Annual Report 2007

# STRENGTH

## IN A CHALLENGING ENVIRONMENT

GRUMA

## Strength in a challenging environment

In 2007, GRUMA encountered exciting new opportunities as well as challenging macroeconomic conditions. While our operational capacity and global market penetration grew, rising raw-material costs threatened to hamper bottom-line performance. When faced with the unattractive option of passing the higher costs on to consumers in the form of price increases, we resolved to identify other ways to operate profitably in this trying market environment.

Read on to learn how we extracted value from GRUMA's operations to help offset the impact of higher costs and continue to generate shareholder value.

## About GRUMA

GRUMA, S.A.B. de C.V., is one of the world's leading tortilla and corn flour producers. Established in 1949, GRUMA is engaged primarily in the production, marketing, distribution, and sale of tortillas, corn flour, and wheat flour. With leading brands in most of its markets, GRUMA has operations in the United States, Mexico, Venezuela, Central America, Europe, Asia, and Oceania. GRUMA also exports to approximately 50 countries worldwide. GRUMA is headquartered in Monterrey, Mexico, and has 91 plants and approximately 19 thousand employees. In 2007, GRUMA had net sales of US$3.3 billion, of which 67% came from non-Mexican operations.

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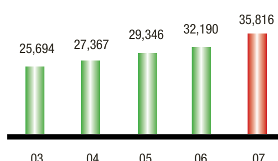
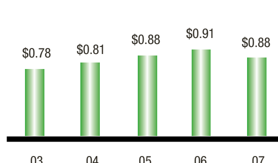
Maseca energy bar

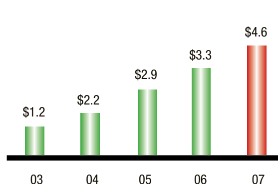
# FINANCIAL HIGHLIGHTS

## Gruma, S.A.B. de C.V. and Subsidiaries

(millions of constant pesos as of December 31, 2007, except where indicated[1])




| INCOME STATEMENT | 2007 | 2006 | Var. |
|---|---|---|---|
| Sales volume[2] | 4,243 | 4,200 | 1% |
| Net sales | 35,816 | 32,190 | 11% |
| Operating income | 1,874 | 1,872 | 0% |
| Operating margin | 5.2% | 5.8% | (58)pb |
| EBITDA[3] | 2,977 | 3,052 | (2%) |
| EBITDA margin | 8.3% | 9.5% | (117)pb |
| Net income | 2,379 | 1,684 | 41% |
| Majority net income | 2,233 | 1,601 | 39% |
| **BALANCE SHEET** | | | |
| Cash and cash equivalents | 481 | 599 | (20%) |
| Total assets | 33,911 | 31,752 | 7% |
| Debt[4] | 7,854 | 6,813 | 15% |
| Total liabilities | 15,334 | 13,850 | 11% |
| Stockholders' equity | 18,577 | 17,902 | 4% |
| Majority stockholders' equity | 15,695 | 14,833 | 6% |
| **OTHER** | | | |
| Millions of common shares outstanding | 481.5 | 482.5 | (0%) |
| Earnings per share[5] | 4.63 | 3.34 | 39% |
| Book value per share[6] | 32.6 | 30.7 | 6% |
| Investments | 2,223 | 2,144 | 4% |
| Employees at year-end | 18,790 | 18,124 | 4% |

1 All references herein to "peso" are to the Mexican peso.

2 Thousands of metric tons.

3 EBITDA = operating income + depreciation and amortization affecting operating income.

4 Measured in dollar terms, debt increased 20% to US$719 million.

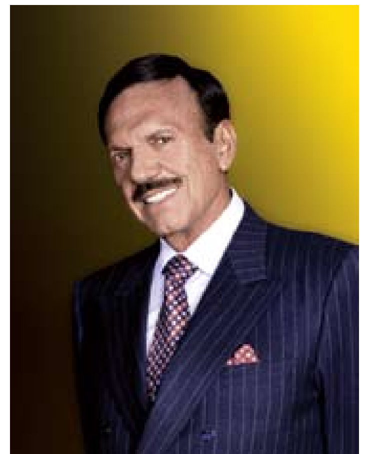
5 Figures in pesos and based on weighted average of outstanding shares

6 Figures in pesos and based on outstanding shares at year-end.

Sweet tostada bar

## Letter to shareholders

My fellow shareholders:



Since 2007 the world economy, and the food industry in particular, have endured immense pressure that is testing the strength of all companies.

As part of the food industry, GRUMA has faced rising costs for our main raw materials: corn prices increased 112 percent, and wheat prices increased 136 percent, from 2006 to 2007. Rice and soy beans prices increased 72 percent and 101 percent, respectively. Costs increased dramatically due to continual growth in the demand for biofuels and meat products—both of which are grain-intensive—and adverse weather conditions. It is important to highlight that today, in emerging markets, the number of consumers has increased dramatically, and that cultivable land and agricultural yields have been reduced due to global warming.

In addition, we faced higher energy prices over the same period. The price of crude oil alone rose 57 percent due to ongoing wars and geopolitical unrest that impacted available supplies.

Likewise, the economic slowdown in the United States, our most important market, together with the inflationary impacts mentioned above, negatively affected economic and food consumption patterns in almost every region in the world.

Notwithstanding these factors, I am pleased that our net sales increased 11 percent and operating margin was 5.2 percent although sales volume rose just 1 percent during 2007. These results are attributable to the strength of our global brands, price increases in some markets, and efficiencies and savings due to improved technology and logistics.

Based on the margin and net sales level, operating income was Ps.1.9 billion, slightly above the figure reported in 2006. We were able to increase majority net income by 39 percent to Ps.2.2 billion versus Ps.1.6 billion in 2006.

GRUMA has demonstrated its capacity to develop global brands; its technological and marketing expertise; and its ability to anticipate and

Creamy scrambled egg and smoked salmon wrap

respond to customer needs, consumer tastes, and changing demographic markets. Taken together with our 2007 results, these capabilities affirm, now more than ever, that GRUMA has great potential to continue generating long-term value.

Given our perspective, we are facing these challenges in different ways depending on the market situation. Ultimately, we seek to achieve profitable growth by extending our global reach in both current markets and new regions.

In 2007 our investment program grew 4 percent, with emphasis on the following:

1. *United States.* The United States continues to be our most important market, with 45 percent of consolidated net sales, and offers great potential for our brands. Sales volume was flat, and net sales grew 8 percent in peso terms.

As a result, we began the construction of a tortilla plant in southern California, and Mission Foods started distributing wheat flour tortillas in the areas surrounding Chicago, which is home to one of the largest Hispanic populations in the United States. We also continued to strengthen our presence in the Northeast region.

2. *Mexico.* Sales volume in Mexico increased by 1 percent and contributed 33 percent of consolidated net sales, with an 18 percent growth in peso terms. During the year we increased capacity of two of our corn flour plants in this market.

3. *Venezuela.* Sales in this region accounted for 11 percent of our consolidated net sales. Sales volume decreased 1 percent, and net sales were flat in peso terms. We currently have five plants for wheat flour, five for corn flour, one for rice, one for seasonings, and one for commercial products. We are building one more wheat flour plant and preparing our organization to double sales in the medium term.

Maseca gnocchi

4. *Central America.* We continued to increase sales volume, which rose 4 percent during the year. Net sales rose 11 percent in peso terms and represented 6 percent of consolidated net sales. We are finishing the construction of a corn flour plant in Honduras, which will begin operations during the first half of 2008.

5. *Europe.* Net sales continue to increase in this region and represented 4 percent of the consolidated figure in 2007, compared with 3 percent in 2006. The potential for this market is such that we increased production capacity in 2007 and continue to expand our coverage in the region.

6. *Asia (including Oceania).* This region enjoys the greatest growth in terms of population and per-capita purchasing power and, for GRUMA, offers tremendous potential. In September 2006 we opened a plant in Shanghai, China; in July 2007 we acquired a tortilla plant in Malaysia; and we are working to open a third plant in Asia, either in South Korea or Japan, in 2008. In addition, we began construction of a tortilla plant in Melbourne, Australia, which will consolidate the operations of our two smaller plants and will have a production capacity similar to that of our plant in China.

In addition, as a result of changing political, economic, and social conditions, our products again entered the Middle East. With nearly 800 million inhabitants, this is an interesting market for GRUMA.

During 2007 we continued to increase our distribution efficiency, achieving better logistics along our routes and rationalizing our product lines.

Our products are an important part of the diet in many regions and cultures throughout the world. The defensive nature of our products, together with our strong brand equity and customer service, helps us as much in times of economic prosperity as in times of uncertainty. Therefore, even though the economic situation could continue to affect markets and consumers for some time, we expect higher demand and sales in our markets in the coming years.

Beef burger with cheddar cheese wrap

Aside from the challenges already mentioned, we are constantly aware of the adversities others face on a daily basis. Because of this, we have made it a priority to support the development and well-being of the communities in which we participate. In 2007 more than a million Mexican citizens were devastated by the floods in Tabasco, Chiapas, and Veracruz. We made significant cash and product donations to support the victims. In addition, we helped to fight cancer in Sinaloa. We have made a commitment to support those in all the countries in which we have a presence. In addition to these initiatives, GRUMA promotes the social and cultural development of communities through education, development, and relief programs.

We are truly grateful to our board members and employees, for their contributions to our success; to our customers and the consumers of our products; and to the communities in which we live and work. We also thank our shareholders; we assure you we will continue to work to reward your confidence in our company.

Roberto González Barrera
Chairman of the Board and Chief Executive Officer

Chicken pops

## Taking a long-term view

GRUMA's mission is to produce dynamic and profitable long-term growth and to create maximum shareholder value by focusing primarily on its core businesses of tortillas, corn flour, and wheat flour. In 2007, GRUMA took steps to carry out this mission through the most efficient manufacturing and marketing systems and unparalleled customer service. Looking forward, we will continue to develop new and exciting products, broaden our global operations, and build a strong and reputable brand.

We believe our current market position enables us to capitalize on the growth potential offered by the combination of favorable demographic and consumption trends and our innovative products and marketing experience. GRUMA is a fundamentally strong company with good prospects for continuing long-term value generation. We will continue to work toward building brand equity, delivering superior customer service, and running a lean operation. These efforts—which serve us, and our shareholders, well under any economic scenario—will enable us to continue to produce shareholder value in the midst of economic uncertainty.

### GRUMA's business strategy is to

- offer superior-quality products and services;
- thoroughly understand and satisfy the needs of both customers and consumers;
- continually enhance brand equity through efficient and effective marketing, distribution, and customer-service efforts;
- develop technology and market research that strengthen our competitive advantages; and
- participate only in markets in which the company can create long-term value.

### Pursuing growth and profitability in a challenging economic environment

GRUMA faced a challenging macroeconomic and operating environment in 2007 due largely to the volatility in the commodities markets and the economic slowdown in the United States, our most important market. By the end of 2006, the price of corn set by the Chicago Board of Trade had increased dramatically due mainly to the increased use of corn in the production of ethanol, a substitute for gasoline, and other biofuels. The cost of other commodities key to our production and distribution, namely wheat and fuel, also increased throughout the year. For GRUMA, the increasing cost of these commodities translated to higher production costs and threatened to squeeze margins.

Increases in raw-material and oil prices, 2005–2007

| | 12/31/05 | 12/31/07 | % Change |
|---|---|---|---|
| Corn | 2.15 | 4.55 | 112% |
| Wheat | 3.87 | 9.14 | 136% |
| Soy beans | 6.02 | 12.08 | 101% |
| Rice | 7.94 | 13.65 | 72% |
| West Texas Intermediate crude oil | 61.04 | 95.98 | 57% |

Smoked chicken and pepperdew quiche

To help navigate this higher-cost environment, GRUMA employed a combination of commodity-hedging and product-pricing strategies. In the case of the US operations, GRUMA has historically hedged approximately one year ahead of intended utilization. As corn prices started to increase dramatically, we lengthened our corn hedges to two years ahead of intended utilization. Likewise, we lengthened the duration of our wheat hedges in the US market, expanding them to approximately ten months ahead of intended utilization instead of the much shorter terms of our previous hedges. As a result of these important adjustments, GRUMA is well positioned in corn hedges for both 2008 and 2009 and in wheat hedges for 2008.

In terms of pricing strategy, most of GRUMA's subsidiaries increased product prices to offset increases in raw-material costs. In most cases, however, we did not pass the full weight of increased costs on to consumers. Instead, we absorbed a portion of the cost to avoid dramatic price increases that could potentially price us out of the market and compromise our sales volumes. Because we believe that our customers and consumers have digested the 2007 price increases, we expect stronger sales in 2008.

## Complying with the Mexican government's price ceiling

To combat the impact of rising corn prices on the price of corn tortillas, the primary staple food in Mexico, in January 2007 the Mexican government petitioned GRUMA and several participants in the corn, corn flour, and tortilla supply chain to voluntarily agree to establish price ceilings. As a result of these agreements, our Mexican corn flour operations were not able to increase prices during the year.

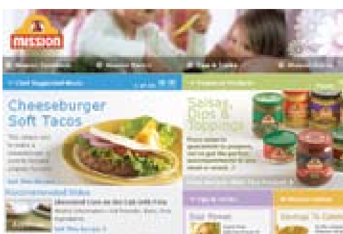
## Delivering results and earning recognition

While confronting the near-term challenges in 2007, GRUMA maintained its long-term view, working to strengthen its position as one of the global leaders in tortilla and corn flour production. Despite challenging macroeconomic conditions, GRUMA continued to grow its businesses globally, expanding its presence and strengthening its brand equity throughout key markets in the United States, Latin America, Europe, Asia, and Oceania. GRUMA's consistently strong fundamentals and high-quality products earned the company a number of performance and product quality accolades during the year.

• The World Economic Forum recognized GRUMA as a global growth company, along with only 142 other companies—eight of which are Latin American.

• Mission Foods Europe was ranked the No. 1 Brand in Retail Bakery in the United Kingdom.

• For the second year in a row, Gruma Centroamérica received the *Premio Nacional a la Excelencia* (National Excellence Award) at the food industry congress in Costa Rica.




• Mission Foods US Multi-Grain Flour Tortillas received the *Fitness* magazine Healthy Food Award from a panel of top nutritionists, which judged nationally available products on calories, fat, sodium, fiber content, and taste.

• The Mission Foods US website, missionmenus.com, received an award for Outstanding Achievement in Website Development from the Web Marketing Association in the Food Industry category. The highly interactive website attracts more than 50 thousand visitors monthly and has helped to position Mission Foods US as a culinary leader.

Maseca ravioli

# Extracting value from our operations

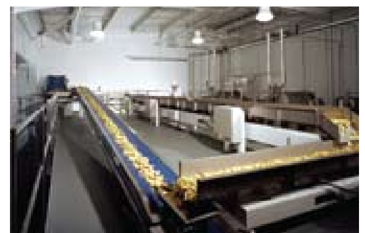
Attention to operational efficiency was never more important than in 2007, as rising grain and fuel prices tested the cost-efficiency of our operations. As corn and wheat prices rose throughout the year, so did GRUMA's raw-material costs. Likewise, rising fuel prices increased transportation and distribution costs. By extracting value from its operations through integration, technology, and efficiency measures, GRUMA helped offset a portion of the higher raw-material costs that the company incurred and strengthen bottom-line growth.

## Achieving operational efficiency and synergy

GRUMA captured synergies and achieved efficiencies in its operations through the continued integration of several acquisitions and the consolidation of its existing operations and product lines. During the year, we rebalanced distribution routes to minimize delivery distance, reduced transportation time, and lessened transportation damage. In this manner we were able to save on transportation and distribution costs while delivering fresher products to our customers. In 2006, we initiated a product rationalization project to reduce the number of warehoused products. We continued that project into 2007 to help us better manage our inventory in our US tortilla operations.

Another way in which we leveraged operations was to integrate recently acquired plants into GRUMA's state-of-the-art technology and business practices. Integration involved a range of activities depending on a facility's needs; these included installing proprietary manufacturing machinery, improving logistics and procurement operations, strengthening our distribution network, and developing brand equity. During the year, we integrated three companies acquired in 2006, specifically, a UK company that manufactures tortillas and flatbread and two Australian tortilla companies, Rositas and Oz-Mex Foods. In addition, we continued to integrate several US tortilla plants that we acquired during 2005. As a result of these integrations and the aforementioned cost-cutting strategies, GRUMA improved productivity, distribution, and customer service.

We attribute our operational success largely to our commitment to ongoing technological research and development. Over time, the return on this investment has paid off in the form of state-of-the-art, proprietary technologies for building and operating corn flour and tortilla plants.



Wrap roll dogs

## Trimming energy costs

Rising energy costs and the environmental impacts associated with energy use have led us to increase our focus on energy conservation. As a result, GRUMA is taking important steps to implement more environmentally sound technologies and practices into its operations. For example, we are planning to build solar installations at our new US plants, including a plant in California, which is under construction and scheduled to begin operations in the second half of 2008. These installations will supply a portion of those plants' total energy requirements. And at our Rancho Cucamonga plant, all production and warehouse areas will be outfitted with efficient lighting, including motion and light sensors. Fixtures will be turned off when inactive and where skylights provide sufficient light. In addition to conserving energy, these measures will also enable us to cut carbon dioxide, sulfur dioxide, and nitrogen dioxide emissions.

In addition, we have recently recertified several plants in Mexico under the ISO 14001 standard, which applies to environmental management systems. With these efforts we continue to

• raise employee awareness of the importance of reducing environmental impacts at work and in their personal lives;

• establish activities to improve the environment such as reforestation, maintenance of green areas, and improvements in water treatment; and

• increase the use of environmentally sound products such as biodegradable cleaning products and organic fertilizers.

### Installation of equipment to increase efficiency in resource consumption

We installed new equipment in our corn flour plants in Mérida and Mexicali, Mexico, which will enable us to achieve the following efficiencies:

• 40% reduction in water consumption
• 25% reduction in water-treatment costs
• 30% reduction in energy consumption

## Optimizing administrative efficiency

Historically, our process for signing up new distributors for Mission Foods US products was manual and paper intensive. In 2007, we redesigned our system for securing new distributors. The new system, which includes an online registration process, expedites revenue flow by allowing incoming distributors to be validated and ready to sell our products within 15 days, compared with 30 days or longer under the prior process.

Green tea soup with Maseca dumplings

# Positioning GRUMA for strong future growth

Throughout 2007, GRUMA continued to seek prudent growth opportunities, both organically and through acquisition. The company also continued to build its global brand equity through promotional strategies and by delivering high-quality products with excellent customer service. These strategies, together with our ongoing efficiency efforts, position the company well for strong long-term growth.

## Expanding capacity to meet growing demand

GRUMA expanded capacity during 2007 to meet expected growing demand and to support those plants that have consistently high utilization rates. In the United States, we enhanced operations by expanding warehouses and production capacity and by upgrading plants. In Mexico, we expanded capacity in GIMSA's plants in Mérida, Yucatán, and Mexicali, Baja California. In Honduras, we began expanding a corn flour plant that is working at capacity in order to meet demand. We also expanded capacity at our plants in Coventry, England, and Roermond, the Netherlands, to support expected growth. And we began construction on two new tortilla plants, one in Australia and the other in southern California. Both will feature state-of-the-art production and distribution technologies. We expect these investments to unlock greater production potential and to help us better serve our clients.

## Achieving strategic new-market growth through acquisition

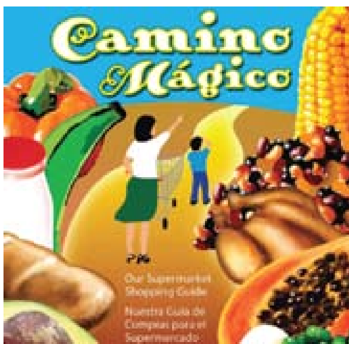
We continue to fuel our company's global expansion by selectively investing in new markets in which penetration is low and growth prospects are high. In July 2007, we acquired a small tortilla plant in Malaysia and established Mission Foods Malaysia. Through this subsidiary, GRUMA serves both foodservice and retail customers in Malaysia, Singapore, Thailand, Korea, and the Middle East.

## Satisfying evolving consumer tastes

GRUMA's considerable expertise in the production, marketing, and distribution of tortillas, corn flour, and wheat flour enables us to easily expand product offerings to appeal to a variety of cultures and tastes. To do so, we make it a priority to know our customers and consumers. We dedicate a significant amount of time and resources to market research designed to enable us to better understand and respond to the needs of our customers and those who use and enjoy our products. This ongoing commitment helps us to make better-informed decisions and greater advances in customer and consumer satisfaction.

We continue to capitalize on the trend toward healthier eating and the transformation of the tortilla into a worldwide culinary staple. Our foodservice business is developing well thanks to the use of tortillas in non-Mexican dishes featured in menus of major fast-food restaurant

Pear strudel




chains throughout the United States, Europe, Asia, and Oceania. And in Central America, a global fast-food restaurant chain has introduced our tortillas to its menu.

**WE PARTNERED WITH THE LATINO NUTRITION COALITION TO HELP LATINO CONSUMERS MAKE INFORMED, HEALTHY CHOICES WHEN GROCERY SHOPPING.**

In the United States, Mission Foods partnered with the Latino Nutrition Coalition to promote *Camino Mágico*, a bilingual, pocket-sized shopping guide created to help US Hispanics make healthier choices at the grocery store.

During the year, Mission Foods Europe successfully achieved organic certification and entered the world of organic products. Our customers responded favorably to this new avenue of business. Mission Foods Europe won a contract to produce organic wraps for a large UK retailer.

## BUILDING GLOBAL BRAND EQUITY

GRUMA continues to build on the global brand equity it has established over the past several years. We go to great lengths to understand and respond to consumer needs and preferences, and we have successfully positioned our products as the brands of choice for our customers and those who enjoy our products. Our marketing efforts are tailored to reflect the culture and needs of customers and consumers particular to each market.

For example, in May 2007, we launched a 22-week consumer promotion, *MASECA en la Cocina con las Estrellas* (MASECA in the Kitchen with the Stars), which appeared in 13 US markets. Every Thursday from May to September, an entertaining eight-minute cooking segment aired on *Despierta América,* the number one morning program for US Hispanic homemakers. Celebrities—a different one each week—shared with viewers their favorite creative recipes made with MASECA. As part of the promotional launch, Laura Flores, the primary spokesperson and host of the segments, made guest appearances on many popular Univision programs to encourage viewers to participate in the promotion. At retail stores in key markets across the United States, consumers attended radio remotes anchored by celebrities who signed autographs and posed for photos with fans. Consumers also participated in a recipe contest that generated letters and entries from all over Mexico and the United States, as well as other countries, including Puerto Rico and Cuba. The three finalists prepared their recipes on a live broadcast of *Despierta America* on August 31, 2007, and we awarded them cash prizes for their participation. *MASECA en la Cocina con las Estrellas* was so popular that we launched parallel campaigns in Mexico and Central America. By uniting 25 celebrities as spokespeople in a multitiered promotion, we generated significant exposure for the brand and confirmed MASECA brand's leadership in the Hispanic market.

Jamaica tacos

## Strengthening our presence in US and European markets

GRUMA continues to expand its presence in the highly attractive US and European markets. We see compelling growth potential in the United States given the continuing growth of the US Hispanic population, the increasing consumption of Mexican-style food by non-Hispanics, and the use of tortillas and tortilla chips in a variety of international dishes. We continue to penetrate new markets in this country; in 2007, for example, Mission Foods US began distributing flour tortillas on the outskirts of Chicago, Illinois, a key US Hispanic market.

We continue to grow sales and our customer base in the European market; most notably, we have developed, with outstanding results, the Mission Deli Wrap brand for sale in Europe. Results for 2007 show the Mission Deli Wrap brand as the number one retail bakery flour tortilla brand in the United Kingdom. The success of this product has led to the introduction of the brand in stores in France and Switzerland, helped to drive our expansion in Europe, and put us on course for robust expansion in this market. In addition, our 2006 acquisition of Pride Valley Foods facilitated our market entry and expanded our product range by including chapatti, naan, and pitta breads in our product portfolio.

Looking forward, GRUMA will continue to pursue growth opportunities in this important market by further developing our tortilla manufacturing facilities, forming distribution networks, and building brand equity.

In 2007, GIMSA's tortilla makers program, *Círculo de Industriales*, continued to expand its membership. Through this program our customers can secure attractive financing, lower raw-material prices, and additional training and support from our production and marketing experts. Through promotions at the point of sale and, for the first time, directed to wholesalers, we were able to solidify our relationships with these customers and increase sales.

### Key brand-building activities in 2007

• Mission Foods Europe participated in ANUGA, one of the biggest food industry fairs in Continental Europe. Throughout the event we hosted demonstrations on how to use our Mission branded products and connected with current and potential customers.

• GRUMA participated, along with several other companies, in a campaign to establish a special day dedicated to the taco. In 2007, March 31 was officially named *Día del Taco* (Taco Day) in Mexico.

• GRUMA participated in the Moscow PRODEXPO 2007, a major food and beverage industry trade show, joining efforts with the Mexican government agency that promotes Mexican products around the world. GRUMA demonstrated ways to cook a variety of both traditional Mexican and international dishes using tortillas and other GRUMA products. The company generated the interest of the general public and prospective buyers from not only Russia but also Romania, Belarus, the Ukraine, and other countries.

Wraps and tapas

• During the summer, Mission Foods US introduced a newly designed website for its Guerrero brand products, www.tortillasguerrero.com, which reinforces Guerrero's Mexican heritage and authenticity through bolder colors and authentic Mexican patterns. Created with Hispanic families in mind, the new website reflects the lifestyles and values of Hispanics living in the United States, where old and new traditions come together.

• Mission Foods US underwrote a PBS national television program featuring celebrity chef Marvin Woods, who visited school lunch rooms to teach children and cooks how to use our tortillas to prepare dishes that appeal to children.

• Azteca Milling participated in the International Baking Industry Expo in Orlando, Florida, to introduce bakers to the many nontraditional applications of corn flour in the bakery industry, for example in baking breads, cakes, bagels, and crackers.

## Interactive Promotions Connect Hispanics to Mexican Culture

Guerrero developed two exciting promotions to connect Hispanics to their Mexican heritage through an authentic Mexican cooking experience. The first was *Con Son y Sazón de México* (Flavors and Rhythms of Mexico), a fully integrated promotion accompanied by a complimentary cookbook offer.
Mexican Celebrity Chef Alfredo Oropeza toured 14 US markets in a mobile Mexican kitchen, conducting live cooking demonstrations of authentic Mexican recipes featuring Guerrero tortillas and tostadas at participating retailers. The cookbook, which consumers received by redeeming proofs of purchase for Guerrero tortillas or tostadas, is a unique, limited edition compilation for lovers of Mexican cuisine. The recipes, created by Chef Oropeza, featured Guerrero products and were presented in Spanish and English. The promotion ran each weekend from July to October and received wide support from key retailers.

In the *Cocina de Tus Sueños* (Kitchen of Your Dreams) sweepstakes, developed especially for a large grocery retailer, winners received a Mexican décor kitchen remodel and authentic talavera dining sets. As part of this promotion, Chef Oropeza conducted live cooking demonstrations at participating stores and GRUMA made cash donations to local Hispanic organizations.

Both promotions attracted media attention, strengthened Guerrero's relationship with Hispanic consumers, and reaffirmed Guerrero and the participating retailers' commitment to the Hispanic community.

Mission margarita tostada

# Supporting our communities

GRUMA is committed to the well-being of the communities in which it operates. The company gives back to the community through financial contributions and product donations and supports its employees in donating their time to serve their communities. Below are just a few examples of the many programs that GRUMA supports to enhance lives in its communities.

## Assistance to people in need

GRUMA's ongoing social assistance takes several forms, including the distribution of food and medication for senior citizens and underserved families and aid to victims of natural disasters. For example, GRUMA provided cash donations totaling Ps.100 million and delivered mobile tortilla shops, Mision products, and additional funds donated by our employees to assist families affected by the Tabasco and Chiapas floods in southern Mexico in October and November of 2007. In addition, GRUMA offered support to tortilla producers located in the region to help them to restart their operations. It is estimated that more than one million residents of the region were affected by the floods.

During September we gave support to the people affected by Hurricane Henriette in the state of Sonora, Mexico, by installing mobile tortilla shops in and delivering tortillas to the area.

GRUMA provided several cash and product donations in 2007, focusing its efforts on helping low-income community members, orphaned children, people with special needs, churches, health organizations, fire departments, retired teachers, and hospitals.

## Cultural events and social awareness activities

In September 2007, GRUMA sponsored *Fórum Universal de las Culturas* (Universal Forum of the Cultures) in Monterrey, Mexico, an exceptional international event that promotes cultural diversity, sustainability, knowledge, and peace through more than a thousand events, including conferences, expositions, cultural expressions, workshops, and concerts. As a tribute to GRUMA's Mexican roots and expanding role in the international marketplace, GRUMA installed a pavilion inside the recreational park where the forum was staged. During the 80-day event more than 140 thousand people visited the pavilion.

As part of GRUMA's ongoing commitment to healthy lifestyles and the well-being of its consumers, the company sponsors sporting events and athletic teams throughout Mexico. Through its MASECA brand, GRUMA supports the baseball teams Saraperos de Saltillo, Leones de Yucatán, Vaqueros Laguna, and Tomateros de Culiacán. Through the SELECTA brand, the company supports the professional basketball team Fuerza Regia.

Yogurt and raw vegetables tostada

GRUMA's TOSTY brand mascot entertains children at an annual event at *Hospital Nacional de Niños* in Costa Rica. GRUMA's mascot has been entertaining children at this hospital since 2004.

Azteca Milling sponsors a booth at the *Festival de la Salud*, a health fair targeted to Hispanics in major US cities. The company provides educational materials and nutritionists to educate visitors on the health benefits of corn and corn flour.

In Venezuela, our annual drug abuse campaigns educate employees and their families regarding the dangers of drug abuse and cigarette smoking. GRUMA also sponsors a breast cancer prevention campaign to raise awareness and encourage self examination and regular checkups.

## Supporting suppliers

GRUMA and the Ayú Foundation are helping corn farmers in Oaxaca to achieve higher-quality harvests. This is part of an ongoing program that GRUMA has conducted for many years in different regions.

GRUMA is committed to the well-being of the communities in which it operates.

# Management Discussion and Analysis of Results of Operations

## Consolidated results

### Gruma, S.A.B. de C.V. and Subsidiaries

2007 versus 2006

GRUMA's **sales volume** increased by 1% to 4,243 thousand metric tons compared with 4,200 thousand metric tons in 2006. This increase was driven mainly by GIMSA and, to a lesser extent, by Molinera de México, Gruma Centroamérica, and Gruma Corporation. **Net sales** increased by 11% to Ps.35,816 million compared with Ps.32,190 million in 2006. The increase was due primarily to GIMSA, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Sales from non-Mexican operations constituted 67% of consolidated net sales in 2007.

**Cost of sales** increased by 15% to Ps.24,192 million compared with Ps.20,975 million in 2006, due primarily to GIMSA, Gruma Corporation, and, to a lesser extent, Molinera de México and Gruma Centroamérica. Cost of sales as a percentage of net sales increased to 67.5% from 65.2%, an increase driven mainly by GIMSA and, to a lesser extent, Gruma Corporation and Gruma Centroamérica.

**Selling, general, and administrative expenses (SG&A)** increased by 4% to Ps.9,750 million compared with Ps.9,343 million in 2006, due primarily to Gruma Corporation and, to a lesser extent, Gruma Venezuela. SG&A as a percentage of net sales improved to 27.2% from 29.0% in 2006, driven mainly by GIMSA and, to a lesser extent, Molinera de México, Gruma Centroamérica, and Gruma Corporation.

GRUMA's **operating income** remained flat at Ps.1,874 million compared with Ps.1,872 in 2006. Operating margin decreased to 5.2% from 5.8% in 2006, due primarily to GIMSA and, to a lesser extent, Gruma Corporation and Gruma Venezuela.

**Other income, net,** was Ps.556 million compared with an expense of Ps.49 million in 2006. The improvement was due primarily to a gain on the sale of Banorte shares and, to lesser extent, an extraordinary write-down of assets of Ps.489 million during 2006.

**Net comprehensive financing income** was Ps.167 million compared with a cost of Ps.350 million in 2006. This improvement resulted from extraordinary gains in connection with foreign-exchange-rate derivatives, higher monetary gains in Gruma Corporation and Gruma Venezuela, and lower monetary losses in GIMSA.

GRUMA's **equity in earnings of associated companies, net,** including primarily GFNorte, represented income of Ps.708 million compared with income of Ps.643 million in 2006.

**Income taxes** increased 114% to Ps.926 million compared with Ps.432 million in 2006. This increase was due primarily to higher pretax income.

GRUMA's **net income** was Ps.2,379 million compared with Ps.1,684 million in 2006. **Majority net income** was Ps.2,233 million compared with Ps.1,601 million in 2006. The 41% increase in total **net income** and the 39% increase in **majority net income** were due mainly to the aforementioned gain on the sale of Banorte shares and the aforementioned comprehensive financing income.

## CONSOLIDATED FINANCIAL POSITION

DECEMBER 2007 VS. DECEMBER 2006

### Balance-Sheet Highlights

**Total assets** as of December 31, 2007, were Ps.33,911 million, an increase of 7%, driven mainly by higher (1) inventories in connection with higher raw-material costs and higher inventory levels, especially in Gruma Corporation; and (2) property, plant and equipment, net, due to upgrades and capacity expansions.

**Total liabilities** as of December 31, 2007, were Ps.15,334 million, an increase of 11%, driven largely by higher debt and higher accounts payable, both due to higher working-capital requirements related mainly to higher raw-material costs and higher inventory levels.

**Stockholders' equity** as of December 31, 2007, totaled Ps.18,577 million, 4% higher than at the end of 2006.

### Capital Expenditure Program

During 2007 GRUMA's investments totaled US$204 million, most of which was applied to Gruma Corporation. Major capital expenditures were oriented to capacity expansions and upgrades in Gruma Corporation, capacity expansions in GIMSA and Gruma Centroamérica, and the construction of a tortilla plant in Australia.

### Debt Profile

GRUMA's total debt as of December 31, 2007, was US$719 million, 93% of which was dollar denominated. The following table illustrates GRUMA's debt amortization schedule as of year-end 2007.

Schedule of Debt Amortizations
(US$ millions)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013... | TOTAL |
|---|---|---|---|---|---|---|---|
| 7.75% perpetual bonds | | | | | | 300.0 | 300.0 |
| Credit facility | | | 205.0 | | | | 205.0 |
| Gruma Corp.'s revolving facility | | | | 70.0 | | | 70.0 |
| 7.96% Senior Notes | 1.6 | 10.5 | | | | | 12.1 |
| Other | 85.2 | 35.3 | 10.5 | 0.9 | 0.3 | | 132.2 |
| **TOTAL** | **86.8** | **45.8** | **215.5** | **70.9** | **0.3** | **300.0** | **719.3** |

# Results of subsidiary operations
2007 Vs. 2006

## Gruma Corporation

**Sales volume** remained flat at 1,329 thousand metric tons compared with that in 2006. Higher sales volume in the tortilla business was offset by the elimination of the Asia and Oceania operations, which are now reported under the other and eliminations line, and, to a lesser extent, by lower sales volume in the corn flour business.

**Net sales** increased 8% to Ps.17,406 million compared with Ps.16,170 million in 2006. The increase was due mainly to the implementation of price increases in the US corn flour and tortilla businesses during January, October, and November of 2007.

**Cost of sales** increased 9% to Ps.10,461 million compared with Ps.9,581 million in 2006. As a percentage of net sales, cost of sales increased to 60.1% from 59.3%. These increases were due to higher costs for raw materials, in particular wheat flour, corn, and shortening, which were not fully offset through price increases. To a lesser extent, the following also contributed to the increase: (1) higher fixed manufacturing costs related mainly to production capacity upgrades and the replacement of equipment at several tortilla plants, (2) higher warehousing capacity, and (3) higher insurance costs and wages.

**SG&A** increased 7% to Ps.6,026 million compared with Ps.5,646 million in 2006, due to higher commissions to distributors in connection with higher prices, additional distribution routes, conversion from company-owned routes to independent distributors, and conversion from warehouse distribution to direct-store delivery. SG&A as a percentage of net sales improved slightly, to 34.6% from 34.9% in 2006, due to better expense absorption in connection with higher prices.

**Operating income** decreased by 2% to Ps.919 million, and operating margin decreased to 5.3% from 5.8% in 2006.

## GIMSA

**Sales volume** increased 1% to 1,753 thousand metric tons compared with 1,734 thousand metric tons in 2006. The increase in sales volume was a result of higher sales to supermarkets due to increased in-store tortillería sales, the result of supermarkets' ability to attract consumers by promoting tortillas at prices lower than tortillería prices. In addition, higher sales to DICONSA, the

Mexican government's rural welfare program, which promoted the sale of corn flour at low prices, contributed to the increase in sales volume.

**Net sales** increased 18% to Ps.9,012 million compared with Ps.7,666 million in 2006, due mainly to price increases implemented toward the end of 2006 to partially offset higher corn costs. To a lesser extent, the increase was due to the aforementioned higher sales volume.

**Cost of sales** increased 27% to Ps.6,839 million compared with Ps.5,385 million in 2006. As a percentage of net sales, cost of sales increased to 75.9% from 70.2% due mainly to higher corn costs.

**SG&A** decreased 3% to Ps.1,386 million compared with Ps.1,427 million in 2006 due to the discontinuation of the tortilla business and lower advertising expenses. SG&A as a percentage of net sales improved to 15.4% from 18.6% in 2006 due to better absorption resulting from higher corn flour prices and the aforementioned reductions. **Operating income** decreased 8% to Ps.786 million, and operating margin decreased to 8.7% from 11.1%.

## Gruma Venezuela

**Sales volume** decreased 1% to 480 thousand tons compared with 486 thousand tons in 2006 due mainly to lower wheat flour sales volume in connection with production capacity constraints.

**Net sales** remained flat at Ps.3,862 million compared with Ps.3,874 million in 2006.

**Cost of sales** decreased 1% to Ps.3,007 million from Ps.3,038 million in 2006 due to lower sales volume. As a percentage of net sales, cost of sales improved to 77.9% from 78.4% in connection with increased prices, in particular prices of wheat products.

**SG&A** increased 11% to Ps.797 million compared with Ps.718 million in 2006 due primarily to higher freight tariffs, general salary increases, and higher promotion and advertising expenses. SG&A as a percentage of net sales increased to 20.6% from 18.5% in 2006 due to the aforementioned expense increases.

**Operating income** decreased by 51% to Ps.58 million, and operating margin decreased to 1.5% from 3.1%.

## Molinera de México

**Sales volume** increased 2% to 488 thousand metric tons compared with 477 thousand metric tons in 2006. This increase was driven by higher sales to supermarkets due to their increased coverage, and by sales to new customers.

**Net sales** increased 22% to Ps.2,694 million compared with Ps.2,212 million in 2006. The increase was due to price increases implemented to offset higher wheat costs and, to a lesser extent, to higher sales volume.

**Cost of sales** increased 16% to Ps.2,180 million compared with Ps.1,877 million in 2006 in connection with higher wheat costs and higher sales volume. As a percentage of net sales, cost of sales improved to 80.9% from 84.9% due mainly to higher prices, which more than offset the increase in wheat costs, and, to a lesser extent, to lower depreciation resulting from a write-down of assets during third quarter 2006.

**SG&A** increased 2% to Ps.430 million compared with Ps.422 million in 2006 due mostly to higher freight expenses in connection with higher sales volume. SG&A as a percentage of net sales improved to 16.0% from 19.1% in 2006 due to better expense absorption.

**Operating income** increased 196% to Ps.84 million, and operating margin improved to 3.1% from negative 3.9% in 2006.

## Gruma Centroamérica

**Sales volume** increased 4% to 220 thousand tons in 2007 compared with 212 thousand tons in 2006. The increase was due primarily to higher corn flour sales volume in connection with the conversion of tortillerías to the corn-flour method, combined with market share gains through flanker brands.

**Net sales** increased 11% to Ps.2,076 million from Ps.1,863 million in 2006 due to higher corn flour and tortilla prices implemented to offset higher raw-material costs. The increase was also attributable to the increase in corn flour sales volume.

**Cost of sales** as a percentage of net sales increased to 71.5% from 69.7%, due mainly to higher corn costs and, to a lesser extent, higher rice, hearts-of-palm, and tortilla costs, which were not fully absorbed through prices. Cost of sales increased 14% to Ps.1,484 million compared with Ps.1,298 million in 2006, due to the aforementioned cost increases and higher sales volume.

**SG&A** remained flat at Ps.501 million in 2007 and, as a percentage of net sales, improved to 24.1% from 26.8% in 2006 due to better expense absorption.

**Operating income** was Ps.91 million compared with Ps.65 million in 2006, and operating margin improved to 4.4% from 3.5%.

### Other and eliminations

**Operating loss** was Ps.65 million compared with operating loss of Ps.22 million in 2006.

# FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

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

(millions of constant pesos as of December 31, 2007)

| | 2007 | 2006 | 2005 | 2004 | 2003 | CAG |
|---|---|---|---|---|---|---|
| INCOME STATEMENT | | | | | | |
| Net sales | 35,816 | 32,190 | 29,346 | 27,367 | 25,694 | 9% |
| Gross profit | 11,624 | 11,215 | 10,180 | 9,809 | 9,333 | 6% |
| Operating income | 1,874 | 1,872 | 1,720 | 2,124 | 1,950 | (1%) |
| Operating margin | 5.2% | 5.8% | 5.9% | 7.8% | 7.6% | (9%) |
| Other expense (income) | (556) | 49 | 177 | 324 | 190 | n.c. |
| Comprehensive financing cost (income) | (167) | 350 | 295 | 73 | 514 | n.c. |
| Income taxes | 926 | 432 | 407 | 836 | 754 | 5% |
| Net income | 2,379 | 1,684 | 1,467 | 1,200 | 754 | 33% |
| Net majority income | 2,233 | 1,601 | 1,305 | 1,011 | 550 | 42% |
| BALANCE SHEET | | | | | | |
| Cash and cash equivalents | 481 | 599 | 360 | 535 | 413 | 4% |
| Trade accounts receivable | 4,096 | 4,150 | 3,500 | 3,219 | 2,719 | 11% |
| Other accounts receivable | 1,445 | 1,219 | 887 | 792 | 658 | 22% |
| Inventories | 5,549 | 4,013 | 3,969 | 4,057 | 3,767 | 10% |
| Current assets | 11,866 | 10,331 | 8,994 | 8,867 | 7,810 | 11% |
| Property, plant, and equipment, net | 16,274 | 15,564 | 15,119 | 14,467 | 14,529 | 3% |
| Total assets | 33,911 | 31,752 | 29,455 | 27,604 | 26,073 | 7% |
| Short-term debt | 941 | 927 | 566 | 571 | 557 | 14% |
| Long-term debt | 6,913 | 5,886 | 7,036 | 6,587 | 6,669 | 1% |
| Total debt | 7,854 | 6,813 | 7,602 | 7,158 | 7,226 | 2% |
| Other liabilities | 7,480 | 7,037 | 6,345 | 5,377 | 4,434 | 14% |
| Total liabilities | 15,334 | 13,850 | 13,946 | 12,535 | 11,660 | 7% |
| Total stockholders' equity | 18,577 | 17,902 | 15,509 | 15,068 | 14,412 | 7% |
| Majority stockholders' equity | 15,695 | 14,833 | 12,361 | 11,875 | 11,221 | 9% |
| OTHER | | | | | | |
| Millions of outstanding shares | 481.5 | 482.5 | 452.5 | 452.0 | 450.1 | 2% |
| Earnings per share[1] | 4.6 | 3.3 | 2.9 | 2.2 | 1.2 | 39% |
| Book value per share[2] | 32.6 | 30.7 | 27.3 | 26.3 | 24.9 | 7% |
| Depreciation and amortization affecting operating income | 1,104 | 1,180 | 1,146 | 1,088 | 1,136 | (1%) |
| EBITDA[3] | 2,977 | 3,052 | 2,866 | 3,212 | 3,085 | (1%) |
| EBITDA margin | 8.3% | 9.5% | 9.8% | 11.7% | 12.0% | (9%) |
| Current assets/Current liabilities | 2.0 | 1.9 | 2.0 | 2.2 | 2.1 | (2%) |
| Total liabilities/Stockholders' equity | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 1% |
| Debt/(Debt + stockholders' equity) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | (3%) |
| Debt/EBITDA | 2.6 | 2.2 | 2.7 | 2.2 | 2.3 | 3% |
| EBITDA/Interest expense | 5.4 | 4.1 | 4.6 | 6.0 | 5.2 | 1% |

[1] Based on weighted average of outstanding shares of common stock.

[2] Figures in pesos and based on outstanding shares at year-end.

[3] EBITDA = operating income + depreciation and amortization affecting operating income.

## Management statement of assumption of responsibility

The management of GRUMA, S.A.B. de C.V., has prepared and is responsible for the integrity of the consolidated financial statements and related information contained in this annual report. The financial statements, which include some amounts based on judgment, have been prepared in conformity with the Financial Reporting Standards in Mexico, which have been consistently applied.

The company maintains an effective internal control structure supported by comprehensive systems and control procedures, a program of selecting and training qualified staff, and written policies that are communicated to all personnel through appropriate channels. Management believes that these controls provide reasonable assurance to shareholders, the financial community, and other interested parties that transactions are executed in accordance with management authorization; that accounting records are reliable as a basis for the preparation of the consolidated financial statements; and that assets are safeguarded from loss or unauthorized use. An important element of the control environment is an ongoing internal audit program.

PricewaterhouseCoopers, S.C., independent accountants have audited the consolidated financial statements as described in their report. The report expresses an independent opinion on the reasonableness of the company's financial statements presented by management and, in so doing, provides an objective assessment of the manner in which management has prepared the company's consolidated financial statements.

Juan Antonio Quiroga
Chief Corporate Officer

## REPORT OF CORPORATE GOVERNANCE COMMITTEE

April 23, 2008

**To the board of directors of GRUMA, S.A.B. de C.V.:**

In compliance of article 43 of the Ley de Mercado de Valores (Mexican Securities Market Law), as well as article Twenty Sixth of the Corporate Bylaws, and in the name and on behalf of the Corporate Governance Committee, I hereby advise you about the activities performed during the term from January 1 to December 31, 2007.

1. The corporate governance committee is composed of three members, Messrs. Juan Diez Canedo, Héctor Rangel Domene, and Javier Vélez Bautista, all of them in their capacity as independent advisors as of the independence criteria provided by the Mexican Securities Market Law and in accordance with the independence rating given by the shareholders of the Company during the meeting held on April 27, 2007, in compliance with article 26 of the Mexican Securities Market Law.

2. Performance of the relevant directors of the Company is assessed based upon the financial results and upon the accomplishment of individual goals established within the responsibilities to the Company. Based upon the assessments practiced by the human resources area, in general terms, performance of the relevant directors was satisfactory, and in light of this, they received a performance bonus (variable compensation) according to the policies established by the Company.

3. The committee has been informed by management and the independent auditors about the relevant transactions with related parties, which have been revealed in the notes to the financial statements of the Company for the period being reported herein.

4. The integral compensation being paid to the chief executive officer and other relevant directors of the Company during the year 2007 is, within market terms in comparison with other companies, and said compensation is in accordance with the compensation policies established by the Company.

5. During the period included in this report, no release was granted by the board of directors for any member, relevant director or otherwise with authority, to take any business opportunity for their own benefit or for the benefit of any third party that should correspond to the Company or any of its subsidiaries.

6. In compliance with the Mexican Securities Market Law, the committee collaborated with the board of directors in the making of the corporate policies in the matters of (i) the use and enjoyment of assets corresponding to the Company by related parties; (ii) transactions with related parties (loans and joint transactions); (iii) designation, remuneration, assessment, and removal of the chief executive officer; and (iv) compensation and assessment of the relevant directors; which policies were approved by the board of directors in the meeting held by said board on October 24, 2007.

On behalf of the corporate governance committee,

Javier Vélez Bautista
Chairman

## REPORT OF AUDIT COMMITTEE

April 23, 2008

**To the board of directors of GRUMA, S.A.B. de C.V.:**

In compliance with article 43 of the Securities Market Law, as well as article Twenty-Sixth of the Corporate Bylaws, and in the name and on behalf of the audit committee, I hereby advise you of the activities performed during the term from January 1 to December 31, 2007. Within the development of our work we have followed the provisions contained in the Code of Best Corporate Practices and those contained in the laws and ordinances applicable to the Company.

Attending the best practices of both corporate governance and audit committees, we proceeded to review the internal bylaws of the audit committee of the Company.

During the term designated above, we carried out the following activities:

1. Revision of the organizational structure, work plans, and quarterly reports of the internal audit area of the Company. In the same manner, we were presented with the reports that followed the observations found therein, with no exceptional findings worth mentioning.

   Supervision of compliance with the ethics code governing the performance of the Company's directors, officers, and employees, and the committee had, to this date, no relevant cases to report regarding said matter.

   We continued to implement a direct communication channel between officers and employees with the audit committee. In the same manner, we periodically supervised management's compliance with all observations received by management.

   In order to comply with the requirements established by the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), advances to the certification process of the internal control system that the Company has established are reviewed quarterly along with the management of the Company and its independent auditors.

   We evaluated a report regarding the legal situation of the Company, which included matters such as corporate documents, governmental authorizations, litigation proceedings, environment, and control mechanisms implemented to fulfill all legal dispositions binding the subsidiaries.

   Based on the foregoing, as well as on interviews with the independent auditors and with the management of the Company, we concluded that the internal control and internal audit system complies adequately with its fundamental objectives. In our reviews we found no significant deficiencies or deviations to report.

2. We received the work proposals for the services provided by the independent external auditors, and we analyzed their objectives, scopes, and work plans, as well as all economic proposals. In the interviews and meetings of the audit committee with the independent auditors, we ensured that said auditors complied with the requirements of independence and rotation of their supervisory personnel. We also reviewed with them and with the company's management all comments regarding the internal control arising from their works, as well as objectives, procedures, and scopes of the internal audit, for the years 2007 and 2008. In our opinion, external audit services duly comply with the established objectives and scopes.

3. Additional services provided by the external audit firm were approved, including the certification work of the internal control system required by Sarbanes-Oxley and the intercompany price-transfer studies. We concluded that the services approved by the committee do not affect the independence of the external audit firm.

4. We reviewed the quarterly financial reports of the Company corresponding to the year 2007, in which we noticed no irregularities, and we agreed to present said reports to the board of directors as well as the publication thereof.

5. We collaborated with the board of directors in the making of the opinions and reports referred to in section IV, clauses “c”, “d”, and “e” of article 28 of the Securities Market Law, in respect to the corporate year 2006. In addition, we made and presented to the shareholders meeting the annual report of the activities developed by this committee in the 2006 corporate year.

6. Form 20-F corresponding to year 2006 was reviewed and was completely and timely delivered to the United States Securities and Exchange Commission.

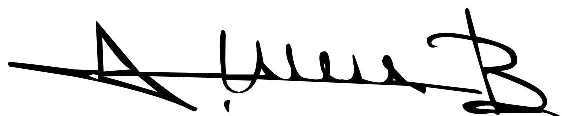
7. We reviewed the audited financial statements of the Company corresponding to the year ending on December 31, 2007; the auditors report; and the accounting procedures used thereon. After reviewing the letter of the independent auditors addressed to management, we recommended its approval to the board of director to be presented to the consideration of the shareholders meeting.

8. We were informed that the Company has been adopting the new Financial Information Norms issued by the Mexican Board for the Investigation and Development of Financial Information Norms. These amendments had not affected the financial information in any significant manner.

9. We ensured that the resolutions taken by the shareholders meeting held on April 27, 2007, were fully complied with and duly formalized.

10. In accordance with the best practices, the committee carried out a self-evaluation, and the results indicated that the committee complies satisfactorily with all its corresponding areas and found the following opportunity areas: to understand the business risks and to be the catalyst for the implementation of an integral risk-management process; to follow up on the most relevant risks, and to advise of any fraud risk specifically, to the board of directors; and to ensure that the board of directors is aware of the activities and needs of the committee. The committee is including these opportunity areas in its work program for 2008.

On behalf of the audit committee,



Javier Vélez Bautista
Chairman

# Report of independent auditors

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

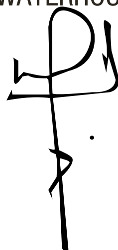
Monterrey, N.L., March 28, 2008

We have audited the consolidated balance sheets of Gruma, S.A.B. de C.V. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Grupo Financiero Banorte, S.A.B. de C.V. and subsidiaries, an associated company, whose investment in common stock as of December 31, 2007 and 2006 represents 8% and 9% respectively, of the consolidated total assets, and whose equity in its earnings represents 32% and 40% of the 2007 and 2006 consolidated net income, respectively. Those statements were audited by other auditors and our opinion expressed herein, insofar as it relates to the aforementioned associated company, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the standards of financial information used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and on the report of the other auditors referred to in the first paragraph above, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Gruma, S.A.B de C.V. and subsidiaries at December 31, 2007 and 2006, and the results of their operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with Mexican Financial Reporting Standards.

PRICEWATERHOUSECOOPERS



Alejandro Moreno Anaya
Audit Partner

# Consolidated balance sheets

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
AS OF DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007)
(Notes 1 and 3)

| | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Cash | Ps. 383,469 | Ps. 394,195 |
| Temporary investments (Note 3-G) | 97,459 | 205,191 |
| Accounts receivable, net (Note 4) | 4,776,378 | 4,767,147 |
| Refundable taxes (Note 4) | 764,514 | 602,430 |
| Inventories (Note 5) | 5,549,290 | 4,012,754 |
| Prepaid expenses | 294,810 | 348,862 |
| Total current assets | 11,865,920 | 10,330,579 |
| Investment in common stock of associated companies (Note 6) | 2,849,978 | 2,859,151 |
| Property, plant and equipment, net (Note 7) | 16,274,447 | 15,563,733 |
| Intangible assets, net (Note 8) | 844,489 | 983,843 |
| Excess of cost over book value of subsidiaries acquired, net | 1,908,798 | 1,881,903 |
| Other assets (Note 9) | 167,070 | 133,192 |
| **TOTAL ASSETS** | **Ps. 33,910,702** | **Ps. 31,752,401** |
| **LIABILITIES** | | |
| Current: | | |
| Bank loans (Note 10) | Ps. 666,232 | Ps. 180,789 |
| Current portion of long-term debt (Note 10) | 274,841 | 746,131 |
| Trade accounts payable | 2,696,288 | 2,426,951 |
| Accrued liabilities and other accounts payable | 2,415,650 | 2,115,933 |
| Employees' statutory profit sharing payable | 21,964 | 49,213 |
| Total current liabilities | 6,074,975 | 5,519,017 |
| Long-term debt (Note 10) | 6,913,173 | 5,886,297 |
| Deferred income taxes (Note 15-B) | 2,005,814 | 1,799,305 |
| Other liabilities | 339,541 | 645,531 |
| Total long-term liabilities | 9,258,528 | 8,331,133 |
| **TOTAL LIABILITIES** | **15,333,503** | **13,850,150** |
| Contingencies and commitments (Note 12) | | |
| **STOCKHOLDERS' EQUITY** | | |
| Majority interest (Note 13): | | |
| Common stock | 4,852,296 | 4,880,142 |
| Restatement of common stock | 8,437,310 | 8,437,293 |
| | 13,289,606 | 13,317,435 |
| Additional paid-in capital | 4,831,370 | 4,841,487 |
| | 18,120,976 | 18,158,922 |
| Deficit from restatement | (16,196,178) | (15,091,290) |
| Derivative financial instruments | 41,790 | 6,725 |
| Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing | (226,316) | (226,316) |
| Retained earnings (Note 13-B): | | |
| Prior years | 12,174,703 | 11,192,355 |
| Net income for the year | 2,233,321 | 1,601,125 |
| Foreign currency translation adjustments (Note 13-D) | (453,086) | (808,026) |
| Total majority interest | 15,695,210 | 14,833,495 |
| Minority interest | 2,881,989 | 3,068,756 |
| **Total stockholders' equity** | 18,577,199 | 17,902,251 |
| | **Ps. 33,910,702** | **Ps. 31,752,401** |

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

gruma
Taste Nutrition Quality

# CONSOLIDATED STATEMENTS OF INCOME

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except per share amounts)
(Notes 1 and 3)

| | 2007 | 2006 |
|---|---|---|
| Net sales | Ps. 35,816,046 | Ps. 32,189,955 |
| Cost of sales | (24,192,290) | (20,975,201) |
| Gross profit | 11,623,756 | 11,214,754 |
| Selling, general and administrative expenses | (9,749,888) | (9,342,921) |
| Operating income | 1,873,868 | 1,871,833 |
| Other income (expenses), net (Notes 3-A and 14) | 555,743 | (49,112) |
| Comprehensive financing cost, net: | | |
| Interest expense | (683,578) | (602,315) |
| Gain (loss) on derivative financial instruments | 155,456 | (146,693) |
| Interest income | 64,357 | 82,012 |
| Monetary position gain, net | 558,509 | 336,552 |
| Foreign exchange gain (loss), net (Note 16-A) | 72,129 | (19,363) |
| | 166,873 | (349,807) |
| Equity in earnings of associated companies | 707,835 | 643,318 |
| Income before income taxes and minority interest | 3,304,319 | 2,116,232 |
| Income taxes (Note 15): | | |
| Current | (627,675) | (355,849) |
| Deferred | (298,035) | (76,321) |
| | (925,710) | (432,170) |
| Income before minority interest | Ps. 2,378,609 | Ps. 1,684,062 |
| Minority interest | (145,288) | (82,937) |
| **Majority net income for the year** | **Ps. 2,233,321** | **Ps. 1,601,125** |
| **Earnings per share (in pesos)** | **Ps. 4.63** | **Ps. 3.34** |
| **Weighted average shares outstanding (thousand)** | **482,506** | **480,007** |

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

# Consolidated statements of changes in stockholders' equity

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

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except share and per share amounts)

(Notes 1 and 3)

| | Common stock (Note 13-A) | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares (thousands) | Amount | Additional paid-in capital | Deficit from restatement | Derivative financial instruments | Cumulative effect of deferred income taxes and employees' statutory profit sharing |
| **Balances at December 31, 2005** | 452,550 | Ps. 12,991,207 | Ps.3,973,857 | Ps.(14,885,764) | Ps. 95 | Ps.(226,316) |
| Appropriation of prior year net income | | | | | | |
| Stock issuance | 30,000 | 326,067 | 865,228 | | | |
| Contributions by minority interest | | | | | | |
| Dividends paid (Ps.0.91 per share) | | | | | | |
| Net purchases and sales of Company's common stock | | 161 | 2,402 | | | |
| | 30,000 | 326,228 | 867,630 | | | |
| Comprehensive income (loss): | | | | | | |
| Recognition of inflation effects for the year | | | | (205,526) | | |
| Foreign currency translation adjustments | | | | | | |
| Derivative financial instruments, net of taxes | | | | | 6,630 | |
| Net income for the year | | | | | | |
| Comprehensive income for the year | | | | (205,526) | 6,630 | |
| **Balances at December 31, 2006** | 482,550 | 13,317,435 | 4,841,487 | (15,091,290) | 6,725 | (226,316) |
| Appropriation of prior year net income | | | | | | |
| Decrease of minority interest | | | | | | |
| Dividends paid (Ps.0.88 per share) | | | | | | |
| Net purchases and sales of Company's common stock | (1,047) | (27,829) | (10,117) | | | |
| | (1,047) | (27,829) | (10,117) | | | |
| Comprehensive income (loss): | | | | | | |
| Recognition of inflation effects for the year | | | | (1,104,888) | | |
| Foreign currency translation adjustments | | | | | | |
| Derivative financial instruments, net of taxes | | | | | 35,065 | |
| Net income for the year | | | | | | |
| Comprehensive income for the year | | | | (1,104,888) | 35,065 | |
| **Balances at December 31, 2007** | **481,503** | **Ps.13,289,606** | **Ps.4,831,370** | **Ps. (16,196,178)** | **Ps. 41,790** | **Ps. (226,316)** |

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

| Retained earnings (Note 13-B) | | | | | |
|---|---|---|---|---|---|
| Prior years | Net income for the year | Foreign currency translation adjusments (Note 13-D) | Total mayority interest | Minority interest | Total stockholders' equity |
| Ps. 10,430,300 | Ps. 1,304,693 | Ps. (1,227,526) | Ps. 12,360,546 | Ps. 3,148,232 | Ps. 15,508,778 |
| 1,304,693 | (1,304,693) | | | | |
| | | | 1,191,295 | | 1,191,295 |
| | | | | 98,735 | 98,735 |
| (440,347) | | | (440,347) | (246,852) | (687,199) |
| 149 | | | 2,712 | | 2,712 |
| 864,495 | (1,304,693) | | 753,660 | (148,117) | 605,543 |
| (102,440) | | | (307,966) | 55,170 | (252,796) |
| | | 419,500 | 419,500 | (80,008) | 339,492 |
| | | | 6,630 | 10,542 | 17,172 |
| | 1,601,125 | | 1,601,125 | 82,937 | 1,684,062 |
| (102,440) | 1,601,125 | 419,500 | 1,719,289 | 68,641 | 1,787,930 |
| 11,192,355 | 1,601,125 | (808,026) | 14,833,495 | 3,068,756 | 17,902,251 |
| 1,601,125 | (1,601,125) | | | | |
| | | | | (21,191) | (21,191) |
| (423,625) | | | (423,625) | (203,639) | (627,264) |
| 2,516 | | | (35,430) | | (35,430) |
| 1,180,016 | (1,601,125) | | (459,055) | (224,830) | (683,885) |
| (197,668) | | | (1,302,556) | (61,073) | (1,363,629) |
| | | 354,940 | 354,940 | (46,152) | 308,788 |
| | | | 35,065 | | 35,065 |
| | 2,233,321 | | 2,233,321 | 145,288 | 2,378,609 |
| (197,668) | 2,233,321 | 354,940 | 1,320,770 | 38,063 | 1,358,833 |
| **Ps. 12,174,703** | **Ps. 2,233,321** | **Ps. (453,086)** | **Ps. 15,695,210** | **Ps. 2,881,989** | **Ps. 18,577,199** |

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2007)
(Notes 1 and 3)

| | 2007 | 2006 |
|---|---|---|
| Operating activities: | | |
| Majority net income for the year | Ps. 2,233,321 | Ps. 1,601,125 |
| Minority interest | 145,288 | 82,937 |
| Consolidated net income | 2,378,609 | 1,684,062 |
| | | |
| Adjustments to reconcile consolidated net income to net resources provided by operating activities: | | |
| Depreciation and amortization | 1,178,797 | 1,262,299 |
| Impairment of long-lived assets | 140,049 | 488,935 |
| Equity in earnings of associated companies, net of dividends received | (628,635) | (561,467) |
| Deferred income taxes and employees' statutory profit sharing | 280,776 | 59,498 |
| Net gain from sale of subsidiaries' shares | (75,718) | (144,883) |
| Net gain from sale of associated companies' shares | (847,175) | (399,639) |
| Loss in sale of fixed assets | 49,847 | - |
| Labor obligations and other long-term accrued liabilities | 21,263 | 9,467 |
| | 2,497,813 | 2,398,272 |
| | | |
| Changes in working capital: | | |
| Accounts receivable, net | (294,768) | (1,148,184) |
| Inventories | (2,166,018) | 139,532 |
| Prepaid expenses | 45,984 | (57,811) |
| Trade accounts payable | 193,450 | 205,271 |
| Accrued liabilities and other accounts payable | 17,653 | 441,170 |
| Income taxes and employees' statutory profit sharing payable | (26,767) | (10,646) |
| | (2,230,466) | (430,668) |
| Net resources provided by operating activities | 267,347 | 1,967,604 |
| | | |
| Financing activities: | | |
| Proceeds from bank loans and long-term debt | 4,133,286 | 2,452,888 |
| Repayment of bank loans and long-term debt | (3,151,536) | (3,214,893) |
| Proceeds from long-term notes payable | (50,666) | (50,628) |
| Proceeds from stock issuance | - | 1,191,295 |
| (Decrease) contributions by minority interest | (21,191) | 98,735 |
| Net purchases and sales of Company's common stock and derivative financial instruments | (365) | 19,884 |
| Dividends paid | (627,264) | (687,199) |
| Other | (74,261) | 21,729 |
| Net resources provided by (applied to) of financing activities | 208,003 | (168,189) |
| | | |
| Investing activities: | | |
| Acquisition of property, plant and equipment | (2,221,326) | (1,921,881) |
| Acquisition of subsidiaries, net of cash acquired | - | (599,173) |
| Sales of property, plant and equipment | 192,972 | 375,300 |
| Intangible assets | (16,487) | (16,480) |
| Resources received from sale of subsidiaries' shares | 167,420 | 144,883 |
| Resources received from sale of associated company's shares | 1,267,353 | 618,356 |
| Other | 16,260 | (159,745) |
| Net resources used in investing activities | (593,808) | (1,558,740) |
| | | |
| Net (decrease) increase in cash and temporary investments | (118,458) | 240,675 |
| | | |
| Cash and temporary investments at beginning of year | 599,386 | 358,711 |
| | | |
| **Cash and temporary investments at end of year** | **Ps. 480,928** | **Ps. 599,386** |

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GRUMA, S.A.B. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2007, except where otherwise indicated)

## 1. ENTITY AND NATURE OF BUSINESS

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

In accordance with the Stock Market Law issued on December 30, 2005, the shareholders agreed to modify the Company’s name of Gruma, S.A. de C.V. to Gruma, S.A.B. de C.V., through an Extraordinary General Meeting held on November 30, 2006. Additionally, certain social statutes were modified to include the new integration, organization and performance of its social bodies as well as the new rights for minority shareholders.

The accompanying consolidated financial statements and notes were authorized on March 26, 2008, by Juan Quiroga García, Chief Corporate Officer, and Homero Huerta Moreno, Chief Administrative Officer.

## 2. INVESTMENTS

The results of operations of the new investments have been consolidated since their acquisition dates.

The investments carried out during 2006 are described as follows:

- The Company, through its subsidiary Gruma Corporation, completed two acquisitions in Australia within the Victoria province, which are related to production and distribution of tortilla. In January 2006, all issued and outstanding shares of Rositas Investment Pty, Ltd, were acquired for a total of Ps.149,933 (U.S.$13,208 thousand). In March 2006, the Company purchased the assets related to tortilla production from Oz-Mex Foods Pty, Ltd, for Ps.43,941 (U.S.$3,871 thousand).

  The estimated fair values of the net assets acquired are summarized as follows:

| | | |
|---|---|---|
| Current assets | Ps. | 46,291 |
| Property, plant and equipment | | 65,467 |
| Excess of cost over book value | | 113,956 |
| Deferred income taxes | | 2,065 |
| Total assets acquired | | 227,779 |
| Current liabilities | | 33,905 |
| **Net assets acquired** | **Ps.** | **193,874** |

- In September 2006, the Company acquired in England all issued and outstanding shares of Pride Valley Foods Ltd for Ps.388,976 (U.S.$32,864 thousand). This business produces and distributes tortilla, pita bread and Indian bread.

  The net assets acquired are summarized as follows:

| | | |
|---|---|---|
| Current assets | Ps. | 78,790 |
| Property, plant and equipment | | 156,707 |
| Excess of cost over book value | | 326,211 |
| Total assets acquired | | 561,708 |
| Current liabilities | | 146,755 |
| Deferred income taxes | | 25,977 |
| **Net assets acquired** | **Ps.** | **388,976** |

## 3. SIGNIFICANT ACCOUNTING POLICIES

### A) FINANCIAL REPORTING STANDARDS

Starting January 1, 2007, the Company adopted the provisions of Financial Reporting Standard B-3 –"Statement of Income" (FRS B-3), which mainly establishes a new structure for the income statement, eliminates the presentation of extraordinary and special items, introduces a new classification for income and expenses in ordinary and non-ordinary, as well as modifies the general presentation and disclosure criteria for this basic statement. As a result of adopting this standard, the Company's management followed the criteria of presenting the statement of income based on its function, since the different levels of income are disclosed when grouping its costs and expenses in a general way. Additionally, for convenience of the readers, operating income is presented separately, since this item used for the analysis of the financial information is disclosed by the Company on a regular basis.

The adoption of this standard in 2007 represented no significant change in presentation and structure of the statement of income in comparison to the regulation presented as of December 31, 2006, and only required reclassification of the employees' statutory profit sharing in other expenses.

Based on the criteria mentioned above, the Company applied the accounting policies that are described below.

### B) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Gruma, S.A.B. de C.V., and all of those subsidiaries in which the majority of the common shares is owned directly or indirectly by the Company or otherwise has control. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

As of December 31, 2007 and 2006, the principal subsidiaries included in the consolidation are the following:

| | % ownership | |
|---|---|---|
| | 2007 | 2006 |
| Gruma Corporation and subsidiaries | 100.00 | 100.00 |
| Grupo Industrial Maseca, S.A.B. de C.V. and subsidiaries | 83.18 | 83.18 |
| [(1)] Molinos Nacionales, C.A. (Note 18-C) | 72.86 | 83.84 |
| Derivados de Maíz Seleccionado, C.A. (Note 18-C) | 57.00 | 57.00 |
| Molinera de México, S.A. de C.V. and subsidiaries | 60.00 | 60.00 |
| Gruma Centroamérica, L.L.C. 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 |

[(1)] On April 6, 2006, the Company agreed to sell, in a series of installments and with reserve of title, 40% of its ownership in the common stock of Molinos Nacionales, C.A. (Monaca), a subsidiary located in Venezuela, for a total of U.S.$65,600 thousand. On May 31, 2006, the Company purchased 2% of the common stock of Monaca from Archer-Daniels-Midland (ADM) for a total of U.S.$3,289 thousand. Thus, once the sale in installments ends, the interest of the Company in Monaca will be 57%. As of December 31, 2007, the Company owns 72.86% of Monaca.

### C) USE OF ESTIMATES

The preparation of the financial statements in conformity with financial reporting standards 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.

D) 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, 2007, as follows:

- Financial statements are restated to year-end constant local currencies following the standards of FRS 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 by 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, on 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 13-D).

E) 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, 2007, determined as follows:

- For comparability purposes, the financial statements as of and for the year ended December 31, 2006, have been restated by utilizing a weighted average restatement factor, which considers the relative total sales contribution by country for that year, and the corresponding inflation and exchange rate fluctuations during that year. The resulting difference from the restatement of stockholders' equity according to this methodology and the National Consumer Price Index ("NCPI"), and for comparability purposes of the 2006 financial statements, is registered in the retained earnings of prior years' account.

- The consolidated statements of income and of changes in stockholders' equity for the year ended December 31, 2007, 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:

| Year | Mexican national consumer price index | Weighted average restatement factor |
|---|---|---|
| 2007 | 3.76 % | 5.01 % |
| 2006 | 4.05 % | 4.45 % |

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 3-J, property, plant and equipment, net, is restated using the 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 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 it reflects the amount necessary to maintain the stockholders' investment at the original purchasing power amount. The restatement 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 factors for domestic subsidiaries and GCPI factors for foreign subsidiaries.

- Monetary position gain

  Monetary position gain represents the inflationary effect, measured by NCPI factors, on the net balance of monetary assets and liabilities at the beginning of each month as expressed in local currency. The monetary position 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 factors in its net monetary position, prior to the translation to Mexican pesos.

### F) 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".

### G)TEMPORARY INVESTMENTS

Temporary investments are highly liquid investments with maturities of less than a year from the balance sheet date and are stated at cost, which approximates market value.

### H) 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 or the last production cost for the year. Cost of sales is determined from replacement costs calculated for the month in which inventories are sold.

In January 2007, the Mexican government and several parties from the supply chain of corn, corn flour and tortilla signed an agreement which establishes rights and obligations to fix prices of corn and related products, in order to prevent significant increases in the tortilla price. As a result, the Company, through its subsidiary Grupo Industrial Maseca, S.A.B. de C.V. (GIMSA), agreed a price of Ps.5 thousand per ton of corn flour in all Mexico until the end of April. On April 25, 2007, the Mexican government announced a second agreement that extended the term until August 15, 2007. GIMSA kept the corn flour at this price until December 2007 and will continue until the end of March 2008.

### I) 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.

### J) 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:

| | Years |
|---|---|
| Buildings | 25-50 |
| Machinery and equipment | 5-25 |
| Software for internal use | 3-7 |
| Leasehold improvements | 10 |

Maintenance and repairs are expensed as incurred. Costs of major replacements and improvements are capitalized. Starting January 1, 2007, the Company adopted the provisions of FRS D-6 "Capitalization of comprehensive financing cost", which requires that interest expense, foreign currency exchange fluctuations, monetary position gain and other costs of the related debt for fixed assets for which its acquisition requires a substantial period of time, are capitalized as part of the cost of the assets. The Company already followed the provisions to capitalize the comprehensive financing cost of related debt for major construction in progress until the assets began its operation. When assets are retired, sold or otherwise disposed of, any resulting gain or loss is included in "Other expenses, net".

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

The value of these assets is subject to impairment tests when certain events and circumstances are present as mentioned in Note 3-L.

### K) INTANGIBLE ASSETS, NET, AND EXCESS OF COST OVER BOOK VALUE OF SHARES ACQUIRED

The intangible assets and the excess of cost over book value of shares acquired are restated using the NCPI and GCPI factors for foreign subsidiaries.

Expenses incurred only during the development stage are capitalized as preoperating expenses. The development stage concludes upon the commencement of commercial operations. Research expenses are expensed as incurred. Capitalized preoperating expenses are amortized using the straight-line method over a period no longer than 12 years.

Amortization expense of other intangible assets with finite lives is computed on the restated values using the straight-line method, over a period of 2 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.

Business combinations are accounted under the purchase method. The excess of cost over book value of business combination is no longer amortized and is annually tested for impairment.

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

The value of these assets, other than the excess of cost over book value, is subject to impairment tests when certain events and circumstances are present as mentioned in Note 3-L.

### L) IMPAIRMENT OF LONG-LIVED ASSETS

The Company performs impairment tests for its property, plant and equipment; intangible assets; excess of cost over book value of shares acquired; and investment in associated companies when certain events and circumstances suggest that the carrying value of assets might not be recoverable. Intangible assets with indefinite lives and the excess of cost over book value of shares acquired are subject to impairment tests at least once a year.

Fair value of assets held for use is determined using higher of the discounted net cash flow expected from the assets or the market price; when appropriate, an impairment loss is recognized to the extent that the net book value exceeds the fair value of the assets. Market price is determined using market values or transactions with similar assets less costs to sell.

Fair value of assets to be disposed of is determined using lower of book value or market price; when appropriate, an impairment loss is recognized for the excess of book value over market price. These assets are subsequently restated using NCPI factors and are not depreciated or amortized.

### M) ESTIMATED LABOR OBLIGATIONS

Seniority premiums to which employees are entitled after 15 years of service are charged to income as determined by annual actuarial valuations.

Obligations at the end of the labor relationship when the retirement age of 60 years is met according to the single-payment retirement plan set by the Company, or in the event of dismissal, are recognized through actuarial valuations using the projected unit credit method.

### N) FINANCIAL INSTRUMENTS

Derivative financial instruments that are not considered for hedging purposes are recognized initially at cost and subsequently at fair value, with changes in fair value recognized currently in income.

For cash-flow hedge transactions, changes in the fair value of the derivative financial instrument are included as other comprehensive income in stockholders' equity, based on the evaluation of the hedge effectiveness, and are reclassified to income in the periods when the hedged commitment or projected transaction is realized. Hedge contracts other than cash flow are recognized at fair value, and their valuation gain or loss is recognized in income.

### O) 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 that the related sales are recorded and are based upon either historical estimates or actual terms.

## P) INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING

The Company charged or credited to net income for each year the deferred income taxes and the deferred employees' statutory profit sharing, for all the temporary differences between the carrying values for financial reporting and tax values of assets and liabilities that are expected to be reversed. 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.

Starting October 1, 2007, the date when the new Ley del Impuesto Empresarial a Tasa Única ("Flat Tax Law" or "IETU") was approved in Mexico, the Company recognized the effects of this new law, which will be effective on January 1, 2008. According to the interpretation published by the Mexican Financial Reporting Standards Board (CINIF) on December 21, 2007, with respect to the accounting effects of the IETU and based on the financial and tax information prepared for this matter, this analysis indicated that essentially the Company and its subsidiaries in Mexico will pay income tax in the future; therefore, the Company's management did not recognize the effect of the deferred IETU tax at the end of the year.

The deferred employees' statutory profit sharing is recognized only based on the temporary differences between the financial and employees' statutory profit sharing net income that will reasonably result in a liability or a benefit in the future and is presented in the statement of income within "Other income and expenses".

## Q) 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.

## R) COMPREHENSIVE INCOME (LOSS)

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

## 4. ACCOUNTS RECEIVABLE, NET, AND REFUNDABLE TAXES

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

| | 2007 | 2006 |
|---|---|---|
| Trade accounts receivable | Ps. 4,329,437 | Ps. 4,365,291 |
| Allowance for doubtful accounts | (233,733) | (215,100) |
| | 4,095,704 | 4,150,191 |
| Derivative financial instruments | 63,921 | 249,487 |
| Officers and employees | 32,302 | 33,623 |
| Other debtors | 584,451 | 333,846 |
| | **Ps. 4,776,378** | **Ps. 4,767,147** |

Refundable taxes comprised the following as of December 31:

| | 2007 | 2006 |
|---|---|---|
| Production and services tax | Ps. - | Ps. 918 |
| Value-added tax | 295,053 | 187,260 |
| Income tax | 469,461 | 414,252 |
| | **Ps. 764,514** | **Ps. 602,430** |

## 5. INVENTORIES

Inventories consisted of the following as of December 31:

| | 2007 | 2006 |
|---|---|---|
| Raw materials, mainly corn and wheat | Ps. 3,914,798 | Ps. 2,547,495 |
| Finished products | 596,081 | 491,582 |
| Materials and spare parts | 392,454 | 390,121 |
| Production in process | 184,222 | 116,176 |
| Advances to suppliers | 350,808 | 352,229 |
| Inventory in transit | 110,927 | 115,151 |
| | **Ps. 5,549,290** | **Ps. 4,012,754** |

## 6. INVESTMENT IN COMMON STOCK OF ASSOCIATED COMPANIES

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

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

| | 2007 | Ownership as of December 31, 2007 | 2006 | Ownership as of December 31, 2006 |
|---|---|---|---|---|
| GFNorte | Ps. 2,713,592 | 8.6232 % | Ps. 2,723,120 | 10.0024 % |
| Harinera Monterrey, S.A. de C.V. | 136,386 | 40 % | 136,031 | 40 % |
| | **Ps. 2,849,978** | | **Ps. 2,859,151** | |

During 2007 and 2006, the Company sold through the Mexican Stock Exchange a total of 27,835,900 and 17,224,100 shares, respectively, of its investment in GFNorte, which represented in each year 1.3792% and 0.8533% of its interest in GFNorte. As of December 31, 2007 and 2006, the net gain from these transactions amounted to Ps.847,175 and Ps.399,639, respectively, and was reflected within "Other expenses, net" (Note 14). Prior to the sale of these shares, the interest of the Company in GFNorte was 10.8557%.

## 7. PROPERTY, PLANT AND EQUIPMENT, NET

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

| | 2007 | 2006 |
|---|---|---|
| Land | Ps. 1,318,173 | Ps. 1,269,174 |
| Buildings | 5,272,783 | 5,350,991 |
| Machinery and equipment | 20,182,964 | 19,089,312 |
| Construction in progress | 1,152,810 | 1,060,681 |
| Software for internal use | 832,344 | 853,784 |
| Leasehold improvements | 394,073 | 383,275 |
| Other | 35,138 | 35,314 |
| | 29,188,285 | 28,042,531 |
| Accumulated depreciation and amortization | (12,913,838) | (12,478,798) |
| | **Ps. 16,274,447** | **Ps. 15,563,733** |

For the years ended December 31, 2007 and 2006, depreciation expense amounted to Ps.1,072,174 and Ps.1,146,393, respectively. For the years ended December 31, 2007 and 2006, comprehensive financing costs of Ps.2,894 and Ps.5,778, respectively, were capitalized to property, plant and equipment.

As of December 31, 2007, property, plant and equipment includes temporarily idled assets with a carrying value of approximately Ps.649,015, resulting from the temporary shut-down of the productive operation of various plants in Mexico, mainly in corn flour division. These assets are recognized at their net realizable value and are not being depreciated.

For the years ended December 31, 2007 and 2006, the Company recognized impairment losses of Ps.97,196 and Ps.334,725, respectively, reflected within "Other expense, net", according to the provisions established in FRS C-15, "Impairment of Long-Lived Assets and their Disposal", as follows:

| Segments | | 2007 | | 2006 |
|---|---|---|---|---|
| Corn flour division (Mexico) | Ps. | 27,975 | Ps. | 14,814 |
| Corn flour, wheat flour and other products (Venezuela) | | 35,848 | | 94,808 |
| Other | | 33,373 | | 191,972 |
| Other reconciling items | | - | | 33,131 |
| **Total** | **Ps.** | **97,196** | **Ps.** | **334,725** |

Additionally, as of December 31, 2007, the Company has assets at net realizable value of Ps.35,420 which are available for sale.

## 8. INTANGIBLE ASSETS, NET

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

| | Remaining useful life (years) | | 2007 | | 2006 |
|---|---|---|---|---|---|
| Intangible assets with finite lives: | | | | | |
| Acquired: | | | | | |
| Covenants not to compete | 9 | Ps. | 937,774 | Ps. | 940,074 |
| Debt issuance costs | 1 - 17 | | 556,715 | | 564,163 |
| Patents and trademarks | 1 - 14 | | 95,670 | | 106,455 |
| Generated: | | | | | |
| Pre-operating expenses | 1 | | 56,317 | | 56,566 |
| Research on new projects | 10 | | 32,606 | | 45,521 |
| Customer list | 1 - 14 | | 50,363 | | 51,287 |
| Other | 1 - 4 | | 64,304 | | 56,781 |
| Intangible assets with indefinite lives: | | | | | |
| Trade names | | | 21,156 | | 14,127 |
| | | | 1,814,905 | | 1,834,974 |
| Accumulated amortization | | | (970,416) | | (851,131) |
| | | **Ps.** | **844,489** | **Ps.** | **983,843** |

Intangible assets recognized during 2007 amounted to Ps.16,602 due mainly to trademarks in the corn flour and other products segment in Central America for a total of Ps.7,029.

The Company's management determined, based on the provisions of FRS C-8 "Intangible Assets", that certain trade names have indefinite lives since their future cash flow generation is expected to be indefinite.

For the years ended December 2007 and 2006, amortization expense of intangible assets amounted to Ps.106,623 and Ps.115,906, respectively.

As of December 31, 2007 and 2006, the Company recognized an impairment loss in certain intangible assets of Ps.42,853 and Ps.154,210, respectively, included within "Other expenses, net" (Note 14), in accordance with the standards established by FRS C-15, "Impairment of Long-Lived Assets and their Disposal", and corresponds to the segment of other.

## 9. OTHER ASSETS

Other assets consisted of the following as of December 31:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Long-term notes receivable | Ps. | 126,060 | Ps. | 104,529 |
| Club memberships | | 8,643 | | 4,188 |
| Guarantee deposits | | 32,367 | | 24,475 |
| | **Ps.** | **167,070** | **Ps.** | **133,192** |

## 10. BANK LOANS AND LONG-TERM DEBT

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

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Perpetual notes in U.S. dollars bearing interest at an annual rate of 7.75%, payable quarterly, can be redeemable starting 2009 | Ps. | 3,276,000 | Ps. | 3,405,474 |
| Syndicated loan in U.S. dollars maturing in July 2010, bearing interest at an annual rate of LIBOR plus 0.38% to 0.45% (5.6% in 2007), payable monthly and quarterly | | 2,238,600 | | 1,702,737 |
| Senior unsecured notes in U.S. dollars, maturing in October 2007 and bearing interest at an annual rate of 7.625%, payable semiannually | | - | | 573,732 |
| Credit line in U.S. dollars, maturing in October 2011, bearing interest at an annual rate of LIBOR plus 0.35% to 0.45% (5.5% in 2007), payable in 30, 60, 90 and 180 days | | 764,400 | | 124,867 |
| Loans in U.S. dollars and euros, payable between 2008 and 2010 and bearing interest at variable annual rates from 2.5% to 8.0% in 2007, payable in different installments | | 348,987 | | 375,893 |
| Loans in Venezuelan bolivars payable between 2008 and 2009 and bearing interest at variable annual rates from 9.0% to 10% in 2007, payable monthly | | 413,863 | | 362,971 |
| Loans in U.S. dollars due between 2008 and 2010, bearing interest at variable annual rates from 5.2% to 6.5%, payable monthly | | 563,703 | | 171,030 |
| Loans in Mexican pesos due in 2008 and 2012, bearing interest at fixed annual rates from 9.6% to 9.8%, payable monthly | | 134,033 | | 96,513 |
| Loans in U.S. dollars due in 2008, bearing interest at a fixed annual rate of 5.4% | | 114,660 | | - |
| | | 7,854,246 | | 6,813,217 |
| Short-term bank loans | | (666,232) | | (180,789) |
| Current portion of long-term debt | | (274,841) | | (746,131) |
| **Long-term debt** | **Ps.** | **6,913,173** | **Ps.** | **5,886,297** |

Short-term bank loans of Ps.456.5 million denominated in U.S. dollars (U.S.$41.8 million) bear interest at an average rate of 5.8% as of December 31, 2007. Short-term bank loans of Ps.166.4 million denominated in Venezuelan bolivars (32,761 million of Venezuelan bolivars) bear interest at an average rate of 9.7% as of December 31, 2007. Likewise, as of December 31, 2007, the Company has short-term loans of Ps.43.4 million denominated in euros (2.7 million of euros) bearing interest at an average rate of 5.3%.

The Company has credit line agreements of Ps.3,822 million (U.S.$350 million), from which, as of December 31, 2007, Ps.819 million (U.S.$75 million) are available. These credit line agreements require the payment of an annual commitment fee from 0.1% to 0.2% on the unused amounts.

Various credit agreements contain covenants mainly related to compliance with certain financial ratios, which if not maintained for a certain period of time, may be considered as a cause for early maturity of the debt. At December 31, 2007, the Company is in compliance with these financial ratios.

At December 31, 2007, the annual maturities of long-term debt outstanding were as follows:

| Year | | Amount |
|---|---|---|
| 2009 | Ps. | 506,015 |
| 2010 | | 2,352,892 |
| 2011 | | 774,645 |
| 2012 | | 3,621 |
| 2013 and thereafter | | 3,276,000 |
| | **Ps.** | **6,913,173** |

The Company has entered into an interest rate swap agreement for its long-term debt maturing in 2010 and exchange rate forward contracts for the interest payments of long-term debt matured in 2007 (Note 18).

## 11. LABOR OBLIGATIONS

Seniority premium cost and other employee retirement benefits balance as of December 31, 2007 and 2006, amounted to Ps.153,454 and Ps.113,417, respectively, and are included in “Other liabilities”.

Seniority premium cost in Mexico is determined by independent actuaries and is based primarily on the employees’ years of service, age, and salaries. The Company has established trust funds to meet these obligations. The employees do not contribute to these funds.

Additionally, the indemnities to which employees are entitled at the end of the labor relationship when they reach the 60-year retirement age according to the Company’s single-payment retirement plan or in case of dismissal, are determined by independent actuaries based mainly on the years of service, salaries and applicable labor laws. The Company uses December 31 as the measurement date for its plans.

The components of the net seniority premium cost and for the obligations at the end of the labor relationship for the years ended December 31, were the following:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Service cost | Ps. | 11,291 | Ps. | 12,454 |
| Interest cost | | 13,189 | | 4,263 |
| Return on plan assets | | (2,807) | | (6,086) |
| Curtailment loss | | - | | 1,328 |
| Settlement loss | | - | | 14,378 |
| Net amortization | | 2,168 | | 7,257 |
| **Net cost for the year** | **Ps.** | **23,841** | **Ps.** | **33,594** |

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

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Actuarial present value of accumulated benefit obligations: | | | | |
| Vested benefit obligation | Ps. | (113,324) | Ps. | - |
| Non-vested benefit obligation | | (43,385) | | (424) |
| | | (156,709) | | (424) |
| Excess of projected benefit obligation over accumulated benefit obligation | | (5,534) | | (131,176) |
| Projected benefit obligation | | (162,243) | | (131,600) |
| Plan assets at fair value (trust funds) | | 34,885 | | 33,685 |
| Shortfall of plan assets over projected benefit obligation | | (127,358) | | (97,915) |
| Unrecognized amounts to be amortized over 17 years: | | | | |
| Cumulative net gain | | 45,418 | | 19,975 |
| Net transition liability | | 557 | | 554 |
| Prior service cost | | 98 | | 84 |
| Adjustment required to recognize minimum liability | | (46,072) | | (606) |
| **Seniority premium liability** | **Ps.** | **(127,357)** | **Ps.** | **(77,908)** |

For the years ended December 31, 2007 and 2006, the changes in projected benefit obligation and plan assets (trust funds) are summarized as follows:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Projected benefit obligation at beginning of year | Ps. | 131,600 | Ps. | 127,894 |
| Effect of inflation on beginning balance | | (6,278) | | (5,424) |
| Service cost | | 11,291 | | 12,454 |
| Interest cost | | 13,189 | | 4,263 |
| Benefits paid | | (25,929) | | (35,633) |
| Actuarial loss | | 38,370 | | 28,046 |
| **Projected benefit obligation at end of year** | **Ps.** | **162,243** | **Ps.** | **131,600** |

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Fair value of plan assets at beginning of year | Ps. | 33,685 | Ps. | 28,974 |
| Effect of inflation on beginning balance | | (1,607) | | (1,234) |
| Return on plan assets | | 2,807 | | 6,086 |
| Benefits paid | | - | | (23,790) |
| Settlement loss | | - | | 11,712 |
| Amortization of obligations at transition | | - | | 11,937 |
| **Fair value of plan assets at end of year** | **Ps.** | **34,885** | **Ps.** | **33,685** |

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

| | 2007 | 2006 |
|---|---|---|
| Discount rate | 5.05% | 4.0 % |
| Rate of increase in future compensation levels | 0.50% | 1.5 % |
| Expected long-term rate of return on plan assets | 5.05% | 5.0 % |

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 of the market.

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

| | 2007 | 2006 |
|---|---|---|
| Equity securities | 60% | 46% |
| Fixed rate instruments | 40% | 54% |
| **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.

In the United States, the Company has a savings and investment plan that incorporates voluntary employee 401(K) contributions with Company contributions. For the years ended December 31, 2007 and 2006, total expenses related to this plan were U.S.$3,419 thousand (Ps.37,335) and U.S.$3,045 thousand (Ps.33,251), respectively.

In Venezuela, the Company recognizes a liability for seniority premiums and indemnities for dismissal established by the local Labor Law, which amounted to Ps.26,151 and Ps.25,033 as of December 31, 2007 and 2006, 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 service, must be paid in the case of death, retirement or dismissal. The Company records a liability of 9% over salaries paid, which amounted to Ps.7,300 and Ps.10,551 as of December 31, 2007 and 2006, respectively.

## 12. CONTINGENCIES AND COMMITMENTS

### A) CONTINGENCIES

**Servicio de Administración Tributaria ("Tax Administration Service" or "SAT").-** Through an audit carried out by the Mexican Tax Administration Service (SAT) to one of the Company's subsidiaries for the year 2005, its positive Income Tax balance resulting from crediting the *Impuesto Especial sobre Producción y Servicios* ("Special Tax on Production and Services" or "IESPYS") was rendered inappropriate by the SAT, and certain tax assessments were made against the Company amounting Ps.4,063 plus restatements, penalties and charges. The Company filed an annulment suit before the Sixth Metropolitan Chamber of the Federal Tax and Administrative Court, and has received a favorable resolution as the tax authority did not provide evidence of its corresponding jurisdiction. The resolution of the Federal Tax and Administrative Court was appealed by the tax authority before the First Court of Appeals for Administrative Matters of Mexico City, which found the appeal with merit, and ordered the Federal Tax and Administrative Court to issue a new resolution taking into account the other arguments made by the Company in its initial annulment suit.

The Sixth Metropolitan Chamber of the Federal Tax and Administrative Court issued a new resolution revoking the tax assessments, given that the SAT was legally required to abandon the audit before time pursuant to the amendment made to article 47 of the Federal Fiscal Code, in force since January 6, 2004. This new resolution was also appealed by the SAT before the First Court of Appeals for Administrative Matters of Mexico City, which rendered a final judgment on October 31, 2007, declaring the appeal without merit and confirming the ruling of the Sixth Metropolitan Chamber of the Federal Tax and Administrative Court annulling the tax assessments asserted by the SAT.

Additionally, the *Secretaría de Hacienda y Crédito Público* ("Ministry of Finance and Public Credit") has made: (i) certain observations regarding the Company's asset tax returns for the years 1994, 1996, 1997, 1999 and 2000, amounting Ps.340.7 million; (ii) a determination for the amount of Ps.93.5 million for withholding taxes derived from the payment of interests to our foreign creditors for the years 2000, 2001 and 2002 (the Mexican authorities claim that the Company should have withheld 10% over such payments instead of 4.9%); and (iii) one of our subsidiaries in Mexico was notified with several assessments for the import of wheat, amounting Ps.101.8 million, which, according to the authority, were made under an incorrect HS Code. The Company has filed several appeals to obtain an annulment of such assessments. The Company believes the resolution of these proceedings will not have a material effect on the Company's financial position and results of operation.

**Comisión Nacional del Agua ("National Water Commission" or "CNA").-** At the date of issuance of the financial statements, some of the Company's subsidiaries were notified by the CNA of fee assessments due from different years for an amount of Ps.25,602.5 (thousand) plus restatement, penalties and charges. These assessments arise mainly from the CNA's determination of discharge of sewage water on public property of the Nation that was being used as receiver facilities. Nevertheless, the subsidiaries are using the water derived from the production process, previously treated, to irrigate several garden properties of the Company through the sprinkler system. The affected subsidiaries challenged such determinations through the corresponding remedies provided by law. At the date of issuance of the financial statement, all of the assessments notified by the CNA have been resolved in favor of the Company. For this reason, as of this date no contingency exists for fees for discharge of sewage water on public property of the Nation.

**Comisión Federal de Competencia ("Federal Competition Commission", "CFC").-** Regarding the Agroinsa acquisition, the Company notified the CFC of such transaction through a "notice of concentration", pursuant to the *Ley Federal de Competencia Económica* ("Mexican Antitrust Law"). On November 21, 2005, the CFC notified the Company of its resolution not to approve such acquisition. In its resolution, the CFC held, among others, that: (i) regarding the concentration in the corn flour market, the traditional cooked-corn method is not a substitute for the corn flour method for the production of tortilla and other corn chip products made with either corn flour or cooked-corn; and (ii) regarding the concentration in the wheat flour market, the Company already controls two wheat flour mills in the influence market area (Monterrey and Durango).

Consequently, the Company filed appealed the abovementioned resolution through the corresponding legal remedies, including a *juicio de amparo* ("injuction"), which was ultimately ruled by the *Suprema Corte de Justicia de la Nacion* ("Mexican Supreme Court of Justice" or "SCJN").

In compliance with the injunction resolution granted to the Company by the Federal Justice, the CFC proceeded to issue on July 5, 2007 a new resolution according to such ruling, informing the Company that the CFC had no objection to the acquisition of Agroinsa previously notified by the Company, which is legally implied as an authorization of the CFC to carry out the concentration.

In view of the foregoing, this matter must be considered as legally concluded.

**Other litigation.-** The Company's Venezuelan subsidiaries have been named in several labor lawsuits relating to issues and rights such as profit sharing, social security, vacations, overtime hours, seniority and indemnity payments, which are currently ongoing. In order to handle these matters, the Company decided to create a provision of Ps.5,028 (990 million of Venezuelan bolivars) for potential damages, which is reflected within accrued payable expenses and other liabilities.

Additionally, Venezuelan subsidiaries are defending certain labor and tax law suits, which have been assumed by the previous shareholder, International Multifoods Corporation, pursuant to the share purchase agreement. Furthermore, the Venezuelan tax authorities have lodged certain assessments against the Company's Venezuelan subsidiaries regarding value added tax, for Ps.8,142 (1,604 million of Venezuelan bolivars). The case has been appealed before the Tax Administration through a *juicio de amparo* ("injunction"), and the Company has created a provision of Ps.8,126 (1,600 million of Venezuelan bolivars) which is reflected within accrued payable expenses and other liabilities.

In October 2005, the Company was named in a class action suit, Ramon Moreno et al. v. Guerrero Mexico Food Products, Inc. and Gruma Corporation, filed in the United States District Court for the Central District of California, Los Angeles County. This is a punitive wage and hour class action alleging a misclassification of the Teamster-represented Sales Drivers as exempt when they should be treated as non-exempt and paid overtime for all hours worked in excess of eight in a workday and forty-eight in a workweek, and state-mandated meal periods under California Labor Code. In February 2008, the Company reached a definitive settlement agreement with the plaintiff for an amount to pay of Ps.32,050 (U.S.$2,935 thousand). The parties are waiting for court approval of such settlement, which the Company believes will be approved. Additionally, the Company recovered some of the amounts spent defending this case from the insurance Company with which it has signed hedges against this kind of risks.

Additionally, the Company is involved in certain unresolved proceedings arisen in the ordinary course of the business. The Company does not believe that the resolution of these proceedings will have a significant adverse effect on its financial situation and operation results.

### 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 the expiration 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, 2007, the Company is leasing certain equipment under long-term operating lease agreements in effect through 2017. Future minimum lease payments under such leases amount to approximately Ps.1,547,273 (U.S.$141,692 thousand), as follows:

| Year | | Facilities | | Equipment | | Total |
|---|---|---|---|---|---|---|
| 2008 | Ps. | 188,163 | Ps. | 241,976 | Ps. | 430,139 |
| 2009 | | 165,514 | | 196,920 | | 362,434 |
| 2010 | | 131,815 | | 110,630 | | 242,445 |
| 2011 | | 98,367 | | 77,684 | | 176,051 |
| 2012 | | 67,191 | | 57,002 | | 124,193 |
| 2013 | | 155,588 | | 56,423 | | 212,011 |
| | Ps. | 806,638 | Ps. | 740,635 | Ps. | 1,547,273 |
| | **U.S.$** | **73,868** | **U.S.$** | **67,824** | **U.S.$** | **141,692** |

Rental expense was approximately Ps.559,058 and Ps.531,142 for the years ended December 31, 2007 and 2006, respectively.

At December 31, 2007, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately Ps.2,074,483 (U.S.$189,971 thousand), which will be delivered during 2008.

As of December 31, 2007, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately Ps.210,276 (U.S.$19,256 thousand).

As of December 31, 2007, the Company has irrevocable letters of credit in the amount of approximately Ps.145,564 (U.S.$13,330 thousand) serving as collateral for claims pursuant to the Company's self-insured worker's compensation retention program in the United States.

## 13. STOCKHOLDERS' EQUITY

### A) COMMON STOCK

On January 27, 2006, the Company concluded the equity offering of 30 million shares, which represented approximately Ps.1,191 million net of discounts and commissions from underwriters and expenses related to the offering. The net proceeds were used to increase the production capacity in the United States of America.

At December 31, 2007, Gruma's outstanding common stock consisted of 481,503,052 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval and no shares held in Treasury. At December 31, 2006, the Company's outstanding common stock consisted of 482,549,952 shares.

### 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 a fifth of the fully paid common stock amount.

Dividends paid from retained earnings that have not been previously taxed are subject to an income tax payable by the Company equal to 38.91%. The applicable tax may be credited against income tax the Company is subject to in the year or in the following two fiscal years. Dividends paid by the Company are not subject to any withholding 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 5% of total equity. The difference between the acquisition cost of the repurchased shares and their stated value, composed of common stock and additional paid-in capital, is recognized as part of the reserve to repurchase the Company's own shares, which is included within retained earnings from prior years. The gain or loss on the sale of the Company's own shares is recorded as additional paid-in capital. As of December 31, 2007, the Company had carried out net acquisitions of 1,046,900 own stock with a market value of Ps.38,013 at that date.

### D) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Foreign currency translation adjustments consisted of the following as of December 31:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Foreign currency translation at beginning of year | Ps. | (808,026) | Ps. | (1,227,526) |
| Effect of translating net investment in foreign subsidiaries | | 396,049 | | 477,096 |
| Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of tax of Ps.15,417 and Ps.21,828 in 2007 and 2006, respectively | | (41,109) | | (57,596) |
| | **Ps.** | **(453,086)** | **Ps.** | **(808,026)** |

The investment that the Company maintains in the operations in the United States and Europe generates a natural hedge of up to U.S.$500 million as of December 31, 2007 and 2006, respectively.

As of December 31, 2007 and 2006, the accumulated effect of translating net investment in foreign subsidiaries impacted minority interest in the amounts of Ps.(123,088) and Ps.(76,895), respectively.

### E) EFFECTS OF INFLATION

As of December 31, 2007, the majority stockholders' equity comprised the following:

| | | Nominal | | Restatement | | Total |
|---|---|---|---|---|---|---|
| Common stock | Ps. | 4,852,296 | Ps. | 8,437,310 | Ps. | 13,289,606 |
| Additional paid-in capital | | 2,140,506 | | 2,690,864 | | 4,831,370 |
| Deficit from restatement | | - | | (16,196,178) | | (16,196,178) |
| Derivative financial instruments | | 41,790 | | - | | 41,790 |
| Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing | | (218,116) | | (8,200) | | (226,316) |
| Retained earnings from prior years | | 5,149,385 | | 7,025,318 | | 12,174,703 |
| Net income for the year | | 2,209,297 | | 24,024 | | 2,233,321 |
| Foreign currency translation adjustments | | (453,086) | | - | | (453,086) |
| | **Ps.** | **13,722,072** | **Ps.** | **1,973,138** | **Ps.** | **15,695,210** |

### F) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2007, tax amounts of common stock and retained earnings were Ps.10,465,163 and Ps.2,868,315, respectively.

## 14.OTHER INCOME (EXPENSES), NET

Other expenses, net, comprised the following:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Net gain from sale of GFNorte's shares (Note 6) | Ps. | 847,175 | Ps. | 399,639 |
| Net gain from sale of subsidiaries' shares | | 75,718 | | 144,883 |
| Impairment loss on assets (Note 3-L) | | (140,049) | | (488,935) |
| Economic aid to Chiapas and Tabasco for natural disasters | | (100,000) | | - |
| Amortization of other deferred costs | | (48,709) | | (59,152) |
| Net loss on sale of fixed assets | | (49,847) | | (6,007) |
| Current employees' statutory profit sharing | | (21,395) | | (51,160) |
| Deferred employees' statutory profit sharing | | 17,259 | | 16,822 |
| Other | | (24,409) | | (5,202) |
| | **Ps.** | **555,743** | **Ps.** | **(49,112)** |

## 15. INCOME TAX

### A) INCOME TAX AND ASSET TAX

Gruma files consolidated income tax and asset tax returns 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, 2007 and 2006, by Ps.283,208 and Ps.429,359, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations permit the consolidation of 100% of the ownership investment.

In accordance with the applicable tax law, Mexican corporations must pay the higher of either income tax or asset tax. 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 (when it is higher than income tax) of the three prior years and the ten subsequent years.

For the years ended December 31, 2007 and 2006, the Company does not have asset tax.

Starting January 1, 2008, the asset tax was superseded and the flat tax became effective, as stated in section D.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2007 and 2006, the reconciliation between the statutory income tax amounts and the effective income tax amounts is summarized as follows:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Statutory federal income tax (28% in 2007 and 29% in 2006) | Ps. | 925,209 | Ps. | 613,707 |
| Equity in earnings of associated companies | | (198,194) | | (186,562) |
| Sales of shares of associated companies and subsidiaries | | 49,783 | | 38,981 |
| Effect of deferred IETU in subsidiaries | | 18,719 | | - |
| Variation in valuation of tax loss carryforwards | | 89,178 | | 61,208 |
| Losses in Mexican subsidiaries which cannot be utilized for income tax consolidation | | 17,998 | | 10,614 |
| Foreign income tax rate differences | | 66,473 | | (87,004) |
| Effects related to inflation | | (26,629) | | 4,259 |
| Other | | (16,827) | | (23,033) |
| **Effective income tax rate (28.0% in 2007 and 20.4% 2006)** | **Ps.** | **925,710** | **Ps.** | **432,170** |

At December 31, 2007 and 2006, the tax effects of main differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

| | (Assets) Liabilities | | | |
|---|---|---|---|---|
| | | 2007 | | 2006 |
| Deferred tax assets: | | | | |
| Net operating loss carryforwards and other tax credits | Ps. | (106,419) | Ps. | (188,409) |
| Accrued liabilities | | (205,881) | | (241,520) |
| Recoverable asset tax | | (82,174) | | (204,946) |
| Intangible asset resulting from intercompany operations | | (38,693) | | (63,709) |
| Other | | (128,593) | | (172,973) |
| | | (561,760) | | (871,557) |
| Deferred tax liabilities: | | | | |
| Property, plant and equipment, net | | 1,827,552 | | 1,840,383 |
| Inventories | | 164,631 | | 255,481 |
| Intangible assets and other | | 181,430 | | 163,356 |
| Investment in partnership and equity method investee | | 393,961 | | 411,642 |
| | Ps. | 2,567,574 | Ps. | 2,670,862 |
| **Net deferred tax liability** | **Ps.** | **2,005,814** | **Ps.** | **1,799,305** |

As of December 31, 2007, the Company did not recognize deferred income tax asset of Ps.103,829 from tax loss carryforwards pertaining to certain foreign subsidiaries, since no sufficient evidence is available that these tax loss carryforwards will be realizable.

### C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2007, the Company does not have tax loss carryforwards in Mexico corresponding to the consolidated income tax return. As of December 31, 2007, asset tax of Ps.340,353 generated in the consolidated income tax return in Mexico and available to offset the excess of income tax over asset tax in future years, is shown below:

| Expiration year | | Recoverable asset tax |
|---|---|---|
| 2010 | Ps. | 35,046 |
| 2012 | | 67,999 |
| 2013 | | 92,987 |
| 2014 | | 69,948 |
| 2015 | | 74,373 |
| | **Ps.** | **340,353** |

As of December 31, 2007, certain foreign subsidiaries have tax loss carryforwards for approximately Ps.49,262 (2,239,805 million of Costa Rican colons) that expire in 2008 to 2011, and Ps.60,602 (11,931,757 million of Venezuelan bolivars) that expire in 2008 to 2010.

### D) IMPUESTO EMPRESARIAL A TASA UNICA (“BUSINESS FLAT TAX”, “IETU”)

The Business Flat Tax Law was published on October 1, 2007, and will be effective starting January 1, 2008. This law is applicable to individuals and companies with permanent establishment in Mexico, and its consolidation is not allowed. The IETU for the period is calculated by applying the tax rate of 17.5% (16.5% and 17% for 2008 and 2009, respectively) to income determined based on cash flow; such income is determined by deducting the authorized expenses from total income from taxed activities. From this result, the IETU credits are reduced, according to the applicable laws.

The IETU determined for a fiscal year can be credited against current income tax for the same year. When the amount of IETU exceeds current income tax, then the total IETU amount will be paid as a final payment and its crediting will not be allowed in future years.

Based on financial and tax projections, the Company considers that this tax will not have an impact in its results of operation, since the Company will essentially pay income tax.

### E) UNCERTAIN TAX POSITIONS

As of December 31, 2007, the Company recognized a liability for unrecognized tax benefits of Ps.89,304, which includes surcharges and penalties. The following table presents a reconciliation of the Company’s unrecognized tax benefits, excluding surcharges and penalties:

| | | |
|---|---|---|
| Unrecognized tax benefits at beginning of year | Ps. | 58,608 |
| Increase as a result of 2007 tax position | | 26,306 |
| Decrease as a result of tax position of prior years | | (1,813) |
| **Unrecognized tax benefits as of December 31, 2007** | **Ps.** | **83,101** |

It is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, the Company does not expect the change to have a significant impact on its consolidated financial position or results of operations. The Company had accrued surcharges and penalties of approximately Ps.6,203 and Ps.5,558 related to unrecognized tax benefits for fiscal 2007 and 2006, respectively.

## 16. FOREIGN CURRENCY

### A) EXCHANGE DIFFERENCES

For the years ended December 31, 2007 and 2006, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

| | | 2007 | | 2006 |
|---|---|---|---|---|
| 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. | (56,526) | Ps. | (79,424) |
| Exchange differences arising from foreign currency transactions credited (charged) to income | | 72,129 | | (19,363) |
| | **Ps.** | **15,603** | **Ps.** | **(98,787)** |

### B) FOREIGN CURRENCY POSITION

As of December 31, 2007 and 2006, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| In companies located in Mexico: | | 2007 | | 2006 |
| Assets: | | | | |
| Current | U.S.$ | 1,477 | U.S.$ | 12,142 |
| Non-current | | - | | 71 |
| Liabilities: | | | | |
| Current | | (52,798) | | (69,488) |
| Long-term | | (505,041) | | (481,826) |
| | **U.S.$** | **(556,362)** | **U.S.$** | **(539,101)** |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| In foreign companies: | | 2007 | | 2006 |
| Assets: | | | | |
| Current | U.S.$ | 289,361 | U.S.$ | 285,321 |
| Non-current | | 7,178 | | 4,279 |
| Liabilities | | | | |
| Current | | (403,057) | | (314,436) |
| Long-term | | (258,683) | | (184,612) |
| | **U.S.$** | **(365,201)** | **U.S.$** | **(209,448)** |

At December 31, 2007 and 2006, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.10.92 and Ps.10.81, respectively. On March 28, 2008, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.10.70.

For the years ended December 31, the Company's Mexican subsidiaries had transactions in U.S. dollars as follows:

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | | 2007 | | 2006 |
| Sales of flour and others | U.S.$ | (9,641) | U.S.$ | - |
| Corn purchases and other inventories | | 184,446 | | 144,453 |
| Interest expense | | 40,028 | | 38,222 |
| Purchases of plant and equipment | | 1,232 | | 300 |
| Services | | 5,891 | | 6,771 |
| | **U.S.$** | **221,956** | **U.S.$** | **189,746** |

At 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:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Foreign currency (thousands) | Year-end exchange rate | Foreign Currency (thousands) | Year-end exchange rate |
| U.S. dollars | 925,439 | 10.92 | 836,932 | 10.81 |
| Swiss francs | 31,938 | 9.64 | 199,701 | 8.87 |
| Euros | 31,547 | 15.9334 | 32,989 | 14.2681 |
| Venezuelan bolivars | 457,391,236 | 0.0051 | 385,424,593 | 0.0050 |
| Australian dollars | 62,543 | 9.5910 | 28,695 | 8.4913 |
| Yuans | 207,976 | 1.4951 | 5,853 | 1.3834 |
| Pounds sterling | 10,167 | 21.7144 | 7,729 | 21.1671 |
| Malaysian ringgit | 10,022 | 3.2879 | - | 3.0602 |
| Canadian dollars | 443 | 11.06 | 521 | 9.28 |
| Costa Rican colons | 58,130,829 | 0.0210 | 43,572,733 | 0.0209 |

## 17. 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 (mainly United States and Europe) – manufactures and distributes more than 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, Europe, Asia and Oceania. 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 grains used principally for industrial and human consumption. The main brands are JUANA, TIA BERTA and DECASA for corn flour, ROBIN HOOD and POLAR for wheat flour, MONICA for rice, and LASSIE for oats.

- "Other" division represents those segments amounting to less than 10% of the consolidated total. These segments are: corn flour and other products division in Central America, wheat flour division in Mexico, packaged tortilla division in Mexico, wheat tortilla and snack division in Asia and Oceania, and technology and equipment division. Corn flour and other products division in Central America is engaged in the production and marketing of corn products, snacks and preserves. Wheat flour division in Mexico is engaged in the production and marketing of wheat flour in this country. Packaged tortilla division in Mexico produces and distributes packaged tortillas. Asia and Oceania division produces and distributes wheat flour tortilla and snacks. Technology and equipment division 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.

All inter-segment 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, 2007:

| Segment | Net sales to external customers | Inter-segment net sales | Operating inome (loss) | Depreciation and amortization |
|---|---|---|---|---|
| Corn flour and packaged tortilla division (United States and Europe) | Ps. 17,402,790 | Ps. 3,363 | Ps. 919,344 | Ps. 633,884 |
| Corn flour division (Mexico) | 8,606,160 | 405,835 | 786,378 | 247,949 |
| Corn flour, wheat flour and other products (Venezuela) | 3,862,214 | - | 58,050 | 90,872 |
| Other | 5,971,831 | 915,188 | 209,614 | 196,158 |
| Other reconciling items | (26,949) | (1,324,386) | (99,518) | 9,934 |
| **Total** | **Ps. 35,816,046** | **Ps. -** | **Ps. 1,873,868** | **Ps. 1,178,797** |

| Segment | Total assets | Total liabilities | Expenditures for long-lived assets |
|---|---|---|---|
| Corn flour and packaged tortilla division (United States and Europe) | Ps. 12,675,499 | Ps. 4,955,944 | Ps. 1,049,192 |
| Corn flour division (Mexico) | 8,864,109 | 2,032,640 | 257,170 |
| Corn flour, wheat flour and other products (Venezuela) | 2,893,111 | 1,732,019 | 72,739 |
| Other | 7,400,327 | 3,772,000 | 924,916 |
| Other reconciling items | 2,077,656 | 2,840,900 | (81,114) |
| **Total** | **Ps. 33,910,702** | **Ps. 15,333,503** | **Ps. 2,222,903** |

Segment information as of and for the year ended December 31, 2006:

| Segment | Net sales to external customers | Inter-segment net sales | Operating inome (loss) | Depreciation and amortization |
|---|---|---|---|---|
| Corn flour and packaged tortilla division (United States and Europe) | Ps. 16,167,983 | Ps. 1,703 | Ps. 942,332 | Ps. 609,689 |
| Corn flour division (Mexico) | 7,379,404 | 286,670 | 854,034 | 290,697 |
| Corn flour, wheat flour and other products (Venezuela) | 3,874,434 | - | 119,039 | 126,555 |
| Other | 4,750,825 | 1,057,508 | 190,200 | 179,180 |
| Other reconciling items | 17,309 | (1,345,881) | (233,772) | 56,178 |
| **Total** | **Ps. 32,189,955** | **Ps. -** | **Ps. 1,871,833** | **Ps. 1,262,299** |

| Segment | | Total assets | | Total liabilities | | Expenditures for long-lived assets |
|---|---|---|---|---|---|---|
| Corn flour and packaged tortilla division (United States and Europe) | Ps. | 11,878,285 | Ps. | 4,882,504 | Ps. | 1,324,431 |
| Corn flour division (Mexico) | | 9,307,310 | | 2,138,297 | | 350,785 |
| Corn flour, wheat flour and other products (Venezuela) | | 3,202,635 | | 1,899,731 | | 101,512 |
| Other | | 5,875,400 | | 2,048,978 | | 493,821 |
| Other reconciling items | | 1,488,771 | | 2,880,640 | | (126,493) |
| **Total** | **Ps.** | **31,752,401** | **Ps.** | **13,850,150** | **Ps.** | **2,144,056** |

The following table presents the details of "Other reconciling items" for operating income:

| Other reconciling items | | 2007 | | 2006 |
|---|---|---|---|---|
| Corporate expenses | Ps. | (126,757) | Ps. | (125,579) |
| Elimination of inter-business unit transactions | | 27,239 | | (108,193) |
| **Total** | **Ps.** | **(99,518)** | **Ps.** | **(233,772)** |

Additionally a summary of information by geographic segments is as follows:

| | | 2007 | % | | 2006 | % |
|---|---|---|---|---|---|---|
| NET SALES: | | | | | | |
| United States and Europe | Ps. | 17,402,790 | 48 | Ps. | 16,167,983 | 50 |
| Mexico | | 11,651,844 | 33 | | 9,976,597 | 31 |
| Venezuela | | 3,862,214 | 11 | | 3,874,434 | 12 |
| Central America | | 2,076,158 | 6 | | 1,862,648 | 6 |
| Asia and Oceania | | 823,040 | 2 | | 308,293 | 1 |
| | **Ps.** | **35,816,046** | **100** | **Ps.** | **32,189,955** | **100** |
| IDENTIFIABLE ASSETS: | | | | | | |
| United States and Europe | Ps. | 12,675,499 | 37 | Ps. | 11,878,285 | 37 |
| Mexico | | 14,920,029 | 44 | | 14,359,434 | 46 |
| Venezuela | | 2,893,111 | 9 | | 3,202,635 | 10 |
| Central America | | 1,689,943 | 5 | | 1,401,609 | 4 |
| Asia and Oceania | | 1,732,120 | 5 | | 910,438 | 3 |
| | **Ps.** | **33,910,702** | **100** | **Ps.** | **31,752,401** | **100** |
| CAPITAL EXPENDITURES: | | | | | | |
| United States and Europe | Ps. | 1,049,192 | 48 | Ps. | 1,324,431 | 61 |
| Mexico | | 259,430 | 12 | | 300,362 | 14 |
| Venezuela | | 72,739 | 3 | | 101,512 | 5 |
| Central America | | 143,070 | 6 | | 149,195 | 7 |
| Asia and Oceania | | 698,472 | 31 | | 268,556 | 13 |
| | **Ps.** | **2,222,903** | **100** | **Ps.** | **2,144,056** | **100** |

## 18.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 and notes receivable and refundable taxes represent the expected cash flow to be received.

The estimated fair value of the Company's financial instruments is as follows:

| | Carrying amount | Fair value |
|---|---|---|
| At December 31, 2007: | | |
| Liabilities: Perpetual bonds in U.S. dollars bearing | | |
| fixed interest at an annual rate of 7.75% | Ps. 3,276,000 | Ps. 3,213,789 |
| Liabilities: Exchange rate forward contracts | 16,825 | 16,825 |
| Liabilities: Interest rate swap contracts | 8,731 | 8,731 |
| Asset: Interest rate swap contracts | 15,022 | 15,022 |
| Asset: Commodity contracts | 4,510 | 4,510 |
| Asset: Interest and capital (TICC) bonds | 44,389 | 44,389 |

| | Carrying amount | Fair value |
|---|---|---|
| At December 31, 2006: | | |
| Liabilities: Perpetual bonds in U.S. dollars bearing | | |
| fixed interest at an annual rate of 7.75% | Ps. 3,405,473 | Ps. 3,591,413 |
| Liabilities: Senior unsecured notes in U.S. dollars bearing | | |
| fixed interest at an annual rate of 7.625% | 573,732 | 580,733 |
| Liabilities: Exchange rate forward contracts | 15,695 | 15,695 |
| Liabilities: Interest rate swap contracts | 10,480 | 10,480 |
| Asset: Exchange rate forward contracts | 2,356 | 2,356 |
| Asset: Interest rate swap contracts | 34,424 | 34,424 |
| Asset: Commodity contracts | 212,706 | 212,706 |

Fair values were determined as follows:

- The fair value of debt and derivative financial instruments is determined based on quoted market prices for such instruments in the reference market.
- The carrying value of the remainder of the long-term debt was similar to its fair value.

### B) HEDGES

The Company has entered into futures contracts for certain key production requirements such as gas and some raw materials in order to hedge the cash flow variability due to price fluctuations. These contracts are short-term and do not exceed the maximum production requirements for a one-year period and are classified as cash flow hedges or fair value hedges.

As of December 31, 2007, the favorable effect due to changes in the fair value of cash flow hedges was approximately Ps.42,335 net of taxes, which was recognized as comprehensive income within stockholders' equity. As of December 31, 2006, the unfavorable effect due to changes in the fair value of cash flow hedges was approximately Ps.3,213 net of taxes, which was recognized as comprehensive income within stockholders' equity. The Company expects to recognize these effects in income within the following 12 months. The Company did not determine ineffectiveness for these hedges.

As of December 31, 2007 and 2006, the Company had outstanding fair value contracts of Ps.63,921 and Ps.212,706, respectively.

The Company from time to time hedges commodity price risks utilizing futures and options strategies that do not qualify for hedge accounting. As a result of non-qualification, these derivative financial instruments are recognized at their estimated fair values and are marked to market with the associated effect recorded in current period earnings. During 2007 and 2006, the Company had an unfavorable effect of approximately Ps.98,749 and Ps.139,693, respectively, from due contracts. Additionally, as of December 31, 2007 and 2006, the Company recognized an unfavorable effect of approximately Ps.4,914 (U.S.$450 thousand) and a favorable effect of Ps.1,135 (U.S.$100 thousand), respectively, for the valuation of outstanding contracts that did not qualify for hedge accounting, which were recognized at fair value in current period earnings.

The Company uses derivative financial instruments such as interest rate swaps with the purpose of managing the interest rate risk related to its long-term debt. The Company has also entered into interest rate swap contracts to hedge its syndicated loan that matures in 2010 under which the loan's variable rate of LIBOR 6M is converted to a fixed rate of 3.2775% through March 2008 and 4.5050% through March 2009; these contracts also include a provision limiting the amounts to be exchanged should the LIBOR 6M reach 6% through March 2008 and 7% through March 2009. As of December 31, 2007, the favorable effect of the changes in the fair value of these contracts amounted to Ps.6,966, from which an unfavorable effect of Ps.545 was recognized as comprehensive income within stockholders' equity and a favorable effect of Ps.7,511 was registered in income for the year. The favorable effect of the contracts due in 2007 was Ps.23,668, which was recognized in income.

During 2006, the Company entered into interest rate swap contracts for a nominal amount of U.S.$37.5 million maturing in March 2008. Through these contracts, the Company pays a fixed rate of 0.34% and receives a LIBOR 6M rate less 3.2775% if the LIBOR 6M rate is greater than or equal to 6% and less than 6.75%. These contracts were not recognized as hedge accounting, and the unfavorable changes in their fair values as of December 31, 2007, for Ps.675 was recognized in income.

During 2004 and 2005, the Company entered into forward contracts and exchange rate option contracts (Mexican peso – U.S. dollar) for a nominal amount of U.S.$55.8 million, with different maturity dates until November 2007. The purpose of these contracts is to hedge the financial risks due to exchange rate fluctuations over the quarterly interest payments related to the Company's perpetual notes. The unfavorable effect of the contracts due during 2007 of Ps.15,248 was recognized in income of the year.

During 2007, the Company entered into forward contracts and exchange rate option contracts (Mexican peso – U.S. dollar) related to the 7.75% perpetual notes. These contracts served four coupon dates for 2007, as well as six additional dates (eighteen months). Accordingly, the maturity dates for these contracts ranged from March 2007 to June 2009. On an average basis, by maturity date, the purchase trades were U.S.$370.5 million against U.S.$420 million of sale trades. For the maturity dates in 2008 and for the remaining two dates in 2009, the Company entered into pivot contracts for an average notional amount of U.S.$115 million for each date. Additionally, at the end of 2007, twelve call contracts maturing on February 28, 2008, were sold with an exchange rate of Ps.12.00 per U.S. dollar. These contracts were not recognized as hedge accounting. The favorable effect of the contracts due in 2007 was Ps.290,720 and was recognized in income. As of December 31, 2007, the unfavorable effect for changes in the fair value of outstanding contracts was Ps.16,825, which was also recognized in income.

The Company has negotiable securities called interest and capital (TICC) bonds for a nominal amount of U.S.$5.1 million, with annual interest of 5.25% and maturing in March 2019. The fair value of these instruments amounted to Ps.44,389. The unfavorable effect due to changes in the fair value of the outstanding contracts was Ps.35,823, which was recognized in income.

### C) CONCENTRATION OF CREDIT RISK

The financial instruments that 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, Venezuela, Europe, Asia and Oceania. The Company maintains reserves for potential credit losses.

Operations in Venezuela represented approximately 11% of net sales in 2007. In recent years, political and social instability has prevailed in Venezuela. This severe political and civil uncertainty represents a risk to the business in this country, which cannot be controlled or measured accurately. For instance, as a result of the nationwide general strike that took place from December 2002 to February 2003, the Company's operations in Venezuela temporarily ceased for approximately 14 days. In response to the general strike and in an effort to shore up the economy and control inflation, since 2003 Venezuelan authorities imposed foreign exchange and price controls on certain products. These foreign exchange controls may limit the Company's capacity to convert bolivars to other currencies and also transfer funds outside Venezuela. In February 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. Later, in February 2004 the Venezuelan government set a new fixed exchange rate of 1,920 bolivars to U.S.$1.00. Additionally, in February 2003 the government of Venezuela established price controls for certain products such as corn flour and wheat flour, which could limit the Company's ability to increase prices in order to compensate for the higher costs of raw materials. In March 2005, the government established a new exchange rate of 2,150 bolivars per U.S. dollar. The financial situation and results of the Company might be negatively affected due to the fact that (i) a part of its sales is denominated in bolivars, (ii) the subsidiaries in Venezuela make products that are subject to price controls, and (iii) it might be difficult for Venezuelan subsidiaries to pay dividends, as well as to import some of their requirements of raw materials as a result of the foreign exchange control.

The current president in Venezuela was reelected for a second term in December 2006; thus, the civil and political uncertainty will continue during the next six-year term. Additionally, starting 2007 the current president was qualified by the legislative power of this country with extraordinary faculties to legislate by decree for a period of 18 months in several strategic areas, which could result in certain structural changes in the economical and social policies in Venezuela and thus, increasing the uncertainty in this country.

## 19. RELATED PARTY TRANSACTIONS

Starting January 1, 2007, FRS C-13 "Related Parties" became effective. This FRS extends the definition (scope) for related parties and increases the disclosure requirements.

As of December 31, 2007 and 2006, the Company owns 8.6232% and 10.0024% interest in GFNorte, respectively, 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. During 2007, the Company did not obtain financings from GFNorte's subsidiaries.

The Company has insurance contracts with Seguros Banorte Generali, S.A. de C.V. (subsidiary of GFNorte) in order to manage different risks in some of its subsidiaries. As of December 31, 2007 and 2006, the Company paid insurance premiums of approximately Ps.34,518 and Ps.36,499, respectively.

As of December 31, 2007 and 2006, the Company had accounts payable to Archer-Daniels-Midland (ADM) included in trade accounts payable for Ps.162,851 and Ps.139,074, respectively. Additionally, during 2007 and 2006, the Company purchased inventory ingredients from ADM amounting to Ps.1,455,155 (U.S.$133 million) and Ps.1,252,957 (U.S.$115 million), respectively. ADM is a North American company associated with the Company in some of its subsidiaries.

## 20. RECENT ACCOUNTING PRONOUNCEMENTS

During 2007, the Mexican Financial Reporting Standards Board issued the following Financial Reporting Standards (FRS) that became effective starting January 1, 2008. These FRS will not have a material effect on the Company's financial information.

FRS B-2 "Cash flow statement" – Establishes the general rules for the presentation, structure and preparation of the cash flow statement, as well as for the disclosures relating to this basic financial statement.

FRS B-10 "Effects of inflation" – Establishes the guidelines for recognizing the effects of inflation based on the inflationary context of the country; additionally, includes among others the following changes: i) the option of applying either factors derived from the NCPI or values of the Mexican investment units; ii) the elimination of the method of restatement for assets of foreign origin; and iii) the reclassification to retained earnings of the gain or loss from holding nonmonetary assets and the initial monetary position gain or loss, maintaining in stockholders' equity only the inflation effect corresponding to the items from which it arose, and that have not been charged or credited to income.

FRS B-15 "Foreign currency translation" – Includes the rules for recognizing transactions in foreign currency, as well as the foreign operations in the financial statements of the reporting entity and the translation of its financial information to a currency different from its reporting or functional currency. Additionally, this pronouncement includes the guidelines for presentation and disclosure.

FRS D-3 "Benefits to employees" – The most significant changes are the reduction to a maximum of five-year period for amortizing items subject to amortization, the incorporation of the effects of salary growth in the calculation of the defined benefit obligation (formerly projected benefit obligation), and the elimination of the accounting treatment for the additional liability and the corresponding entries as intangible assets, and if applicable, of the amount recorded in stockholders' equity.

FRS D-4 "Income tax" – Requires the recognition of the asset tax as a tax credit; and, consequently, as a deferred income tax asset. The term permanent difference is eliminated, and requires the reclassification to retained earnings of the initial effect of deferred tax included in stockholders' equity, unless the temporary differences which gave rise to it have not yet been realized.

IFRS 6 "Opportunity in the designation of the hedge" – Establishes that a derivative financial instrument can be considered as such since its contract date or after this date, only if it complies with the new rules set in paragraph 51.a) of Bulletin C-10 "Derivative Financial Instruments and Hedge Operations".

IFRS 7 "Recognition of the comprehensive income or loss derived from a cash flow hedge related to a projected transaction for the purchase of a non-financial asset" – The IFRS modifies the following paragraphs of Bulletin C-10:

- Paragraph 105, to clarify that the effect of the hedge included in comprehensive income or loss derived from projected transactions can be capitalized as cost of the non-financial asset whose price is being set by the hedge.

- Paragraph 106, to indicate that with respect to all cash flow hedges, the amounts that have been recognized in stockholders' equity as part of comprehensive income should be reclassified to income in the same period or periods in which the hedged commitment or projected transaction is effected, except for the cases mentioned in paragraph 105.

# Board Of Directors

**ROBERTO GONZÁLEZ BARRERA, 77**
Founder, Chairman of the Board, and Chief Executive Officer of GRUMA; chairman of the boards of directors of GIMSA, Grupo Financiero Banorte and Banco Mercantil del Norte.
Shareholder, related[1]

**JUAN DIEZ-CANEDO RUIZ[2], 57**
Chief Executive Officer, Fomento y Desarrollo Comercial.
Independent

**JUAN ANTONIO GONZÁLEZ MORENO, 50**
Chief Executive Officer, Gruma Asia and Oceania; alternate director, Grupo Financiero Banorte and Banco Mercantil del Norte.
Shareholder, related

**ROBERTO GONZÁLEZ MORENO, 55**
Chairman of the Board and President, Corporación Noble.
Shareholder, related

**FEDERICO GORBEA QUINTERO, 44**
President and Chief Operating Officer, Archer Daniels Midland México.
Shareholder, independent

**CARLOS HANK RHON, 60**
Chairman of the Board, Grupo Financiero Interacciones and Grupo Coin/La Nacional.
Related

**ROBERTO HERNÁNDEZ RAMÍREZ, 66**
Chairman of the Board, Banco Nacional de México.
Independent

**JUAN MANUEL LEY LÓPEZ, 75**
Chairman of the Board and Chief Executive Officer, Grupo Ley.
Related

**BERNARDO QUINTANA ISAAC, 66**
Chairman of the Board, Empresas ICA.
Independent

**JUAN ANTONIO QUIROGA GARCÍA, 58**
Chief Corporate Officer, GRUMA.
Related

**HÉCTOR RANGEL DOMENE[2], 60**
Chairman of the Board, Grupo Financiero BBVA-Bancomer.
Independent

**ISMAEL ROIG, 40**
Vice President, Planning and Business Development, Archer Daniels Midland Company.
Shareholder, independent

**ALFONSO ROMO GARZA, 57**
Chairman of the Board, and Chief Executive Officer, Savia.
Independent

**ADRIÁN SADA GONZÁLEZ, 63**
Chairman of the Board, Vitro.
Independent

**JAVIER VÉLEZ BAUTISTA[2], 51**
Business consultant on strategic and financial matters.
Independent

[1] Director classifications are defined in the Code of Best Corporate Practices promulgated by a committee formed by the Mexican Entrepreneur Coordinating Board (Consejo Coordinador Empresarial).

[2] Member of the audit and corporate governance committees of GRUMA and GIMSA.

# Management Team

**ROBERTO GONZÁLEZ BARRERA**
Chief Executive Officer

**NICOLÁS CONSTANTINO**
Managing Director, Gruma Venezuela

**LEONEL GARZA**
Chief Procurement Officer

**ROBERTO GONZÁLEZ ALCALÁ**
President, Gruma México and Latin America

**JUAN ANTONIO GONZÁLEZ MORENO**
Chief Executive Officer, Gruma Asia and Oceania

**ROBERTO GONZÁLEZ VALDÉS**
Managing Director, Gruma Centroamérica

**SYLVIA HERNÁNDEZ**
Chief Marketing Officer

**HOMERO HUERTA**
Chief Administrative Officer

**HEINZ KOLLMANN**
Chief Technology Officer, Wheat Flour Production

**RAÚL PELÁEZ**
Chief Financial Officer

**JUAN ANTONIO QUIROGA**
Chief Corporate Officer

**JUAN FERNANDO ROCHE**
President, Mission Foods

**FELIPE RUBIO LAMAS**
Chief Technology Officer, Corn Flour and Tortilla Production

**SALVADOR VARGAS**
General Counsel

Waking Up

gruma

Healthy
Living

gruma

Kids

gruma

To party

gruma

On
the go

gruma

To
Share

gruma

Light
dreams

gruma

Dessert
time

gruma

## GREEN TEA SOUP WITH MASECA DUMPLINGS

MASECA/SELECTA

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 1 lt | Chicken broth | 200 ml | Vegetable oil |
| 5 g | Finely chopped ginger | 50 g | Maseca corn flour |
| 5 g | Finely chopped chives | 50 g | Selecta wheat flour |
| 3 ml | Sesame oil | 3 g | Salt |
| 5 ml | Soy sauce | 1 | Egg |
| 8 g | Green tea | 200 g | Diced chicken |

### Procedure

1. Heat sesame oil in a medium saucepan, add chives and ginger.
2. Add chicken broth and green tea. Boil for two minutes and then season with soy sauce.
3. In a medium bowl, mix Maseca corn flour with Selecta wheat flour, salt and one beaten egg. Stir until smooth (add water if needed)
4. Roll dough until it is 0.5 cm. thin. Divide into 8 x 8 squares.
5. Fill dough with chicken. Form pockets and seal edges with beaten egg. Fry until golden and crispy.
6. Serve the soup very hot and add dumplings.

## CREAMY SCRAMBLED EGG AND SMOKED SALMON WRAP

MISSION

(1 Serving)

### Ingredients

| | | |
|---|---|---|
| 1 | Mission "Wheat & White" Deli Wrap | Salt |
| 2 | Large eggs | Freshly ground black pepper |
| 10 g | Unsalted butter diced | Few snipped chives |
| 1 | tbsp soured cream | 75 g Smoked salmon |

### Procedure

1. Break the eggs into a bowl and beat together. Pour the eggs into a saucepan and place on a very low heat.
2. Add half of the butter and stir the eggs constantly to combine the yolks and the whites. When the mixture begins to set add the remaining butter and continue stirring the eggs for 3-4 minutes to scramble.
3. Remove from the heat, add the soured cream and season with salt and freshly ground pepper. Add the chives.
4. Gently warm both sides of the Deli Wrap in a dry frying pan. Place it on a warm plate, fold it in half and arrange the scrambled eggs and smoked salmon on one end of the wrap, fold the other end to cover just part of the eggs and smoked salmon.
5. Serve immediately.

## SMOKED CHICKEN AND PEPPERDEW QUICHE

MISSION

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 4 | Mission "Wheat & White" Deli Wrap | 1 | Breast of smoked chicken chopped into small cubes |
| 1 | Big muffin tray | | |
| 2 | Eggs | 1 | Jar of mild pepperdew peppers |
| 1 | Egg beaten | 1 | Onion, finely diced |
| 250 ml | Double cream | 10 g | Butter |
| | Salt and pepper | | |

### Procedure

1. Cut the wraps a little bit bigger than the size of the cups in the tray. Microwave for 20 seconds to make more pliable. Press into baking tray.
2. Brush the insides with beaten egg. Bake at 180°C for 5 to 8 minutes, until golden and crispy. Remove from oven and leave in tray.
3. For the filling, place the butter in a pan, add the onion and fry until soft and translucent. Remove and divide equally between the quiche shells.
4. Place the chopped chicken on top of the onions, followed by the pepperdew peppers.
5. Beat the eggs and cream together and season with salt and pepper, then pour over the chicken and fill the quiche shells just below the rim.
6. Place in the oven, and bake for 15 minutes, until golden on top.

Hint: You can replace the pepperdew and chicken with any filling of your choice

## KIDS BEEFBURGER WITH CHEDDAR CHEESE WRAP

MISSION

(2 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 2 | Mission "Multigrain" Deli Wraps | Oil for frying if dessired | |
| 300 g | Ground beef steak | 2 slices | Cheddar cheese |
| 1 | Medium egg | 2 tsp | Dijon mustard |
| 1 tbsp | Onion, finely chopped | 4 leaves | Curly lettuce |
| 1 | Small clove garlic, crushed | 2 slices | Tomato |
| 1 tsp | Fresh parsley, finely chopped | 4 leaves | Lettuce |
| Salt and freshly grounded black pepper | | Tomato ketchup (optional) | |

### Procedure

1. Mix the meat, onion, garlic and parsley together, season with salt and pepper. Divide the mixture into two and shape into rounds of about 10-11cm diameter to form beefburgers.
2. Grill, or if desired, fry the beefburgers for about 3-4 minutes over a medium heat, and then turn them over.
3. Place one slice of cheese over each burger and cook for several more minutes until the cheese melts and the meat is cooked thoroughly.
4. Warm both sides of the Deli wrap in a dry frying pan, place them on a work surface and fold them in half.
5. Spread over the mustard and arrange the lettuce leaves on one half of the folded wraps. Place the burgers over the lettuce, followed by the tomato and fold the other side over the ingredients.
6. Serve immediately on a warm dish with tomato ketchup, if desired.

## MASECA CHICKEN POPS

MASECA

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 250 g | Diced chicken breast | 30 ml | Light beer |
| 60 g | Maseca corn flour | 5 g | Salt |
| 40 g | Selecta wheat flour | 2 g | Pepper |
| 1 | Egg | 250 ml | Vegetable Oil |

### Procedure

1. Season chicken with salt and pepper
2. In a medium bowl, combine the two different flours
3. Add one beaten egg and beer, stir until you get a soft mixture
4. Place chicken dices in mixture, then fry in a saucepan with vegetable oil
5. Serve with salsa or guacamole.

## MASECA ENERGY BAR

MASECA/SELECTA

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 50 g | Maseca corn flour | 1 pz | Egg |
| 50 g | Selecta wheat flour | 80 ml | Milk |
| 35 g | Sugar | 3 g | Salt |
| 5 ml | Vanilla | 20 g | Oatmeal |
| | | 30 g | Cranberries |

### Procedure

1. Mix dry ingredients, add one beaten egg and stir (little by little) milk, until smooth.
2. Add cranberries.
3. Divide batter evenly into square cups.
4. Sprinkle with oatmeal and bake in a 180° C oven for 10 minutes.

## PEAR STRUDEL

MISSION

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 4 | Mission wheat tortillas | 10 g | Sugar |
| 400 g | Diced pears | 20 g | Finely chopped nuts |
| 20 g | Raisins | 15 g | Butter |
| 5 g | Ground Cinnamon | 1 | Egg |

### Procedure

1. In a medium saucepan melt butter and add pears.
2. Add sugar and raisins, stir constantly to avoid over cooking.
3. Cook slowly until the pears get soft, then add ground cinnamon and remove from heat.
4. Place two tablespoons of filling in each tortilla, fold and seal the edges with beaten egg.
5. Glaze tortilla pockets with beaten egg and cook in a 180° C oven for 3 to 4 minutes.
6. Serve with vanilla ice cream.

## MISSION MARGARITA TOSTADA

MISSION

(4 servings)

### Ingredients

| | | | |
|---|---|---|---|
| 4 | Mission tostadas | 3 g | Basil |
| 1 | Tomato | 15 g | Olive oil |
| 1 | Mozzarella cheese | 10 g | Balsamic vinegar |
| | | 1 g | Salt |

### Procedure

1. Slice thinly the tomato and place over tostadas
2. Cut the cheese and cover tomato slices.
3. Season with salt and basil.
4. Sprinkle with olive oil and balsamic vinegar

# GENERAL CONTACT INFORMATION

| | |
|---|---|
| **HEADQUARTERS** | Río de la Plata 407 Ote.<br>Col. del Valle, San Pedro Garza García, N.L.<br>66220 México<br>Tel: (52 81) 8399-3300<br><br>Prolongación Reforma 1230<br>Col. Cruz Manca, Santa Fe<br>Delegación Cuajimalpa<br>05349 México, D.F.<br>Tel: (52 55) 9177-0400 |
| **INVESTOR RELATIONS CONTACTS** | Rogelio Sánchez<br>Tel: (52 81) 8399-3312<br>rsanchezm@gruma.com<br><br>Lilia Gómez<br>Tel: (52 81) 8399-3324<br>lgomez@gruma.com |
| **EXCHANGE LISTINGS** | Bolsa Mexicana de Valores (BMV), México<br>www.bmv.com.mx<br><br>New York Stock Exchange (NYSE), United States<br>www.nyse.com |
| **TICKER SYMBOLS** | BMV: GRUMAB<br>NYSE: GMK*<br>*Each *American depositary* receipt represents four ordinary shares |
| **DEPOSITARY BANK** | Citibank, N.A.<br>Depositary Receipts Department<br>Tel: (212) 816-6839<br>Fax: (212) 816-6865 |
| **CORPORATE WEBSITE** | www.gruma.com |
| **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM** | PricewaterhouseCoopers LLP |

## FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking statements and information relating to GRUMA, S.A.B. de C.V., and its subsidiaries (collectively, “GRUMA”) that are based on the beliefs of its management as well as assumptions made by and information then available to GRUMA. Such statements reflect the views of GRUMA with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements of GRUMA to be materially different from historical results or any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Such factors include, among others, changes in economic, political, social, governmental, business, or other factors globally or in Mexico, the United Sates, Latin America, or any other countries in which GRUMA does business, and raw-material prices. If one or more of these risks or uncertainties materializes, or underlying assumptions are proven incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or targeted. GRUMA does not intend, and undertakes no obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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