and our telephone number is (52) 81-8-3-99-33-00. Our legal domicile is Monterrey, Nuevo León, México.

We were founded in 1949, when Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, started producing and selling corn flour in Northeastern Mexico as an alternative ingredient in producing tortillas. For more than 55 years, we have revolutionized the manner and the scale in which tortilla and other corn products are produced within Mexico and other countries.

Prior to our founding, all corn tortillas were made using a rudimentary process. The principal ingredient in tortillas is corn dough, which can be prepared in one of two ways: by the traditional method in which a batch of corn is boiled in a limestone solution, following which the wet cooked corn is milled into corn dough, or by using dry corn flour that can be made into dough by adding water (the "corn flour method"). We believe that the preparation

of tortillas using the corn flour method presents major advantages, including greater efficiency and higher quality, which make tortillas consistent and readily available.

The corn flour process has been a significant impetus for growth, resulting in expanding corn flour and tortilla production and sales throughout Mexico, the United States, Central America, Venezuela and Europe. In addition, we have diversified our product mix to include wheat flour in Mexico and Venezuela.

The following are some significant historical highlights:

In 1949, we founded GIMSA, which is engaged principally in the production, distribution and sale of corn flour in Mexico. GIMSA's corn flour is used mainly in the preparation of tortillas and other related products. GIMSA pioneered the dry corn flour method of producing tortillas, which results in greater efficiency and product consistency in contrast to the centuries-old wet corn dough method. We are now the largest corn flour producer in Mexico, with a corn flour market share of approximately 71% in 2003. We estimate that our corn flour is used in 36% of the corn tortillas consumed in Mexico.

In 1972, we entered the Central American market with our first operation in Costa Rica. Today, we produce and sell corn flour in Costa Rica, Guatemala, Honduras and El Salvador, and export corn flour to Nicaragua. To a lesser extent, we now produce in Central America tortillas and snacks and also cultivate and sell hearts of palm and process and sell rice.

In 1977, we entered the U.S. market. Our operations have grown to include products such as tortillas, corn flour and other tortilla related products. We are one of the largest producers and distributors of corn flour and packaged tortillas in the United States.

In 1993, we entered the Venezuelan corn flour market through an investment in DEMASECA, a Venezuelan corporation producing corn flour. We increased our beneficial ownership in 1998 to 50%. In August 1999, with the acquisition of MONACA, the second largest corn flour and wheat flour producer in Venezuela at the time, we significantly strengthened our presence in the Venezuelan market. In 2003, we continued to be the second largest corn flour and wheat flour producer in that country.

In 1994, we began our packaged tortilla operations in Mexico as part of our strategy to broaden our product lines in Mexico, achieve vertical integration of our corn flour operations and capitalize upon our experience in producing and distributing packaged tortillas in the United States.

In 1996, we strengthened our position in the U.S. corn flour market through an association with Archer-Daniels-Midland. Through this association we combined our existing U.S. corn flour operations and strengthened our position in the U.S. corn flour market. This association also allowed us to enter the Mexican wheat flour market by acquiring a 60% ownership interest in Archer-Daniels-Midland's Mexican wheat flour operations. We have expanded our presence in this market by acquiring all or part of several additional wheat mills.

From 1997 through 2000, we initiated a significant plant expansion program. During this period, we acquired MONACA in Venezuela (as described above) and several wheat flour plants in Mexico. We also expanded two existing corn flour plants and built a bread plant in Mexico. We acquired two existing tortilla plants and built three tortilla plants in the United States. We also expanded a corn flour plant in Honduras, built a corn flour plant in El Salvador and built a frozen bread plant in Costa Rica. We also completed construction of a tortilla plant in Coventry, England.

From 2001 to 2003, as a result of our comprehensive review of our business portfolio and our focus on our core business, we discontinued our bread operations in Mexico, Central America and the United States. In November 2001, we sold our bread business in Central America and the bread manufacturing equipment of our Mexican operations. In 2002, we sold certain assets of our bread operations in the United States. We rationalized our capital expenditures and most of them were oriented to capacity expansions and technology upgrades in our U.S. operations, where we have experienced significant growth.

Subsidiaries

We are a holding company and conduct our operations through subsidiaries. The table below sets forth our principal subsidiaries.

Name of Company	Principal Markets	Jurisdiction of Incorporation	Percentage Owned(1)	Products/ Services
Mexican Operations				
Grupo Industrial Maseca, S.A. de C.V. ("GIMSA")	Mexico	Mexico	83%	Corn flour
Molinera de México, S.A. de C.V. ("Molinera de México")	Mexico	Mexico	60	Wheat flour
Productos y Distribuidora Azteca, S.A. de C.V. ("PRODISA")	Mexico	Mexico	100	Packaged tortillas, Other related products
U.S. and European Operations				
Gruma Corporation	United States Europe	Nevada	100	Packaged tortillas, Other tortilla related products
Azteca Milling(2)	United States	Texas	80	Corn flour
Central American Operation				
Gruma Centroamerica, LLC.	Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua	Nevada	100	Corn flour, Packaged tortillas, Snacks, Hearts of Palm, Rice
Venezuelan Operations(3)				
Molinos Nacionales, C.A. ("MONACA")	Venezuela	Venezuela	95	Corn flour, Wheat flour, Other products
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")	Venezuela	Venezuela	50	Corn flour
Other Subsidiaries				
Investigación de Tecnología Avanzada, S.A. de C.V. ("INTASA")	Mexico	Mexico	100%	Construction, Technology and Equipment operations

(1) Percentage of equity capital owned by us directly or indirectly through subsidiaries.

(2) A limited partnership between Gruma Corporation (80%) and Archer-Daniels-Midland (20%).

(3) Together these subsidiaries are referred to as "our Venezuelan Operations" or "Venezuela operations."

Our subsidiaries accounted for the following percentages and amount of our net sales in millions of pesos of constant purchasing power as of December 31, 2003 for the years ended December 31, 2001, 2002 and 2003.

	Year ended December 31,					
	2001		2002		2003	
	In Millions of Pesos	Percentage of Net Sales	In Millions of Pesos	Percentage of Net Sales	In Millions of Pesos	Percentage of Net Sales
Gruma Corporation	Ps. 9,724	47%	Ps. 9,986	48%	Ps. 11,217	49%
GIMSA	5,143	25	4,952	24	5,201	23
Venezuelan Operations	2,394	12	2,676	13	3,357	14
Molinera de México	1,609	8	1,789	9	1,992	8
Gruma Centroamérica	1,262	6	1,118	5	1,111	5
PRODISA	417	2	194	1	243	1
Others (and eliminations)	24	0	(55)	0	(79)	0

Association with Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. Archer-Daniels-Midland is one of the world's largest corn refiners, oil seed processors and flour millers and produces, processes, transports and exports agricultural products worldwide. Through our partnership we have improved our position in the U.S. corn flour market and gained an immediate presence in the Mexican wheat flour market.

As a result of this association, we received 80% ownership of Gruma Corporation and Archer-Daniels-Midland's combined U.S. corn flour operations and 60% of Archer-Daniels-Midland's Mexican wheat milling operations. We also gained exclusive rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received approximately 22% of our total outstanding shares, and 20% ownership of our combined U.S. corn flour operations. Archer-Daniels-Midland also obtained the right to designate two of the 14 members of our board of directors and their corresponding alternates. We and Archer-Daniels-Midland, exclusively through our jointly-owned enterprises, produce and distribute wheat flour in Mexico and corn flour in the United States. Currently, Archer-Daniels-Midland owns, directly or indirectly, approximately 29.1% of our outstanding shares. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Archer-Daniels-Midland, Our Strategic Partner, Has Influence Over Some Corporate Decisions."

Strategy

Our strategy for growth is to focus on our core business—the manufacturing of tortillas, corn flour and wheat flour—and to capitalize upon our leading positions in the corn flour and tortilla industries. Our strategy includes the following key elements:

Encourage Transition from Traditional Cooked-Corn Method to Corn Flour Method: We pioneered the dry corn flour method of tortilla production, which offers several advantages over the centuries-old traditional wet dough method. We continue to view the transition from the traditional method to the corn flour method of making tortillas and tortilla chips as the primary opportunity for increased corn flour sales. We will continue to encourage this transition through improving customer service, advertising and promoting our MASECA® brand corn flour, as well as leveraging off of our manufacturing capacity and distribution networks in Mexico, the United States, Central America and Venezuela.

Expand in the Growing Retail and Food Service Tortilla Markets in the United States and Elsewhere: We believe that the size and growth of the U.S. retail and food service tortilla markets offer significant opportunities for expansion. We also believe new markets in other countries offer us significant opportunities.

Continue the Process of Establishing Gruma Corporation's MISSION® Tortilla Brand as the First National

Tortilla Brand: We intend to achieve this by increasing our efforts at building brand name recognition and by further expanding and utilizing Gruma Corporation's distribution network, first in our existing markets, where we believe there is potential for further growth, and second, in markets where Gruma Corporation currently does not have a significant presence but where we believe strong demand for tortillas already exists.

Improve Operating Efficiencies: We have cost and expense reduction opportunities in our administrative areas that should allow us to continue improving margins and cash flow in the mid-term. One of the ways in which we are accomplishing this is by implementing shared services within our operations in order to achieve greater efficiencies through synergies in information technology, accounting, cash management and supply chain management systems. We expect that these efforts will enable us to achieve significant savings and greater profitability. We also intend to continue our research and development efforts in order to further improve the efficiency of our proprietary corn flour and tortilla production technology, which we believe provides us a significant advantage over our competitors.

Capitalize on Our Existing Infrastructure: We intend to pursue a profitable growth strategy and capitalize on existing infrastructure and continue our drive to improve operational efficiencies. We anticipate that additional production capacity will be provided primarily by adding new corn flour and tortilla production lines at some of our existing facilities, especially in the United States. We expect to incur a substantial portion of our capital expenditures in 2004 for manufacturing upgrades.

Continually Improve Service to Customers and Consumers: We are working to develop customer relationships by ensuring that our customer-service and sales representatives develop an intimate knowledge of their clients' business and by working with clients to help them improve their products, services, and sales to their consumers. We work to constantly improve service to consumers, raise consumer awareness of our products, and keep fully informed of our consumers' preferences.

U.S. and European Operations

Overview

We conduct our United States and European operations principally through our subsidiary Gruma Corporation, which manufactures and distributes corn flour, packaged tortillas and related products. Gruma Corporation commenced operations in the United States in 1977, initially developing a presence in certain major tortilla consumption markets by acquiring small tortilla manufacturers and converting their production processes from the traditional "wet corn dough" method to our dry corn flour method. Eventually, we began to build our own state-of-the-art tortilla plants in certain major tortilla consumption markets. We have vertically integrated our operations by (1) building corn flour and tortilla manufacturing facilities in the United States, (2) establishing corn purchasing operations, (3) launching marketing and advertising campaigns to develop brand name recognition, (4) expanding distribution networks for corn flour and tortilla products, and (5) using our technology to design and build proprietary tortilla manufacturing machinery for use in our U.S. and European operations.

In September 1996, we combined our U.S. corn flour milling operations with Archer-Daniels-Midland's corn flour milling operations into a newly formed limited partnership, known as Azteca Milling, L.P., in which Gruma Corporation holds an 80% interest.

During 2000, Gruma Corporation opened its first European tortilla plant in Coventry, England, initiating our entry into the European market.

Gruma Corporation

Gruma Corporation operates primarily through its Mission Foods division and Azteca Milling, L.P., a limited partnership between Gruma Corporation (80%) and Archer-Daniels-Midland (20%). Gruma Corporation is one of the leading manufacturers and distributors of packaged tortillas and related products throughout the United States and Europe through its Mission Foods division. Gruma Corporation is one of the leading producers of corn flour in the United States through Azteca Milling, L.P. Gruma Corporation's tortilla and related products operations will be referred to below as "Mission Foods." Gruma Corporation's corn flour operation will be referred to as "Azteca Milling."

Principal Products. Mission Foods manufactures and distributes packaged corn and wheat tortillas and related products (which include tortilla chips) under the MISSION® and GUERRERO® brand names in the United

States, as well as other minor regional brands. By continuing to build MISSION® into a strong national brand and GUERRERO® into a strong Hispanic focused brand, Mission Foods expects to increase market penetration, brand awareness and profitability. Azteca Milling manufactures and distributes corn flour in the United States under the MASECA® brand.

Sales and Marketing. Mission Foods serves both retail and food service customers. Retail customers, which represent most of our business, include supermarkets, mass merchandisers and smaller independent stores, while food service customers include major chain restaurants, food service distributors, schools, hospitals and the military. Mission Foods is a major supplier of tortillas to Taco Bell, the largest Mexican food restaurant chain in the United States. For a discussion of litigation involving Taco Bell and other purchasers, see "Item 8. Financial Information—Legal Proceedings."

In the tortilla market, Mission Foods' current marketing strategy is to increase market penetration by increasing consumer awareness of tortilla products in general, to expand into new markets and to focus on product innovation and consumer and customer needs. Mission Foods promotes its products primarily through cooperative advertising programs with supermarkets as well as radio and television advertising, targeting both Hispanic and non-Hispanic populations. We believe these efforts have contributed to greater consumer awareness. Mission Foods also targets food service companies and works with restaurants, institutions and distributors to address their individual needs and provide them with a full line of products. Mission Foods continuously attempts to identify new customers and markets for its tortillas and related products in the United States and Europe.

Azteca Milling distributes approximately 37% of the corn flour it produces to Mission Foods' plants throughout the United States and Europe. Azteca Milling's third-party customers consist largely of other tortilla manufacturers, snack food producers, and retail customers. Azteca Milling sells corn flour in various quantities, ranging from four-pound retail packages to bulk railcar loads.

We anticipate continued growth in the U.S. market for corn flour, tortillas, and related products. In dollar terms, Gruma Corporation's net sales have increased at a compounded annual rate of 7% between 1999 and 2003. We believe that the growing consumption of Mexican-style foods by non-Hispanics in the United States and Europe will continue to increase demand for tortillas and tortilla related products. Growth in recent years in the corn flour market is attributable to this increase of corn tortilla and tortilla chip consumption in the U.S. market as well as the conversion of tortilla and tortilla chip producers from the wet dough process to our dry corn flour method and the increase of Hispanic population.

Competition and Market Share. The increase in tortilla and tortilla chip consumption translated into a U.S. tortilla market of approximately U.S.\$4.2 billion in total sales in 2003 and a U.S. tortilla chip market of approximately U.S.\$1.0 billion in total sales in 2002 (excluding sales by businesses that produce only tortilla chips, which businesses also compete with Mission Foods), according to the Tortilla Industry Association. The tortilla market is highly fragmented, regional in nature and extremely competitive. Mission Foods' main competitors are hundreds of tortilla producers, who manufacture locally or regionally and tend to be sole proprietorships. In addition, a few large companies have tortilla manufacturing divisions that compete with Mission Foods. These companies include Tyson, Bimbo, Harvest States and Casa de Oro. We believe Mission Foods was one of the leading manufacturers and distributors of packaged tortillas and related products throughout the United States and Europe in 2003.

Azteca Milling's main competitor is by far the traditional method (cooked-corn method). Competitors within the corn flour milling industry include independent milling operations as well as corn flour milling divisions of large companies, such as Cargill and Minsa. Azteca Milling competes with other corn flour manufacturers in the United States primarily on the basis of superior quality, technical support, customer service and brand recognition. We believe Azteca Milling was one of the leading producers of corn flour in the United States in 2003.

Operation and Capital Expenditures. Annual production capacity for Azteca Milling and Mission Foods is estimated at 1,394,000 tons, with an average utilization of 85% in 2003. On average, the size of our plants measured in square meters is approximately 9,800 as of June 15, 2004. Capital expenditures for the past three years were U.S.\$128 million, mostly for expansion of existing facilities and purchase of additional production equipment. Gruma Corporation's capital expenditures for 2004 will be primarily used for capacity expansions and also for

certain manufacturing and technology upgrades. The expansion of the corn flour business includes one new production unit at the plant located in Evansville, Indian. The project began in June 2004 and is expected to be completed by May 2005. The expected additional production capacity will be approximately 63,000 tons, or 9.0% of the existing corn flour capacity of Azteca Milling. These budgeted capital expenditures do not include any potential acquisition.

Mission Foods produces its packaged tortillas and other related products at 13 manufacturing facilities located primarily in large population centers in the western and southwestern United States and one plant in Coventry, England. All of Mission Foods' plants in the United States are graded by the American Institute of Baking. Mission Foods' tortilla plant in England is graded by the British Retail Consortium.

Azteca Milling produces corn flour at six plants located in Amarillo, Edinburg and Plainview, Texas; Evansville, Indiana; Henderson, Kentucky; and Madera, California. All plants are located within important corn growing areas. Due to Azteca Milling's manufacturing practices and processes, we are the only corn milling company to achieve ISO 9002 certification as well as certification by the American Institute of Baking. As of April 2004, Azteca Milling has four mills that are ISO 9002 certified while two mills are in the process of obtaining certification.

Raw Materials. Corn is the principal raw material used in the production of corn flour, which is purchased from local producers or, if market conditions require, U.S. or international spot markets. Azteca Milling buys corn only from farmers and grain elevators that agree to supply approved varieties of corn. Azteca Milling tests and monitors the raw materials for certain strains of bacteria and chemicals not approved for human consumption. In addition, Azteca Milling has implemented certain testing protocols to identify genetically modified proteins in raw materials it purchases to ensure safety.

Because corn prices tend to be somewhat volatile, Azteca Milling engages in a variety of non-speculative hedging activities in connection with the purchase of its corn supplies, including the purchase of corn futures contracts. In so doing, Azteca Milling attempts to assure corn availability approximately 12 months in advance of harvest time as well as guard against price volatility. The Texas Panhandle currently is the single largest source of food-grade corn. Azteca Milling is also involved in short-term contracts for corn procurement with many corn suppliers. Where suppliers fail to deliver, Azteca Milling can easily access the spot markets. Azteca Milling does not anticipate any difficulties in securing adequate corn supplies in the future.

Corn flour for Mission Foods' products is supplied almost entirely by Azteca Milling. Wheat flour for the production of wheat tortillas is purchased from third party producers at prices prevailing in the commodities markets. Because wheat flour prices tend to be somewhat volatile, Mission Foods engages in a variety of non-speculative hedging activities in connection with the purchase of wheat flour, including the purchase of wheat futures contracts. Mission Foods believes the market for wheat flour in the United States is sufficiently large and competitive to ensure that wheat flour will be available at competitive prices to supply Mission Foods' needs.

Distribution. An important element of Mission Foods' sales growth has been the expansion and improvement of its tortilla distribution network, including a direct-store-delivery system to distribute most of its products. Tortillas and other freshly made products are generally delivered daily to customers. In keeping with industry practice, Mission Foods generally does not have written sales agreements with its customers. Mission Foods has also developed a food service distribution network on the west and east coasts of the United States, and in certain areas of the midwestern United States.

The vast majority of corn flour produced by Azteca Milling is sold to trade customers in bulk and is delivered directly from the plants to the customer. Azteca Milling's retail customers are primarily serviced by a network of distributors, although a few large retail customers have their corn flour delivered directly to them from the plants.

Mexican Operations

Overview

Our largest business in Mexico is the manufacture and sale of corn flour, which we conduct through our subsidiary GIMSA. Through our association with Archer-Daniels-Midland, we have also entered the wheat milling business in Mexico. In addition, PRODISA engages in the manufacturing and distribution of packaged tortillas and other related products. Our other subsidiaries conduct research and development regarding corn flour and tortilla manufacturing equipment, produce machinery for corn flour and tortilla production and construct our corn flour manufacturing facilities.

GIMSA—Corn Flour Operation

Principal Products. GIMSA produces, distributes and sells corn flour in Mexico, which is then used in the preparation of tortillas and other related products. In 2003, GIMSA had net sales of Ps.5,201 million. GIMSA is the largest corn flour producer in Mexico, with a corn flour market share of approximately 71% in 2003. GIMSA estimates that its corn flour is used in 36% of the corn tortillas consumed in Mexico. It sells corn flour in Mexico under the brand name MASECA[®]. MASECA[®] flour is a ready-mixed corn flour that becomes a dough when water is added. This corn dough can then be pressed to an appropriate thickness, cut to shape and cooked to produce tortillas and similar food products.

GIMSA produces over 40 varieties of corn flour for the manufacture of different food products. It sells corn flour to tortilla and tortilla chip manufacturers as well as in the retail market. GIMSA's principal corn flour product is a standard fine-textured, white flour used to manufacture tortillas.

Sales and Marketing. GIMSA sells packaged corn flour in 20-kilogram sacks in the trade market, principally to thousands of tortilla manufacturers, and one-kilogram packages in the retail market.

The following table sets forth GIMSA's sales volumes of corn flour in Mexico for the periods indicated.

	Year Ended December 31,					
	2001		2002		2003	
	Tons	%	Tons	%	Tons	%
Trade	1,217,197	85	1,179,186	85	1,190,597	85
Retail	219,033	15	206,344	15	204,730	15
	<u>1,436,230</u>	<u>100</u>	<u>1,385,530</u>	<u>100</u>	<u>1,395,327</u>	<u>100</u>

GIMSA's customer base is comprised primarily of small tortilla producers, or *tortillerías*, which purchase corn flour in 20 kg sacks and produce tortillas on their premises, which are then sold locally. Retail sales are channeled to two distinct markets: urban centers and rural areas. Sales to urban consumers are made mostly through supermarket chains that use their own distribution networks to distribute MASECA[®] flour or through wholesalers who sell the product to smaller grocery stores throughout Mexico. Sales to rural consumers are made principally through the Mexican government's social and distribution program *Distribuidora Conasupo, S.A.*, or DICONSA, which consists of a network of small government-owned stores and which supplies rural areas with basic food products. GIMSA's sales representatives are mainly concerned with promoting the dry corn flour method to tortilla producers. Mexico's tortilla industry is highly fragmented, consisting mostly of *tortillerías*, some of which continue to utilize, in our opinion, the relatively inefficient wet corn dough method of tortilla production. We estimate that the traditional wet corn dough method accounts for approximately 49% of all tortillas produced in Mexico. Tortilla producers that do not utilize corn flour buy the wet dough from dough producers or buy and mill their own corn and produce tortillas themselves.

This traditional method is a rudimentary practice requiring more energy, time and labor since it involves cooking the corn in water and with lime, milling the cooked corn, creating and shaping the dough, and then making tortillas from that dough. We pioneered the dry corn flour method in which we mill the raw corn in our facilities into corn flour. Tortilla producers and consumers may then simply add water to transform the flour into tortilla dough. We believe the preparation of tortillas using the dry corn flour method possesses several advantages over the traditional method. Our internal studies show that the dry corn flour method consumes less water, electricity, fuel

and labor. We estimate that one kilogram of corn processed through the corn flour method yields more tortillas on average than a similar amount of corn processed using the traditional method. Corn flour is also transported more easily than wet corn dough and has a shelf life of approximately three months, compared with one or two days for wet corn dough. The market for wet corn dough is limited due to the perishable nature of the product, restricting sales of most wet corn dough producers to their immediate geographic areas. Additionally, the corn flour's longer shelf life makes it easier for consumers in rural areas to produce their own tortillas, as *tortillerías* are relatively scarce.

We strongly believe in the superiority of our dry corn flour method and, thus also, believe that we have substantial opportunities for growth by encouraging a transition to our method. Corn flour is primarily used to produce corn tortillas, a principal staple of the Mexican diet. In fact, in 2003, corn flour for tortilla manufacturing accounted for approximately 94% of our total corn flour sales volume in Mexico, with the balance being used for the manufacture of tortilla chips. The tortilla industry is one of the largest industries in Mexico as tortillas constitute the single largest component of Mexico's food industry. However, there is still reluctance to abandon traditional practice, particularly in central and southern Mexico because corn dough producers and/or tortilla producers using the traditional method incur lower expenses by working in an underground economy. Additionally, most of the time they are not required to comply with environmental regulations, which also represent savings for them. To the extent regulations in Mexico improve and we and our competitors are on the same footing, we expect to benefit from these developments.

GIMSA has embarked on several programs to promote corn flour sales to tortilla producers and consumers. GIMSA offers incentives to potential customers, such as small independent *tortillerías*, to convert to the corn flour method from the traditional wet corn dough method. The incentives GIMSA offers include new, easy to use equipment designed specifically for small-volume users, financing, and individualized training. For example, in order to assist traditional tortilla producers in making the transition to corn flour, GIMSA also sells specially designed mixers made by Tecnomáiz, S.A. de C.V., or Tecnomáiz, one of our research and development subsidiaries. For more information about our research and development department, see "—Miscellaneous—INTASA—Technology and Equipment Operations." These incentives are expected to help GIMSA tap into a significant potential market. GIMSA also helps its *tortillería* customers to improve sales by directing consumer promotions to heighten the desirability of their products and increase consumption, which, in turn, should increase corn flour sales. These efforts to improve sales include prime time advertising on television as well as radio, magazine and billboard advertising. In 2004, we intend to have GIMSA's specialized sales teams continue their efforts to provide better and more individualized service to different types of customers.

GIMSA has also developed the "in-store *tortillería*" concept, which involves the on-site manufacture and sale of tortillas in supermarkets using MASECA[®] brand corn flour and machinery supplied by our technology and equipment operations. Through this promotion, GIMSA seeks to increase consumer exposure to, and acceptance of, tortillas made with corn flour. As of December 31, 2003, 67% of supermarkets throughout Mexico hosted GIMSA's "in-store *tortillerías*."

During 2003, our main initiatives were focused on developing a successful business model for our customers to increase the consumption of corn-flour based products generally and our products specifically. Some examples of these initiatives were:

- helping our customers to develop new higher margin products such as tortilla chips, taco shells and enchilada tortillas, reflecting current consumption trends;
- helping our customers develop new profitable distribution schemes to increase their market penetration and sales; and
- developing tailored marketing promotions to increase consumption in certain customer segments.

At the end of 2003, we started a national marketing campaign to emphasize the benefits and nutritional value of tortillas made with 100% MASECA[®] corn flour. This campaign will target both consumption of tortillas made by

our customers and consumption of our retail corn flour packages sold directly to consumers by repositioning the use of corn flour not only for making tortillas but for a wide variety of foods which are part of the Mexican diet.

The demand for corn flour varies slightly with the seasons. After the May/June and December harvests, when corn is more abundant and thus less expensive, tortilla producers are more inclined to purchase corn and use the traditional method. In the months immediately preceding such harvests, corn is more costly and in shorter supply and more tortilla producers then employ the dry corn flour method of production.

Competition and Market Share. GIMSA faces competition on three levels—from other corn flour producers, from sellers of wet corn dough and from the many *tortillerías* that produce their own wet corn dough on their premises. Our estimates indicate that 49% of tortilla producers continue to use the traditional wet corn dough method.

GIMSA's biggest challenge in increasing market share is the prevalence of the traditional method (cooked-corn method). In the corn flour industry, GIMSA's principal competitors are Grupo Minsa, S.A. de C.V., previously known as Maíz Industrializado Conasupo, S.A. de C.V., or MICONSA, and regional corn flour producers. We estimate that our market share of corn flour sales in Mexico during 2003 was approximately 71%. We compete against other corn flour manufacturers on the basis of quality, brand recognition, technology, customer service and nationwide coverage. We believe that GIMSA has certain competitive advantages resulting from its proprietary technology, greater economies of scale and broad geographic coverage, which may afford it opportunities to more effectively source raw materials and reduce transportation costs.

Operations and Capital Expenditures. GIMSA currently owns 18 corn flour mills, all of which are located throughout Mexico, typically within corn growing regions and those of large tortilla consumption. One of the plants (Chalco) is temporarily closed. The Chalco plant has been inactive since October 1999. GIMSA has temporarily shifted production to other plants to achieve savings in overhead costs. We intend to reopen the Chalco plant in the fourth quarter of 2004. Due to the maintenance program we put in place in the Chalco plant since its closing, we currently estimate that the reopening costs of the Chalco plant will not be significant, and we plan to start production with an estimated 40,000 tons per year. The Zamora plant has been inactive since July 2000 and its real estate assets are available for sale.

As a result of construction and expansion of our plants, we increased our installed corn flour manufacturing capacity from approximately 1.0 million tons per year as of January 1, 1990 to 2.3 million tons per year as of December 31, 2003. Most of this construction and expansion took place between 1992 and 1995. On average, the size of our plants measured in square meters is approximately 15,000 as of June 15, 2004. In recent years, GIMSA's capital expenditures for plants were primarily used to update technology and corn flour production process. We spent U.S.\$0.4 million, U.S.\$2.9 million and U.S.\$7.2 million for these purposes in 2001, 2002 and 2003, respectively. Although no assurances can be given as to future levels of capital expenditures, during the first quarter of 2004, we spent U.S.\$0.6 million on investments in fixed assets of GIMSA, and currently project total investments in fixed assets during 2004 of approximately U.S.\$7.6 million, which will be used primarily for upgrading production equipment, acquisition of transportation equipment and information technology upgrades.

We believe we have the most extensive nationwide corn purchasing and corn flour distribution capabilities (supported by our warehouses and distribution centers) of any corn flour producer in Mexico, providing us with a significant competitive advantage. To enhance our presence in particular geographic areas, we have transferred a minority interest in certain subsidiaries to local investors, unions and development agencies. Pursuant to an agreement between GIMSA and *Investigación de Tecnología Avanzada*, or INTASA, our wholly-owned subsidiary, INTASA provides technical assistance to each of GIMSA's operating subsidiaries for which each pays to INTASA a fee equal to 0.5% of its consolidated net sales. Each of GIMSA's corn flour facilities uses proprietary technology developed by our technology and equipment operations. For more information about our in-house technology and design initiatives, see “—Miscellaneous—INTASA—Technology and Equipment Operations.”

Raw Materials. Corn is the principal raw material required for the production of corn flour, and constituted approximately 69% of GIMSA's cost of sales for 2003. We purchase corn primarily from Mexican growers and grain elevators, or if domestic supply proves insufficient, from world markets at international prices under import permits granted by the Mexican government. Our domestic corn purchases are made on a spot basis pursuant to

short-term contractual arrangements, which are generally in the form of oral agreements entered into at the beginning of the harvest. Compañía Nacional Almacenadora, S.A. de C.V., a subsidiary of GIMSA, contracts for and purchases the corn, and also monitors, selects, handles and ships the corn.

We believe that the diverse geographic locations of GIMSA's production facilities in Mexico enables GIMSA to achieve savings in raw material transportation and handling. In addition, by sourcing corn locally for its plants, GIMSA is better able to communicate with local growers concerning the size and quality of the corn crop and is better able to maintain quality control. In Mexico, GIMSA purchases corn for cash in order to strengthen its ability to obtain the highest quality corn on the best terms.

Traditionally, domestic corn prices in Mexico tend to be higher than those abroad, but do follow trends in the international market. During most periods, the price at which GIMSA purchases corn depends on the international corn market. As a result, corn prices are sometimes unstable and volatile. In certain periods in the past, however, these fluctuations have been significantly affected by government regulations and policies. The Mexican government's decision to discontinue the subsidy program for tortilla consumers in 1999 and to increase corn imports and support for corn growers in 1999 and 2000, resulted in drastic decreases in corn prices. In 1998, the average cost for GIMSA's corn purchases in Mexico and abroad were approximately Ps.2,503 per ton compared to Ps.1,350 per ton in 2001. In 2002, corn prices generally remained stable through October but increased to approximately Ps.1,612 per ton beginning in November, reflecting an international trend. However, the average cost of our corn purchases in 2002 was Ps.1,346 per ton. In 2003, the average cost of our corn purchases increased to Ps.1,518 per ton. For more information regarding the government's effect on corn prices, see "Item 5. Operating and Financial Review and Prospects—Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Effects of Deregulation of the Mexican Tortilla and Corn Flour Industry."

In addition to corn, the other principal materials and resources used in the production of corn flour are packaging materials, water, lime and energy. GIMSA believes that its sources of supply for these materials and resources are adequate, although energy and packaging costs tend to be volatile.

Distribution. GIMSA's products are distributed through independent transport firms contracted by GIMSA. Most of GIMSA's sales are made free-on-board at GIMSA's plants, in particular those to tortilla manufacturers. With respect to other sales, in particular retail sales (one-kilogram packages) to the Mexican government and large supermarket chains, GIMSA pays the freight cost.

Molinera de México—Wheat Flour Operation

Principal Products. In 1996, we entered the wheat milling market in Mexico by acquiring a 60% ownership interest in Archer-Daniels-Midland's wheat flour operation, Molinera de México. Molinera's main product is wheat flour, although it also sells wheat bran and other byproducts. Our wheat flour brands are REPOSADA[®], PODEROSA[®] and SELECTA[®], among others.

Sales and Marketing. In 2003, approximately 92% of Molinera's wheat flour production was sold in the trade market and 8% was sold for the retail segment. Most of the bulk sales are made to thousands of bakeries and, to a lesser extent, to cookie and pasta manufacturers. Most of the one-kilogram package sales are made to large supermarkets and wholesalers throughout Mexico. Through wholesalers, our products are distributed to small grocery stores. Molinera's sales are seasonal in that higher sales volumes are achieved in the fourth and first quarters during the winter, when, we believe, per capita consumption of wheat-based products, especially bread and cookies, increases due in part to the celebration of holidays that take place during these quarters.

Our marketing strategy depends on the type of customer and region. Overall, our aim is to offer products according to customers' specifications as well as technical support. We are trying to increase our market share in bakeries by offering products with consistent quality. In the retail segment we target small grocery stores through wholesalers, and supermarkets through centralized and national level negotiations. We are focusing on improving customer service, continuing to increase our distribution of products to supermarkets' in-store bakeries, and developing new types of pre-mixed flours for the supermarket in-store bakery segment. We provide direct delivery

to supermarkets, supermarkets' in-store bakeries, wholesalers, industrial customers and some large bakeries. Most small bakeries and small grocery stores are served by wholesalers.

Competition and Market Share. We are one of Mexico's largest wheat flour producers, with a market share in 2003 of approximately 16% of a total estimated wheat flour market of U.S.\$950 million. Molinera de México competes with many small wheat flour producers. We believe the wheat flour industry is highly fragmented and estimate that there are about 94 participants. Our main competitors are Munsa, Trimex, Tablex, La Espiga and Elizondo.

Operations and Capital Expenditures. At the time we acquired our interest in Molinera, the operation consisted of two production facilities having an aggregate estimated annual production capacity of 157,000 tons. From September 1997 through January 2000, we increased our production capacity by 357% from 157,000 to 717,000 tons through acquisitions of wheat flour mills and companies operating in the wheat flour and related products market. Today we own and operate nine wheat flour plants, in one of which we hold only a 40% ownership interest. The facilities' average extent of utilization is estimated at 80% for 2003. On average, the size of our plants measured in square meters is on approximately 12,800 as of June 15, 2004.

Capital expenditures from 2001 through 2003 amounted to U.S.\$13 million. Molinera de México's capital expenditures in 2004 will be used for capacity expansions at one plant and technology upgrades.

Raw Materials. Wheat is the principal raw material required for the production of wheat flour. Molinera de México purchases approximately 20% of its wheat from Mexican growers, and 80% from world markets. Molinera de México purchases from local farmers, farmers associations and trading companies. In the case of domestic wheat, purchases are made pursuant to short-term oral arrangements, the terms of which are negotiated at the time of execution. These arrangements are usually made approximately two months in advance of the beginning of the harvest. In the case of imported wheat, which we import from the United States and Canada through several trading companies, purchases are made based on short-term requirements, with the aim of maintaining low levels of inventories.

In recent years the price of wheat domestically and abroad has been volatile. Volatility is due to the availability of wheat, which depends on various factors including the size of the harvest (which depends in large part on the weather).

PRODISA—Packaged Tortilla Operation

Principal Products. We began our packaged tortilla operations through PRODISA in Mexico in 1994 as part of our strategy to broaden our product lines in Mexico, achieve vertical integration of our corn flour operations, and capitalize upon our experience and investments in the United States in producing and distributing packaged tortillas. Our packaged tortillas are marketed under the MISION® and TORTI RICA® brand names. In 1998, we broadened our business to include the production and distribution of bread under the BREDDY® brand name. In November 2001, as part of our strategy to improve profitability and build on our core business, we discontinued our bread business and sold the bread manufacturing equipment.

Sales and Marketing. In 1994, we entered the packaged tortilla business in Mexico because we perceived a great potential for growth in this market. In late 1996 and early 1997, we decided to focus our efforts initially in the northeastern region of Mexico and in the state of Baja California. PRODISA's sales volume during 2003 was 20,652 tons, of which approximately 58% was for small grocery stores, 26% was for supermarkets, 7% was for convenience stores, and 9% was for exports to Gruma Corporation.

In 2003, PRODISA achieved 34% sales volume growth compared to 2002 as a result of the introduction of warm corn tortillas and the expansion of PRODISA's product line to include different types of flour tortillas based on regional consumer preferences.

Competition and Market Share. In the tortilla industry, PRODISA competes against thousands of tortilla manufacturers. We believe PRODISA had a 1% market share of the total tortilla industry, inclusive of packaged

and non-packaged tortillas, in Mexico, and approximately 40% of the packaged tortilla markets in the regions where we had a presence in 2003.

Operation and Capital Expenditures. We currently operate two tortilla plants, which have a combined annual production capacity of 42,000 tons as of December 31, 2003, and average extent of utilization of 49%. On average, the size of our plants measured in square meters is approximately 1,500 as of June 15, 2004.

Capital expenditures for the past three years were U.S.\$4 million. We expect that our capital expenditures in 2004 will be focused on manufacturing, distribution and information technology equipment.

Raw Materials. The principal raw material, corn flour, is supplied internally by GIMSA. The availability of corn flour and the volatility of its price are thus subject to the same factors that affect GIMSA's operation. See "*—Mexican Operations—GIMSA—Corn Flour Operation—Raw Materials.*"

Distribution. PRODISA's products are distributed to our 10 warehouses throughout northeastern Mexico and three warehouses in Baja California (northwestern Mexico). The goods are then distributed with our delivery trucks to customers. Frequency of delivery depends upon the customer; supermarkets receive daily deliveries while smaller stores receive these products three times a week.

Central American Operations

Overview

In 1972, we entered the Costa Rican market. Our operations since then have expanded into Guatemala, Honduras, El Salvador, and Nicaragua.

Gruma Centroamérica

Principal Products. Gruma Centroamérica produces corn flour, and to a lesser extent tortillas and snacks. We also cultivate and sell hearts of palm and process and sell rice. We are the largest corn flour producer in the region. We sell corn flour in Costa Rica under the MASECA[®], TORTIMASA[®] and MASARICA[®] brands. In Costa Rica, we sell packaged tortillas under the TORTI RICA[®] brand. We operate a Costa Rican snack operation which manufactures tortilla chips, potato chips and similar products under the TOSTY[®] brand. Hearts of palm are exported to numerous European countries as well as the United States and Canada. In November 2001, as part of our strategy to improve profitability and build on our core competencies, we sold our Central American bread business.

Sales and Marketing. The largest portion, 108,570 tons or 75%, of Gruma Centroamérica's sales volume in 2003 derived from the sale of corn flour.

Gruma Centroamérica sells bulk and retail corn flour. Bulk corn flour is sold predominantly to small tortilla manufacturers through direct delivery and wholesalers. Supermarkets make up the customer base for retail corn flour. Bulk sales volume represented 68% and retail sales represented 32% of Gruma Centroamérica's corn flour sales volume during 2003. Typically, corn flour sales volume is lower during the second quarter of the year due to higher availability and lower prices of corn.

The total potential corn flour market in Central America is estimated at U.S.\$460 million. We believe that there is significant potential for growth in Central America as corn flour is used in only 25% of all tortilla production; the majority of tortilla manufacturers use the wet dough method.

Competition and Market Share. We estimate that Gruma Centroamérica's corn flour sales constituted approximately 70% of total corn flour sales in Central America in 2003 and that our corn flour is used in 17% of the corn tortillas consumed in Central America. In Costa Rica we estimate we had 87% of the packaged tortilla market, 31% of the snack market and 4% of the rice market in 2003.

Our main competitor is the traditional method (cooked-corn method). Within the corn flour industry, our main competitors are Minsa, Del Comal and Instamasa.

Operations and Capital Expenditures. We have in corn flour production an installed capacity of 175,000 tons, with an average utilization of 62% during 2003. Total annual production capacity, including other products, represents 217,000 tons as of December 31, 2003 and total average extent of utilization was approximately 66% during 2003. Throughout the region we operate four corn flour plants in Costa Rica, Honduras, Guatemala and El Salvador. In Costa Rica, we also have one plant producing packaged tortillas, one plant producing snacks, one plant processing hearts of palm and one plant processing rice. In Nicaragua we have one small tortilla plant. On average, the size of our plants measured in square meters is approximately 3,800 as of June 15, 2004.

In 2001, we expanded our corn flour capacity in El Salvador, which increased overall corn flour capacity in El Salvador by 26% by the beginning of 2002. During 2002 and 2003, most of our capital expenditures were oriented to technical upgrades, the construction of a tortilla plant, a distribution center and administrative offices in Costa Rica. Total capital expenditures for the past three years was approximately U.S.\$14.7 million. Capital expenditures for 2004 will be mostly oriented to manufacturing upgrades.

Raw Materials. Corn is the most important raw material needed in our operations and is obtained primarily from local growers. However, when domestic supply is insufficient, we turn to the international markets through import permits granted by the governments of countries in which we have corn flour plants. Price fluctuation and volatility are subject to domestic conditions, such as annual crop results, and to a lesser extent, international conditions.

Venezuelan Operations

Overview

In 1998, we increased to 50% our beneficial ownership in DEMASECA, our corn flour operation in Venezuela at that time. Local investors own the remaining 50% interest. In August 1999, we acquired DAMCA International Corporation, a Delaware corporation which owned 100% of MONACA, Venezuela's second largest corn and wheat flour producer at that time, for approximately U.S.\$99 million. Thereafter, we sold 5% of MONACA to Archer-Daniels-Midland for approximately U.S.\$4.8 million. We believe this acquisition enhanced our existing grain-based products business in Venezuela. DEMASECA and MONACA are collectively referred to as our "Venezuelan Operations."

In recent years, Venezuela has experienced considerable volatility and depreciation of its currency, high interest rates, political instability and declining asset values. In 2003, in response to the general strike and in an effort to shore up the economy and control inflation, the Venezuelan authorities imposed foreign exchange and price controls. Further economic stagnation is expected to result as a consequence of these market distortions. These developments have had and may continue to have an adverse effect on us.

DEMASECA and MONACA

Principal Products. Our Venezuelan Operations produce and distribute corn flour as well as wheat flour, rice, oats and other products. We sell corn flour under the brand names JUANA[®], TIA BERTA[®] and DECASA[®]. We sell wheat flour under the ROBIN HOOD[®] and POLAR[®] brand, rice under the MONICA[®] brand and oats under the LASSIE[®] brand.

Sales and Marketing. In 2003, combined consumption of corn flour, wheat flour and other grain-based products, such as rice and oats, in Venezuela totaled 1.5 million tons, representing an estimated U.S.\$730 million per year. Venezuelans use corn flour to produce and consume arepas, which are made at home or in restaurants for personal consumption rather than manufactured by specialty shops or other large manufacturers for sale and profit. In 2003, we sold corn flour only in the retail market in one and two kilogram bags, respectively, to independent distributors, supermarkets and wholesalers. We sell wheat flour to both industrial customers and retailers, distributing in 45 kilogram bags and in one kilogram bags, respectively. Sales to industrial customers like bakeries made up 80% of our total wheat flour sales volume in 2003. The remaining 20% of sales in 2003 were in the retail

market, which refers to independent distributors, supermarkets and wholesalers. Sales fluctuate seasonally as demand for flour-based products is lower during those months when most schools are closed for vacation. In addition, sales are higher in November as customers build inventory to satisfy increased demand during the holiday season in December.

Competition and Market Share. With the MONACA acquisition, we significantly increased our share of the corn flour market and entered the wheat flour market. In 2003, we had 35% of the corn flour market and 28% of the wheat flour market. As of December 31, 2003, we are the second largest corn flour and wheat flour producer and the third largest food producer in Venezuela. During 2003, sales volumes for our Venezuelan Operations were 267,662 tons of corn flour, 206,917 tons of wheat flour and approximately 43,863 tons of other products.

In corn flour, our main competitor is Grupo Polar, C.A., which holds approximately 56% of the market in 2003. In wheat flour, our principal competitor is Cargill, which we believe held approximately 38% of the market in 2003.

Operation and Capital Expenditures. We operate six corn flour plants four wheat flour plants and three more plants that produce for rice and oats in Venezuela with a total annual production capacity of 792,000 tons as of December 31, 2003 and an average extent of utilization of approximately 65% during 2003. However, one corn flour plant, representing 39,245 tons, and one rice plant, representing 44,064 tons, are temporarily idle. On average, the size of our plants measured in square meters is approximately 9,300 as of June 15, 2003.

Capital expenditures for the past three years were U.S.\$14 million. Capital expenditures for 2004 are expected to be focused on upgrades for manufacturing technology and information technology, which are expected to be financed with cash flow from our Venezuelan Operations.

Raw Materials. Corn and, to a lesser extent, wheat are our most important raw materials. Corn is purchased in Venezuela and is subject to the corn market's volatility. All wheat is purchased from the U.S. and Canada with its availability and price volatility dependent upon those markets.

Miscellaneous

INTASA—Technology and Equipment Operations

Since 1976 our technology and equipment operations have been conducted principally through INTASA, which has two subsidiaries: Tecnomáiz, S.A. de C.V., or Tecnomáiz, and Constructora Industrial Agropecuaria, S.A. de C.V., or CIASA. The principal activity of these subsidiaries is to provide research and development, equipment, and construction services to us and equipment to third parties. Through Tecnomáiz, we engage in the design, manufacture and sale of machines for the production of tortillas and tortilla chips. The machinery for the tortilla industry includes a range of capacities, from machines that make 50 to 300 corn tortillas per minute to dough mixers. The equipment is sold under the TORTEC® and BATITEC® trademarks in Mexico. Tecnomáiz also manufactures high volume energy efficient corn and wheat tortilla systems that can produce up to 1,200 corn tortillas and 400 wheat tortillas per minute.

We carry out proprietary technological research and development for corn milling and tortilla production as well as all engineering, plant design and construction through INTASA and CIASA. These companies administer and supervise the design and construction of our new plants and also provide advisory services and training to employees of our corn flour and tortilla manufacturing facilities. We manufacture corn tortilla-making machines for sale to tortilla manufacturers and for use in "in-store *tortillerías*," as well as high-capacity corn and flour tortilla-makers that are supplied only to us. We have spent approximately Ps.36 million in research and development during the period from January 1, 2001 through December 31, 2003, including Ps.3 million during 2003.

Banorte Investment

In June 1992, we made an investment in Banco Mercantil del Norte, S.A., or Banorte, a Mexican bank privatized by the Mexican government in 1992. We purchased 10.1% of Banorte's share capital by bidding in conjunction with a group of investors, led by the Chairman of our board of directors and Chief Executive Officer,

Mr. González Barrera. In September 1993, these shares were exchanged for an interest in Grupo Financiero Banorte, S.A. de C.V., or GFNorte, a Mexican financial services holding company and Banorte's parent. In addition, we acquired Ps.98.5 million (in nominal terms) of GFNorte debentures, which were converted into shares of GFNorte in December 2000. As of December 31, 2003, we owned 10.9% of the outstanding shares of GFNorte. As of the same date, approximately 6% or Ps.1,463 million of our total assets are invested in Banorte. In accordance with Mexican GAAP, GFNorte's results of operations are accounted for in our consolidated results of operations using the equity method of accounting.

CAPITAL EXPENDITURES

Our capital expenditures for 2001, 2002 and 2003 were U.S.\$68 million, U.S.\$64 million and U.S.\$75 million, respectively. Our capital expenditures include investments in property, plant and equipment, acquisitions of new plants and brands and investments in common stock. In 2000, we completed our four-year expansion program that required a capital expenditure of approximately U.S.\$800 million. This large expansion program was financed primarily through borrowed funds and capital contributions. Since these expenditures allowed us to expand our production capacity, in 2001 and 2002 we focused on more moderate growth, thereby significantly lowering our capital expenditures. Investments of approximately U.S.\$68 million in 2001 (including a U.S.\$17 million early lease buyout option on certain of Gruma Corporation's production equipment), U.S.\$64 million in 2002 and U.S.\$75 million in 2003 were significantly lower than the annual averages during the period 1997-2000 and were mainly applied to capacity expansions in the United States and technology upgrades in all subsidiaries. We have budgeted approximately U.S.\$100 million for capital expenditures in 2004. We anticipate financing these expenditures through our own cash flows. This capital expenditures budget does not include any potential acquisitions.

A significant portion of the capital expenditures budgeted for 2004 is intended to be used for additional corn flour and tortilla capacity in the United States. One of the most important projects included in this capital expenditure budget is the expansion of the Gruma Corporation corn flour mill located in Evansville, Indiana. This project started in June 2004 and is expected to be completed by May 2005. The expected additional production capacity will be approximately 63,000 tons, or 9% of the existing corn flour capacity in our U.S. operations.

During the first quarter of 2004, we spent approximately U.S.\$11 million. For more information on capital expenditures please refer to the discussion of the specific subsidiary.

The following table sets forth the aggregate amount of our capital expenditures during the periods indicated.

	Year ended December 31,		
	2001	2002	2003
	(in millions of U.S. dollars ⁽¹⁾)		
Gruma Corporation	\$ 43.3	\$ 43.6	\$ 40.6
GIMSA	0.4	5.4	6.6
Venezuelan Operations	6.3	3.4	4.3
Molinera de México	4.4	3.0	5.1
Gruma Centroamérica	6.2	6.2	2.3
PRODISA	0.9	0.7	1.9
Others and eliminations	6.8	1.4	13.8
Total consolidated	<u>\$ 68.4</u>	<u>\$ 63.7</u>	<u>\$ 74.6</u>

- (1) Amounts in respect of some of the capital expenditures were paid for in currencies other than the U.S. dollar. These amounts were translated into U.S. dollars at the exchange rate in effect on the dates on which a given capital expenditure was made. As a result, U.S. dollar amounts presented in the table above may not be comparable to data contained elsewhere in this Annual Report.

For more information on capital expenditures for each subsidiary, please see the sections entitled "Operation and Capital Expenditures" under the relevant sections above.

REGULATION

Mexican Regulation

Corn and Tortilla Subsidies and Import Policies

Due in part to the importance of tortillas in the Mexican diet, the Mexican government has enacted various policies that have distorted the corn and tortilla markets. Prior to January 1, 1999, the government subsidized corn purchases made by tortilla producers and set retail tortilla prices. Although the subsidies and price controls were dismantled at that time, the government took other measures that affected the price of corn and tortillas. These included the closing of CONASUPO, which resulted in the sale of its significant corn reserves, the increased distribution of corn import permits and increased funding for support programs for corn growers. For more information on these policies and their effect on our costs and sales, see "Item 5. Operating and Financial Review and Prospects—Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Effects of Deregulation of the Mexican Tortilla and Corn Flour Industry."

Environmental Regulations

Our Mexican operations are subject to Mexican federal, state and municipal laws and regulations relating to the protection of the environment. The principal federal environmental laws are the *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the General Law of Ecological Equilibrium and Protection of the Environment, or the Mexican Environmental Law), which is enforced by the *Secretaría de Medio Ambiente y Recursos Naturales* (the Ministry of the Environment and Natural Resources, or SEMARNAT) and the *Ley Federal de Derechos* (the Mexican Federal Law of Governmental Fees). Under the Mexican Environmental Law, each of our facilities engaged in the production of corn flour, wheat flour, and packaged tortillas is required to obtain an operating license from SEMARNAT upon initiating operations, and then annually submit a certificate of operation to maintain the operating license. Furthermore, the Mexican Federal Law of Governmental Fees requires that Mexican manufacturing plants pay a fee for the discharge of residual waste water to drainage. Rules have been promulgated concerning hazardous substances and water, air and noise pollution. In particular, Mexican environmental laws and regulations require that Mexican companies file periodic reports with respect to air and water emissions and hazardous wastes. They establish standards for waste water discharge. We must also comply with zoning regulations as well and rules regarding health, working conditions and commercial matters. SEMARNAT and the Federal Bureau of Environmental Protection can bring administrative and criminal proceedings against companies that violate environmental laws, as well as close non-complying facilities.

We believe we are currently in compliance in all material respects with all applicable Mexican environmental regulations. The level of environmental regulation and enforcement in Mexico has increased in recent years. We expect this trend to continue and to be accelerated by international agreements between Mexico and the United States. To the extent that new environmental regulations are promulgated in Mexico, we may be required to incur additional remedial capital expenditures to comply. Management is not aware of any pending regulatory changes that would require additional remedial capital expenditures in a significant amount.

Competition Regulations

The *Ley Federal de Competencia Económica* (the Federal Economic Competition Law or the Mexican Competition Law), was approved by the Mexican Congress and published in the *Diario Oficial de la Federación* on December 24, 1992 and became effective on June 22, 1993. The Mexican Competition Law and the *Reglamento de la Ley Federal de Competencia Económica* (the Regulations of the Mexican Competition Law), effective as of March 5, 1998, regulate monopolies and monopolistic practices and require Mexican government approval of certain mergers and acquisitions. The Mexican Competition Law grants government the authority to establish price controls for products and services of national interest qualified as such by Presidential decree, and established the *Comisión Federal de Competencia*, or Federal Competition Commission, to enforce the law. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the Federal Competition Commission. The Mexican Competition Law may potentially limit our business combinations, mergers and acquisitions and may subject us to greater

scrutiny in the future in light of our market presence, although it has had little effect on our operations, and we do not believe that this legislation will have a material adverse effect on our existing or developing business operations.

U.S. Federal and State Regulations

Gruma Corporation is subject to regulation by various federal and state agencies, including the Food and Drug Administration, the Occupational Safety and Health Administration, the Federal Trade Commission, the Environmental Protection Agency and the Texas Department of Agriculture. We believe that we are in compliance in all material respects with all environmental and other legal requirements. Our food manufacturing and distribution facilities are subject to periodic inspection by various public health agencies, and the equipment utilized in these facilities must generally be governmentally approved prior to operation.

European Regulation

We are subject to regulation in each country in which we operate in Europe. We believe that we are currently in compliance with all applicable legal requirements in all material respects.

Central America and Venezuela

Gruma Centroamérica and our Venezuelan Operations are subject to regulation in each country in which they operate. We believe that Gruma Centroamérica and our Venezuelan Operations are currently in compliance with all applicable legal requirements in all material respects.

ITEM 5. Operating and Financial Review and Prospects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with our financial statements and the notes thereto contained elsewhere herein. Our financial statements have been prepared in accordance with Mexican GAAP, which differ in some significant respects from U.S. GAAP. See Note 20 to our financial statements for information related to the nature and effect of such differences and a quantitative reconciliation to U.S. GAAP of our majority net income and stockholders' equity. For more information about our financial statements in general, see "Presentation of Financial Information."

Overview of Accounting Presentation

Effects of Inflation

Mexican GAAP requires that financial statements recognize the effects of inflation in accordance with Bulletins B-10 and B-15 issued by the Mexican Institute of Public Accountants. The purpose of this methodology is to present all information in comparable monetary units and thereby mitigate the distortive effect of inflation in the financial statements. Unless otherwise stated herein, the financial statements and other financial data in this Annual Report have been restated in pesos of constant purchasing power as of December 31, 2003.

We restate all non-monetary assets using the Mexican National Consumer Price Index, except inventories, which are restated using actual replacement costs, and fixed assets of non-Mexican origin, which may be restated using a specified index which considers the consumer price index of the relevant foreign country and the fluctuations of the exchange rate between the Mexican peso and the currency of such foreign country.

Bulletin B-15 prescribes the methodology for restating and translating the financial statements of a Mexican company's non-Mexican subsidiaries into Mexican GAAP for purposes of recognizing the effects of inflation in such financial statements. Bulletin B-15 requires, among other things, that local currency-based financial statements of a non-Mexican subsidiary of a Mexican company for a particular period be (1) restated by using the relevant inflation rate in the relevant foreign country and (2) then translated into pesos.

Bulletin B-15 also requires that inflation rates in foreign countries be used in calculating monetary position gains or losses on a consolidated basis. In addition, Bulletin B-15 provides that the consolidated financial statements of a Mexican company for all periods prior to the most recent period are to be restated in pesos of constant purchasing power. This restatement may be accomplished by using an "international restatement factor," which takes into account the inflation rates, exchange rate movements and relative net sales in Mexico and the other countries in which the company and its subsidiaries operate, rather than using the inflation rate in Mexico.

For comparison purposes, the following table sets forth, for each of the three years ended December 31, 2001, 2002 and 2003:

the international restatement factor used to restate the financial statements data for each of these periods to pesos of constant purchasing power as of December 31, 2003;

the cumulative Mexican National Consumer Price Index for each period which, in the absence of Bulletin B-15, would have been used to restate the financial statements to pesos of constant purchasing power as of December 31, 2003; and

the comparison factor for each period which represents the index that must be applied to the financial statements for each period (which have been restated using the international restatement factor) in order to restate the financial statements and financial data in December 31, 2003 pesos of constant purchasing power using the cumulative Mexican National Consumer Price Index.

Financial data in Mexican pesos as of December 31,	Cumulative International Restatement Factor	Cumulative Mexican National Consumer Price Index	Comparison Factor
2001	15.45	9.90	0.9519
2002	7.75	3.98	0.9650
2003	—	—	1

In future periods, the application of U.S. inflation rates could have a substantial effect on our reported results of operations and financial condition if such rates are lower than inflation rates in Mexico, assuming that we maintain significant U.S. dollar-denominated debt and other liabilities and assuming that all other relevant variables, such as foreign exchange rates, remain constant. In addition, because Gruma Corporation, our principal U.S. subsidiary, generates a significant portion of our consolidated net sales in U.S. dollars, Bulletin B-15 could result in decreased net sales in peso terms, again relative to prior periods. By contrast, if U.S. and other non-Mexican inflation rates exceed inflation rates in Mexico in future periods, then our monetary position gain and net sales as they relate to foreign subsidiaries would tend to increase in comparison to prior periods.

Effects of Devaluation

Because a significant portion of our net sales are generated in U.S. dollars, changes in the peso/dollar exchange rate can have a significant effect upon our results of operations as reported in pesos. When the peso depreciates against the U.S. dollar, Gruma Corporation's net sales in U.S. dollars represent a larger portion of our net sales in peso terms than when the peso appreciates against the U.S. dollar. And when the peso appreciates against the dollar, Gruma Corporation's net sales in U.S. dollars represent a smaller portion of our net sales in peso terms than when the peso depreciates against the dollar. For a description of the peso/U.S. dollar exchange rate see "Item 3. Key Information—Exchange Rate Information."

In addition to the above, our net income may be affected by changes in our foreign exchange gain or loss, which may be affected by significant variations in the peso/dollar exchange rate. In 2001, we recorded a net foreign exchange gain of Ps.109 million. During 2002, we recorded a net foreign exchange loss of Ps.283 million. In 2003, we recorded a net foreign exchange loss of Ps.182 million.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with Mexican GAAP as promulgated by the Mexican Institute of Public Accountants. A reconciliation from Mexican GAAP to U.S. GAAP of majority net

income and total stockholders' equity is included in Note 20 to our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

We identify below the most critical accounting principles that involve a higher degree of judgment and complexity and that management believes are important to a more complete understanding of our financial position and results of operations. These policies are outlined below.

Additional accounting policies that are also used in the preparation of our financial statements are outlined in the notes to our consolidated financial statements included in this Annual Report.

Property, Plant and Equipment

We depreciate our property, plant and equipment over their respective estimated useful lives. Useful lives are based on management's estimates of the period that the assets will continue to support production requirements or generate sales of our products and are adjusted when those estimates change. Estimates are based on the nature of the asset, historical usage with consideration given to technological changes, our current strategy, as well as engineering studies. To the extent that our estimates are incorrect, our periodic depreciation expense or carrying value of our assets may be impacted.

We also evaluate the carrying value of property, plant and equipment to be held and used and any assets to be disposed of, when events or circumstances suggest that the carrying value may not be recoverable, such as temporary shut downs or permanent closures of plants. Such reviews have been necessary in recent years. Impairment losses for equipment held and used are recorded when the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. The estimates of undiscounted cash flows take into consideration expectations of future macroeconomic conditions as well as our internal strategic plans. Therefore, inherent in the estimated future cash flows is a certain level of risk which we have considered in our valuation; nevertheless, actual future results may differ. Should impairment exist, the amount of the loss is then quantified by comparing the carrying amount of the assets to the discounted cash flows. For assets to be disposed of, we assess whether machinery or equipment can be used at other facilities and, if not, estimate the net proceeds to be realized upon sale of the assets. Primarily as a result of plant rationalization, certain facilities and equipment are not currently in use in operations. We have recorded impairment losses related to certain unused assets and such losses may potentially occur in the future.

Goodwill and Other Intangible Assets

Under Mexican GAAP, goodwill and other intangible assets with definite lives are amortized on a straight-line basis over estimated useful lives. Indefinite-lived intangible assets are no longer amortized, as of January 1, 2003, upon the application of Bulletin C-8, "Intangible Assets."

Under U.S. GAAP, effective January 1, 2002, we applied FAS 142. Under FAS 142, goodwill and certain other intangible assets deemed to have an indefinite useful life are no longer being amortized, but are subject to annual impairment testing.

The identification and measure of goodwill and unamortized intangible assets impairment involves the estimation of fair value of the reporting units. Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. We perform internal valuation analyses and consider relevant internal data as well as other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows. This approach uses significant estimates and assumptions including projected future cash flows (including time), a discount rate reflecting the risk inherent in future cash flows and a perpetual growth rate. Inherent in these estimates and assumptions is a certain level of risk which we believe we have considered in our valuation. Nevertheless, if future

actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of goodwill and other intangibles.

Deferred Income Taxes

Under both Mexican and U.S. GAAP, we record deferred income tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. We also record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Factors Affecting Financial Condition and Results of Operations

General

In recent years, our financial condition and results of operations have been significantly influenced by the following factors:

level of demand for tortillas;

effects of government policies on the Mexican tortilla and corn flour industry;

costs of energy;

cost of corn and wheat; and

our acquisitions, plant expansions and divestitures.

Effects of Deregulation of the Mexican Tortilla and Corn Flour Industry

Because of the importance of tortillas as a principal staple in the Mexican diet, the Mexican government has regulated the domestic corn, corn flour and tortilla industry, in one form or another, for approximately thirty years. With the deregulation of the corn flour and tortilla markets on January 1, 1999, we believed that we were well positioned for growth. As tortilla prices were no longer to be set by the government, we anticipated a price war among tortilla producers that would accelerate the switch to the more efficient dry corn flour method in an effort to reduce costs. However, the Mexican government accelerated the sale of its remaining corn inventories during 1999 and since 1999 has issued import permits for corn which resulted in drastic decreases in corn prices. This in turn drove down corn flour prices as tortilla producers switched from corn flour to raw corn. This trend continued in 2001 and 2002, although to a lesser extent, during which time corn prices fell approximately 0.5% and 0.4%, respectively. During 2003, the cost of GIMSA's corn purchases increased about 13% while our average corn flour price increased only about 4%.

Despite the drop in corn and corn flour prices after deregulation, tortilla prices drastically increased after January 1, 1999 and have remained high through June of 2004. Tortilla price increases generally have a negative effect on our sales volume. During the period from 1999 through the end of 2003, tortilla prices increased approximately 104% (in nominal terms) while inflation was approximately 40% in that period. Most of the price increase took place at the beginning of 1999 (once the deregulation was effective on January 1), with an estimated nationwide average tortilla price increase of 43% (in nominal terms) in 1999 versus Mexican inflation of 12.3% in 1999. Since 2000, tortilla prices continued their upward trend, but at a slower rate. During the first three months of 2004, we estimate that tortilla prices increased approximately 3%. We believe tortilla prices are likely to stabilize or increase at lower rates although we can give no assurances in this regard.

Complementary Revenues. Until December 31, 1998, the Mexican government, in recognition of the importance of tortillas as a principal staple in the Mexican diet, established below-market tortilla prices and consequently regulated corn flour prices and paid complementary revenues to corn flour producers, subject to specified volume ceilings. Complementary revenues accounted for 12.2% of our net sales in 1998. Effective as of December 31, 1998, the Mexican government deregulated the corn flour and tortilla industry and, in particular, terminated the complementary revenue program and allowed the prices of corn flour and tortillas to be determined by competition and other market conditions. The termination of this program, combined with the other market-distortive effects described above, has negatively affected the transition to competitive corn and corn flour markets and has negatively affected our results of operations.

Commercialization Program. Since December 1996, ASERCA, a Mexican government agency, has maintained a separate program designed to promote the purchase of corn in certain regions of Mexico. Under this program, called the commercialization program, the Mexican government provides payments to corn purchasers based partly on international corn prices. The net effect is that these purchasers receive corn below the domestic market price of corn. The reimbursements vary depending upon the size of the corn harvest in Mexico's various growing regions. The amount of corn available under this program has been small.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement data on a Mexican GAAP basis for the years ended December 31, 2001, 2002 and 2003, expressed as a percentage of net sales. All financial information has been prepared under the Bulletin B-15 methodology. For a description of the method, see "Presentation of Financial Information" and "—Overview of Accounting Presentation."

	Year Ended December 31,		
	2001	2002	2003
Income Statement Data			
Net sales	100.0%	100.0%	100.0%
Cost of sales	63.1	62.5	63.7
Gross profit	36.9	37.5	36.3
Selling, general and administrative expenses	31.8	29.7	28.7
Operating income	5.2	7.8	7.6
Net comprehensive financing cost	(1.6)	(3.2)	(2.0)
Other income (expenses), net	0.4	0.6	(0.8)
Income taxes (current and deferred)	1.5	2.9	2.9
Employee's statutory profit sharing (current and deferred)	0.1	0.1	0.0
Other items	0.3	0.8	1.0
Minority interest	1.0	1.0	0.8
Majority net (loss) income	1.8	2.1	2.1

The following table sets forth our net sales and operating income as represented by our principal subsidiaries for 2001, 2002 and 2003. Financial information with respect to GIMSA includes sales of Ps.37 million, Ps.30 million and Ps.39 million in 2001, 2002 and 2003, respectively, in corn flour to PRODISA; financial information with respect to Molinera de México includes sales of Ps.29 million, Ps.5 million and Ps.13 million in 2001, 2002 and 2003, respectively, to PRODISA; financial information with respect to PRODISA includes sales of Ps.35 million, Ps.40 million and Ps.44 million in 2001, 2002 and 2003, respectively, in tortilla related products to Gruma Corporation; and financial information with respect to INTASA includes sales of Ps.302 million, Ps.304 million and Ps.375 million in 2001, 2002 and 2003, respectively, in technological support to certain subsidiaries of Gruma, S.A. de C.V. In the process of consolidation, all significant intercompany transactions are eliminated from the financial statements.

	Year Ended December 31,					
	2001		2002		2003	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
	(in millions of pesos of constant purchasing power as of December 31, 2003)					
Gruma Corporation	Ps. 9,724	Ps. 661	Ps. 9,986	Ps. 858	Ps. 11,217	Ps. 1,037
GIMSA	5,143	580	4,952	528	5,201	394
Venezuelan Operations	2,394	183	2,676	290	3,357	436
Molinera de México	1,609	14	1,789	19	1,992	(23)
Gruma Centroamérica	1,262	(9)	1,118	33	1,111	(3)
PRODISA	417	(237)	194	(79)	243	(57)
Others and eliminations	24	(131)	(55)	(41)	(79)	(36)
Total	Ps. 20,573	Ps. 1,061	Ps. 20,660	Ps. 1,608	Ps. 23,042	Ps. 1,748

Year Ended December 31, 2003 Compared with Year Ended December 31, 2002

Net Sales

Overview: Net sales increased by 12% to Ps.23,042 million in 2003 compared to Ps.20,660 million in 2002. The increase in net sales resulted primarily from volume growth of 6%. Sales volume rose in all of GRUMA's subsidiaries in 2003, with the main drivers of volume growth being Gruma Corporation and Gruma Venezuela. Higher average prices in connection with higher corn and wheat costs also contributed to the rise in net sales in 2003.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2003 and 2002 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2003	2002
Gruma Corporation	48.7%	48.3%
GIMSA	22.6	24.0
Venezuelan Operations	14.6	13.0
Molinera de México	8.6	8.7
Gruma Centroamérica	4.8	5.4
PRODISA	1.0	0.9
Others and eliminations	(0.3)	(0.3)

Gruma Corporation's net sales increased 12% to Ps.11,217 million in 2003 compared to Ps.9,986 million in 2002 primarily reflecting higher sales volume and, to a lesser extent, price increases for corn flour and tortillas, which were implemented during the first quarter of 2003 to offset higher corn and energy costs. Gruma Corporation's combined corn flour and tortilla sales volume increased by 9% to 979,000 tons in 2003 from 899,000 tons in 2002. Corn flour sales volume increased 7% while tortilla sales volume increased 10%.

Factors causing Gruma Corporation's tortilla sales volume to increase included:

- an 18% increase in corn tortilla sales volume due to the successful rollout at the end of the third quarter of 2002 of the "Great New Taste" formulation for corn tortillas for retail sale;
- significant growth in corn tortilla sales volume in the food service sector as a result of promotional activities aimed at increasing penetration in all domestic markets; and
- a 4% increase in wheat tortilla sales volume resulting from:
 - several major restaurant chain customers creating new recipes and promoting menu items featuring wheat tortillas; and

- a full year of new business relationships with two restaurant chains based in the Midwest, which began during the third quarter of 2002.

Factors causing Gruma Corporation's corn flour sales volume to increase included:

- increased demand from current trade customers due to their increasing tortilla production and converting from the traditional cooked-corn method to the corn flour method; and
- improved retail sales due to various factors including:
 - continued focus on specific customer markets in the United States;
 - strengthening of the MASECA[®] brand through promotions and advertising; and
 - growth of its distribution network.

GIMSA's net sales increased by 5% to Ps.5,201 million in 2003 compared with Ps.4,952 million in 2002. The increase in net sales resulted primarily from corn flour price increases related to higher corn costs and was also due to higher sales volume. We gradually implemented price increases throughout 2003 to offset higher corn costs, although we were not able to do so to fully reflect the increase. In constant peso terms, the average price of corn flour increased 4% in 2003 compared to 2002. Our sales volume increased 1% in 2003 to 1,395,000 tons from 1,386,000 tons in 2002 due to higher sales volume to DICONSA resulting from a modification in GIMSA's sales structure.

Net sales from our Venezuelan Operations increased 25% to Ps.3,357 million in 2003 compared to Ps.2,676 million in 2002, reflecting an increase in sales volume and higher prices due to:

- the implementation of price increases related to the devaluation of the bolívar and higher raw material costs; and
- the marketing of products not subject to price controls, including new value-added products launched in 2003.

Sales volume from our Venezuelan Operations increased by 14% in 2003 to 518,000 tons from 454,000 tons in 2002. This increase in sales volume was driven mainly by higher sales volume in most products, particularly wheat flour, as a result of:

- the ability of our Venezuelan operations to secure product supplies in a difficult business environment, thereby boosting customer confidence and enabling it to attract new customers;
- improved coverage and increased distribution;
- the development of new value-added products; and
- increased product promotion.

Molinera de México's net sales increased 11% to Ps.1,992 million in 2003 from Ps.1,789 million in 2002 reflecting a 7% increase in sales volume and, to a lesser extent, an increase in wheat flour prices implemented in connection with an increase in the cost of wheat. The increase in sales volume to 575,000 tons in 2003 from 536,000 tons in 2002 reflected:

- increased sales to Mexico's largest cookie maker;
- continuing initiatives designed to enhance sales to supermarket in-store bakeries; and
- improved retail sales resulting from stronger wholesaler coverage in northern Mexico.

Gruma Centroamérica's net sales decreased 1% to Ps.1,111 million in 2003 from Ps.1,118 million in 2002 reflecting lower corn flour prices that resulted from corn flour price discounts implemented to meet intensified competition from the traditional cooked-corn method and other corn flour producers, and a shift in the corn flour

product mix to cheaper brands and bulk presentation. Gruma Centroamérica's sales volume increased 4% in 2003 to 144,000 tons from 139,000 tons in 2002 as a result of higher corn flour sales volume due to:

- Gruma Centroamérica's reduction of corn flour prices to meet intensified competition;
- improved coverage in rural areas of Guatemala; and
- increased promotion of less expensive brands.

PRODISA's net sales increased 25% to Ps.243 million in 2003 from Ps.194 million in 2002 mainly as a result of a 34% sales volume growth in sales of corn flour tortillas, which are priced lower than wheat tortillas and corn chips which caused net sales to grow at a lower rate than sales volume. Sales volume increased 34% in 2003 to 21,000 tons from 15,000 tons in 2002 as a result of the introduction of warm corn flour tortillas and the expansion of PRODISA's product line to include different types of wheat tortillas based on regional consumers' preferences.

Cost of Sales

Overview: Our total cost of sales increased 14%, primarily due to an increase in sales volume as well as higher corn and wheat costs, to Ps.14,672 million in 2003 from Ps.12,921 million in 2002. As a percentage of net sales, our total cost of sales increased to 63.7% from 62.5%, primarily as a result of GIMSA and Molinera de México not raising prices commensurate with higher corn and wheat costs due to the competitive pricing environment in these markets.

Cost of Sales by Subsidiary: Gruma Corporation's cost of sales increased 11% to Ps.5,998 million in 2003 compared to 5,399 million in 2002, commensurate with the 9% increase in sales volume. Cost of sales as a percentage of net sales decreased to 53.5% from 54.1%, mainly as a result of improved manufacturing efficiencies and better absorption of fixed costs related to higher sales volume, which largely offset higher corn and natural gas costs and the increasing cost of new products.

GIMSA's cost of sales as a percentage of net sales increased to 73.8% in 2003 from 70.4% in 2002 because of GIMSA's price increases, which were made gradually throughout the year in an effort to stimulate sales volume growth, did not fully reflect higher corn costs.

In absolute terms, GIMSA's cost of sales increased 10% to Ps.3,840 million in 2003 from Ps.3,485 million in 2002 mainly as a result of higher corn costs and, to a lesser extent, higher fuel, electricity and additive costs.

Cost of sales of our Venezuelan Operations increased 27% to Ps.2,418 million in 2003 from Ps.1,903 million in 2002, as a result of sales volume growth and significant increases in raw material costs. Cost of sales as a percentage of net sales increased to 72.0% from 71.1%. The significant increases in the cost of raw materials (especially corn and wheat) were partially offset by improved manufacturing efficiencies, better absorption of fixed costs, a temporary reduction in the number of products presentations sold and lower overhead expenses.

Cost of sales of Molinera de México increased 16% to Ps.1,662 million in 2003 compared to Ps.1,432 million in 2002 due to sales volume growth and an increase in the cost of wheat. Cost of sales as a percentage of net sales increased to 83.5% from 80.0% due to a change in sales mix favoring bulk presentation and a more competitive market environment that prevented Molinera de México from raising the price of its bulk presentation to fully reflect higher wheat costs.

Gruma Centroamérica's cost of sales increased 6% to Ps.767 million in 2003 compared to Ps.721 million in 2002 as a result of the 4% increase in sales volume and the increased cost of raw materials. Cost of sales as a percentage of net sales increased to 69.1% in 2003 from 64.5% in 2002 primarily due to Gruma Centroamérica's decision not to raise corn flour prices to fully offset higher corn costs because of intensified competition from the traditional cooked-corn method and from other corn flour producers and, to a lesser extent:

- a shift in the corn flour product mix toward cheaper and lower-margin products; and

- higher costs in Gruma Centroamérica's hearts of palm business due to local shortages of heart-of-palm stems, and lower prices due to strong competition and a change in the sales mix.

PRODISA's cost of sales increased 20% to Ps.160 million in 2003 compared to Ps.134 million in 2002 as a result of the 34% increase in sales volume. Cost of sales as a percentage of net sales improved to 66.0% in 2003 from 68.7% in 2002 due to better absorption of fixed costs resulting from the 34% growth in sales volume.

Gross Profit

As a result of the above factors, our gross profit increased by 8% to Ps.8,370 million in 2003 compared with Ps.7,739 million in 2002 and our gross margin decreased to 36.3% from 37.5%.

Selling, General and Administrative Expenses

Overview: Our selling, general and administrative expenses, or SG&A expenses, increased 8% to Ps.6,622 million in 2003 from Ps.6,131 million in 2002 primarily due to the higher sales volume of Gruma Corporation. SG&A expenses as a percentage of net sales decreased to 28.7% in 2003 from 29.7% in 2002. The decrease in SG&A expenses as a percentage of net sales was driven by better expense absorption, especially in Gruma Venezuela.

SG&A Expenses by Subsidiary: SG&A expenses of Gruma Corporation increased 12% to Ps.4,182 million in 2003 from Ps.3,729 million in 2002 as a result of the 9% increase in sales volume. SG&A expenses as a percentage of net sales remained at 37.3% in 2003. The increase in net sales allowed Gruma Corporation to improve its absorption of fixed selling expenses, which were offset by legal expenses related to the Company's antitrust litigation.

GIMSA's SG&A expenses as a percentage of net sales decreased to 18.6% in 2003 from 19.0% in 2002 due to better expense absorption related to higher corn flour prices. In absolute terms, SG&A expenses increased 3% to Ps.967 million in 2003 from Ps.939 million in 2002, mainly as a result of higher selling expenses due to improvements in the commercialization and customer-service infrastructure.

SG&A expenses of our Venezuelan Operations increased 4% to Ps.503 million in 2003 compared to Ps.484 million in 2002 as a result of the 14% increase in sales volume. SG&A expenses as a percentage of net sales decreased to 15.0% in 2003 from 18.1% in 2002 due to better absorption of fixed expenses and favorable advertising contracts secured by the Venezuelan Operations.

SG&A expenses of Molinera de México increased 4% to Ps.352 million in 2003 from Ps.338 million in 2002 due to an increase in shipping costs in connection with the increase in sales volume. SG&A expenses as a percentage of net sales decreased to 17.7% in 2003 from 18.9% in 2002 as a result of higher net sales, which allowed for better expense absorption.

SG&A expenses of Gruma Centroamérica decreased 5% to Ps.347 million in 2003 from Ps.364 million in 2002 due mainly to Gruma Centroamérica's initiatives designed to optimize operating expenses. Those initiatives included, among other things, a restructuring of the sales and marketing departments, resulting in lower salary and administrative expenses, fewer distribution routes and logistical efficiencies. For the same reason, along with better expense absorption related to higher sales volume, SG&A expenses as a percentage of net sales decreased to 31.2% in 2003 compared to 32.6% in 2002.

SG&A expenses for PRODISA were flat at Ps.139 million. SG&A expenses as a percentage of net sales decreased to 57.4% in 2003 from 71.7% in 2002 as a result of better expense absorption due to the increase in sales volume.

Operating Income

Operating income increased 9% to Ps.1,748 million in 2003 compared to Ps.1,608 million in 2002. The improvement was driven by increases in operating income in Gruma Corporation and Gruma Venezuela of 21% and

50%, respectively, resulting from higher sales volume, improved manufacturing and transportation efficiencies and better pricing. Our consolidated operating margin decreased to 7.6% in 2003 from 7.8% in 2002, however, due mainly to GIMSA's higher corn costs not being fully reflected in its corn flour prices throughout the year and, to a lesser extent, Molinera de México's competitive pricing environment.

Net Comprehensive Financing Cost

Net comprehensive financing cost decreased 30% to Ps.461 million in 2003 compared to Ps.658 million in 2002, as a result of lower foreign exchange losses and lower interest expenses related mostly to reduced debt. The components of comprehensive financing cost, together with explanations of significant changes, are detailed below.

Items	2002	2003 (in millions of pesos of constant purchasing power as of December 31, 2003)		Change	Comments
Interest Expense	Ps. 611	Ps. 532	Ps. (79)	•	Lower debt and, to a lesser extent, lower interest rates
Interest Income	(62)	(65)	(3)		
Foreign Exchange Loss (Gain)	283	182	(101)	•	Lower peso and bolivar devaluation in 2003; lower debt
Monetary Position Loss (Gain)	(174)	(188)	(14)		
Total	Ps. 658	Ps. 461	Ps. (197)		

Other Expenses, Net

Other expenses, net was Ps.175 million in 2003 compared to income of Ps.130 million in 2002. This is a result of a gain in 2002 from the sale of nonproductive assets and the amortization of negative goodwill related to the acquisition of MONACA being completed in June 2002. For a detailed description of items included in other expenses, net, see Note 13 to our consolidated financial statements.

Taxes and Employees' Profit Sharing

Provisions for income taxes and employee profit sharing increased to Ps.671 million in 2003 from Ps.619 million in 2002. This increase corresponds to higher taxable income in 2003 compared to 2002. Our effective tax rate (income tax and employees profit sharing) for 2003 was 60% as compared to 57% in 2002. For additional information, please refer to the reconciliation of effective tax rates in Note 14 B of our financial statements.

Equity in Earnings of Associated Companies, Net

Our share of net income in unconsolidated associated companies represented Ps.235 million in 2003, Ps.61 million more than in 2002, due mainly to the completion in June 2002 of the amortization of the excess of cost of the acquisition over book value of Banorte.

Majority Net Income

As a result of the above factors, our income before minority interest was Ps.676 million in 2003 compared to Ps.635 million in 2002 and our majority net income was Ps.493 million in 2003 compared to Ps.424 million in 2002.

Year Ended December 31, 2002 Compared with Year Ended December 31, 2001

Net Sales

Overview: Net sales increased by 0.4% to Ps.20,660 million in 2002 compared to Ps.20,573 million in 2001. The increase in net sales resulted from higher net sales associated with higher volume at Gruma Corporation and Molinera de México as well as higher net sales associated with price increases at our Venezuelan Operations, partially offset by lower sales volume at GIMSA, Gruma Centroamérica and PRODISA (which, in the case of

Gruma Centroamérica and PRODISA, resulted from the discontinuation of the bread operations in 2001). In 2002, 67% of our consolidated net sales were derived from our non-Mexican operations.

Net Sales by Subsidiary: By major subsidiary, the percentages of consolidated net sales in 2002 and 2001 were as follows:

Subsidiary	Percentage of Consolidated Net Sales	
	2002	2001
Gruma Corporation	48.3%	47.3%
GIMSA	24.0	25.0
Venezuelan Operations	13.0	11.6
Molinera de México	8.7	7.8
Gruma Centroamérica	5.4	6.1
PRODISA	0.9	2.0
Others and eliminations	(0.3)	0.1

Gruma Corporation's net sales increased 2.7% to Ps.9,986 million in 2002 compared to Ps.9,724 million in 2001 primarily reflecting higher sales volume and relatively stable prices. Gruma Corporation's combined corn flour and tortilla sales volume increased by 5.1% to 899,000 tons in 2002 from 856,000 tons in 2001. Individually, corn flour sales volume increased 7.0% while tortilla sales volume increased 3.9%. The growth in corn flour and tortilla sales volume was partially due to Gruma Corporation's resumed production in October 2001 of yellow-corn products that it had previously suspended the sale of due to the possible presence of the StarLink™ protein. The resumption in production followed the implementation of a more rigorous program designed to identify genetically modified organisms in corn supplies in order to ensure product safety. In 2002, the company began to recover some of the yellow corn product sales it lost as a result of the voluntary recall. See "Item 8. Financial Information—Legal Proceedings."

Other factors causing Gruma Corporation's corn flour sales volume to increase included:

- strong demand from new and existing U.S. manufacturers of conventional products such as tortillas and tortilla chips as well as new products such as snacks and bakery products; and
- improved retail sales coverage resulting from changes to Gruma Corporation's wholesaler and distributor network.

Other factors causing Gruma Corporation's tortilla sales volume to increase included:

- increased sales to a major customer that expanded through recent acquisitions to whom Gruma Corporation is a preferred supplier;
- increased exports; and
- new business relationships with two restaurant chains based in the Midwest, which began during the third quarter of 2002.

GIMSA's net sales decreased by 3.7% to Ps.4,952 million in 2002 compared with Ps.5,143 million in 2001. The decrease in net sales resulted from lower sales volume. Sales volume decreased 3.5% in 2002 to 1,386,000 tons from 1,436,000 tons in 2001 due to a combination of factors, including:

- a 3.1% decrease in bulk sales volume (which represented 85.1% of total sales volume in 2002) resulting from our efforts to limit our customers to those with low-risk credit profiles; we are continuing to focus on increasing sales to these customers and are providing such customers with incentives to increase the percentage of corn flour used in their raw-material mix; and
- a 5.8% decrease in 2002 in sales volume of one-kilogram consumer retail packages of corn flour (which represented 14.9% of total sales volume in 2002) reflecting lower sales to DICONSA caused by DICONSA's restructuring of operations, which resulted in an increase in the prices of goods DICONSA sells to the public and a reduction in DICONSA branches and regional coverage.

Net sales from our Venezuelan Operations increased 11.8% to Ps.2,676 million in 2002 compared to Ps.2,394 million in 2001, reflecting significant price increases implemented throughout the year in order to offset sizeable increases in the cost of grains, particularly wheat. Sales volume from our Venezuelan Operations decreased by 0.9% in 2002 to 454,000 tons from 458,000 tons in 2001, which decrease was driven mainly by a 4.6% decline in wheat flour volume due primarily to a temporary suspension of operations in December 2002 due to the nation-wide general strike in Venezuela and, to a lesser extent, lower per-capita consumption stemming from lower consumer purchasing power coupled with higher prices. The decrease in sales volume from our Venezuelan Operations was partially offset by a 3.4% increase in sales of corn flour to be repackaged and resold under private labels.

Moliner de México's net sales increased 11.2% to Ps.1,789 million in 2002 from Ps.1,609 million in 2001 reflecting a 9.7% increase in sales volume and, to a lesser extent, an increase in wheat flour prices implemented in connection with an increase in the cost of wheat. The increase in sales volume to 536,000 tons in 2002 from 489,000 tons in 2001 reflected:

- increased sales to Mexico's largest cookie maker;
- continuing initiatives designed to enhance sales to supermarket in-store bakeries; and
- new supply contracts based on our commitment to customer service and quality.

Gruma Centroamérica's net sales decreased 11.5% to Ps.1,118 million in 2002 from Ps.1,262 million in 2001 reflecting the discontinuation of its bread operations in November 2001. Gruma Centroamérica's sales volume decreased 0.9% in 2002 to 139,000 tons from 140,000 tons in 2001 for the same reason. Net sales declined more than sales volume because Gruma Centroamérica's bread products sold at a much higher price per ton than corn flour, which is our main product line in Central America.

PRODISA's net sales decreased 53.5% to Ps.194 million in 2002 from Ps.417 million in 2001. Sales volume decreased 44.2% in 2002 to 15,000 tons from 28,000 tons in 2001 reflecting the discontinuation of the bread operations in November 2001.

Cost of Sales

Overview: Our total cost of sales decreased 0.4% to Ps.12,921 million in 2002 from Ps.12,974 million in 2001. As a percentage of net sales, our total cost of sales improved to 62.5% from 63.1%, resulting primarily from better performance of our Venezuelan Operations. Our Venezuelan Operations benefited from making most corn purchases before industry-wide price increases associated with the devaluation of the bolívar and from increasing the price of corn flour throughout the year. To a lesser extent, the discontinuation of Gruma Centroamérica's bread operations also contributed to the consolidated improvement.

Cost of Sales by Subsidiary: Gruma Corporation's cost of sales increased 2.4% to Ps.5,399 million in 2002 compared to Ps.5,272 million in 2001, commensurate with the 5.1% increase in sales volume. Cost of sales as a percentage of net sales decreased to 54.1% from 54.2% mainly as a result of better absorption of fixed costs related to higher sales volume.

GIMSA's cost of sales as a percentage of net sales increased to 70.4% in 2002 from 69.9% in 2001 due primarily to:

- lower absorption of fixed costs as a result of lower sales volume; and
- an increase in expenses associated with corn procurement, due to:
 - insufficient corn supplies in certain regions of Mexico in the fourth quarter of 2002; and
 - higher corn transportation and warehousing costs due to the absence in 2002 of governmental support GIMSA received in 2001 to compensate it for using domestic corn.

In absolute terms, GIMSA's cost of sales decreased 3.0%, commensurate with the 3.5% decline in sales volume, to Ps.3,485 million in 2002 from Ps.3,595 million in 2001.

Cost of sales of our Venezuelan Operations increased 9.8% to Ps.1,903 million in 2002 from Ps.1,733 million in 2001, largely as a result of significant increases in raw material costs. Cost of sales as a percentage of net sales improved to 71.1% from 72.4%. Despite significant increases in the cost of raw materials (especially wheat, which is imported to Venezuela), our Venezuelan Operations improved gross margin as a result of making most corn purchases before industry-wide price increases associated with the devaluation of the bolívar and by increasing the price of corn flour throughout the year.

Cost of sales of Molinera de México increased 11.6% to Ps.1,432 million in 2002 compared to Ps.1,283 million in 2001. Cost of sales as a percentage of net sales increased to 80.0% from 79.8% due to a change in sales mix favoring bulk presentation and, consequently, lower prices.

Gruma Centroamérica's cost of sales decreased 12.7% to Ps.721 million in 2002 compared to Ps.826 million in 2001 as a result of the 0.9% decrease in sales volume and the discontinuation of the bread operations. Cost of sales as a percentage of net sales improved to 64.5% in 2002 from 65.4% in 2001 in connection with the discontinuation of the bread operations.

PRODISA's cost of sales decreased 52.1% to Ps.134 million in 2002 compared to Ps.279 million in 2001 as a result of the 44.2% decrease in sales volume due to the discontinuation of the bread operations. Cost of sales as a percentage of net sales increased to 68.8% in 2002 from 66.8% in 2001 reflecting the discontinuation of the bread operations.

Gross Profit

As a result of the above factors, our gross profit increased by 1.8% to Ps.7,739 million in 2002 compared with Ps.7,600 million in 2001 and our gross margin improved to 37.5% from 36.9%.

Selling, General and Administrative Expenses

Overview: Our selling, general and administrative expenses, or SG&A expenses, decreased 6.2% to Ps.6,131 million in 2002 compared to Ps.6,538 million in 2001 due in large part to the discontinuation of the bread operations and, to a lesser extent, lower administrative expenses incurred by our corporate offices and lower expenses of GIMSA. In constant pesos SG&A expenses of Gruma Corporation decreased 1.6% reflecting a higher level of peso depreciation. SG&A expenses as a percentage of net sales decreased to 29.7% in 2002 from 31.8% in 2001. The decrease in SG&A expenses as a percentage of net sales was driven mainly by the discontinuation of the bread operations and, to a lesser extent, better expense absorption and containment within Gruma Corporation and our Venezuelan Operations.

SG&A Expenses by Subsidiary: In U.S. dollar terms, SG&A expenses of Gruma Corporation increased 0.7% in 2002 compared to 2001 mainly as a result of an increase in variable distribution expenses relating to the tortilla business and an increase in expenses relating to the promotion of the corn flour business. In constant pesos, SG&A expenses of Gruma Corporation decreased 1.6% reflecting a higher level of peso depreciation. SG&A expenses as a percentage of net sales decreased to 37.3% in 2002 from 39.0% in 2001, an improvement driven by an increase in sales volume.

GIMSA's SG&A expenses as a percentage of net sales increased to 19.0% in 2002 from 18.8% in 2001 due to lower sales volume. In absolute terms, SG&A expenses decreased 3.0% to Ps.939 million in 2002 from Ps.968 million in 2001 due to the consolidation of administrative positions at our plants and lower freight expenses as a result of decreased sales to DICONSA.

SG&A expenses of our Venezuelan Operations increased 1.2% to Ps.484 million in 2002 compared to Ps.478 million in 2001. SG&A expenses as a percentage of net sales decreased to 18.1% in 2002 from 20.0% in 2001 due to:

- increased net sales;
- significant reductions in promotional and advertising expenses;
- the fact that distribution expenses increased at a slower rate than did inflation; and

- to a lesser extent, headcount reduction.

SG&A expenses of Molinera de México increased 8.5% to Ps.338 million in 2002 from Ps.312 million in 2001 due to an increase in selling expenses (especially shipping costs) and the implementation of initiatives to increase both supermarket sales and support for distributors. SG&A expenses as a percentage of net sales decreased to 18.9% in 2002 from 19.4% in 2001 as a result of higher net sales.

SG&A expenses of Gruma Centroamérica decreased 18.3% to Ps.364 million in 2002 from Ps.445 million in 2001 due mainly to the discontinuation of the bread operations. For the same reason, SG&A expenses as a percentage of net sales decreased to 32.5% in 2002 compared to 35.3% in 2001.

SG&A expenses for PRODISA decreased 62.9% to Ps.139 million in 2002 from Ps.376 million in 2001 and SG&A expenses as a percentage of net sales decreased to 71.7% in 2002 from 90.0% in 2001, each as a result of the discontinuation of the bread operations.

Operating Income

Operating income increased 51.5% to Ps.1,608 million in 2002 compared to Ps.1,061 million in 2001 and our consolidated operating margin improved to 7.8% in 2002 from 5.2% in 2001 due primarily to:

- higher sales volume with respect to, and better expense absorption within, Gruma Corporation;
- the discontinuation of the bread operations;
- our Venezuelan Operations' improved performance resulting from increased corn flour prices and from having purchased most of its corn before industry-wide price increases followed the bolívar's devaluation; and
- lower administrative expenses at GRUMA's corporate offices.

Net Comprehensive Financing Cost

Net comprehensive financing cost increased 103.6% to Ps.658 million in 2002 compared to Ps.323 million in 2001 due mainly to foreign exchange losses associated with the devaluation of the peso, partially offset by lower interest expenses as a result of a reduction in our debt. The components of comprehensive financing cost, together with explanations of significant changes, are detailed below.

Items	2001	2002	Change	Comments
	(in millions of pesos of constant purchasing power as of December 31, 2003)			
Interest Expense	Ps. 729	Ps. 611	Ps. (118)	• Lower debt and lower average interest rates
Interest Income	(101)	(62)	39	• Lower average interest rates and lower cash balances
Foreign Exchange Loss (Gain)	(109)	283	392	• Peso devaluation in 2002 versus peso appreciation in 2001
Monetary Position Loss (Gain)	(196)	(174)	22	• Lower net monetary liability position resulting mainly from reduced debt
Total	Ps. 323	Ps. 658	Ps. 335	

Other Income, Net

Other income, net, increased 72.0% in 2002 to Ps.130 million compared to Ps.75 million in 2001, mostly because of the sale of certain nonproductive assets. For a detailed description of items included in other expenses, net, see Note 13 to our consolidated financial statements.

Taxes and Employees' Profit Sharing

Provisions for income taxes and employee profit sharing increased to Ps.619 million in 2002 from Ps.314 million in 2001, reflecting primarily:

- higher pre-tax income at Gruma Corporation resulting from better financial performance; and
- higher deferred taxes as a result of the disposal of certain subsidiaries during 2002.

Equity in Earnings of Associated Companies, Net

Our share of net income in unconsolidated associated companies represented Ps.175 million in 2002, Ps.105 million more than in 2001, due to:

- the completion by mid-2002 of the amortization of deferred assets related to excess of cost of the acquisition over book value of Banorte (previously reported under this item), and
- improved results of Banorte.

Majority Net Income

As a result of the above factors, our income before minority interest was Ps.635 million in 2002 compared to Ps.569 million in 2001 and our majority net income was Ps.424 million in 2002 compared to Ps.361 million in 2001.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As disclosed in Note 12 C to the consolidated financial statements, over the past years, we have entered into various equity swap agreements indexed to the Company's own stock. Under Mexican GAAP, these agreements are recognized at their fair value on the balance sheet, with the difference between the initial and the year-end fair value as a component of equity. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to the nature of the contractual settlement provisions. Details of the arrangements are as follows:

During 2003, we entered into five equity swap agreements with an international financial institution with respect to 22,200,000 of our own shares for a total amount of U.S.\$24.3 million. At each maturity we are required to pay a financing cost at the LIBOR rate plus an average of spread of 2.01% on the contractual amount. The agreements mature in January, September and December of 2004. The agreement that matured in January was closed with a gain of U.S.\$0.5578 per share, resulting in a total gain of U.S.\$5.4 million. One of the agreements that was set to mature in September was advanced to mature in February, which closed with a gain of U.S.\$0.3806 per share, resulting in a total gain of U.S.\$0.9 million. For the remaining agreements that mature in September and December, the Company will pay or receive the difference between the agreed average price of U.S.\$1.3624 per share and the market price.

In addition to the above arrangements, we have commitments under certain firm contractual arrangements to make future payments for goods and services. These firm commitments secure the future rights to various assets to be used in the normal course of operations. For example, we are contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with Mexican GAAP, the future rights and obligations pertaining to such firm commitments are not reflected as assets and liabilities on the accompanying consolidated balance sheets. Additionally, during 1996, Gruma Corporation entered into several sale-leaseback agreements for various production equipment located in two of its U.S. plants. These agreements are accounted for as operating leases under Mexican GAAP. Under U.S. GAAP these agreements would have been accounted for as capital leases because a continuing involvement from the seller-lessee is present, and consequently, the risks and benefits of the property are not transferred to the buyer-lessor. The U.S. GAAP balance sheet as of December 31, 2002 and 2003 would reflect an increase in the fixed assets, net, balance of Ps.161.5 million and Ps.139.0 million (net of accumulated depreciation of Ps.57.1 million and Ps.65.7 million respectively), respectively, and an increase in the long-term debt balance of Ps.218.6 million and Ps.204.7 million,

respectively. The average annual rental payments under these leases, expiring in 2011, will be approximately U.S.\$3.2 million, based upon the financial statements for the year ended December 31, 2003. Each agreement provides Gruma Corporation with a purchase option to acquire the equipment at fair market value at the expiration of the leases, and also an early purchase option, which permits Gruma Corporation to acquire the equipment at fair market value approximately three-quarters through the lease term.

The following table summarizes separately our material firm commitments at December 31, 2003 and the timing and effect that such obligations are expected to have on our liquidity and cash flow in the future periods. In addition, the table reflects the timing of principal and interest payments on outstanding debt, which is discussed in "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness." We expect to fund the firm commitments with operating cash flow generated in the normal course of business.

Contractual Obligations and Commercial Commitments	Less than 1 Year	From 1 to 3 Years	From 3 to 5 Years	Over 5 Years	Total
	(in millions of U.S. dollars)				
Long-term debt obligations	—	257.6	274.4	—	532.0
Operating lease obligations(1)	37.0	49.8	37.2	44.4	168.4
Purchase obligations(2)	68.3	—	—	—	68.3
Other long-term liabilities under Mexican GAAP(3)	44.4	—	—	—	44.4
Total	149.7	307.4	311.6	44.4	813.1

- (1) Operating lease obligations primarily relate to minimum lease rental obligations for our real estate and operating equipment in various locations.
- (2) Purchase obligations relate to our minimum commitments to purchase commodities, raw materials, machinery and equipment.
- (3) Other commercial commitments relate to short-term bank loans and the current portion of long-term debt.

OFF-BALANCE SHEET ARRANGEMENTS

As disclosed in Note 12 C to the consolidated financial statements, we have entered into call option agreements indexed to the Company's own stock. Under Mexican GAAP, we have accounted for these instruments as equity and consequently, these instruments are not reflected as liabilities or assets on our balance sheet. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to nature of the contractual settlement provisions. Details of the arrangements are as follows:

During 2003, we entered into two call option agreements with a European international financial institution with respect to 6,405,000 of our own shares for a total amount of U.S.\$5.9 million, maturing in February and May of 2004, with a zero strike price. These agreements were closed with an average gain of U.S.\$0.7444 per share, resulting in a total gain of U.S.\$4.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resource requirements from 1998 to 2000 reflected a high level of capital expenditures in connection with the construction and acquisition of additional facilities in Mexico, the United States, Central America and Venezuela, as well as significant working capital requirements. During 2001, 2002 and 2003, we decreased capital expenditures compared to prior years and focused on improving operating efficiencies. In 2003 most of our capital expenditures were used for capacity expansion, especially in our U.S. operations and technology upgrades.

We fund our liquidity and capital resource requirements through a variety of sources, including:

cash generated from operations;

uncommitted short-term and long-term lines of credit;
 committed medium-term facilities;
 offerings of medium- and long-term debt; and
 sales of our equity securities and those of our subsidiaries from time to time.

We believe that our overall sources of liquidity will continue to be sufficient during the next 12 months to satisfy our foreseeable financial obligations and operational requirements. The principal factors that could decrease our sources of liquidity are a significant decrease in the demand for, or price of, our products, each of which could limit the amount of cash generated from operations, and a lowering of our corporate credit rating or any other downgrade, which could increase our costs with respect to new debt and cause our stock price to suffer. Our liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. As discussed below, Gruma, S.A. de C.V. is subject to financial covenants contained in some of its debt agreements which require it to maintain certain financial ratios and balances on a consolidated basis and Gruma Corporation is subject to financial covenants contained in some of its debt and lease agreements which require it to maintain certain financial ratios and balances on a consolidated basis. The interest that Gruma, S.A. de C.V. and Gruma Corporation pay on a portion of their debt may increase if they fail to comply with these and other covenants. An increase in the interest that Gruma, S.A. de C.V. pays on its debt could limit its ability to fund its liquidity and capital resource requirements. Similarly, an increase in the interest that Gruma Corporation pays on debt could limit Gruma Corporation's ability to help support our liquidity and capital resource requirements.

Mr. González Barrera has pledged part of his shares in our company to secure some of his borrowings. If there is a default and the lenders enforce their rights against any or all of these shares, Mr. González Barrera could lose control over us and a change of control could result. In addition, this could trigger a default in one of our credit agreements and have a material adverse effect upon our business, financial condition, results of operations and prospects. For more information about this pledge, see "Item 7. Major Shareholders and Related Party Transactions."

We intend to mitigate liquidity risks by increasing revenues through capitalizing on our existing infrastructure and production capacity and pursuing moderate growth, but we cannot assure you that we will succeed in this regard.

Working Capital

We define working capital as current assets, excluding restricted cash, minus current liabilities, excluding short-term bank loans and current portion of long-term debt. Our working capital as of the dates indicated was as follows:

December 31, 2002	Ps. 3,866 million
December 31, 2003	Ps. 4,224 million

Indebtedness

In October 1997, GRUMA issued U.S.\$250 million unsecured notes due 2007, which were rated "investment grade", or triple-B- minus, by Standard & Poor's and Ba2 by Moody's. In November 1999, Standard & Poor's lowered the rating on GRUMA's U.S.\$250 million unsecured notes due 2007 from triple-B-minus to double-B-plus. In September 2000, Moody's downgraded GRUMA's debt from Ba1 to Ba2. Additionally, in May 2001, Standard & Poor's lowered our corporate credit rating to double-B from double-B-plus. Although Standard & Poor's and Moody's changed GRUMA's outlook from negative to stable in April 2002 and June 2002, respectively, Standard & Poor's changed GRUMA's outlook from stable to positive in December 2002 and Standard & Poor's raised our corporate credit rating to double-B-plus in June 2003, and Standard & Poor's upgraded GRUMA to BBB- from BB+ with a stable outlook in June 2004, any downgrades or changes in outlook with negative implications could cause GRUMA's debt costs to fluctuate which could ultimately affect our stock price.

Our indebtedness bears interest at fixed and floating rates. At December 31, 2003, approximately 46% of our outstanding indebtedness bore interest at fixed rates and approximately 54% bore interest at floating rates, with

almost all floating-rate indebtedness bearing interest based on LIBOR. Although we hedge our interest rate exposure, we do not hedge our foreign exchange rate exposure because we believe that we have natural foreign exchange hedges incorporated in our balance sheet. For more information about our interest rate and foreign exchange rate exposures, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

As of December 31, 2003, we had committed U.S. dollar-denominated long-term lines of credit totaling Ps.787 million (approximately U.S.\$70 million) available from banks in the United States of which none had been drawn. As of the same date, we also had uncommitted short-term lines of credit totaling Ps.3,402 million (approximately U.S.\$303 million) available from Mexican and international banks, of which we had drawn Ps.93 million. As of December 31, 2003, long-term uncommitted revolving lines of credit totaling Ps.1,551 million (approximately U.S.\$138 million) from Mexican banks were available to us, of which none had been drawn. Should we elect to utilize the uncommitted lines of credit, we would have to negotiate the terms and conditions at the time of use.

At December 31, 2003, we had total outstanding long-term debt aggregating approximately Ps.5,980 million. All of our long-term debt at such date was dollar-denominated. Our long-term debt includes U.S.\$250 million, or Ps.2,810 million, of principal amount of the 7.625% Notes due 2007, which we issued in October 1997.

On December 18, 2002, we obtained a three-year term syndicated loan from a syndicate of banks for which Bank of America, N.A. is acting as administrative agent for U.S.\$300 million at LIBOR plus a spread ranging from 87.5 to 162.5 basis points, based on our consolidated debt-to-EBITDA ratio. Total proceeds were used to pay the remaining U.S.\$300 million portion of our U.S.\$400 million syndicated loan due February 2004. In addition, we used available revolving credit facilities at year end to prepay the U.S.\$50 million syndicated loan due February 2003.

The syndicated loan is due in two installments: U.S.\$50 million in December 2004 and U.S.\$250 million in December 2005. There is a committed revolving sub-limit of up to U.S.\$100 million which we can repay and reborrow and which will be reduced to U.S.\$75 million in December 2004. The committed revolving sub-limit gives us additional flexibility to manage our debt. The syndicated loan also allowed us to extend average debt maturities and substantially improve our debt profile. We have also achieved interest expense reductions because interest rates on the new syndicated loan are more competitive than were those on the previous syndicated loan. Prepayments to date have been applied to the principal payment due in December 2004 and as of June 18, 2004, and we have paid U.S.\$40.0 million of that payment. As of June 18, 2004, the applicable rate under this facility is LIBOR plus 1.125%.

Some of our credit agreements contain covenants that require us to maintain:

a ratio of consolidated total funded debt to EBITDA of not more than 3.5:1; and

a ratio of consolidated EBITDA to consolidated interest charges of not less than 2.50:1.

In addition, we may not incur additional indebtedness and may not pay dividends if doing so would violate the terms of these covenants.

Gruma Corporation is also subject to covenants which limit the amount of dividends that can be paid under certain circumstances. Both Gruma, S.A. de C.V. and Gruma Corporation are also subject to covenants which limit the amounts that may be advanced to, loaned to, or invested in, us under certain circumstances. In addition, both Gruma, S.A. de C.V. and Gruma Corporation are required to maintain certain financial ratios and balances. Upon the occurrence of any default or event of default under its credit and lease agreements, Gruma Corporation generally is prohibited from making any payments to us or our other subsidiaries or affiliates. The covenants described above and other covenants could limit our and Gruma Corporation's ability to help support our liquidity and capital resource requirements. We and Gruma Corporation are currently in compliance with all of the covenants contained in the debt and lease agreements.

During 1996, Gruma Corporation entered into several sale-leaseback agreements for various production equipment located in two of its U.S. plants. These agreements are, under Mexican GAAP, accounted for as operating leases. Under U.S. GAAP, these arrangements would have been accounted for as capital leases because a continuing involvement from the seller-lessee is present, and consequently, the risk and benefits of the property are not transferred to the buyer-lessor. Average annual rental payments under these leases, expiring in 2011, will be approximately U.S.\$3.2 million, based upon the financial statements for the year ended December 31, 2003. Each agreement provides Gruma Corporation with a purchase option to acquire the equipment at fair market value at the expiration of the leases, and also an early purchase option, which permits Gruma Corporation to acquire the equipment at fair market value approximately three-quarters of the lease term.

As of December 31, 2003, we had total cash and cash equivalents of Ps.370 million, including Ps.1 million in restricted cash (U.S. dollars currency). Restricted cash is comprised primarily of undistributed proceeds from tax-exempt industrial development bonds issued by Gruma Corporation held by a trustee available for future purchases of certain plants and equipment.

The following table presents our amortization requirements with respect to our total indebtedness as of June 18, 2004.

<u>Year</u>	<u>In Millions of U.S. Dollars</u>	
2004	U.S.\$	28
2005		255
2006		3
2007		252
2008		2
2009 and thereafter		21
Total	U.S.\$	561

The following table sets forth our ratios of consolidated debt to total capitalization (i.e., consolidated debt plus total stockholders' equity) and consolidated liabilities to total stockholders' equity as of the dates indicated. For purposes of these ratios, consolidated debt includes short-term debt.

<u>Date</u>	<u>Ratio of Consolidated Debt to Total Capitalization</u>	<u>Ratio of Consolidated Liabilities to Total Stockholders' Equity</u>
December 31, 2002	0.36	0.84
December 31, 2003	0.33	0.81

Capital Expenditures

After years of significant growth, we are pursuing a more moderate growth strategy, which includes lower levels of capital expenditures in property, plant and equipment primarily in connection with our expansion and technology upgrades at manufacturing facilities. In 2002, we spent U.S.\$64 million on capital expenditures, primarily on technological upgrades for our production equipment. In 2003, we spent U.S.\$75 million on capital expenditures, primarily on capacity expansion and technology upgrades. We have budgeted approximately U.S.\$100 million for capital expenditures in 2004. This includes approximately U.S.\$11 million spent during the first quarter of 2004 for the expansion of corn flour and tortilla capacity, as well as general facilities maintenance, in Gruma Corporation; transportation equipment in GIMSA and PRODISA; and additional corn tortilla capacity in PRODISA.

We expect to be able to fund our capital expenditures primarily from funds from operations. We believe that funds from operations and our current bank lines of credit will be sufficient to meet our anticipated capital expenditures through the end of this year.

U.S. GAAP RECONCILIATION

Our consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. See Note 20 to our audited consolidated financial statements for

information relating to the nature and effect of such differences. Mexican GAAP financial statements recognize the effects of inflation, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. We are not required to reverse many of the Mexican inflation accounting adjustments when reconciling Mexican GAAP to U.S. GAAP, as these adjustments provide a means of measuring the effects of price-level changes in the inflationary Mexican economy. Accordingly, these inflation-adjusted figures are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

Net income under U.S. GAAP amounted to Ps.207.8 million in 2001, Ps.322.2 million in 2002 and Ps.589.1 million in 2003, compared with majority net income under Mexican GAAP of Ps.361.0 million in 2001, Ps.423.7 million in 2002, and Ps.493.0 million in 2003.

Stockholders' equity under U.S. GAAP amounted to Ps.8,920.4 million in 2002 and Ps.9,243.2 million in 2003, compared with stockholders' equity under Mexican GAAP of Ps.12,965.6 million in 2002 and Ps.12,924.8 million in 2003. See Note 20 to our audited consolidated financial statements for a further discussion of the adjustments under U.S. GAAP.

New Accounting Standards

New Accounting Pronouncements under Mexican GAAP

In December 2002, the Mexican Institute of Public Accountants ("MIPA") issued Bulletin C-15, "Impairment in the Value of Long-Lived Assets and their Disposal" ("Bulletin C-15"), which is effective as of January 1, 2004. Bulletin C-15 establishes guidance for the identification of certain events that represent evidence of a potential impairment in long-lived assets, tangible and intangible. Additionally, it provides guidance for the estimation and recognition of losses for impairment and their reversal and establishes the requirements of presentation and disclosure of impairment losses and discontinued operations. Our management believes that the adoption of Bulletin C-15 will not have a significant impact on our results of operations or financial condition.

In April 2003, the MIPA issued Bulletin C-12, "Financial Instruments with Characteristics of Liabilities, Equity or Both" ("Bulletin C-12"), which is effective as of January 1, 2004. Bulletin C-12 establishes standards to classify and measure certain financial instruments with characteristics of both, liabilities and equity, as well as the disclosure requirements. Our management believes that the adoption of Bulletin C-12 will not have a significant impact on our results of operations or financial condition.

In April 2004, the MIPA issued Bulletin C-10, "Derivative financial instruments and hedge operations," which is effective on January 1, 2005, but early adoption is encouraged. Bulletin C-10 establishes, among other things, the characteristics of derivative financial instruments, the definition and classification of accounting models for hedge operations, the conditions to consider a financial instrument as having hedging purposes, and the recognition, valuation and disclosure guidelines for derivative financial instruments. Our management is currently evaluating the effective date for the adoption of this standard and its effect on our results of operation and financial position.

In May 2004, the MIPA issued Bulletin B-7, "Business Acquisitions" ("Bulletin B-7") which provides guidance for accounting of business acquisitions and investments in associated entities. Bulletin B-7 requires that all business acquisitions and investments in associates be accounted for by the purchase method of accounting, and supplements the accounting for the recognition of intangible assets as a part of a business acquisition. Upon adoption of Bulletin B-7, goodwill ceases to be amortized, and is rather tested for impairment at least annually. Bulletin B-7 also provides guidance for the acquisition of a minority interest, and for asset transfers and business acquisitions among entities under common control. Bulletin B-7 is effective for periods beginning on January 1, 2005 with early adoption encouraged. Our management is currently evaluating the effects that this Bulletin will have on our financial position and results of operations.

Recently Issued U.S. Accounting Standards

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial

accounting and reporting for derivative instruments by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this statement clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to the language used in FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated results of operations or financial condition.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". The statement requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, the statement is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated results of operations or financial condition.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB 51". The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIE") and how to determine when and which business enterprise should consolidate the VIE (the "primary beneficiary"). This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is sufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period, and it applies to nonpublic enterprises as of the end of the applicable annual period. In December 2003, the FASB redeliberated certain proposed modifications and revised FIN 46 ("FIN 46-R"). The revised provisions are applicable no later than the first reporting period ending after March 15, 2004. The Company does not expect that the adoption of FIN 46 and FIN 46-R will have a material impact on its financial statements.

RESEARCH AND DEVELOPMENT

While our business does not depend heavily on development of new technologies, we continuously engage in research and development activities that focus on, among other things: increasing the efficiency of our proprietary corn flour and tortilla production technology; maintaining high product quality; developing new and improved products and manufacturing equipment; increasing the shelf life of certain corn and wheat products; improving and expanding our information technology system; engineering, plant design and construction; and compliance with environmental regulations. We have obtained 40 patents in the United States since 1968, five of which were obtained during the last three years. We currently have four patents in registration. Two of our patents are published. Twenty-one of these patents are in force and effect as of the date hereof and the rest have expired.

During the years ended December 31, 2001, 2002 and 2003, we spent Ps.23 million, Ps.10 million, and Ps.3 million, respectively, on research and development activities. For more information about our research and development activities, see "Item 4. Information on the Company—Description of Business—Miscellaneous—INTASA—Technology and Equipment Operations."

TREND INFORMATION

Our financial results will likely continue to be influenced by factors such as changes in the level of consumer demand for tortillas and corn flour, government policies regarding the Mexican tortilla and corn flour industry, and the cost of corn and wheat. In addition, we expect our financial results in 2004 to be influenced by:

increased competition from traditional tortilla manufacturers, which could limit our ability to grow;

exchange rate fluctuations, particularly increases and decreases in the value of the Mexican peso relative to the Venezuelan bolívar and U.S. dollar;

civil and political unrest in Venezuela which may negatively affect the profitability of our Venezuelan Operations and our ability to repatriate dividends from our Venezuelan Operations; and

increases in Mexican food consumption by the non-Hispanic population in the United States as well as projected increases in Mexican food consumption in Europe and Asia, each of which could increase sales.

ITEM 6. Directors, Senior Management and Employees.

MANAGEMENT STRUCTURE

Our management is vested in our board of directors. Our day to day operations are handled by our executive officers.

Directors

Our bylaws require that our board of directors be composed of a minimum of five and a maximum of twenty directors, as decided at our Ordinary General Shareholders' Meeting. Pursuant to Mexican law, at least 25% of the members of the board of directors must be independent. Under our bylaws and the Archer-Daniels-Midland association, as long as Archer-Daniels-Midland owns at least 20% of our capital stock, it will have the right to designate two of our directors and their corresponding alternates. Archer-Daniels-Midland has designated Allen Andreas, its Chairman and Chief Executive Officer, and Paul Mulhollem, its President and Chief Operating Officer, as members of our board of directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary, and General Counsel, and Douglas J. Schmalz, its Senior Vice President and Chief Financial Officer, to serve as alternates for Mr. Andreas and Mr. Mulhollem, respectively. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one director and its corresponding alternate.

The board of directors, which was elected at the Ordinary General Shareholders' Meeting held on April 30, 2004, currently consists of 14 directors, with each director having a corresponding alternate director. The following table sets forth the current members of our board of directors, their ages, years of service, principal occupations, outside directorships, other business activities and experience, their directorship classifications as defined in the Code of Best Corporate Practices promulgated by a committee formed by the Mexican Entrepreneur Coordinating Board (*Consejo Coordinador Empresarial*), and their alternates. The terms of their directorships are for one year or until their appointed successors take office. José de la Peña y Angelini, an alternate member of our board of directors, is also an employee of GRUMA. Under his service contract with GRUMA, if he is terminated without cause before September 1, 2005, he is entitled to receive as severance an amount not lower than 50% of his base annual salary, including his Christmas bonus. Jairo Senise, another alternate member of our board of directors is an employee of GRUMA as well. Under his service contract with GRUMA, if he is terminated without cause before completing thirty-six months of service, which period ends on August 12, 2005, he is entitled to receive as severance, a lump sum payment equivalent to what he would have received for the rest of such period if he would have continue working for GRUMA, but in no event, can such sum be lower than 12 months of his monthly base salary. No other current director or alternate director has service contracts with us providing for benefits upon termination of employment.

Roberto González Barrera	Age:	73
	Years as Director:	22
	Principal Occupation:	Chairman of the board of directors and Chief Executive Officer of GRUMA and GIMSA
	Outside Directorships:	Chairman of the board of directors of Grupo Financiero Banorte, S.A. de C.V., since 1992.
	Directorship Type:	Shareholder, related
	Alternate:	Juan A. Quiroga García
Allen Andreas	Age:	60
	Years as Director:	7

	Principal Occupation:	Chairman and Chief Executive Officer of Archer-Daniels-Midland Company
	Outside Directorships:	Member of the Supervisory Board of the A.C. Toepfer International Group, Agricore United, the Trilateral Commission, and the International Council on Agriculture, Food and Trade, Member of the European Advisory Board of the Carlyle Group and a Member of advisory boards of various other business operations in Latin America, Europe and the Asia-Pacific region.
	Business Experience:	Chief Financial Officer of European Operations and Vice President and Counsel to the Executive Committee of Archer-Daniels-Midland Company. Attorney for the United States Treasury Department, and member of the Bar of the State of Colorado and the American Bar Association.
	Directorship Type:	Shareholder, independent
	Alternate:	David J. Smith
Juan Antonio González Moreno	Age:	46
	Years as Director:	1
	Principal Occupation:	Senior Vice President of Special Projects at the tortilla business of Gruma Corporation
	Business Experience:	Several management positions within GRUMA, including President of the corn flour operations of Gruma Corporation and Chief Operating Officer of GIMSA.
	Directorship Type:	Related
	Alternate:	Jairo Senise
Roberto González Moreno	Age:	52
	Years as Director:	17
	Principal Occupation:	Chairman of the board of directors of Corporación Noble, S.A. de C.V., and Noble Marketing International, Inc.
	Other Directorships:	Member of the Board of GIMSA and Banco Mercantil del Norte, S.A.
	Business Experience:	Several management positions within GRUMA, including Chief Operating Officer of GIMSA and Director of GRUMA's former Fast Food Division. President of RGM Inc., Exportaciones El Parián, S.A.
	Directorship Type:	Related
	Alternate:	José de la Peña y Angelini
Carlos Hank Rhon	Age:	56
	Years as Director:	10
	Principal Occupation:	Chairman of Grupo Financiero Interacciones, S.A. de C.V.
	Outside Directorships:	Chairman of Grupo Hermes, S.A. de C.V.
	Business Experience:	Grupo Financiero Interacciones, S.A. de C.V., Grupo Hermes S.A. de C.V., The Laredo National Bank, South Texas National Bank and Chairman of Mercedes Benz México, S.A. de C.V.
	Directorship Type:	Related
	Alternate:	Gerardo S. Vargas Ateca
Roberto Hernández Ramírez	Age:	62
	Years as Director:	9
	Principal Occupation:	Chairman of the board of directors of Banco Nacional de México, S.A. and Acciones y Valores de Mexico, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of Grupo Televisa, S.A. de C.V., Ingenieros Civiles Asociados, S.A. (ICA), Grupo Modelo, S.A. de C.V.

	Business Experience:	Chief Executive Officer of Banco Nacional de México, S.A. and Grupo Financiero Banamex-Accival, S.A. de C.V., Chairman of the board of directors of Grupo Financiero Banamex-Accival, S.A. de C.V., Chairman of the Mexican Stock Exchange, Chairman of the Mexican Banking Association, Member of the board of directors of Teléfonos de México, S.A. de C.V.
	Directorship Type:	Independent
	Alternate:	Esteban Malpica Fomperosa
Juan Manuel Ley López	Age:	71
	Years as Director:	10
	Principal Occupation:	Chairman of Casa Ley, S.A. de C.V.
	Outside Directorships:	Chairman of the Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival and the National Association of Supermarket and Retail Stores (ANTAD), and member of the board of directors of Grupo Financiero Banamex Accival, S.A. de C.V. and Telefonos de Mexico, S.A. de C.V.
	Business Experience:	Chief Executive Officer of Casa Ley, S.A. de C.V., consultant and instructor for junior business management at "Junior Business Management Institute" (ICAMI-SINALOA)
	Directorship Type:	Independent
	Alternate:	Francisco Villarreal Vizcaíno
Eduardo Livas Cantú	Age:	61
	Years as Director:	18
	Principal Occupation:	Consultant on financial and strategic issues and mergers and acquisitions, Member of the Board of GIMSA, Chairman and Member of the audit committee of GRUMA and Member of the audit committee and risk policy committee of Grupo Financiero Banorte, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of Grupo Financiero Banorte, S.A. de C.V., and Banco Mercantil del Norte, S.A., Bancentro, S.A. de C.V. and GIMSA.
	Business Experience:	Several positions within GRUMA including Chief Financial Officer, President of Gruma Corporation, Chief Executive Officer of GRUMA and GIMSA
	Directorship Type:	Independent
	Alternate:	Alfredo Livas Cantú
Román Martínez Méndez	Age:	66
	Years as Director:	2
	Principal Occupation:	President of Internal Auditing of Grupo Financiero Banorte, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of GIMSA, Grupo Calider, S.A. de C.V., Operadora de Fondos de Inversión, S.A. de C.V.
	Business Experience:	Several management positions within GRUMA, including Chief Internal Auditing Officer and Vice-President of Controllership and Auditing
	Directorship Type:	Related
	Alternate:	Raúl Cavazos Morales
Paul B. Mulhollem	Age:	54
	Years as Director:	2
	Principal Occupation:	President and Chief Operating Officer of Archer-Daniels-Midland Company.
	Outside Directorships:	Member of Agricore United, A.C.Toepfer International, National Future Farmers of America and the Carle Foundation

	Business Experience:	Several management positions within Archer-Daniels-Midland Company, including Group Vice President and Senior Vice President of Archer-Daniels-Midland Company's Global Grain Operations
	Directorship Type:	Shareholder, independent
	Alternate:	Douglas J. Schmalz
Bernardo Quintana Isaac	Age:	62
	Years as Director:	9
	Principal Occupation:	Chairman of the board of directors of Empresas ICA, Sociedad Controladora.
	Outside Directorships:	Member of the board of directors of Teléfonos de México, S.A. de C.V., Cementos Mexicanos, S.A. de C.V., Grupo Carso, S.A. de C.V.
	Business Experience:	Executive Vice President and Vice President of the Tourist and Urban Development Division for Grupo ICA
	Directorship Type:	Independent
	Alternate:	Diego Quintana Kawage
Alfonso Romo Garza	Age:	53
	Years as Director:	10
	Principal Occupation:	Chairman and Chief Executive Officer of Savia, S.A. de C.V. and Seminis Inc., Chairman of ING Mexico.
	Outside Directorships:	Member of board of Cementos Mexicanos, S.A. de C.V., Nacional de Drogas, Grupo Comercial Chedraui, Member of World Bank's External Advisory Board for Latin America and the Caribbean, member of the board of directors of Donald Danforth Plant Science Center.
	Business Experience:	Director of Strategic Planning and Corporate Development of Visa-Femsa. Founder of Pulsar International, S.A. de C.V.
	Directorship Type:	Independent
	Alternate:	Adrián Rodríguez Macedo
Adrián Sada González	Age:	59
	Years as Director:	10
	Principal Occupation:	Chairman of the board of directors of Vitro, S.A. de C.V.
	Outside Directorships:	Member of the board of directors of ALFA, S.A. de C.V., Cydsa, S.A. de C.V., and Regio Empresas S.A. de C.V., member of the Latin American Executive Board for the University of Pennsylvania's Wharton School of Finance.
	Business Experience:	President of the Administrative Board of Grupo Financiero Serfin, S.A. de C.V.
	Directorship Type:	Independent
	Alternate:	Manuel Güemes de la Vega
Javier Vélez Bautista	Age:	47
	Years as Director:	2
	Principal Occupation:	Managing Director of Value Link Strategic Management.
	Outside Directorships:	Member of the board of directors of GIMSA, Alternate member of Grupo Financiero Banorte, S.A. de C.V. and Banco Mercantil del Norte, S.A. Member of the audit committees of GIMSA and Grupo Financiero Banorte, S.A. de C.V. Member of the risk management committee of Grupo Financiero Banorte, S.A. de C.V.
	Business Experience:	Several management positions within GRUMA including Director of Finance and Planning of Gruma Corporation, Chief Financial Officer and Chief of Staff of GRUMA
	Directorship Type:	Independent
	Alternate:	Sergio García Boulle

Mr. Roberto González Moreno and Mr. Juan Antonio González Moreno are the sons of Mr. Roberto González Barrera. Mr. Carlos Hank Rhon is the son-in-law of Mr. Roberto González Barrera.

Secretary

The secretary of the board of directors is Mr. Salvador Vargas Guajardo, and his alternate is Mr. Guillermo Elizondo Ríos. Mr. Vargas Guajardo is not a member of the board of directors.

Senior Management

The following table sets forth our executive officers, their ages, years of service, current positions, and prior business experience:

Roberto González Barrera	Age:	73
	Years as Executive Officer:	55
	Years at GRUMA:	55
	Current Position:	Chairman of the board of directors and Chief Executive Officer of GRUMA
	Other Positions:	Chief Executive Officer and Chairman of the board of directors of GIMSA, Chairman of the board of directors of Grupo Financiero Banorte, S.A. de C.V.
Rafael Abreu	Age:	35
	Years as Executive Officer:	Since April 2004
	Years at GRUMA:	8
	Current Position:	President, Gruma Centroamérica.
	Business Experience:	Several positions within Gruma Centroamérica, including Vice President of the corn flour and tortilla operations
Leonel Garza Ramírez	Age:	54
	Years as Executive Officer:	5
	Years at GRUMA:	18
	Current Position:	Chief Procurement Officer.
	Business Experience:	Manager of Quality and Corn Procurement and Vice President of Corn Procurement at GRUMA.
Roberto González Alcalá	Age:	40
	Years as Executive Officer:	2
	Years at GRUMA:	9
	Current Position:	Chief Operating Officer of GRUMA's Mexican Operations (GIMSA, Molinera de México and PRODISA).
	Business Experience:	Several positions within GRUMA's Central American operations, including Chief Operating Officer, President of the Tortilla Division in Costa Rica. President of the Corn Flour Division in Central America; experience in marketing sales and manufacturing areas.
Homero Huerta Moreno	Age:	41
	Years as Executive Officer:	2
	Years at GRUMA:	19
	Current Position:	Chief Administrative Officer.
	Business Experience:	Various positions within GRUMA including finance and administrative vice president of GRUMA Venezuela.
Enrique Orjuela Rincón	Age:	54
	Years as Executive Officer:	5
	Years at GRUMA:	5
	Current Position:	Chief Operating Officer of MONACA.

	Business Experience:	Vice President and Chief Executive Officer of Coca-Cola Services in Venezuela, Chief Executive Officer of Kellogg's Venezuela and Andean Region, marketing positions at Pepsi-Cola, Warner-Lambert and Quaker.
José de la Peña y Angelini	Age:	55
	Years as Executive Officer:	1
	Years at GRUMA:	1
	Current Position:	President of GRUMA's Latin American Operations.
	Business Experience:	Executive Vice President Sales and Marketing of GRUMA, top management positions at Colgate-Palmolive, senior positions at Chrysler de México, President of the Mexico office of FCB Worldwide.
Juan Antonio Quiroga García	Age:	54
	Years as Executive Officer:	6
	Years at GRUMA:	31
	Current Position:	Chief Corporate Officer
	Other Positions:	Senior Corporate Controller of GIMSA
	Business Experience:	Vice President of Administration of Gruma Corporation, Chief Administrative and Internal Auditing Officer of GRUMA.
Felipe Rubio Lamas	Age:	46
	Years as Executive Officer:	Since August 2003
	Years at GRUMA:	21
	Current Position:	Chief Technology Officer.
	Business Experience:	Several managerial and Vice President positions within GRUMA Corporation related to manufacturing processes and design and construction of production facilities.
Jairo Senise	Age:	48
	Years as Executive Officer:	1
	Years at GRUMA:	1
	Current Position:	President and Chief Executive Officer of Gruma Corporation.
	Business Experience:	Regional Vice President and Managing Director of Europe and Eurasia and Regional Vice President of Latin America/South Africa for the Pillsbury Company/General Mills; positions at CPC International/Best Foods, S.C. Johnson and Colgate-Palmolive.
Salvador Vargas Guajardo	Age:	51
	Years as Executive Officer:	8
	Years at GRUMA:	8
	Current Position:	General Counsel.
	Other Positions:	General Counsel of GIMSA.
	Business Experience:	Positions at Grupo Alfa, Protexa and Proeza, senior partner of two law firms, including Rojas-González-Vargas-De la Garza y Asociados.

Mr. Oscar Enrique Urdaneta Finol is the Chief Operating Officer of DEMASECA since he was appointed based upon an agreement with our partners in DEMASECA.

Mr. Roberto González Alcalá is a son of Mr. Roberto González Barrera.

Statutory Auditor

Under Mexican law, a statutory auditor must be elected by our shareholders at the annual ordinary general shareholders meeting for a term of one year. At the subsequent annual ordinary general shareholders meeting, the statutory auditor is required to review our affairs and report as to the accuracy of the financial information as

presented to shareholders by the board of directors. The statutory auditor is also authorized (i) to call ordinary general shareholders meetings, extraordinary general shareholders meetings and board of directors meetings; (ii) to place items on the agenda for general shareholders meetings and meetings of the board of directors; and (iii) to attend general shareholders meetings, meetings of the board of directors, meetings of the audit committee, and any other meetings of intermediate committees to which the board of directors delegates any activities (without the right to vote). At the General Ordinary Shareholders' Meeting held on April 30, 2004, Mr. Hugo Lara Silva was reelected to serve as our Statutory Auditor for one year. His alternate is Mr. Carlos Arreola Enríquez.

Mr. Hugo Lara Silva is 64 years old. He is a retired co-director of and partner in PricewaterhouseCoopers and was a member of the board of directors, the international executive audit committee and the general partner counsel of that firm. Mr. Hugo Lara Silva has experience with a wide variety of businesses in the public and private sectors and has been the statutory auditor for companies such as Grupo Modelo, S.A. de C.V., Ciba-Geigy Mexicana, S.A. de C.V., El Puerto de Liverpool, S.A. de C.V., Grupo Financiero Bancomer, S.A. de C.V., Grupo Mexicano Somex, S.N.C. and Aseguradora Cuauhtémoc, S.A., among others.

Audit Committee

As required by our bylaws, an audit committee was appointed at the General Ordinary Shareholders' Meeting held on April 30, 2004. Members of the audit committee were selected from members of the board of directors. The current audit committee is comprised of three members, two of whom are independent directors. Set forth below are the names of our audit committee members, their positions within the committee, and their directorship type:

Eduardo Livas Cantú	Position: Directorship Type:	Chairman of the Audit Committee Independent
Javier Vélez Bautista	Position: Directorship Type:	Financial Expert of the Audit Committee Independent
Román Martínez Méndez	Position: Directorship Type:	Member of the Audit Committee Related

Compensation of Directors and Senior Management

Members of the board of directors are paid a fee of Ps.14,500 for each board meeting they attend.

For 2003, the aggregate amount of compensation paid to all directors, alternate directors, the statutory auditor, executive officers and audit committee members was approximately Ps. 114.9 million (in nominal terms). The contingent or deferred compensation reserved as of December 31, 2003 was Ps. 15.7 million (in nominal terms).

We offer an Executive Bonus Plan that is based on individual performance and on the results of our operations. This program applies to managers, vice presidents, and executive officers. This variable compensation can range from 15% to 32% of annual base compensation, depending upon the employee's level.

Share Ownership

The following Directors and Senior Managers have GRUMA shares which in each case represent less than 1% of our capital stock: Mr. Raúl Cavazos Morales, Mr. Homero Huerta, Mr. Román Martínez Méndez, Mr. Jairo Senise and Mr. Juan Antonio Quiroga García. In addition, Mr. Roberto González Barrera owns directly and indirectly 212,401,460 shares representing approximately 47.1% of our capital stock and Mr. Juan Antonio González Moreno owns 5,758,556 shares representing approximately 1.3% of our capital stock.

EMPLOYEES

As of December 31, 2003, we had a total of approximately 15,104 employees, including unionized (5,089) and non-unionized (10,015), full- and part-time employees. Of this total, we employed approximately 6,585 persons

in Mexico, 4,947 in the United States, 1,415 in Central America, 1,898 in Venezuela and 259 in England. Total employees for 2002 and 2001 were 14,887 and 15,585, respectively. Of our total employees as of December 31, 2003, approximately 42% were white-collar and 58% were blue-collar.

In Mexico, workers at each of our plants are covered by a separate contract, under which salary revisions take place once each year, usually in January or February. Non-salary provisions of these contracts are revised bi-annually. We renewed agreements with the three unions that represent our workers in 2002 and 2003. In the United States, Gruma Corporation has four collective bargaining agreements that represent a total of 461 workers at four separate facilities. We renewed and ratified one collective bargaining agreement in 2003 and were in the process of negotiating a fifth contract in 2003, but an agreement could not be reached with respect to the fifth contract. Salary reviews are done once each year, usually in March, for Mission Foods and in September for Azteca Milling L.P. Non-salary provisions of these contracts are revised according to the terms of the particular contract. We believe our current labor relations are satisfactory.

ITEM 7. Major Shareholders And Related Party Transactions.

MAJOR SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of April 30, 2004 (which consists entirely of Series B Shares) with respect to Mr. González Barrera and Archer-Daniels-Midland and its affiliates, the only shareholders we know to own beneficially more than 5% of our capital stock, as well as our directors and executive officers as a group and other shareholders. See "Item 9. The Offer and Listing" for further discussion of our capital stock. With the exception of Archer-Daniels-Midland's right to appoint two members of our board of directors, and their corresponding alternates, the major shareholders do not have different or preferential voting rights with respect to those shares they own.

Name	Number of Series B Shares	Percentage of Outstanding Shares
Roberto González Barrera (1)	212,401,460	47.1%
Archer-Daniels-Midland (2)	130,901,630	29.1%
Directors and Officers as a Group	6,842,308	1.5%
Other shareholders	100,314,345	22.3%
Total	450,459,743	100.0%

- (1) The shares beneficially owned by Mr. González Barrera include: 182,375,664 shares held directly by Mr. González Barrera; and 30,025,796 shares held by him through a Mexican corporation jointly owned with Archer-Daniels-Midland and controlled by him.
- (2) Of the shares beneficially owned by Archer-Daniels-Midland, a portion are held through its Mexican subsidiary, and 24,566,561 shares are held through a Mexican corporation jointly owned with Mr. González Barrera and controlled by Mr. González Barrera. Mr. González Barrera has sole authority to determine how these shares are voted, and the shares cannot be transferred without the consent of both Archer-Daniels-Midland and Mr. González Barrera.

Mr. González Barrera controls approximately 52.6% of our capital stock and therefore has the power to elect a majority of our 14 directors. In addition, under Mexican law, any holder or group of holders representing 10% or more of our capital stock may elect one Director. Under our bylaws and the Archer-Daniels-Midland association, as long as Archer-Daniels-Midland owns at least 20% of our capital stock, it will have the right to designate two members of our board of directors and their corresponding alternates.

Under the terms of our agreement, Archer-Daniels-Midland may not, without the consent of Mr. Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, or our board of directors, acquire additional shares of us. On September 30, 1999, we completed a rights offering to shareholders in Mexico and ADS holders in the United States. With the authorization of Mr. González Barrera, Archer-Daniels-Midland directly and indirectly purchased a total of 51,408,337 new shares, increasing its direct and indirect ownership of our outstanding shares from approximately 22% to approximately 29% immediately after that purchase.

We have been informed that Mr. González Barrera has pledged or has been required to pledge part of his shares in our Company as collateral for loans made to him. In the event of a default, should the lenders enforce their

rights with respect to these shares, Mr. Gonzalez Barrera could lose his controlling interest in us. In addition, Mr. González Barrera must give Archer-Daniels-Midland a right of first refusal on any sale of his GRUMA shares if at the time of the sale, he owns, or as a result of the sale will own, less than 30% of our outstanding shares. Should Archer-Daniels-Midland exercise its right, then it could control us. Archer-Daniels-Midland must also give Mr. González Barrera a right of first refusal on any sale of our shares.

With the exception of a number of direct and indirect purchases of shares by Mr. González Barrera from 2000 through 2003 which, in the aggregate, increased his ownership by 7,952,503 shares, we are not aware of any significant changes in the percentage ownership of any shareholders which held 5% or more of our outstanding shares during the past three years.

RELATED PARTY TRANSACTIONS

Transactions with Subsidiaries

The transactions set forth below were made in the ordinary course of business since we operate as a central treasurer for our subsidiaries.

We periodically enter into short-term credit arrangements with our subsidiaries, where we provide them with funds for working capital at market interest rates.

When GIMSA has excess cash, GIMSA makes loans to us. At their peak on June 1, 2004, these loans reached the amount of Ps.1,097 million in nominal terms. As of June 18, 2004, we owed GIMSA Ps.801 million. The average interest rate for this year has been 7.5%.

MONACA has made loans to us which, at their peak on October 30, 2000, reached the amount of U.S.\$28.6 million. As of June 18, 2004, we did not have any outstanding balance with MONACA.

In September 2001, Gruma Corporation started to make loans to us which, at their peak on July 2, 2003, reached the amount of U.S.\$60.3 million. As of June 18, 2004, we owed Gruma Corporation U.S.\$56.0 million. The average interest rate for this year has been 1.8%.

Transactions with Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. As a result of this association, we received U.S.\$258.0 million in cash, 80% ownership of our combined U.S. corn flour operations and 60% of Archer-Daniels-Midland's Mexican wheat milling operations. We also gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received 74,696,314 of our newly issued shares, which represented approximately 22% of our total outstanding shares, and 20% ownership of our combined U.S. corn flour operations, and retained 40% of the Mexican wheat milling operations. Archer-Daniels-Midland also obtained the right to designate two of our 14 directors and their corresponding alternates. Archer-Daniels-Midland has designated Allen Andreas, its Chairman and Chief Executive Officer, and Paul Mulhollem, its President and Chief Operating Officer, as members of our board of directors. Archer-Daniels-Midland has elected David J. Smith, its Senior Vice President, Secretary and General Counsel, and Douglas J. Schmalz, its Senior Vice President and Chief Financial Officer, to serve as alternates for Mr. Andreas and Mr. Mulhollem, respectively.

In December 1999, we sold 5% of the shares of MONACA to Archer-Daniels-Midland.

During 2001, 2002 and 2003, we purchased U.S.\$90 million, U.S.\$84 million and U.S.\$111 million, respectively, of inventory from Archer-Daniels-Midland Corporation, a shareholder, at market rates and terms.

Other Transactions

We have loans outstanding to the controlling shareholder and related parties which, at their peak on December 31, 2002, aggregated Ps.176.8 million. These loans were made for personal purposes. All of these loans bear interest at market rates. As of June 18, 2004, the aggregate amount outstanding under these loans was Ps.3.0 million.

We own approximately an 10.86% interest in GFNorte, a Mexican financial institution. In the normal course of business, we obtain financing from GFNorte's subsidiaries at market rates and terms. The highest outstanding loan amount in dollars has been U.S.\$36 million with an average interest rate of 7.7% in February 2001. The highest outstanding amount in pesos has been Ps.162 million with an average interest rate of 8.9% in December 2003. As of June 18, 2004, we did not owe any amounts to GFNorte or its subsidiaries.

ITEM 8. Financial Information.

See "Item 18. Financial Statements." For information on our dividend policy, see "Item 3. Key Information—Dividends." For information on legal proceedings related to us, see "—Legal Proceedings."

LEGAL PROCEEDINGS

In the ordinary course of business, we are party to various legal proceedings, none of which has had or we reasonably expect will have a material adverse effect on us.

StarLink™ Litigation

Background

StarLink™ is a genetically modified variety of yellow corn created by Aventis CropScience USA Holding, Inc., or Aventis, and sold primarily through its licensee, Advanta USA Corp. f/k/a Garst Seed Company, or Garst. StarLink™ was designed to be resistant to the European Corn Borer. Aventis first obtained the approval of the Environmental Protection Agency, or EPA, to sell StarLink™ on May 12, 1998. This registration limited the use of StarLink™ corn to animal feed and other non-industrial uses. This limitation arose out of the EPA's concern over the possibility that the Cry9C protein contained in StarLink™ might be a human allergen. The EPA required Aventis to undertake a management program designed to prevent the entry of StarLink™ corn into the human food supply. On September 18, 2000, a public interest organization called Friends of the Earth announced that it had detected traces of the DNA of the Cry9C protein in Kraft Foods, Inc.'s "Taco Bell Home Originals" sold at supermarkets. Following this announcement, Azteca Milling immediately ceased the milling of yellow corn in its Plainview, Texas mill because StarLink™ corn is a yellow corn and Plainview, Texas was suspected to be the involved location in the flour used in Kraft's taco shells. Azteca Milling thereafter conducted tests on its inventory for StarLink's presence. Because these tests did not rule out the possibility of StarLink™ being present in its yellow corn flour, Azteca Milling initiated a voluntary recall of its yellow corn flour and Mission Foods likewise initiated a voluntary recall of all of its yellow corn products. Because of this, for a time both Azteca Milling and Mission Foods discontinued selling any yellow corn products.

Consumer Litigation

Shortly after the September 18, 2000 media announcement, Azteca Milling, Mission Foods and other unaffiliated companies were named in certain consumer lawsuits. In general, these lawsuits allege the purchase and consumption of yellow corn products possibly containing StarLink™ corn. Further, the lawsuits generally seek unspecified damages arising out of the consumers' purchase and consumption of such products including, but not limited to, a return of the purchase price for such products to the consumers. Each of these cases was filed as a putative class action. Certain of the cases involve allegations of personal injuries arising out of the alleged consumption of yellow corn products possibly containing StarLink™ corn. Plaintiffs and defendants in all of these cases reached a settlement, and the settlement has been approved by the U.S. District Court for the Northern District of Illinois. A third party has assumed full liability for these consumer lawsuits.

Taco Bell Claims

Taco Bell Corporation, its franchisees, and its parent company, have made claims against us and Aventis CropScience USA, Inc. and its affiliates, and Advanta, USA, Inc., alleging that they lost sales and profits because of consumer fears that their products contained StarLink™. One lawsuit has been dismissed without prejudice. Currently, there are three lawsuits pending. Our insurance carrier has accepted coverage for these claims.

Taco Bell Corporation; Tyson Mexican Original, Inc.; McClain Foods, Inc.; Russ Taco, Inc.; T.B. Barrett, Inc.; Dar-Taco, Inc.; Heartland Bells, Inc.; on their own behalf and on behalf of similarly situated Taco Bell franchisees throughout the United States v. Aventis CropScience U.S.A. Holding, Inc.; Aventis CropScience USA, Inc.; Aventis CropScience USA, LP; Advanta, USA, Inc.; Gruma Corporation; Azteca Milling; et al. This lawsuit was filed on September 14, 2001, in the Circuit Court of Washington County, Arkansas, and was voluntarily dismissed on December 13, 2001, without prejudice. This lawsuit was a national class action on behalf of all Taco Bell franchisees, Taco Bell Corporation, and one of their suppliers seeking lost profits alleged to have been suffered because of the public's fear that StarLink™ corn may have been used in Taco Bell products. Without explanation, the plaintiffs voluntarily dismissed this case without prejudice to refile. On June 12, 2002, this lawsuit was refiled in a substantially similar form, as described in the following paragraph.

K-MAC Enterprises, Inc.; Russ Taco, Inc.; Dar-Taco, Inc.; T.B. Barrett, Inc.; McLean Foods, Inc.; and Heartland Bells, Inc.; on their own behalf and on behalf of similarly situated Taco Bell franchisees throughout the United States v. Aventis CropScience U.S.A. Holding, Inc.; Aventis CropScience USA, Inc.; Aventis CropScience USA, LP; Advanta, USA, Inc. (f/k/a Garst Seed Company); Gruma-ADM, Inc.; and Azteca Milling. This lawsuit was filed on June 12, 2002, in the Circuit Court of Sebastian County, Arkansas, as a national class action seeking to recover profits alleged to have been lost by all Taco Bell franchisees in the United States because of the public's fear that Taco Bell products may have contained StarLink™ corn. Plaintiffs also sought punitive damages. A settlement agreement has been reached by the parties and has been approved by the court.

Southern Multifoods, Inc.; Metroplex Multifoods, Inc.; Plaza Dine, Inc.; Kurani International, Inc.; and Mallen Co. v. Aventis CropScience USA Holding, Inc.; Aventis CropScience USA, Inc.; Aventis CropScience USA, LP; Advanta USA, Inc./Garst Seed Company; Gruma Corporation; and Azteca Milling. This lawsuit was filed on November 30, 2001, in the District Court of Hidalgo County, Texas, 275th Judicial District. This lawsuit is brought by Taco Bell franchisees in Texas seeking to recover lost profits allegedly suffered because of the public's fear that StarLink™ corn may have been used in these franchisees' taco products made with ingredients furnished by Azteca Milling. A settlement agreement has been reached by the parties and has been approved by the court.

Paradise Foods, Inc.; Paradise Foods II, Inc.; Bayou Bells, LLC; Paradise-Byrne Corp.; Jaguar Bells, LLC; Bells and Whistles, LLC; Border Masters, Inc.; Carolina Coastal Foods, Inc.; John O'Brien; West Quality Food Service, Inc.; East More Tacos, Tacos, Inc.; and Tricon Global Restaurants, Inc. v. Aventis CropScience USA Holding, Inc.; Aventis CropScience USA, LP; Aventis CropScience USA, Inc.; Advanta USA, Inc. (f/k/a Garst Seed Company); Gruma Corporation; Azteca Milling and Archer-Daniels-Midland Company. This lawsuit was filed on October 15, 2001, in the Circuit Court for Jones County, Mississippi, and subsequently was removed to the United States District Court for the Southern District of Mississippi, Hattiesburg Division. The lawsuit is now back in the Circuit Court for Jones County, Mississippi. This suit is brought by Taco Bell franchisees seeking to recover lost profits allegedly suffered because of the public's fear that StarLink™ corn may have found its way into the plaintiff's taco products through ingredients furnished by Azteca Milling. Plaintiffs have filed a motion to remand the case to state court, and the motion to remand is pending. A settlement agreement has been reached by the parties and has been approved by the court.

Antitrust Lawsuits

Eighteen manufacturers of tortillas and other processed food products have brought three related antitrust lawsuits against Gruma Corporation and Azteca Milling in the United States District Court for the Southern District of Texas, Galveston Division. The three suits are: (1) El Aguila Food Products, Inc., et al. v. Gruma Corporation, et al.; No. G-01-434, in the United States District Court for the Southern District of Texas, Galveston Division; (2) Gilbert Moreno Enterprises, Inc., et al. v. Gruma Corporation, et al.; C.A. No. G-01-546, in the United States District Court for the Southern District of Texas, Galveston Division; and (3) Capistran, Inc., et al. v. Gruma

Corporation, et al.; No. G-02-100, in the United States District Court for the Southern District of Texas, Galveston Division. These three lawsuits have been consolidated into *El Aguila Food Products, Inc., et al. v. Gruma Corporation, et al.* which, on January 10, 2003, was transferred to the United States District Court for the Southern District of Texas, Houston Division. The plaintiffs allege that the defendants, including Gruma Corporation and Azteca Milling, conspired with retailers to restrain trade in the retail sale of tortillas in Texas, California, Arizona and Michigan, used market power to exclude plaintiffs from the retail tortilla market, and otherwise competed unfairly. The plaintiffs seek damages, including treble damages, "greatly in excess of U.S.\$1 million per Plaintiff," as well as injunctive relief. In December 2003, the trial court, after four weeks of trial, dismissed the suit as being without merit. Plaintiffs have filed an appeal. We intend to continue vigorously defending this lawsuit.

On May 26, 2004, an individual filed an antitrust lawsuit against Gruma Corporation and five named retailers, asking that a consumer, indirect-purchaser class action be certified and alleging that Gruma and the retailers have violated the California antitrust and unfair competition statutes by entering into contracts and conspiracies restraining competition in the sale of tortillas in Southern California. The plaintiff seeks equitable relief and an unspecified amount of total damages. The suit, *Diaz v. Gruma Corporation et al.*, case no. BC 316086, was filed in California Superior Court in the County of Los Angeles. The case is in the early stages and no discovery has yet been pursued. We intend to continue vigorously defending this lawsuit.

Water Discharge Assessments

Certain subsidiaries of GIMSA have been notified by the Comisión Nacional del Agua ("Water National Commission" or "CNA") of assessments due to CNA from different years amounting to Ps 24.9 million plus related penalties and surcharges of Ps 172.2 million. These assessments mainly derive from CNA charges of sewage water being discharged underground through the sprinkler systems on the grounds of those subsidiaries. The subsidiaries have asserted the legal defense allowed by law in order to annul these assessments. The Company has received a favorable judicial resolution for one of these assessments amounting to Ps 6.5 million plus its related penalties and surcharges of Ps.32.7 million. According to the Company's lawyers, a reasonable basis exists in order to obtain a favorable resolution of the rest of the claimed assessments, because, among other things, the water was previously treated, it was not discharged on public property of the Nation and does not contaminate aquiferous layers or the underground soil. See Note 11A to our consolidated financial statements.

Mexican Tax Claim

The Mexican tax authorities have disallowed the asset tax reported in our 1995 and 1996 tax returns. The authorities claim we owe Ps.547.1 million, including related surcharges and penalties. We have brought a proceeding for annulment of such disallowance notice and are vigorously defending the claim.

Venezuelan Tax Claim

The Venezuelan tax authorities have made certain assessments to Molinos Nacionales, C.A., one of our Venezuelan subsidiaries related to income tax returns for 1998 and 1999 which amounted to Ps.92.6 million plus tax credits presumable omitted for Ps.0.5 million. The resolution of these claims will be assumed by the previous shareholder from whom we brought this subsidiary pursuant to the terms of the purchase agreement.

ITEM 9. The Offer And Listing.

TRADING HISTORY

Our Series B Shares have been traded on the *Bolsa Mexicana de Valores, S.A. de C.V.*, or Mexican Stock Exchange, since 1994. The ADSs, each representing four Series B Shares, commenced trading on the New York Stock Exchange in November 1998. On December 31, 2003, there were 450,133,443 outstanding Series B Shares, (of which 72,549,884 Series B Shares were represented by 18,137,471 ADSs held by 5 record holders in the United States).

PRICE HISTORY

The following table sets forth, for the periods indicated, the annual high and low closing sale prices for the Series B Shares and the ADSs as reported by the Mexican Stock Exchange and the New York Stock Exchange, respectively.

	Mexican Stock Exchange		NYSE	
	Common Stock		ADS(2)	
	High	Low	High	Low
	(Ps. per share(1))		(U.S.\$ per ADS)	
Annual Price History				
1999	25.60	8.66	10.33	3.86
2000	14.20	6.80	6.25	2.88
2001	8.50	6.00	3.60	2.60
2002	13.00	8.00	5.70	3.50
2003	15.30	9.20	5.62	3.20
Quarterly Price History				
2002				
1 st Quarter	10.00	8.00	4.94	3.50
2 nd Quarter	13.00	10.60	5.70	4.47
3 rd Quarter	11.15	10.50	4.60	4.05
4 th Quarter	10.70	9.60	4.20	3.65
2003				
1 st Quarter	10.10	9.20	3.82	3.20
2 nd Quarter(3)	10.80	9.38	4.11	3.45
3 rd Quarter	15.05	11.00	5.62	4.09
4 th Quarter	15.30	14.20	5.59	4.80
2004				
1 st Quarter	18.90	15.70	7.00	5.40
2 nd Quarter	19.70	18.90	6.95	6.60
Monthly Price History				
December 2003	15.30	14.20	5.34	4.80
January 2004	18.45	15.70	6.60	5.40
February 2004	18.75	17.80	6.78	6.55
March 2004	18.90	18.00	7.00	6.60
April 2004	19.70	18.90	6.95	6.80
May 2004	19.70	19.00	6.90	6.60
June 2004(3)	19.34	18.90	6.70	6.63

- (1) Pesos per share reflect nominal price at trade date.
(2) Price per ADS in U.S.\$; one ADS represents four Series B Shares.
(3) Through June 18, 2004.

On June 18, 2004, the reported last sale price of the B Shares on the Mexican Stock Exchange was Ps.19.0 per B Share and the reported last sale price of the ADSs on the New York Stock Exchange was U.S.\$6.70 per ADS.

MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange, the *Bolsa Mexicana de Valores, S.A. de C. V.*, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a corporation whose shares are held by brokerage firms, which are exclusively authorized to trade on the exchange. Trading on the Mexican Stock Exchange takes place principally through automated systems and is open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be performed off the exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series B Shares that are directly or indirectly (for example, through ADSs) quoted on a stock exchange (including for these purposes the New York Stock Exchange) outside Mexico.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the *Comisión Nacional Bancaria y de Valores* (the Mexican National Banking and Securities Commission, or CNBV). Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with *S.D. Indeval, S.A. de C.V.*, or Indeval, a privately owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

As of June 1, 2001, the Mexican Securities Law requires issuers to increase the protections offered to minority shareholders and to impose corporate governance controls on Mexican listed companies in line with international standards. The Mexican Securities Law expressly permits Mexican listed companies, with prior authorization from the CNBV, to include in their bylaws antitakeover defenses such as shareholder rights plans, or poison pills. We amended our bylaws to include certain of these protections at our Extraordinary Shareholders' Meeting held on December 4, 2003. See "Additional Information—Bylaws—Antitakeover Protections."

ITEM 10. Additional Information.

BYLAWS

Set forth below is a brief summary of certain significant provisions of (1) our bylaws, as amended by our Extraordinary Shareholders' Meeting held on December 4, 2003 to comply with recent changes to Mexican Securities regulations, and (2) Mexican law. This description does not purport to be complete and is qualified by reference to our bylaws, which have been filed as an exhibit to this Annual Report.

Organization and Register

We are a *sociedad anónima de capital variable* (a corporation) organized in Mexico under the *Ley General de Sociedades Mercantiles*, or the Mexican Companies Law. We were incorporated on December 24, 1971 and have a corporate life of 99 years. Our corporate purpose, as fully described in Article 2 of our bylaws, is to act as a holding company. As such, our bylaws grant us the power to engage in various activities, which allow us to function as a holding company. These powers include, but are not limited to, the ability to (1) acquire, sell, import, export, and manufacture all types of goods and products, (2) issue securities and take all actions with respect to securities of any kind, (3) create, organize and manage all types of companies, (4) act as an agent or representative, (5) acquire, sell and maintain real property, (6) perform or receive professional, technical or consulting services, (7) establish branches, agencies or representative offices, (8) acquire, license or use intellectual property, (9) grant and receive loans, (10) subscribe, issue and negotiate all types of credit instruments, and (11) perform any acts necessary to accomplish the foregoing.

Directors

Our bylaws provide that our management shall be vested in the board of directors. Each director is elected by a simple majority of the shares and there are no provisions for cumulative voting. Under Mexican law and our bylaws, any holder or group of holders owning 10% or more of our capital stock may elect one director and its corresponding alternate. The board of directors shall be comprised of a minimum of five and a maximum of twenty directors, as determined by the shareholders at the annual ordinary general shareholders' meeting. Under Mexican law, at least 25% of the members of the board of directors must be independent. Currently, our board of directors consists of 14 members.

The board of directors shall meet at least once every three months. These meetings can be called by the Chairman of the Board of Directors, by 25% of the members of the board of directors, or by our statutory auditors. Under the terms of our association with Archer-Daniels-Midland, Archer-Daniels-Midland will have the right to appoint two of our directors, and their corresponding alternates, as long as it owns at least 20% of our capital stock. The directors serve for a one year term, or until their successors have taken office. Directors receive compensation as determined by the shareholders at the annual ordinary general shareholders' meeting. A majority of directors is needed to constitute a quorum and board resolutions must be passed by a majority of the votes present at any validly constituted meeting or by unanimous consent if no meeting is convened.

Under Mexican law, any member of the board of directors who has a conflict of interest with the corporation in any transaction must disclose such fact to the other directors and abstain from voting on that transaction. Any member of the board of directors who violates this provision may be liable for the resulting damages incurred by the company. Members of the board of directors may not represent shareholders at any shareholders' meeting.

Our bylaws provide that the board of directors is required to approve: (i) related party transactions other than those occurring in the ordinary course of business; (ii) purchases of 10% or more of our corporate assets; (iii) guarantees for more than 30% of our corporate assets; (iv) any of the aforementioned transactions when they are to be carried out by any of our subsidiaries; and (v) any other transaction, different from the aforementioned, the value of which represents more than 1% of our corporate assets. This approval is non-delegable.

Under Mexican law, shareholders can initiate actions for civil liabilities against directors through resolutions passed by a majority of the shareholders at a general ordinary shareholders' meeting. In the event the majority of the shareholders decide to bring such action, the director against whom such action is brought will immediately cease to be a member of the board of directors. Additionally, shareholders representing not less than 15% of our outstanding shares may directly bring such action against directors. Any recovery of damages with respect to such action will be for the benefit of us and not for the shareholders bringing the action.

Under our bylaws and in accordance with applicable law, we are required to have an audit committee comprised of directors, of which at least the majority of whom must be independent directors, including the Chairman. Members are appointed at the annual ordinary general shareholders' meeting, hold office for one year and will continue their duties until their successors take their positions. Members shall receive such compensation set at the ordinary general shareholders' meeting. The audit committee is empowered to: (i) prepare an annual report of its activities and render it to the board of directors; (ii) issue opinions with respect to related party transactions that the Company intends to carry out outside of its ordinary course of business as well as to issue opinions with respect to (a) related party transactions that the subsidiaries of the Company intend to carry out outside of the ordinary course of business or (b) transactions that may imply a commitment of its assets under the terms of section IV, paragraph (d) of Article 14-Bis-3 of the Mexican Securities Law; (iii) make proposals relating to the hiring of independent experts, if necessary, so that such experts can issue their opinions with respect to related party transactions; (iv) propose to the board of directors candidates for the external auditor position and the conditions pursuant to which they will be hired; (v) revise our financial information and arrange the issuance process for the same; (vi) contribute to the definition of the general guidelines of the internal control system, assess its effectiveness, as well as coordinate and evaluate the annual internal audits and the activities performed by our internal and external auditors and the statutory auditors; (vii) verify that we have the necessary mechanisms to ensure that we are in compliance with applicable laws and inform the board of directors in this respect; and (viii) perform other functions as set forth or deriving from applicable legal provisions to which the Company may be subject. Our statutory auditors will be called to all meetings held by the audit committee.

According to our bylaws, the board of directors is empowered to execute and negotiate any of our credit instruments and agreements. The board of directors may delegate such power to any individual.

See also "Item 6. Directors, Senior Management and Employees" for further information about the board of directors.

Voting Rights and Shareholders' Meetings

Each share entitles the holder thereof to one vote at any general meeting of our shareholders. Shareholders may vote by proxy. At the ordinary general shareholders' meeting, any shareholder or group of shareholders representing 10% or more of the outstanding common stock has the right to appoint one regular director and its corresponding alternate, with the remaining directors being elected by majority vote. Holders of series B shares do not have cumulative voting rights.

General shareholders' meetings may be ordinary meetings or extraordinary meetings. Extraordinary general shareholders' meetings are called to consider matters specified in Article 182 of the Mexican Companies Law, including, principally, changes in the authorized fixed share capital and other amendments to the bylaws, the

issuance of preferred stock, liquidation, mergers and spin-offs, changes in the rights of security holders, and transformation from one corporate form to another. All other matters may be considered at ordinary general shareholders' meetings. Ordinary general shareholders' meetings must be called to consider and approve matters specified in Article 181 of the Mexican Companies Law, including, principally, the appointment of the members of the board of directors and the statutory auditor, the compensation paid to the directors and statutory auditor, the distribution of our profits for the previous year, and the annual reports presented by the board of directors and the statutory auditor.

A general ordinary shareholders' meeting must be held during the first four months after the end of each fiscal year. In order to attend a general shareholders' meeting, the day before the meeting shareholders must deposit the certificates representing their common stock or other appropriate evidence of ownership either with the secretary of our board of directors, with a credit institution, or with Indeval. The secretary, credit institution or Indeval will hold the certificates until after the general shareholders' meeting has taken place.

Our shareholders establish the number of members that will serve on our board of directors at the ordinary general shareholders' meeting. Under our bylaws, the board of directors shall be comprised of a minimum of five and a maximum of twenty directors. Pursuant to Mexican law, at least 25% of the members of the board of directors must be independent.

Under our bylaws, the quorum for an ordinary general shareholders' meeting is at least 50% of the outstanding common stock, and action may be taken by the affirmative vote of holders representing a majority of the shares present. If a quorum is not present, a subsequent meeting may be called at which the shareholders present, whatever their number, will constitute a quorum and action may be taken by a majority of the shares present. A quorum for extraordinary general shareholders' meetings is at least 75% of the outstanding common stock, but if a quorum is not present, a subsequent meeting may be called. A quorum for the subsequent meeting is at least 50% of the outstanding shares. Action at an extraordinary general shareholders' meeting may only be taken by a vote of holders representing at least 50% of the outstanding shares.

Shareholders' meetings may be called by the board of directors, the statutory auditor or a court. The board of directors or the statutory auditor may be required to call a shareholders' meeting if holders of at least 10% of our outstanding share capital request a meeting in writing, at the written request of any shareholder if no shareholders' meeting has been held for two consecutive years, or if, during a period of two consecutive years, the board of directors' annual report for the previous year and the company's financial statements were not presented to the shareholders, or if the shareholders did not elect directors and the statutory auditor.

Notice of shareholders' meetings must be published in the Official Gazette of the State of Nuevo León or in a newspaper of general circulation in Monterrey, Nuevo León at least 15 days prior to the meeting. Shareholders' meetings may be held without such publication provided that 100% of the outstanding shares are represented. Shareholders' meetings must be held in Monterrey, Nuevo León.

Under Mexican law, holders of 10% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a Mexican court of competent jurisdiction within 15 days after the close of the meeting at which such action was taken, by showing that the challenged action violates Mexican law or our bylaws. Relief under these provisions is only available to holders who were entitled to vote on the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, were voted against it.

Dividend Rights and Distribution

Within the first four months of each year, the board of directors must submit our company's financial statements for the preceding fiscal year to the shareholders for their approval at the ordinary general shareholders' meeting. They are required by law to allocate five percent of any new profits to a legal reserve which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our historical capital stock (before adjusting for inflation). Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the shareholders determine, including a reserve for the repurchase of our shares. The remaining balance of new profits, if any, is available for distribution as dividends. Cash dividends on the shares held through Indeval will be distributed by us through Indeval. Cash dividends on the shares evidenced by physical

certificates will be paid when the relevant dividend coupon registered in the name of its holder is delivered to us. No dividends may be paid, however, unless losses for prior fiscal years have been paid up or absorbed. See "Item 3. Key Information—Dividends."

Liquidation

Upon our dissolution, one or more liquidators must be appointed by an extraordinary shareholders' general meeting to wind up its affairs. If the extraordinary general shareholders' meeting does not make said appointment, a Civil or District Judge of the Federation can do so at the request of any shareholder. All fully paid and outstanding common stock will be entitled to participate equally in any distribution upon liquidation after the payment of the company's debts, taxes and the expenses of the liquidation. Common stock that has not been paid in full will be entitled to these proceeds in proportion to the paid-in amount.

If the extraordinary general shareholders' meeting does not give express instructions on liquidation, the bylaws stipulate that the liquidators will (i) conclude all pending matters they deem most convenient, (ii) prepare a general balance and inventory, (iii) collect all credits and pay all debts by selling assets necessary to accomplish this task, (iv) sell assets and distribute income, and (v) distribute the remnant, if any, pro rata among the shareholders.

Changes in Capital Stock

Our outstanding capital stock consists of Class I and Class II series B shares. Class I shares are the fixed portion of our capital stock and have no par value. The fixed portion of our capital stock cannot be redeemed. Class II shares are the variable portion of our capital stock and have no par value. 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 an ordinary general shareholders' meeting. The fixed portion of our capital stock may only be increased or decreased by resolution of an extraordinary general shareholders' meeting and an amendment to our bylaws, whereas the variable portion of our capital stock may be increased or decreased by resolution of an ordinary general shareholders' meetings. Currently, our outstanding capital stock consists only of fixed capital.

An increase of capital stock may generally be made through the issuance of new shares for payment in cash or in kind, by capitalization of indebtedness or by capitalization of certain items of shareholders' equity. An increase of capital stock generally may not be made until all previously issued and subscribed shares of capital stock have been fully paid. A reduction of capital stock may be effected to absorb losses, to redeem shares, to repurchase shares in the open market or to release shareholders from payments not made.

Preemptive Rights

Except in certain limited circumstances, in the event of a capital increase through the issuance of 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. Preemptive rights must be exercised within the period and under the conditions established for such purpose by the shareholders at the corresponding shareholders' meeting. Under Mexican law and our bylaws, the exercise period may not be less than 15 days following the publication of notice of the capital increase in the Official Gazette of the State of Nuevo León or following the date of the shareholders' meeting at which the capital increase was approved if all shareholders were represented; otherwise such rights will lapse.

Shareholders will not have preemptive rights to subscribe for common stock issued in connection with mergers, upon the conversion of convertible debentures, in a public offering (if the majority of shareholders at a general extraordinary meeting approve the issuance of shares and waive their preemptive rights in accordance with the Mexican securities market law and our bylaws) or in a resale of common stock held in our treasury as a result of repurchases on the Mexican Stock Exchange.

Under Mexican law, preemptive rights may not be waived in advance by a shareholder, except under limited circumstances, and cannot be represented by an instrument that is negotiable separately from the

corresponding share. Holders of ADRs may be restricted in their ability to participate in the exercise of preemptive rights. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Holders of ADSs May Not Be Able to Participate in Any Future Preemptive Rights Offering and as a Result May Be Subject to a Dilution of Equity Interest."

Restrictions Affecting Non-Mexican Shareholders

Foreign investment in capital stock of Mexican corporations is regulated by the 1993 Foreign Investment Law and by the 1998 Foreign Investment Regulations to the extent they are not inconsistent with the Foreign Investment Law. The Ministry of Economy and the National Commission on Foreign Investment are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.

Our bylaws do not restrict the participation of non-Mexican investors in our capital stock. However, approval of the National Foreign Investment Commission must be obtained for foreign investors to acquire a direct or indirect participation in excess of 49% of the capital stock of a Mexican company that has an aggregate asset value that exceeds, at the time of filing the corresponding notice of acquisition, an amount determined annually by the National Foreign Investment Commission.

As required by Mexican law, our bylaws provide that any non-Mexicans who acquire an interest or participation in our capital at any time will be treated as having Mexican nationality for purposes of their interest in us, 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 a party with the Mexican authorities. Such shareholders cannot invoke the protection of their government under penalty of forfeiting to the Mexican State the ownership interest that they may have acquired. See "Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—Our Bylaws Restrict the Ability of Non-Mexican Shareholders to Invoke the Protection of Their Governments with Respect to Their Rights as Shareholders."

Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government with respect to his rights as a shareholder, 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 a shareholder should invoke governmental protection in violation of this provision, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the bylaws of all Mexican companies unless such bylaws prohibit ownership of shares by non-Mexicans.

Registration and Transfer

Our shares are evidenced by certificates in registered form. We maintain a stock registry and, in accordance with Mexican law, only those persons whose names appear on the stock registry are recognized as owners of the series B shares.

Other Provisions

Redemption Rights

Outstanding variable capital shares, if any, may be fully or partially redeemed by the holders thereof. The minimum fixed portion of our capital stock cannot be redeemed. Currently, we have no outstanding variable capital shares. A holder of variable capital stock that wishes to effect a total or partial redemption of such stock is required to notify us in an authenticated written notice to that effect. If notice of redemption is received prior to the last quarter of the fiscal year, the redemption becomes effective at the end of the fiscal year in which the shareholder gives notice. Otherwise, the redemption becomes effective at the end of the following fiscal year.

Redemption of our variable capital stock is made at the lower of (i) 95% of the weighted average share price as quoted on the Mexican Stock Exchange for the last 30 days in which our shares were traded, in a period not greater than six months, prior to the effective date of the redemption, or (ii) the book value per variable capital share, calculated from our balance sheet (as approved at an ordinary general shareholders' meeting) for the fiscal year immediately prior to the fiscal year in which the redemption is to become effective. If the number of days in which

our shares have traded during the period referred to above is less than 30, then only the actual number of days in which our shares have traded during such period will be taken into account. If shares have not been exchanged during such period, then the tender offer shall be made at a price equal to at least the book value of the shares. Any such amount to be paid by us would become due on the day following the ordinary general shareholders' meeting referred to in clause (ii) above.

Appraisal Rights

Under Mexican law, whenever the shareholders approve a change of corporate purpose, change of our nationality or transformation from one type of corporate form to another, any shareholder entitled to vote on such change or transformation who has voted against it has the right to tender its shares and receive the amount attributable to its shares, provided such shareholder 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 which a withdrawing shareholder is entitled to receive is equal to its proportionate interest in our capital stock according to our most recent balance sheet approved by an ordinary general shareholders' meeting. The reimbursement may have certain tax consequences.

Share Repurchases

We may repurchase our common stock on the Mexican Stock Exchange at any time at the then prevailing market price. The repurchase of shares will be made at the expense of our equity if the repurchased shares remain outstanding, or at the expense of our capital stock if the repurchased shares are placed in our treasury. At the ordinary general shareholders' meeting, shareholders shall determine the maximum amount of funds to be allocated to the repurchase of shares, which amount shall not exceed our total net profits, including retained earnings.

Repurchased common stock will either be held by us or kept in our treasury, pending future sales thereof on the Mexican Stock Exchange. If the repurchased shares are kept in our treasury, we may not exercise the economic and voting rights corresponding to them, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting. The repurchased shares held by us as outstanding shares may not be represented at any shareholder meeting. The decrease or increase of the capital stock as a consequence of the repurchase and sale by the company of its shares does not require the approval of a shareholders' meeting or of the board of directors.

Under Mexican securities regulation, our directors, officers, statutory auditors, external auditors, and the secretary of the board of directors and holders of 10% or more of our outstanding common stock may not sell common stock to us, or purchase repurchased common stock from us, unless the sale or purchase is made through a tender offer. Mexican securities regulations under the Mexican Securities Market Law require that if we decide to repurchase common stock representing three percent or more of our outstanding share capital in any 20 trading-day period, these repurchases must be conducted by means of a public tender offer.

Repurchase in the Event of Delisting

If the registration of our common shares in the Securities Section of the *Registro Nacional de Valores* (National Registry of Securities, or RNV) is canceled, whether at our request or by the CNBV, under our bylaws and CNBV regulations the shareholders holding the majority of our common shares or who are otherwise able to impose, by any means, decisions at the general shareholders' meetings or able to appoint the majority of the directors of our board of directors, shall be obligated to make a tender offer to purchase all of our shares prior to the cancellation. Such tender offer shall be made at least at the greater price of the following: (i) the closing sale price of such shares on the Mexican Stock Exchange, under the terms of the following paragraph, or (ii) the book value of the shares according to the most recent quarterly report submitted to the CNBV and to the Mexican Stock Exchange prior to the commencement of the offer. As set forth in the last paragraph of this subsection below, the tendering shareholder(s) may request approval from the CNBV to use different criteria to determine the price of the shares, in which case, the most recent financial information of the Company shall be taken into account.

The quoted share price on the Mexican Stock Market referred to in the preceding paragraph shall be the weighted average share price as quoted on the Mexican Stock Exchange for the last 30 days in which our shares were traded, in a period not greater than six months, prior to the date of the offer. If the number of days in which

our shares have traded during the period referred to above is less than 30, then only the actual number of days in which our shares have traded during such period will be taken into account. If shares have not been exchanged during such period, then the tender offer shall be made at a price equal to at least the book value of the shares.

If the tender offer refers to more than one series of stock, the weighted average price referred to in the preceding paragraph shall be calculated for each series of stock to be cancelled, and the price for the tender offer of all of the series shall be the greatest of such averages.

Within five business days of the commencement of the tender offer, the board of directors shall disclose its opinion in connection with the reasonableness of the price of such offer, taking into consideration (i) the interests of the minority shareholders in order to comply with the terms of the second paragraph of Article 16 of the Mexican Securities Law, and (ii) an opinion of the audit committee. If the board of directors' and audit committee's opinions are conflicting, then the audit committee's opinion shall be disclosed. If the board of directors has a potential conflict of interest, then the opinion of the board of directors shall be accompanied with an opinion issued by an independent expert selected by the audit committee in which special emphasis is to be made to protect the interests of the minority shareholders.

The holders of the majority of our common shares, or whoever is otherwise able to, by any means, (i) impose resolutions at the general shareholders' meetings, or (ii) appoint the majority of the directors of our board of directors, shall be under no obligation to make the tender offer to purchase all of our shares prior to the cancellation of the registry if: (i) they have the consent of the holders of at least 95% of our outstanding common shares, by a resolution at a shareholders' meeting, and (ii) the aggregate amount offered for the securities in the market is less than 300,000 investment units (UDIs); provided, however that, in order to obtain the cancellation from the RNV, (x) the trust referred to in the following paragraph must be executed, and (y) notice of such cancellation and of the execution of the trust shall be made through the appropriate means established by the CNBV.

In the event the shareholders making the tender offer are not able to purchase 100% of our outstanding common shares, then prior to the cancellation of our common shares in the Securities Section of the RNV, they shall execute a trust, for a minimum term of six months, in order to provide sufficient monetary resources to purchase the remaining outstanding common shares at the same tender offer price.

The shareholders required to make the tender offer referred to above may request the approval from the CNBV to use different criteria to determine the price of the shares. The CNBV shall take into account our financial situation in considering whether to grant such approval. In requesting such approval, the following must be submitted to the CNBV: (i) a resolution of the board of directors approving such request, (ii) a favorable opinion of the audit committee addressing the reasons why it deems appropriate the use of a different price, and (iii) a report from an independent expert indicating that the price is consistent with the terms of Article 16 of the Mexican Securities Law.

Shareholder Conflicts of Interest

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

Rights of Shareholders

The protections afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The substantive law concerning duties of directors and controlling shareholders has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders. Mexican civil procedure does not contemplate class actions or shareholder derivative actions, which permit shareholders in U.S. courts to bring actions on behalf of other shareholders or to enforce rights of the corporation itself. Shareholders cannot challenge corporate action taken at a shareholders' meeting unless they meet certain procedural requirements.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Controlling Shareholders and Capital Structure—The Protections Afforded to Minority Shareholders in Mexico Are Different From Those in the United States.”

In addition, under the U.S. securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the Exchange Act, including the proxy solicitation rules, the rules requiring disclosure of share ownership by directors, officers and certain shareholders. We are also exempt from certain of the corporate governance requirements of the New York Stock Exchange, including the requirements concerning audit committees and independent directors. A summary of significant ways in which our corporate governance standards differ from the those followed by U.S. domestic companies under NYSE listing standards is available on our website at www.gruma.com.

Antitakeover Protections

Our bylaws provide that, subject to certain exceptions as explained below, prior written approval from the board of directors shall be required for any person (as defined hereunder), or group of persons to acquire, directly or indirectly, any of our common shares or rights to our common shares, by any means or under any title whether in a single event or in a set of consecutive events, such that its total shares or rights to shares would represent 5% or more of our outstanding shares.

Prior approval from the board of directors must be obtained each time such ownership threshold (and multiples thereof) is intended to be exceeded, except for persons who, directly or indirectly, are competitors (as such term is defined below) of the Company or of any of its subsidiaries, who must obtain the prior approval of the board of directors for future acquisitions where a threshold of 2% (or multiples thereof) of our common shares is intended to be exceeded.

Pursuant to our bylaws, a “person” is defined as any natural person, corporate entity, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association or any subsidiaries or affiliates of any of the former or, as determined by the board of directors, any group of persons who may be acting jointly, coordinated or as a whole; and a “competitor” is defined as any person engaged, directly or indirectly, in (i) the business of production and/or marketing of corn or wheat flour, and/or (ii) any other activity carried on by the Company or by any of its subsidiaries or affiliates.

Persons that acquire our common shares in violation of these requirements will not be considered the beneficial owners of such shares under our bylaws and will not be able to vote such shares or receive any dividends, distributions or other rights in respect of these shares. In addition, pursuant to our bylaws, these holders will be obligated to pay us a penalty in an amount equal to the greater of (i) the market value of the shares such party acquired without obtaining the prior approval of the board of directors and (ii) the market value of shares representing 5% of our capital stock.

Board Notices, Meetings, Quorum Requirements and Approvals. To obtain the prior approval of our board of directors, a potential acquirer must properly deliver a written application complying with the applicable requirements set forth in our bylaws. Such application shall state, among other things: (i) the number and class of our shares the person beneficially owns or to which such person has any right, (ii) the number and class of shares the Person intends to acquire, (iii) the number and class of shares with respect to which such Person intends to acquire any right, (iv) the percentage that the shares referred to in (i) represent of our total outstanding shares and of the class or series to which such shares belong, (v) the percentage that the shares referred to in (ii) and (iii) represent of our total outstanding shares and of the class or series to which such shares belong, (vi) the person’s identity, or in the case of an acquiror which is a corporation, trust or legal entity, its shareholders, partners or beneficiaries as well as the identity and nationality of each person effectively controlling such corporation, trust or legal entity, (vii) the reasons and purpose behind such acquisition, (viii) if such person is, directly or indirectly, a competitor of the Company or any of its subsidiaries or affiliates, and if such person has the authority to legally acquire the shares pursuant to our bylaws and Mexican law, (ix) its source of financing the intended acquisition, (x) if the Person is part of an economic group, formed by one or more of its related parties, which intends to acquire shares of our

common stock or rights to such shares, (xi) if the person has obtained any financing from one of its related parties for the payment of the shares, (xii) the identity and nationality of the financial institution, if any, that will act as the underwriter or broker in connection with any tender offer, and (xiii) the person's address for receiving notices.

Either the Chairman, the Secretary or the Alternate Secretary of our board of directors must call a meeting of the board of directors within 10 business days following the receipt of the written application. The notices for the meeting of the board of directors shall be in writing and sent to each of the directors and their alternates at least 45 calendar days prior to the meeting. Action by unanimous written consent is not permitted.

Any acquisition of common shares representing at least 2% or 5%, as the case may be, of our outstanding capital stock, must be approved by at least the majority of the members of our board of directors present at a meeting at which at least the majority of the members is present. Such acquisitions must be resolved by our board of directors within 60 calendar days following the receipt of the written application described above, unless the board of directors determines that it does not have sufficient information upon which to base its decision. In such case, the board of directors shall deliver a written request to the potential acquiror for any additional information that it deems necessary to make its determination. The 60 calendar days referred to above will commence following the receipt of the additional information from the potential acquiror.

Mandatory Tender Offers in the Case of Certain Acquisitions. If our board of directors authorizes an acquisition of common shares which increases the acquirer's ownership to 30% or more, but not more than 50%, of our capital stock, then the acquiror must effect its acquisition by way of a cash tender offer for a specified number of shares equal to the greater of (i) the percentage of common shares intended to be acquired or (ii) 10% of our outstanding capital stock, in accordance with the applicable Mexican securities regulations.

No approval of the board of directors will be required if the acquisition would increase the acquirer's ownership to more than 50% of our capital stock or results in a change of control, in which case the acquiror must effect its acquisition by way of a tender offer for 100% minus one of our total outstanding capital stock, which tender shall be made pursuant to applicable Mexican laws.

The aforementioned tender offers must be made simultaneously in the Mexican and US stock markets. Furthermore, an opinion issued by the board of directors regarding any such tender offer must be made available to the public through the authorized means of communication within 10 days after commencement of the tender offer. In the event of any tender offer, the shareholders shall have the right to hear more competitive offers.

Notices. In addition to the aforementioned approvals, if a person increases its beneficial ownership by 1% in the case of competitors, or 2% in the case of non-competitors, written notice must be submitted to the board of directors within five days of reaching or exceeding such thresholds.

Exceptions. The provisions of our bylaws summarized above will not apply to (a) transfers of shares by operation of the laws of succession; (b) acquisitions of shares by (i) any person who, directly or indirectly, has the authority or possibility of appointing the majority of the directors of our board of directors, (ii) any company, trusts or similar form of venture, vehicle, entity, corporation or economic or mercantile association, which may be under the control of the aforementioned person; (iii) the heirs of the aforementioned person, (iv) the aforementioned person when such person is repurchasing the shares of any corporation, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association referred to in the item (ii) above; and (v) the Company or by trusts created by the Company; (c) any person(s) that as of December 4, 2003 hold(s), directly or indirectly, more than 20% of the shares representing the Company's capital stock; and (d) any other exceptions provided for in the Mexican Securities Law and other legal dispositions derived from said law.

MATERIAL CONTRACTS

Archer-Daniels-Midland

We entered into an association with Archer-Daniels-Midland in September 1996. We believe that this association has improved our position in the U.S. corn flour market by combining our proprietary corn flour

technology, our leading position in the corn flour industry in Mexico, the United States, Central America and Venezuela and our operational expertise with Archer-Daniels-Midland's logistical resources and financial strength.

As a result of this association, we received U.S.\$258.0 million in cash, 80% ownership of our combined U.S. corn flour operations and 60% of Archer-Daniels-Midland's Mexican wheat milling operations. We also gained exclusivity rights from Archer-Daniels-Midland in specified corn flour and wheat flour markets. In return, Archer-Daniels-Midland received 74,696,314 of our newly issued shares, which represented approximately 22% of our total outstanding shares, and 20% ownership of our combined U.S. corn flour operations, and retained 40% of the Mexican wheat milling operations. Archer-Daniels-Midland also obtained the right to designate two of the 14 members of our board of directors and their corresponding alternates.

Under the terms of this association, Archer-Daniels-Midland may not, without the consent of Mr. Roberto González Barrera, the Chairman of our board of directors and Chief Executive Officer, or our board of directors, acquire additional shares of us. In 1999, Mr. González Barrera authorized Archer-Daniels-Midland to acquire additional shares of us issued as a result of an increase in capital stock and subsequent rights offering to our shareholders. In connection with the rights offering on August 19, 1999, Archer-Daniels-Midland directly and indirectly purchased a total of 51,408,337 new shares, increasing its ownership of our outstanding shares to approximately 29.2%, directly and indirectly. A total of 24,566,561 of these new shares are held by Archer-Daniels Midland through a Mexican corporation jointly owned with Mr. González Barrera and controlled by him. Furthermore, Archer-Daniels-Midland must give Mr. González Barrera a right of first refusal on any sale of our shares. Mr. González Barrera must give Archer-Daniels-Midland a similar right on any sale of his shares in us if at the time of the sale, he owns, or as a result of the sale will own, less than 30% of our outstanding shares. See "Item 7. Major Stockholders and Related Party Transactions—Related Party Transactions."

The documents which detail the terms of the association include the Shareholders Agreement by and among us, Roberto González Barrera, Archer-Daniels-Midland and ADM Bioproducts, S.A. de C.V., the Asset Contribution Agreement among Gruma Corporation, Gruma Holding, Inc., ADM Milling Co., Valley Holding, Inc., GRUMA-ADM, and Azteca Milling, L.P., and the Investment Agreement by and between us and Archer-Daniels-Midland, all dated as of August 21, 1996, as well as Amendment No. 1 and Amendment No. 2 to the Shareholders Agreement, dated as of September 13, 1996 and August 18, 1999, respectively. See "Item 19. Exhibits."

Bank of America, N.A.

On December 18, 2002, we obtained a U.S.\$300,000,000 syndicated loan from a group of 15 local and foreign banks, led by Bank of America, N.A. The three-year loan allowed us to pay our outstanding syndicated loan. The loan pays a spread ranging from 87.5 to 162.5 percentage points over LIBOR. No single bank in the syndicate finances more than 9.8% of the total loan. The U.S.\$300,000,000 Loan Agreement among us, the lenders, Bank of America, N.A., as Administrative Agent, and Banc of America Securities, LLC, as Lead Arranger and Sole Book Manager, dated December 18, 2002, details the terms of this loan. See "Item 19. Exhibits."

EXCHANGE CONTROLS

Mexican law does not restrict our ability to remit dividends and interest payments, if any, to non-Mexican holders of our securities. Payments of dividends to equity-holders generally will not be subject to Mexican withholding tax. See "—Taxation—Mexican Tax Considerations—Payment of Dividends." Mexico has had a free market for foreign exchange since 1991, and the government has allowed the peso to float freely against the U.S. dollar since December 1994.

Our ability to repatriate dividends from our Venezuelan Operations may be adversely affected by exchange controls and other other recent events. See "Item 3. Risk Factors—Risks Related to Venezuela—Venezuela Presents Significant Economic Uncertainty and Political Risk."

TAXATION

The following summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the acquisition, ownership and disposition of B Shares or B Share ADSs (which are evidenced by ADRs), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or hold B Shares or ADSs, such as the tax treatment of holders that are dealers or that own (actually or constructively under rules prescribed in the Internal Revenue Code of 1986, as amended, or the Code), 10% or more of the voting shares of GRUMA.

The Convention for the Avoidance of Double Taxation and a Protocol thereto, or the Tax Treaty, between the United States and Mexico entered into force on January 1, 1994. The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

The summary is based upon tax laws of the United States and Mexico as in effect on the date of this document, which are subject to change, including changes that may have retroactive effect. Holders of B Shares or ADSs should consult their own tax advisers as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Tax Considerations

The following is a general summary of the principal consequences under the *Ley del Impuesto sobre la Renta* (the Mexican Income Tax Law) and rules and regulations thereunder, as currently in effect, of an investment in Shares or ADSs by a holder that is not a resident of Mexico and that will not hold shares or ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment or fixed base in Mexico.

For purposes of Mexican taxation, a natural person is a resident of Mexico for tax purposes if he has established his home in Mexico, unless he has resided in another country for more than 183 days, whether consecutive or not, in any one calendar year and can demonstrate that he has become a resident of that country for tax purposes, and a legal entity is a resident of Mexico if it was incorporated in Mexico or maintains the principal administration of its business or the effective location of its management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a non-resident of Mexico is deemed to have a permanent establishment or fixed base in Mexico for tax purposes, all income attributable to such permanent establishment or fixed base will be subject to Mexican taxes, in accordance with applicable tax laws.

Tax Treaties

Provisions of the Tax Treaty that may affect the taxation of certain U.S. holders are summarized below. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters.

Mexico has also entered into and is negotiating several other tax treaties that may reduce the amount of Mexican withholding tax to which payment of dividends on shares or ADSs may be subject. Holders of shares or ADSs should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, in order for any benefits from the Tax Treaty or any other tax treaties to be applicable, residence for tax purposes must be demonstrated.

Payment of Dividends

Under the Mexican Income Tax Law, dividends, either in cash or in kind, paid with respect to shares represented by ADSs are not subject to Mexican withholding tax. A Mexican corporation will not be subject to any tax if the amount of dividends does not exceed the net tax profit account (*cuenta de utilidad fiscal neta*, or CUFIN).

If we pay a dividend in 2004 in an amount greater than our CUFIN balance (which may occur in a year when net profits exceed the balance in such accounts), then we are required to pay a 33% income tax on an amount equal to the product of the portion of the grossed-up amount which exceeds such balance multiplied by 1.4925.

After 2005, the applicable income tax rate and factor are expected to be 32% and 1.4706, respectively.

Taxation of Dispositions

The sale or other disposition of ADSs by a non-resident holder will not be subject to Mexican tax. Deposits of shares in exchange for ADSs and withdrawals of shares in exchange for ADSs will not give rise to Mexican tax or transfer duties.

The sale of shares by a non-resident holder will not be subject to any Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance. Sales or other dispositions of shares made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor.

Under the Mexican Income Tax Law, gains realized by a nonresident holder of shares on the sale or disposition of shares not conducted through a recognized stock exchange generally are subject to a Mexican tax at a rate of 20% of the gross sale price. However, if the holder is a resident of a country which is not considered to be a low tax rate country (by reference to a list of low rate countries published by the Mexican Ministry of Finance and Public Credit), the holder may elect to designate a resident of Mexico as its representative, in which case taxes would be payable at a 34% rate on the gain on such disposition of shares in 2003 (33% in 2004 and 32% in 2005 and thereafter).

Pursuant to the Tax Treaty, gains realized by qualifying U.S. holders from the sale or other disposition of shares, even if the sale is not conducted through a recognized stock exchange, will not be subject to Mexican income tax except that Mexican taxes may apply if:

50% or more of our assets consist of fixed assets situated in Mexico;

such U.S. holder owned 25% or more of the shares representing the capital stock of GRUMA (including ADSs), directly or indirectly, during the 12-month period preceding such disposition; or

the gain is attributable to a permanent establishment or fixed base of the U.S. holder in Mexico.

Other Mexican Taxes

A non-resident holder will not be liable for estate, inheritance or similar taxes with respect to its holdings of shares or ADSs; provided, however, that gratuitous transfers of shares may in certain circumstances result in imposition of a Mexican tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes payable by a non-resident holder with respect to shares or ADSs.

Reimbursement of capital pursuant to a redemption of shares will be tax exempt up to an amount equivalent to the adjusted contributed capital corresponding to the shares that will be redeemed. Any excess distribution pursuant to a redemption will be considered a dividend for tax purposes and we may be taxed as described above.

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences to U.S. holders (as defined below) of the acquisition, ownership and disposition of B Shares or ADSs. This summary is based upon the federal income tax laws of the United States as in effect on the date of this Annual Report, including the provisions of the Tax Treaty, all of which are subject to change, possibly with retroactive effect in the case of U.S. federal income tax law.

The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of B Shares or ADSs. The summary applies only to U.S. holders that will hold their B Shares or ADSs as capital assets and does not apply to special classes of holders such as dealers in securities

or currencies, holders with a functional currency other than the U.S. dollar, holders of 10% or more of our voting shares (whether held directly or through ADSs or both), tax-exempt organizations, financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their B Shares or ADSs on a mark-to-market basis, and persons holding their B Shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of B Shares or ADSs that is:

a citizen or resident of the United States of America;

a corporation or partnership organized in or under the laws of the United States of America or any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal taxation regardless of its source;

a trust if a court within the U.S. is able to exercise primary supervision over the administration and one or more U.S. persons have the authority to control all substantial decisions of the trust; or

otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

A holder of B Shares or ADSs that is a partnership, and partners in such partnership, should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the B Shares or the ADSs, as the case may be.

Prospective investors in the B Shares or ADSs should consult their own tax advisors as to the U.S. federal, Mexican or other tax consequences of the purchase, ownership and disposition of the B Shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

Treatment of ADSs

In general, a U.S. holder of ADSs will be treated as the beneficial owner of the B Shares represented by those ADSs for U.S. federal income tax purposes. Deposits or withdrawals of B Shares by U.S. holders in exchange for the ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes. U.S. holders that withdraw any shares should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any pesos received in respect of such shares.

Taxation of Distributions

In this discussion, the term "dividends" is used to mean distributions paid out of our current or accumulated earnings and profits (calculated for U.S. federal income tax purposes) with respect to B Shares or ADSs. In general, the gross amount of any dividends will be includible 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 by the depository in the case of ADSs. Dividends paid by us will not be eligible for the dividends-received deduction allowed to corporations under the Code. To the extent that a distribution exceeds the amount of our earnings and profits (calculated for U.S. federal income tax purposes), it will be treated as a non-taxable return of capital to the extent of the U.S. holder's basis in the B Shares or ADSs, and thereafter as capital gain (provided that the B Shares or ADSs are held as capital assets). Distributions will be paid in pesos and will be includible in the income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day that they are received by the U.S. holder in the case of shares, or by the depository in the case of ADSs. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depository that are converted into U.S. dollars on a date subsequent to receipt.

Distributions of additional shares or ADSs to U.S. holders with respect to their shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Dividends paid on shares or ADSs generally will be treated for U.S. foreign tax credit purposes as foreign source passive income, or, in the case of certain U.S. holders, as foreign source financial services income. In the

event Mexican withholding taxes are imposed on such dividends, any such withheld taxes would be treated as part of the gross amount of the dividend includible in income of a U.S. holder for U.S. federal income tax purposes (to the extent of current or accumulated earnings and profits), and such taxes may be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under U.S. federal income tax law, for credit against a U.S. holder's U.S. federal income tax liability or, at the U.S. holder's election, for deduction from gross income in computing the U.S. holder's taxable income. The calculation and availability of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder's particular circumstances. In the event Mexican withholding taxes are imposed, U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits.

Qualified Dividend Income

Notwithstanding the foregoing, certain dividends received by individual U.S. holders that constitute "qualified dividend income" will be subject to a reduced maximum marginal U.S. federal income tax rate. Qualified dividend income generally includes, among other dividends, dividends received during the taxable year from "qualified foreign corporations." In general, the term "qualified foreign corporation" includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury Department determines to be satisfactory, and which includes an exchange of information program. In addition, a foreign corporation is treated as a qualified foreign corporation with respect to any dividend paid by the corporation with respect to stock of the corporation that is readily tradable on an established securities market in the United States. For this purpose, a share is treated as readily tradable on an established securities market in the United States if an ADR backed by such share is so traded.

Notwithstanding the previous rule, dividends received from a foreign corporation that is a foreign investment company (as defined in section 1246(b) of the Code), a passive foreign investment company (as defined in section 1297 of the Code), or a foreign personal holding company (as defined in section 552 of the Code) in either the taxable year of the corporation in which the dividend was paid or the preceding taxable year will not constitute qualified dividend income. In addition, the term "qualified dividend income" will not include, among other dividends, any (i) dividends on any share of stock or ADS which is held by a taxpayer for 60 days or less during the 120-day period beginning on the date which is 60 days before the date on which such share or the shares backing the ADS become ex-dividend with respect to such dividends (as measured under section 246(c) of the Code) or (ii) dividends to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respects to positions in substantially similar or related property. Moreover, special rules apply in determining a taxpayer's foreign tax credit limitation under section 904 of the Code in the case of qualified dividend income.

Individual U.S. holders should consult their own tax advisors to determine whether or not amounts received as dividends from us will constitute qualified dividend income subject to a reduced maximum marginal U.S. federal income tax rate and, in such case, the effect, if any, on the individual U.S. holder's foreign tax credit.

Taxation of Dispositions

Gain or loss realized by a U.S. holder on the sale, redemption or other disposition of B Shares or ADSs 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 basis in the B Shares or the ADSs and the amount realized on the disposition (including any amounts withheld in respect of Mexican withholding tax). Gain (including gain that arises because the U.S. holder's basis in the B Shares or ADSs has been reduced because a distribution is treated as a return of capital rather than as a dividend) and loss realized by a U.S. holder on a sale, redemption or other disposition of B Shares or ADSs generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

The availability of U.S. foreign tax credits for any Mexican taxes imposed on the sale, redemption or other disposition is subject to certain limitations and involves the application of rules that depend on a U.S. holder's particular circumstances. 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, B Shares or ADSs.

Tax Return Disclosure Regulations

Pursuant to U.S. Treasury regulations (the "Disclosure Regulations"), any taxpayer that has participated in a "reportable transaction" and who is required to file a U.S. Federal income tax return must generally attach a disclosure statement disclosing such taxpayer's participation in the reportable transaction to the taxpayer's tax return for each taxable year for which the taxpayer participates in the reportable transaction. The Disclosure Regulations provide that, in addition to certain other transactions, "loss transactions" and "transactions involving a brief asset holding period" constitute "reportable transactions." "Loss transactions" include transactions that produce a foreign currency exchange loss in an amount equal to or in excess of certain threshold amounts. "Transactions involving a brief asset holding period" are generally transactions resulting in the taxpayer claiming a tax credit in excess of \$250,000 if the underlying asset giving rise to the credit is held by the taxpayer for 45 days or less. U.S. holders should consult their own advisors concerning the implications of the tax return disclosure requirements in light of their particular circumstances.

Information Reporting and Backup Withholding

Dividends on, and proceeds from the sale or other disposition of, the B Shares or ADSs paid to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding at the applicable rate unless the holder:

establishes that it is a corporation or other exempt holder; or

provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the Internal Revenue Service.

U.S. Tax Consequences for Non-U.S. Holders

Distributions:

A holder of shares or ADSs that is, with respect to the United States, a foreign corporation or a non-resident alien individual (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or ADSs, unless such income is effectively connected with the conduct by the holder of a U.S. trade or business.

Dispositions:

A non-U.S. holder of shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of shares or ADSs, unless:

such gain is effectively connected with the conduct by the holder of a U.S. trade or business, or

in the case of gain realized by an individual holder, the 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.

Information Reporting and Backup Withholding:

Although non-U.S. holders generally are exempt from backup withholding, a non-U.S. holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

DOCUMENTS ON DISPLAY

We are subject to the information requirements of the Exchange Act and, in accordance therewith, we are required to file reports and other information with the SEC. These materials, including this Form 20-F and the

exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 11. Quantitative And Qualitative Disclosures About Market Risk.

The following information includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ from those presented. All information below is presented on a Mexican GAAP basis in pesos of constant purchasing power as of December 31, 2003.

We are exposed to market risks arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. We use derivative instruments, on a selective basis, to manage these risks. We do not use derivative instruments for trading or speculative purposes. We maintain and control our treasury operations and overall financial risk through policies approved by senior management.

INTEREST RATE RISKS

We depend upon debt financing transactions, including debt securities, bank and vendor credit facilities and leases, to finance our operations. These transactions expose us to interest rate risk, with the primary interest-rate risk exposure resulting from changes in the relevant base rates (CETES, THIE, LIBOR and/or prime rate) which are used to determine the interest rates that are applicable to borrowings under our credit facilities. We are also exposed to interest rate risk in connection with refinancings of maturing debt. We had approximately U.S.\$267 million (Ps.3,006 million) of fixed rate debt and approximately U.S.\$309 million (Ps.3,473 million) in floating rate debt at December 31, 2003. For a description of our debt, see Note 9 to our financial statements.

The following table sets forth, as of December 31, 2003, the interest rate and maturity profile of our debt portfolio.

	Maturity Dates						Total	Fair Value
	2004	2005	2006	2007	2008	Thereafter		
	(in millions of pesos of constant purchasing power as of December 31, 2003, except percentages)							
Liabilities								
Debt								
Fixed Rate (Ps.)	13	14	15	2,827	18	119	3,006	3,145
Average Rate	7.96%	7.96%	7.96%	7.625%	7.96%	7.96%	—	—
Floating Rate (Ps.)	485	2,852	15	1	1	119	3,473	3,380
Average Rate	3.594%	2.3579%	3.388%	7.000%	7.000%	1.2487%	—	—

In the case of our cash and short-term investments, declines in interest rates decrease the interest return on floating rate cash deposits and short-term investments. A hypothetical 100 basis point (1.0%) decrease in interest rates would not have a significant effect on our results of operations. We use derivative financial instruments such as interest rate swaps for purposes of hedging a portion of our long-term debt, in order to reduce the risk from interest rate fluctuations.

FOREIGN EXCHANGE RATE RISKS

Our net sales are denominated in U.S. dollars, Mexican pesos and other currencies. During 2003, 48% of our revenues were generated in U.S. dollars. In addition, as of December 31, 2003, 52% of our total assets were denominated in currencies other than Mexican pesos, particularly U.S. dollars. A significant portion of our operations is financed through U.S. dollar-denominated debt.

We believe that we have natural foreign exchange hedges incorporated in our balance sheet, in significant part because we have subsidiaries outside Mexico, and the peso-denominated value of our equity in these subsidiaries is also exposed to fluctuations in exchange rates. Changes in the peso value of equity in our

subsidiaries caused by movements in foreign exchange rate are recognized as a component of equity. See Note 12 to our financial statements.

Fluctuations in exchange rates relative to the Mexican peso expose us to foreign-currency exchange rate risk. In the near term, the foreign-currency exchange rate exposure associated with our debt repayment obligations is primarily limited to our short-term debt. We have not established any hedge to our foreign-currency exchange rate exposure.

Our primary foreign exchange rate risk relates to our substantial U.S. dollar-denominated debt for our non-U.S. subsidiaries. As of December 31, 2003, 99% of our debt obligations was denominated in U.S. dollars. The following table sets forth information concerning our U.S. dollar-denominated debt as of December 31, 2003. The table does not address our U.S. dollar sales and our U.S. dollar-denominated assets.

	Expected Maturity or Transaction Date						Total	Fair Value
	2004	2005	2006	2007	2008	Thereafter		
	(in millions of pesos of constant purchasing power as of December 31, 2003)							
U.S. dollar-denominated debt								
Yankee bond				2,810			2,810	2,949
Syndicated loan	337	2,810					3,147	3,147
Private Placement		14	15	17	18	119	183	183
Bank loans	161	42	15	1	1	119	339	339

COMMODITY PRICE RISKS

The availability and price of corn and other agricultural commodities are subject to wide fluctuations due to factors outside our control, such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and global production of similar and competitive crops. We hedge a portion of our production requirements through commodity futures contracts in order to reduce the risk created by price fluctuations and supply of corn, wheat, natural gas and soy oils which exist as part of ongoing business operations. The open positions for hedges of purchases do not exceed the maximum production requirements for a one-year period.

During 2003, we entered into short-term hedge transactions through commodities futures contracts for a portion of our corn requirements. These short-term hedge transactions were completed prior to December 31, 2003. At June 25, 2004, we had open positions for corn.

As of December 31, 2003, the nominal value of our outstanding swap contracts for natural gas was U.S.\$738,000. These swap contracts relate to GIMSA exclusively.

EQUITY PRICE RISKS

We classify our equity investments, consisting primarily of shares of Grupo Financiero Banorte, S.A. de C.V., a Mexican financial services holding company, as long-term assets. Since these investments are accounted for using the equity method, we do not believe our exposure to a hypothetical 10% decrease in these equity investments would have any material effect on our results. For additional information concerning our investment in Grupo Financiero Banorte, see "Item 4. Information on the Company—Description of Business—Miscellaneous—Banorte Investment."

As disclosed in Note 12 C to the consolidated financial statements, over the past years, we have entered into various equity swap agreements indexed to the Company's own stock. Under Mexican GAAP, these agreements are recognized at their fair value on the balance sheet, with the difference between the initial and the year-end fair value as a component of equity. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to the nature of the contractual settlement provisions. Details of the arrangements are as follows:

During 2003, we entered into five equity swap agreements with an international financial institution with respect to 22,200,000 of our own shares for a total amount of U.S.\$24.3 million. At each maturity we are required to pay a financing cost at the LIBOR rate plus an average of spread of 2.01% on the contractual amount. The agreements mature in January, September and December of 2004. The agreement that matured in January was closed with a gain of U.S.\$0.5578 per share, resulting in a total gain of U.S.\$5.4 million. One of the agreements that was set to mature in September was advanced to mature in February, which closed with a gain of U.S.\$0.3806 per share, resulting in a total gain of U.S.\$0.9 million. For the remaining agreements that mature in September and December, the Company will pay or receive the difference between the agreed average price of U.S.\$1.3624 per share and the market price.

As disclosed in Note 12 C to the consolidated financial statements, we have entered into call option agreements indexed to the Company's own stock. Under Mexican GAAP, we have accounted for these instruments as equity and consequently, these instruments are not reflected as liabilities or assets on our balance sheet. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to nature of the contractual settlement provisions. Details of the arrangements are as follows: during 2003, we entered into two call option agreements with a European international financial institution with respect to 6,405,000 of our own shares for a total amount of U.S.\$5.9 million, maturing in February and May of 2004, with a zero strike price. These agreements were closed with an average gain of U.S.\$0.7444 per share, resulting in a total gain of U.S.\$4.8 million.

COUNTERPARTY RISKS

We maintain centralized treasury operations in Mexico for our Mexican operations and in the United States for our U.S. operations. Liquid assets are invested primarily in government bonds and short-term debt instruments with a minimum "A1/P1" rating for our U.S. operations and "A" for our Mexican operations. We face credit risk from the potential non-performance by the counterparties in respect of the financial instruments that we utilize. Substantially all of these financial instruments are unsecured. We do not anticipate non-performance by the counterparties, which are principally licensed commercial banks and investment banks with long-term credit ratings. For our Central American operations and Venezuelan Operations, we only invest cash reserves with well-known local banks and local branches of international banks.

The above discussion of the effects on us of changes in interest rates, foreign exchange rates, commodity prices and equity prices is not necessarily indicative of our actual results in the future. Future gains and losses will be affected by actual changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market exposures, as well as changes in the actual derivative instruments employed during any period.

ITEM 12. Description Of Securities Other Than Equity Securities.

Not applicable.

PART II

ITEM 13. Defaults, 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.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The conclusions of our Chief Executive Officer and Chief Corporate Officer about the effectiveness of our disclosure controls and procedures, based on their evaluation of these controls and procedures as of December 31, 2003, are as follows:

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us is recorded, processed, summarized and reported within required timeframes. Our disclosure controls and

procedures include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Corporate Officer, as appropriate to allow timely decisions regarding required disclosure. Based on their assessments of our disclosure controls and procedures, our Chief Executive Officer and Chief Corporate Officer have concluded that the disclosure controls and procedures have functioned effectively and that the consolidated financial statements fairly present our consolidated financial position and the results of our operations for the periods presented.

CHANGES IN INTERNAL CONTROLS

There has been no change in our internal control over financial reporting during 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. Financial Expert

At our annual ordinary shareholders' meeting in April 2004, our shareholders elected the following three members of the Audit Committee: Eduardo Livas Cantú, Javier Vélez Bautista and Román Martínez Méndez and designated Javier Vélez Bautista as an "audit committee financial expert" within the meaning of this Item 16A. Although under Mexican law the determination of the shareholders is binding on our company, our board of directors will confirm this designation at its next board meeting.

ITEM 16B. 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 and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our web site at www.gruma.com. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waive on our web site at the same address.

ITEM 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table summarizes the aggregate fees billed to us by PricewaterhouseCoopers, during the fiscal years ended December 31, 2002 and 2003:

	Year ended December 31,	
	2003	2002
	(thousands of Mexican pesos)	
Audit fees	Ps. 20,484	Ps. 15,809
Audit-related fees	—	—
Tax fees	5,547	6,402
Other fees	601	3,914
Total fees	Ps. 26,632	Ps. 26,125

Audit fees. Audit fees in the above table are the aggregate fees billed by PricewaterhouseCoopers, in connection with the audit of our annual financial statements and statutory and regulatory audits.

Audit-related Fees. Audit-related fees in the above table are the aggregate fees billed by PricewaterhouseCoopers, for financial accounting and reporting consultations.

Tax Fees. Tax fees in the above table are fees billed by PricewaterhouseCoopers, for services based upon existing facts and prior transactions in order to document, compute, and obtain government approval for amounts

included in tax filings such as value-added tax return assistance, transfer pricing documentation and requests for technical advice from taxing authorities.

Other Fees. Other fees in the above table are fees billed by PricewaterhouseCoopers, for non-audit services. As a percentage of total fees billed to GRUMA, other fees represent 2% and 15% for 2003 and 2002, respectively.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee. Any service proposals submitted by external auditors need to be discussed and pre-approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our audit committee. In addition, the members of our board of directors are briefed on matters discussed in the meetings of the audit committee.

ITEM 16D. Not Applicable

ITEM 16E. Not Applicable

PART III

ITEM 17. Financial Statements.

Not applicable.

ITEM 18. Financial Statements.

See pages F-1 through F-49, incorporated herein by reference.

ITEM 19. Exhibits.

Exhibit No.

- 1 Our bylaws (*estatutos sociales*) as amended through December 4, 2003, together with an English translation.
- 2(a)(1) Deposit Agreement, dated as of September 18, 1998, by and among us, Citibank, N.A. as Depositary and the Holders and Beneficial Owners of American Depositary Shares Evidenced by American Depositary Receipts Issued Thereunder (including form of American Depositary Receipt).**
- 2(b)(1) Indenture, dated as of October 9, 1997, between us and The Chase Manhattan Bank, as Indenture Trustee representing up to U.S.\$250,000,000 of our 7.625% Notes due 2007.***
- 2(b)(2) Registration Rights Agreement by and among us, Lehman Brothers Inc., Bear Stearns International Limited, and AFIN Securities International Ltd., dated October 9, 1997.***
- 2(b)(3) U.S.\$300 million Loan Agreement among us, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, and Banc of America Securities, LLC, as Lead Arranger and Sole Book Manager, dated as of December 18, 2002.****
- 4(a)(1) Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated August 21, 1996. ***
- 4(a)(2) Amendment No. 1 to Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated September 13, 1996.*
- 4(a)(3) Amendment No. 2 to Shareholders Agreement by and among us, Roberto González Barrera, Archer Daniels-Midland Company and ADM Bioproducts, S.A. de C.V., dated August 18, 1999.*
- 4(a)(4) Asset Contribution Agreement among Gruma Corporation, Gruma Holding, Inc., ADM Milling Co., Valley Holding, Inc., GRUMA-ADM, and Azteca Milling, L.P., dated as of August 21, 1996.***
- 4(a)(5) Investment Agreement by and between us and Archer-Daniels-Midland Company, dated as of August 21, 1996. ***
- 7 Statement of Computation of Ratio of Earnings to Fixed Charges (Mexican GAAP and U.S. GAAP).
- 8 List of Principal Subsidiaries.

Exhibit No.

- 12(a)(1) CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 28, 2004.
- 12(a)(2) CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 28, 2004.
- 13 Officer Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 28, 2004.

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- * Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on July 1, 2002. Incorporated herein by reference.
 - ** Previously filed in Registration Statement on Form F-6 (File No. 333-9282), originally filed with the SEC on August 13, 1998. Incorporated herein by reference.
 - *** Previously filed in Registration Statement on Form F-4 (File No. 333-8266), originally filed with the SEC on January 28, 1998. Incorporated herein by reference.
 - **** Previously filed in Annual Report on Form 20-F (File No. 1-14852), originally filed with the SEC on June 30, 2003. Incorporated herein by reference.

SIGNATURE

The registrant, Gruma, S.A. de C.V., 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.

GRUMA, S.A. de C.V.

/s/ Juan Antonio Quiroga García

Name: Juan Antonio Quiroga García

Title: Chief Corporate Officer

Dated: June 28, 2004

GRUMA, S.A. DE C.V. AND SUBSIDIARIES

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[Report of Independent Registered Public Accounting Firm](#)

[Consolidated balance sheets as of December 31, 2002 and 2003](#)

[Consolidated statements of income for the years ended December 31, 2001, 2002 and 2003](#)

[Consolidated statements of changes in stockholders' equity for the years ended December 31, 2001, 2002 and 2003](#)

[Consolidated statements of changes in financial position for the years ended December 31, 2001, 2002 and 2003](#)

[Notes to consolidated financial statements](#)

Report of Independent Registered Public Accounting Firm

To the Stockholders of Gruma, S.A. de C.V.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and changes in financial position present fairly, in all material respects, the financial position of Gruma, S.A. de C.V. and subsidiaries at December 31, 2002 and 2003, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Mexico. These consolidated financial statements are the responsibility of management of Gruma, S.A. de C.V.; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and generally accepted auditing standards in Mexico, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Accounting principles generally accepted in Mexico vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of accounting principles generally accepted in the United States of America would have affected the determination of the consolidated net income and comprehensive income, expressed in Mexican pesos, for each of the three years in the period ended December 31, 2003, and the determination of the total consolidated stockholders' equity, also expressed in Mexican pesos, as of December 31, 2002 and 2003. Information related to the nature and effect of such differences is presented in Note 20 to the consolidated financial statements.

PricewaterhouseCoopers

February 20, 2004
Monterrey, N.L., Mexico

GRUMA, S.A. DE C.V. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2003****(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2003)
(Notes 1 and 2)**

	<u>2002</u>	<u>2003</u>
ASSETS		
Current:		
Cash	Ps. 202,904	Ps. 148,913
Temporary investments (Note 2-F)	283,405	220,332
Restricted cash (Note 11-B)	1,485	1,124
Accounts receivable, net (Note 3)	2,972,753	2,733,736
Refundable taxes (Note 3)	300,830	294,630
Inventories (Note 4)	2,740,504	3,377,888
Prepaid expenses	122,203	227,214
Total current assets	<u>6,624,084</u>	<u>7,003,837</u>
Investment in common stock of associated companies (Note 5)	1,464,535	1,579,195
Property, plant and equipment, net (Note 6)	13,557,299	13,029,626
Intangible assets, net (Note 7)	931,109	812,191
Excess of cost over book value of subsidiaries acquired, net	994,632	890,039
Other assets (Note 8)	287,723	66,794
Total assets	<u>Ps. 23,859,382</u>	<u>Ps. 23,381,682</u>
LIABILITIES		
Current:		
Bank loans (Note 9)	Ps. 838,688	Ps. 93,327
Current portion of long-term debt (Note 9)	13,127	406,002
Trade accounts payable	1,216,673	967,845
Accrued liabilities and other accounts payable	1,521,275	1,791,028
Income taxes payable	4,654	5,091
Employees' statutory profit sharing payable	14,104	14,265
Total current liabilities	<u>3,608,521</u>	<u>3,277,558</u>
Long-term debt (Note 9)	6,522,038	5,980,269
Deferred income taxes (Note 14)	673,266	1,037,896
Deferred employees' statutory profit sharing (Note 14)	51,645	30,631
Other liabilities	38,339	130,515
Total long-term liabilities	<u>7,285,288</u>	<u>7,179,311</u>
Total liabilities	<u>10,893,809</u>	<u>10,456,869</u>
Contingencies and commitments (Note 11)		
STOCKHOLDERS' EQUITY		
Majority interest (Note 12):		
Common stock	4,209,347	4,401,973
Restatement of common stock	6,498,065	6,501,793
	<u>10,707,412</u>	<u>10,903,766</u>
Additional paid-in capital	3,096,934	3,219,200
	<u>13,804,346</u>	<u>14,122,966</u>
Deficit from restatement	(11,413,750)	(11,765,282)
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(192,849)	(192,849)
Retained earnings (Note 12-B):		
Prior years	8,239,223	8,023,612
Net income for the year	423,662	492,974
Foreign currency translation adjustments (Note 12-D)	(679,933)	(618,936)
Total majority interest	<u>10,180,699</u>	<u>10,062,485</u>
Minority interest	2,784,874	2,862,328
Total stockholders' equity	<u>12,965,573</u>	<u>12,924,813</u>
	<u>Ps. 23,859,382</u>	<u>Ps. 23,381,682</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRUMA, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of
December 31, 2003, except share and per share amounts)
(Notes 1 and 2)

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net sales	Ps. 20,573,402	Ps. 20,660,420	Ps. 23,041,522
Cost of sales	<u>(12,973,861)</u>	<u>(12,921,388)</u>	<u>(14,671,572)</u>
Gross profit	7,599,541	7,739,032	8,369,950
Selling, general and administrative expenses	<u>(6,538,275)</u>	<u>(6,131,105)</u>	<u>(6,621,626)</u>
Operating income	<u>1,061,266</u>	<u>1,607,927</u>	<u>1,748,324</u>
Comprehensive financing cost, net:			
Interest expense	(728,899)	(610,566)	(531,858)
Interest income	101,179	62,147	64,680
Monetary position gain, net	195,607	173,407	188,073
Foreign exchange gain (loss), net (Note 15-A)	<u>108,722</u>	<u>(283,483)</u>	<u>(181,667)</u>
	<u>(323,391)</u>	<u>(658,495)</u>	<u>(460,772)</u>
Other income (expense), net (Note 13)	<u>75,486</u>	<u>129,860</u>	<u>(175,018)</u>
Income before income taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest	<u>813,361</u>	<u>1,079,292</u>	<u>1,112,534</u>
Income taxes (Note 14):			
Current	(200,173)	(310,675)	(312,172)
Deferred	<u>(99,752)</u>	<u>(294,051)</u>	<u>(363,805)</u>
	<u>(299,925)</u>	<u>(604,726)</u>	<u>(675,977)</u>
Employees' statutory profit sharing (Note 14):			
Current	(15,597)	(14,116)	(14,020)
Deferred	<u>1,469</u>	<u>175</u>	<u>18,718</u>
	<u>(14,128)</u>	<u>(13,941)</u>	<u>4,698</u>
Income before equity in earnings of associated companies and minority interest	499,308	460,625	441,255
Equity in earnings of associated companies, net	<u>69,628</u>	<u>174,573</u>	<u>235,151</u>
Income before minority interest	568,936	635,198	676,406
Minority interest	<u>(207,861)</u>	<u>(211,536)</u>	<u>(183,432)</u>
Majority net income for the year	<u>Ps. 361,075</u>	<u>Ps. 423,662</u>	<u>Ps. 492,974</u>
Earnings per share (pesos)	<u>Ps. 0.83</u>	<u>Ps. 0.95</u>	<u>Ps. 1.11</u>
Weighted average shares outstanding (thousands)	<u>433,235</u>	<u>446,202</u>	<u>445,098</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRUMA, S.A. DE C.V. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003**

**(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2003, except number of shares)
(Notes 1 and 2)**

	Common stock (Note 12-A)		Additional paid-in capital	Deficit from restatement	Cumulative effect of deferred income taxes and employee's statutory profit sharing	Retained earnings (Note 12-B)		Foreign currency translation adjustments (Note 12-D)	Total majority interest	Minority interest	Total stockholders' equity
	Number of shares (thousands)	Amount				Prior years	Net income for the year				
Balances at December 31, 2000	438,776	10,771,607	3,039,528	(11,296,724)	(192,849)	7,513,489	268,009	222,801	10,325,861	2,799,296	13,125,157
Appropriation of prior year net income						268,009	(268,009)				
Minority interest dividends										(301,950)	(301,950)
Net purchases and sales of Company's common stock	2,949	39,189	15,169			(45,562)			8,796		8,796
Executive stock purchase plan		(76,087)	42,992						(33,095)		(33,095)
Derivative financial operations in Company's own stock			(13,238)			(42,789)			(56,027)		(56,027)
	2,949	(36,898)	44,923			179,658	(268,009)		(80,326)	(301,950)	(382,276)
Comprehensive income (loss):											
Recognition of inflation effects for the year				(89,491)		301,375			211,884	(2,586)	209,298
Foreign currency translation adjustments								(627,098)	(627,098)	7,693	(619,405)
Net income for the year							361,075		361,075	205,929	567,004
Comprehensive income for the year				(89,491)		301,375	361,075	(627,098)	(54,139)	211,036	156,897
Balances at December 31, 2001	441,725	10,734,709	3,084,451	(11,386,215)	(192,849)	7,994,522	361,075	(404,297)	10,191,396	2,708,382	12,899,778
Appropriation of prior year net income						361,075	(361,075)				
Minority interest dividends										(102,175)	(102,175)
Net purchases and sales of Company's common stock	(323)	(16,474)	(6,586)			(56,129)			(79,189)		(79,189)
Executive stock purchase plan		(10,823)	(14,628)						(25,451)		(25,451)
Derivative financial operations in Company's own stock			33,697			(19,812)			13,885		13,885
	(323)	(27,297)	12,483			285,134	(361,075)		(90,755)	(102,175)	(192,930)
Comprehensive income (loss):											
Recognition of inflation effects for the year				(27,535)		(40,433)			(67,968)	(46,972)	(114,940)
Foreign currency translation adjustments								(275,636)	(275,636)	14,103	(261,533)
Net income for the year							423,662		423,662	211,536	635,198
Comprehensive income for the year				(27,535)		(40,433)	423,662	(275,636)	80,058	178,667	258,725
Balances at December 31, 2002	441,402	10,707,412	3,096,934	(11,413,750)	(192,849)	8,239,223	423,662	(679,933)	10,180,699	2,784,874	12,965,573
Appropriation of prior year net income						423,662	(423,662)				
Contributions by minority interest										140,220	140,220
Decrease of minority interest										(7,835)	(7,835)
Dividends paid						(293,785)			(293,785)	(194,951)	(488,736)
Net purchases and sales of Company's common stock	8,731	196,354	82,992			(164,461)			114,885		114,885
Derivative financial operations in Company's own stock			39,274			116,512			155,786		155,786
	8,731	196,354	122,266			81,928	(423,662)		(23,114)	(62,566)	(85,680)
Comprehensive income (loss):											
Recognition of inflation effects for the year				(351,532)		(297,539)			(649,071)	(75,656)	(724,727)
Foreign currency translation adjustments								60,997	60,997	32,244	93,241
Net income for the year							492,974		492,974	183,432	676,406
Comprehensive income for the year				(351,532)		(297,539)	492,974	60,997	(95,100)	140,020	44,920
Balances at December 31, 2003	450,133	Ps. 10,903,766	Ps. 3,219,200	Ps. (11,765,282)	Ps. (192,849)	Ps. 8,023,612	Ps. 492,974	Ps. (618,936)	Ps. 10,062,485	Ps. 2,862,328	Ps. 12,924,813

The accompanying notes are an integral part of these consolidated financial statements.

GRUMA, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of
December 31, 2003)
(Notes 1 and 2)

	2001	2002	2003
Operating activities:			
Majority net income for the year	Ps. 361,075	Ps. 423,662	Ps. 492,974
Minority interest	207,861	211,536	183,432
Consolidated net income	568,936	635,198	676,406
Adjustments to reconcile net income to net resources provided by operating activities:			
Depreciation and amortization	900,855	1,063,336	1,142,941
Equity in earnings of associated companies, net	(69,628)	(114,815)	(196,323)
Deferred income taxes and employees' statutory profit sharing	98,283	293,876	345,087
Net loss for shut-down of bread operations	216,777	—	—
Seniority premiums	7,743	9,642	7,950
	<u>1,722,966</u>	<u>1,887,237</u>	<u>1,976,061</u>
Changes in working capital:			
Restricted cash	4,361	1,473	361
Accounts receivable, net	248,071	(419,997)	94,894
Inventories	(40,627)	(321,146)	(812,602)
Prepaid expenses	15,615	28,823	(108,220)
Trade accounts payable	(370,410)	370,816	(182,244)
Accrued liabilities and other accounts payable	47,575	40,460	364,225
Income taxes and employees' statutory profit sharing payable	47,823	(30,139)	1,826
	<u>(47,592)</u>	<u>(329,710)</u>	<u>(641,760)</u>
Net resources provided by operating activities	<u>1,675,374</u>	<u>1,557,527</u>	<u>1,334,301</u>
Financing activities:			
Proceeds from bank loans and long-term debt	2,880,108	1,679,849	1,798,750
Repayment of bank loans and long-term debt	(3,469,983)	(2,289,524)	(2,770,365)
Contributions by minority interest	—	—	140,220
Decrease of minority interest	—	—	(7,835)
Net purchases and sales of Company's common stock and derivative financial operations	(80,326)	(90,755)	270,671
Dividends paid	(301,950)	(102,175)	(488,736)
Other	(101,413)	(69,844)	2,562
Net resources used in financing activities	<u>(1,073,564)</u>	<u>(872,449)</u>	<u>(1,054,733)</u>
Investing activities:			
Purchases of property, plant and equipment	(750,684)	(599,609)	(610,896)
Proceeds from the shut-down of bread operations	583,839	—	—
Excess of book value over cost of subsidiaries acquired	5,551	(13,456)	—
Deferred assets	(85,872)	(52,335)	(15,214)
Trust funds for research and development of technology	—	8,324	213,714
Investment in common stock	(2,397)	(2,360)	—
Other	(44,519)	19,055	15,764
Net resources used in investing activities	<u>(294,082)</u>	<u>(640,381)</u>	<u>(396,632)</u>
Net increase (decrease) in cash and temporary investments	307,728	44,697	(117,064)
Cash and temporary investments at beginning of year	133,884	441,612	486,309
Cash and temporary investments at end of year	<u>Ps. 441,612</u>	<u>Ps. 486,309</u>	<u>Ps. 369,245</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRUMA, S.A. DE C.V. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003**

**(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2003,
except where otherwise indicated)**

1. ENTITY AND NATURE OF BUSINESS

Gruma, S.A. de C.V., a Mexican corporation, is a holding company whose subsidiaries are located in Mexico, the United States of America, Central and South America and Europe. These subsidiaries are primarily engaged in manufacturing and distributing corn flour, tortillas, wheat flour and other related products. Gruma, S.A de C.V. and its subsidiaries are herein collectively referred to as "the Company".

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico ("Mexican GAAP") as promulgated by the Mexican Institute of Public Accountants ("MIPA"). A reconciliation from Mexican GAAP to United States generally accepted accounting principles ("U.S. GAAP") is included in Note 20.

A) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Gruma, S.A. de C.V. and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

As of December 31, the principal subsidiaries included in the consolidation are the following:

	% of ownership	
	2002	2003
Gruma Corporation and subsidiaries	100.00	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries	83.18	83.18
Molinos Nacionales, C.A (Note 17-C)	95.00	95.00
Derivados de Maíz Seleccionado, C.A (Note 17-C)	50.00	50.00
Molinera de México, S.A. de C.V. and subsidiaries	60.00	60.00
Gruma Centro América, S.A. and subsidiaries	100.00	100.00
Productos y Distribuidora Azteca, S.A. de C.V. and subsidiaries	100.00	100.00
Investigación de Tecnología Avanzada, S.A. de C.V. and subsidiaries	100.00	100.00
Asesoría de Empresas, S.A. de C.V	100.00	100.00
Transporte Aéreo Técnico Ejecutivo, S.A. de C.V	100.00	54.67
Inmobiliaria Residencial San Pedro, S.A. de C.V. and subsidiaries	100.00	100.00

B) USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, and reported amounts of revenues, costs and expenses for the reporting years. Actual results could differ from those estimates.

C) FOREIGN CURRENCY TRANSLATION

Financial statements of foreign subsidiaries have been restated to recognize the effects of inflation and translated to Mexican pesos of constant purchasing power as of December 31, 2003, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of Bulletin B-10, applying the General Consumer Price Index (“GCPI”) of the foreign country, which reflects the change in purchasing power of the local currency in which the subsidiary operates.
- Assets, liabilities, income and expenses are translated to Mexican pesos applying the exchange rate in effect at each period end. Stockholders’ equity balances are translated by applying the exchange rates in effect at the dates in which the contributions were made and the income was generated. The effects of translation are recognized as a component of equity entitled “Foreign Currency Translation Adjustments” (Note 12-D).

D) RECOGNITION OF THE EFFECTS OF INFLATION

The consolidated financial statements have been restated to recognize the effects of inflation and are expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2003, determined as follows:

- For comparability purposes, the financial statements as of and for the year ended December 31, 2001 and 2002 have been restated by utilizing a weighted average restatement factor, which considers the relative total sales contribution by country for the year ended December 31, 2001 and 2002 and the corresponding inflation and exchange rate fluctuations during those years.
- The consolidated statements of income and of stockholders’ equity for the year ended December 31, 2003 were restated applying GCPI factors from the country in which the subsidiary operates and applied to periods in which the transactions occurred and year-end.
- The consolidated statements of changes in financial position present, in Mexican pesos of constant purchasing power, the resources provided by or used in operating, financing and investing activities.
- The factors used to recognize the effects of inflation were the following:

<u>Year</u>	<u>Mexican national consumer price index</u>	<u>Weighted - average restatement factor</u>
2001	4.46%	0.41%
2002	5.70%	6.15%
2003	3.98%	7.75%

The methodology used to restate financial statement items is as follows:

- Restatement of non-monetary assets

Inventory and cost of sales are restated using the estimated replacement cost method. As set forth in Note 2-I, property, plant and equipment, net, is restated using the National Consumer Price Index ("NCPI") factors, except for machinery and equipment of foreign origin which are restated on the basis of a specific index composed of the GCPI factor from the country of origin, to the related foreign currency amounts, and then translated to Mexican pesos using the year-end exchange rate.

- Restatement of common stock, additional paid-in capital and retained earnings

This restatement reflects the amounts necessary to maintain the stockholder's investment at the original purchasing power amounts, and it is determined by applying NCPI factors from the dates on which capital stock and additional paid-in capital were contributed and earnings were generated or losses incurred, and is included within the related stockholders' equity captions.

- Deficit from restatement

Deficit from restatement primarily represents the difference between the replacement cost values of non-monetary assets or specific index restatement of machinery and equipment of foreign origin, as described above, and the historical cost of those assets restated for inflation, as measured by NCPI and GCPI factors for foreign subsidiaries.

- Monetary position gain

Monetary position gain represents the inflationary effect, measured by NCPI and GCPI factors, on the net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. The monetary gain recognized on the net monetary position of foreign subsidiaries is based on the inflation rate of the respective country, as measured by the relevant GCPI factor in its net monetary position, prior to the translation to Mexican pesos.

E) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate in effect on the dates the transactions are entered into and settled. Monetary assets and liabilities denominated in foreign currencies are translated into Mexican pesos at the exchange rate in effect at the balance sheet dates. Currency exchange fluctuations from valuation and liquidation of these balances are credited or charged to income, except for the effects of translation arising from foreign currency denominated liabilities, which are accounted for as a hedge of the Company's net investment in foreign subsidiaries, and are recognized as a component of equity under "Foreign currency translation adjustments".

F) TEMPORARY INVESTMENTS

Temporary investments are highly liquid investments with maturities of less than a year from the date of the financial statements and are stated at cost, which approximates market value. At December 31, 2002, temporary investments include shares quoted in the Mexican Stock Exchange for an amount of Ps.207,043 which were sold during 2003.

G) INVENTORIES AND COST OF SALES

Inventories are stated at the lower of estimated replacement cost or market. Estimated replacement cost is determined by the last purchase price, the first-in, first-out method and the last production cost. Cost of sales is determined from replacement costs calculated for the month in which inventories are sold.

H) INVESTMENT IN COMMON STOCK

Investments in common stock with ownership between 10% and 50% of the investees' voting stock, or where the Company exercises significant influence, are accounted for by the equity method.

I) PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment are restated utilizing NCPI factors, except for machinery and equipment of foreign origin which are restated on the basis of a specific index composed of the GCPI from the foreign country and the change in value of the Mexican peso against the foreign currency.

Depreciation expense is computed based on the net book value less salvage value, using the straight-line method over the estimated useful lives of the assets. Useful lives of the assets are as follows:

	<u>Years</u>
Buildings	50
Machinery and equipment	3 – 27
Software for internal use	7
Leasehold improvements	10

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. Comprehensive financing cost, including interest expense, foreign currency exchange fluctuations, and monetary position gain of the related debt for major construction projects, are capitalized as part of the assets during the construction period. When assets are retired, sold or otherwise disposed of, the restated value and accumulated depreciation are removed from the appropriate accounts and any resulting gain or loss is included in "Other income (expense), net".

Direct internal and external costs related to the development of internal use software are capitalized and amortized over the estimated useful life beginning when such software is ready for its intended use.

J) INTANGIBLE ASSETS, NET

Preoperating expenses are restated using NCPI factors.

Prior to January 1, 2003, preoperating expenses were amortized using the straight-line method over an estimated useful life not to exceed 12 years.

Effective January 1, 2003, the Company adopted the provisions established by revised Bulletin C-8 "Intangible Assets" ("Bulletin C-8"), issued by the MIPA. This bulletin provides guidance and specific criteria for the deferral of research and development costs and certain preoperating expenses. Additionally, Bulletin C-8 establishes that certain intangible assets can be considered as having indefinite lives and, therefore, should no longer be amortized.

Upon the application of Bulletin C-8, expenses incurred only during the development stage are capitalized as preoperating expenses. The development stage concludes upon the commencement of commercial operations. Research and development expenses are expensed as incurred. Amortization expense of intangible assets with finite lives is computed on the restated values using the straight-line method, over a period of 5 to 20 years. Estimated useful lives of intangible assets with finite lives are determined based on the analysis of contractual, economic, legal or regulatory factors that may limit the useful lives. Indefinite-lived intangible assets are no longer amortized starting January 1, 2003. The adoption of Bulletin C-8 did not have a material impact on the Company's financial position and results of operation.

The excess of cost over book value of subsidiaries and associated companies acquired is restated using NCPI factors. Amortization expense is computed based in the restated values using the straight-line method over a period not to exceed 20 years.

Debt issuance costs are capitalized and restated using NCPI factors. Amortization expense is computed based on the restated values, using the straight-line method over the term of the related debt.

K) EMPLOYEE RETIREMENT BENEFITS

Seniority premium to which Mexican employees are entitled after 15 years of service are charged to income as determined by annual actuarial valuations. Indemnities to which Mexican employees may be entitled in the case of dismissal or death, under certain circumstances established by Mexican Labor Law, are expensed when they become payable.

L) FINANCIAL INSTRUMENTS

Derivative financial instruments held for hedging purposes are recognized utilizing the same valuation criteria used for the assets and liabilities being hedged. The effects of this valuation are recognized in income, net of costs, expenses or earnings from the assets or liabilities being hedged. The cost of the financial instrument is recognized in income using the straight-line method during the contract term.

Derivative financial instruments held for purposes other than hedging are recognized at their fair value. The difference between the initial and year-end fair value of the derivative assets and liabilities is recognized in income, except for those financial instruments related with the Company's own shares, which are recorded as a component of equity.

M) REVENUE RECOGNITION

Revenue on product sales is recognized upon shipment to, and acceptance by the Company's customers or when the risk of ownership has passed to the customers. Provisions for discounts and rebates to customers, returns and other adjustments are recognized in the same period the related sales are recorded and are based upon either historical estimates or actual terms.

N) INCOME TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING

Income taxes and employees' statutory profit sharing are recorded based on the comprehensive asset and liability method for all temporary differences arising between the carrying values for financial reporting and tax values of assets and liabilities at the date of the financial statements. Valuation allowances are provided if based upon the weight of available evidence it is more likely than not that some or all the deferred tax assets will not be realizable.

O) EARNINGS PER SHARE

Earnings per share are computed by dividing majority net income for the year by the weighted average number of common shares outstanding during the year.

P) COMPREHENSIVE INCOME (LOSS)

The different components that constitute earned (lost) capital for the year are presented in the statement of changes in stockholders' equity as comprehensive income (loss).

3. ACCOUNTS RECEIVABLE, NET AND REFUNDABLE TAXES

Accounts receivable, net are comprised of the following as of December 31:

	<u>2002</u>	<u>2003</u>
Trade accounts receivable	Ps. 2,577,964	Ps. 2,546,411
Allowance for doubtful accounts	(100,190)	(107,932)
	<u>2,477,774</u>	<u>2,438,479</u>
Related parties (Note 18)	116,658	6,129
Financial instruments at fair value	—	60,089
Account receivable for disposed subsidiaries	157,315	56,000
Employees	28,401	27,868
Other debtors	192,605	145,171
	<u>Ps. 2,972,753</u>	<u>Ps. 2,733,736</u>

Refundable taxes are comprised of the following as of December 31:

	<u>2002</u>	<u>2003</u>
Production and services tax	Ps. 90,706	Ps. 37,187
Value-added tax	108,956	121,968
Income tax	101,168	135,475
	<u>Ps. 300,830</u>	<u>Ps. 294,630</u>

4. INVENTORIES

Inventories consisted of the following as of December 31:

	<u>2002</u>	<u>2003</u>
Raw materials, mainly corn and wheat	Ps. 2,100,444	Ps. 2,627,695
Finished products	222,781	319,986
Materials and spare parts	281,382	327,446
Production in process	58,314	45,774
Advances to suppliers	9,544	52,583
Inventory in transit	68,039	4,404
	<u>Ps. 2,740,504</u>	<u>Ps. 3,377,888</u>

5. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES

Investment in common stock of associated companies consists of the investment in common stock of Grupo Financiero Banorte, S.A. de C.V. and subsidiaries ("GFNorte") and Harinera de Monterrey, S.A. de C.V. which produces wheat flour and related products in Mexico.

These investments, accounted for by the equity method, are comprised of the following as of December 31:

	<u>2002</u>	<u>2003</u>	<u>Ownership</u>
GFNorte	Ps. 1,338,529	Ps. 1,463,218	10.8557%
Harinera de Monterrey, S.A de C.V.	126,006	115,977	40%
	<u>Ps. 1,464,535</u>	<u>Ps. 1,579,195</u>	

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following as of December 31:

	<u>2002</u>	<u>2003</u>
Land	Ps. 1,090,820	Ps. 1,080,419
Buildings	4,258,166	4,246,198
Machinery and equipment	14,251,518	14,443,666
Construction in progress	349,772	266,873
Software for internal use	654,174	708,435
Leasehold improvements.	227,418	230,529
Other	29,262	31,329
	20,861,130	21,007,449
Accumulated depreciation and amortization	(7,303,831)	(7,977,823)
	<u>Ps. 13,557,299</u>	<u>Ps. 13,029,626</u>

For the years ended December 31, 2001, 2002 and 2003, depreciation expense amounted to Ps.1,042,721, Ps.996,113 and Ps.952,460, respectively.

As of December 31, 2003, property, plant and equipment include temporarily idled assets with a carrying value of approximately Ps.522,905, resulting from the temporary shut-down of the productive operation of various plants in Mexico and Venezuela. These assets are not being depreciated since the carrying value is expected to be recovered and the remaining useful life is maintained. The Company's management expects that during the fourth quarter of 2004, one of the plants currently idled, located in Mexico, will start operations. The carrying value of this plant amounted to Ps.421,879 as of December 31, 2003. For the years ended December 31, 2001, 2002 and 2003 the Company recognized an idle assets impairment loss of Ps.16,163, Ps.67,244 and Ps.6,744, respectively. As of December 31, 2003 the Company also had assets at net realizable value of Ps.42,525 which are available for sale.

7. INTANGIBLE ASSETS, NET

Intangible assets, net are comprised of the following as of December 31:

	Remaining useful life (years)	2002	2003
Intangible assets with finite lives			
Acquired:			
Covenants not to compete	13	Ps. 803,682	Ps. 773,605
Debt issuance costs	2 – 13	232,918	224,616
Patents and trade names	11 – 15	14,180	20,239
Generated:			
Preoperating expenses	2 – 12	92,742	77,786
Research of new projects	12	67,534	32,540
Other	2 – 10	55,297	62,326
Intangible assets with indefinite lives			
Trade names		161,617	201,144
		1,427,970	1,392,256
Accumulated amortization		(496,861)	(580,065)
		Ps. 931,109	Ps. 812,191

The Company's management determined based on the provisions of Bulletin C-8 that some trade names have indefinite lives since their future cash flow generation is expected to be indefinite. Therefore, the Company ceased the amortization of these assets starting January 1, 2003 amounting to Ps.8,119 annually.

Research and development costs charged to income amounted to Ps.23,262, Ps.9,959 and Ps.2,736 for the years ended December 31, 2001, 2002 and 2003, respectively.

The amortization of preoperating expenses charged to income for the years ended December 31, 2001, 2002 and 2003 amounted to Ps.37,743, Ps.8,790 and Ps.15,412, respectively. Additionally, during 2001 the Company wrote-off certain capitalized preoperating expenses of Ps.354,850 due to the shut-down of the bread manufacturing operation, which were recognized in other income (expense), net (Note 13).

As of December 31, 2002 and 2003, the excess of cost over book value is presented net of accumulated amortization of Ps. 825,826 and Ps.904,080, respectively.

8. OTHER ASSETS

Other assets consisted of the following, as of December 31:

	<u>2002</u>	<u>2003</u>
Trust funds for research and development of technology	Ps. 230,292	Ps. —
Long-term notes receivable	9,932	34,854
Club memberships	21,840	15,498
Guarantee deposits	15,197	16,442
Refundable taxes	10,462	—
	<u>Ps. 287,723</u>	<u>Ps. 66,794</u>

During 2003 the Company decided to liquidate the research and development trust fund established to finance these activities. The Company will fund its research and development initiatives using the operating resources generated during each year.

9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans and long-term debt as of December 31 are summarized as follows:

	<u>2002</u>	<u>2003</u>
Syndicated loan in U.S. dollars, maturing in December 2004 and 2005, bearing interest at an annual rate of LIBOR plus 1.00% to 1.625% payable quarterly (2.1125% in 2003)	Ps. 3,374,730	Ps. 3,147,200
Senior unsecured notes in U.S. dollars, maturing in October 2007 and bearing interest at an annual rate of 7.625% payable semiannually	2,812,275	2,810,000
Loans in U.S. dollars, bearing interest at annual rates from 1.20% to 7.96% in 2003, payable quarterly, and due in annual payments from 2004 through 2009	348,168	429,071
Loans in Venezuelan bolivars payable in 2004 and bearing interest at variable annual rates from 17% to 18% in 2003	129,481	64,103
Loans in U.S. dollars, due in 2004, bearing interest at an annual rate of LIBOR plus 2.5% (3.09% in 2003), payable monthly	709,199	29,224
	<u>7,373,853</u>	<u>6,479,598</u>
Short-term bank loans	(838,688)	(93,327)
Current portion of long-term debt	(13,127)	(406,002)
Long-term debt	<u>Ps. 6,522,038</u>	<u>Ps. 5,980,269</u>

Short-term bank loans in U.S. dollars for U.S.\$2.6 million bear interest at an average rate of 3.3% as of December 31, 2003. Short-term bank loans in Venezuelan bolivars for 9,125 million bolivars bear interest at an average rate of 25.7% and 17.5% as of December 31, 2002 and 2003, respectively.

The Company has credit line agreements for U.S.\$70 million (Ps.786,800), all of which were available as of December 31, 2003. These credit line agreements require the payment of an annual commitment fee of 0.15% to 0.30% on the unused amounts.

Various credit agreements contain covenants requiring the Company to maintain certain financial ratios. The Company's ability to pay dividends is restricted upon the failure to maintain such financial ratios. At December 31, 2003, the Company was in compliance with these covenants.

At December 31, 2003, the annual maturities of long-term debt outstanding were as follows:

Year	Amount
2005	Ps. 2,865,286
2006	30,445
2007	2,827,524
2008 and thereafter	257,014
	<u>Ps. 5,980,269</u>

The Company has entered into an interest rate swap agreement covering a portion of its long term debt maturing in October 2007. See Note 17.

10. EMPLOYEE RETIREMENT BENEFITS

Seniority premium cost and other employee retirement benefits balance as of December 31, 2002 and 2003 amounted to Ps.34,235 and Ps.39,126, respectively, and are included in other liabilities.

Seniority premium cost and other employee retirement benefits in Mexico are determined by independent actuaries and are principally based on the employees' years of service, age and salaries. The Company has established trust funds to meet these obligations. The Company uses a December 31 measurement date for its plans.

The components of the net seniority premium cost for the years ended December 31, were the following:

	2001	2002	2003
Service cost	Ps. 3,048	Ps. 3,075	Ps. 2,855
Interest cost	804	870	797
Return on plan assets	(1,913)	(1,626)	(1,846)
Curtailement loss (gain)	216	(335)	39
Settlement loss	274	—	6
Net amortization	1,315	1,273	1,276
Net cost for the year	<u>Ps. 3,744</u>	<u>Ps. 3,257</u>	<u>Ps. 3,127</u>

As of December 31, the status of the plan was as follows:

	<u>2002</u>	<u>2003</u>
Actuarial present value of accumulated benefit obligations:		
Vested benefit obligation	Ps. (9,505)	Ps. (10,540)
Non-vested benefit obligation	(8,830)	(9,485)
	<u>(18,335)</u>	<u>(20,025)</u>
Excess of projected benefit obligation over accumulated benefit obligation	(6,940)	(7,059)
Projected benefit obligation	(25,275)	(27,084)
Plan assets at fair value (trust funds)	18,144	18,554
Shortfall of plan assets over projected benefit obligation	(7,131)	(8,530)
Unrecognized amounts to be amortized over 17 years:		
Cumulative net gain	2,471	1,579
Net transition liability	(429)	(138)
Prior service cost	(220)	(182)
Adjustment required to recognize minimum liability	(1,409)	(1,154)
Seniority premium liability	<u>Ps. (6,718)</u>	<u>Ps. (8,425)</u>

For the years ended December 31, 2002 and 2003, the changes in projected benefit obligation and plan assets are summarized as follows:

	<u>2002</u>	<u>2003</u>
Projected benefit obligation at beginning of year	Ps. 24,030	Ps. 25,275
Effect of inflation on beginning balance	(710)	(1,163)
Service cost	3,075	2,855
Interest cost	870	797
Benefits paid	(2,911)	(784)
Actuarial loss	921	104
Projected benefit obligation at end of year	<u>Ps. 25,275</u>	<u>Ps. 27,084</u>

	<u>2002</u>	<u>2003</u>
Fair value of plan assets at beginning of year	Ps. 18,718	Ps. 18,144
Effect of inflation on beginning balance	(79)	(635)
Return on plan assets	1,626	1,846
Benefits paid	(2,121)	(801)
Fair value of plan assets at end of year	<u>Ps. 18,144</u>	<u>Ps. 18,554</u>

The weighted average assumptions (net of expected inflation) used to determine benefit obligations at December 31 were as follows:

	<u>2002</u>	<u>2003</u>
Discount rate	3.5%	3.5%
Rate of increase in future compensation levels	1.5%	1.5%

The weighted average assumptions (net of expected inflation) used to determine net periodic benefit cost for the years ended December 31 were as follows:

	2001	2002	2003
Discount rate	4.0%	3.5%	3.5%
Rate of increase in future compensation levels	2.0%	1.5%	1.5%
Expected long-term rate of return on plan assets	5.0%	4.0%	4.0%

The long-term asset return rate is based on the annual recommendations of the Actuarial Commission in the Mexican Association of Consulting Actuaries. These recommendations consider historical information and future expectations.

The Company's weighted average asset allocation by asset category as of December 31 was as follows:

	2003	2002
Equity securities	30%	22%
Fixed rate instruments	70%	78%
Total	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments. Objective portfolio guidelines have been established for the remaining 70% and investment decisions are being made to comply with those guidelines to the extent that market conditions and available funds allow.

The Company estimates that it will not have to contribute to the plan during 2004.

In the United States, the Company has a saving and investment plan that incorporates voluntary employee 401(K) contributions with Company contributions. For the years ended December 31, 2001, 2002 and 2003, total expenses related to this plan were U.S.\$2,212,000 (Ps.24,863), U.S.\$2,324,000 (Ps.26,122) and U.S.\$2,670,000 (Ps.30,011), respectively.

In Venezuela, the Company recognizes a liability for seniority premiums and indemnities for dismissal established by the local Labor Law, which amounted Ps.15,161 and Ps.16,049 as of December 31, 2002 and 2003, respectively.

In Central America, the labor legislation of Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala establishes that the accumulated payments to which workers may be entitled, based on the years of services, must be paid in the case of death, retirement or dismissal. The Company records a liability at 10% over salaries paid, which amounted to Ps.12,356 and Ps.14,673 as of December 31, 2002 and 2003, respectively.

11. CONTINGENCIES AND COMMITMENTS

A) CONTINGENCIES

The Mexican tax authorities have made certain observations to asset tax declarations for the years 1995, 1996 and 1997, which amounted to Ps.547,170 including the related surcharges and penalties. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Venezuelan tax authorities have made certain observations to one of our Venezuelan subsidiaries, related to the income tax returns for the years 1998 and 1999, which amounted to Ps.92,675, plus tax credits presumably omitted for Ps.491. The resolutions of these claims will be assumed by the previous shareholder, in accordance with the purchase agreement of our subsidiary, Molinos Nacionales, C.A.

At the date of issuance of the financial statements, certain subsidiaries of the Company have been notified by the Comisión Nacional del Agua (“Water National Commission” or “CNA”) of assessments due from different years amounting to Ps 24,623 plus related penalties and surcharges. These assessments mainly derive from the CNA’s determination of sewage water discharged to the underground through the sprinkler system of those subsidiaries in its gardens. The subsidiaries have asserted the legal defense allowed by law in order to annul these assessments. At the date of issuance of the financial statements, the Company received a favorable judicial resolution for one of these assessments amounting to Ps 6,504. According to the Company’s lawyers, a reasonable basis exist in order to obtain a favorable resolution of the rest of the claimed assessments, because, among other things, the water is previously treated, it is not discharged on public property of the Nation and does not contaminate aquiferous layers nor the underground soil.

The Company has been involved in an anti-trust lawsuit filed by 18 tortilla manufacturers against two of its subsidiaries in the United States. The plaintiffs alleged that these subsidiaries had monopolized shelf space in grocery stores by paying slotting allowances. During December 2003, a U.S. Federal Judge dismissed the lawsuit without prejudice for the Company. At the date of issuance of these financial statements, the plaintiffs appealed this resolution.

The Company is also involved in a number of claims arising in the ordinary course of business which have not been finally adjudicated. The resolution of these matters is not expected to have a material adverse effect on the Company’s consolidated financial position or results of operations.

B) COMMITMENTS

The Company entered into sale-leaseback agreements for various production equipment located in its U.S. plants. The Company has a purchase option at fair market value at the expiration of the leases and an early purchase option, which permits the Company to acquire the equipment at fair market value at approximately three-fourths of the lease term. These agreements are accounted for as operating leases.

As of December 31, 2003, the Company is leasing certain equipment under long-term operating lease agreements expiring through 2011. Future minimum lease payments under such leases amount to approximately U.S.\$168,483,000 (Ps.1,893,749), as follows:

Year	U.S. dollars (thousands)		
	Facilities	Equipment	Total
2004	U.S.\$ 12,145	U.S.\$ 24,898	U.S.\$ 37,043
2005	10,985	16,845	27,830
2006	9,581	12,434	22,015
2007	8,381	11,885	20,266
2008	8,198	8,741	16,939
2009 and thereafter	8,965	35,425	44,390
	<u>U.S.\$ 58,255</u>	<u>U.S.\$ 110,228</u>	<u>U.S.\$ 168,483</u>
	<u>Ps. 654,786</u>	<u>Ps. 1,238,963</u>	<u>Ps. 1,893,749</u>

Rental expense was approximately Ps.410,442, Ps.395,125 and Ps.361,157 for the years ended December 31, 2001, 2002 and 2003, respectively.

At December 31, 2003, the Company has various outstanding commitments in the United States to purchase commodities and raw materials of approximately U.S.\$66,588,000 (Ps.748,449), which will be delivered during 2004.

As of December 31, 2003, the Company has outstanding commitments to purchase machinery and equipment amounting to U.S.\$1,686,000 (Ps.18,951).

As of December 31, 2002 and 2003, restricted cash of Ps.1,485 and Ps.1,124, respectively, included undisbursed proceeds from the issuance of tax-exempt industrial development revenue bonds in the United States amounting to Ps.1,304 (U.S.\$116,000) and Ps.1,124 (U.S.\$100,000) for the years 2002 and 2003, respectively, which are available to pay interest expense on outstanding balances on these bonds.

As of December 31, 2003 the Company has irrevocable letters of credit in the amount of approximately U.S.\$5,381,000 serving as collateral for claims pursuant to the Company's self-insured worker's compensation retention program.

12. STOCKHOLDERS' EQUITY

A) COMMON STOCK

At December 31, 2003, Gruma's outstanding common stock consisted of 450,133,443 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 2,416,509 authorized shares held in Treasury. At December 31, 2002, the Company's outstanding common stock consisted of 441,402,386 shares and 11,147,566 shares held in Treasury.

B) RETAINED EARNINGS

In accordance with Mexican Corporate Law, the legal reserve must be increased annually by 5 % of annual net profits until it reaches 20 % of the fully paid capital stock amount.

Dividends paid from retained earnings which have not been previously taxed are subject to an income tax payable by the Company equal to 49.25% in 2004 and 47.06% in 2005. The applicable tax may be credited against income tax the Company is subject to in the following two fiscal years. Effective January 1, 2002, dividends paid by the Company from the net tax income account are not subject to any tax.

C) PURCHASE OF COMMON STOCK

The Stockholders' Meeting approved a Ps.650,000 reserve to repurchase the Company's own shares. The total amount of repurchased shares cannot exceed either the reserve amount or 5% of total equity. As of December 31, 2003, the Company has repurchased 2,416,509 of its own shares with a market value of Ps.36,793.

The Company has entered into several agreements involving its own shares, as follows:

- During 2003, the Company entered into five equity swap agreements with a financial institution under which the Company sold 22,200,000 of its own shares for a total amount of U.S.\$24,327,000. At each maturity, the Company is subject to pay a financial cost at the LIBOR rate plus an average spread of 2.01% on the contractual amount. The agreement matures in January, September and December 2004, when the Company will pay or receive the difference between the agreed average price of U.S.\$ 1.0958 per share and the market price.
- During 2003, the Company entered into two call option agreements with a European financial institution, selling 6,405,000 of its own shares for a total amount of U.S.\$5,928,000, maturing in February and May 2004, with a zero strike price.

D) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Foreign currency translation adjustments as of December 31 consisted of the following:

	<u>2002</u>	<u>2003</u>
Foreign currency translation at beginning of year	Ps. (404,297)	Ps. (679,933)
Effect of translating net investment in foreign subsidiaries	321,700	397,561
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of tax	(597,336)	(336,564)
	<u>Ps. (679,933)</u>	<u>Ps. (618,936)</u>

As of December 31, 2002 and 2003, the accumulated effect of translating net investment in foreign subsidiaries in the minority interest amounted to Ps.21,796 and Ps.54,040, respectively.

E) INFLATION EFFECTS

As of December 31, 2003, the majority stockholders' equity is comprised of the following:

	<u>Nominal</u>	<u>Restatement</u>	<u>Total</u>
Common stock	Ps. 4,401,973	Ps. 6,501,793	Ps. 10,903,766
Additional paid-in capital	1,170,605	2,048,595	3,219,200
Deficit from restatement	—	(11,765,282)	(11,765,282)
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(185,474)	(7,375)	(192,849)
Retained earnings from prior years	2,675,651	5,347,961	8,023,612
Net income for the year	500,403	(7,429)	492,974
Foreign currency translation adjustments	(618,936)	—	(618,936)
	<u>Ps. 7,944,222</u>	<u>Ps. 2,118,263</u>	<u>Ps. 10,062,485</u>

F) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2003, tax amounts of common stock and retained earnings were Ps.8,918,975 and Ps.1,394,294, respectively.

13. OTHER INCOME (EXPENSE), NET

Other income (expense), net is comprised of the following:

	Year ended December 31,		
	2001	2002	2003
Disposal of subsidiaries	Ps. —	Ps. 140,751	Ps. —
Amortization of excess of cost over book value and excess of book value over cost, net	351,300	142,982	(33,816)
Amortization of other deferred costs	(82,248)	(62,789)	(61,421)
Write-off of preoperating expenses not related with shut-down of the bread manufacturing operation and other	(23,905)	—	—
Impairment loss on assets (Note 6)	(16,163)	(67,244)	(17,087)
Net loss from the shut-down of the bread operations	(216,777)	—	—
Voluntary product recall	70,063	—	—
Net loss in sale of fixed assets and other assets	—	—	(52,105)
Other.	(6,784)	(23,840)	(10,589)
	<u>Ps. 75,486</u>	<u>Ps. 129,860</u>	<u>Ps. (175,018)</u>

During 2002, the Company sold the shares of one of its subsidiaries and recognized a gain of Ps.140,751.

During 2001, the Company determined that the carrying value of certain goodwill was impaired; consequently, goodwill was reduced by Ps.23,905.

The net loss from the shut-down of the bread operations includes in 2001 a provision of approximately Ps.37,277, mainly for fixed asset impairment losses and others.

14. INCOME TAXES, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING**A) INCOME TAX AND ASSET TAX**

Gruma files a consolidated income tax return for Mexican income tax purposes, consolidating taxable income and losses of Gruma and its controlled Mexican subsidiaries. Filing a consolidated tax return had the effect of reducing income tax expense for the years ended December 31, 2001, 2002 and 2003 by Ps.93,887, Ps.56,997 and Ps.67,813, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations limit the income tax consolidation to 60% of the ownership interest of controlled Mexican subsidiaries.

In accordance with the applicable tax law, Mexican corporations must pay the higher of either income tax or asset tax (1.8%). Asset tax is determined on the average value of substantially all of the Company's Mexican assets less certain liabilities. Payments of asset tax are recoverable against the excess of income tax over asset tax of the three prior years and the ten subsequent years.

For the years ended December 31, 2001, 2002 and 2003, asset tax amounted to Ps.136,095, Ps.60,796 and Ps.62,190, respectively.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years 2001, 2002 and 2003, the reconciliation between statutory income tax amounts and the effective income tax amounts is summarized as follows:

	Year ended December 31,		
	2001	2002	2003
Statutory federal income tax (35% for 2001 and 2002 and 34% for 2003)	Ps. 284,677	Ps. 377,756	Ps. 378,262
Foreign income tax differences	(87,575)	(95,937)	(17,398)
Effect of disposed and merged subsidiaries	—	267,358	113,130
Foreign dividends	183,066	156,068	261,117
Effect due to change in income tax rate	—	(28,752)	—
Withdrawal of investments from other assets	—	—	(68,118)
Financing cost and income, net and other income statement effects related to inflation	16,416	(52,188)	(37,723)
Amortization of excess of cost over book value and excess of book value over cost, net	(83,491)	(28,511)	11,291
Restatement of tax loss carryforwards	(257,307)	(36,265)	(24,311)
Losses of Mexican subsidiaries which cannot be utilized for income tax consolidation	284,261	41,289	44,069
Other	(40,122)	3,908	15,658
Effective income tax (37% for 2001, 56% for 2002 and 61% for 2003)	<u>Ps. 299,925</u>	<u>Ps. 604,726</u>	<u>Ps. 675,977</u>

As a result of the amendments to the Income Tax Law approved on January 1, 2002, beginning in 2003 the income tax rate of 35% will be reduced annually to a nominal rate of 32% in 2005.

According to Bulletin D-4, "Accounting Treatment of Income Tax, Asset Tax and Employees' Statutory Profit Sharing", deferred income taxes should be determined using the statutory tax rate effective when the deferred tax assets and liabilities will be recovered or settled.

The modification of the tax rate mentioned above, reduced the net deferred tax liability by Ps.28,752 in 2002 and resulted in a benefit to income for the same amount.

At December 31, 2002 and 2003, the tax effects of main differences that give rise to significant portions of the deferred tax assets and liabilities, are as follows:

	2002	2003
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. 1,045,415	Ps. 919,725
Accrued liabilities	117,911	256,344
Recoverable asset tax	371,905	283,531
Intangible asset resulting from intercompany operation.	200,932	161,114
Other	200,326	142,679
	<u>1,936,489</u>	<u>1,763,393</u>
Deferred tax liabilities:		
Property, plant and equipment, net	1,959,696	2,082,615
Inventories	426,119	486,966
Intangible assets and other	6,090	14,034
Investment in partnership and equity method investee	217,850	217,674
	<u>2,609,755</u>	<u>2,801,289</u>
Net deferred tax liability	<u>Ps. 673,266</u>	<u>Ps. 1,037,896</u>

The Company has valuation allowances for its loss carryforwards amounting to Ps.114,054 from Mexican subsidiaries and Ps.61,325 from foreign subsidiaries as of December 31, 2001 and Ps.48,607 from foreign subsidiaries as of December 31, 2002. In management's opinion, the realization of these assets is less likely than not because of the dependency on the generation of sufficient taxable income at the subsidiary level.

Additionally, the Company has a deferred liability relating to employees' statutory profit sharing of Ps.51,645 and Ps.30,631 as of December 31, 2002 and 2003, respectively.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2003, in Mexico, the Company has tax loss carryforwards of approximately Ps.2,120,116 available to offset its taxable income in subsequent years, and asset tax of Ps.177,888 available to offset the excess of income tax over asset tax in future years, as shown below:

Expiration year	Tax loss carryforwards	Recoverable asset tax
2010	Ps. —	Ps. 56,080
2012	2,120,116	57,946
2013	—	63,862
	<u>Ps. 2,120,116</u>	<u>Ps. 177,888</u>

Additionally, at December 31, 2003, certain Company's foreign subsidiaries have tax loss carryforwards of approximately Ps.25,523 (950 million Costa Rican colons) which will expire in 2004 to 2005.

D) EMPLOYEES' STATUTORY PROFIT SHARING

In Mexico, employees' statutory profit sharing is determined for each subsidiary on an unconsolidated basis, applying 10% of taxable income determined on a basis similar to income tax, except that the employee's statutory profit sharing does not consider inflation effects, depreciation and amortization expense is based on the historical cost, and a foreign exchange gain or loss is recognized when a monetary asset or liability is contractually due.

15. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2001, 2002 and 2003, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2001	2002	2003
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries recorded directly to stockholders' equity as an effect of foreign currency translation adjustments	Ps. 153,059	Ps. (597,336)	Ps. (336,564)
Exchange differences arising from foreign currency transactions credited (charged) to income	108,722	(283,483)	(181,667)
	<u>Ps. 261,781</u>	<u>Ps. (880,819)</u>	<u>Ps. (518,231)</u>

B) FOREIGN CURRENCY POSITION

As of December 31, 2002 and 2003, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

	<u>Thousands of U.S. dollars</u>			
	<u>2002</u>		<u>2003</u>	
In companies located in Mexico:				
Assets:				
Current	U.S.\$	33,204	U.S.\$	3,897
Non-current		11		14
Liabilities:				
Current		(71,342)		(47,661)
Long-term		(550,000)		(500,000)
	<u>U.S.\$</u>	<u>(588,127)</u>	<u>U.S.\$</u>	<u>(543,750)</u>

	Thousands of U.S. dollars			
	2002		2003	
In foreign companies:				
Assets:				
Current	U.S.\$	146,594	U.S.\$	144,501
Non-current		1,059		1,736
Liabilities:				
Current		(199,654)		(188,278)
Long-term		(88,785)		(124,990)
	U.S.\$	(140,786)	U.S.\$	(167,031)

At December 31, 2002 and 2003, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.10.44 and Ps.11.24, respectively. On February 20, 2004, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.10.94.

For the years ended December 31, the Company's Mexican subsidiaries had transactions in U.S. dollars as follows :

	Thousands of U.S. dollars					
	2001		2002		2003	
Corn purchases and other inventories	U.S.\$	104,117	U.S.\$	147,927	U.S.\$	110,675
Interest expense		52,162		43,278		29,991
Equipment purchases		88		404		321
Services		194		321		532
	U.S.\$	156,561	U.S.\$	191,930	U.S.\$	141,519

As of December 31, consolidated non-monetary assets of foreign origin, which are restated on the basis of the GCPI from the foreign country of origin are summarized as follows:

	2002		2003	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange Rate
U.S. dollars	574,686	10.44	573,893	11.24
Swiss francs	23,008	7.55	522	9.08
Euros	17,275	10.9519	13,938	14.1645
Venezuelan bolivars	256,511,893	0.0074	358,934,520	0.0070
Costa Rican colons	35,464,477	0.0276	32,470,369	0.0269

16. SEGMENT INFORMATION

The Company's reportable segments are strategic business units that offer different products in different geographical regions. These business units are managed separately because each business segment requires different technology and marketing strategies.

The Company's reportable segments are as follows:

- Corn flour and packaged tortilla division (United States) – manufactures and distributes over 20 varieties of corn flour that are used mainly to produce and distribute different types of tortillas and tortilla chip products in the United States and Europe. The main brands are MASECA for corn flour and MISSION and GUERRERO for packaged tortillas.
- Corn flour division (Mexico) – engaged principally in the production, distribution and sale of corn flour in Mexico under MASECA brand. Corn flour produced by this division is used mainly in the preparation of tortillas and other related products.
- Corn flour, wheat flour and other products division (Venezuela) – engaged mainly in producing and distributing corn and wheat flour, used principally for industrial and human consumption.
- Packaged tortilla division (Mexico) – produces and distributes packaged tortillas. In 2001, this division also produced and distributed bread in Mexico.
- Wheat flour division (Mexico) – engaged in the production and marketing of wheat flour in Mexico.
- Corn flour and other products division (Central America) – manufactures, distributes and sells corn flour, tortillas and snacks; cultivates and sells hearts of palm.
- “Other” division – this segment represents the technology and equipment division located in Mexico, which conducts research and development regarding flour and tortilla manufacturing equipment, produces machinery for corn flour and tortilla production and is engaged in the construction of the Company's corn flour manufacturing facilities.
- The “Other reconciling items” row includes the corporate expenses and the elimination of inter-business unit transactions.

During 2001 the Company decided to terminate the bread operations in Mexico and Central America.

All intersegment sales prices are market based. The Company evaluates performance based on operating income of the respective business units.

Summarized financial information concerning the Company's reportable segments is shown in the following tables.

Segment information as of and for the year ended December 31, 2001:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States).	Ps. 9,724,487	Ps. —	Ps. 660,725	Ps. 611,774
Corn flour division (Mexico)	5,106,639	36,836	580,491	271,854
Corn flour, wheat flour and other products (Venezuela)	2,394,394	—	183,340	67,959
Packaged tortilla (Mexico)	381,536	35,494	(237,059)	87,921
Wheat flour (Mexico)	1,580,149	28,695	14,008	62,179
Corn flour and other products (Central America)	1,262,359	—	(8,575)	97,443
Other	100,934	372,762	(14,104)	8,935
Other reconciling items	22,904	(473,787)	(117,560)	(307,210)
Total	Ps. 20,573,402	Ps. —	Ps. 1,061,266	Ps. 900,855

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	Ps. 8,301,164	Ps. 2,290,347	Ps. 484,774
Corn flour division (Mexico)	7,015,312	1,453,623	3,888
Corn flour, wheat flour and other grains (Venezuela)	2,469,642	786,788	71,255
Packaged tortilla (Mexico)	773,354	102,270	25,502
Wheat flour (Mexico)	2,003,055	215,336	19,244
Corn flour and other products (Central America)	1,236,826	183,315	90,812
Other	538,662	86,562	(14,764)
Other reconciling items	1,462,304	5,782,300	69,973
Total	Ps. 23,800,319	Ps. 10,900,541	Ps. 750,684

Segment information as of and for the year ended December 31, 2002:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	Ps. 9,986,276	Ps. —	Ps. 858,224	Ps. 519,086
Corn flour division (Mexico)	4,921,842	30,270	527,593	268,589
Corn flour, wheat flour and other products (Venezuela)	2,676,353	—	289,584	77,261
Packaged tortilla (Mexico)	154,480	39,868	(78,610)	60,388
Wheat flour (Mexico)	1,784,542	4,611	19,036	65,643
Corn flour and related products (Central America)	1,117,750	—	33,363	65,987
Other	1,645	303,615	(47,625)	8,269
Other reconciling items	17,532	(378,364)	6,362	(1,887)
Total	Ps. 20,660,420	Ps. —	Ps. 1,607,927	Ps. 1,063,336

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	Ps. 8,296,195	Ps. 2,460,731	Ps. 528,569
Corn flour division (Mexico)	7,303,297	1,539,685	31,205
Corn flour, wheat flour and other products (Venezuela)	2,809,650	815,877	—
Packaged tortilla (Mexico)	553,904	77,856	—
Wheat flour (Mexico)	2,088,611	272,975	37,204
Corn flour and related products (Central America)	1,200,659	376,342	7,618
Other	396,401	86,118	7,362
Other reconciling items	1,210,665	5,264,225	392,038
Total	Ps. 23,859,382	Ps. 10,893,809	Ps. 1,003,996

Segment information as of and for the year ended December 31, 2003:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States)	Ps. 11,216,744	Ps. —	Ps. 1,037,249	Ps. 518,063
Corn flour division (Mexico)	5,161,853	38,958	393,845	261,371
Corn flour, wheat flour and other products (Venezuela)	3,357,127	—	435,700	89,323
Packaged tortilla (Mexico)	199,180	43,530	(56,733)	18,257
Wheat flour (Mexico)	1,978,548	13,412	(22,673)	68,692
Corn flour and related products (Central America)	1,108,193	2,515	(3,431)	67,072
Other	1,155	374,717	(40,736)	7,544
Other reconciling items	18,722	(473,132)	5,103	112,619
Total	<u>Ps. 23,041,522</u>	<u>Ps. —</u>	<u>Ps. 1,748,324</u>	<u>Ps. 1,142,941</u>

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States)	Ps. 8,286,443	Ps. 2,735,074	Ps. 429,199
Corn flour division (Mexico)	7,123,356	1,320,867	81,003
Corn flour, wheat flour and other products (Venezuela)	2,863,481	973,807	39,046
Packaged tortilla (Mexico)	454,250	66,580	27,635
Wheat flour (Mexico)	2,293,993	454,565	40,437
Corn flour and related products (Central America)	1,048,209	265,132	—
Other	367,378	116,687	—
Other reconciling items	944,572	4,524,157	150,456
Total	<u>Ps. 23,381,682</u>	<u>Ps. 10,456,869</u>	<u>Ps. 767,776</u>

The following table presents the details of "Other reconciling items" for operating income:

Other reconciling items	2001	2002	2003
Corporate expenses	Ps. (117,587)	Ps. (35,587)	Ps. (56,885)
Elimination of inter-business unit transactions	27	41,949	61,988
	<u>Ps. (117,560)</u>	<u>Ps. 6,362</u>	<u>Ps. 5,103</u>

Additionally, a summary of information by geographic segment is as follows:

	2001	%	2002	%	2003	%
NET SALES TO EXTERNAL CUSTOMERS:						
United States	Ps. 9,806,385	48	Ps. 9,986,276	49	Ps. 11,216,744	49
Mexico	7,088,682	34	6,880,041	33	7,356,943	32
Venezuela	2,415,976	12	2,676,353	13	3,357,127	14
Central America	1,262,359	6	1,117,750	5	1,110,708	5
	<u>Ps. 20,573,402</u>	<u>100</u>	<u>Ps. 20,660,420</u>	<u>100</u>	<u>Ps. 23,041,522</u>	<u>100</u>
IDENTIFIABLE ASSETS:						
United States	Ps. 8,301,164	35	Ps. 8,296,195	35	Ps. 8,286,443	35
Mexico	11,792,687	50	11,552,878	48	11,183,549	48
Venezuela	2,469,642	10	2,809,650	12	2,863,481	12
Central America	1,236,826	5	1,200,659	5	1,048,209	5
	<u>Ps. 23,800,319</u>	<u>100</u>	<u>Ps. 23,859,382</u>	<u>100</u>	<u>Ps. 23,381,682</u>	<u>100</u>
CAPITAL EXPENDITURES:						
United States	Ps. 484,774	65	Ps. 528,569	53	Ps. 429,199	56
Mexico	103,843	14	467,809	46	299,531	39
Venezuela	71,255	9	—	0	39,046	5
Central America	90,812	12	7,618	1	—	0
	<u>Ps. 750,684</u>	<u>100</u>	<u>Ps. 1,003,996</u>	<u>100</u>	<u>Ps. 767,776</u>	<u>100</u>

17. FINANCIAL INSTRUMENTS

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and temporary investments, accounts receivable, refundable taxes, trade accounts payable, short-term bank loans, current portion of long-term debt and accrued liabilities and other payables approximate their fair value, due to their short maturity. In addition, the net book value of accounts receivable and refundable taxes represent the expected cash flow to be received.

The estimated fair value of the Company's long-term debt and derivative financial instruments is as follows:

	Carrying amount	Fair value
At December 31, 2002:		
Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%	Ps. 2,812,275	Ps. 2,713,845
Interest rate swap	48,589	48,589
Equity swap	29,135	25,030
Call option	148,978	151,270

At December 31, 2003:

Liabilities: Senior unsecured notes in U.S. dollars bearing interest at annual rate of 7.625%	Ps. 2,810,000	Ps. 2,948,533
Interest rate swap	52,816	52,816
Equity swap	273,437	339,660
Call option	66,130	97,996

Fair values were determined as follows:

- The fair value of debt is estimated based on quoted market prices for similar issues or on current rates available to the Company for debt of the same maturity and similar terms.
- The fair value of the equity swap and the call option is estimated based on quoted market prices of the share and on the agreement terms.
- The carrying value of the remainder of the long-term debt was similar to its fair value.

B) HEDGES

In Mexico, the Company has entered into futures contracts to minimize the risk in price fluctuations of corn and gas. These contracts are short-term and do not exceed the maximum production requirements for a one-year period. The effect of these contracts was recognized in income when they were settled and was not significant.

The Company uses derivative financial instruments such as interest rate swaps to hedge its long term debt which matures in 2007 and bears interest at an annual rate of 7.625%. This hedge considers the risk created by changes in the market value conferred to interest rate fluctuations, converting the debt from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). Additionally, the Company entered into an agreement to receive a fixed interest rate of 5.1525% through 2004 and 5.485% from 2004 through 2007 and to pay LIBOR rate.

C) CONCENTRATION OF CREDIT RISK

The financial instruments which are potentially subject to a concentration of risk are principally cash, temporary investments and trade accounts receivable. The Company deposits its cash and temporary investments in recognized financial institutions. The concentration of the credit risk with respect to trade receivables is limited since the Company sells its products to a large number of customers located in different parts of Mexico, United States, Central America and South America. The Company maintains reserves for potential credit losses.

Operations in Venezuela represented 14.6% of sales in 2003. The severe political and economic situation in Venezuela presents a risk to business that we cannot control and that cannot be accurately measured or estimated. The April 2002 coup, which ousted President Hugo Chávez from office for two days, marked the climax of the political instability that continued throughout 2002 and 2003. In addition, a nationwide general strike that began in early December 2002 and lasted for approximately two months caused a significant reduction on oil production in Venezuela, and has had a material adverse effect on Venezuela's oil-dependent economy. Inflation in Venezuela reached 31.2% and 27.08% in 2002 and 2003, respectively. The Venezuelan bolivar depreciated 85.1% and 14.01% against the U.S. dollar during 2002 and 2003, respectively.

In February 2003, in response to the general strike and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls on certain products. On February 6, 2003, the Venezuelan government set a single fixed exchange rate for the bolivar against the U.S. dollar of 1,600 bolivars to U.S. \$1.00. On February 11, 2003, the Venezuelan government established price controls on products such as corn flour and wheat flour. The Company's financial condition and results of operations have not had an important unfavorable effect, nevertheless, a portion of our sales are denominated in bolivars and that our operations in Venezuela manufacture products that are subject to foreign exchange controls.

On February 9, 2004 the Venezuelan government set a single fixed exchange rate of 1,920 bolivars to U.S. \$1.00. At the same time, an adjustment was made to the prices of some food products subject to price controls, including products manufactured and distributed by our operations in Venezuela.

18. RELATED PARTY TRANSACTIONS

The Company owns an 10.8557% interest in GFNorte, a Mexican financial institution. In the normal course of business, the Company obtains long-term financing from GFNorte and other subsidiaries of this institution at market rates and terms. The highest outstanding loan amount in 2003 has been Ps. 162,000 at an average interest rate of 8.9%. The interest paid to GFNorte's subsidiaries for the years ended December 31, 2001, 2002 and 2003 was Ps.6,003, Ps.79 and Ps.41, respectively.

As of December 31, 2002 and 2003, the Company made loans to its controlling shareholders, bearing interest at market rates. As of December 31, 2002 and 2003, accounts receivable from these transactions totaled Ps.116,658 and Ps.6,129, respectively.

As of December 31, 2002 and 2003, the Company had accounts payable to a shareholder of Ps.85,791 and Ps.53,212, respectively, and are included in trade accounts payable. During 2001, 2002 and 2003, the Company purchased inventory ingredients from a shareholder, amounting to U.S.\$90 million (Ps.902,325), U.S.\$84 million (Ps.940,518) and U.S.\$111 million (Ps.1,248,363), respectively.

19. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002, the MIPA issued Bulletin C-15, "Impairment in the Value of Long-Lived Assets and their Disposal" ("Bulletin C-15"), which is effective as of January 1, 2004. Bulletin C-15 establishes guidance for the identification of certain events that represent evidence of a potential impairment in long-lived assets, tangible and intangible. Additionally, it provides guidance for the estimation and recognition of losses for impairment and their reversal and establishes the requirements of presentation and disclosure of impairment losses and discontinued operations. The Company's management believes that the adoption of Bulletin C-15 will not have a significant impact on the Company's results of operation and financial position.

In April 2003, the MIPA issued Bulletin C-12, "Financial Instruments with Characteristics of Liabilities, Equity or Both" ("Bulletin C-12"), which is effective as of January 1, 2004. Bulletin C-12 establishes standards to classify and measure certain financial instruments with characteristics of both, liabilities and equity, as well as the disclosure requirements. The Company's management believes that the adoption of Bulletin C-12 will not have a significant impact on the Company's results of operation and financial position.

20. DIFFERENCES BETWEEN MEXICAN GAAP AND U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from U.S. GAAP. The Mexican GAAP consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 (see Note 2-D), including the Fifth Amendment to Bulletin B-10 and Bulletin B-15, whereas financial statements prepared under U.S. GAAP are presented on a historical cost basis. The reconciliation to U.S. GAAP includes a reconciling item for the effect of applying the Fifth Amendment to Bulletin B-10 and Bulletin B-15 restatement to Mexican pesos of constant purchasing power as of December 31, 2003 because, as described below, these provisions of inflation accounting under Mexican GAAP do not meet the consistent reporting currency requirements of Regulation S-X. The U.S. GAAP adjustments have been determined based on Mexican NCPI factors. The reconciliation does not include the reversal of other Mexican GAAP inflation accounting adjustments as they represent a comprehensive measure of the effects of price-level changes in the inflationary Mexican economy and, as such, are considered a more meaningful presentation than historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

The principal differences, other than inflation accounting, between Mexican GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustments.

Reconciliation of net income:	Year ended December 31,		
	2001	2002	2003
Net majority income under Mexican GAAP	Ps. 361,075	Ps. 423,662	Ps. 492,974
U.S. GAAP adjustments:			
Depreciation expense (See C)	(59,798)	(62,316)	(55,164)
Preoperating expenses and other deferred costs (See D)	36,956	2,855	17,027
Capitalized comprehensive financing costs (See E)	2,995	2,956	2,852
Sale-leaseback transaction (See F):			
Interest expense	(16,995)	(17,293)	(17,006)
Rental and depreciation expense, net	8,815	8,652	8,374
Amortization of excess of cost over book value (See G)	19,352	19,090	18,420
Deferred income taxes (See H)	(151,976)	28,405	(12,262)
Deferred employees' statutory profit sharing (See H)	(17)	508	(362)
Effect of U.S. GAAP adjustments on equity method investee (See L)	(19,510)	(67,170)	(87,656)
Negative goodwill (See I):			
Amortization of excess of book value over cost	(383,320)	(178,230)	—
Depreciation expense	40,322	52,873	52,655
Derivative financial instruments (See J)	—	—	85,403
Adjustment to net loss from shutdown of bread operations (See D)	354,850	—	—
Amortization of goodwill and indefinite-lived intangible assets (See K)	—	112,932	76,427
Monetary position gain resulting from U.S. GAAP adjustments	5,485	390	(87)
Effects of Bulletin B-15 restatement (See A)	(9,528)	(11,461)	—
Total U.S. GAAP adjustments	(172,369)	(107,809)	88,621
Minority interest (See B)	19,104	6,361	7,455
Net income under U.S. GAAP	Ps. 207,810	Ps. 322,214	Ps. 589,050
Basic and diluted earnings per share (in pesos)	Ps. 0.48	Ps. 0.72	Ps. 1.32
Weighted average shares outstanding (thousands)	433,235	446,202	445,098

Reconciliation of stockholders' equity:	As of December 31,	
	2002	2003
Stockholders' equity under Mexican GAAP	Ps. 12,965,573	Ps. 12,924,813
U.S. GAAP adjustments:		
Property, plant and equipment (See C)	458,246	361,346
Preoperating expenses and other deferred costs (See D)	(43,376)	(24,257)
Capitalized comprehensive financing cost (See E)	(17,730)	(14,258)
Sale-leaseback transaction (See F)	(57,123)	(65,709)
Excess of cost over book value (See G)	(171,815)	(147,376)
Deferred income taxes (See H)	(39,440)	(50,084)
Deferred employees' statutory profit sharing (See H)	2,562	2,024
Effect of U.S. GAAP adjustments on equity method investee (See L)	(218,226)	(290,186)
Negative goodwill (See I)	(911,122)	(826,587)
Derivative financial instruments (See J)	19,405	111,348
Goodwill and indefinite-lived intangible assets (See K)	112,059	176,812
U.S. GAAP adjustments attributable to minority interest	(69,649)	(52,378)
Minority interest under Mexican GAAP (See B)	(2,784,874)	(2,862,328)
Effects of Bulletin B-15 restatement (See A) 385,37	(324,081)	—
Total U.S. GAAP adjustments	(4,045,164)	(3,681,633)
Stockholders' equity under U.S. GAAP	Ps. 8,920,409	Ps. 9,243,180

A summary of the Company's statement of changes in stockholders' equity with balances determined under U.S. GAAP is as follows:

Balance at December 31, 2002	Ps. 8,920,409
Net purchases of Company's common stock	114,885
Dividends paid	(293,785)
Operation with Company's own shares	163,061
Deferred loss on hedging activity	(54)
Recognition of inflation effects for the year	(311,383)
Foreign currency translation adjustments	60,997
Net income for the year	589,050
Balance at December 31, 2003	Ps. 9,243,180

A summary of the Company's stockholders' equity after the U.S. GAAP adjustments described above as of December 31, 2002 and 2003 is as follows:

	2002	2003
Capital stock	Ps. 10,707,412	Ps. 10,903,766
Additional paid-in capital	3,096,934	3,219,200
Retained earnings	6,826,098	7,080,689
Accumulated other comprehensive loss	(11,710,035)	(11,960,475)
Total stockholders' equity under U.S. GAAP	Ps. 8,920,409	Ps. 9,243,180

A) EFFECTS OF BULLETIN B-15 RESTATEMENT

As disclosed in Note 2-C, the Company adopted the provisions of Bulletin B-15, which allows the restatement of information for prior periods for comparison purposes to information of the most current period presented, based on a weighted average restatement factor that reflects the relative inflation and currency exchange movements of the countries in which the Company operates. The restatement provisions of Bulletin B-15 do not meet the Regulation S-X requirement that the financial statements be stated in the same currency for all periods, because changes in foreign currency exchange rates are included in the restatement factor. The U.S. GAAP adjustments to net income and stockholders' equity reflect the difference between restating these prior periods, including the U.S. GAAP adjustments, to December 31, 2003 constant pesos utilizing the Mexican NCPI and the weighted average restatement factor. See Note 20-Q for summarized financial information prepared on a U.S. GAAP basis restated to December 31, 2003 constant pesos utilizing the Mexican NCPI.

B) MINORITY INTEREST

Under Mexican GAAP, the minority interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet. For U.S. GAAP purposes, the minority interest is not included in stockholders' equity.

C) PROPERTY, PLANT AND EQUIPMENT

Mexican GAAP allows companies the option of using a specific index, which contemplates inflation and currency exchange movements in the restatement of machinery and equipment and the related depreciation expense if such machinery and equipment is of foreign origin. The Company has elected to apply a specific index to fixed assets of foreign origin for the purposes of determining the restated balances under Mexican GAAP. For U.S. GAAP purposes, the use of a specific index, which contemplates currency exchange changes, is not in accordance with the historical cost concept nor does it present financial information in a constant reporting currency. The impact on the net carrying value of fixed assets of restating fixed assets of foreign origin utilizing the Mexican NCPI for U.S. GAAP purposes increases stockholders' equity as of December 31, 2002 and 2003 by Ps. 555,724 and Ps. 481,409, respectively.

Under Mexican GAAP, depreciation on idle equipment is not required if the carrying value is expected to be recovered. Under U.S. GAAP, those assets should continue be depreciated and subject to an impairment review. Therefore, the adjustment to property, plant and equipment decreases stockholder's equity as of December 31, 2002 and 2003 by Ps.97,478 and Ps.120,063, respectively.

D) PREOPERATING EXPENSES AND OTHER DEFERRED COSTS

As of December 31, 2002, under Mexican GAAP, preoperating expenses incurred were permitted to be capitalized and amortized by the Company over the period of time estimated to generate the income necessary to recover such expenses. The Company defined this period as 12 years based on prior experience. Starting January 1, 2003, under Mexican GAAP, only preoperating expenses incurred during the development stage are capitalized, whereas preoperating expenses identified as research are expensed as incurred. Additionally, the preoperating expenses capitalized until January 1, 2003 are amortized using the straight-line method over a 12-year period. Under US GAAP, such expenses should be treated as period expenses.

In 2001, as disclosed in Note 13, the Company shutdown its bread operations and recognized a loss of Ps.216,777, which includes the write-off of preoperating expenses. Under U.S. GAAP, these expenses have been previously written off.

The U.S. GAAP equity adjustments of Ps.43,376 and Ps.24,257 decrease intangible assets presented in the balance sheets as of December 31, 2002 and 2003, respectively.

E) COMPREHENSIVE FINANCING COSTS

Under Mexican GAAP, comprehensive financing costs, including interest expense, foreign exchange gains or losses and monetary position of the related debt for major construction projects, are capitalized as part of the assets during the construction period. Under U.S. GAAP, monetary position and foreign exchange gains and losses on U.S. dollar or other stable currency borrowings are excluded from capitalized interest.

F) SALE-LEASEBACK TRANSACTION

Under Mexican GAAP, a sale-leaseback transaction that involves real estate is recognized with the use of the general criteria established for capital and operating lease transactions. Based upon these criteria, a sale-leaseback of real estate was recorded by the Company as an operating lease. Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 98, such a transaction would be recognized as a capital lease because a continuing involvement from the seller-lessee is present, and consequently, the risks and benefits of the property are not transferred to the buyer-lessor. The U.S. GAAP balance sheet as of December 31, 2002 and 2003 would reflect increases in fixed assets, net, of Ps.161,526 and Ps.138,960 (net of accumulated depreciation of Ps. 57,123 and Ps.65,709, respectively), respectively, and long-term debt increases of Ps.218,649 and Ps.204,669, respectively.

The capital lease under U.S. GAAP has a 15-year term with an effective date of May 1, 1996. It requires minimum annual payments of approximately U.S.\$3.2 million (Ps.35.968) for the year 2004, 2005 and 2006, and approximately U.S.\$14.4 million (Ps.161,856) thereafter.

G) AMORTIZATION OF EXCESS OF COST OVER BOOK VALUE

Under Mexican GAAP, the excess of the purchase price over the proportionate book value of net assets acquired is recorded as "Excess of cost over book value" for all of the Company's acquisitions. Under U.S. GAAP, transfers and exchanges between enterprises under common control are accounted for on a carry-over basis, and therefore, no such assets would be recorded. The U.S. GAAP equity adjustments of Ps.171,815 and Ps.147,376 decrease the excess of cost over book value presented in the balance sheet as of December 31, 2002 and 2003, respectively.

H) DEFERRED INCOME TAXES AND EMPLOYEES' STATUTORY PROFIT SHARING

Under Mexican GAAP, the Company adopted the provisions of revised Bulletin D-4 for the recognition of deferred tax assets and liabilities. The accounting treatment of Bulletin D-4 is in accordance with the comprehensive asset and liability method of SFAS No. 109 "Accounting for Income Taxes". The U.S. GAAP adjustments to net income and stockholders' equity reflect only the deferred income taxes and employees' statutory profit sharing generated by the other U.S. GAAP adjustments discussed in this document.

Under the comprehensive asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed.

For both Mexican and U.S. GAAP purposes, the financial statement carrying amounts utilized in the determination of the deferred tax assets and liabilities included the inflation adjustments described in Note 2-D, and their respective tax bases also included the effects of inflation based on tax regulations.

The amounts of deferred income taxes charged or credited to net income for each year under SFAS No. 109 and as set forth in Issued 93-9 of the U.S. Financial Accounting Standards Board's Emerging Issues Task Force was determined based on the differences between the beginning and ending balances of the deferred tax assets or liabilities for each period, expressed in Mexican pesos of constant purchasing power.

Income tax expense:

The domestic and foreign components of income before taxes, employees' statutory profit sharing, equity in earnings of associated companies, extraordinary item and minority interest reported under Mexican GAAP are as follows:

	Year ended December 31,		
	2001	2002	2003
Domestic	Ps. (77,518)	Ps. 112,699	Ps. (257,100)
Foreign	890,879	966,593	1,369,634
	<u>Ps. 813,361</u>	<u>Ps. 1,079,292</u>	<u>Ps. 1,112,534</u>

Provisions for domestic federal, foreign federal and state income taxes in the Mexican GAAP consolidated statements of income consist of the following components:

	Year ended December 31,		
	2001	2002	2003
Current:			
Domestic federal	Ps. 109,945	Ps. 232,586	Ps. 47,787
Foreign federal	81,981	71,268	242,467
Foreign state	8,247	6,821	21,918
	<u>Ps. 200,173</u>	<u>Ps. 310,675</u>	<u>Ps. 312,172</u>
Deferred:			
Domestic federal	Ps. (70,923)	Ps. 37,230	Ps. 199,259
Foreign federal	163,297	212,967	151,609
Foreign state	7,378	43,854	12,937
	<u>Ps. 99,752</u>	<u>Ps. 294,051</u>	<u>Ps. 363,805</u>
Total income taxes	<u>Ps. 299,925</u>	<u>Ps. 604,726</u>	<u>Ps. 675,977</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2002 and 2003, are as follows:

	2002	2003
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. 1,417,320	Ps. 1,203,256
Customer advances and accrued liabilities	117,911	256,344
Intangible assets (c)	200,932	161,114
Other	212,916	142,679
Total gross deferred tax assets	<u>1,949,079</u>	<u>1,763,393</u>
Deferred tax liabilities:		
Property, plant and equipment, net (a)	2,079,555	2,174,360
Inventories (b)	433,656	494,002
Investment in partnership and equity method investee	142,484	147,729
Other assets	6,090	35,282
Total gross deferred tax liabilities	<u>2,661,785</u>	<u>2,851,373</u>
Net deferred tax liability under U.S. GAAP	712,706	1,087,980
Net deferred tax liability under Mexican GAAP	<u>673,266</u>	<u>1,037,896</u>
Adjustment for U.S. GAAP	<u>Ps. 39,440</u>	<u>Ps. 50,084</u>

- (a) Principally due to the differences between restated book and tax basis, including depreciation and capitalized interest.
- (b) Principally due to the expensing of purchases for Mexican tax purposes.
- (c) Reflects a prepaid asset resulting from an intercompany transaction.

A summary of the deferred tax liability (asset) balances on a U.S. GAAP basis are as follows:

	2002	2003
Current:		
Deferred tax asset	Ps. (330,827)	Ps. (399,023)
Deferred tax liability	<u>433,656</u>	<u>523,039</u>
	<u>102,829</u>	<u>124,016</u>
Non-current:		
Deferred tax asset	(1,618,252)	(1,364,370)
Deferred tax liability	<u>2,228,129</u>	<u>2,328,334</u>
	<u>609,877</u>	<u>963,964</u>
Total	<u>Ps. 712,706</u>	<u>Ps. 1,087,980</u>

The provision for income tax on a U.S. GAAP basis is as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Current	Ps. (200,173)	Ps. (310,675)	Ps. (312,172)
Deferred	(251,728)	(265,646)	(376,067)
	<u>Ps. (451,901)</u>	<u>Ps. (576,321)</u>	<u>Ps. (688,239)</u>

In addition, the Company has established a deferred liability for U.S. GAAP purposes of Ps.49,083 and Ps.28,607, at December 31, 2002 and 2003, respectively, relating to employees' statutory profit sharing.

I) NEGATIVE GOODWILL

Under Mexican GAAP, the excess of the net book value of identifiable assets acquired over their purchase price, is recorded as "Excess of book value over cost of subsidiaries acquired, net" and is permitted to be amortized over a period of time not to exceed 5 years.

Under U.S. GAAP, the excess of the fair value over the net book value of acquired identifiable assets is allocated to the book value of the non-monetary assets acquired. Once the book value has been reduced to zero, any unallocated amounts are recorded as negative goodwill.

As of December 31, 2002 and 2003, the U.S. GAAP equity adjustment of Ps.911,122 and Ps.826,587 respectively, decrease the net fixed assets in the same amounts.

J) DERIVATIVE FINANCIAL INSTRUMENTS

Under Mexican GAAP, when a company is engaged in hedge activities, the corresponding derivative financial instruments must be valued utilizing the same criteria used for the assets or liabilities that are being hedged. Changes in the fair value of derivatives are recognized in the income statement, net of costs, expenses or earnings from the assets or liabilities being hedged and the gain or loss is recognized when the hedge item is realized. Derivative financial instruments held for purposes other than hedging are recognized at their fair value. The difference between the initial and year-end fair value of the derivative assets and liabilities is recognized in income, except for those financial instruments related with the Company's own shares, which are recorded as a component of equity.

Under U.S. GAAP, all derivative instruments must be recorded on the balance sheet at fair value. On the date the derivative contracts are entered into, the Company designates the derivative as either (a) a fair value hedge or (b) a cash flow hedge. For cash-flow hedge transactions, changes in the fair value of the derivative instrument are reported in other comprehensive income. The gains and losses on cash flow hedge transactions that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. Derivative instruments not designated as hedge are marked to market and the impact of such is recognized in current period earnings.

At December 31, 2003, the Company realized gains of Ps. 18,724 from cash flow hedges related to corn futures contracts; these gains are deferred and reported in other comprehensive income. The Company expects these deferred gains related to cash flow hedges will be recognized within the next 12 months.

As stated in Note 17-B, the Company entered into two interest rate swap contracts to hedge its long-term debt, which matures in 2007. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" does not permit synthetic instrument accounting, consequently, for U.S. GAAP purposes, both contracts have been treated as speculative contracts and have been recorded at fair value, with the offsetting changes in their fair value reported in earnings and therefore the impact under U.S. GAAP and Mexican GAAP was similar.

As described in Note 12-C, during 2003 the Company has entered into various equity swap and call option agreements indexed to the Company's own stock. Under Mexican GAAP, the Company has recorded the fair value of these financial instruments on the balance sheet with the difference between the initial and year-end fair value as a component of equity. Under U.S. GAAP, the fair value of such contracts has been recognized in income due to the nature of the contractual settlement provisions.

K) GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Under U.S. GAAP, effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment on an annual basis at the reporting unit level.

Goodwill impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired; however if the carrying value of the reporting unit exceeds its fair value, an additional procedure must be performed. The additional procedure compares the implied fair value of the reporting unit (as defined by SFAS No. 142) with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Company estimates fair values based on the discounted cash flows approach. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these cash flows are consistent with internal forecasts.

Intangible assets that are not subject to amortization shall be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis.

As mentioned in Note 2-J, under Mexican GAAP, until January 1, 2003 all intangible assets were amortized over their estimated useful life. Bulletin C-8 was adopted starting January 1, 2003, and consequently, certain intangible assets (excluding goodwill) were recognized as having indefinite lives and were not longer amortized. Accordingly, amortization of indefinite-lived intangible assets ceased in 2002 for US GAAP and in 2003 for Mexican GAAP.

For U.S. GAAP purposes, the reversal of goodwill amortization under Mexican GAAP increased the balance sheet item "Excess of cost over book value of subsidiaries acquired, net".

Under Mexican GAAP, the amortization of goodwill for the year 2001 was recognized as a non-operating expense. Under U.S. GAAP, such item would be included in the determination of operating income. For the years ended December 31, 2001, this item amounted to Ps.12,668.

The impact of adopting SFAS No. 142 on net income and earnings per share adjusted to exclude amortization expense (net of taxes) related to goodwill and indefinite-lived intangible assets is as follows:

	2001	2002	2003
Net income attributable to common stockholders' equity	Ps 207,810	Ps 322,214	Ps 589,050
Amortization of goodwill and indefinite-lived intangible assets	128,109	—	—
Pro forma net income attributable to common stockholders' equity	Ps 335,919	Ps 322,214	Ps 589,050
Basic and diluted earnings per share:			
Reported earnings per share	Ps 0.48	Ps 0.72	Ps 1.32
Amortization of goodwill and indefinite-lived intangible assets	0.30	—	—
Pro forma basic and diluted earnings per share	Ps 0.78	Ps 0.72	Ps 1.32

L) SUPPLEMENTAL BALANCE SHEET INFORMATION

- Long-lived assets

The Company evaluates the carrying value of long-lived assets to be held and used, primarily property, plant and equipment and any assets to be disposed of, when events or circumstances suggest that the carrying value may not be recoverable. Any impairment of these assets is included in income of the year, for the difference between the carrying value and the fair market value of long-lived assets to be held and used, and the difference between the carrying value and the fair market value less costs to sell for long-lived assets to be disposed of. As of December 31, 2003 the Company's management believes there is no impairment in the carrying value of long-lived assets.

- Securities of related parties:

The investment in common stock of GFNorte is accounted for under the equity method, because the Company has significant influence over the investee due to its representation on the Board of Directors of GFNorte and the equity interest of GRUMA's principal shareholder in GFNorte. The effect of applying U.S. GAAP adjustments to the equity investment has been included in the Company's U.S. GAAP reconciliation, and principally result from differences in accounting for loan loss reserves, deferred start-up costs, and deferred income taxes.

Condensed financial information for GF Banorte as of and for the years ended December 31:

	2002		2003	
Cash and cash equivalents	Ps.	24,558,586	Ps.	30,743,161
Investment securities		12,342,618		18,855,028
Net loan portfolio		154,957,040		148,182,470
Property, furniture and equipment, net		5,945,483		5,712,902
Total assets		207,473,422		213,186,593
Deposits		148,888,069		162,444,457
Bank and other entity loans – current		27,973,162		18,205,553
Bank and other entity loans – noncurrent		11,057,919		11,110,915
Total liabilities		195,013,353		198,825,975
Majority interest		11,612,759		13,469,628
Minority interest		847,310		890,990

	2001		2002		2003	
Interest income	Ps.	24,770,459	Ps.	25,268,679	Ps.	22,409,578
Interest expense		(17,738,259)		(16,490,024)		(13,755,434)
Income from continuing operations		2,061,746		2,042,007		2,405,804
Net income		1,650,022		2,094,744		2,218,490

- Other current liabilities:

Included within accrued liabilities and other payables as of December 31, 2002 and 2003 are accrued compensation costs (Ps.310,445 and Ps. 401,118 in 2002 and 2003, respectively) and accrued advertising costs (Ps.174,218 and Ps.191,221 in 2002 and 2003, respectively).

- Other stockholders' equity:

Included within retained earnings as of December 31, 2002 and 2003 are undistributed earnings of GF Banorte amounting to approximately Ps.1,328,189 and Ps.1,479,994, respectively.

- Computer software:

Depreciation expense for the years ended December 31, 2001, 2002 and 2003 amounted to Ps.73,609, Ps.79,938 and Ps.91,652 respectively, on capitalized computer software cost.

M) SUPPLEMENTAL INCOME STATEMENT INFORMATION

- Advertising costs:

Advertising costs, included in selling, general and administrative expenses, are expensed when the advertising first takes place. Advertising expense was Ps.600,932, Ps.537,734 and Ps.634,438 for the years ended December 31, 2001, 2002 and 2003, respectively. The Company had Ps.2,918 and Ps.6,452 of prepaid advertising costs reported as prepaid expenses as of December 31, 2002 and 2003, respectively.

- Shipping and handling costs:

Shipping and handling costs are included in selling, general and administrative expenses and amounted to Ps.1,122,841, Ps.1,089,957 and Ps.1,151,753 for the years ended December 31, 2001, 2002 and 2003.

- Operating income:

Under U.S. GAAP, certain other income items included in the Mexican GAAP financial statements of the Company, such as software implementation expenses, ESPS, reorganization expenses and amortization of other deferred costs would be included in the determination of operating income. For the years ended December 31, 2001, 2002 and 2003, these items amounted to Ps. 106,056, Ps. 76,730 and Ps. 56,723, respectively.

- Earnings per share data

For U.S. GAAP purposes, the equity swap transaction that took place in September 2000 is accounted under the Emerging Issue Task Force ("EITF") Issue No. 98-12 "Application of Issue No. 00-19 to Forward Equity Sales Transactions" which observes that any common shares actually issued and outstanding should be considered in the weighted-average shares calculation, and additionally, the payment of 10.25% over the contractual amount should be treated as a reduction of income available to shareholders. This operation had no effect on the fully diluted earnings per share.

- Consumer and trade sales promotion expenses

Under U.S. GAAP, the Company has classified certain consumer and trade sales promotion expenses, such as coupon redemption costs, cooperative advertising programs, new product introduction fees, feature price discounts and in-store display incentives as a reduction of revenue. For the years ended December 31, 2001, 2002 and 2003 these items amounted to Ps. 212,445, Ps. 157,566 and Ps. 200,724, respectively.

N) SUPPLEMENTAL CASH FLOW INFORMATION

Mexican GAAP Bulletin B-12 issued by the MIPA specifies the appropriate presentation of the statements of changes in financial position. Under Bulletin B-12, the sources and uses of resources are determined based upon the differences between beginning and ending financial statement balances in Mexican pesos of constant purchasing power. Under U.S. GAAP, a statement of cash flow is required, which presents only cash movements and excludes non-cash items.

The following presents a price-level adjusted statement of cash flows, after considering the impact of U.S. GAAP adjustments in conformity with the AICPA SEC Regulations Committees' International Practice Task Force recommendation.

	Year ended December 31,					
	2001		2002		2003	
Operating activities:						
Net income	Ps.	207,810	Ps.	322,214	Ps.	589,050
Minority interest		178,757		197,791		175,977
Consolidated income		386,567		520,005		765,027
Adjustments to reconcile net income to resources provided by operating activities:						
Monetary position gain		(191,425)		(167,719)		(187,986)
Depreciation and amortization		1,187,382		1,077,077		1,033,576
Allowance for doubtful accounts		55,856		36,137		54,143
Account receivable for disposed subsidiaries		—		(151,811)		—
Equity in earnings of associated companies', less dividends received		(47,709)		(103,645)		(108,667)
Seniority premium		7,371		9,304		7,950
Loss on sale of fixed assets and other assets		—		—		52,105
Gain from shutdown in bread operations		(131,435)		—		—
Deferred income taxes and employees' statutory profit sharing		238,246		255,693		357,711
		1,504,853		1,475,041		1,973,859
Changes in working capital:						
Restricted cash		4,151		1,421		361
Accounts receivable, net		53,799		(587,355)		(78,203)
Inventories		(38,674)		(309,908)		(812,602)
Prepaid expenses		14,864		27,816		(108,220)
Trade accounts payable		(334,937)		368,223		(175,645)
Accrued liabilities and other payable		80,625		61,002		380,086
Income taxes and employees' statutory profit sharing payable		49,988		(31,862)		5,180
		(170,184)		(470,663)		(789,043)
Net cash provided by operating activities		1,334,669		1,004,378		1,184,816
Investing activities:						
Purchases of property, plant and equipment		(726,928)		(727,358)		(767,776)
Sales of property, plant and equipment		14,764		145,881		132,849
Trust funds for research and development of technology		—		—		213,714
Resources received from shutdown of bread operations		555,772		—		—
Deferred assets		(81,744)		(63,490)		(46,140)
Investments in common stock		(2,281)		55,392		—
Sale of temporary investments		—		—		199,799
Other		(42,378)		26,419		15,764
Net cash used in investing activities		(282,795)		(563,156)		(251,790)
Financing activities:						
Proceeds from bank loans and long-term debt		3,017,024		1,879,464		2,006,500
Repayment of bank loans and long-term debt		(3,303,171)		(2,209,417)		(2,770,365)
Contributions by minority interest		—		—		140,220
Decrease of minority interest		—		—		(7,835)
Net purchases-sales of Company's common stock and derivate financial operations		(80,323)		(90,759)		277,946
Dividends paid		(287,435)		(98,600)		(488,736)
Other		(89,656)		(64,220)		2,562
Net cash used in financing activities		(743,561)		(583,532)		(839,708)
Effect of inflation on cash and temporary investments		(17,507)		(12,552)		6,432
Net increase (decrease) in cash and temporary investments		290,806		(154,862)		99,750
Cash and temporary investments at beginning of year		133,551		424,357		269,495
Cash and temporary investments at end of year	Ps.	424,357	Ps.	269,495	Ps.	369,245

During 2002, the Company had a noncash activity in which it received temporary investments to settle a note receivable for an amount of Ps. 199,799.

Net cash flow from operating activities reflects cash payments and receipts for interest and income taxes as follows:

	Year ended December 31,					
	2001		2002		2003	
Interest paid	Ps.	731,758	Ps.	545,507	Ps.	520,693
Interest received		85,037		59,498		61,056
Income and asset taxes paid		154,710		408,770		349,422
Interest incurred		693,859		589,202		531,858

O) COMPREHENSIVE INCOME

Comprehensive income (loss) is as follows:

	Year ended December 31,		
	2001	2002	2003
Net income under U.S. GAAP	Ps. 207,810	Ps. 322,214	Ps. 589,050
Other comprehensive loss, net of taxes:			
Deficit from restatement	113,472	(303,406)	(311,383)
Deferred (loss) gain on hedge activity	(3,584)	22,309	(54)
Foreign currency translation adjustments	(613,756)	(259,179)	60,997
Comprehensive (loss) income under U.S. GAAP	Ps. (296,058)	Ps. (218,062)	Ps. 338,610

Foreign currency translation adjustments are presented net of tax benefits of Ps.76,402, Ps.116,354 and Ps.58,541 for the years ended December 31, 2001, 2002 and 2003, respectively.

The components of accumulated other comprehensive loss are as follows as of December 31, 2002 and 2003:

	Foreign currency translation adjustments	Deferred (loss) gain on hedging activity	Deficit from restatement	Accumulated other comprehensive loss
Balance at December 31, 2001	Ps. 832,309	Ps. (3,585)	Ps. (12,039,600)	Ps. (11,210,876)
Current period changes	(218,062)	22,309	(303,406)	(499,159)
Balance at December 31, 2002	614,247	18,724	(12,343,006)	(11,710,035)
Current period changes	60,997	(54)	(311,383)	(250,440)
Balance at December 31, 2003	Ps. 675,244	Ps. 18,670	Ps. (12,654,389)	Ps. (11,960,475)

P) VALUATION AND QUALIFYING ACCOUNTS

The valuation and qualifying accounts are as follows:

Allowance for doubtful accounts:

For the year ended December 31,	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Balance at year-end
2001	Ps. 144,558	Ps. 58,677	Ps. (85,330)	Ps. 117,905
2002	117,905	37,447	(55,162)	100,190
2003	100,190	54,143	(46,401)	107,932

Q) RESTATEMENT TO CONSTANT PESOS

The following presents condensed financial information prepared on a U.S. GAAP basis restated to December 31, 2003 constant pesos utilizing the Mexican NCPI. As disclosed in Note 2-D, under Bulletin B-15, the Company restated prior year balances utilizing weighted average restatement factors. The difference in the factors applied to restate prior year information to December 31, 2003 constant pesos utilizing the Mexican NCPI were:

<u>Year</u>	<u>Factor</u>
2001	0.9519
2002	0.9650

Condensed consolidated balance sheets as of December 31:

	<u>Expressed in Thousands of Constant Mexican Pesos as of December 31, 2003</u>	
	<u>2002</u>	<u>2003</u>
Total current assets	Ps. 6,418,895	Ps. 7,117,050
Property, plant and equipment	12,784,252	12,689,086
Total assets	22,442,234	22,869,349
Short-term debt	835,314	520,685
Long-term debt	6,491,291	6,163,582
Total liabilities	10,767,261	10,711,463
Minority interest	2,754,564	2,914,706
Total stockholders' equity	8,920,409	9,243,180

Condensed consolidated statements of income for the years ended December 31:

	<u>Expressed in Thousands of Constant Mexican Pesos as of December 31, 2003</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net sales	Ps. 19,381,846	Ps. 19,784,829	Ps. 22,840,798
Gross profit	7,024,020	7,318,050	8,177,943
Operating income	1,262,922	1,486,344	1,778,014
Majority net income	207,810	322,214	589,050

R) RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this statement clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to the language used in FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated results of operations or financial condition.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". The statement requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, the statement is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated results of operations or financial condition.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB 51". The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIE") and how to determine when and which business enterprise should consolidate the VIE (the "primary beneficiary"). This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is sufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period, and it applies to nonpublic enterprises as of the end of the applicable annual period. In December 2003, the FASB redeliberated certain proposed modifications and revised FIN 46 ("FIN 46-R"). The revised provisions are applicable no later than the first reporting period ending after March 15, 2004. The Company does not expect that the adoption of FIN 46 and FIN 46-R will have a material impact on its financial statements.

DOC 2 : Header

El suscrito, Lic. Guillermo Elizondo Ríos, Secretario Suplente del Consejo de Administración de GRUMA, S.A. DE C.V., CERTIFICA Y HACE CONSTAR:

Que los ESTATUTOS SOCIALES de GRUMA, S.A. DE C.V., incluyendo las modificaciones acordadas en Asamblea General Extraordinaria de Accionistas celebrada el día 4 (cuatro) de Diciembre del 2003 (dos mil tres) en la ciudad de México, D.F., son los siguientes:

**ESTATUTOS SOCIALES
GRUMA S.A. DE C.V.**

DENOMINACIÓN, OBJETO, DOMICILIO, DURACIÓN Y NACIONALIDAD

ARTÍCULO PRIMERO.- La denominación de la Sociedad es "GRUMA", la cual irá siempre seguida de las palabras "SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE" o de sus abreviaturas "S.A. DE C.V."

ARTÍCULO SEGUNDO.- La Sociedad tendrá por objeto: a) Comprar, vender, importar y exportar, así como fabricar y maquilar toda clase de bienes o productos de comercio; b) Adquirir, administrar, negociar, suscribir, emitir, gravar y en general disponer por cualquier título legal acciones, partes sociales, emitir obligaciones quirografarias, hipotecarias o de cualquier tipo, valores y cualesquier clase de títulos de crédito; c) Proyectar, organizar y administrar todo género de empresas; d) Otorgar garantías, avales, fianzas, prendas, hipotecas, fideicomisos y cualesquier otra operación crediticia en forma real y personal a nombre propio y de terceros, con los cuales la sociedad tenga relaciones accionarias, financieras o comerciales; e) Comprar, vender, dar o tomar en arrendamiento y gravar en general los bienes muebles e inmuebles que sean necesarios o convenientes para la realización del objeto social; f) Proporcionar y recibir toda clase de servicios de consultoría o asesoría, administrativos, técnicos y de supervisión, de personas físicas o morales, nacionales o extranjeras; g) Establecer sucursales, agencias o representaciones y actuar como mediador mercantil, comisionista, representante, distribuidor o almacenista para toda clase de empresas del país o del extranjero; h) Registrar, adquirir, poseer, comercializar y disponer de marcas, nombres comerciales, patentes, derechos de autor, invenciones y procesos, así como todo lo relacionado con Propiedad Industrial, y toda clase de concesiones, derechos y licencias; i) Dar y tomar dinero en préstamo; j) Suscribir, emitir y negociar títulos de crédito, con la intervención de las instituciones o autoridades que se requieran de acuerdo con la Ley; k) Realizar toda clase de negocios y operaciones financieras, comerciales e industriales que directa o indirectamente se relacionen con su objeto social; l) Celebrar los actos y contratos permitidos por la Ley que sean necesarios o convenientes a su objeto social.

ARTÍCULO TERCERO.- El domicilio de la Sociedad es la Ciudad de Monterrey, N.L., sin embargo, podrá establecer agencias o sucursales en cualquier parte de la República Mexicana o en el extranjero y someterse a domicilios convencionales en los contratos que celebre.”

ARTÍCULO CUARTO.- La duración de la Sociedad será de 99 (noventa y nueve) años, contados a partir del 24 (veinticuatro) de Diciembre de 1971 (mil novecientos setenta y uno).

ARTÍCULO QUINTO.- La Sociedad es de nacionalidad mexicana, en consecuencia, todo extranjero que en el acto de la constitución o en cualquier tiempo ulterior adquiriera un interés o participación social en la Sociedad, se obliga formalmente con la Secretaría de Relaciones Exteriores a considerarse como nacional respecto a las acciones que de dicha Sociedad adquiriera o de las que sea titular, así como de los bienes, derechos, concesiones, participaciones o intereses de que sea titular tal Sociedad, o bien, de los derechos y obligaciones que deriven de los contratos en que sea parte la propia Sociedad con Autoridades Mexicanas, y a no invocar, por lo mismo, la protección de su Gobierno, bajo la pena en caso contrario, de perder en beneficio de la Nación Mexicana las participaciones sociales que hubiere adquirido.

CAPITAL SOCIAL, ACCIONES Y ACCIONISTAS

ARTÍCULO SEXTO.- El capital social es variable. La porción fija sin derecho a retiro íntegramente suscrita y pagada está representada por 452'549,952 (CUATROCIENTOS CINCUENTA Y DOS MILLONES QUINIENTOS CUARENTA Y NUEVE MIL NOVECIENTOS CINCUENTA Y DOS) acciones ordinarias, nominativas, sin expresión de valor nominal, Serie “B”, Clase I; las acciones importan la cantidad de \$4'589,601,824.74 (CUATRO MIL QUINIENTOS OCHENTA Y NUEVE MILLONES SEISCIENTOS UN MIL OCHOCIENTOS VEINTICUATRO PESOS 74/100); la porción variable del capital estará representada por acciones ordinarias, sin expresión de valor nominal de la Serie “B”, Clase II.

Todas las acciones conferirán iguales derechos y obligaciones a sus tenedores dentro de cada una de sus Series y Clases. Las acciones podrán tener las demás características que determine la Asamblea General de Accionistas que acuerde su emisión.

La Sociedad únicamente reconocerá como accionistas a aquellas personas o entidades que aparezcan inscritas en el registro de acciones o en el Instituto Nacional para el Depósito de Valores como titulares de las propias acciones.

Las sociedades en las cuales la Sociedad sea titular de la mayoría de acciones o partes sociales, no podrán, directa o indirectamente, ser accionistas de la

Sociedad ni de cualquier otra sociedad que sea accionista mayoritaria de la Sociedad o que sin serlo, tengan conocimiento que es accionista de ésta.

En el evento de cancelación de la inscripción de acciones en la Sección de Valores del Registro Nacional de Valores, los accionistas que sean titulares de la mayoría de las acciones ordinarias o tengan la posibilidad, bajo cualquier título, de imponer decisiones en las Asambleas Generales de Accionistas o de nombrar a la mayoría de los miembros del Consejo de Administración de la Sociedad, tendrá la obligación de realizar una oferta pública de compra, previamente a la cancelación; dicha oferta pública deberá realizarse cuando menos al precio que resulte mayor entre el valor de cotización en Bolsa, de conformidad con lo que se señala en el párrafo siguiente, o el valor contable de la acción de acuerdo al último reporte trimestral presentado a la Comisión Nacional Bancaria y de Valores y a la Bolsa antes del inicio de la oferta, excepto cuando dicho valor se haya modificado de conformidad con criterios aplicables a la determinación de información relevante, en cuyo caso, deberá considerar la información financiera más reciente con que cuente la Sociedad.

El valor de cotización en Bolsa a que se refiere el párrafo anterior, será el precio promedio ponderado por volumen de las operaciones que se hayan efectuado durante los últimos 30 (treinta) días en que se hubieran negociado las acciones de la Sociedad, previos a la fecha de la oferta, durante un periodo que no podrá ser superior a 6 (seis) meses. En caso de que el número de días en que se hayan negociado las acciones durante el periodo señalado sea inferior a 30 (treinta) días, se tomarán los días que efectivamente se hubieren negociado. En el evento de que las acciones no se negocien en dicho periodo, se tomará el valor contable de las acciones.

En caso de que la oferta comprenda más de una serie accionaria, el promedio a que hace referencia el párrafo anterior, deberá realizarse por cada una de las series que se pretenda cancelar, debiendo tomarse como valor de cotización para la oferta pública de todas las series, el promedio que resulte mayor.

El Consejo de Administración de la Sociedad, dentro de los 5 (cinco) días hábiles previos al día de inicio de la oferta, deberá dar a conocer su opinión, respecto a la justificación del precio de la oferta pública de compra, en la que tomará en cuenta los intereses de los accionistas minoritarios, a fin de cumplir con lo dispuesto en el artículo 16, segundo párrafo de la Ley del Mercado de Valores y la opinión del Comité de Auditoría, la que en el evento de que sea contraria, deberá divulgarse. En caso de que el consejo de administración se encuentre frente a situaciones que puedan generarle conflicto de interés, la opinión del consejo deberá estar acompañada de otra emitida por un Experto Independiente seleccionado por el Comité de Auditoría, en la que se haga especial énfasis en la salvaguarda de los derechos de los accionistas minoritarios.

Los accionistas que sean titulares de la mayoría de las acciones ordinarias o tengan la posibilidad, bajo cualquier título, de imponer decisiones en las Asambleas Generales de Accionistas o de nombrar a la mayoría de los miembros del Consejo de Administración de la Sociedad, no estarán obligados a llevar a cabo la oferta pública mencionada en este artículo para la cancelación registral, si se acredita el consentimiento de los accionistas que representen cuando menos el 95% de capital social de la sociedad, mediante acuerdo de Asamblea y que el monto a ofrecer por las acciones colocadas entre el Gran Público Inversionista conforme a lo establecido en este artículo sea menor a 300,000 (Trescientas mil) unidades de inversión. Lo anterior, en el entendido de que para solicitar y obtener la cancelación de la inscripción de las acciones en la Sección de Valores que lleva la Comisión Nacional Bancaria y de Valores, se deberá constituir el fideicomiso a que hace referencia el siguiente párrafo y notificar la cancelación y constitución del fideicomiso a través del SEDI (Sistema Electrónico de Envío y Difusión de Información, que a la Bolsa que corresponda le sea autorizado por la Comisión Nacional Bancaria y de Valores).

Los accionistas obligados a realizar la oferta pública a que se refiere este artículo deberán afectar en un fideicomiso por un periodo mínimo de 6 (seis) meses, los recursos necesarios para comprar al mismo precio de la oferta las acciones de los inversionistas que no acudieron a ésta, en el evento de que una vez realizada la oferta pública de compra y previo a la cancelación de la Inscripción de las acciones en la Sección Valores del Registro Nacional de Valores, los mencionados accionistas, no logren adquirir el 100% (cien por ciento) del capital social pagado. Lo previsto en este artículo será aplicable a los certificados de participación ordinarios sobre acciones, así como a los títulos representativos de 2 (dos) o más acciones de una o más series accionarias de la propia Sociedad.

Los accionistas obligados a realizar la oferta pública a que se refiere este artículo, podrán solicitar a la Comisión Nacional Bancaria y de Valores les autorice, considerando la situación financiera y perspectivas de la Sociedad, utilizar una base distinta para la determinación del valor de cotización en Bolsa, siempre que presenten el acuerdo del Consejo de Administración, previa opinión favorable del Comité de Auditoría, en el que se contengan los motivos por los cuales se estima justificado establecer un precio distinto, acompañado de un informe de Experto Independiente que haga especial énfasis en que el precio es consistente con el artículo 16 de la Ley del Mercado de Valores.

ARTÍCULO SÉPTIMO.- Los títulos que representen las acciones podrán amparar una o más acciones y serán firmados por dos miembros del Consejo de Administración. Cuando el capital social estuviere representado por títulos que amparen más de una acción y por cualquier motivo tuviere que fraccionarse el título original, cualesquiera dos Consejeros firmarán los nuevos títulos fraccionados que se emitan, para ser cambiados por el título original que se fraccione. Será responsabilidad de los Consejeros firmantes de los nuevos

títulos que se emitan, el cancelar el título que se fraccione y emitir los nuevos títulos que amparen el mismo número, Clase y Serie de acciones del título fraccionado. La propiedad de las acciones será transmitida mediante endoso del título o certificado correspondiente o por cualquier otro medio de transmisión legal. En los títulos deberá insertarse lo dispuesto por el Artículo Quinto de estos Estatutos.

Los títulos deberán satisfacer todos los requisitos establecidos por el Artículo 125 de la Ley General de Sociedades Mercantiles.

ARTÍCULO OCTAVO.- La sociedad llevará un Libro de Registro de Acciones, que podrá ser llevado por el Secretario del Consejo de Administración, por una Institución de Depósito de Valores, o por alguna Institución de Crédito. En dicho libro se anotarán los datos exigidos por el Artículo 128 de la Ley General de Sociedades Mercantiles. La Sociedad considerará como dueño de las acciones a quien aparezca inscrito como tal en el mencionado Libro de Registro de Acciones, debiéndose efectuar a petición de los interesados las anotaciones relativas a las transmisiones de acciones que se efectúen.

A petición de su titular, y a su costa, los certificados provisionales y títulos definitivos de acciones podrán ser canjeados por otros de diferentes denominaciones.

En caso de pérdida, robo o destrucción de los certificados provisionales o títulos de acciones, éstos serán reemplazados a costa de su titular, de acuerdo con lo establecido en la Ley General de Títulos y Operaciones de Crédito.

ARTÍCULO NOVENO.- A excepción de los aumentos del capital social que se efectúen como consecuencia de la colocación de acciones propias recompradas que se realicen en los términos de estos Estatutos, los aumentos de capital social, en la porción fija, se efectuarán por resolución de la Asamblea General Extraordinaria de Accionistas. A excepción de los aumentos de capital social que se efectúen como consecuencia de la colocación de acciones propias recompradas que se realicen en los términos de estos Estatutos, la porción variable del capital social podrá aumentarse, con la única formalidad de que el aumento sea acordado por la Asamblea General Ordinaria, cuya acta deberá protocolizarse ante notario público, sin necesidad de inscribir la escritura notarial que contenga la protocolización de la resolución correspondiente en el Registro Público de Comercio. No podrá decretarse aumento alguno antes de que estén íntegramente pagadas las acciones emitidas con anterioridad. Las acciones que por resolución de la Asamblea General de Accionistas que decreta su emisión, deban quedar depositadas en la tesorería de la Sociedad para entregarse a medida que vaya realizándose su suscripción podrán ser ofrecidas para su suscripción y pago por el Consejo de Administración, respetando en todo caso a

los accionistas de la Sociedad los derechos de preferencia a que se refiere esta cláusula. El capital social puede también aumentarse por capitalización de cuentas del capital contable a que se refiere el artículo 116 de la Ley General de Sociedades Mercantiles o por capitalización de pasivos. En los aumentos por capitalización de cuentas del capital contable, todas las acciones tendrán derecho a la parte proporcional que les corresponda de las acciones que se emitan para amparar su aumento.

Prevía autorización de la Comisión Nacional Bancaria y de Valores, la Sociedad podrá emitir acciones para su colocación en el público, siempre y cuando se mantengan en custodia en una institución para el depósito de valores y se cumplan las condiciones previstas en el Artículo 81 de la Ley del Mercado de Valores.

Todo aumento o disminución del capital social en su porción variable deberá inscribirse en un libro de registro que para tal efecto llevará la Sociedad.

Los accionistas tendrán derecho preferente para suscribir las nuevas acciones que se emitan en caso de aumento del capital social, en proporción al número de acciones de que sean titulares al momento de decretarse el aumento de que se trate. Este derecho deberá ejercitarse dentro del plazo que para tal objeto determine la Asamblea de Accionistas que haya resuelto dicho aumento de capital, pero en ningún caso, dicho plazo será inferior a quince días contados a partir del día siguiente al de la publicación del acuerdo correspondiente en el Periódico Oficial del Estado o en uno de los diarios de mayor circulación del domicilio de la Sociedad.

En caso de que después de la expiración del plazo durante el cual los accionistas debieron ejercer el derecho de preferencia a que se refiere el párrafo anterior, aún quedasen acciones sin suscribir, éstas podrán ser ofrecidas para su suscripción y pago en las condiciones y plazos que determine la Asamblea que hubiera acordado el aumento de capital respectivo, o en los términos que disponga el Consejo de Administración o los delegados designados por la Asamblea a ese efecto.

A excepción de las reducciones del capital social que se efectúen como consecuencia de la recompra de acciones propias en los términos de este Artículo, las reducciones de capital social en la porción fija se efectuarán por resolución de la Asamblea General Extraordinaria de Accionistas. A excepción de las reducciones del capital social que se efectúen como consecuencia de la recompra de acciones propias, o cuando los accionistas ejerzan su derecho de retiro, la porción variable del capital social podrá reducirse con la única formalidad de que la reducción sea acordada por la Asamblea General Ordinaria, sin necesidad de inscribir la escritura notarial que contenga la protocolización de la resolución correspondiente, en el Registro Público de Comercio.

El capital social podrá reducirse: (i) para absorber pérdidas; (ii) por reembolso a los accionistas; (iii) por liberación concedida a los accionistas de exhibiciones no realizadas; (iv) por el ejercicio del derecho de retiro de aportaciones por los titulares de las acciones representativas de la porción variable del capital social, y (v) por la adquisición de acciones propias conforme a los estatutos de la Sociedad.

Las reducciones del capital para absorber pérdidas se llevarán a cabo en forma estrictamente proporcional entre los accionistas, sin necesidad de cancelar las acciones respectivas, en virtud de que éstas carecen de valor nominal. En el caso de reducciones del capital social por reembolso a los accionistas, el reembolso se hará en forma proporcional entre éstos, en el entendido de que el precio de reembolso no podrá ser inferior al valor contable de las acciones de acuerdo al último estado de posición financiera que haya sido aprobado por la Asamblea General Ordinaria.

En caso de reducción de capital social como consecuencia de que un accionista propietario de acciones representativas de la porción variable del propio capital social desee ejercitar su derecho de retirar total o parcialmente su aportación, la reducción de capital se efectuará con estricto apego a lo ordenado por los artículos 220 y 221 de la Ley General de Sociedades Mercantiles y además, reembolsando las acciones de que se trate al valor que resulte más bajo entre: (i) el noventa y cinco por ciento del valor de cotización en bolsa, obtenido del precio promedio ponderado por volumen de operaciones que se hayan efectuado durante los treinta días en que se hayan negociado las acciones de la Sociedad, previos a la fecha en que el retiro deba surtir sus efectos, durante un periodo que no podrá ser superior a seis meses; o bien, (ii) el valor contable de las acciones de acuerdo al balance general correspondiente al cierre del ejercicio inmediato anterior a aquel en que la separación deba surtir sus efectos, previamente aprobado por la Asamblea General Ordinaria de Accionistas. En caso de que el número de días en que se hayan negociado las acciones durante el periodo señalado anteriormente sea inferior a treinta días, se tomarán los días que efectivamente se hubieren negociado. En el evento de que las acciones no se negocien en dicho periodo, se tomará el valor contable de las acciones. En todo caso, el retiro parcial o total de aportaciones de un accionista deberá notificarse a la Sociedad de manera fehaciente y el pago del reembolso será exigible a la Sociedad a partir del día siguiente al de la celebración de la Asamblea General Ordinaria de Accionistas que haya aprobado el balance general correspondiente al ejercicio en el que el retiro deba surtir sus efectos.

Los titulares de acciones representativas del capital variable únicamente podrán ejercitar el derecho de retiro hasta por el monto del propio capital variable y en ningún caso podrá ejercerse ese derecho cuando implique la reducción del capital a menos del capital mínimo establecido.

De igual manera, la Asamblea General Extraordinaria de Accionistas podrá resolver la amortización de acciones de la Sociedad con utilidades repartibles sin disminuir el capital social, cumpliendo en este caso, lo dispuesto en el Artículo 136 de la Ley General de Sociedades Mercantiles. La amortización se llevará a cabo, a elección de la Asamblea General Extraordinaria de Accionistas: (i) mediante la adquisición de las acciones correspondientes en oferta pública de compra que se efectúe por conducto de una bolsa de valores, al precio y conforme al método que al efecto determine la Asamblea General Extraordinaria de Accionistas, la cual podrá delegar esa facultad en el Consejo de Administración, o (ii) en forma proporcional entre todos los accionistas a efecto de que, después de realizada la amortización, los accionistas mantengan los mismos porcentajes respecto del capital social que antes tenían. Las acciones amortizadas quedarán anuladas y los títulos correspondientes deberán cancelarse.

La Sociedad podrá adquirir acciones representativas de su capital social a través de las bolsas de valores en las que operen, al precio corriente en el mercado. La adquisición de acciones propias se realizará, con cargo al capital contable en tanto pertenezcan dichas acciones a la propia Sociedad o, en sus caso, al capital social en el evento de que se resuelva convertirlas en acciones de tesorería, en cuyo supuesto, no se requerirá de resolución de la Asamblea de Accionistas.

La Asamblea General Ordinaria de Accionistas deberá acordar expresamente, para cada ejercicio, el monto máximo de recursos que podrá destinarse a la compra de acciones propias, con la única limitante de que la sumatoria de los recursos que puedan destinarse a ese fin, en ningún caso exceda el saldo total de las utilidades netas de la Sociedad, incluyendo las retenidas. Por su parte, el Consejo de Administración deberá designar al efecto a la o las personas responsables por la adquisición y colocación de acciones propias.

Las acciones propias que pertenezcan a la Sociedad o, en su caso, las acciones de tesorería a que se refiere este artículo, sin perjuicio de lo establecido por la Ley General de Sociedades Mercantiles, podrán ser colocadas entre el público inversionista, sin que para este último caso, el aumento de capital social correspondiente, requiera resolución de Asamblea de Accionistas de ninguna clase, ni del acuerdo del Consejo de Administración tratándose de su colocación.

ARTICULO NOVENO BIS.- Requerirá autorización previa y por escrito del Consejo de Administración de la Sociedad, conforme se establece en este artículo, cualquier Persona (según se define este concepto más adelante) que individualmente o en conjunto con una Persona Relacionada (según se define este concepto adelante), pretenda adquirir Acciones ordinarias (según se define este concepto más adelante) o derechos sobre Acciones ordinarias, por cualquier medio o título, directa o indirectamente, ya sea en un acto o en una sucesión de actos, sin limite de tiempo entre sí, cuya consecuencia o efecto sea:

a) Que su tenencia accionaría en forma individual o en conjunto con las Acciones que adquiriera, hubiera adquirido o pretenda adquirir sea igual o superior al 5% (cinco por ciento) del total de las Acciones ordinarias.

b) La titularidad de derechos sobre Acciones ordinarias, en forma individual o en conjunto, con los derechos sobre Acciones que adquiriera, hubiera adquirido o pretenda adquirir, sea igual o superior al 5% (cinco por ciento) del total de las Acciones ordinarias.

Dicha autorización previa del Consejo de Administración de la Sociedad deberá recabarse cada ocasión que se pretenda sobrepasar, en los términos antes previstos, participaciones, iguales o superiores, a un 5% (y sus múltiplos) de las Acciones ordinarias o de los derechos de titularidad sobre las mismas, excepto tratándose de Personas que sean, directa o indirectamente, un Competidor (según se define este concepto más adelante) de la Sociedad o de cualquiera de sus Subsidiarias, quienes deberán obtener la autorización previa del Consejo de Administración para posteriores adquisiciones por las cuales se pretenda sobrepasar un 2% (y sus múltiplos) de las Acciones ordinarias.

Para estos efectos, la Persona que corresponda deberá cumplir con lo siguiente:

I.- De la autorización del Consejo de Administración:

1 (uno). La Persona de que se trate deberá presentar solicitud de autorización por escrito al Consejo de Administración. Dicha solicitud deberá ser entregada en forma indubitable en el domicilio de la Sociedad a la atención del Presidente del Consejo de Administración, con copia al Secretario y a sus respectivos Suplentes del propio Consejo. La solicitud mencionada deberá establecer y detallar lo siguiente:

(a) el número y clase o serie de Acciones de que la Persona de que se trate o cualquier Persona Relacionada con la misma (i) sea propietario o copropietario, ya sea directamente o a través de cualquier Persona o a través de cualquier pariente por consanguinidad, afinidad o civil hasta el quinto grado o cualquier cónyuge o concubinario o a través de cualquier otra interpósita persona, o (ii) respecto de las cuales tenga, comparta o goce algún derecho, ya sea por contrato o por cualquier otra causa.

(b) el número y clase o serie de Acciones que la Persona de que se trate o cualquier Persona Relacionada con la misma pretenda adquirir (i) ya sea directamente o a través de cualquier Persona en la que tenga algún interés o participación, ya sea en el capital social o en la dirección, administración u operación o bien, a través de cualquier pariente por consanguinidad, afinidad o civil hasta el quinto grado o cualquier cónyuge o concubinario o a través de cualquier otra interpósita persona.

(c) el número y clase o serie de Acciones respecto de las cuales pretenda obtener o compartir algún derecho, ya sea por contrato o por cualquier otro acto jurídico que lo origine.

(d) (i) el porcentaje que las Acciones a que se refiere el inciso (a) anterior representan del total de las Acciones emitidas por la Sociedad, (ii) el porcentaje que las Acciones a que se refiere el inciso (a) anterior representan de la clase o de la serie o series a que correspondan, (iii) el porcentaje que las Acciones a que se refieren los incisos (b) y (c) anteriores representan del total de las Acciones emitidas por la Sociedad, y (iv) el porcentaje que las Acciones a que se refieren los incisos (b) y (c) anteriores representan de la clase o de la serie o series a que correspondan.

(e) la identidad y nacionalidad de la Persona o grupo de Personas que pretenda adquirir las Acciones, en el entendido de que si cualquiera de esas Personas es una persona moral, fideicomiso o trust o su equivalente, o cualquier otro vehículo, entidad, empresa o forma de asociación económica o mercantil, deberá especificarse la identidad y nacionalidad de los socios o accionistas, fideicomitentes y fideicomisarios o su equivalente, miembros del comité técnico o su equivalente, causahabientes, miembros o asociados, así como la identidad y nacionalidad de la Persona o Personas que Controlen (según se define este concepto adelante), directa o indirectamente, a la persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o asociación económica o mercantil de que se trate, hasta que se identifique a la persona o personas físicas que mantengan algún derecho, interés o participación de cualquier naturaleza en la persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o asociación económica o mercantil de que se trate, así como los documentos con los que acredite la solvencia económica y moral de dicha Persona o grupo de Personas.

(f) las razones y objetivos por las cuales pretenda adquirir las Acciones objeto de la autorización solicitada, mencionando particularmente si tiene el propósito de adquirir, directa o indirectamente, (i) Acciones adicionales a aquellas referidas en la solicitud de autorización, (ii) una Participación Significativa o (iii) el Control de la Sociedad.

(g) si es, directa o indirectamente, un Competidor de la propia Sociedad o de cualquier Subsidiaria o Afiliada de la Sociedad y si tiene la facultad de adquirir legalmente las Acciones de conformidad con lo previsto en estos estatutos sociales y en la legislación aplicable, asimismo, deberá especificarse si la Persona que pretenda adquirir las Acciones en cuestión tiene parientes por consanguinidad, afinidad o civil hasta el quinto grado o algún cónyuge o concubinario, que puedan ser considerados un Competidor de la Sociedad o de cualquier Subsidiaria o Afiliada de la Sociedad, o si tiene alguna relación económica con un Competidor o algún interés o participación ya sea en el capital

social o en la dirección, administración u operación de un Competidor, directamente o a través de cualquier Persona o pariente por consanguinidad, afinidad o civil hasta el quinto grado o cualquier cónyuge o concubinario.

(h) el origen de los recursos económicos que pretenda utilizar para pagar el precio de las Acciones objeto de la solicitud. En el supuesto de que los recursos provengan de algún financiamiento, se deberá especificar la identidad y nacionalidad de la Persona que le provea de dichos recursos y se deberá entregar junto con la solicitud de autorización la documentación suscrita por esa Persona, que acredite y explique las condiciones del financiamiento.

(i) si forma parte de algún grupo económico, conformado por una o más Personas Relacionadas, que como tal, en un acto o sucesión de actos, pretenda adquirir Acciones o derechos sobre las mismas o, de ser el caso, si dicho grupo económico, es propietario de Acciones o derechos sobre las mismas.

(j) si ha recibido recursos económicos en préstamo o en cualquier otro concepto de una Persona Relacionada o ha facilitado recursos económicos en préstamo o en cualquier otro concepto a una Persona Relacionada, con objeto de que se pague el precio de las Acciones.

(k) la identidad y nacionalidad de la institución financiera que actuaría como intermediario colocador, en el supuesto de que la adquisición de que se trate se realice a través de oferta pública de compra.

(l) el domicilio para oír y recibir notificaciones del solicitante.

2 (dos). Dentro de los diez (10) días siguientes a la fecha en que hubiera recibido la solicitud de autorización a que se refiere el numeral 1 (uno) anterior, el Presidente o el Secretario o, en ausencia de este último, su Suplente, convocarán al Consejo de Administración para discutir y resolver sobre la solicitud de autorización mencionada. Los citatorios para las juntas del Consejo de Administración, deberán ser formuladas por escrito y enviados por el Presidente o el Secretario o, en ausencia de este último, por su Suplente, a cada uno de los consejeros propietarios y suplentes por lo menos con cuarenta y cinco (45) días de anticipación a la fecha en que la junta deba tener verificativo, por correo certificado, mensajería privada, telegrama, telex, telecopiadora o fax, a sus domicilios o a los lugares que los mismos consejeros hayan señalado por escrito para ser citados para los asuntos a que este Artículo de los estatutos sociales se refiere. Los consejeros suplentes únicamente deliberarán y votaran en el supuesto de que el consejero propietario correspondiente no asista a la junta convocada. Los citatorios deberán especificar la hora, la fecha, el lugar de reunión y el Orden del Día respectivo.

Para los efectos de este Artículo de los estatutos sociales, no serán válidas las resoluciones tomadas fuera de sesión de Consejo.

3 (tres). Para que el Consejo pueda sesionar válidamente, deberá estar presente, por lo menos, la mayoría de los consejeros propietarios o suplentes respectivos y sus acuerdos y resoluciones, para su validez, deberán ser tomados por el voto favorable de la mayoría de los consejeros presentes. El Presidente del Consejo tendrá voto de calidad, en caso de empate.

Las juntas de Consejo de Administración convocadas para resolver sobre las solicitudes de autorización mencionadas, considerarán y tomarán resoluciones únicamente en relación con la solicitud de autorización a que se refiere el numeral 1 (uno) anterior.

4 (cuatro). El Consejo de Administración resolverá sobre toda solicitud de autorización que se le presente dentro de los sesenta (60) días calendario siguientes a la fecha en que dicha solicitud le fuere presentada.

El Consejo de Administración podrá solicitar a la Persona que pretenda adquirir las Acciones de que se trate, la documentación adicional y las aclaraciones que considere necesarias para resolver sobre la solicitud de autorización que le hubiere sido presentada, incluyendo la documentación con la que se acredite la veracidad de la información a que se refieren los incisos "a" al "1" del punto 1 (uno) anterior de este Artículo. En el supuesto de que el Consejo de Administración solicite las aclaraciones o documentación citada, el plazo de sesenta (60) días previsto en el primer párrafo de este inciso 4 (cuatro), será contado a partir de la fecha en que la Persona antes mencionada realice o entregue, según sea el caso, las aclaraciones o documentación solicitada por el propio Consejo de Administración, por conducto de su Presidente, del Secretario o de cualquier Prosecretario.

En el supuesto que una o más Personas pretendan adquirir Acciones de manera conjunta, coordinada o concertada, sin importar el acto jurídico que lo origine, se considerarán como una sola Persona para los efectos de este Artículo de los estatutos sociales.

Así mismo, para los efectos del presente artículo, se entenderá que son Acciones de una misma Persona, las Acciones de que una Persona sea titular, sumadas a las Acciones (i) de que cualquier pariente por consanguinidad, afinidad o civil hasta el quinto grado o cualquier cónyuge o concubinario de esa Persona sea titular o (ii) de que cualquier persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o asociación económica o mercantil sea titular cuando esa persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o asociación económica o mercantil sea Controlada por la Persona mencionada o (iii) de que cualquier Persona Relacionada a dicha Persona, sea titular.

En la evaluación que hagan de las solicitudes de autorización a que se refiere este Artículo, el Consejo de Administración tomará en cuenta los factores que estime pertinentes, considerando los intereses de la Sociedad y sus accionistas, incluyendo factores de carácter financiero, de mercado, de negocios, la calidad moral y económica de los posibles adquirentes, si existe o no conflicto de intereses, si se da o no un cambio de control de la Sociedad o la adquisición de una participación significativa de las Acciones ordinarias, si se presentaron en tiempo o no los informes y/o autorizaciones a que se refiere este artículo y otros.

El Consejo de Administración podrá negar las solicitudes de autorización a que se refiere este artículo, entre otras razones vinculadas con los aspectos previstos en el párrafo anterior, por las siguientes causas:

- a) Por la falta de solvencia económica o moral del solicitante;
 - b) Cuando se requiera de financiamiento para concretar la operación solicitada;
 - c) Tratarse de un competidor de la Sociedad o sus Subsidiarias;
 - d) Por tener el solicitante intereses contrarios a la Sociedad o a los de sus accionistas;
 - e) Por el objeto, causa, motivo o fin, de la adquisición solicitada;
 - f) Por existir vínculos patrimoniales, consanguíneos o afines con otros accionistas de la Sociedad o competidores de la misma o de sus empresas Subsidiarias;
 - g) Por tratarse de Personas Relacionadas;
 - h) Por desconocerse o ser dudoso el origen de los recursos con los cuales se pretenda efectuar la operación planteada;
 - i) En caso de que la información proporcionada en la solicitud o su complemento sea deficiente, dudosa, no comprobable, presente errores u omisiones, sea imprecisa o incorrecta, entre otras;
 - j) Cuando se trate de la adquisición de una Participación Significativa o tenga por objeto un cambio de Control de la Sociedad.
 - k) La falta de presentación de los informes y/o avisos a que se refiere el último párrafo de la fracción II de éste artículo.
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Se tendrá por negada la solicitud de autorización en el supuesto que aún y cuando hubiere sido citado a reunión en los términos de lo previsto en este Artículo, el Consejo de Administración no se hubiere podido instalar por cualquier causa.

5 (cinco). En el supuesto de que el Consejo de Administración autorice la adquisición de Acciones planteada y dicha adquisición implique la adquisición de una Participación Significativa (según se define este concepto adelante) sin que dicha adquisición exceda de la mitad de las Acciones ordinarias, la Persona que pretenda adquirir las Acciones en cuestión deberá hacer oferta pública de compra, a un precio pagadero en efectivo, por el porcentaje de Acciones equivalente al porcentaje de Acciones ordinarias con derecho a voto que pretenda adquirir o por el 10% (diez por ciento) de las Acciones, lo que resulte mayor, siguiendo las Reglas generales aplicables a las adquisiciones de valores que deban ser reveladas y de ofertas públicas de compra de valores, vigentes en esa fecha.

La oferta pública de compra a que este inciso 5 (cinco) se refiere, deberá ser realizada simultáneamente en los mercados de valores de México y de los Estados Unidos de América, siempre y cuando se mantenga la negociación de los valores de la Sociedad en dichos mercados.

La Sociedad, así como sus Consejeros y principales directivos deberán abstenerse desde el momento en que la Oferta se hace pública y hasta la conclusión del período de la misma, de realizar o concertar operaciones que en detrimento de los inversionistas minoritarios tengan por objeto frustrar el desarrollo de dicha oferta.

Sin perjuicio de lo anterior, el Consejo de Administración de la Sociedad deberá, dentro de los diez días hábiles posteriores al día de inicio de la Oferta, elaborar y dar a conocer al público inversionista a través de la red electrónica "SEDI" (Sistema Electrónico de Envío y Difusión de Información, que a la Bolsa que corresponda le sea autorizado por la Comisión Nacional Bancaria y de Valores o el que con posterioridad sustituya a dicho sistema), su opinión respecto a la misma. En caso de que el Consejo de Administración se encuentre frente a situaciones que puedan generarle conflicto de interés o cuando exista más de una Oferta cuyas condiciones no sean directamente comparables, la citada opinión podrá estar acompañada de otra emitida por un experto independiente que, al efecto, contrate la Sociedad a propuesta del Comité de Auditoría, en la que se haga especial énfasis en la salvaguarda de los derechos de los accionistas minoritarios.

Los Consejeros que sean accionistas de la Sociedad deberán revelar a la Bolsa Mexicana de Valores, S.A. de C.V., para su difusión a través de la red electrónica "SEDI" (Sistema Electrónico de Envío y Difusión de Información, que a la Bolsa que corresponda le sea autorizado por la Comisión Nacional Bancaria

y de Valores o el que con posterioridad sustituya a dicho sistema), a más tardar al inicio del último día hábil del periodo de la Oferta que decisión tomarán con sus acciones ante la Oferta.

Los accionistas, frente a toda oferta pública, tendrán el derecho de escuchar ofertas más competitivas.

6 (seis). No requerirá autorización del Consejo de Administración toda Persona que pretenda adquirir, directa o indirectamente, una participación superior al 50% (cincuenta por ciento) de las Acciones ordinarias o el control de la Sociedad, en cuyo caso deberá hacer oferta pública de compra por el 100% (cien por ciento) menos una de las Acciones ordinarias emitidas por la Sociedad, siguiendo las Reglas generales aplicables a las adquisiciones de valores que deban ser reveladas y de ofertas públicas de compra de valores, vigentes en esa fecha. Sin embargo, si en dicha oferta pública de compra, la Persona que realice la oferta no logra adquirir al menos la mitad más una de la totalidad de las Acciones representativas del Capital Social, deberá obtener la autorización del Consejo de Administración, en los términos señalados anteriormente en éste artículo.

La oferta pública de compra a que este inciso 6 (seis) se refiere, deberá ser realizada simultáneamente en los mercados de valores de México y de los Estados Unidos de América, siempre y cuando se mantenga la negociación de los valores de la Sociedad en dichos mercados.

La Sociedad, así como sus Consejeros y principales directivos deberán abstenerse desde el momento en que la Oferta se hace pública y hasta la conclusión del período de la misma, de realizar o concertar operaciones que en detrimento de los inversionistas minoritarios tengan por objeto frustrar el desarrollo de dicha oferta.

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Los Consejeros que sean accionistas de la Sociedad deberán revelar a la Bolsa Mexicana de Valores, S.A. de C.V., para su difusión a través de la red electrónica "SEDI" (Sistema Electrónico de Envío y Difusión de Información, que a la Bolsa que corresponda le sea autorizado por la Comisión Nacional Bancaria y de Valores o el que con posterioridad sustituya a dicho sistema), a más tardar al inicio del último día hábil del periodo de la Oferta que decisión tomarán con sus acciones ante la Oferta.

Los accionistas, frente a toda oferta pública, tendrán el derecho de escuchar ofertas más competitivas.

7 (siete). La Persona que realice cualquier adquisición de Acciones autorizada por el Consejo de Administración, no será inscrita en el registro de acciones de la Sociedad sino hasta el momento en que la oferta pública de compra a que se refiere los incisos 5 (cinco), y 6 (seis), anteriores hubiere sido concluida. En consecuencia, tal Persona no podrá ejercer los derechos corporativos ni económicos que correspondan a las Acciones cuya adquisición hubiere sido autorizada sino hasta el momento en que la oferta pública de compra hubiere sido concluida.

En el caso de Personas que ya tuvieren el carácter de accionistas de la Sociedad y, por tanto, estuvieren inscritas en el registro de acciones de la Sociedad, la adquisición de Acciones autorizada por el Consejo de Administración, no será inscrita en el registro de acciones de la Sociedad sino hasta el momento en que la oferta pública de compra haya sido concluida y, en consecuencia, tales Personas no podrán ejercer los derechos corporativos ni económicos que correspondan a las Acciones adquiridas por virtud de la autorización dada por el Consejo de Administración hasta su inscripción en el registro de acciones.

II.- Disposiciones generales:

En caso de no cumplirse con lo establecido en este Artículo, el o las Personas de que se trate, no podrán, directa ni indirectamente, ejercer los derechos corporativos ni económicos inherentes a las acciones respecto de las cuales se hubiese obtenido la Titularidad sin la autorización correspondiente y no serán tomadas en cuenta para efecto de la determinación de los quórum para asambleas de accionistas, absteniéndose la Sociedad de inscribir a las adquisiciones en contravención a estos estatutos en el Registro de Accionistas a que se refiere la Ley General de Sociedades Mercantiles y sin que surta efectos el Registro que en su caso se lleve por conducto de Institución para el Depósito de Valores, por lo que, las constancias o listado a que se refiere el primer párrafo del artículo 78 (setenta y ocho) de la Ley del Mercado de Valores, no demostrarán la titularidad de las Acciones o acreditarán el derecho de asistencia

a las asambleas de accionistas, ni legitimarán el ejercicio de acción alguna, incluyendo las de carácter procesal.

Las personas a quienes el Consejo de Administración otorgue autorización para adquirir acciones conforme lo previsto en éste artículo, quedarán obligadas a informar de tal situación a dicho Órgano Colegiado, mediante escrito dirigido y entregado a éste en los términos que se señalan en el primer párrafo del punto 1 (uno) de este artículo, dentro de los cinco días calendario siguientes a la realización de los actos u operaciones autorizadas.

Las autorizaciones otorgadas por el Consejo de Administración conforme a lo previsto en este Artículo, dejarán de surtir efectos automáticamente y sin necesidad de declaración, si no se realizan las operaciones autorizadas en un plazo máximo de 60 (sesenta) días calendario siguientes a que se comunique al interesado la autorización correspondiente, a menos que el propio Consejo de Administración, previa solicitud del interesado, prorogue el plazo antes señalado.

Quienes lleguen a ser Titulares de Acciones que representen los siguientes porcentajes (o en su caso los excedan), deberán informar de tal situación a la Sociedad mediante escrito dirigido y entregado en los términos establecidos en el primer párrafo del punto 1 (uno) de este artículo, dentro de un plazo de 5 (cinco) días hábiles posteriores al día en que se obtenga, alcance o exceda la Titularidad: (i) No competidores: Cada 2% (dos por ciento) de las Acciones ordinarias; (ii) Competidores: Cada 1% (uno por ciento) de las Acciones ordinarias.

III.- Excepciones:

Lo previsto en este Artículo de los estatutos sociales no será aplicable a:

(a) las adquisiciones o transmisiones de Acciones que se realicen por vía sucesoria, ya sea herencia o legado, o

(b) la adquisición de Acciones (i) por la Persona que, directa o indirectamente, tenga la facultad o posibilidad de nombrar a la mayoría de los miembros del Consejo de Administración de la Sociedad; (ii) por cualquier sociedad, fideicomiso o trust o su equivalente, vehículo, entidad, empresa u otra forma de asociación económica o mercantil que este bajo el Control de la Persona a que se refiere el inciso (i) inmediato anterior; (iii) por la sucesión a bienes de la Persona a que se refiere el inciso (i) anterior; (iv) por la Persona a que se refiere el inciso (i) anterior, cuando esté readquiriendo las Acciones de cualquier sociedad, fideicomiso o trust o su equivalente, vehículo, entidad, empresa, forma de asociación económica o mercantil, a que se refieren el inciso (ii) anterior; y (v) por parte de la Sociedad, o por parte de fideicomisos constituidos por la propia Sociedad.

(c) Aquella(s) Persona(s) que al 4 (cuatro) de Diciembre del 2003 (dos mil tres) sean titulares, directa o indirectamente, de más del 20% (veinte por ciento) de las acciones representativas del capital social de ésta empresa.

(d) Las que deriven de la Ley del Mercado de Valores y las demás disposiciones legales emanadas de la misma.

IV.- Definiciones:

Para los Fines de este Artículo, los términos o conceptos que a continuación se indican tendrán el siguiente significado:

“Acciones” y/o “Acciones ordinarias”: significa las acciones representativas del capital social de la Sociedad, cualquiera que sea su clase o serie, o cualquier título, valor o instrumento emitido con base en esas acciones o que confiera algún derecho sobre esas acciones o sea convertible en dichas acciones, incluyendo específicamente certificados de participación ordinarios que representen acciones de la Sociedad.

“Afilada” significa cualquier Persona que Controle a, sea Controlada por, o esté bajo Control común con, cualquier Persona.

“Competidor” significa cualquier Persona dedicada, directa o indirectamente, (i) al negocio de producción y/o comercialización de harina de maíz y/o trigo, y/o (ii) a cualquier actividad que realice la Sociedad o de cualquiera de sus Subsidiarias o Afiladas.

“Control”, “Controlar” o “Controlada” significa: (i) el ser propietario de la mayoría de las acciones ordinarias, con derecho a voto, representativas del capital social de una sociedad o de títulos o instrumentos emitidos con base en dichas acciones, o (ii) la facultad o posibilidad de nombrar, a la mayoría de los miembros del Consejo de Administración o al administrador de una persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa u otra forma de asociación económica o mercantil, ya sea directamente o indirectamente a través del ejercicio del derecho de voto que corresponda a las acciones o partes sociales propiedad de una Persona, de cualquier pacto en el sentido de que el derecho de voto que corresponda a acciones o partes sociales propiedad de algún tercero se ejerza en el mismo sentido en el que se ejerza el derecho de voto que corresponda a las acciones o parte sociales propiedad de la Persona citada o de cualquier otra manera, o (iii) la facultad de determinar, directa o indirectamente, las políticas y/o decisiones de la administración u operación de una persona moral, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o de cualquier otra forma de asociación económica o mercantil.

“Participación Significativa” significa la propiedad o tenencia, directa o indirecta, del 30% (treinta por ciento) o más de las Acciones ordinarias con derecho a voto.

“Persona” significa cualquier persona física o moral, sociedad, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o cualquier otra forma de asociación económica o mercantil o cualquiera de las Subsidiarias o Afiliadas de aquéllas o, en caso de que así lo determine el Consejo de Administración, cualquier grupo de Personas que se encuentren actuando de una manera conjunta, concertada o coordinada de conformidad con lo previsto en este Artículo.

“Persona Relacionada” significa cualquier persona física o moral, sociedad, fideicomiso o trust o su equivalente, vehículo, entidad, empresa o cualquier otra forma de asociación económica o mercantil, o cualquier pariente por consanguinidad, afinidad o civil hasta el quinto grado o cualquier cónyuge o concubinario, o cualquiera de las Subsidiarias o Afiliadas de todos los anteriores, (i) que pertenezca al mismo grupo económico o de intereses que la Persona que pretenda adquirir Acciones o sea una Subsidiaria o una Afiliada de esa Persona o (ii) que actué de manera concertada con la Persona que pretenda adquirir Acciones.

“Subsidiaria” significa cualquier sociedad respecto de la cual una Persona sea propietaria de la mayoría de las acciones representativas de su capital social o respecto de la cual una Persona tenga el derecho de designar a la mayoría de los miembros de su consejo de administración o a su administrador.

Para modificar este Artículo de los Estatutos Sociales, se requerirá de la autorización previa y por escrito de la Comisión Nacional Bancaria y de Valores

Este pacto se inscribirá en el Registro Público de Comercio del domicilio social de la Sociedad y se anotará en los títulos de las acciones representativas del capital social de la Sociedad, a efecto de que pare perjuicio a todo tercero.

ARTICULO NOVENO BIS 1.- Conforme a lo dispuesto en el artículo 2117 (dos mil ciento diecisiete) del Código Civil Federal, cualquier Persona que adquiera Acciones en violación de lo previsto en el Artículo Noveno Bis de los estatutos sociales, estará obligada a pagar una pena convencional a la Sociedad por una cantidad equivalente al Valor de Mercado de la totalidad de las Acciones que hubiera adquirido sin la autorización a que dicho Artículo de los estatutos sociales se refiere o bien, al Valor de Mercado de acciones que representen el 5% (cinco por ciento) del capital social, lo que resulte mayor. En el caso de adquisiciones de Acciones realizadas en violación de lo previsto en el Artículo Noveno Bis de los estatutos sociales y realizadas a título gratuito, la pena convencional será por un monto equivalente al valor de mercado de las Acciones objeto de la adquisición de que se trate o bien, al Valor de Mercado de

acciones que representen el 5% (cinco por ciento) del capital social, lo que resulte mayor.

Por "Valor de Mercado" se entenderá y/o significará el precio de cotización al cierre de operaciones de la Bolsa Mexicana de Valores el día en que se realice la transacción por virtud de la cuál se haya sobrepasado el porcentaje de acciones que requería de autorización conforme a dicho artículo."

DE LA ADMINISTRACIÓN DE LA SOCIEDAD

ARTÍCULO DÉCIMO.- La Administración de la Sociedad estará a cargo de un Consejo de Administración compuesto por un mínimo de cinco y un máximo de veinte Consejeros Propietarios, según lo decida la Asamblea de Accionistas, de los cuales al menos veinticinco por ciento de los miembros del Consejo de Administración deberán ser Consejeros Independientes. Por cada Consejero Propietario se designará a su respectivo suplente, en el entendido de que los Consejeros suplentes de aquellos Consejeros Propietarios que sean Independientes, deberán tener ese mismo carácter. Durarán en su cargo un año, pero en todo caso continuarán en funciones hasta que las personas designadas para substituirlos tomen posesión de sus cargos, podrán ser reelectos y recibirán las remuneraciones que determine la Asamblea Ordinaria de Accionistas.

Se entenderá por Consejeros Independientes, aquellas personas, que seleccionadas por su experiencia, capacidad y prestigio profesional, además de cumplir con los requisitos de independencia establecidos por las disposiciones legales aplicables a la sociedad, en ningún caso sean:

1. Empleados o directivos de la Sociedad, incluyendo aquellas personas que hubieren ocupado dichos cargos durante el año inmediato anterior;
 2. Accionistas que sin ser empleados o directivos de la Sociedad, tengan poder de mando sobre los directivos de la misma;
 3. Socios o empleados de sociedades o asociaciones que presten servicios de asesoría o consultoría a la Sociedad o a las empresas que pertenezcan al mismo grupo económico del cual forme parte ésta, cuyos ingresos representen el diez por ciento o más de sus ingresos;
 4. Clientes, proveedores, deudores, acreedores, socios, consejeros o empleados de una sociedad que sea cliente, proveedor, deudor o acreedor importante de la Sociedad. Se considera que un cliente o proveedor es importante cuando las ventas de la Sociedad representan más del diez por ciento de las ventas totales del cliente o del proveedor, respectivamente. Asimismo, se considera que un deudor o acreedor es importante cuando el importe del crédito es mayor al quince por ciento de los activos de la sociedad o de su contraparte;
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5. Empleados de una fundación, asociación o sociedad civiles que reciban donativos importantes de la Sociedad. Se consideran donativos importantes a aquellos que representen más del quince por ciento del total de donativos recibidos por la institución;
6. Directores generales o directivos de alto nivel de una sociedad en cuyo consejo de administración participe el director general o un directivo de alto nivel de la Sociedad; y
7. Cónyuges o concubenarios, así como los parientes por consanguinidad, afinidad civil hasta el primer grado respecto de alguna de las personas mencionadas en los puntos 3 a 6 anteriores, o bien, hasta el tercer grado, en relación con las personas señaladas en los puntos 1 y 2 de este Artículo.

ARTÍCULO DÉCIMO PRIMERO.- El accionista o grupo de accionistas titulares de acciones que representen por lo menos el diez por ciento del capital social, tendrá derecho a designar a un Consejero Propietario y a su respectivo suplente.

Adicionalmente, toda minoría de tenedores de acciones de voto restringido, distintas a las que prevé el artículo 113 de la Ley General de Sociedades Mercantiles, o de voto limitado a que alude dicho precepto, que represente cuando menos un diez por ciento del capital social en una o ambas Series accionarias, tendrá el derecho de designar por lo menos a un consejero y su respectivo suplente. A falta de esta designación de minorías, los tenedores de dicha clase de acciones gozarán el derecho de nombrar a por lo menos dos consejeros y sus suplentes; estas designaciones, así como las substituciones y revocaciones de los consejeros, serán acordadas en Asamblea Especial.

Sólo podrá revocarse el nombramiento designado por las minorías cuando se revoque igualmente el nombramiento de todos los demás consejeros.

ARTÍCULO DÉCIMO SEGUNDO.- El Consejo de Administración tendrá todos los derechos y obligaciones para dirigir y administrar la Sociedad, pudiendo, por lo tanto, decidir todo lo concerniente a la realización de los fines sociales, y en general, todas las facultades necesarias para desempeñar la administración que tiene conferida, incluyendo la facultad de crear los mecanismos, políticas, procedimientos, códigos, lineamientos, controles, comités de apoyo o cualesquier otro mecanismo que considere necesario o conveniente para el ejercicio de sus funciones, así como establecer las medidas, procedimientos y demás acciones que considere necesarias o convenientes a fin de dar cumplimiento a las disposiciones legales a que se encuentre sujeta la Sociedad, especialmente respecto de aquellas disposiciones legales que regulen las acciones y los demás valores emitidos por la propia Sociedad, en los distintos mercados de valores en los que coticen éstos, y consecuentemente, podrá llevar a cabo todos los actos que directa o indirectamente se relacionen con el objeto

social a cuyo efecto tendrá: I.- PODER GENERAL PARA PLEITOS Y COBRANZAS, con todas las facultades generales y aún las especiales para cuyo ejercicio se requiere poder o cláusula especial sin limitación alguna, con la amplitud del primer párrafo del Artículo 2554 del Código Civil para el Distrito Federal y sus correlativos de los Códigos Civiles de los Estados de la República Mexicana incluyendo en forma enunciativa y no limitativa, las facultades para promover y desistirse de cualquier acción, inclusive el juicio de amparo, para transigir o comprometer o sujetar a juicio arbitral los derechos y acciones de la Sociedad; hacer quitas y conceder esperas, intervenir en remate como postor, articular y absolver posiciones, presentar denuncias y formular querellas por los delitos que se cometan en perjuicio directo o indirecto de la Sociedad, así como otorgar perdón, para recusar jueces, magistrados o cualquier otro funcionario, cuerpo jurisdiccional o Junta de Conciliación y Arbitraje en asuntos individuales o colectivos y, en general, representar a la Sociedad ante toda clase de autoridades y particulares. II.- PODER GENERAL PARA ACTOS DE ADMINISTRACIÓN, estando por lo tanto facultado para celebrar toda clase de convenios, contratos o cualesquiera otros actos jurídicos tanto civiles como mercantiles, administrativos o de cualquier otra naturaleza, en los términos del segundo párrafo del Artículo 2554 del Código Civil del Distrito Federal y sus correlativos de los Códigos Civiles de los Estados de la República Mexicana. III.- PODER CAMBIARIO, en los términos de los Artículos 9o. y 85 de la Ley General de Títulos y Operaciones de Crédito, estando facultado por lo tanto para otorgar, aceptar, girar, suscribir, emitir, endosar, avalar y negociar, en cualquier forma toda clase de contratos o títulos de crédito a nombre de la Sociedad. IV.- PODER GENERAL PARA ACTOS DE DOMINIO, estando facultado por lo tanto para enajenar, hipotecar, dar en prenda o fideicomiso y en general disponer y gravar en cualquier forma y por cualquier título legal, los bienes de la Sociedad, tanto los que constituyan el Activo Fijo como el Circulante, con las facultades que correspondan legalmente al dueño, en los términos del tercer párrafo del Artículo 2554 del Código Civil para Distrito Federal y sus correlativos de los Estados de la República Mexicana. V. Respecto de los Poderes y las facultades antes mencionadas, el Consejo de Administración podrá delegarlos y otorgar Poderes Generales o Especiales y revocar los que hubiere otorgado.

Sin perjuicio de las autorizaciones de la Asamblea de Accionistas, será facultad indelegable del Consejo de Administración aprobar las operaciones que se aparten del giro ordinario de negocios y que pretendan celebrarse entre la Sociedad y sus socios, con personas que formen parte de la administración de la Sociedad o con quienes dichas personas mantengan vínculos patrimoniales o, en su caso, de parentesco por consanguinidad o afinidad hasta el segundo grado, el cónyuge o concubinario; la compra o venta del diez por ciento o más del activo de la Sociedad; el otorgamiento de garantías por un monto superior al treinta por ciento de los activos de la Sociedad; aprobar las operaciones que las subsidiarias de la Sociedad pretendan celebrar, en los términos del artículo 14 Bis 3 fracción IV, inciso d) de la Ley del Mercado de Valores, con personas relacionadas o que impliquen comprometer su patrimonio en los términos de la

misma disposición, así como operaciones distintas de las anteriores que representen más del uno por ciento del activo de la Sociedad.

Los miembros del Consejo de Administración serán responsables de las resoluciones a que lleguen con motivo de los asuntos a que se refiere el párrafo anterior, salvo en el caso establecido por el Artículo 159 de la Ley General de Sociedades Mercantiles.

Los accionistas que representen cuando menos el quince por ciento del capital social, podrán ejercitar directamente la acción de responsabilidad civil contra los administradores, siempre que se satisfagan los requisitos establecidos en el Artículo 163 de la Ley General de Sociedades Mercantiles. Dicha acción podrá ejercerse también respecto de los Comisarios e integrantes del Comité de Auditoría.

ARTÍCULO DÉCIMO TERCERO.- El Presidente del Consejo de Administración será por el solo hecho de su nombramiento el representante de dicho Consejo y tendrá facultades para cumplir sus disposiciones sin necesidad de resolución especial alguna.

ARTÍCULO DÉCIMO CUARTO.- El Consejo de Administración deberá reunirse por lo menos una vez cada tres meses. El Presidente del Consejo de Administración, al menos el veinticinco por ciento de los Consejeros o cualquiera de los Comisarios de la Sociedad, podrá convocar a una sesión de Consejo de Administración.

Para que las sesiones del Consejo de Administración y sus resoluciones sean válidas se requerirá la asistencia de la mayoría de sus miembros. Las sesiones del Consejo serán presididas por el Presidente. Si el Presidente no asiste a la sesión ésta será presidida por el Consejero que designen los demás miembros de este órgano social por mayoría; actuará como Secretario el titular; en caso de ausencia lo substituirá la persona que designen los Consejeros por mayoría de votos. Las resoluciones tomadas fuera de sesión de Consejo, por unanimidad de sus miembros tendrán, para todos los efectos legales, la misma validez que si hubieran sido adoptadas en sesión de Consejo, siempre que se confirmen por escrito.

ARTÍCULO DÉCIMO QUINTO.- El Consejo de Administración tomará sus resoluciones por mayoría de votos de los miembros presentes. El Presidente del Consejo de Administración tendrá voto de calidad en caso de empate. Las actas de cada sesión de Consejo se registrarán en el Libro respectivo y serán firmadas por el Presidente y el Secretario. También firmará las actas, si lo desea, el Comisario que asistiere a la sesión.

ARTÍCULO DÉCIMO SEXTO.- La Sociedad, cumpliendo los requisitos legales que le sean aplicables, constituirá un Comité de Auditoría, el cual se integrará con Consejeros, de los cuales, al menos, el Presidente y la mayoría de ellos deberán ser Independientes y contará con la presencia del Comisario o Comisarios de la Sociedad, quienes asistirán en calidad de invitados con derecho a voz y sin voto.

Los miembros del Comité de Auditoría serán designados por la Asamblea Ordinaria de Accionistas; durarán en su cargo un año, pero continuarán en funciones hasta que los sustitutos tomen posesión de sus cargos, y recibirán los emolumentos que decida la Asamblea de Accionistas.

El Comité de Auditoría tendrá, entre otras, las siguientes funciones y potestades: (a) elaborar un reporte anual sobre sus actividades y presentarlo al Consejo de Administración; (b) opinar sobre transacciones que se aparten del giro ordinario de negocios de la Sociedad y que se pretendan celebrar entre la Sociedad y sus socios, con personas que formen parte de la administración de la Sociedad o con quienes dichas personas mantengan vínculos patrimoniales o, en su caso, de parentesco por consanguinidad o afinidad hasta el segundo grado, el cónyuge o concubinario; así como opinar respecto de las operaciones que las subsidiarias de la Sociedad pretendan celebrar, en los términos del artículo 14 Bis 3 fracción IV, inciso d) de la Ley del Mercado de Valores, con personas relacionadas o que impliquen comprometer su patrimonio en los términos de la misma disposición, (c) proponer la contratación de especialistas independientes en los casos que lo juzgue conveniente, a fin de que expresen su opinión respecto de las operaciones con personas relacionadas señaladas en el inciso anterior; (d) recomendar a la Sociedad los candidatos para auditores externos de la empresa, así como las condiciones en que serán contratados; (e) auxiliar al Consejo de Administración mediante la revisión de la información financiera de la Sociedad y su proceso de emisión; (f) contribuir en la definición de los lineamientos generales del sistema de control interno de la Sociedad y evaluar su efectividad, así como coordinar y evaluar los programas anuales de auditoría interna y las actividades desarrolladas por los auditores internos y externos de la Sociedad, así como las de los Comisarios; (g) verificar que se cuenten con los mecanismos necesarios de manera que se permita comprobar que la Sociedad cumple con las diferentes disposiciones a las que esta sujeta, informado al respecto al Consejo de Administración; y (h) las demás funciones, potestades y obligaciones que establezcan o deriven de las disposiciones legales a que se encuentre sujeta la Sociedad.

El Consejo de Administración deberá presentar a la Asamblea de Accionistas el reporte del Comité de Auditoría.

ARTÍCULO DÉCIMO SÉPTIMO.- Al tomar posesión de sus cargos los miembros del Consejo de Administración percibirán los emolumentos en la forma que indique la Asamblea de accionistas que los designe.

DE LA VIGILANCIA

ARTÍCULO DÉCIMO OCTAVO.- La vigilancia de la Sociedad estará a cargo de uno o más Comisarios y los suplentes que determine la Asamblea General Ordinaria de Accionistas. Los Comisarios y sus respectivos suplentes podrán o no ser accionistas de la Sociedad, con la salvedad establecida en el Artículo 165 de la Ley General de Sociedades Mercantiles, serán designados y destituidos libremente por los accionistas en Asamblea General Ordinaria de Accionistas y percibirán los emolumentos determinados por los accionistas en la Asamblea General Ordinaria de Accionistas.

Los titulares de acciones con o sin derecho a voto que representen cuando menos un diez por ciento del capital social podrán designar un Comisario.

El Comisario o los Comisarios tendrán las facultades y obligaciones contenidas en la Ley General de Sociedades Mercantiles. La vacante temporal o permanente del puesto de Comisario Propietario, será cubierta por el Comisario Suplente, si lo hubiere, y en su ausencia, el Consejo de Administración, dentro del plazo de diez días, convocará a una Asamblea General Ordinaria de Accionistas, misma que tratará sobre la elección de los nuevos Comisarios Propietario y Suplente.

ARTÍCULO DÉCIMO NOVENO.- Los Comisarios desempeñarán su cargo por un año, podrán ser reelectos y continuarán en funciones hasta que las personas designadas para substituirlos tomen posesión de sus cargos.

ARTÍCULO VIGÉSIMO.- Los Comisarios deberán ser convocados a todas las sesiones de aquellos órganos intermedios de consulta en los que el Consejo de Administración haya delegado alguna facultad. Asimismo, los Comisarios tendrán las atribuciones y obligaciones enumeradas en el Artículo 166 de la Ley General de Sociedades Mercantiles.

DE LAS ASAMBLEAS GENERALES DE ACCIONISTAS

ARTICULO VIGÉSIMO PRIMERO.- Las Asambleas Generales de Accionistas serán Extraordinarias u Ordinarias. Serán Extraordinarias las convocadas para tratar cualquiera de los asuntos incluidos en el Artículo 182 de la Ley General de Sociedades Mercantiles, todas las demás serán Asambleas Ordinarias de Accionistas.

ARTÍCULO VIGÉSIMO SEGUNDO.- Las Asambleas Ordinarias de Accionistas se celebrarán por lo menos una vez al año dentro de los cuatro meses

siguientes a la clausura de cada ejercicio social. Además de los asuntos específicos de la Orden del Día, deberán: 1.- Discutir, aprobar o modificar el informe de los Administradores a que se refiere el enunciado del Artículo 172 de la Ley General de Sociedades Mercantiles, tomando en cuenta el informe de los Comisarios y adoptar las medidas que juzgue oportunas; 2.- Nombrar a los miembros del Consejo de Administración y a los Comisarios y determinar emolumentos, los que serán con cargo a gastos del ejercicio, y 3.- Decidir sobre la aplicación de resultados del ejercicio social.”

ARTÍCULO VIGÉSIMO TERCERO.- Las Convocatorias para Asambleas Generales de Accionistas deberán ser hechas por el Consejo de Administración o por los Comisarios. Sin embargo, accionistas que representen por lo menos el diez por ciento del capital social podrán pedir por escrito en cualquier momento que el Consejo o los Comisarios convoquen a una Asamblea General de Accionistas para discutir los asuntos que especifique en su solicitud. Cualquier accionista dueño de una acción tendrá el mismo derecho en cualquiera de los casos a que se refiere el Artículo 185 de la Ley General de Sociedades Mercantiles. Si el Consejo de Administración o los Comisarios no hicieren la convocatoria dentro de los quince días siguientes a la fecha de la solicitud, un Juez de lo Civil o de Distrito del domicilio de la Sociedad la hará a petición de cualquiera de los interesados, quienes deberán exhibir sus acciones con ese objeto.

ARTÍCULO VIGÉSIMO CUARTO.- Las convocatorias para Asambleas deberán publicarse en el Diario Oficial de la Federación, o en uno de los Periódicos de mayor circulación del domicilio de la Sociedad, por lo menos con quince días de anticipación a la fecha fijada por la Asamblea. Las convocatorias contendrán el Orden del Día y deberán estar firmadas por la persona o personas que las hagan.

ARTÍCULO VIGÉSIMO QUINTO.- Las Asambleas Generales de Accionistas podrán celebrarse sin previa convocatoria si todo el capital social está representado en el momento de la votación.

ARTÍCULO VIGÉSIMO SEXTO.- Los accionistas podrán ser representados en las Asambleas de Accionistas por la persona o personas que designaren mediante carta poder otorgada en formularios elaborados por la propia Sociedad, que reúnan los requisitos siguientes: 1. Señalar de manera notoria la denominación de la Sociedad, así como la respectiva Orden del Día, no pudiendo incluirse bajo el rubro de asuntos generales los puntos a que se refieren los Artículos 181 y 182 de la Ley General de Sociedades Mercantiles, y 2. Contener espacio para las instrucciones que señale el otorgante para el ejercicio del poder.

El Secretario del Consejo de Administración deberá cerciorarse de la observancia de lo dispuesto en este artículo e informar sobre ello a la Asamblea de Accionistas, lo que se hará constar en el acta respectiva.

ARTÍCULO VIGÉSIMO SÉPTIMO.- Las Actas de Asambleas se registrarán en el libro respectivo y serán firmadas por el Presidente y el Secretario de la Asamblea, así como por el Comisario que asistiere y deseara hacerlo.

ARTÍCULO VIGÉSIMO OCTAVO.- Las Asambleas serán presididas por el Presidente del Consejo de Administración y en su ausencia por la persona que designen los Accionistas por mayoría de votos. Actuará como Secretario el Secretario del Consejo de Administración y, en su ausencia, la persona que designen los accionistas por mayoría de votos.

ARTÍCULO VIGÉSIMO NOVENO.- Para ser válidas las Asambleas Generales Ordinarias de Accionistas celebradas por virtud de primera convocatoria, deberá estar representado por lo menos el cincuenta por ciento del capital social y sus resoluciones serán válidas cuando se tomen por el voto favorable de la mayoría de las acciones representadas en la Asamblea.

ARTÍCULO TRIGÉSIMO.- Para ser válidas las Asambleas Extraordinarias celebradas por virtud de primera convocatoria deberá reunirse por lo menos el setenta y cinco por ciento del capital social y sus resoluciones, para ser válidas, deberán tomarse por voto favorable de acciones que representen cuando menos el cincuenta por ciento del capital social.

ARTÍCULO TRIGÉSIMO PRIMERO.- Si en las Asambleas no estuviese representado el número de acciones estipulado en los artículos anteriores, en la fecha fijada en la primera convocatoria ésta se repetirá y la Asamblea decidirá sobre los puntos contenidos en la Orden del Día cualquiera que sea el número de Acciones representado en caso de que se trate de una Asamblea Ordinaria. Si la Asamblea fuere Extraordinaria se requerirá en todo caso el voto favorable de las acciones que representen cuando menos el cincuenta por ciento del capital social.

Los accionistas con acciones con derecho a voto, incluso en forma limitada o restringida, que reúnan cuando menos el diez por ciento de las acciones representadas en una Asamblea, podrán solicitar que se aplase la votación de cualquier asunto respecto del cual no se consideren suficientemente informados, ajustándose a los términos y condiciones señalados en el artículo 199 de la Ley General de Sociedades Mercantiles. Cuando reúnan cuando al menos el veinte por ciento del capital social, dichos accionistas podrán oponerse judicialmente a las resoluciones de las Asambleas Generales, respecto de las cuales tengan derecho de voto, siempre que se satisfagan los requisitos del artículo 201 de la

Ley General de Sociedades Mercantiles, siendo igualmente aplicable el artículo 202 de la citada Ley.

ARTÍCULO TRIGÉSIMO SEGUNDO.- Para tener derecho a asistir a las Asambleas de Accionistas, los accionistas deberán depositar sus títulos de acciones con el Secretario de la Sociedad o en una Institución Bancaria Mexicana o Extranjera, o en alguna Institución para el Depósito de Valores, a más tardar el día anterior a la fecha de la Asamblea. El recibo de depósito de acciones acreditará el derecho de asistir a las Asambleas. El accionista, además, deberá estar inscrito en el Libro de Registro de Acciones. El Libro de Registro de Acciones de la Sociedad se cerrará, y por lo tanto no se harán inscripciones en el mismo, un día antes de la fecha para la cual se convoque a Asamblea.

DE LOS EJERCICIOS SOCIALES, INFORMACIÓN FINANCIERA, GANANCIAS Y PÉRDIDAS

ARTÍCULO TRIGÉSIMO TERCERO.- Los Ejercicios Sociales no excederán de doce meses en los términos del artículo 8o. A de la Ley General de Sociedades Mercantiles.

ARTÍCULO TRIGÉSIMO CUARTO.- La Sociedad por conducto de sus administradores, presentará anualmente a la Asamblea de Accionistas, un informe del Ejercicio Social, que contenga políticas administrativas, contables y de información, así como un estado que muestre la situación financiera y los resultados de la Sociedad en el ejercicio tomando en cuenta el Artículo 172 de la Ley de la Materia. Independientemente de lo anterior los administradores estarán en libertad de presentar Estados Financieros referidos a cualquier fecha durante el ejercicio, y la Asamblea podrá aprobarlos para los efectos de Ley.

ARTÍCULO TRIGÉSIMO QUINTO.- El informe referido en el Artículo anterior y el dictamen del Comisario o Comisarios deberá quedar terminado y ponerse a disposición de los Accionistas quince días antes de la celebración de la Asamblea que haya de discutirlo, observando el Artículo aplicable de la Ley.

ARTÍCULO TRIGÉSIMO SEXTO.- Las utilidades netas que arrojen los Estados Financieros que se aprueben por la Asamblea de Accionistas serán distribuidas como sigue: 1.- El cinco por ciento para constituir y para reconstituir el fondo de reserva legal hasta que sea igual por lo menos al veinte por ciento del capital

social; 2.- Si la Asamblea así lo determina podrá asignar las cantidades que juzgue conveniente para constituir el fondo de previsión, así como fondos especiales de reserva, y 3.- Las utilidades restantes, si las hay, se aplicarán en la forma que decida la Asamblea General Ordinaria de Accionistas.

ARTÍCULO TRIGÉSIMO SÉPTIMO.- La Asamblea Ordinaria de Accionistas podrá decretar repartos de dividendos durante el ejercicio social, en la forma, plazo y términos que acuerde la Asamblea, reuniendo los requisitos legales y haciendo previamente las reservas correspondientes.

ARTÍCULO TRIGÉSIMO OCTAVO.- Las pérdidas, si las hubiere serán soportadas primeramente por las reservas y a falta de estas por el Capital Social.

ARTÍCULO TRIGÉSIMO NOVENO.- La Sociedad se disolverá en cualquiera de los casos especificados en el Artículo 229 de la Ley General de Sociedades Mercantiles.

ARTÍCULO CUADRAGÉSIMO.- Disuelta la Sociedad se pondrá en liquidación. La liquidación se encomendará a uno o más liquidadores nombrados por la Asamblea General Extraordinaria de Accionistas. Si la Asamblea no hiciere dicho nombramiento, un Juez de lo Civil o de Distrito del domicilio de la Sociedad lo hará a petición de cualquier accionista.

ARTÍCULO CUADRAGÉSIMO PRIMERO.- A falta de instrucciones expresas de la Asamblea a los Liquidadores, la Liquidación se llevará a cabo de acuerdo con las siguientes bases generales:

- 1.- Conclusión de los negocios pendientes, de la manera menos perjudicial para los acreedores y accionistas.
 - 2.- Preparación del Balance General e Inventario.
 - 3.- Cobro de Créditos y pago de adeudos.
 - 4.- Venta del Activo de la Sociedad y aplicación de su producto a los fines de la Liquidación.
 - 5.- Distribución del remanente si lo hubiere, entre los accionistas, en proporción a sus acciones.
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ARTÍCULO CUADRAGÉSIMO SEGUNDO.- Una vez concluidas las operaciones de liquidación, el o los Liquidadores convocarán a Asamblea General para que en ella se examine el Estado de Cuentas de Liquidación, se dictamine sobre ellas y se resuelva sobre la aplicación del remanente en caso de que lo hubiere.

FIN DE TEXTO

Nota: El Artículo “Noveno Bis” antes transcrito queda sujeto a la autorización definitiva de la Comisión Nacional Bancaria y de Valores en los términos del artículo 14 Bis 3 fracción VII de la Ley del Mercado de Valores. Dicha autoridad con fecha 2 de Diciembre del año en curso emitió su opinión favorable para incorporar dicho artículo en los Estatutos Sociales de la Sociedad bajo el Oficio DGA-1483-230983 suscrito por los C. Directores Generales de Autorizaciones y de Emisoras.

México, D.F. a 5 (cinco) de Diciembre del 2003 (dos mil tres)

LIC. GUILLERMO ELIZONDO RIOS
SECRETARIO SUPLENTE DEL CONSEJO DE ADMINISTRACIÓN
GRUMA, S.A. DE C.V.

**GRUMA, S.A. de C.V.
BYLAWS**

NAME, PURPOSE, DOMICILE, DURATION AND NATIONALITY

ARTICLE 1. The Company's legal name is: "GRUMA", which shall always be followed by the words SOCIEDAD ANONIMA DE CAPITAL VARIABLE (LIMITED LIABILITY, VARIABLE CAPITAL COMPANY) or the abbreviation S.A. DE C.V.

ARTICLE 2. The Company's purpose shall be to: (a) purchase, sell, import, export, manufacture and assemble all kind of trade goods or products; (b) acquire, manage, negotiate, subscribe, issue, encumber and, in general, transfer by any legal means, shares or participations, and to issue mortgage backed or general debentures and any other type of securities and credit instruments; (c) create, organize and manage all type of companies; (d) grant guaranties, sureties, bonds, pledges, mortgages, trust funds and any other credit operation to guarantee the compliance of its obligations or the obligations of third parties related to the Company by reason of any stock ownership or financial or commercial arrangement; (e) purchase, sell, encumber or lease, whether as lessor or as lessee, all types of personal property and real estate as may be necessary and/or convenient to achieve the Company's purposes; (f) provide and receive all types of administrative or technical consulting and advisory services to or from any individual or corporation, whether Mexican or non-Mexican; (g) establish branches, agencies or representative offices and to act as intermediary, agent, representative, distributor or depositor for all types of Mexican or non-Mexican corporations; (h) register, acquire, hold, market and transfer brand names, trademarks, patents, copyrights, inventions, *Know-How*, and any other type of intellectual property, as well as all types of concessions, rights and licenses; (i) grant and receive loans; (j) subscribe, issue and negotiate all types of credit instruments with the intervention of any institutions and/or authorities as may be required by law; (k) carry out all types of businesses and financial, commercial and industrial transactions which are directly or indirectly related to the Company's purposes; and (l) carry out all the activities and enter into the contracts permitted by law, which may be necessary or convenient to achieve the Company's purposes.

ARTICLE 3. The Company's domicile is Monterrey, Nuevo León; provided, however, that the Company may establish agencies or branches anywhere in the Mexican Republic or abroad and submit itself to elected domiciles for purposes of the contracts to which it is a party.

ARTICLE 4. The duration of the Company shall be 99 years starting December 24, 1971.

ARTICLE 5. The Company shall be of Mexican nationality. Consequently, all foreign nationals who upon incorporation of the Company or at any other time thereafter acquire any interest or participation therein, formally agree with the "*Secretaría de Relaciones Exteriores*" (Ministry of Foreign Affairs) to be considered as Mexican with respect to the Company's shares that they acquire or hold, as well as to the property, rights, concessions, participations or interests owned by the Company, or to the rights and duties derived from any agreements entered into by the Company with Mexican authorities; therefore, should foreigners invoke the protection of their governments, they shall forfeit, in favor of the Mexican Nation, any capital interest they may have acquired.

CAPITAL STOCK, SHARES AND SHAREHOLDERS

ARTICLE 6. The Company's capital stock is variable; the fixed and non-redeemable portion of the capital stock, is fully subscribed and paid, and is represented by 452,549,952 ordinary and nominative shares, with no par value and being classified as Series "B", Class I shares, which amount to the sum of MxP\$4,589,601,824.74 (FOUR BILLION, FIVE HUNDRED EIGHTY-NINE MILLION, SIX HUNDRED ONE THOUSAND, EIGHT HUNDRED TWENTY FOUR MEXICAN PESOS WITH 74/100), and shall be represented by ordinary shares with no par value of the Series "B", Class II.

All of the shares, within each of its Series and Classes, shall confer the same rights and obligations to their holders. Shares may have other characteristics as determined by the General Shareholders' Meeting that approves their issuance thereof.

The Company shall only recognize as shareholders those persons or entities that are inscribed in the Company's stock registry or in the "*Instituto Nacional para el Depósito de Valores*" (National Institute for the Deposit of Securities) as owners of such shares.

The companies in which the Company is the owner of the majority of the shares or social parts may not be direct or indirect shareholders of the Company, nor of any other company that is a majority shareholder of the Company or, if the other company is not a majority shareholder, if they have knowledge that the other company is a shareholder of the Company.

In the event of cancellation of the registry of the Company's shares in the Securities Section of the "*Registro Nacional de Valores*" (National Registry of Securities), the shareholders holding the majority of our common shares or which are otherwise able to impose, by any means, decisions at the General Shareholders' Meetings or to appoint the majority of the Directors of our Board of Directors, shall be obligated to make, prior to the cancellation, a tender offer to purchase all of the shares of the Company, and such offer shall be made at least at the greater price of the following: the closing sale price of such shares on the

stock exchange, under the terms of the following paragraph, and the book value of the shares according to the most recent quarterly report submitted to the "*Comisión Nacional Bancaria y de Valores*" (National Banking and Securities Commission) and to the "*Bolsa Mexicana de Valores*" (Mexican Stock Exchange) prior to the commencement of the offer, except when such price has been amended as a result of criteria applicable to the determination of relevant information, in which case, the most recent financial information of the Company shall be taken into account.

The closing share sale price on the Mexican Stock Exchange referred to in the preceding paragraph shall be: the weighted average share price as quoted on the Mexican Stock Exchange, obtained from transactions carried out during 30 business days on which operations with the shares of the Company were closed prior to the offer, during a period that shall not exceed six months. If the number of days in which shares of the Company have been traded during the above referred period is below thirty, then only the actual number of days in which shares have been traded during such period will be taken into account. If shares have not been exchanged during such period, then the book value of the shares shall be taken into account.

If the offer refers to more than one series of stock, the weighted average price referred to in the preceding paragraph shall be calculated for each series of stock to be cancelled, and the price for the public offer of all of the series shall be the greater of such averages.

Within 5 (five) business days prior to the commencement of the public offer, the Board of Directors of the Company shall disclose its opinion in connection with the correctness of the price of the public offer, taking into consideration the interests of the minority shareholders in order to comply with the terms of article 16, second paragraph of the "*Ley del Mercado de Valores*" (Mexican Securities Law), and the opinion of the Audit Committee, and if the Board of Directors' and the Audit Committee's opinions are conflicting then the Audit Committee's opinion shall be disclosed. If the Board of Directors faces a situation where there may be a conflict of interest, then the opinion of the Board shall be accompanied with the opinion issued by an Independent Expert selected by the Audit Committee in which special emphasis is to be made in protecting the interests of minority shareholders.

The holders of the majority of the common shares or whomever that are otherwise able to, by any means, impose resolutions at the General Shareholders Meetings or appoint the majority of Directors of the Board of Directors of the Company, shall be under no obligation to make the tender offer referred hereto for the cancellation of the registry if they have the consent of the holders of at least 95% of the outstanding common shares of the Company, by a resolution at the Shareholders Meeting, and the aggregate amount offered for the securities in the market, as provided hereto, is less than 300,000 (three hundred

thousand) investment units (UDIS); provided however that, in order to obtain the cancellation of the shares in the Securities Section of the National Banking and Securities Commission, the trust referred to in the following paragraph must be executed, and notice of such cancellation and of the execution of the trust shall be made through the SEDI (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the National Banking and Securities Commission).

Those shareholders obliged to make the tender offer referred to in this Clause shall execute a trust, for a minimum term of 6 (six) months, with the sufficient funds to purchase, at the same offered price, the shares of stock of those investors who failed to participate in such offer, in case such shareholders are not able to purchase 100% of the Company's paid capital stock after the tender offer has been made and prior cancellation notice of registry of the securities in the Securities Section of the National Banking and Securities Commission. The provisions of this clause shall be applicable to ordinary participation certificates of stock (CPO's) and to certificates representing 2 or more shares of stock of one or more series of the Company.

The shareholders obliged to make the tender offer referred hereto may request the approval from the National Banking and Securities Commission to use a different criteria to determine the price of the shares. The aforementioned Commission shall take into consideration the financial situation and perspectives of the Company to grant such approval. To obtain such approval, the Company must submit the resolution of the Board of Directors approving such request, prior favorable opinion of the Audit Committee addressing the reasons why it deems appropriate to use a different price, accompanied by a report from an Independent Expert making special emphasis to the fact that the price is consistent with the terms of article 16 of the Mexican Securities Law.

ARTICLE 7. Share certificates may represent one or more shares and shall be signed by two members of the Board of Directors. If the capital stock consists of share certificates representing more than one share, and for any reason whatsoever the original certificate needs to be divided, any two Directors shall sign the new divided share certificates issued in exchange for the old divided share certificate. Any Director who signs a new share certificate shall be responsible for the cancellation of the old divided share certificate and the issuance of new certificates representing an identical number, class, and series of shares as the old divided certificate. Ownership of the shares shall be transmitted through endorsement of the corresponding certificate(s) or by any other legal means. Share certificates must include the text of Article 5 of these Bylaws.

Share certificates must satisfy all the requirements set forth in Article 125 of the Mexican Corporate Law.

ARTICLE 8. The Company will maintain a Stock Registry, which may be kept by the Secretary of the Board of Directors, by a securities depository institution based in the Company's domicile, or by any credit institution. Such registry must satisfy the requirements set forth in Article 128 of the Mexican Corporate Law. Only those persons listed in the Company's stock registry will be recognized as shareholders by the Company. All transfers of shares will be recorded in the stock registry upon request of the relevant holder.

Upon request and at the expense of the shareholders, provisional and definite share certificates may be exchanged for certificates of different denominations.

In the event of loss, theft or destruction of the provisional or definite share certificates, such certificates will be replaced at their holder's expense, in accordance with the procedure set forth in the General Law of Negotiable Instruments and Credit Operations.

ARTICLE 9. Except for those increases of the capital stock that are made as a consequence of the issuance of repurchased shares made pursuant to these Bylaws, any increase in the fixed portion of the capital stock must be approved by the General Extraordinary Shareholders' Meeting. Except for those increases of the capital stock that are made as a consequence of the issuance of repurchased shares made pursuant to these Bylaws, the variable portion of the capital stock may be increased with the only formality that the increase be approved by the General Ordinary Shareholders' Meeting, and the resulting minutes shall be protocolized by a Public Notary, without the need of registering the deed issued by the Public Notary reflecting the protocolization of the resolution in the corresponding Public Registry of Commerce. No increase of capital stock may be decreed until all of the previously issued shares have been fully paid. The shares that based in a resolution of the General Shareholders' Meeting that orders the issuance, must be deposited in the Company's treasury for their delivery pursuant to the frequency of their subscription, may be offered for their subscription and payment by the Board of Directors, respecting at all times the Company's shareholders' preemptive rights referred to herein. The capital stock may also be increased through the capitalization of the equity accounts referred to in Article 116 of the Mexican Corporate Law or through capitalization of debt. In the case of increases based on the capitalization of equity accounts, all of the new shares shall be entitled to receive the proportional part of the shares issued to represent the relevant capital stock increase.

With the prior authorization of the National Banking and Securities Commission the Company may issue shares for their placement in the general public, as long as they are maintained under the custody of an institution for the deposit of securities and the conditions set forth in Article 81 of the Stock Market Law are met.

Any capital stock increase or decrease in the variable portion of the capital stock shall be registered in a registry book that the Company shall keep for such purpose.

Shareholders shall have the preemptive right to subscribe for the new shares issued in the event of an increase of the capital stock, proportionate to the number of shares that they own at the time such increase is resolved. Such right must be exercised within the time period determined to that effect by the Shareholders' Meeting that resolved such increase of capital stock, however under no circumstance shall such period be less than fifteen days from the day following the publication of the corresponding resolution in the State's Official Gazette or in one of the newspapers of greater circulation in the Company's domicile.

In the event that after the expiration of the period set forth for the shareholders to exercise their preemptive right mentioned in the prior paragraph, there remain unsubscribed shares, these may be offered for their subscription and payment at the conditions and terms determined by the Meeting that had approved the capital stock increase, or pursuant to the terms set forth by the Board of Directors or the delegates designated by the Meeting for such purposes.

Except for the reductions of capital stock that are made as a consequence of the repurchase of the Company's own shares as set forth in this Article, reductions of capital stock in the fixed portion must be resolved by the General Extraordinary Shareholders' Meeting. Except for the reductions of capital stock that are made as a consequence of the repurchase of shares or as a result of exercise of the right of redemption by the shareholders, the variable portion of the capital stock may be reduced with the only formality being that the reduction be resolved by the General Ordinary Shareholders' Meeting, without the need of registering the deed issued by the Public Notary reflecting the adoption of the corresponding resolution in the Public Registry of Commerce.

The capital stock may be reduced (i) to absorb losses, (ii) due to a reimbursement of capital contributions to the shareholders, (iii) for freeing up of funds granted to the shareholders from unrealized exhibits, (iv) by the exercise of the right to redeem contributions by the owners of the shares representing the variable portion of the capital stock, and (v) by the repurchase of the Company's shares pursuant to the Company's Bylaws.

The reductions of capital stock to absorb losses shall be made on a strict proportionate basis among the shareholders, without the need of canceling the corresponding shares since they do not have a nominal value. In the event of reductions of the capital stock for reimbursement to the shareholders, such reimbursement shall be made on a proportionate basis among them, in the understanding that the price of the reimbursement may not be less than the book

value of the shares pursuant to the last statement of financial position that had been approved by the Ordinary Shareholders' Meeting.

In the event of capital stock reduction as the result of the exercise by the shareholders of their rights to redeem fully or partially their contributions to the variable portion of the capital stock, such reduction of capital stock shall be made in strict observance of Articles 220 and 221 of the Mexican Corporate Law and also, reimbursing the shares of reference at the lower price of: (i) 95% of the closing share price in the Stock Exchange, obtained from the weighted average share price from transactions carried out during 30 business days on which operations with the shares of the Company were closed prior to redemption of shares takes place, during a period that shall not exceed six months; or (ii) the book value of the shares pursuant to the balance sheet at closing of the fiscal year prior to redemption becoming effective, previously approved by the General Ordinary Shareholders' Meeting. If the number of days in which securities of the Company have been traded during the above referred period is below thirty, then the actual number of days in which securities have been traded shall be taken into account. If securities of the Company have not been traded during such period then the book value of the shares shall be taken into account. In all cases, the partial or full redemption of contributions shall be notified expressly to the Company and the payment of the redemption shall be payable by the Company on the day after the General Ordinary Shareholders' Meeting that had approved the balance sheet corresponding to the fiscal year in which the redemption is effective.

Holders of shares representing the variable portion of the capital stock may only exercise the right to redeem up to the amount of such variable capital stock and under no circumstance will they be able to exercise such right when it implies the reduction of capital stock to less than the established minimum capital stock.

Likewise, the General Extraordinary Meeting may approve the amortization of the Company's shares with retained earnings without reducing the capital stock, complying in such case with the provisions of Article 136 of the Mexican Corporate Law. Such amortization shall take place, as preferred by the General Extraordinary Meeting: (i) through the purchase of the corresponding shares as part of a public offer undertaken through a stock market, at a price and pursuant to the method so determined by the General Extraordinary Meeting, which may delegate such attribution in the Board of Directors; or (ii) proportionately among all shareholders so that, after undertaking the amortization, the shareholders maintain the same proportion of capital stock with respect to the capital stock that they had before. The amortized shares shall be annulled and the corresponding certificates shall be cancelled.

The Company may purchase shares representing its capital stock through the stock market in which they operate, at the prevailing market price. The purchase of such shares will be made at the expense of the equity of the Company if the

repurchased shares remain in the power of the Company, or at the expense of the capital stock if it is decided to turn the repurchased shares into treasury shares, in which case, the resolution by the Shareholders' Meeting will not be required.

The General Ordinary Shareholders' Meeting shall expressly resolve, for each fiscal year, the maximum amount of monetary resources that may be used for the repurchase of the Company's stock, with the only limitation that such amount of resources under no circumstance shall be greater than the balance of the total net profits of the Company, including retained earnings. To that effect, the Board of Directors shall designate the person or persons responsible for the acquisition and placement of such repurchased shares.

The Company shares owned by the Company or, if applicable, the treasury shares referred to in this Article, despite what is established in the Mexican Corporate Law, may be placed among the public, without it being necessary for the increase of the capital stock, to obtain the resolution of any Shareholders' Meeting or of the Board of Directors, with respect to its placement.

ARTICLE 9 BIS. The prior written approval from the Board of Directors of the Company as provided in this article shall be required for any Person (as such term is defined below) that intends, individually or jointly with any Related Party (as such term is defined below), to acquire, directly or indirectly, by any means or under any title, whether in a single event or in a set of consecutive events regardless of the lapse of time between them, common Shares (as such term is defined below) or rights over common Shares, having as a consequence or effect:

- (a) That its shareholdings, individually or together with any Shares previously held, being acquired or intended to be acquired, equal to or are greater than 5% of the total outstanding common Shares, .
- (b) That its holding rights over common Shares, individually or together with any Shares previously held, being acquired or intended to be acquired, equal to or are greater than 5% of the total outstanding common Shares, .

Such prior approval from the Board of Directors must be obtained each time the thresholds for shareholdings are intended to be exceeded as provided hereto, in a percentage equal to or greater than 5% (and multiples thereof) of common Shares or rights of title upon them, except for Persons who directly or indirectly are deemed to be Competitor (as such term is defined below) of the Company or of any of its Subsidiaries, in which case the Person in question must obtain the prior approval of the Board of Directors for future acquisitions where a threshold of 2% (or multiples thereof) of common Shares is intended to be exceeded.

For the purposes hereof, the Person in question shall comply with the following:

I. Approval of the Board of Directors:

1. The Person in question shall submit a written approval application to the Board of Directors. Such request must be delivered in the domicile of the Company in an indubitable manner and addressed to the Chairman of the Board of Directors with a copy to the Secretary and to their respective Alternates. The application shall set forth and detail the following:

- (a) the number and class or series of Shares that the Person in question or any Related Party thereto (i) owns or co-owns, whether directly or indirectly through any Person or through any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage or by means of an intermediary, or (ii) in respect to which such Person has, shares or enjoys any right, be it as a result of an agreement or by any other cause.
 - (b) the number and class or series of Shares which the Person in question or any Related Party thereto intends to acquire (i) be it directly or through any Person in which it should have an interest or participation, either in its capital stock or in the direction, management or operation or otherwise, through any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage or by means of an intermediary.
 - (c) the number and class or series of Shares in respect to which such Person intends to acquire or share any right, be it as a result of an agreement or by any other legal means.
 - (d) (i) the percentage that the Shares referred to in the paragraph (a) above represent of the total outstanding Shares of the Company, (ii) the percentage that the Shares referred to in the above paragraph (a) represent in connection with the class or series to which they belong, (iii) the percentage that the Shares referred to in the above paragraphs (b) and (c) above represent of the total outstanding Shares of the Company, and (iv) the percentage that the Shares referred to in the above paragraphs (b) and (c) represent of the class or series to which they belong.
 - (e) the identity and nationality of the Person or group of Persons who intend to acquire the Shares, provided that if any of such Persons is a corporate entity, trust or its equivalent or any other vehicle, enterprise, corporation or form of economic or commercial association, the identity and nationality of the partners or shareholders, trustors and beneficiaries or their equivalent, members of the technical committee or their equivalent, successors, members or limited partners must also be identified, including the nationality and identity of the Person or Persons that Control (as such term is defined below) directly or indirectly such corporate entity, trust or its equivalent or any other vehicle, enterprise, corporation or form of economic or commercial association, until the natural person or
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persons maintaining any right, interest or participation of any nature with such corporate entity, trust or any other equivalent or any other vehicle, entity, corporation or form of economic or commercial association can be identified, including the documents evidencing economic and moral background of such Person or Group of Persons.

(f) the reasons and purposes behind such acquisition of Shares, in particular mentioning if the purpose is to acquire directly or indirectly (i) additional Shares to those referred in the approval application, (ii) a Significant Participation or (iii) the Control of the Company.

(g) if such Person is, directly or indirectly, a Competitor of the Company or of any other Subsidiary or Affiliate thereof and if such Person has the authority to legally acquire the Shares pursuant to the terms of these by-laws and the applicable legislation. Furthermore, the application must indicate if the Person in question has any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage that may be considered a Competitor of the Company or of any Subsidiary or Affiliate thereof or has an economic relationship with a Competitor or any interest or participation, be it in the capital stock or in the direction, management or operation of a Competitor, directly or through any Person or any relative by consanguinity, affinity or adoption, within the fifth degree or spouse under civil or common law marriage.

(h) the origin of the funds to be used to pay the price for the Shares subject matter of the application. If the funds are to be obtained through a financing arrangement then the petition must indicate the identity and nationality of the Person funding such amount and, along with the approval request, a document issued by such funding Person indicating and explaining the conditions of the financing arrangement.

(i) if the Person in question forms part of any economic group formed by one or more Related Parties which as such, in a single event or in a set of consecutive events, intends to acquire Shares or rights over them or, as the case may be, if such economic group is the owner of Shares or of rights over them.

(j) if the Person in question has received resources in loan or in any other concept from a Related Party or if such Person has provided resources as a loan or under any other capacity to a Related Party with the purpose of paying the price of the Shares.

(k) the identity and nationality of the financial institution acting as broker if the transaction is to be carried through a tender offer.

(l) the address for receiving notices of the Person in question.

2. Within 10 business days following the date of the receipt of the approval application referred to in the above section 1, the Chairman or Secretary, or in the absence of the latter, the Alternate, shall call to a meeting of the Board of Directors to discuss and resolve the referred approval application. The notices for the meetings of the Board of Directors shall be made in writing and sent by the Chairman or Secretary, or in the absence of the latter by the Alternate, by certified mail, courier service, telegram, telex, telecopy or fax to each of the Directors and their alternates at least 45 days prior to the meeting, to their domiciles or to the addresses informed by the Directors in writing to be called for matters referred to in this article and in these by-laws. The Alternate Directors may only deliberate and vote when the proprietary Director does not attend the meeting called upon. The notices must contain the time, date and place of meeting and the Agenda.

For the purposes of the foregoing article of the by-law, unanimous resolutions in lieu of a meeting are not valid.

3. In order for the Board to validly hold a meeting, at least the majority of the directors or their respective alternates shall be in attendance and its decision and resolutions, to be valid, shall be adopted by the favorable vote of the majority of the directors in attendance. The Chairman of the Board shall have a deciding vote, in the event of a tie.

The Meetings of the Board of Directors called to on the above-mentioned approval applications shall consider and adopt resolutions solely with regards to the approval application referred to in this section 1.

4. The Board of Directors shall resolve on each request of approval within 60 calendar days after receipt thereof.

The Board of Directors may request the Person who pretends to acquire the Shares in question, the additional documents or clarifications that it considers necessary in order to decide on the approval application submitted, including the documents that evidence the veracity of the information referred to in paragraphs (a) to (l) of section 1 above. If the Board should request the above-cited clarification documentation, the 60 calendar-day term referred to in the first paragraph of this section 4 shall be counted as of the date the aforementioned Person provides or delivers, as the case may be, the documents or clarification requested by the Board through its Chairman, Secretary or any alternate secretary.

If Shares are intended to be acquired by one or more Persons collectively, in coordination or in collaboration, regardless of the legal form used for such purposes, they shall be deemed as a single Person for the purposes of this article and these by-laws.

As well, for the purposes of this Article, it shall be deemed that the Shares held by a Person, plus the Shares (i) held by any relative by consanguinity, affinity or adoption, within the fifth degree, or any spouse under a civil or common law marriage of that Person, or (ii) held by an entity, trust or its equivalent, vehicle, enterprise or other form of economic or commercial association whenever such entity, trust or its equivalent, vehicle, enterprise or economic or commercial association is Controlled by the above-mentioned Person or (iii) held by any Related Person [related] to such Person.

In their assessment of the approval application referred to in this article, the Board of Directors, shall take into consideration those factors that it deems appropriate, considering the interests of the Company and of its shareholders, including issues of financial, market, business, moral and economic nature of the potential buyers, if the contemplated transaction represents a conflict of interests or not, if a change of control of the Company occurs or not or otherwise the acquisition of a significant portion of the common Shares, if the reports and/or applications referred to in this article were submitted on time, among others factors.

Aside from other reasons relating to issues contemplated in the preceding paragraph, the Board of Directors may deny applications referred to in this article for the following reasons:

- (a) Lack of economic or moral solvency of the applicant;
 - (b) If a financing arrangement should be required to carry out the contemplated transaction;
 - (c) If the application refers to a Competitor of the Company or of its Subsidiaries;
 - (d) If the applicant has a conflicting interest with the Company or with its shareholders;
 - (e) Due to the scope, cause, motive or purpose of the contemplated transaction;
 - (f) Existence of economic, family or similar ties with other shareholders of the Company or with competitors of the same or with its Subsidiaries;
 - (g) In the event of Related Parties;
 - (h) When the funds required for the contemplated transaction should be of unknown or doubtful origin;
 - (i) When the information furnished in the application or any complementary information thereof should prove deficient, doubtful, non verifiable, erroneous, incomplete or be imprecise or incorrect, among others;
 - (j) When the contemplated transaction should entail a Significant Participation or may translate in a change of Control of the Company.
 - (k) The failure to submit the information and/or notices provided in the last paragraph of chapter II of this article.
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The request for approval shall be deemed denied if the Board does not convene for any cause, notwithstanding the fact that the Board may have been called as provided for in the foregoing article.

5. If the Board of Directors approves the proposed acquisition of Shares and such acquisition should entail the acquisition of a Significant Participation (as such term is defined below) without such acquisition exceeding half of the common Shares, then the Person in question must make a tender offer to purchase, at a price payable in cash, for the percentage of Shares equivalent to the percentage of ordinary voting Shares intended to acquire or by 10% of the Shares, whichever is greater, according to the Rules applicable to the acquisition of securities that are to be disclosed and tender offer of securities prevailing on such date.

The tender offer referred to in this section 5 must be made simultaneously in Mexico and in the United States of America, as long the stock of the Company continues to be traded on said countries.

Effective from the time the tender offer is made and until the termination of the same, the Company, its Directors and principal officers shall refrain from making or closing transactions which, in detriment to the minority investors, are aimed to hinder its development of said offer.

Notwithstanding the above, the Board of Directors shall, within 10 business days after commencement of the tender offer, prepare and disclose to the general public through the SEDI system (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the National Banking and Securities Commission, or the whichever system that substitute SEDI for this purposes), its opinion in connection with the tender offer. If the Board of Directors should face a situation where it may create a conflict of interest or when more than one offer is made at conditions not comparable to those contained in the opinion, then the opinion may be coupled with another issued by an independent expert retained for such purposes by the Company at the request of the Audit Committee, where special emphasis is made to protecting the interest of minority shareholders.

Directors who may be also shareholders of the Company shall disclose to the Mexican Stock Exchange, for circulation through the SEDI system (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the National Banking and Securities Commission, or the whichever system that substitute SEDI for this purposes), no later than the last business day of the tender offer period, the decision they will take as to their shares in connection with the tender offer.

The shareholders, in the event of any public offering, shall have the right to hear more competitive offers.

6. An approval of the Board of Directors will not be necessary for any Person that wishes to acquire, directly or indirectly, a participation of more than 50% (fifty percent) of the common Shares or the Control of the Company, in which case, the Person shall make a tender offer for 100% minus one of the common Shares issued by the Company, according to the general Rules applicable to acquisition of securities that are to be disclosed and public offering for purchase of securities in force at such time. Nevertheless, if in such public purchase offering, the Person making the tender offer does not accomplish to acquire at least half of the shares representing the capital stock of the Company plus one, he must obtain the approval of the Board of Directors of the Company as provided hereto.

The tender offer referred to in this section 6 must be made simultaneously in Mexico and in the United States of America, as long the stock of the Company continues to be traded on said countries.

Effective from the time the tender offer is made and until the termination of the same, the Company, its Directors and principal officers shall refrain from making or closing transactions which, in detriment to the minority investors, are aimed to hinder its development of said offer.

Notwithstanding the above, the Board of Directors shall, within 10 business days after commencement of the tender offer, prepare and disclose to the general public through the SEDI system (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the National Banking and Securities Commission, or the whichever system that substitute SEDI for this purposes), its opinion in connection with the tender offer. If the Board of Directors should face a situation where it may create a conflict of interest or when more than one offer is made at conditions not comparable to those contained in the opinion, then the opinion may be coupled with another issued by an independent expert retained for such purposes by the Company at the request of the Audit Committee, where special emphasis is made to protecting the interest of minority shareholders.

Directors who may be also shareholders of the Company shall disclose to the Mexican Stock Exchange, for circulation through the SEDI system (Electronic Information Carriage and Disclosure System, as authorized to the applicable Stock Exchange by the National Banking and Securities Commission, or the whichever system that substitute SEDI for this purposes), no later than the last business day of the tender offer period, the decision they will take as to their shares in connection with the tender offer.

The shareholders, in the event of any public offering, shall have the right to hear more competitive offers.

7. The Person who carries out a Share acquisition approved by the Board of Directors, shall not be registered in the stock registry of the Company but until such time when the tender offer referred to in sections 5 and 6 above has been concluded. Consequently, such Person shall not be able to exercise the corporate nor the economic rights corresponding to the Shares whose acquisition has been approved but until such time when the tender offer has been concluded.

In the case of Persons who are already shareholders of the Company and, as a result, are registered in the stock registry of the Company, the Share acquisition approved by the general extraordinary shareholders' meeting shall not be registered in the stock registry of the Company but until such time when the tender offer has been concluded and, consequently, such Persons shall not be able to exercise the corporate nor the economic rights corresponding to the acquired Shares.

II. General Matters:

If the terms contained in this Article are not met, then the Person or Persons in question may not, directly or indirectly exercise corporate or economic rights vested into the shares acquired without the appropriate approval, and such Shares shall not be taken into account for the purposes of computing quorum at shareholders meetings and the Company shall refrain from recording the shares acquired in breach of the terms hereof in the Company's Stock Registry referred to in the Mexican Corporate Law, and any recording made in the Registry through the Securities Deposit Institute shall have no effect whatsoever, and thus, the certificates or listings referred to in the first paragraph of article 78 of the Securities Market Law shall not be proof of ownership of Shares nor will they evidence the right to attend the shareholders meetings nor will they entitle exercise of any action whatsoever, including those of procedure nature.

The persons that obtained the approval of the Board of Directors to acquire shares as provided under this article, shall inform of such situation to the Board of Directors, through a written notice addressed and delivered to the Board of Directors under the terms set forth in the first paragraph of section 1 of this article within 5 calendar day after the authorized acts and operations are carried out.

The approvals granted by the Board of Directors pursuant to this article shall cease to be effective automatically and without the need of any statement if the contemplated transactions are not carried within a maximum term of 60 calendar-days following notice of approval to the person subject matter of the transaction, unless the Board of Directors, prior petition of said person, extends the term.

Holders of Shares reaching (or exceeding) the percentages referred hereunder, shall provide written notice of such circumstance to the Company, which notice shall be addressed and delivered under the terms set forth in the first paragraph of section 1 of this article, within a term of 5 business days after reaching or exceeding such thresholds: (i) non competitors: each 2% of common Shares; (ii) Competitors: each 1% of common Shares.

III. Exceptions:

The provisions of this article of the by-laws shall not be applicable to:

- (a) acquisitions or transfers of Shares made as a result of the laws of succession, whether with or without will, or
- (b) acquisitions of Shares by (i) the Person who directly or indirectly has the authority or possibility of appointing the majority of the Directors at the Board of Directors of the Company; (ii) any company, trusts or similar form of venture, vehicle, entity, corporation or economic or mercantile association, which may be under the Control of the Person referred to in the item (i) above; (iii) the heirs of the Person referred to in the item (i) above; (iv) the Person referred to in the item (i) above when such Person should be repurchasing the Shares of any corporation, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association referred to in the item (ii) above; and (v) the Company or by trusts created by the Company.
- (c) Such Person(s) that as of December 4th, 2003 hold(s), directly or indirectly, more than 20% (twenty percent) of the shares representing the Company's capital stock.
- (d) Any other exception contained in the Mexican Securities Law and other legal dispositions derived from said law.

IV. Definitions:

For the purposes of the foregoing Article, the terms indicated below shall have the meanings assigned thereto:

“Shares” and/or “common Shares”: shall mean the shares of stock representative of the capital stock of the Company, of any class or series or any certificate, security or instrument issued under such shares or which otherwise confer rights upon such shares or which may be convertible into such shares, and specifically including ordinary participation certificates (CPO's) representing shares of stock of the Company.

“Affiliate”: shall mean any Person Controlling, under Control of or under common Control of any Person.

“Competitor”: shall mean any Person devoted, directly or indirectly to (i) the business of production and/or marketing of corn or wheat flour, and/or (ii) any other activity carried by the Company or by any of its Subsidiaries or Affiliates.

“Control”, “Controlling” or “Controlled”: shall mean (i) being owner of the majority of the ordinary voting shares representative of the capital stock of any company or of certificates or instruments issued under such shares; or (ii) the power or possibility of appointing the majority of Directors at the Board of Directors or the Sole Director of any company, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association, whether directly or indirectly through the exercise of voting rights vested into shares or equity parts which may be the property of a Person, of any covenant in the sense that the voting rights vested into shares or equity parts which may be the property of a third person are to be exercised in the same manner in which the referred Person should vote the shares or equity parts of its property or in any other form; or (iii) the power or possibility directly or indirectly determining the policies and/or decisions of the administration or operation of a corporate entity, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association.

“Significant Participation”: shall mean the direct or indirect ownership or holding of 30% or more of the ordinary voting Shares.

“Person”: shall mean any natural person, corporate entity, trust or similar form of venture, vehicle, entity, corporation or economic or commercial association or any Subsidiaries or Affiliates of any of the former or, as determined by the Board of Directors, any group of Persons who may be acting jointly, coordinated or as a whole under the terms of this Article.

“Related Party”: shall mean any natural person, corporate entity, trust or similar form of venture, vehicle, entity, corporation or economic or mercantile association, or any parent by blood, an in-law or by adoption up to the fifth degree, or the spouse or concubine or any Subsidiary or Affiliate of any of the former which (i) should be part of the same economic or interest group of the Person intending to acquire Shares or which should be a Subsidiary or an Affiliate of such Person, or (ii) may be acting together with the Person intending to acquire Shares.

“Subsidiary”: shall mean any company in respect to which a Person should be the owner of the majority of the shares of stock representative of its capital stock or in respect to which a Person should have the right to appoint the majority of the Directors at the Board of Directors or otherwise the Sole Director.

The prior written approval of the National Banking and Securities Commission shall be required to amend the foregoing Article of these by-laws.

The foregoing covenant shall be filed with the Public Registry of Commerce of the corporate domicile of the Company and shall be inserted accordingly in the certificates of the shares of stock of the Company, so that third parties may be warned of the foregoing provisions.

ARTICLE 9 BIS-1. As provided for in article 2117 of the Federal Civil Code, any Person acquiring Shares in violation to the terms of article Nine Bis of these by-laws, shall be obligated to pay to the Company, as penalty, an amount equal to the greater of the Market Value of the entirety of the Shares such party had purchased without obtaining the approval referred to in such article of these by-laws or the Market Value of shares representing 5% of the capital stock. In the event of gratuitous transfers of Shares made in violation to the terms of article Nine Bis of these by-laws, the amount payable as penalty shall be the greater of an amount equal to the market value of the Shares subject matter of the transfer or the Market Value of shares representing 5% of the capital stock.

The term "Market Value" shall mean and/or be understood as the quoted value on closing of operations of the Mexican Stock Exchange on the date the transaction under which the threshold for transfers of shares requiring approval has been exceeded.

OF MANAGEMENT AND DIRECTION

ARTICLE 10. The Company's Management shall be entrusted to a Board of Directors composed of at least five and no more than twenty Proprietary Directors, as determined by the Shareholders' Meeting, of which at least 25% of the members shall be Independent Directors. Each Proprietary Director will have an appointed corresponding Alternate, in the understanding that the Alternate Directors of such Proprietary Directors that are Independent, must also have the same characteristic. They shall remain in office for one year, however they shall continue in their positions until the individuals appointed to replace them take hold of such positions; they may be reelected and shall receive as compensation the amounts determined by the General Ordinary Meeting.

The term "Independent Directors" shall mean those individuals who having been selected for their experience, ability and professional prestige and being in compliance with the independency requirements set forth in the applicable statutes and under no circumstance may they be:

1. The Company's employees or executives, including those persons that occupied such positions during the immediate prior year;
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2. Shareholders that without being employees or executives of the Company, they have the power or control over the Company's executives;
3. Shareholders or employees of the companies or associations that render consulting or advisory services to the Company or to companies that are part of the same economic group of the Company, and the income of which represents 10% or more of its total income;
4. Customers, suppliers, debtors, creditors, shareholders, directors or employees of a company that is a significant customer, supplier, debtor or creditor of the Company. It is considered that a customer or supplier is significant when the Company's sales represent more than 10% of the total sales of the customer or supplier respectively. Likewise, it is considered that a debtor or creditor is significant when the amount of the credit is more than 15% of the assets of the Company or its counterpart;
5. Employees of a foundation, civil association or company that receives significant donations from the Company. It is considered that significant donations are those that represent more than 15% of the total of donations received by the institution.
6. Chief executive officers or high ranking executives of a company in the Board of Directors of which the Company's Chief Executive Officer or high ranking executives participate; and
7. Spouses or concubines, as well as the relatives by reason of blood or marriage through the first level regarding one of the persons listed in items 3 through 6 above, or through the third level regarding the persons identified in items 1 and 2 of this Article.

ARTICLE 11. Any shareholder or group of shareholders that represent at least 10% of the capital stock shall have the right to designate a Proprietary Shareholder and its corresponding Alternate.

Additionally, every minority shareholder with a restricted vote, different than those set forth in Article 113 of the Mexican Corporate Law, or of restricted vote referred to in such provision, that represents at least 10% of the capital stock in one or both Series of shares shall have the right to designate at least one Director and its corresponding Alternate. In the absence of such designation by the minority shareholders, the owners of such Series of shares shall have the right to appoint at least two Directors and their corresponding Alternates; such designations, as well as the Directors' substitutions and revocations shall be resolved in a Special Meeting.

The appointment made by the minority shareholders may only be revoked when the appointment of all of the other Directors is resolved as well.

ARTICLE 12. The Board of Directors shall have all of the rights and obligations to manage and lead the Company, being able, therefore, to decide on anything

concerning the performance of the corporate purpose and in general, all of the powers necessary for undertaking the management being entrusted, including the power to create devices, policies, procedures, codes, guidelines, controls, support committees or any other devices which it may deem convenient or necessary to carry on with its functions, and to establish measures, procedures and other actions which it may deem necessary or convenient in order to comply with the statutes applicable to the Company and more specifically to those ordinances governing the stock and other securities issued by the Company in the various stock markets where these may be placed, and consequently, it will be able to undertake every action that directly or indirectly is related with the corporate purpose. To this effect, it shall have: I.- GENERAL POWER OF ATTORNEY FOR LAWSUITS AND COLLECTIONS, with all the general and special powers requiring special power or clause, without any limitation whatsoever, with the ampleness of the first paragraph of Article 2554 of the Civil Code of the Federal District and the corresponding Articles in the Civil Codes of any and all States of the Republic of Mexico, including without any limitation, the faculties to promote and desist from any proceeding including the "amparo" proceeding, to settle or compromise or subject to any arbitration proceeding the Company's rights and legal proceeding, undertake issue or accept reductions of amounts due and grant additional time for compliance, intervene as a bidder in auctions, formulate and present questionnaires, denunciation or accusations corresponding to the felonies that are committed with a direct or indirect detriment of the Company, as well as granting pardons, to question judges, magistrates or any other public servant, jurisdictional body or the "Junta de Conciliación y Arbitraje" in individual or collective matters, and in general represent the Company before any kind of authority and before any individual. II.- GENERAL POWER OF ATTORNEY FOR ACTS OF ADMINISTRATION, being empowered to negotiate and enter into every kind of understandings, arrangements, agreements or any other kind of legal actions be they of civil, administrative or any other kind of nature, pursuant to the terms of the second paragraph of Article 2554 of the Civil Code of the Federal District and the correlative Articles in the Civil Codes of any and all States of the Republic of Mexico. III.- POWER OF ATTORNEY FOR FINANCIAL AND EXCHANGE MATTERS, pursuant to the terms of Articles 9 and 85 of the General Law of Negotiable Instruments and Credit Operations, being empowered to grant, issue, subscribe, bestow, endorse, guarantee and negotiate in any form any kind of contracts and credit instruments on behalf of the Company. IV.- GENERAL POWER OF ATTORNEY FOR ACTS OF DOMAIN, being empowered therefore to sell, encumber, offer in guarantee or put into a trust and in general dispose and affect in any form and under any legal title, the assets of the Company, both those that constitute Fixed Assets and those known as Current Assets, with the powers that correspond per the law to the owner pursuant to the terms of the third paragraph of Article 2554 of the Civil Code of the Federal District and the correlative Articles in the Civil Codes of any and all States of the Republic of Mexico. V.- Regarding the Powers and the faculties above mentioned, the Board

of Directors shall have the right to delegate them and grant General or Special Powers of Attorney and to revoke those previously granted.

Independently of the Shareholders' Meeting authorizations, it shall be the unassignable responsibility of the Board of Directors to approve the operations that deviate from the ordinary course of business and that are to be executed between the Company and its shareholders, with persons that form part of the Company's management or with whom such persons maintain patrimonial links or, if applicable, relationship links, by blood or marriage through the second degree, the spouse or concubine; the purchase or sale of 10% or more of the Company's assets; the granting of guarantees for an amount in excess of 30% of the Company's assets; approve the transactions that subsidiaries of the Company intend to carry out under the terms of article 14 Bis 3, section IV, paragraph d) of the Securities Market Law, with related parties or which otherwise require to commit their assets under the terms of the referred provision, as well as operations different from the above that represent more than 1% of the Company's assets.

The members of the Board of Directors shall be responsible for the resolutions adopted regarding the matters referred to in the previous paragraph, except in the event set forth in Article 159 of the Mexican Corporate Law.

The shareholders that represent at least 15% of the capital stock may exercise the civil responsibility action against the management, as long as the requisites established in Article 163 of the Mexican Corporate Law are satisfied. Such action may also be exercised with respect to the Statutory Auditors and members of the Audit Committee.

ARTICLE 13. The Chairman of the Board of Directors shall be, by the sole fact of his appointment, the legal representative of such Board and shall have all the powers and authorities that might be required to enforce the resolutions thereof, without further formality.

ARTICLE 14. The Board of Directors shall meet at least once every three months. The Chairman of the Board of Directors, at least 25% of the Directors, or any of the Company's Statutory Auditors, may call to a meeting of the Board of Directors.

For the meetings of the Board of Directors and the resolutions thereto to be binding, the attendance of the majority of the members is required. The meetings of the Board of Directors shall be presided over by the Chairman. If the Chairman does not attend the meeting, such meeting shall be presided over by the Director designated by the majority of votes of the Directors; the one appointed shall act as Secretary to that effect; in the event of his or her absence the substitute shall be that person so designated by the Directors per the vote of the majority. Resolutions adopted outside the scope of a meeting of the Board, through the

unanimous vote of its members, shall have for all legal purposes the same validity as if it had been adopted in a meeting of the Board of Directors, as long as they are confirmed in writing.

ARTICLE 15. The Board of Directors shall adopt its resolutions by the majority of votes of the members present. The Chairman of the Board of Directors shall have a qualified vote in the event of a tie. The minutes of the each meeting of the Board of Directors shall be registered in the corresponding book and shall be signed by the Chairman and the Secretary. Likewise the minutes shall be signed if desired, by the Statutory Auditor that attends the meeting.

ARTICLE 16. Under the terms of the applicable statutes, the Company shall form an Audit Committee, which shall be comprised of Directors, of which at least the chairman and the majority of the members shall be Independent and shall allow the presence of the Company's Statutory Auditor or Statutory Auditors, who shall attend as guests with the right to speak however without a vote.

The members of the Audit Committee shall be appointed by the Ordinary Shareholders' Meeting; they shall remain in office for one year, however they shall continue in their positions until their replacements take hold of their positions, and shall receive the compensation decided by the Shareholders' Meeting.

The Audit Committee shall have, among others, the following functions and authorities: (a) the preparation of an annual report of its activities and render it to the Board of Directors; (b) the issuance of opinions with respect to transactions outside the ordinary course of business of the Company and which are intended to be carried between the Company and its shareholders, with persons from the Company's management or with whom such persons have economic links or, if applicable, family links, either by blood or marriage up to the second degree, the spouse, either by civil or common law marriage and the rendering opinions in respect to transactions which subsidiaries of the Company intend to carry out, under the terms of article 14 Bis 3, section IV, paragraph d) of the Securities Market Law, with related parties or which require commit their assets under the terms of the same provision; (c) the making of proposals relating to the hiring of independent experts, if necessary, so that such experts can issue their opinions with respect to related party transactions; (d) the proposal to the Board of Directors candidates to be the external auditors of the Company and the conditions pursuant to which they will be hired; (e) the assistance to the Company's Board of Directors to the revision of the Company's financial information and arrange the issuance process of the same; (f) the assistance in the definition of the general guidelines of the internal control system, the assessment of its effectiveness, as well as the coordination and evaluation of the annual internal audits and the activities performed by our internal and external auditors and the Statutory Auditors; (g) the verification that the Company has the

necessary mechanisms to allow assurance that it is in compliance with applicable laws, and inform the board of directors on that respect, and (h) other functions, authority and obligations as set forth or deriving from the legal ordinances to which the Company may be subject.

The Board of Directors must present to the Shareholders' Meeting the Audit Committee's report.

ARTICLE 17. Upon taking office, the members of the Board of Directors shall be entitled to receive such compensation as the Shareholders' Meeting may determine.

SURVEILLANCE OF THE COMPANY

ARTICLE 18. The surveillance of the Company shall be entrusted to one or more Statutory Auditors and their alternates as determined by the General Ordinary Shareholders' Meeting. The Statutory Auditors and their respective alternates may be shareholders, with the exception established in Article 65 of the Mexican Corporate Law; shall be appointed and removed at any time by the shareholders in an Ordinary Shareholders' Meeting, and shall perceive the compensation determined by the shareholders in the Ordinary Shareholders' Meeting.

The owners of the shares with or without the right to vote that represent at least 10% of the capital stock may designate a Statutory Auditor.

The Statutory Auditor or Statutory Auditors shall have the powers and obligations set forth in the Mexican Corporate Law. Whenever there is a temporary or permanent absence of the Statutory Auditor, the relevant Alternate Statutory Auditor shall act in such capacity; should there not be an Alternate Statutory Auditor, the Board of Directors, within ten days, shall call a General Ordinary Shareholders' Meeting, which shall appoint new Statutory Auditors and their Alternate Statutory Auditors.

ARTICLE 19. The Statutory Auditors shall hold office for one year, may be reelected and shall continue with their duties until the persons appointed to replace them have taken such office.

ARTICLE 20. The Statutory Auditors shall be called to all of the sessions of those intermediate consulting committees in which the Board of Directors has delegated any power. Likewise, the Statutory Auditors shall have the powers and obligations set forth in Article 166 of the Mexican Corporate Law.

SHAREHOLDERS' MEETINGS

ARTICLE 21. The General Shareholders' Meeting may be either Extraordinary or Ordinary. Extraordinary are all the meetings held to deal with any of the issues listed in Article 182 of the Mexican Corporate Law. All others shall be General Ordinary Meetings.

ARTICLE 22. Ordinary Shareholders' Meetings shall be held at least once every year within the first four months following the end of each fiscal year. In addition to the matters specified in the Agenda, such Meetings shall: 1.- Discuss, approve or modify the financial report, after listening to the report provided by the Board of Directors referred to in Article 172 of the General Corporations Law and based on the Statutory Auditors' report; and to adopt any resolutions as it may deem appropriate. 2.- Appoint the members of the Board of Directors and the Statutory Auditors, as well as to resolve upon the terms of the guaranties to be posted by such persons and to determine the compensations payable to them, which shall be considered as expenses. 3.- Resolve upon the allocation of profits.

ARTICLE 23. Notices to General Shareholders' Meetings shall be made by the Board of Directors or by the Statutory Auditors. However, shareholders that represent at least 10% of the capital stock may, at any time, request in writing that the Board of Directors or the Statutory Auditors call a General Shareholders' Meeting to discuss the items specified in their request. Any shareholder that owns one share shall have the same right in any of the events referred to in Article 185 of the Mexican Corporate Law. If the Board of Directors or the Statutory Auditors do not initiate the call within fifteen days following the date of the request, a Civil or District judge of the Company's domicile shall proceed with the call per the request of any of the interested parties, who shall exhibit their shares for such purpose.

ARTICLE 24. Notices of all Shareholders' Meetings must be published in the State's Official Gazette or a newspaper of wide circulation in the Company's domicile, at least 15 calendar days prior to the date set for such Meeting. Such notices shall include the Agenda of the Meeting and shall be signed by the persons giving such notice.

ARTICLE 25. General Shareholders' Meetings may be held without prior notice thereof, provided that in such event all the shares of the capital stock must be represented at the moment of the voting.

ARTICLE 26. Shareholders may be represented at the Meetings by the person or persons that they designate through proxy letters granted in forms elaborated by the Company, which shall meet the following conditions: 1. Clearly set forth the Company's name, as well as the corresponding Agenda, which shall not have under the item "general matters" the items referred to in Articles 181 and 182 of the Mexican Corporate Law; and 2. Have space for the instructions that the grantor sets forth for the exercise of the proxy.

The Secretary of the Board of Directors shall confirm that the indications set forth in this Article are complied and shall inform to that effect to the Shareholders' Meeting, which shall be reflected in the corresponding minutes.

ARTICLE 27. The minutes of the General Shareholders' Meetings shall be recorded in the relevant book and shall be signed by the Chairman and Secretary of the relevant Meeting, as well as by the attending Statutory Auditor if he wishes to.

ARTICLE 28. Shareholders' Meetings shall be presided over by the Chairman of the Board of Directors, or in his absence, by any of the persons appointed to that effect by the majority of the attending Shareholders. The Secretary of the Board of Directors or, in his absence, any person appointed to that effect by the majority of the attending shareholders, shall act as Secretary of the Meetings.

ARTICLE 29. A General Ordinary Shareholders' Meeting held as a result of a first notice shall be deemed to be legally convened, if at least 50% of the shares of the capital stock are represented thereat, and its resolutions shall be valid when adopted by the favorable vote of shares representing at least the majority of the shares represented at the Meeting.

ARTICLE 30. A General Extraordinary Shareholders' Meeting held as a result of a first notice shall be deemed to be legally convened, if at least 75% of the shares of the capital stock are represented thereat, and its resolutions shall be valid when adopted by the favorable vote of shares representing at least 50% of such the capital stock.

ARTICLE 31. If in the Meetings the number of shares set forth in the prior Articles were not represented on the date set forth in the first notice, such notice shall be repeated and such Meeting shall decide the items set forth in the Agenda regardless of the number of shares represented if the Meeting were a General Ordinary Shareholder's Meeting. If the Meeting is an Extraordinary one, the favorable vote of the shares that represent at least 50% of the capital stock will be required.

The shareholders with shares with voting rights, even in a limited or restricted form, that gather at least 10% of the shares represented at a Meeting, may request the voting deferral of any matter which they do not consider themselves sufficiently informed, complying the terms and conditions set forth in article 199 of the Mexican Corporate Law. When they gather at least 20% of the capital stock, such shareholders may judicially oppose those resolutions of the General Meetings on which they have the right to vote, as long as they comply with the requirements set forth in article 201 of the Mexican Corporate Law, with article 202 of such Law being equally applicable.

ARTICLE 32. In order to be entitled to attend a Shareholders' Meeting, all shareholders shall previously deposit their share certificates with the Company's Secretary, in a Mexican or foreign bank or a securities depository institution, not later than the day immediately preceding the date set forth for the Meeting. The certificate of the share's deposit will accredit the right to attend the General Meetings.

The relevant shareholders must be registered as such in the Stock Registry. The Stock Registry of the Company shall be closed, and therefore no recordings shall be permitted two days prior to the date of the Meeting.

FISCAL YEARS, FINANCIAL INFORMATION, PROFITS AND LOSSES

ARTICLE 33. Fiscal years shall not exceed twelve months, pursuant to Article 8 of the Mexican Corporate Law.

ARTICLE 34. The Board of Directors shall submit to the Shareholders' Meeting, for its approval, an annual report on the performance of the Company during the preceding fiscal year, including a report on the administrative, accounting and information policies, as well as a balance that reflects the Company's financial situation and its results during such year, pursuant to Article 172 of the Mexican Corporate Law. In addition to the above mentioned report, the Directors may submit to the Shareholders' Meeting, for its approval, the Financial Statements of the Company as of any other date of the relevant fiscal year.

ARTICLE 35. The report referred to in the preceding Article and the Statutory Auditors' report, must be concluded and made available to Shareholders at least fifteen days prior to the date set for the relevant Shareholders' Meeting, as provided in the Mexican Corporate Law.

ARTICLE 36. The net profits reflected in the Financial Statements of the Company, approved by the Shareholders' Meeting, shall be allocated as follows: 1.- 5% shall be allocated to create the legal reserve fund, until such reserve fund amounts to one fifth of the capital stock. 2.- Any amounts as the Shareholders' Meeting may determine, shall be allocated to create other contingency or special reserve funds. 3.- The balance, if any, shall be allocated in such manner as the Shareholders' Meeting may determine.

ARTICLE 37. The General Ordinary Shareholders' Meeting can order the distribution of dividends during the fiscal year, in the form, terms and conditions agreed upon by the Shareholders' Meeting, complying with the legal requirements and previously creating the corresponding reserves.

ARTICLE 38. In the event of losses, they shall be first supported by the reserve fund and in its absence, by the capital stock.

DISSOLUTION AND LIQUIDATION

ARTICLE 39. The Company shall be dissolved in any of the events referred to in Article 229 of the Mexican Corporate Law.

ARTICLE 40. Upon dissolution of the Company, the same shall be liquidated. The General Extraordinary Shareholders' Meeting shall appoint one or more liquidators. If such Shareholders' Meeting does not appoint the liquidators, upon request of any shareholders, a competent Civil or District Court with jurisdiction in the Company's domicile shall do so.

ARTICLE 41. If the Shareholders' Meeting does not provide specific instructions to the liquidators, the Company's liquidation shall be carried out in accordance with the following general principles: 1.- Any pending transaction shall be concluded in a way such to prevent any damage to the Company's creditors and shareholders. 2.- The General Balance and Inventory shall be prepared. 3.- Collection of accounts receivable and payment of accounts payable. 4.- Sale of the Company assets and allocation of the proceeds thereof. 5.- Distribution of the balance, if any, among all shareholders in proportion to the number of shares owned by them.

ARTICLE 42. Upon termination of the liquidation, any of the liquidators shall call for a General Shareholders' Meeting to approve the liquidation Statements and resolve upon the allocation of the relevant balance, if any.

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GRUMA, S.A. DE C.V. AND SUBSIDIARIES
Computation of ratio of earnings to fixed charges
(Thousands of pesos of purchasing power as of December 31,2003)

	Mexican GAAP					US GAAP				
	Year ended December 31,					Year ended December 31,				
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003
Income before income tax and other items	1,484	426,303	813,360	1,079,292	1,112,534	(385,832)	200,867	769,062	934,886	1,305,771
Add:										
Interest expense	765,274	908,699	728,899	610,566	531,858	793,142	921,055	710,061	605,869	548,864
One-third of operating rental expense	146,948	158,201	136,814	131,708	120,386	143,832	155,044	127,444	124,313	117,594
Earnings	(b) 913,706	1,493,203	1,679,073	1,821,566	1,764,778	551,142	1,276,966	1,606,567	1,665,068	1,972,229
Fixed charges										
Interest expense	765,274	908,699	728,899	610,566	531,858	793,142	921,055	710,061	605,869	548,864
Capitalized interest	7,638	6,651	—	—	—	7,513	6,638	—	—	—
One-third of operating rental expense	146,948	158,201	136,814	131,708	120,386	143,832	155,044	127,444	124,313	117,594
Total Fixed charges	(a) 919,860	1,073,551	865,713	742,274	652,244	944,487	1,082,737	837,505	730,182	666,458
Ratio of earnings to fixed charges	(b)/(a) 0.99	1.39	1.94	2.45	2.71	0.58	1.18	1.92	2.28	2.96

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List of Principal Subsidiaries
Of
Gruma, S.A. de C.V.

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Grupo Industrial Maseca, S.A. de C.V. ("GIMSA")	Mexico
Molinera de México, S.A. de C.V. ("Molinera de México")	Mexico
Productos y Distribuidora Azteca, S.A. de C.V. ("PRODISA")	Mexico
Gruma Corporation	Nevada, United States
Azteca Milling LP (1)	Texas, United States
Gruma Centroamérica, LLC	Nevada, United States
Molinos Nacionales, C.A. ("MONACA")	Venezuela
Derivados de Maíz Seleccionado, C.A. ("DEMASECA")	Venezuela
Investigación de Tecnología Avanzada, S.A. de C.V.	Mexico

(1) Percentage of equity capital owned by us directly or through subsidiaries

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CERTIFICATION

I, Roberto González Barrera, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A. de C.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Roberto González Barrera

Name: Roberto González Barrera

Title: Chief Executive Officer

Date: June 28, 2004

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CERTIFICATION

I, Juan Antonio Quiroga García, certify that:

1. I have reviewed this annual report on Form 20-F of Gruma, S.A. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of company's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Juan Antonio Quiroga García

Name: Juan Antonio Quiroga García

Title: Chief Corporate Officer

Date: June 28, 2004

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Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Gruma, S.A. de C.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2003 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 28, 2004

/s/ Roberto González Barrera
Roberto González Barrera
Chief Executive Officer

Dated: June 28, 2004

/s/ Juan Antonio Quiroga García
Juan Antonio Quiroga García
Chief Corporate Officer

A signed original of this written statement required by section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
