GRUMA
annual report 2004

A WORLD OF OPPORTUNITY

CONTENTS

CONSOLIDATED financial highlights

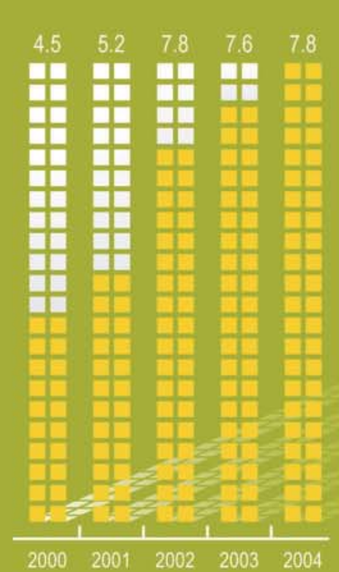
GRUMA, S.A. DE C.V. AND SUBSIDIARIES

(millions of constant pesos[1] as of December 31, 2004, except where indicated)

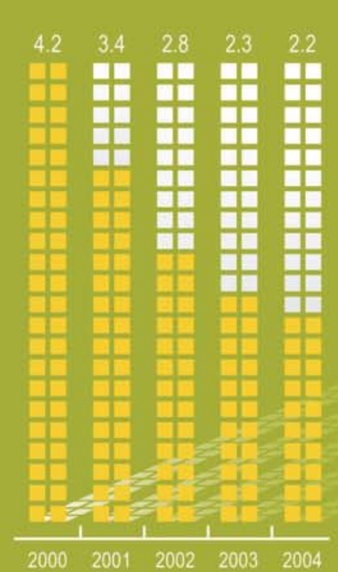
	2004	2003	Var.
INCOME STATEMENT INFORMATION			
Sales volume[2]	3,629	3,621	-
Net sales	24,992	23,311	7%
Operating income	1,940	1,769	10%
Operating margin	7.8%	7.6%	20bp
EBITDA[3]	2,933	2,801	5%
EBITDA margin	11.7%	12.0%	(30bp)
Net income	1,096	684	60%
Majority net income	923	499	85%
BALANCE SHEET INFORMATION			
Cash and cash equivalents	489	375	30%
Total assets	25,209	23,655	7%
Debt[4]	6,537	6,555	(0%)
Total liabilities	11,448	10,579	8%
Stockholders' equity	13,761	13,076	5%
Majority stockholders' equity	10,844	10,180	7%
OTHER INFORMATION			
Millions of common shares outstanding	452.0	450.1	0%
Earnings per share[5]	2.05	1.12	83%
Book value per share[6]	24.0	22.6	6%
Investments	1,279	777	65%
Employees at year-end	15,735	15,104	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, GRUMA reduced its debt by 2% to US$586 million.
5 Figures in pesos and based on weighted average of outstanding shares of common stock.
6 Figures in pesos and based on outstanding shares at year-end.

OPERATING INCOME



Debt/EBITDA



THE YEAR at a glance

MAY 7

GRUMA pays a cash dividend of Ps 0.70 per share, representing a dividend yield of 3.6%.

JUNE 11

Standard and Poor's Ratings Services raises GRUMA's credit rating to BBB- with a stable outlook.

JULY 2

Gruma Corporation's acquisition of Ovis Boske, a tortilla company based in the Netherlands, strengthens GRUMA's European presence.

JULY 12

Gruma Corporation acquires 51% of Nuova De Franceschi & Figli, an Italian corn flour company that serves the corn chip, cereal, and beer industries in Germany, Poland, Croatia, Israel, and Saudi Arabia, among other countries.

SEPTEMBER

Gruma Corporation's Mission Foods division is named 2004 Wholesale Baker of the Year by *Snack Food & Wholesale Bakery* magazine.

SEPTEMBER 28

Fitch Ratings assigns to GRUMA a rating of BBB- with a stable outlook.

OCTOBER 4

GRUMA obtains a US$250 million, 5-year syndicated senior credit facility, using the proceeds to extend debt maturities.

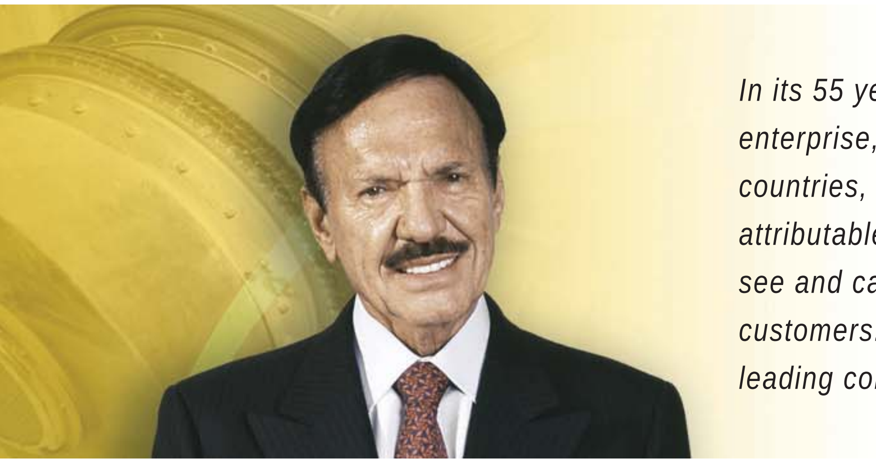
OCTOBER 5

Gruma Corporation acquires a tortilla plant in Las Vegas, Nevada.

DECEMBER 3

GRUMA issues US$300 million in perpetual bonds—the first ever perpetual bonds issued in the global emerging-markets private sector—using the proceeds mostly to extend debt maturities. The bond was named Best International Corporate Bond by *Latin Finance* magazine in its February 2005 issue.

TO OUR STOCKHOLDERS



In its 55 years of operation, GRUMA has become a truly global enterprise, with more than 15,000 employees, operations in 11 countries, and exports to about 50 more. Our achievements are attributable to many things, but the most important is our ability to see and capture opportunities to better serve our consumers and customers. It is through this that we have become one of the world's leading corn flour and tortilla makers.

It is important to understand our global expansion in the context of the international economic environment. During 2004, the U.S. economy resumed its growth despite high oil prices. Europe had a modest but significant recovery, and Japan began to emerge from its long recession.

A favorable economic environment—mainly price increases and stronger demand for raw materials—drove the growth in emerging markets. Mexico in particular, which grew 4.4%, benefited from the U.S. economy and higher oil prices. Despite the fact that inflation was slightly higher than expected, Mexico's economy is judged by international experts as one of the world's best managed, thanks to the strict discipline of our government's fiscal and monetary policies.

China is an attractive growth market for us because of its size, rapid modernization, growing global purchasing power, and high, sustained growth.

In this global context, we are pleased with our 2004 consolidated results: we saw a 7% rise in net sales and operating income growth of 10%. As has been the case over the past few years, Gruma Corporation (our U.S. and European operations) was the primary driver of our steadily improving consolidated performance. Gruma Corporation achieved net sales growth of 14% due to better sales coverage, expansion into new markets, and the success of our product innovations. The subsidiary's 22% increase in operating income came mainly from its growth in sales volume and a change in the mix toward value-added products.

We made progress in our other regions of operation as well. For the second year in a row our corn flour business in Mexico achieved volume growth in a difficult market environment. Our operations in Central America benefited from a restructuring of our sales department during 2004 that enabled us to better serve our customers and optimize promotional and advertising expenses. With regard to our Venezuela operations, we believe that our 2004 performance presents a more realistic reflection of the economic and competitive environment than did our 2003 results. We are working hard to increase market shares and maximize efficiencies. We are confident that our flexibility, strong customer relationships, and superior products will enable us to thrive in Venezuela's challenging operating environment in the coming year.

In 2004 we made a strategic decision to expand our operations to address rising demand for our products. The primary focus of these efforts is the United States. We are adding capacity to our corn flour plant in Evansville, Indiana, and expect to complete this project in mid-2005. Also in mid-2005, we will open a new tortilla plant in Mountaintop, Pennsylvania, which we expect to bring synergies in terms of both manufacturing and distribution. In addition, in 2004 we acquired a tortilla plant in Las Vegas, Nevada.

We extended our presence in Europe through two acquisitions, a tortilla company in the Netherlands and a controlling interest in a corn flour company in Italy. Both of these acquisitions were immediately accretive to our cash flow generation and will bring benefits in terms of synergies with our existing operations in Europe. They enable us to better serve our current markets and expand our presence in other markets in the region.

We also see growth potential in the Asian markets. We already enjoy a presence in some Asian countries through several major customers and are evaluating opportunities to increase our presence in those countries and reach others in the region through greenfield operations.

Our investment criteria have not changed. Any new investment must profitably build on and enhance our core businesses of tortillas, corn flour, and wheat flour.

We continued to improve our financial performance throughout the year, aided by stronger cash generation accompanied by stable debt levels. I am proud to report that GRUMA now holds an investment-grade debt rating with two of the major ratings agencies. This rating reflects our company's prospects for profitable growth and our ability to maintain our competitive position and good standing with the capital markets.

We reaffirmed our commitment to maintain this rating by continuing to improve our financial ratios.

Two major financing transactions helped us to improve our debt profile. We obtained a US$250 million, five-year, syndicated senior credit facility in October. And in November we took advantage of our investment-grade rating, a favorable interest-rate environment, and investors' appetite for long-term debt instruments and issued a US$300 million perpetual bond. The bond—the first perpetual bond by a private-sector corporation in the global emerging markets—was very well received in Asia, Europe, and the United States. As a result of these two transactions, GRUMA has no significant debt maturities until 2009.

Our improved performance enabled us to pay our shareholders a cash dividend of Ps 0.70 per share in nominal terms. This dividend, paid in May, represented a 3.6% dividend yield.

I also want to highlight that the price of our shares rose 73% over the course of the year, and beginning February 2005 the Bolsa Mexicana de Valores (Mexico's Stock Exchange) included our shares in its IPC Index—which comprises the 35 most liquid stocks on the market. Our liquidity ranking on the Bolsa also improved—from 41 in December 2003 to 28 as of December 2004.

We owe a great deal of our success to the talent and dedication of our executive officers and employees. We

see our relationship with them as a virtuous cycle. Their commitment and professional development help our company to prosper; in turn, our growth offers them expanded professional and cultural opportunities.

I also want to thank our other stakeholders—our customers and all who enjoy our products, our board members and suppliers, and our investors—for your participation in our company. We appreciate the confidence you have placed in us, and we trust you will continue to share our optimism about the future of GRUMA.

Roberto González Barrera

Chairman of the Board and Chief Executive Officer

OPPORTUNITY

for our consumers

Our products are staples: natural and nutritious, they form the basis for meals all over the world.

Our efforts to serve our customers extend to the ultimate users of our products: the individuals and families who enjoy our tortillas, tortilla chips, corn flour, and wheat flour. We know our consumers, and we understand what's important to them. We pay attention to their needs and preferences and move quickly to respond to them. And because we care about their health, we use only the freshest, highest-quality ingredients in our products.

We create opportunities for people to purchase the foods they want—as well as those that meet their unique nutritional, culinary, and lifestyle needs. In 2004 Gruma Corporation, our U.S. subsidiary, began offering "low-carb" tortillas for those wanting to reduce their carbohydrate intake. Our low-fat tortillas have been on supermarket shelves for 13 years. In an ongoing effort to ensure customer and consumer satisfaction, we develop different flavors of tortilla—spinach and sun-dried tomato, for example—for different tastes. We have also designed many of our products to satisfy regional preferences, especially in Mexico and the United States, where not everyone's idea of a tortilla is the same.

In 2004 we sold 738,000 metric tons of tortillas, 91,000 metric tons of chips and snacks, 2,112,000 metric tons of corn flour, and 688,000 metric tons of wheat flour. And our sales keep growing in most of the regions in which we have a presence—because we take the time to learn what families want on their tables and strive every day to deliver it to them.

OPPORTUNITY

for our customers

We see our customers as our partners; as they succeed, so do we.

Because we view our customers as our partners, we have designed programs to help them build their own customer base and grow their businesses.

Our corporate customers know they can depend on our expertise in their industry. Our client-service specialists are just that—specialists. Because we have divided our sales force into channels by customer type, our client-service specialists have become experts in their clients' particular businesses and can help them increase sales volumes, develop better products, and even fix their machines. Each of our largest customers has an entire team dedicated to its business alone—on site and full time.

We support our tortilleria customers by offering assistance through financing, promotions, marketing support, and equipment. We offer them training through our tortilla school centers, work with them to address their needs, and find solutions to their problems. The end result: our tortilleria customers are prospering in a difficult market environment.

Our foodservice customers—many of them high-profile, multinational restaurant chains—appreciate the exceptional quality of the products and service that we provide. For example, through our U.S. operations we assist these customers with menu development and design proprietary recipes specifically to meet their needs. These services, together with our nationwide distribution network and expertise in R&D and marketing, help them ensure that their customers enjoy the freshest, highest-quality meals.

Because we give all of our customers individualized, personal attention and support, they, in turn, view us as partners in their success.

OPPORTUNITY
for our people

Above all, we owe our success to our employees. Their talent, motivation, and consumer focus have enabled us to grow into a strong global enterprise.

As our company grows and enters new markets all over the world, our employees enjoy greater opportunities for career development and advancement. They also benefit from exposure to a variety of cultures and business environments.

We have formalized pathways designed to nurture the inherent talents and capabilities of our staff. Employees can take advantage of programs that we have established in our operating subsidiaries to enhance their personal skills, gain business acumen, and accelerate professional growth. Through these efforts we have created a virtuous cycle of learning, continuous improvement, strength, and value—both for our employees and our company.

OPPORTUNITY

for our investors

Robust growth, defensive operations and business strategy, and a strong financial structure: these are a few attributes of GRUMA that offer significant opportunity and value for investors.

As a financially healthy company, GRUMA offers increasing long-term value for investors. In the past few years we have expanded our operations, especially in the United States, and we continue to see high potential for growth in 2005 and the coming years. This growth—and our stability—stems in part from the defensive nature of our business. Because our products are staples in the majority of the markets we serve, our sales volumes are better able to withstand economic volatility. Our business strategy—to seek out only those investments that enhance our core businesses of tortillas, corn flour, and wheat flour—helps to ensure that we continue to generate strong, stable cash flows.

Our financial structure is strong and getting stronger. We have worked hard over the past several years to improve our financial performance and reduce our debt and, consequently, have improved our financial ratios. This year was no exception. In the fourth quarter of the year we closed two important financing transactions—a US$300 million dollar perpetual bond and a US$250 million, 5-year syndicated senior credit facility. The proceeds of these instruments have been used primarily to extend maturities. As a result, GRUMA has no significant debt maturities until 2009.

Our solid financial position and recently achieved investment-grade rating translate into greater access to capital at lower cost, better investment potential for the company, and, ultimately, greater value for our investors.

We have taken, and are continuing to take, several steps to improve the liquidity of our stock. In 2003 and 2004 we paid our stockholders a cash dividend of Ps 0.65 and Ps 0.70 per share, respectively; we look forward to continuing this practice in future years. We are proud to report that, in February 2005, GRUMA was included in the Indice de Precios y Cotizaciones (IPC Index) of Mexico's stock exchange, the Bolsa Mexicana de Valores. Our inclusion in the IPC Index will mean higher visibility and thus greater liquidity for our stock. In addition, we are developing strategies to strengthen our bottom-line results, such as pursuing opportunities for fiscal improvement and seeking better use of our assets.

OPPORTUNITY

for our future

With a successful business model and a willingness to explore new ideas, we are optimistic and enthusiastic about our company's future.

We are always looking for ways to grow our company. We continue to see great opportunity in the United States as well as in Europe and Asia. For example, in the United States we are expanding capacity in our existing plants, and through our new plant in Pennsylvania we will strengthen our presence in the Northeast. We have recently expanded our European operations by purchasing two plants, a corn flour plant in Italy and a tortilla plant in the Netherlands. Both of these operations will enable us to better serve markets in Europe and the Middle East through stronger vertical integration, improvements in logistical efficiencies, and enhanced knowledge of our local markets. Finally, we are exploring opportunities in Asia, in which we already have established a presence by exporting our products to major customers in the region. We will continue to evaluate ways to profitably expand into this rapidly growing market.

Efficiency is one of our top priorities. We work each year to streamline and reduce expenses in all areas of our operations—from tightening our supply chain to expanding shared services. We actively communicate best practices throughout the organization to ensure continuous learning and improvement. We also continually seek ways to improve our efficiency at the corporate level, in both our operations and through our decision-making processes.

By consolidating certain of our operations—such as GIMSA and Molinera de México—we can take advantage of their inherent synergies and improve our efficiency, especially in terms of sales, distribution, and administration. The result: better service to our customers at lower cost to the company.

As we expand our operations into new markets, we also grow our presence through a widening array of products. We pay careful attention to our customers and those who enjoy our products, and we constantly develop new items to satisfy their various needs and tastes. And as we continue to reach out to new cultures, we are confident of realizing our potential to grow our family of products and serve an ever greater number of people around the world.

MANAGEMENT DISCUSSION

and analysis of financial condition
and results of operations for the year 2004

OVERVIEW

Our 2004 consolidated results show a continuing improvement in our overall operations and steady growth in our major markets. As in the past few years, the performance of Gruma Corporation was the primary driver of our consolidated results, with robust sales growth in both existing and new markets. Also contributing to the overall improvement in our results were our Mexico operations, which grew volumes and net sales in a challenging market, and our operations in Central America, whose stronger sales force and customer service contributed to volume growth.

We believe that our 2004 performance in Venezuela better reflects the economic and competitive realities of that country's market than did our 2003 results. We will continue to work to increase market shares and maximize efficiencies by capitalizing on our flexibility, strong customer relationships, and superior products. We think that these attributes will help us to thrive—in what continues to be a challenging operating environment—throughout the coming year.

We continue to focus on capturing opportunities to profitably grow our enterprise, and Gruma Corporation's continuing strong performance provides just such an opportunity. We are expanding our operations in the United States to satisfy ever greater demand and to reach new markets. We are also extending our presence in Europe, as evidenced by the two European acquisitions we closed midyear.

CONSOLIDATED RESULTS (2004 VS. 2003)

(pesos in millions, except where indicated)

	2004	2003	%Δ
Sales volume (thousand metric tons)	3,629	3,621	-
Net sales	24,992	23,311	7
Cost of sales	16,035	14,843	8
Selling, general, and administrative expenses	7,018	6,699	5
Operating income	1,940	1,769	10
Operating margin (%)	7.8	7.6	20 bp
Comprehensive financing cost, net			
Interest expense	487	538	(10)
Interest income	(228)	(65)	249
Foreign-exchange loss (gain)	51	184	(72)
Monetary position loss (gain)	(243)	(190)	28
Total	67	466	(86)
Other expenses, net	287	177	62
Income taxes and employees' profit sharing	773	679	14
Equity in earnings of associated companies, net	(282)	(238)	19
Total net income	1,096	684	60
Majority net income	923	499	85
EBITDA[1]	2,933	2,801	5
EBITDA margin (%)	11.7	12.0	(30) bp

[1] EBITDA is defined as operating income plus depreciation and amortization affecting operating income.

GRUMA's **net sales** increased 7% to Ps 24,992 million, while sales volume was virtually flat. Net sales increased due to higher average prices resulting from a change in the mix toward higher-priced products and price increases on some products, which were implemented to offset cost increases. Most of the increase in net sales came from Gruma Corporation and, to a lesser extent, GIMSA and Gruma Centroamérica.

Cost of sales as a percentage of net sales increased to 64.2% from 63.7%. Gruma Corporation and Gruma Venezuela were the primary drivers of this increase, which was due to (1) the fact that prices were insufficient to offset cost increases, especially for raw materials, and (2) a change in the mix toward lower-margin products. In absolute terms, cost of sales rose

8% due primarily to higher raw-material costs and, to a lesser extent, higher energy, packaging, and other costs. This increase was driven mainly by Gruma Corporation and, to a lesser extent, GIMSA and Gruma Venezuela.

Selling, general, and administrative expenses (SG&A) as a percentage of net sales improved to 28.1% from 28.7% due primarily to better expense absorption in Gruma Corporation. In absolute terms, SG&A increased 5%, mostly as a result of higher sales volume in Gruma Corporation.

GRUMA's **operating income** increased 10% to Ps 1,940 million, and operating margin improved to 7.8% from 7.6%. Both were driven mainly by higher sales volume in Gruma Corporation and increased business in the technology division, mostly in connection with capacity expansions in Gruma Corporation.

The Ps 399 million decrease in **comprehensive financing cost, net,** resulted from (1) gains in connection with equity swaps of GRUMA shares, (2) lower foreign-exchange losses due to lower average peso depreciation, (3) lower interest expense due to lower average debt level, and (4) higher monetary gains.

The Ps 110 million increase in **other expenses, net,** resulted mainly from write-offs of some fixed assets at GIMSA's Chalco plant and at PRODISA and, to a lesser extent, goodwill and preoperating expenses and brands. These write offs resulted from the application of Bulletin C 15, "Impairment in the Value of Long-Lived Assets and their Disposal."

Income taxes and employees' profit sharing increased 14% to Ps 773 million in connection with higher pretax income.

GRUMA's **equity in earnings of associated companies, net** (*e.g.*, Grupo Financiero Banorte), grew 19% to Ps 282 million.

The 60% increase in total net income and the 85% increase in **majority net income** were due mainly to higher operating profits and lower comprehensive financing cost.

FINANCIAL POSITION

Balance-Sheet Highlights (December 2004 vs. December 2003)

Total assets as of December 31, 2004, were Ps 25,209 million—Ps 1,554 million, or 7%, higher than in 2003—mainly as a result of higher trade accounts receivable, deferred assets, and inventories. The increase in trade accounts receivable came from strong sales volume growth in Gruma Corporation; a change in the sales mix in GIMSA toward corporate customers, which usually enjoy longer payment periods; and a more competitive environment in Gruma Venezuela's markets during the year. The increase in deferred assets resulted from the premium related to the tender offer for the 7.625% notes due 2007, which premium will be amortized over a 20-year period. The increase in inventories was driven primarily by (1) sales volume growth and higher costs in Gruma Corporation, and (2) higher raw-material costs and advanced raw-material procurement in Gruma Venezuela.

Total liabilities as of December 31, 2004, were Ps 11,448 million, an increase of Ps 869 million, or 8%, mainly as a result of (1) higher accounts payable in connection with higher deferred income taxes, and (2) higher trade accounts payable in connection with the aforementioned inventory increases.

Stockholders' equity as of December 31, 2004, was Ps 13,761 million, representing a 5% increase over that as of December 31, 2003.

Capital Expenditure Program

During 2004 GRUMA's investments totaled Ps 1,279 million, most of which was applied to Gruma Corporation for the expansion of corn flour and tortilla capacity in existing plants, for acquisitions, and for general upgrades at our U.S. plants.

Acquisitions

During July 2004 Gruma Corporation concluded two acquisitions in Europe in order to strengthen its presence in the region:

- On July 2, Gruma Corporation acquired Ovis Boske, a tortilla company based in the Netherlands that sells to Germany, the Scandinavian region, France, the United Kingdom, Belgium, Ireland, and other countries.

- On July 12, the company acquired 51% of Nuova De Franceschi & Figli, a corn flour company based in Italy that sells to Germany, Poland, Croatia, Israel, Saudi Arabia, and other countries. This company serves the corn chip, cereal, and beer industries and will supply corn flour for Gruma Corporation's corn chip operations in England.

In October 2004 Gruma Corporation acquired a tortilla plant in Las Vegas, Nevada. This acquisition will bring synergies to Gruma Corporation's operations and distribution and will enable it to provide fresher products in this market.

Debt Profile and Financing Activities

During 2004 we closed several important financing transactions that allowed us to extend our debt maturities, thereby improving our debt profile and increasing our financial flexibility. As a result of these financing initiatives, GRUMA has no significant debt amortizations until 2009.

On October 4, 2004, GRUMA closed a US$250 million, 5-year syndicated senior credit facility at LIBOR plus 55 basis points for the first three years and LIBOR plus 65 basis points for the fourth and fifth years. The proceeds were used to refinance GRUMA's outstanding balance under the US$300 million syndicated facility due in December 2005. The facility was split between a US$150 million senior term loan facility and a US$100 million senior revolving credit facility, both with a 5-year tenor. The new syndicated loan allowed the company to reduce interest margins.

In November, 2004, GRUMA issued a US$300 million perpetual bond at a fixed rate of 7.75%. Most of the proceeds of the perpetual bond were used (1) to pay the tender offer of our US$250 million 7.625% notes due 2007, (2) to pay US$30 million of the revolving facility of our syndicated loan, and (3) for general corporate purposes. The bond—the first of its kind in the global emerging markets' private sector—was named Best International Corporate Bond by *Latin Finance* magazine in its February 2005 issue.

GRUMA's total debt as of December 31, 2004, was US$586 million, of which 93% was dollar denominated. The following table illustrates GRUMA's debt amortization schedule as of year-end 2004.

Schedule of Debt Amortizations

(US$ millions)

	2005	2006	2007	2008	2009	2010...	TOTAL
7.75% perpetual bonds						300	300
Syndicated loan				30	120		150
7.625% notes due 2007			50.5				50.5
7.96% senior notes	1.3	1.4	1.6	1.7	10.7		16.7
Other	45.4	2.7	8.7	0.4	11.9		69.1
TOTAL	46.7	4.1	60.8	32.1	142.6	300	586.3

Debt Ratios

	2004	2003
Debt/EBITDA[1]	2.2	2.3
EBITDA/Interest Expense	6.0	5.2

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

GRUMA continued to improve its leverage and interest-coverage ratios throughout 2004. As a result of these and other efforts, two of the major ratings agencies assigned GRUMA an investment-grade credit rating in 2004. In June Standard & Poor's Ratings Services raised GRUMA's credit rating to BBB-, with a stable outlook, from BB+. In September Fitch Ratings assigned to GRUMA a rating of BBB- with a stable outlook. In addition, Moody's Investors Service upgraded GRUMA to Ba1, with a positive outlook, from Ba2 in November.

Stock Performance and Dividend Payment

Our better results and financial profile during 2004 led to a 73% increase in the price of our stock, to Ps 26.48 per share at year-end. On May 7, 2004, GRUMA paid a cash dividend of Ps 0.70 per share, equivalent to Ps 315 million (in nominal terms), or 3.6% of the stock price at the payment date. In addition, the liquidity of our stock improved dramatically, and as a result GRUMA's shares were included in the IPC Index of the Bolsa Mexicana de Valores (IPC Index) beginning February 2005. The IPC Index contains the 35 most liquid stocks on the Mexican Stock Exchange.

RESULTS OF SUBSIDIARY OPERATIONS

GRUMA CORPORATION

ITEM (pesos in millions, except where indicated)	2004	2003	% Δ
Sales volume (thousand metric tons)	1,088	979	11
Net sales	12,683	11,127	14
Cost of sales	7,020	5,950	18
SG&A	4,406	4,148	6
Operating income	1,257	1,029	22
Operating margin (%)	9.9	9.2	70 bp
EBITDA	1,771	1,543	15
EBITDA margin (%)	14.0	13.9	10 bp

Gruma Corporation's **net sales** rose 14% during 2004. The growth was due to an 11% rise in **sales volume** coupled with (1) a change in the product mix toward the tortilla business, whose products enjoy higher prices than corn flour products; (2) a change in the mix within the tortilla business toward value-added products (*e.g.*, low-carb wheat flour tortillas), which also enjoy higher prices than regular wheat flour tortillas; and (3) a continued increase in retail corn flour sales. In the United States, sales volume increased due to continuing strong demand and increased coverage in the tortilla business and, to a lesser extent, in the corn flour operation. The two European acquisitions concluded during July 2004 also contributed to the rise in the company's overall sales volume.

Three primary factors drove volume growth in the U.S. tortilla business:

- The successful expansion of our Guerrero® brand—which enjoys widespread appeal among Hispanic consumers—across additional markets, especially in the north central and southeast areas of the United States
- The launch of low-carb flour tortillas and continued growth in the regular flour tortilla line
- The fact that key fast-food restaurant chains have increased their marketing of tortilla-related products

Cost of sales as a percentage of net sales increased to 55.4% from 53.5% due to a combination of factors, including (1) higher raw-material and packaging costs, (2) the consolidation of the European acquisitions; and (3) a change in the sales mix toward lower-margin products, such as our low-carb and Guerrero brand tortillas. These cost increases, as well as volume growth and the use of more expensive raw materials in new value-added products, led to an 18% rise in cost of sales in absolute terms.

SG&A as a percentage of net sales decreased to 34.7% from 37.3% due to better absorption of expenses. In absolute terms, SG&A rose 6% due to increases in distribution and transportation expenses. These increases came from (1) sales volume growth, (2) higher rates due to increased energy costs,

(3) coverage in new regions, and (4) the movement of products among tortilla plants due to capacity constraints at certain plants. We expect capacity expansions, to be completed in 2005, to ease these constraints.

Operating income as a percentage of net sales rose to 9.9% from 9.2%. In absolute terms, operating income increased 22% to Ps 1,257 million. Both improvements are attributable mainly to sales volume growth, discussed above, and better absorption of SG&A expenses.

GIMSA

ITEM *(pesos in millions, except where indicated)*	2004	2003	% Δ
Sales volume (thousand metric tons)	1,454	1,414	3
Net sales	5,787	5,471	6
Cost of sales	4,264	4,039	6
SG&A	1,072	1,018	5
Operating income	451	414	9
Operating margin (%)	7.8	7.6	20 bp
EBITDA	706	689	2
EBITDA margin (%)	12.2	12.6	(40) bp

In 2004 GIMSA developed new types of corn flour, which prompted some of its corporate customers to use GIMSA as their preferred supplier. Export sales to Gruma Corporation increased, as did **sales volume** to GIMSA's supermarket clients. These factors all led to sales volume growth of 3% for the year.

The company selectively and gradually implemented price increases throughout 2004, especially during the fourth quarter, to offset higher energy and corn costs. As a result of these price increases and volume growth, **net sales** increased 6% to Ps 5,787 million. The price increases also led to a slight improvement in **cost of sales** as a percentage of net sales, to 73.7% compared to 73.8%. In absolute terms, cost of sales increased 6% in connection with sales volume growth and cost increases, especially with regard to energy and corn.

SG&A as a percentage of net sales decreased slightly, to 18.5% from 18.6%. In absolute terms, SG&A rose 5% to Ps 1,072 million as a result of higher selling expenses stemming from the nationwide marketing campaign launched at the end of 2003.

Operating income as a percentage of net sales increased to 7.8% from 7.6% and, in absolute terms, increased 9% to Ps 451 million due to higher volumes and higher prices.

GRUMA VENEZUELA

ITEM *(pesos in millions, except where indicated)*	2004	2003	% Δ
Sales volume (thousand metric tons)	504	518	(3)
Net sales	3,300	3,308	0
Cost of sales	2,578	2,383	8
SG&A	538	496	8
Operating income	184	429	(57)
Operating margin (%)	5.6	13.0	(740) bp
EBITDA	274	517	(47)
EBITDA margin (%)	8.3	15.6	(730) bp

Two primary factors contributed to the 3% decrease in **sales volume** in 2004. The first was the entrance to the market of a new competitor oriented to government supply. The second was that our main competitor within the corn flour business resumed a normal pace of operations in 2004, having regained part of the business it lost in 2003.

Despite the decline in sales volume, **net sales** were flat at Ps 3,300 million due to higher prices in connection with higher raw-material costs.

The difficult competitive environment, together with price controls, limited the company's ability to raise prices sufficient to offset higher raw-material costs (specifically those of corn, wheat, rice, oat, and oil). In addition, the 3% decline in sales volume negatively affected fixed-cost absorption. As a result of these factors, **cost of sales** as a percentage of net sales increased to 78.1% from 72.0%. In absolute terms, cost of sales rose 8% due to higher raw-material costs.

SG&A as a percentage of net sales increased to 16.3% from 15.0%, an 8% rise in absolute terms. The increase comes mainly from the transportation industry's implementation of higher freight rates because of higher maintenance costs and from increased demand from industries such as construction and the government's social welfare and distribution programs.

Operating income decreased 57% to Ps 184 million. Operating margin decreased to 5.6% from 13.0%.

MOLINERA DE MÉXICO

ITEM (pesos in millions, except where indicated)	2004	2003	% Δ
Sales volume (thousand metric tons)	460	575	(20)
Net sales	1,885	2,095	(10)
Cost of sales	1,526	1,749	(13)
SG&A	378	371	2
Operating income	(19)	(24)	-
Operating margin (%)	(1.0)	(1.1)	10 bp
EBITDA	47	47	-
EBITDA margin (%)	2.5	2.2	30 bp

In 2004 Molinera de México began to sell to its largest customer pursuant to a service contract. Accordingly, rather than recording sales volume, net sales, and cost of sales related to its performance under the contract, the company records profits realized under the contract as a deduction from overall cost of sales. This change affects the comparability of our 2004 and 2003 results in terms of sales volume, net sales, cost of sales, and SG&A, as discussed below.

Sales volume decreased 20%. For comparability purposes, however, if 2003 sales to its largest customer are not included, sales volume would show an increase of 3%.

Net sales decreased 10% to Ps 1,885 million. The rate of decrease in net sales was lower than that of sales volume because of higher wheat flour prices in connection with higher wheat costs and a shift in the mix toward higher-priced products resulting from the change mentioned above.

Cost of sales as a percentage of net sales improved to 81.0% from 83.5% in connection with a change in the sales mix towards higher-margin products. In absolute terms, cost of sales fell 13%.

As a percentage of net sales, **SG&A** increased to 20.1% from 17.7% due to reduced expense absorption resulting from the sales contract change. SG&A increased 2% in absolute terms due to the strengthening of the sales force and increased promotion and advertising expenses related to the launch of premixed flour products for retail sale, as well as other initiatives.

Operating loss was Ps 19 million compared to an operating loss of Ps 24 million in 2003.

GRUMA CENTROAMÉRICA

ITEM (pesos in millions, except where indicated)	2004	2003	% Δ
Sales volume (thousand metric tons)	154	144	7
Net sales	1,226	1,137	8
Cost of sales	852	786	8
SG&A	356	355	-
Operating income	19	(4)	-
Operating margin (%)	1.5	(0.3)	180 bp
EBITDA	7.5	65	16
EBITDA margin (%)	6.1	5.7	40 bp

In 2004 two factors contributed to the 7% increase in **sales volume**. We increased distribution to customers that had been underserved by wholesalers, especially in rural areas. In addition, low corn supplies favored corn flour consumption. The increase in sales volume and, to a lesser extent, higher prices, especially in the corn flour segment, resulted in an 8% increase in **net sales** to Ps 1,226 million.

The growth in corn flour sales volume was the primary driver of the 8% overall increase in **cost of sales** in absolute terms. Prices did not fully reflect the higher cost of raw materials, a fact that caused cost of sales as a percentage of net sales to increase to 69.5% from 69.1%.

SG&A as a percentage of net sales improved to 29.0% from 31.2% due to better expense absorption. In absolute terms, SG&A remained flat.

Operating income was Ps 19 million compared to an operating loss of Ps 4 million in 2003. Operating margin increased to 1.5% from (0.3)%.

OTHER AND ELIMINATIONS

Operating income was Ps 49 million compared to an operating loss of Ps 76 million in 2003. This improvement was a result of increased business in the technology division—mostly in connection with increased capacity in Gruma Corporation—and lower administrative expenses at the corporate offices.

REPORT
of audit committee
April 20, 2005

In compliance with article 14 Bis 3 of the Mexican Securities Law and article Sixteen of the Company's bylaws, and on behalf of the audit committee, I hereby inform you of our activities undertaken in the period beginning April 2004 and ending March 2005. In the execution of our duties we have adhered to the recommendations contained in the Code of Best Corporate Practices and the applicable U.S. laws and regulations. Furthermore, in accordance with Mexican Securities Law, we required the statutory auditor of the Company to attend the meetings of the audit committee.

During the aforementioned period, we performed the following activities:

1. We reviewed the work plans of the different services rendered by the independent auditors, as well as the economic proposals, and approved them in their totality.

2. In the interviews and meetings of the audit committee with the independent auditors, we verified that the independent auditors complied with the requirements of independence and rotation of supervisory personnel. We also reviewed with them, and with the Company's management, their comments on the internal control they developed as part of their duties, as well as the procedures for and scope of their audit for the fiscal years 2004 and 2003.

3. Together with the management and the independent auditors, we reviewed the Form 20-F for fiscal year 2003, which was filed with the Securities and Exchange Commission (SEC) in a complete and timely manner.

4. We reviewed the Company's quarterly financial information corresponding to the fiscal year 2004 and did not detect any irregularities therein; thus, we approved its presentation to the Board of Directors and its publication.

5. We reviewed the Company's audited financial statements as of December 31, 2004; the auditors' report; and the accounting principles used in their preparation. After having reviewed with the independent auditors as well as with the Company's management the independent auditors' comments, we recommended to the Board of Directors that they be approved in order for the report to be submitted to the shareholders' meeting.

6. We reviewed the organizational structure, working plans, and quarterly reports of functions performed by the Company's internal auditing department, and we formalized the establishment of the internal control committees in the corporate area, as well as in each of the Company's subsidiaries. Furthermore, the follow-up reports of the observations found were brought before us, and we did not find any material issues to comment on.

7. The management and the independent auditors promptly informed the audit committee of related-party transactions and extraordinary material transactions, and we did not have any observations or comments on those matters.

8. We requested and evaluated a report from the Company's legal department on the legal status of the Company. This report included corporate documentation, governmental authorizations, litigation, environmental issues, and control mechanisms implemented to comply with all the laws applicable to the Company and its subsidiaries. We did not have any significant observations, and we recommended that the Company follow up the observations made to such report.

9. We reviewed and approved the independent auditors' and the management's work plans regarding the Company's internal control system certification project. The audit committee reviews the progress of the internal control certification project on a quarterly basis.

10. In reference to the project regarding the direct communication channel between officers and employees and the audit committee, the Company's management concluded its implementation for the Company's subsidiaries in the United States in fiscal year 2004; for the rest of the operations the implementation will conclude in fiscal year 2005. We do not have any observations regarding the communication channel project, the reports of which the audit committee reviews quarterly.

11. We reviewed the Company's code of ethics and recommended its implementation, which was carried out during fiscal year 2004.

Eduardo Livas C.

Dr. Eduardo Livas Cantú
Chairman of the Audit Committee

MANAGEMENT'S
statement of responsibility for financial statements

The management of GRUMA, S.A. 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 generally accepted accounting principles, 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 fairness of management's presentation of the company's financial statements and, in so doing, provides an objective assessment of the manner in which management executes its responsibility for fairness and accuracy in financial reporting.

Roberto González Barrera
Chairman and CEO

Juan Quiroga
Chief of staff

REPORT
of independent auditors

Monterrey, N.L., February 21, 2005

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

We have audited the consolidated balance sheets of Gruma, S.A. de C.V. and subsidiaries as of December 31, 2004 and 2003, 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 conducted our audits in accordance with auditing standards generally accepted 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 accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3.K, beginning January 1, 2004, Statement C-15 "Impairment in the Value of Long-Lived Assets and their Disposal" became effective. This Statement was issued by the Mexican Institute of Public Accountants (MIPA); likewise, as described in Notes 3.M and 8, in 2004 the Company adopted in advance the provisions of Statements C-10 "Derivative Financial Instruments and Hedging Transactions" and B-7, "Acquisition of Businesses", issued also by the MIPA, with the effects described in the abovementioned notes.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Gruma, S.A. de C.V. and subsidiaries at December 31, 2004 and 2003, 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 accounting principles generally accepted in Mexico.

PricewaterhouseCoopers

Sergio Aguirre Reyna
Audit Partner

CONSOLIDATED
balance sheets

GRUMA, S.A. DE C.V. AND SUBSIDIARIES
AS OF DECEMBER 31, 2004 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004)
(Notes 1 and 3)

		2004		2003
ASSETS				
Current:				
Cash	Ps.	186,550	Ps.	150,655
Temporary investments (Note 3-F)		301,528		222,910
Restricted temporary investments (Note 12-B)		490		1,137
Accounts receivable, net (Note 4)		3,213,265		2,765,718
Refundable taxes (Note 4)		431,049		298,077
Inventories (Note 5)		3,705,028		3,417,410
Prepaid expenses		259,592		229,872
Total current assets		8,097,502		7,085,779
Investment in common stock of associated companies (Note 6)		1,799,286		1,597,672
Property, plant and equipment, net (Note 7)		13,211,627		13,182,072
Intangible assets, net (Note 8)		1,083,055		821,694
Excess of cost over book value of subsidiaries acquired, net (Note 8)		954,883		900,454
Other assets (Note 9)		62,473		67,575
TOTAL ASSETS	Ps.	25,208,826	Ps.	23,655,246
LIABILITIES				
Current:				
Bank loans (Note 10)	Ps.	428,652	Ps.	94,419
Current portion of long-term debt (Note 10)		92,733		410,752
Trade accounts payable		1,450,805		979,169
Accrued liabilities and other accounts payable		1,663,413		1,811,984
Income tax payable		10,522		5,151
Employees' statutory profit sharing payable		15,049		14,432
Total current liabilities		3,661,174		3,315,907
Long-term debt (Note 10)		6,015,876		6,050,238
Deferred income taxes (Note 15)		1,494,875		1,050,039
Deferred employees' statutory profit sharing (Note 15)		25,673		30,989
Other liabilities		250,307		132,043
Total long-term liabilities		7,786,731		7,263,309
TOTAL LIABILITIES		11,447,905		10,579,216
Contingencies and commitments (Note 12)				
STOCKHOLDERS' EQUITY				
Majority interest (Note 13):				
Common stock		4,563,775		4,401,973
Restatement of common stock		7,069,240		7,067,791
		11,633,015		11,469,764
Additional paid-in capital		3,548,704		3,386,304
		15,181,719		14,856,068
Deficit from restatement		(13,043,997)		(12,463,046)
Derivative financial instruments		19,601		-
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing		(202,858)		(202,858)
Retained earnings (Note 13-B):				
Prior years		8,590,778		8,117,488
Net income for the year		923,180		498,741
Foreign currency translation adjustments (Note 13-E)		(623,979)		(626,177)
Total majority interest		10,844,444		10,180,216
Minority interest		2,916,477		2,895,814
TOTAL STOCKHOLDERS' EQUITY		13,760,921		13,076,030
	Ps.	25,208,826	Ps.	23,655,246

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

CONSOLIDATED STATEMENTS
of income

GRUMA, S.A. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except per-share amounts)
(Notes 1 and 3)

		2004		2003
Net sales	Ps.	24,992,482	Ps.	23,311,102
Cost of sales		(16,034,806)		(14,843,230)
Gross profit		8,957,676		8,467,872
Selling, general and administrative expenses		(7,017,756)		(6,699,100)
Operating income		1,939,920		1,768,772
Comprehensive financing cost, net:				
Interest expense		(486,716)		(538,077)
Interest income		228,396		65,437
Monetary position gain, net		242,820		190,274
Foreign exchange loss, net (Note 16-A)		(51,345)		(183,792)
		(66,845)		(466,158)
Other expenses, net (Note 14)		(286,830)		(177,062)
Income before income taxes, employees' statutory profit sharing, equity in earnings of associated companies and minority interest		1,586,245		1,125,552
Income taxes (Note 15):				
Current		(405,092)		(315,826)
Deferred		(358,286)		(368,062)
		(763,378)		(683,888)
Employees' statutory profit sharing (Note 15):				
Current		(15,071)		(14,184)
Deferred		5,839		18,939
		(9,232)		4,755
Income before equity in earnings of associated companies and minority interest		813,635		446,419
Equity in earnings of associated companies		282,197		237,901
Income before minority interest		1,095,832		684,320
Minority interest		(172,652)		(185,579)
Majority net income for the year	Ps.	923,180	Ps.	498,741
Earnings per share (pesos)	Ps.	2.05	Ps.	1.12
Weighted average shares outstanding (thousands)		450,306		445,098

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

CONSOLIDATED STATEMENTS

of changes in stockholders' equity

GRUMA, S.A. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, except number of shares and dividends per share)
(Notes 1 and 3)

	Common stock (Note 13-A)						Retained earnings (Note 13-B)					
	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	Prior years	Net income for the year	Foreign currency translation adjustments (Note 13-E)	Total majority interest	Minority interest	Total stockholders' equity
Balances at December 31, 2002	441,402	Ps. 11,263,218	Ps.3,257,691	Ps. (12,097,793)	Ps. -	Ps. (202,858)	Ps. 8,354,255	Ps. 429,248	Ps. (688,893)	Ps. 10,314,868	Ps. 2,821,584	Ps. 13,136,452
Appropriation of prior year net income							429,248	(429,248)		-		-
Contributions by minority interest										-	141,861	141,861
Decrease of minority interest										-	(7,927)	(7,927)
Dividends paid (Ps. 0.69 per share)							(309,035)			(309,035)	(197,232)	(506,267)
Net purchases and sales of Company's common stock	8,731	206,546	87,300				(172,998)			120,848		120,848
Derivative financial operations in Company's own stock			41,313				122,560			163,873		163,873
	8,731	206,546	128,613				69,775	(429,248)		(24,314)	(63,298)	(87,612)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(365,253)			(306,542)			(671,795)	(80,672)	(752,467)
Foreign currency translation adjustments									62,716	62,716	32,621	95,337
Net income for the year								498,741		498,741	185,579	684,320
Comprehensive income for the year				(365,253)			(306,542)	498,741	62,716	(110,338)	137,528	27,190
Balances at December 31, 2003	450,133	11,469,764	3,386,304	(12,463,046)	-	(202,858)	8,117,488	498,741	(626,177)	10,180,216	2,895,814	13,076,030
Appropriation of prior year net income							498,741	(498,741)		-		-
Contributions by minority interest										-	94,128	94,128
Decrease of minority interest										-	(29,577)	(29,577)
Dividends paid (Ps.0.72 per share)							(326,082)			(326,082)	(226,127)	(552,209)
Net purchases and sales of Company's common stock	1,916	163,251	162,400				(41,797)			283,854		283,854
	1,916	163,251	162,400				130,862	(498,741)		(42,228)	(161,576)	(203,804)
Comprehensive income (loss):												
Recognition of inflation effects for the year				(580,951)			342,428			(238,523)	9,587	(228,936)
Foreign currency translation adjustments									2,198	2,198		2,198
Derivative financial instruments					19,601					19,601		19,601
Net income for the year								923,180		923,180	172,652	1,095,832
Comprehensive income for the year				(580,951)	19,601		342,428	923,180	2,198	706,456	182,239	888,695
Balances at December 31, 2004	452,049	Ps. 11,633,015	Ps.3,548,704	Ps. (13,043,997)	Ps. 19,601	Ps. (202,858)	Ps. 8,590,778	Ps. 923,180	Ps. (623,979)	Ps. 10,844,444	Ps. 2,916,477	Ps. 13,760,921

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

CONSOLIDATED STATEMENTS
of changes in financial position

GRUMA, S.A. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004)
(Notes 1 and 3)

	2004	2003
Operating activities:		
Majority net income for the year	Ps. 923,180	Ps. 498,741
Minority interest	172,652	185,579
Consolidated net income	1,095,832	684,320
Adjustments to reconcile net income to resources provided by operating activities		
Depreciation and amortization	1,055,442	1,156,318
Impairment of long-lived assets	240,696	-
Equity in earnings of associated companies, less dividends received	(226,839)	(198,619)
Deferred income taxes and employees' statutory profit sharing	352,447	349,124
Write-off of debt issuance costs due to early extinguishment of debt	23,790	-
Seniority premiums	8,802	8,044
	2,550,170	1,999,187
Changes in working capital:		
Restricted temporary investments	647	365
Accounts receivable, net	(520,085)	95,992
Inventories	(530,533)	(822,106)
Prepaid expenses	(30,499)	(109,485)
Trade accounts payable	528,749	(184,374)
Accrued liabilities and other accounts payable	(29,164)	368,485
Income taxes payable and employees' statutory profit sharing	6,720	1,848
	(574,165)	(649,275)
Net resources provided by operating activities	1,976,005	1,349,912
Financing activities:		
Proceeds from bank loans and long-term debt	4,292,396	1,819,795
Repayment of bank loans and long-term debt	(4,487,724)	(2,802,778)
Contributions by minority interest	94,128	141,861
Decrease of minority interest	(29,577)	(7,927)
Net purchases and sales of Company's common stock and derivative financial operations	283,854	284,721
Dividends paid	(552,209)	(506,267)
Other	(11,348)	3,525
Net resources used in financing activities	(410,480)	(1,067,070)
Investing activities:		
Acquisition of property, plant and equipment	(900,981)	(776,759)
Acquisition of subsidiaries net of cash acquired	(384,218)	-
Sales of property, plant and equipment	189,904	158,711
Intangible assets	(367,622)	(15,392)
Trust funds for research and development of technology	-	216,214
Other	11,905	15,950
Net resources used in investing activities	(1,451,012)	(401,276)
Net increase (decrease) in cash and temporary investments	114,513	(118,434)
Cash and temporary investments at beginning of year	373,565	491,999
Cash and temporary investments at end of year	Ps. 488,078	Ps. 373,565

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

NOTES
to consolidated financial statements

GRUMA, S.A. DE C.V. AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of Mexican pesos of constant purchasing power of December 31, 2004, except where otherwise indicated)

1. ENTITY AND NATURE OF BUSINESS

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

2. NEW OPERATIONS

- In June 2004, the Company acquired, through its subsidiary Gruma Corporation, all the shares of Ovis Holding B.V. for Ps.142,386 (U.S.$12,770 thousands). Ovis Holding B.V. is a company constituted in the Netherlands and the holder of 100% of the shares of Ovis Boske Speciaalbrood B.V., collectively referred to as "Ovis Boske". At the date of purchase, Ovis Boske had cash balances that decreased the investment to a net amount of approximately Ps.126,173 (U.S.$11,316 thousands). Additionally, it had long-term debt of Ps.52,149 (U.S.$4,677 thousands).

  Pursuant to the terms of the agreement, further contingent consideration in the form of a one-time earn-out payment, which is estimated to be approximately Ps.83,600 (U.S.$7,500 thousands), is due to the sellers on March 31, 2005. Such earn-out is based upon the operating results of Ovis Boske for the 2004 calendar year.

  Ovis Boske produces and distributes tortillas, packaged meals, and other related products in the European market. With the acquisition of Ovis Boske, the Company expands its growth opportunity in the European tortilla market.

  Acquired net assets are as follows:

Current assets	Ps. 57,099
Property, plant and equipment	131,838
Excess of cost over book value and intangibles	52,929
Total acquired assets	241,866
Current liabilities	Ps. 83,792
Deferred income taxes	15,688
Acquired net assets	Ps. 142,386

- In June 2004, the Company acquired, through its subsidiary Gruma Corporation, 51% of the shares of NDF Gruma Europe S.R.L. ("NDF Gruma") for Ps.101,632 (U.S.$9,115 thousands). NDF Gruma is a company constituted in Italy by Nuova De Franceshi & Figli S.P.A.

  NDF Gruma produces and distributes corn flour and other related products in the European market.

  Acquired net assets are as follows:

Property, plant and equipment	Ps. 183,317
Excess of cost over book value and intangibles	51,034
Total acquired assets	234,351
Deferred income taxes	Ps. 46,630
Minority interest	86,089
Acquired net assets	Ps. 101,632

- In October 2004, the Company entered into an asset purchase agreement of certain production assets and a co-packing arrangement with a tortilla packaging and distribution company located in Las Vegas, Nevada for Ps.63,354 (U.S.$5,682 thousands).

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Mexico.

A) BASIS OF CONSOLIDATION

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

As of December 31, 2004 and 2003, the principal subsidiaries included in the consolidation are the following:

	% ownership
Gruma Corporation and subsidiaries	100.00
Grupo Industrial Maseca, S.A. de C.V. and subsidiaries	83.18
Molinos Nacionales, C.A. (Note 18-C)	95.00
Derivados de Maíz Seleccionado, C.A. (Note 18-C)	50.00
Molinera de México, S.A. de C.V. and subsidiaries	60.00
Gruma Centroamérica, L.L.C. and subsidiaries	100.00
Productos y Distribuidora Azteca, S.A. de C.V. and subsidiaries	100.00
Investigación de Tecnología Avanzada, S.A. de C.V. and subsidiaries	100.00

B) USE OF ESTIMATES

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

C) FOREIGN CURRENCY TRANSLATION

Financial statements of foreign subsidiaries have been restated to recognize the effects of inflation and translated to Mexican pesos of constant purchasing power as of December 31, 2004, as follows:

- Financial statements are restated to year-end constant local currencies following the provisions of Bulletin B-10, applying the General Consumer Price Index ("GCPI") of the foreign country, which reflects the change in purchasing power of the local currency in which the subsidiary operates.

- Assets, liabilities, income and expenses are translated to Mexican pesos 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 in which the contributions were made and the income was generated. The effects of translation are recognized as a component of equity entitled "Foreign Currency Translation Adjustments" (Note 13-E).

D) RECOGNITION OF THE EFFECTS OF INFLATION

The consolidated financial statements have been restated to recognize the effects of inflation and are expressed in thousands of Mexican pesos of constant purchasing power as of December 31, 2004, determined as follows:

- For comparability purposes, the financial statements as of and for the year ended December 31, 2003 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") restatement is presented in 2004 in the stockholders' equity as recognition of inflation effects for the year 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, 2004, 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
2004	5.19 %	1.17 %
2003	3.98 %	7.75 %

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

- Restatement of non-monetary assets

  Inventory and cost of sales are restated using the estimated replacement cost method. As set forth in Note 3-I, 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 stockholder's investment at the original purchasing power amount. It is included within the related stockholders' equity captions.

- Deficit from restatement

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

- Monetary position gain

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

E) FOREIGN CURRENCY TRANSACTIONS

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

F) TEMPORARY INVESTMENTS

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

G) INVENTORIES AND COST OF SALES

Inventories are stated at the lower of estimated replacement cost or market. Estimated replacement cost is determined by the last purchase price 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.

H) INVESTMENT IN COMMON STOCK

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

I) PROPERTY, PLANT AND EQUIPMENT, NET

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

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

	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. Comprehensive financing cost, including interest expense, foreign currency exchange fluctuations, and monetary position gain of the related debt for major construction projects, are capitalized as part of the assets during the construction period. When assets are retired, sold or otherwise disposed, any resulting gain or loss is included in “Other income (expense), 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.

J) 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 starting January 1, 2003.

Effective January 1, 2004, the Company adopted the provisions of revised Bulletin B-7 “Business Acquisition” (“Bulletin B-7”), issued by the Mexican Institute of Public Accountants (“MIPA”), which is effective on January 1, 2005, but earlier adoption is encouraged.

Bulletin B-7 establishes that all the business combinations should be accounted under the purchase method. Bulletin B-7 also complements the accounting of intangible assets recognized in a business combination. According to Bulletin B-7, the excess of cost over book value of the net assets acquired should no longer be amortized but should be tested annually for impairment.

Prior to January 1, 2004, the excess of cost over book value of acquired subsidiaries was amortized based on the restated values using the straight-line method, over a period not to exceed 20 years.

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.

K) IMPAIRMENT OF LONG-LIVED ASSETS

Effective January 1, 2004, the Company adopted the provisions established in Bulletin C-15 “Impairment in the Value of Long-Lived Assets and Their Disposal” (“Bulletin C-15”). Bulletin C-15 provides guidance for the identification of certain events that represent evidence of a potential impairment of long lived assets, for both tangibles and intangibles. Additionally, it provides guidance for the estimation and recognition of impairment losses and their subsequent reversal and the presentation and disclosure requirements of impairment losses.

As a result of application of Bulletin C-15, the Company applies annual impairment tests to its property, plant and equipment; intangible assets; excess of cost over book value of acquired shares; and investment in associated shares when certain events and circumstances suggest that the carrying value of assets might not be recoverable.

The recoverable value of long-lived assets that are retained by the Company for its use is determined through the discounted net recoverable cash flow that is expected to be generated by the assets or its net realizable value, whichever is higher. If necessary, an impairment charge is recognized for the excess of the net book value over the estimated recover value of the assets. The net realizable value is determined by the market value of assets referenced to recent transactions with similar assets minus costs for sale.

Long-lived assets to be disposed of are stated at net book value or at net selling price, whichever is lower, and if applicable, an impairment loss is recognized for the difference. These assets are restated using the NCPI factors and are not further depreciated or amortized.

As of December 31, 2004, the effect on the results of operations related to Bulletin C-15 for the use of this new disposition represented an income decrease of Ps.240,696, registered in other expenses, net (Note 14).

L) EMPLOYEE RETIREMENT BENEFITS

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

M) FINANCIAL INSTRUMENTS

Through December 31, 2003, derivative financial instruments held for hedging purposes were recognized using the same valuation criteria used for the assets and liabilities being hedged. The effects of this valuation were recognized in the income statement, net of costs, expenses or earnings from the assets or liabilities being hedged.

Effective January 1, 2004, the Company adopted the provisions established by Bulletin C-12 “Financial Instruments with Characteristics of Liabilities, Equity or Both” (“Bulletin C-12”). Bulletin C-12 provides guidance to classify and measure certain financial instruments with characteristics of both liabilities and equity, as well as the related disclosure requirements.

In April 2004, Bulletin C-10 “Derivative Financial Instruments and Hedging Operations” (“Bulletin C-10”) was issued and effective on January 1, 2005, with its early adoption encouraged. The Company adopted the provisions of Bulletin C-10 effective January 1, 2004.

As a result of the application of the bulletins previously mentioned, all derivative financial instruments that are not held for hedging purposes are recorded at their fair value, initially based on the agreed contractual obligation, and subsequently adjusted at the end of each period for the changes in the market value. Any resulting gains or losses are recognized currently in income.

For cash flow hedge transactions, the effects of changes in the market value of the derivative financial instruments are recognized in other comprehensive income within stockholders’ equity, based on a valuation of hedge effectiveness of these contracts. Gains and losses recognized in other comprehensive income are reclassified to results of operations in the same period in which the obligation or the forecasted transaction affects it. Hedging instruments not considered cash flow hedges are valued at fair value, with gains and losses currently in income.

The adoption of these new bulletins had an impact on the Company’s results of operations, as described in Note 13-D.

N) 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.

O) 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.

P) 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.

Q) COMPREHENSIVE INCOME (LOSS)

The different components that constitute earned (lost) capital for the year are represented 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:

	2004	2003
Trade accounts receivable	Ps. 3,055,008	Ps. 2,576,204
Allowance for doubtful accounts	(115,318)	(109,195)
	2,939,690	2,467,009
Related parties	-	6,201
Derivative financial instruments at fair value	1,918	60,792
Account receivable for disposed subsidiaries	19,678	56,655
Employees	25,975	28,194
Other debtors	226,004	146,867
	Ps. 3,213,265	Ps. 2,765,718

Refundable taxes comprised the following as of December 31:

	2004	2003
Production and services tax	Ps. 7,213	Ps. 37,622
Value-added tax	150,896	123,395
Income tax	272,940	137,060
	Ps. 431,049	Ps. 298,077

5. INVENTORIES

Inventories consisted of the following as of December 31:

	2004	2003
Raw materials, mainly corn and wheat	Ps. 2,818,143	Ps. 2,658,439
Finished products	363,707	323,730
Materials and spare parts	343,538	331,277
Production in process	56,568	46,310
Advances to suppliers	82,141	53,198
Inventory in transit	40,931	4,456
	Ps. 3,705,028	Ps. 3,417,410

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. de C.V. and subsidiaries ("GFNorte") and Harinera de Monterrey, S.A. de C.V. which produces wheat flour and related products in Mexico.

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

	2004	2003	Ownership
GFNorte	Ps. 1,682,102	Ps. 1,480,338	10.8557%
Harinera de Monterrey, S.A. de C.V	117,184	117,334	40%
	Ps. 1,799,286	Ps. 1,597,672	

7. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2004	2003
Land	Ps. 1,110,947	Ps. 1,093,060
Buildings	4,418,823	4,295,879
Machinery and equipment	14,886,099	14,612,657
Construction in progress	510,961	269,995
Software for internal use	713,614	716,724
Leasehold improvements	243,921	233,226
Other	31,565	31,695
	21,915,930	21,253,236
Accumulated depreciation and amortization	(8,704,303)	(8,071,164)
	Ps. 13,211,627	Ps. 13,182,072

For the years ended December 31, 2004 and 2003, depreciation expense amounted to Ps.962,639 and Ps.963,604, respectively.

As of December 31, 2004, property, plant and equipment includes temporarily idled assets with a carrying value of approximately Ps.533,849, resulting from the temporary shut-down of the productive operation of various plants in Mexico and Venezuela. These assets are valued at their recoverable values and are not being depreciated. During 2004, the Company decided to postpone the reinstatement of operations for temporary idled assets in Mexico, which was initially scheduled for the fourth quarter of 2004. This decision was the result of the implementation of optimization plans in Mexican plants.

During 2004, the Company recognized an impairment charge for the idle assets located in Mexico in the amount of Ps.164,509, recorded in other income (expense), net, based on the provisions established in Bulletin C-15. As of December 31, 2004, the Company also has assets to be disposed of at their recoverable value of Ps.36,341.

8. INTANGIBLE ASSETS, NET

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

	Remaining useful life (years)	2004	2003
Intangible assets with finite lives			
Acquired:			
Covenants not to compete	12	Ps. 822,143	Ps. 782,656
Debt issuance costs	2 - 20	571,768	227,244
Patents and trade names	15	10,035	20,476
Generated:			
Pre-operating expenses	2 - 6	46,588	78,696
Research on new projects	11 - 12	38,395	32,921
Other	1 - 15	61,451	63,056
Intangible assets with indefinite lives			
Trade names		224,574	203,497
		1,774,954	1,408,546
Accumulated amortization		(691,899)	(586,852)
		Ps. 1,083,055	Ps. 821,694

During 2004, the Company recognized intangible assets in the amount of Ps.374,548 (in 2003 Ps.15,392), mainly related to issuance costs incurred related to U.S. dollar perpetual bonds issued in December 2004, which amounted to Ps.329,250. Additionally, during 2004 the Company wrote off debt issuance costs amounting to Ps.23,790, corresponding to the early redemption of U.S. dollar bonds maturing in October 2007, and were charged to the results within "Other expenses, net".

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

For the years ended December 2004 and 2003, amortization expense related to intangible assets amounted to Ps.92,803 and Ps.112,885, respectively.

Research costs are charged to expenses as they are incurred, as well as development expenses when they do not qualify as intangible assets.

During 2004, the Company recognized an impairment loss in some of its trade names and capitalized pre-operating expenses of Ps.33,319 based on the provisions established in Bulletin C-15, which is recorded in "Other expenses, net" (Note 14).

As of December 31, 2004 and 2003, the excess cost over book value of shares acquired is represented net of accumulated amortization, which amounted to Ps.1,312,590 and Ps.1,325,322, respectively.

As previously mentioned during 2004, the Company adopted the provisions of Bulletin B-7 ceasing to amortize the excess of cost over book value of shares acquired for approximately Ps.79,829. The Company performed impairment tests based on provisions of Bulletin C-15 and, as a result, it recognized an impairment loss related to these assets of Ps.42,868, recorded in "Other expenses, net" (Note 14).

9. OTHER ASSETS

Other assets as of December 31 consisted of the following:

		2004		2003
Long-term notes receivable	Ps.	35,404	Ps.	35,262
Club memberships		11,062		15,679
Guarantee deposits		16,007		16,634
	Ps.	62,473	Ps.	67,575

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

On December 3, 2004, the Company issued perpetual bonds for Ps.3,345,000 (U.S.$300,000 thousands) bearing interest at an annual fixed rate of 7.75% payable quarterly. The bonds, which have no maturity date, have a call option exercisable by the Company at any time beginning five years after the issue date. The new perpetual bonds allowed the Company to substantially improve its debt profile by extending its debt maturities. Proceeds from the bonds were used as follows:

- to pay the tender price of U.S.$200 million senior unsecured notes in U.S. dollars due October 2007 and bearing semiannual interest at an annual rate of 7.625%,
- to pay down U.S.$30 million of the revolving facilities of the syndicated loan, and
- for the fees related to the issuance of the perpetual bonds and for general corporate purposes.

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

		2004		2003
Perpetual bonds in U.S. dollars bearing interest at an annual fixed rate of 7.75%, payable quarterly	Ps.	3,345,000	Ps.	-
Syndicated loan denominated in U.S. dollars bearing interest at an annual rate of LIBOR plus 0.55% to 0.65% (2.75% in 2004), payable quarterly and due in semiannual payments since April 2008		1,672,500		3,184,022
Senior unsecured notes in U.S. dollars, maturing in October 2007 and bearing interest at an annual rate of 7.625%, payable semiannually		563,543		2,842,877
Loans in U.S. dollars, payable between 2005 and 2010 bearing interest at annual rates from 1.20% to 7.96% in 2004, payable quarterly		422,500		434,091
Loans in Venezuelan bolivars payable in 2005 and bearing interest at variable annual rates from 10% to 15% in 2004		390,396		64,853
Loans in U.S. dollar due in 2006, bearing interest at variable annual rates from 3.13% to 3.57% (3.30% in 2004), payable monthly		92,629		29,566
Loans in Mexican pesos due in 2009, bearing interest at fixed annual rates from 12.11% to 13.11%, payable monthly		50,693		-
		6,537,261		6,555,409
Short-term bank loans		(428,652)		(94,419)
Current portion of long-term debt		(92,733)		(410,752)
Long-term debt	Ps.	6,015,876	Ps.	6,050,238

Short-term bank loans in U.S. dollars for U.S.$3.4 million bear interest at an average rate of 3.5% as of December 31, 2004. Short-term bank loans in Venezuelan bolivars for $67,225 million bear interest at an average rate of 14.14% as of December 31, 2004.

The Company has credit line agreements for U.S.$170 million (Ps.1,896 million), most of the balance of which is available as of December 31, 2004. These credit line agreements require the payment of an annual commitment fee of 0.25% to 0.625% on the unused amounts.

Various credit agreements contain covenants requiring the Company to maintain certain financial ratios. The Company's ability to pay dividends is restricted upon the failure to maintain such financial ratios. At December 31, 2004, the Company was in compliance with these covenants.

At December 31, 2004, the annual maturities of long-term debt outstanding were as follows:

Year		Amount
2006	Ps.	46,353
2007		677,473
2008		357,896
2009		1,589,162
2010 and thereafter		3,344,992
	Ps.	6,015,876

The Company has entered into an interest rate swap agreement covering a portion of its long-term debt maturing in 2008 and futures contracts for exchange rate related to the interest payments of long-term debt maturing in 2005, 2006 and 2007, see Note 18.

11. EMPLOYEE RETIREMENT BENEFITS

Seniority premium cost and other employee retirement benefits balance as of December 31, 2004 and 2003, amounted to Ps.36,439 and Ps.39,607, respectively, and are included in other liabilities.

Seniority premium cost and other employee retirement benefits are determined by independent actuaries and are based principally on the employees' years of service, age, and salaries. The Company has established trust funds to meet these obligations. The Company uses a December 31 measurement date for its plans. The employees do not contribute to the mentioned funds.

The Company uses December 31 as the measurement date for its plans.

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

		2004		2003
Service cost	Ps.	3,196	Ps.	2,888
Interest cost		925		806
Expected return on plan assets		(3,358)		(1,868)
Curtailment loss		13		39
Settlement loss		-		6
Net amortization		2,386		1,291
Net cost for the year	Ps.	3,162	Ps.	3,162

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

		2004		2003
Actuarial present value of accumulated benefit obligations:				
Vested benefit obligation	Ps.	(14,049)	Ps.	(10,663)
Non-vested benefit obligation		(11,476)		(9,596)
		(25,525)		(20,259)
Excess of projected benefit obligation over accumulated benefit obligation		(5,111)		(7,141)
Projected benefit obligation		(30,636)		(27,400)
Plan assets at fair value (trust funds)		20,991		18,771
Shortfall of plan assets over projected benefit obligation		(9,645)		(8,629)
Unrecognized amounts to be amortized over 17 years:				
Cumulative net gain		218		1,597
Net transition liability		(301)		(140)
Prior service cost		(177)		(184)
Adjustment required to recognize minimum liability		(1,808)		(1,168)
Seniority premium liability	Ps.	(11,713)	Ps.	(8,524)

For the years ended December 31, 2004 and 2003, the changes in projected benefit obligation and plan assets are summarized as follows:

		2004		2003
Projected benefit obligation at beginning of year	Ps.	27,400	Ps.	25,571
Effect of inflation on beginning balance		669		(1,177)
Service cost		3,196		2,888
Interest cost		925		806
Benefits paid		(1,707)		(793)
Actuarial loss		153		105
Projected benefit obligation at end of year	Ps.	30,636	Ps.	27,400

		2004		2003
Fair value of plan assets at beginning of year	Ps.	18,771	Ps.	18,356
Effect of inflation on beginning balance		745		(642)
Actual return on plan assets		3,358		1,868
Benefits paid		(1,883)		(811)
Fair value of plan assets at end of year	Ps.	20,991	Ps.	18,771

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

	2004	2003
Discount rate	3.5 %	3.5 %
Rate of increase in future compensation levels	1.5 %	1.5 %
Expected long-term rate of return on plan assets	4.0 %	4.0 %

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

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

	2004	2003
Equity securities	36 %	27 %
Fixed rate instruments	64 %	73 %
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 saving and investment plan that incorporates voluntary employee 401(K) contributions with Company contributions. For the years ended December 31, 2004 and 2003, total expenses related to this plan were U.S.$3,017 thousands (Ps.33,640) and U.S.$2,670 thousands (Ps.29,771), 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.14,496 and Ps.16,237 as of December 31, 2004 and 2003, respectively.

In Central America, the labor legislation of Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala establishes that the accumulated payments, to which workers may be entitled, based on the years of services, must be paid in the case of death, retirement or dismissal. The Company records a liability of 10% over salaries paid, which amounted to Ps.10,231 and Ps.14,845 as of December 31, 2004 and 2003, respectively.

12. COMMITMENTS AND CONTINGENCIES

A) CONTINGENCIES

The Mexican tax authorities have made certain observations to asset tax returns for the years 1997, 1998 and 2000, which amounted to a total of Ps.108,542 including the related surcharges and penalties. The resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Venezuelan tax authorities have made certain observations to the income tax returns for the years 1999 and 1998 of one of our Venezuelan subsidiaries, which amounted to Ps.76,685, plus tax credits presumably omitted for a total of Ps.407. The resolutions of these claims will be assumed by the previous shareholder in accordance with the purchase agreement of our subsidiary Molinos Nacionales, C.A.

At the date of issuance of the financial statements, certain subsidiaries of the Company have been notified by the Comisión Nacional del Agua ("Water National Commission" or "CNA") of assessments due from different years amounting to Ps.24,932 plus related penalties and surcharges. These assessments mainly result from the CNA's determination of sewage water discharged on public property of the Mexican 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 gardens property of the Company, through the sprinkler system. The subsidiaries have asserted the legal defense allowed by law in order to annul these assessments. At the date of issuance of the financial statements, the situation of these assessments is as follows: (a) Several favorable judicial resolutions have been received for a total of Ps.6,901, (b) A favorable resolution was received, in first instance, for an issue amounting to Ps.14,222, but the resolution for an appeal placed by the CNA is pending, and (c) Resolutions in first instance are pending for two issues where assessments are discussed for a total of Ps.3,809. According to the Company's lawyers, a reasonable basis exists in order to obtain favorable resolution for the claimed assessments, because, among other things, the water from the production process is previously treated and later on used to irrigate the gardens property of the Company through the sprinkler system. In other words, the water is not discharged on public property of the Mexican Nation and, additionally, does not contaminate aquiferous layers or the underground soil. For this reason, the Company's management did not consider necessary the provision of any amount for this issue.

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

Additionally, in May 2004, an individual on behalf of a class filed an anti-trust lawsuit against the Company and several named retailers. The claim alleges that the defendants have violated California anti-trust and unfair trade practices laws by entering into retail agreements that allegedly restrain competition in the retail sale of tortillas in that state. The lawsuit is currently in its early stages; nevertheless, in the Company's opinion, its resolution is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

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

B) COMMITMENTS

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

As of December 31, 2004, the Company is leasing certain equipment under long-term operating lease agreements expiring through 2011. Future minimum lease payments under such leases amount to approximately Ps.1,514,984 (U.S.$135,873 thousands), as follows:

	U.S. dollars (thousands)					
Year		Facilities		Equipment		Total
2005	U.S.$	11,429	U.S.$	18,523	U.S.$	29,952
2006		9,706		16,194		25,900
2007		8,800		14,209		23,009
2008		8,493		9,622		18,115
2009		3,416		7,816		11,232
2010 and thereafter		5,073		22,592		27,665
	U.S.$	46,917	U.S.$	88,956	U.S.$	135,873
	Ps.	523,125	Ps.	991,859	Ps.	1,514,984

Rental expense was approximately Ps.408,994 and Ps.371,559 for the years ended December 31, 2004 and 2003, respectively.

At December 31, 2004, the Company had various outstanding commitments in the United States to purchase commodities and raw materials for approximately Ps.975,536 (U.S.$87,492 thousands), which will be delivered during 2005.

As of December 31, 2004, the Company had outstanding commitments to purchase machinery and equipment amounting to approximately Ps. 273,242 (U.S.$24,506 thousands).

As of December 31, 2004 and 2003, restricted cash of Ps.490 and Ps.1,137, respectively, which corresponds to undisbursed proceeds from the issuance of tax-exempt industrial development revenue bonds in the United States which is available to pay interest expense on outstanding balances on these bonds.

As of December 31, 2004, the Company has irrevocable letters of credit in the amount of approximately U.S.$13,528 thousands serving as collateral for claims pursuant to the Company's self-insured worker's compensation retention program.

The Company entered into a futures contract of interest rates, under which it receives LIBOR rate and pays a fixed interest rate of 3.2725%, and which is outstanding from April 2005 to April 2008.

13. STOCKHOLDERS' EQUITY

A) COMMON STOCK

At December 31, 2004, Gruma's outstanding common stock consisted of 452,049,643 shares of Series "B", with no par value, fully subscribed and paid, which can only be withdrawn with stockholders' approval, and 500,309 authorized shares held in Treasury. At December 31, 2003, the Company's outstanding common stock consisted of 450,133,443 shares and 2,416,509 shares held in Treasury.

B) RETAINED EARNINGS

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

Dividends paid from retained earnings which have not been previously taxed are subject to an income tax payable by the Company equal to 42.85%, 40.84% and 38.91% if they were paid during 2005, 2006 and 2007, respectively. The applicable tax may be credited against income tax the Company is subject to in the following two fiscal years. Effective January 1, 2002, dividends paid by the Company from net tax income account are not subject to any tax.

C) PURCHASE OF COMMON STOCK

The Stockholders' Meeting approved a Ps.650,000 reserve to repurchase the Company's own shares. The total amount of repurchased shares cannot exceed either the reserve amount or 5% of total equity. The differential between the value of purchase of common stock and its theoretical value, compound of its nominal value and premium in sales of paid shares if that is the case, is recorded in the reserve of purchase of common stock included in the account of retained earnings of previous years. Gain or loss for sale of common stock is recorded as premium in sales of shares. As of December 31, 2004, the Company has repurchased 500,309 of its own shares with a market value of Ps.13,248.

D) SHARE TRANSACTIONS

The Company has entered into several agreements involving its own shares, as follows:

- During 2004 and 2003, the Company has entered into five equity swap agreements with a financial institution under which the Company sold 60,105,000 shares representative of the Company's common stock for a total amount of U.S.$95,021 thousands. At the maturity date, the Company is subject to pay a financial cost at the LIBOR rate plus an average spread between 1.10% and 2.20% on the contractual amount. The agreement matured in January, February, May, September, October and December of 2004, and it was recognized a gain in results for the year amounting to Ps.159,493 within the financial statement line item of Interest Income. As of December 31, 2004, the Company does not have any outstanding swap operations.

- During 2004 and 2003, the Company entered into call option agreements with a European financial institution selling 6,405,000 shares representative of the Company's common stock for a total amount of U.S.$5,928 thousands, maturing in February and May of 2004, and at results of that year it was recognized an income of Ps.27,019 in the line of Interest Income. As of December 31, 2004, the Company does not have any outstanding call operations.

E) FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

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

		2004		2003
Foreign currency translation at beginning of year	Ps.	(626,177)	Ps.	(688,893)
Effect of translating net investment in foreign subsidiaries		(19,059)		403,218
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investments in foreign subsidiaries, net of tax		21,257		(340,502)
	Ps.	(623,979)	Ps.	(626,177)

The investment that the Company has in its operations in the United States and Europe generates a natural hedge of up to U.S.$473 million and U.S.$455 million as of December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the accumulated effect of translating net investment in foreign subsidiaries impacted minority interest in the amounts of Ps.37,965 and Ps.54,672, respectively.

F) INFLATION EFFECTS

As of December 31, 2004, the majority stockholders' equity comprised the following:

	Nominal	Restatement	Total
Common stock	Ps. 4,563,775	Ps. 7,069,240	Ps. 11,633,015
Additional paid-in capital	1,327,103	2,221,601	3,548,704
Deficit from restatement	-	(13,043,997)	(13,043,997)
Derivative financial instruments	19,601	-	19,601
Cumulative effect of a change in an accounting principle for deferred income taxes and employees' statutory profit sharing	(192,848)	(10,010)	(202,858)
Retained earnings from prior years	2,805,817	5,784,961	8,590,778
Net income for the year	922,667	513	923,180
Foreign currency translation adjustments	(623,979)	-	(623,979)
	Ps. 8,822,136	Ps. 2,022,308	Ps. 10,844,444

G) TAX VALUES OF COMMON STOCK AND RETAINED EARNINGS

As of December 31, 2004, tax amounts of common stock and retained earnings were Ps.9,381,870 and Ps.1,214,082, respectively.

14. OTHER (EXPENSES) INCOME, NET

Other (expenses) income, net, comprised the following:

	2004	2003
Amortization of excess of cost over book value and excess of book value over cost, net	Ps. -	Ps. (34,212)
Amortization of other deferred costs	(50,079)	(62,140)
Impairment of long-lived assets (Note 3-K)	(240,696)	(17,287)
Net gain (loss) from the sale fixed assets and other assets	30,238	(52,715)
Write-off of debt issuance costs due to early extinguishment of debt	(23,790)	-
Other	(2,503)	(10,708)
	Ps. (286,830)	Ps. (177,062)

15.INCOME TAX, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING

A) INCOME TAX AND ASSET TAX

Gruma files a consolidated income tax return for Mexican income tax purposes, consolidating taxable income and losses of Gruma and its controlled Mexican subsidiaries. Filing a consolidated tax return had the effect of reducing income tax expense for the years ended December 31, 2004 and 2003, by Ps.143,366 and Ps.68,606, respectively, as compared to filing a tax return on an unconsolidated basis. Tax regulations limit the income tax consolidation to 60% of the ownership interest of controlled Mexican subsidiaries. Starting from January 1, 2005, it is allowed the tax consolidation of 100% of the investment.

In accordance with the applicable tax law, Mexican corporations must pay the higher of either income tax or asset tax (1.8%). Asset tax is determined on the average value of substantially all of the Company's Mexican assets less certain liabilities. Payments of asset tax are recoverable against the excess of income tax over asset tax of the three prior years and the ten subsequent years.

For the year ended December 31, 2004, the Company did not generate the payment of asset tax. For the year ended December 31, 2003, asset tax amounted to Ps.30,109.

B) RECONCILIATION OF FINANCIAL AND TAXABLE INCOME

For the years ended December 31, 2004 and 2003, the reconciliation between the effective income tax amounts and the statutory income tax amounts is summarized as follows:

	2004	2003
Statutory federal income tax (33% in 2004 and 34% in 2003)	Ps. 531,313	Ps. 382,688
Foreign income tax rate differences	23,733	(17,602)
Effect of disposed and merged subsidiaries	-	114,454
Foreign dividends	249,088	264,172
Impact of change in income tax rate	(96,541)	-
Withdrawal of investments from other assets	-	(68,915)
Financing cost and income, net, and other income statement effects related to inflation	(9,402)	(38,164)
Amortization of excess of cost over book value and excess of book value over cost, net	-	11,423
Inflation restatement of tax loss carryforwards	-	(24,595)
Losses of Mexican subsidiaries which cannot be utilized for income tax consolidation purposes	67,944	44,585
Other	(2,757)	15,842
Effective income tax rate (48% in 2004 and 61% 2003)	Ps. 763,378	Ps. 683,888

As a result of the amendments to the Income Tax Law approved on November 13, 2004, the income tax rate will be 30% in 2005, 29% in 2006 and 28% in 2007. Therefore, the effect of this reduction in the income tax rate was considered in the determination of the deferred income tax assets and liabilities in 2004, and as a consequence the Company recognized a reduction in net deferred tax liabilities in the amount of Ps.96,541, which increased net income by the same amount.

At December 31, 2004 and 2003, the tax effects of main differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	(Assets) Liabilities	
	2004	2003
Deferred tax assets:		
Net operating loss carryforwards and other tax credits	Ps. (538,358)	Ps. (930,486)
Accrued liabilities	(135,048)	(259,343)
Recoverable asset tax	(275,764)	(286,848)
Intangible asset resulting from intercompany operation	(122,171)	(162,999)
Other	(124,023)	(144,350)
	(1,195,364)	(1,784,026)
Deferred tax liabilities:		
Property, plant and equipment, net	1,719,724	2,106,982
Inventories	433,885	492,664
Intangible assets and other	91,834	14,198
Investment in partnership and equity method investee	444,796	220,221
	2,690,239	2,834,065
Net deferred tax liability	Ps. 1,494,875	Ps. 1,050,039

Additionally, as of December 31, 2004 and 2003, the Company has a deferred liability of Ps.25,673 and Ps.30,989, respectively, relating to employees' statutory profit sharing.

C) TAX LOSS CARRYFORWARDS AND RECOVERABLE ASSET TAX

At December 31, 2004, in Mexico the Company has tax loss carryforwards of approximately Ps.1,173,155 available to offset its taxable income in subsequent years, and asset tax of Ps.122,475 available to offset the excess of income tax over asset tax in future years, as shown below:

Expiration Year	Tax loss carryforwards	Recoverable asset tax
2010	Ps. -	Ps. 31,414
2012	1,173,155	60,952
2013	-	30,109
	Ps. 1,173,155	Ps. 122,475

D) EMPLOYEES' STATUTORY PROFIT SHARING

In Mexico, employees' statutory profit sharing is determined for each subsidiary on an unconsolidated basis, applying 10% of taxable income determined on a basis similar to income tax, except that the employees' statutory profit sharing does not consider inflation effects (inflationary component), depreciation and amortization expense is based on the historical cost, and a foreign exchange gain or loss is recognized when a monetary asset or liability is contractually due.

16. FOREIGN CURRENCY

A) EXCHANGE DIFFERENCES

For the years ended December 31, 2004 and 2003, the effects of exchange rate fluctuations on the Company's monetary assets and liabilities were recognized as follows:

	2004	2003
Exchange differences arising from foreign currency liabilities accounted for as a hedge of the Company's net investment in foreign subsidiaries recorded directly to stockholders' equity as an effect of foreign currency translation adjustments	Ps. 21,257	Ps. (340,502)
Exchange differences arising from foreign currency transactions credited (charged) to income	(51,345)	(183,792)
	Ps. (30,088)	Ps. (524,294)

B) FOREIGN CURRENCY POSITION

As of December 31, 2004 and 2003, monetary assets and liabilities held or payable in U.S. dollars are summarized below:

	Thousands of U.S. dollars	
	2004	2003
In companies located in Mexico:		
Assets:		
Current	U.S.$ 13,160	U.S.$ 3,897
Non-current	92	14
Liabilities:		
Current	(16,347)	(47,661)
Long-term	(500,542)	(500,000)
	U.S.$ (503,637)	U.S.$ (543,750)

	Thousands of U.S. dollars	
	2004	2003
In foreign companies:		
Assets:		
Current	U.S.$ 182,270	U.S.$ 144,501
Non-current	2,447	1,736
Liabilities:		
Current	(267,088)	(188,278)
Long-term	(154,434)	(124,990)
	U.S.$ (236,805)	U.S.$ (167,031)

At December 31, 2004 and 2003, the exchange rates used to translate U.S. dollar assets and liabilities were Ps.11.15 and Ps.11.24, respectively. On February 21, 2005, date of issuance of these financial statements, the exchange rate for the U.S. dollar was Ps.11.07.

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

	Thousands of U.S. dollars	
	2004	2003
Corn purchases and other inventories	U.S.$ 94,939	U.S.$ 110,675
Interest expense	27,081	29,991
Equipment purchases	133	321
Services	5,125	532
	U.S.$ 127,278	U.S.$ 141,519

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:

	2004		2003	
	Foreign currency (thousands)	Year-end exchange rate	Foreign currency (thousands)	Year-end exchange rate
U.S. dollars	640,619	11.15	573,893	11.24
Swiss francs	22,052	9.76	22,559	9.08
Euros (European Mon U.)	12,614	15.1071	13,938	14.1645
Venezuelan bolivars	456,716,685	0.0058	358,934,520	0.0070
Costa Rican colons	31,782,454	0.0243	32,470,369	0.0269

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 (United States) – 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 and Europe. The main brands are MASECA for corn flour and MISSION and GUERRERO for tortillas.

- Corn flour division (Mexico) – engaged principally in the production, distribution and sale of corn flour in Mexico under MASECA brand. Corn flour produced by this division is used mainly in the preparation of tortillas and other related products.

- Corn flour, wheat flour and other products division (Venezuela) – engaged mainly in producing and distributing corn and wheat flour, used principally for industrial and human consumption.

- "Other" division represents those segments which amounts for concept do not exceed the 10% of the total consolidated. These segments include the corn flour and other products division in Central America, the wheat flour division in Mexico, the packaged tortilla division in Mexico and the technology and equipment division. The corn flour and other products division in Central America manufactures corn flour, tortillas and snacks and cultivates and sells hearts of palm. The wheat flour division in Mexico is engaged in the production and marketing of wheat flour in this country. The packaged tortilla division in Mexico produces and distributes tortillas. The 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 intersegment sales prices are market based. The Company evaluates performance based on operating income of the respective business units.

Summarized financial information concerning the Company's reportable segments is shown in the following tables.

Segment information as of and for the year ended December 31, 2004:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 12,682,947	Ps. -	Ps. 1,257,241	Ps. 513,513
Corn flour division (Mexico)	5,606,190	180,603	450,781	253,755
Corn flour, wheat flour and other products (Venezuela)	3,299,810	-	183,945	79,448
Other	3,371,353	430,303	4,065	149,969
Other reconciling items	32,182	(610,906)	43,888	58,757
Total	Ps. 24,992,482	Ps. -	Ps. 1,939,920	Ps. 1,055,442

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 9,126,509	Ps. 3,398,988	Ps. 1,038,979
Corn flour division (Mexico)	7,468,491	1,364,232	60,131
Corn flour, wheat flour and other products (Venezuela)	3,056,013	1,490,518	88,332
Other	3,798,607	578,636	90,209
Other reconciling items	1,759,206	4,615,531	1,839
Total	Ps. 25,208,826	Ps. 11,447,905	Ps. 1,279,490

Segment information as of and for the year ended December 31, 2003:

Segment	Net sales to external customers	Inter-segment net sales	Operating income (loss)	Depreciation and amortization
Corn flour and packaged tortilla division (United States and Europe)	Ps. 11,127,010	Ps. -	Ps. 1,028,951	Ps. 513,918
Corn flour division (Mexico)	5,429,797	40,980	414,289	274,939
Corn flour, wheat flour and other products (Venezuela)	3,307,777	-	429,295	88,010
Other	3,426,886	456,643	(129,892)	168,085
Other reconciling items	19,632	(497,623)	26,129	111,366
Total	Ps. 23,311,102	Ps. -	Ps. 1,768,772	Ps. 1,156,318

Segment	Total assets	Total liabilities	Expenditures for long-lived assets
Corn flour and packaged tortilla division (United States and Europe)	Ps. 8,220,151	Ps. 2,713,194	Ps. 425,766
Corn flour division (Mexico)	7,493,119	1,389,431	85,208
Corn flour, wheat flour and other products (Venezuela)	2,821,387	959,492	38,472
Other	4,350,819	942,463	71,606
Other reconciling items	769,770	4,574,636	155,707
Total	Ps. 23,655,246	Ps. 10,579,216	Ps. 776,759

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

Other reconciling items	2004	2003
Corporate expenses	Ps. 38,522	Ps. (59,838)
Elimination of inter-business unit transactions	5,366	85,967
Total	Ps. 43,888	Ps. 26,129

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

	2004	%	2003	%
NET SALES:				
United States and Europe	Ps. 12,682,947	51	Ps. 11,127,010	48
Mexico	7,783,453	31	7,738,839	33
Venezuela	3,299,810	13	3,307,777	14
Central America	1,226,272	5	1,137,476	5
	Ps. 24,992,482	100	Ps. 23,311,102	100
IDENTIFIABLE ASSETS:				
United States and Europe	Ps. 9,126,509	36	Ps. 8,220,151	35
Mexico	12,053,087	48	11,540,237	48
Venezuela	3,056,013	12	2,821,387	12
Central America	973,217	4	1,073,471	5
	Ps. 25,208,826	100	Ps. 23,655,246	100
CAPITAL EXPENDITURES:				
United States and Europe	Ps. 1,038,979	81	Ps. 425,766	55
Mexico	152,179	12	312,521	40
Venezuela	88,332	7	38,472	5
	Ps. 1,279,490	100	Ps. 776,759	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 long-term debt and derivative financial instruments is as follows:

		Carrying amount		Fair value
At December 31, 2004:				
Liabilities: Perpetual bonds in U.S. dollars bearing interest at an annual fixed rate of 7.75%, payable quarterly	Ps.	3,345,000	Ps.	3,690,873
Liabilities: Senior unsecured notes in U.S. dollars bearing fixed interest at annual rate of 7.625%		563,543		599,892
Liabilities: Exchange rates swap		1,408		1,408
At December 31, 2003:				
Liabilities: Senior unsecured notes in U.S. dollars bearing fixed interest at annual rate of 7.625%	Ps.	2,842,877	Ps.	2,983,031
Liabilities: Interest rate swap		53,434		53,434
Equity swap		276,636		343,634
Call option		66,904		99,143

Fair values were determined as follows:

- The fair value of debt is estimated based on quoted market prices for similar issues or on current rates available to the Company for debt of the same maturity and similar terms.
- The fair value of the equity swap and the call option is estimated based on quoted market prices of the shares and on the agreement terms.
- 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 to minimize the risk in price fluctuations in part of its raw materials and gas. These contracts are short-term and do not exceed the maximum production requirements for a one-year period. The futures contracts of inventories or anticipated purchases of grains are classified as cash flow or fair value hedges.

For cash flow hedges, the effective portion of the cumulative gain or loss on the derivative instrument is reported as a component of comprehensive income in the consolidated statements of stockholder's equity and recognized into earnings in the same period or periods during which the underlying hedged transactions affects the earnings (for raw material hedges when inventories are sold and for natural gas hedges when the commodity is utilized). As of December 31, 2004, the Company recognized net gains in the valuation of these instruments of approximately Ps.27,719 (Ps.19,601, net of taxes) from cash flow hedges, which were reflected on the consolidated balance sheets as a component of comprehensive income. The Company expects that the deferred gains related to cash flow hedges will be recognized within the next 12 months. No ineffectiveness was recognized on cash flow hedges. As of December 31, 2003, the gain or loss on these futures contracts was recognized at the settlement date of the contracts and was not significant.

During 2004, the Company entered into certain futures contracts to hedge certain commitments to purchase commodities for the production process, which contracts were designated as fair value hedges and resulted in net gains recognized in income of approximately Ps.20,304. As of December 31, 2004, the Company has outstanding fair value hedge instruments for Ps.1,918.

The Company uses derivative financial instruments such as interest rate swaps to hedge its long-term debt, which matures in 2007 and bears interest at an annual rate of 7.625%. This hedge considers the risk created by changes in the market value related to interest rate fluctuations, converting the debt from a fixed rate (7.625%) to a variable rate (LIBOR plus 2.035%). Additionally, the Company entered into an agreement to receive a fixed interest rate of 5.1525% through 2004 and 5.485% from 2005 through 2007 and to pay LIBOR rate.

C) CONCENTRATION OF CREDIT RISK

The financial instruments which are potentially subject to a concentration of risk are principally cash temporary investments and trade accounts receivable. The Company deposits its cash and temporary investments in recognized financial institutions. The concentration of the credit risk with respect to trade receivables is limited since the Company sells its products to a large number of customers located in different parts of Mexico, the United States, Central America, Venezuela and Europe. The Company maintains reserves for potential credit losses.

Our operations in Venezuela represented 13.2% of our sales of 2004. The severe political and economic situation in Venezuela presents a risk to our business that we cannot control and that cannot be accurately measured or estimated. The April 2002 coup, which ousted President Hugo Chavez from office for two days, marked the climax of the political instability that continued throughout the 2003 and 2004. In addition, a nationwide general strike that began in early December 2002 and lasted for approximately two months has caused a significant reduction on oil production in Venezuela and has had a material adverse effect on Venezuela's oil-dependent economy. In 2004 and 2003, inflation in Venezuela reached 19.18% and 27.08%, respectively. Additionally, the Venezuelan bolivar depreciated 20% and 14.01% in 2004 and 2003, respectively, against the U.S. dollar. In February 2003, in response to the general strike and in an effort to shore up the economy and control inflation, Venezuelan authorities imposed foreign exchange and price controls on certain products. On February 6, 2003, the Venezuelan government set a single fixed exchange rate for the bolivar against the U.S. dollar of 1,600 bolivars to U.S.$1.00. On February 11, 2003, the Venezuelan government established price controls on products such as corn flour and wheat flour. On February 9, 2004, the Venezuelan government set a single fixed exchange rate for the bolivar against the U.S. dollar of 1,920 bolivars to U.S.$1.00. At the same time the price of some food products subject to the price control was adjusted, including products made and commercialized by our operations in Venezuela. In August 2004, a referendum was convened either to revoke or ratify the presidency of the President Hugo Chavez, and the result was favorable to the President, Hugo Chavez, who will continue in power up to December 2006 according to Venezuela's constitution, and at the end of his mandate he could be reelected for a period of six more years.

19. RELATED PARTY TRANSACTIONS

The Company owns a 10.8557% interest in GFNorte, a Mexican financial institution. In the normal course of business, the Company obtains long-term financing from GFNorte and other subsidiaries of this institution at market rates and terms. During 2004, the Company did not obtain financings from GFNorte's subsidiaries.

During 2004 and 2003, the Company had accounts payable to Archer-Daniels-Midland (ADM) included in trade accounts payable for Ps.63,634 and Ps.53,834, respectively. Additionally, during 2004 and 2003, the Company purchased inventory ingredients from a shareholder amounting to Ps.1,147,531 (U.S.$103 million) and Ps.1,238,367 (U.S.$111 million), respectively.

20. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the MIPA issued Bulletin D-3, "Labor Obligations" ("Bulletin D-3"), which is effective as of January 1, 2005. Bulletin D-3 establishes the regulations for the quantification of costs and liabilities of the retirement benefits' plans and the regulation of valuation of labor obligations for reduction or anticipated extensions of the retirement benefits. Additionally, it establishes regulations for valuation, presentation and disclosure for other postretirement benefits and for the retirement benefits to be paid at the end of the employee labor relation. The Company's management believes that the effect of the adoption of Bulletin D-3 will result in the recognition of an initial liability of approximately Ps.73,171, which will be charged to results of operations.

FIVE-YEAR FINANCIAL SUMMARY

GRUMA, S.A. DE C.V., AND SUBSIDIARIES
(Millions of constant pesos as of December 31, 2004)

	2004	2003	2002	2001	2000	CAG
Cash and cash equivalents	489	375	494	450	142	36%
Trade accounts receivable	2,940	2,467	2,510	2,426	2,492	4%
Other accounts receivable	705	597	825	601	820	(4%)
Inventories	3,705	3,417	2,777	2,725	2,819	7%
Current assets	8,098	7,086	6,711	6,341	6,392	6%
Property, plant, and equipment, net	13,212	13,182	13,736	13,761	14,497	(2%)
Total assets	25,209	23,655	24,174	23,887	25,122	0%
Short-term debt	521	505	863	388	1,477	(23%)
Long-term debt	6,016	6,050	6,608	7,235	6,746	(3%)
Total debt	6,537	6,555	7,472	7,623	8,223	(6%)
Other liabilities	4,911	4,024	3,566	2,989	3,422	9%
Total liabilities	11,448	10,579	11,037	10,612	11,520	(0%)
Total stockholders' equity	13,761	13,076	13,136	13,158	13,181	1%
Majority stockholders' equity	10,844	10,180	10,315	10,414	10,370	1%
SHARE AND OTHER FINANCIAL INFORMATION						
Millions of outstanding shares	452.0	450.1	441.4	441.7	438.8	1%
Earnings per share[1]	2.1	1.1	1.0	0.8	0.6	35%
Book value per share[2]	24.0	22.6	23.4	23.6	23.6	0%
Depreciation and amortization affecting operating income[3]	993	1,032	1,079	1,186	1,039	(1%)
EBITDA[4]	2,933	2,801	2,708	2,251	1,979	10%
EBITDA margin	11.7%	12.0%	12.9%	10.9%	9.4%	6%
Current assets/Current liabilities	2.2	2.1	1.8	2.2	1.5	11%
Total liabilities/Stockholders' equity	0.8	0.8	0.8	0.8	0.9	(1%)
Debt/(Debt + stockholders' equity)	0.3	0.3	0.4	0.4	0.4	(4%)
Debt/EBITDA	2.2	2.3	2.8	3.4	4.2	(14%)
EBITDA/Interest expense	6.0	5.2	4.4	3.1	2.2	29%

1 Based on weighted average of outstanding shares of common stock.
2 Figures in pesos and based on outstanding shares at year-end.
3 Depreciation and amortization affecting operating income.
4 EBITDA = operating income + depreciation and amortization affecting operating income.

BOARD OF DIRECTORS
and management team

directors

ROBERTO GONZÁLEZ BARRERA, 74
Chairman, President, and Chief Executive Officer
Elected April 1994 (shareholder, related, 1)
GRUMA's founder, chairman, and CEO; and chairman of the board of directors of Grupo Financiero Banorte; founder and president, Patronato para el Fomento Educativo y Asistencial de Cerralvo, president of the Fundación Mexicana para la Investigación Agropecuaria y Forestal. Alternate: Juan A. Quiroga García

G. ALLEN ANDREAS, 61
Elected September 1996 (shareholder, independent)
Chairman and chief executive, Archer Daniels Midland Company (ADM); former CFO of European Operations at ADM; VP and counsel to the executive committee of ADM; president and CEO of ADM; director: A.C. Toepfer International, Agricore United; trustee, Economic Club of New York; member, The Trilateral Commission, The Bretton Woods Committee, International Council on Agriculture, Food and Trade; member, The Emergency Committee for American Trade, World Economic Forum, G100, European Advisory Board of The Carlyle Group, and various other business operations in Latin America, Europe, and the Asia-Pacific Region.

JUAN ANTONIO GONZÁLEZ MORENO, 47
Elected April 2003 (shareholder, related)
Gruma Corporation's special projects president; chairman and president of Car Amigo USA, Inc.; former vice president of central and eastern regions of Mission Foods; former vice president of sales and president of Azteca Milling, L.P.; former GIMSA chief operating officer.
Alternate: Jairo Senise

ROBERTO GONZÁLEZ MORENO, 52
Elected April 1994 (shareholder, related)
Chairman and president, Corporación Noble; former chief operating officer of GIMSA and GRUMA's former food division; director: Banco Mercantil del Norte, S.A., and GIMSA. Alternate: José de la Peña Angelini

CARLOS HANK RHON, 57
Elected April 1994 (related)
Chairman and CEO, Grupo Hermes; chairman and principal shareholder, Grupo Financiero Interacciones; chairman, Grupo Coin/La Nacional; director, Grupo Tribasa. Alternate: Edgar Valverde Rubizewsky

ROBERTO HERNÁNDEZ RAMÍREZ, 63
Elected April 1994 (independent)
Chairman, Banco Nacional de México; member, International Advisory Committee of the Federal Reserve Bank of New York; former CEO, Banco Nacional de México; chairman and director, Bolsa Mexicana de Valores; chairman, Mexican Banking Association; chairman, Acciones y Valores; director, Grupo Financiero Banamex, Televisa. Alternate: Esteban Malpica Fomperosa

JUAN MANUEL LEY LÓPEZ, 72
Elected April 1994 (independent)
Chairman and CEO, Grupo Ley; chairman, Latin American Association of Supermarkets; chairman, Sinaloa-Baja California Consultant Council of Grupo Financiero Banamex-Accival, National Association of Supermarket and Retail Stores; director, Grupo Financiero Banamex-Accival, Telmex. Alternate: Francisco Villarreal Vizcaíno

EDUARDO LIVAS CANTÚ, 62
Elected April 1994 (independent, 2)
Independent business consultant; former CEO, GRUMA and GIMSA (1994–1999); director, Grupo Financiero Banorte, GIMSA. Alternate: Alfredo Livas Cantú

ROMAN MARTÍNEZ MÉNDEZ, 67
Elected April 2002 (related, 2)
President of internal auditing, Grupo Financiero Banorte; former president, GRUMA controllership and auditing; director, GIMSA, Grupo Calíder. Alternate: Raúl Cavazos Morales

PAUL B. MULHOLLEM, 55
Elected April 2002 (shareholder, independent)
President and chief operating officer, Archer Daniels Midland Company (ADM); director, Agricore United, A.C. Toepfer International, National Future Farmers of America; member, the Carle Foundation. Alternate: Douglas J. Schmalz

BERNARDO QUINTANA ISAAC, 63
Elected April 1995 (independent)
Chairman, Empresas ICA Sociedad Controladora; director: Telmex, CEMEX, Grupo Carso, and others; former executive vice president, ICA; former vice president, ICA Turismo y Desarrollo Urbano. Alternate: Diego Quintana Kawage

ALFONSO ROMO GARZA, 54
Elected April 1994 (independent)
Founder, chairman, and CEO, Savia and Séminis; director, CEMEX, Nacional de Drogas, Grupo Comercial Chedraui, World Bank External Advisory Board for Latin America and the Caribbean, Donald Danforth Plant Science Center, and others. Alternate: Adrián Rodríguez Macedo

ADRIÁN SADA GONZÁLEZ, 59
Elected April 1994 (independent)
Chairman, Vitro; former CEO, Banpais; former chairman, Grupo Financiero Serfin; director: Alfa, Cydsa, Regio Empresas, Consejo Mexicano de Hombres de Negocios, Grupo de Industriales de Nuevo León. Alternate: Manuel Güemez de la Vega

JAVIER VÉLEZ BAUTISTA, 47
Elected April 2002 (independent, 2)
CEO, Nacional Monte de Piedad; former business consultant on strategic and financial issues; former EVP and CFO, GRUMA, former chief financial and planning officer, Gruma Corporation; project director, Booz Allen Hamilton; director, GIMSA; alternate director, Grupo Financiero Banorte. Alternate: Sergio García Bullé

SECRETARY
SALVADOR VARGAS GUAJARDO
EXAMINER
HUGO LARA SILVA

(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) GRUMA Audit Committee Member.

management team

Roberto González Barrera
Chairman and Chief Executive Officer

Rafael Abreu
President, Gruma Centroamérica

Roberto González
President, Gruma México

Raúl Peláez
Chief Financial Officer

Eduardo Sastré
President, Corporate Communications

José de la Peña
President, Gruma Latin America

Homero Huerta
Chief Administrative Officer

Juan Quiroga
Chief Corporate Officer

Jairo Senise
President and CEO, Gruma Corporation

Leonel Garza
Chief Procurement Officer

Enrique Orjuela
President, MONACA

Felipe Rubio
Chief Technology Officer

Salvador Vargas
General Counsel

DIRECTORY
of GRUMA's worldwide offices

CORPORATE OFFICES

MONTERREY
Río de la Plata 407 Ote.
Col. Del Valle, San Pedro Garza García, N.L.
66220 México
Tel: (52 81) 8399-3300

MEXICO CITY
Paseo de la Reforma 300, Piso 9
Col. Juárez, México, D.F.
06600 México
Tel: (52 55) 5227-4700

SUBSIDIARY OFFICES

MÉXICO
GRUPO INDUSTRIAL MASECA, S.A. DE C.V.
MOLINERA DE MÉXICO, S.A. DE C.V.
PRODUCTOS Y DISTRIBUIDORA AZTECA, S.A. DE C.V.
Torre Martel
Ave. Enrique Herrera 2307
Col. Valle Oriente, San Pedro Garza García, N.L
66290 México
Tel: (52 81) 8399-3800
www.gimsa.com

INVESTIGACIÓN DE TECNOLOGÍA AVANZADA, S.A. DE C.V. (INTASA)
Ave. Ruiz Cortines 2002 Ote.
Col. La Purísima, Guadalupe, N.L.
67110 México
Tel: (52 81) 8144-7120

UNITED STATES
GRUMA CORPORATION
1159 Cottonwood Lane, Suite 200
Irving, Texas 75038 USA
Tel: (972) 232-5000
(800) 364-0040
www.missionfoods.com
www.aztecamilling.com

UNITED KINGDOM
MISSION FOODS
Renown Avenue
Coventry Business Park
Coventry CV56UJ
U.K.
Tel: (44 24) 7667-6000

VENEZUELA
MOLINOS NACIONALES, C.A. (MONACA)
DERIVADOS DE MAÍZ SELECCIONADO, C.A. (DEMASECA)
Ave. Principal de los Ruices
Centro Monaca Torre Sur, Piso 4
Los Ruices Caracas, Venezuela
Tel: (58 212) 207-9111
www.monaca.com.ve

COSTA RICA
GRUMA CENTROAMÉRICA, S.A.
Pavas
Del Hospital Psiquiátrico
800 metros al Oeste
San José, Costa Rica
Tel: (506) 231-6947

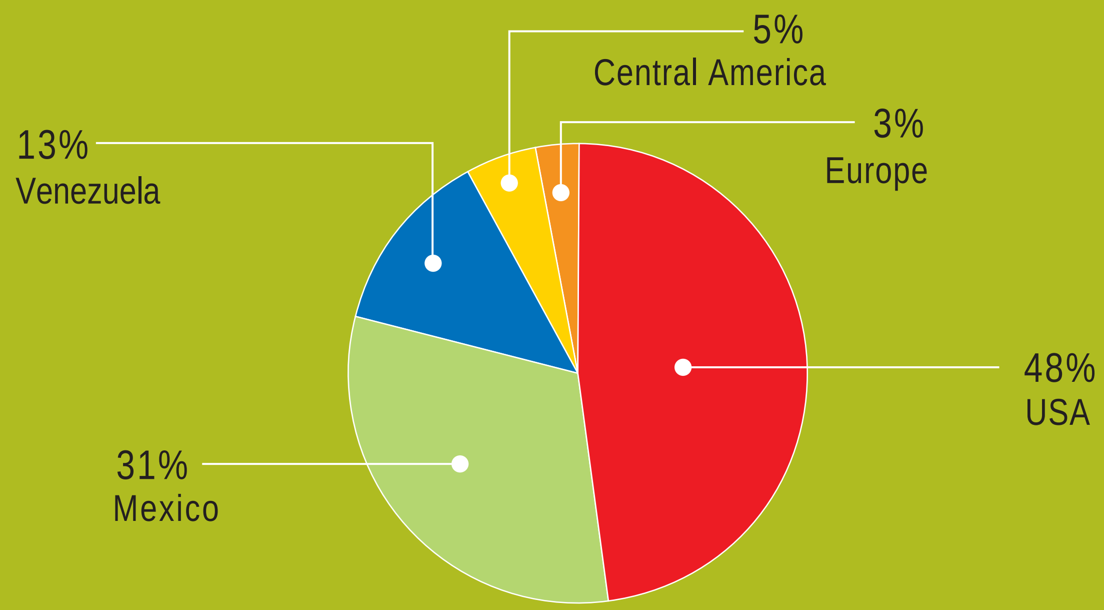
About this report

The theme of GRUMA's 2004 annual report is A World of Opportunity. We see opportunity not only in creating value for our investors but also in developing our employees and serving our customers and the people who enjoy our products. In the following pages we will demonstrate how our commitment to quality, our flexibility, and our focus on the profitable growth of our operations around the world are creating opportunities for all of our stakeholders.

Corporate Profile

GRUMA, S.A. de C.V., is one of the world's leading tortilla and corn flour producers. GRUMA was founded in 1949 and 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, Europe, Mexico, Central America, and Venezuela and exports to around 50 countries worldwide. GRUMA is headquartered in Monterrey, Mexico, and has more than 15,700 employees and 76 plants. In 2004, GRUMA had net sales of US$2.2 billion, of which about half came from the company's U.S. operations.

Sales by Region



INVESTOR AND MEDIA INFORMATION

INVESTOR RELATIONS CONTACTS	Rogelio Sánchez Tel: (52 81) 8399-3312 rsanchezm@gruma.com
	Lilia Gómez Tel: (52 81) 8399-3324 lgomez@gruma.com
MEDIA CONTACT	Ayax Carranza Tel: (52 55) 5227-4733 acarranza@gruma.com
EXCHANGE LISTINGS	Bolsa Mexicana de Valores (BMV), México New York Stock Exchange (NYSE), United States
TICKER SYMBOLS	BMV: GRUMAB NYSE: GMK* *Each American Depositary Receipt represents four ordinary shares
DEPOSITARY BANK	Citibank N.A., member of Citigroup Depositary Receipts Department Tel: (212) 816-6839 Fax: (212) 816-6865 anamaria.carasso@citicorp.com
WEBSITE	www.gruma.com

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