

**GRUMA, S.A. DE C.V.**  
GRUMA B / BMV

**Initial Coverage: POSITION ITSELF IN ASIAN MARKETS: AN IMPORTANT CHALLENGE FOR GRUMA.**

**Investment Recommendation: MARKET PERFORM**

Price: \$23.00      IPC: 11,622.41      IMC30: 216.90      DJIA: 10,054.39

- GRUMA is the biggest tortilla and corn flour producer in the world.
- Its cash flow comes almost entirely from its subsidiaries in other countries, especially from Gruma Corporation (US) and European subsidiaries.
- Net sales for GRUMA grew 8%, due to an increase in prices by changes in the product mix and the successful expansion of the brand Guerrero® to new markets in Central and Southeast US.
- Ps\$ 434 million were invested in acquiring new plants in Europe and the US.
- The expansion of the Evansville Plant in Indiana will provide a 14% capacity increase for Gruma.
- Its debt was reduced by US\$ 21 million, besides restructuring liabilities with a syndicate loan of US\$ 250 million, which improve interest rate conditions.
- Fitch Ratings graded GRUMA with “BBB-”, granting investment grade, due to its credit stability and solid financial profile.
- Target Price: \$ 25.99

Valuation ^	2004	2005F	2006F
EPS	\$1.486	\$1.582	\$2.438
P / E	15.48	16.42	10.66
EBITDA*	\$7.142	\$6.665	\$7.261
P / EBITDA	3.22	3.90	3.58

Market Cap		Stock Data	
Shares outstanding UBC(000)	446,831	52 Week Range	\$14.20 – \$24.30
Market Cap (M)**	10,267	12-Mo. Stock Performance^	58.61%
Enterprise Value (M)***	16,110	Dividends paid on 07/05/04	\$0.70
6-Mo. Avg. Daily Volume	17,317,566	Book Value per Share	\$23.066
		Beta	0.63

All data is as of the stated date.

Source: BMV, Infosel Inversionista, Yahoo Financiero

\* EBITDA is based on operating income plus depreciation and amortization, divided by the number of shares outstanding.

\*\* Equity Market Capitalization is based on market price times the number of shares outstanding.

All amounts are in Mexican pesos

\*\*\* Enterprise value is based on market capitalization adjusted for long-term debt, minority interest, cash, and short-term investments

^ Only the first three quarters of 2006 are projected

^^Performance is based on closing prices and dividends paid from April 30th 2003 to April 30th 2004

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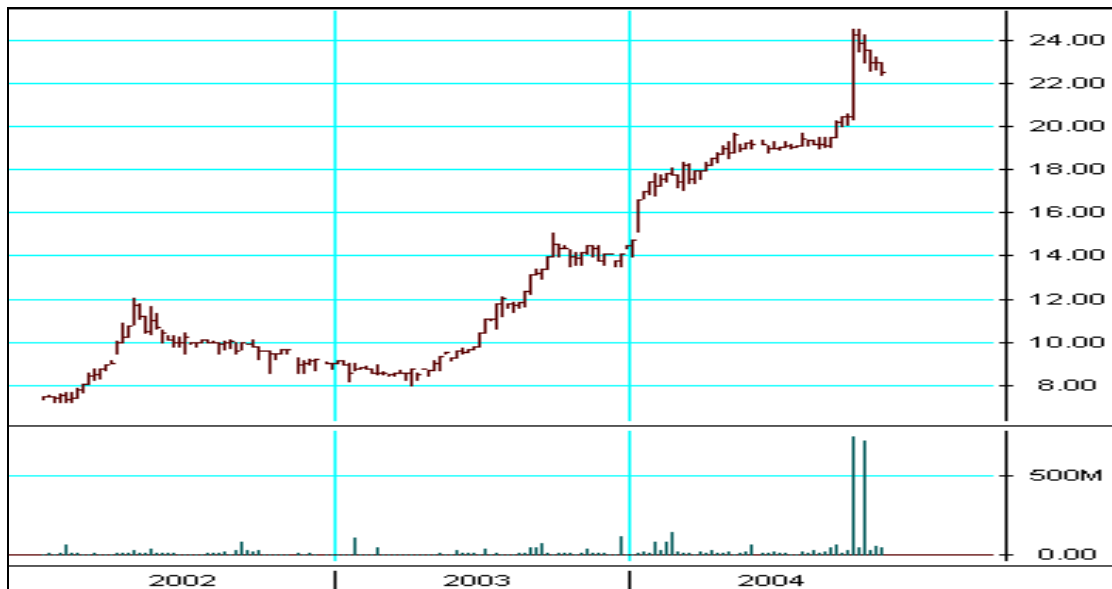
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## STOCK PERFORMANCE



Source: Economática

## COMPANY OVERVIEW

GRUMA, S.A. de C.V. was founded in 1949 by Roberto González Barrera; as part of the transformation industry, it is included into the food, drinks and tobacco sector.

Currently, it is the world leader in corn flour tortilla production. Its operations are based mainly in the production, commercialization, distribution and selling of corn flour, packed tortillas and wheat flour. Its subsidiaries are located in the US, Mexico, Europe, Central America and Venezuela. It has 14,958 employees and 74 plants distributed in such regions.

Gruma has a presence in the food industry, having few competitors.

Subsidiary	Product	Market Position
US	Corn flour	1
	Tortillas	1 y 2
Mexico	Wheat flour	1
	Corn flour	1
Venezuela	Wheat flour	1
	Corn flour	2
Central America	Corn flour	1

## Historical Background

In 1949 Molinos Azteca S.A. de C.V. was founded, the first production plant of nixtamalized corn flour in the world. After a decade in operation, in 1957 a new corn plant is added becoming the starting point of GRUMA's expansion. The internationalization of GRUMA starts in 1973, when the Costa Rican government asked GRUMA to become involved in their flour market. In 1977 GRUMA extends even more its international presence, by starting to produce and sell tortillas in the US market.

In the domestic market, GRUMA developed a new subsidiary in 1978 called TECNOMAIZ, for the manufacture of TORTEC machinery for the tortilla industry. Given GRUMA's sustained growth at the international level, it started operations in Honduras in 1987, and expanded to El Salvador, Guatemala and Venezuela enhancing GRUMA's consolidation process in Central America and Venezuela.

As part of a diversification process, GRUMA acquired in 1992 10% of Grupo Financiero Banorte, becoming one of the principal owners of the bank. Along with its financial growth process, in 1994 GRUMA made an IPO placement at the Mexican Stock Exchange (BMV).

At the international stage, GRUMA strengthened its presence by starting a palmetto packer in Costa Rica in 1994; a year later it started operations in England. Its global presence allows GRUMA to issue an ADR program at the New York Stock Exchange with the ticker GMK(ADR ratio: 1:3)

With a consolidated presence and continuous development, GRUMA expands in 1999 its operations in Venezuela by acquiring MONACA, the second largest flour and wheat producer in such country, and two years later, by 2000, opens a tortilla plant in Coventry, England.

In 2004 Gruma bought the Dutch company Ovis Boske Specialbrood, as well as 51% of the Italian corn producer Nuova De Franceschi & Figli. Likewise, Gruma bought a plant in Las Vegas, Nevada and maintains a very important expansion process, specially at the plant in Evansville, Indiana, which will increase capacity by 14%.

<b>Product</b>	<b>Country</b>
White flour	Mexico, Venezuela, El Salvador, Honduras, Nicaragua, Costa Rica, Guatemala and the US
Pre-baked Flour	Venezuela
Wheat flour	Mexico, Venezuela
Corn Flour	Mexico
Fritter	Mexico, the US and Costa Rica
Rice	Venezuela and Costa Rica
Oatmeal	Venezuela
Palmetto	Costa Rica
Blender Machines	Mexico
Tortilla Machines	Mexico

Source: Based on company information

## **SUBSIDIARIES**

### **Gruma Corporation**

Its operations are based in the US and Europe; it produces and distributes corn flour, corn and wheat tortillas, as well as other related products. It started operations in 1977 and is the fastest growing subsidiary in terms of size and most representative for GRUMA, since it generates the largest sales. It is the number one corn flour producer in the US and its products are distributed at over 30,000 stores.

### **Gruma Venezuela**

It is the second corn and wheat flour producer in Venezuela; it is formed by Nacionales, C.A. (MONACA) and Derivados de Maíz Seleccionado, C.A. (DEMASECA). Its market share is 34% of the corn flour and 33% of the wheat industries.

### **Gruma Centroamérica**

It has operations in Guatemala, El Salvador, Honduras and Nicaragua. Its headquarters are located in Costa Rica; it produces corn flour, tortillas, and snacks, besides growing palmetto core and rice. Its corn flour market share is 69%.

### **GIMSA**

Grupo Industrial Maseca, S.A. de C.V. produces, distributes and sells corn flour in Mexico. It has 18 distributors in the country. Has a market share of 73% and is the second largest subsidiary in terms of sales for GRUMA.

### **Molinera de México, S.A. de C.V.**

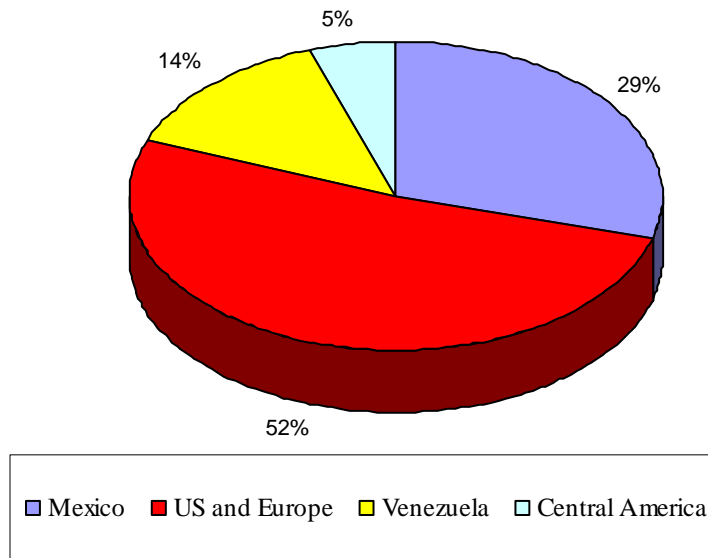
It sells wheat flour; has a partnership with Archer-Daniels-Midland since 1996 and is the largest wheat flour producer in Mexico.

### **PRODISA**

Productos y Distribuidora Azteca, S.A. de C.V., distributes packed tortillas in the northern part of Mexico.

Country	Subsidiary participation	Ownership (%)
Mexico	<ul style="list-style-type: none"> <li>Grupo industrial Maseca, S.A. de C.V. (GIMSA)</li> <li>Molinera de México, S.A. de C.V.</li> <li>Productos y Distribuidora Azteca, S.A. de C.V. (PRODISA)</li> <li>TECNOMAIZ</li> </ul>	83 60 100 100
US an Europe	<ul style="list-style-type: none"> <li>Gruma Corporation</li> </ul>	100
Venezuela	<ul style="list-style-type: none"> <li>Gruma Venezuela</li> <li>Molinos Nacionales, C.A. (MONACA)</li> <li>Derivados de Maíz Seleccionado, C.A. (DEMASECA)</li> </ul>	95 50
Central America	<ul style="list-style-type: none"> <li>Gruma Centroamérica</li> </ul>	100

**Sales participation as of 3Q 2004**



Source: Based on company information

## **BOARD OF DIRECTORS**

### **Roberto González Barrera**

*Chairman of the Board, CEO of GRUMA and GIMSA.*

### **Allen Andreas**

*Chairman and CEO of Archer-Daniels-Midland Company.*

### **Roberto González Moreno**

*Chairman of the Board of Corporación Noble and Noble Marketing International, Inc, Director of Banorte.*

### **Juan Antonio González Moreno**

*Gruma Special Projects Advisor*

**Carlos Hank Rhon**

*Chairman of the Board of Grupo Hermes and Grupo Financiero Interacciones.*

**Roberto Hernández Ramírez**

*Chairman of the Board of Banamex and Acciones y Valores de México.*

**Juan Manuel Ley López**

*Chairman of Casa Ley.*

**Eduardo Livas Cantú**

*Financial and strategic consultant, as well as in mergers and acquisitions. Chairman and member of the Audit committee of Gruma and Gimsa, and member of the Risk Administration Audit committee of Grupo Financiero Banorte.*

**Román Martínez Méndez**

*Internal Audit Chairman of Grupo Financiero Banorte.*

**Paul B. Mulhollem**

*Chairman and Operations Officer of Archer-Daniels-Midland.*

**Bernardo Quintana Isaac**

*Chairman of the Board of Empresas ICA, Sociedad Controladora.*

**Alfonso Romo Garza**

*CEO and Chairman of the Board of Savia and Seminis, Inc.*

**Javier Vélez Bautista**

*Administration officer of Value Link Strategic Management, Member of the Audit committee of GRUMA y Grupo Financiero Banorte.*

**COMPANY STRATEGY**

Gruma has supported its success by relying on research and development of its own technology throughout the years. Because of this, it has the most advanced technology in corn flour processing and in tortilla production plants, producing larger volumes at lower costs, which helps to reduce variable costs.

The expansion and introduction into new potential markets have made Gruma a solid company with sustainable growth. This expansion method has been put into practice basically at the US and in Europe.

To achieve this international positioning, Gruma has implemented the strategy of acquiring local plants that will be improved and outfitted with their own technology. The most recent case of acquisitions are in Italy and Holland, whose growth potential will allow Gruma to penetrate such markets solidly.

As a follow up of the internationalization process, Gruma has investments projects in new markets, such as China. For the next few years the company plans to annually invest US\$ 30

million in such country that will allow Gruma to establish itself into a large market (of 1.300 billion people) and as a starting point to other Asian countries, like Korea and Japan.

In 2004 the company will finish a plant in Evansville, Indiana with a capacity of 63,000 tons of tortillas and corn flour. This represents a 9% increase in the current production capacity of Azteca Milling Co.

Another strategy implemented by Gruma is the development of new products like the low carb and higher protein content tortilla. It is also supplying tortillas to the large food chains, like Taco Bell, which represents larger sales.

## **FINANCIAL SUMMARY**

At the third quarter of 2004 the sales volume went up 1%, due to the increase in volume of Gruma Corporation and Gimsa, with a 11% and 6% respectively; but it was affected by the decrease in volume of Molinera de México, due to service contracts established with its main clients.

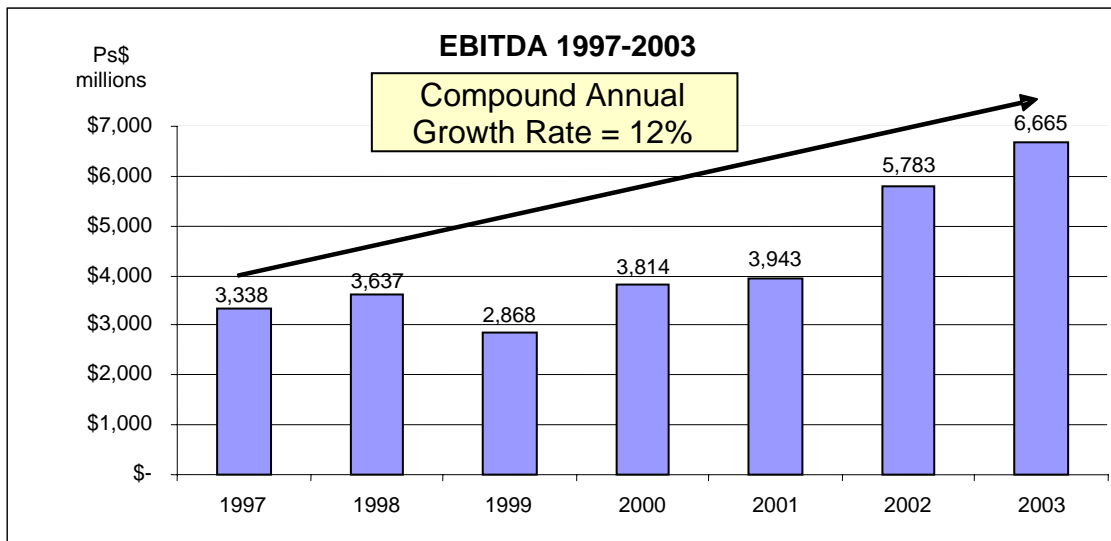
Net sales were Ps\$ 6.505 billion pesos, achieving an 8% increment, given that Gruma Corporation had a 14% increase and a 7% increase in Gimsa. Such increments are caused by larger sales levels, an increase in prices due to a product mix change. The cost of sales went up by 10%, due to the increment of the cost of sales of Gruma Corporation, with a lesser extent the rise in Gimsa and Gruma Venezuela.

Operation costs went up by 6%, due to the growth of distribution expenses in the US and marketing, discounts and shipping expenses from Gruma Venezuela.

Operation profits grew 1%, due to the increase of sales in Gruma Corporation, which expanded its corn flour capacity.

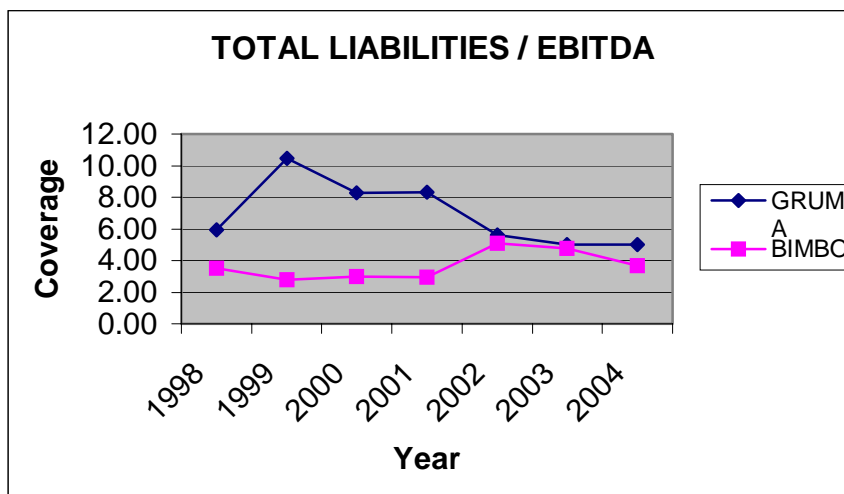
Net profits for Gruma grew from Ps\$ 102 to Ps\$ 195 million comparing the same quarter of the previous year, due to lower taxes and smaller integral financial cost. A majority net profit of Ps\$ 150 million was reported, 170% larger than last year.

For the third quarter of 2004 Gruma reduced its debt in US\$ 70 million comparing the same quarter of 2003.



Source: Based on data from Finsat.

Around 99% of Gruma's debt is dollar denominated; by September 30<sup>th</sup>, 2004 the aggregated amount was US\$ 530 million. Last October, a US\$ 250 million credit for 5 years was obtained, at LIBOR plus 55 BP for the first three years and 65 BP for the remaining two. This credit will allow an extended payment calendar, improving debt profile and achieving a lower cost.



Source: Based on data from Invertia Plus

An important portion of the investments were used in acquisitions in US and Europe, as well as the expansion of the installed capacity and factories' maintenance. By October 2004, a factory in Las Vegas, Nevada was acquired to supply fresher products for the region.

## INDUSTRY ANALYSIS

At the dough and tortilla industry, the entry barriers are not important; in fact they are low, given that relatively little investment is needed to start product production. But in the corn flour industry the entry barriers are quite high. In this industry, even though investment conditions are



adequate, the distribution channels are controlled by independent plants and small producers that also create an intense rivalry and competition.

The behavior of the industry has been positive. The demand for products of this kind has increased in the recent years. Such is the case of the US market, where sales of tortillas have increased to surpass 32% of the bread market. This places the segment of tortillas as the largest growing industry in the food sector and has the largest potential to be equivalent to the bread market.

One of the main reasons that caused these phenomena is the growing number of Hispanics in the US, and the fact that the world is changing its view of the tortilla and its benefits; the tortilla and Mexican food global popularity is increasing, even in traditionalist countries like those from Europe and Asia.

The company Mission Foods, which forms part of Gruma Corporation, is the company that sells the most tortillas in the world, producing 25% of the tortillas in the planet.

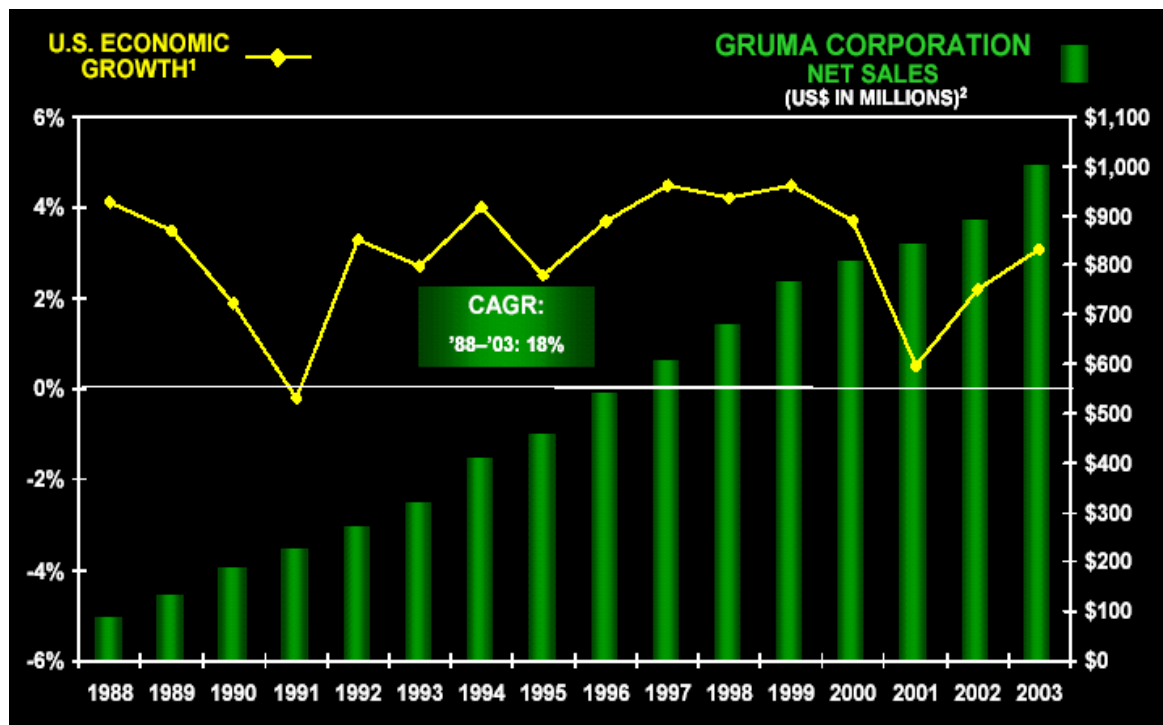
### Macro Economic Variables

<i>México</i>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Inflation (%)	4.4	4.2	3.8
GDP (%)	4.3	3.9	3.8
Exchange rate (MX/USD)	11.3	11.6	12
Interest rates (Cetes) (%)	6.63	7.63	8.1

<i>United States</i>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Inflation (%)	2.4%	2.3%	2.2%
GDP (%)	4.7%	3.8%	3.2%
T-bill 3 months (%)	4.7%	5.4	5.0%
10 year interest rates (%)	1.3%	2.4%	4.0%

Source: Based on data from Banamex

The demand for tortilla in the US has a low correlation with the economic growth of the country. The next graph shows that the increase in sales of Gruma has been independent of the GDP. This has been achieved due to the large acceptance of the product in the US market, and because the Hispanic market has been smartly grabbed, as was mentioned earlier.



Source: Company Information

## Costs

### 1. Corn price: Global forecasts

Two countries produce 60% of the corn in the world: the US and China. There are four big buyers: Japan, South Korea, Mexico and Taiwan; and only three important suppliers, the US, Argentina and China. The competitive leader is the US, as producer, consumer and exporter; its strategy is based on cheap grain production costs.

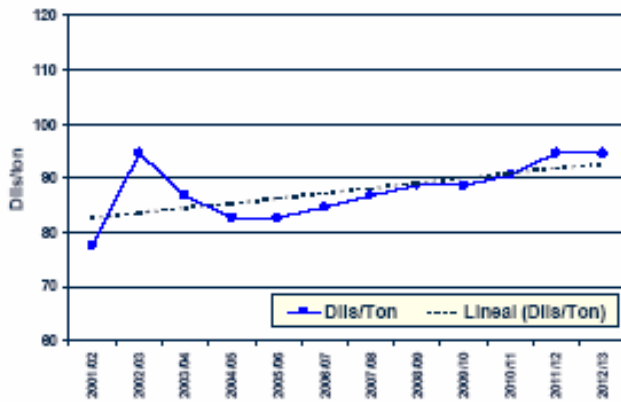
World Forecast	2004	2005	2006	2007
Harvested surface (000 acres)	140.02	140.6	141.19	141.77
Performance ton/acre	4.57	4.63	4.69	4.75
Production (M of tons)	633.24	643.14	653.05	662.96
World commerce (M of tons)	72.35	72.82	73.29	73.76
Used for food (M of tons)	452.14	460.31	468.49	476.66
Other uses (M of tons)	191.54	194.07	196.6	199.13
Consumed (M of tons)	643.68	654.38	665.09	675.79

Source: “Perspectivas de la Red Maíz para el 2003”, FIRA (Fideicomisos Instituidos en Relación con la Agricultura)

In the previous chart, estimations on the global grain commerce can be seen, which is not estimated to grow dramatically: less than a million tons until 2007. This is important because there is a chance that corn’s price will drop if a country offers more than what was expected. It is also noted that the production is smaller than the estimated consumption; this problem will be solved, if necessary, with an increase in the production and a decrease in inventories; so Gruma might not be affected.

The possibilities of oversupply may come from the US, Argentina or China. Even Brazil, with a small world offer, can make the prices drop. For the agricultural commercial year, the price of corn is expected to be less than US\$ 90.00 per ton and will slowly rise until it reaches US\$ 95 by 2010-2011. The prices set in the US marks the trend for the global market and the consensus is that prices will remain low and stable for the next 10 years in that country.

EUA. Proyección de precios pagados al productor



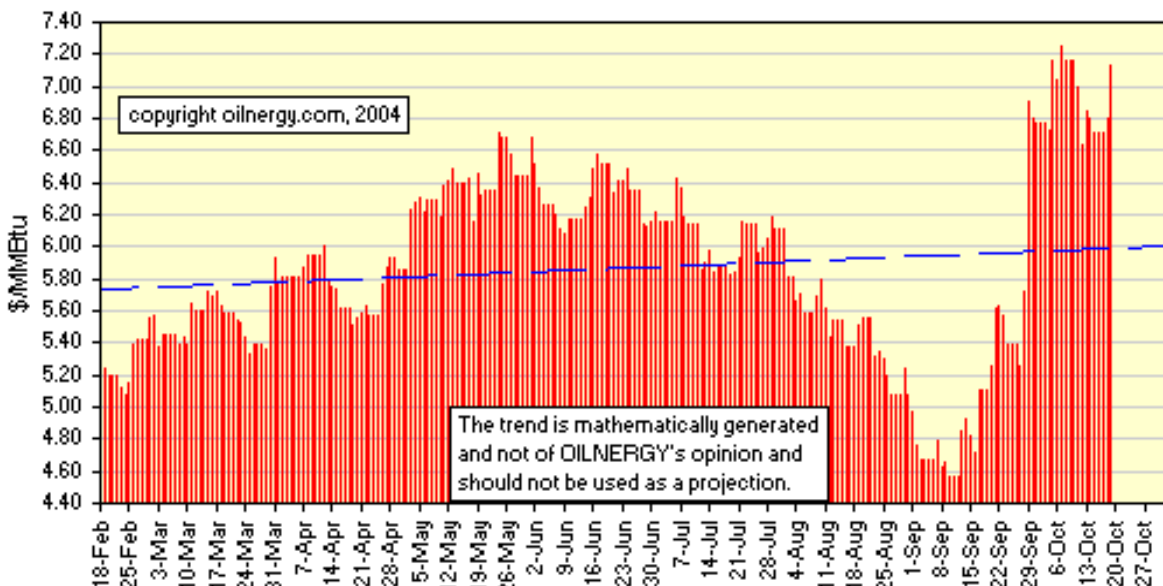
Fuente: Com baseline ERS/USDA

## 2. Natural Gas Price

In order to produce corn flour, natural gas must be used in various stages such as, among others: heating the water to boiling point or to a certain temperature as well as heating ovens that make the production machines work.

According to the U.S. Census Bureau the current production and sales of tortillas in the US is of US\$ 1.1 billion and it is known that energy is more expensive in the states that produces the most: Texas and California.

### CURRENT TREND of NYMEX NATURAL GAS PRICE (linear fit ... since February 18, 2004)



Source: OILNERGY.COM (<http://www.oilnergy.com/1gnymex.htm>)

Gas prices in the US strengthened in the second half of September, due to the loss of production in the Gulf of Mexico due to Ivan Hurricane. The average price of natural gas at the Henry Hub for September was US\$ 5.15 per thousand cubic feet, and it is expected to climb to US\$6.10 by 2004 and to US\$6.18 in 2005.

For this reasons, the increase in gas prices in the US or in any of the countries where Gruma operates, would cause an increase of the production costs, due to the fact that such commodity (gas) is the second most important input after corn.

## **Government Factors**

### **1. NAFTA**

After signing NAFTA, Mexico may import certain amount of corn tax free every year. Such quantity will gradually increase up until 2008, where all agricultural taxes will be eliminated.

When this happens, Gruma may be threatened by a massive importing of flour from the US, free of taxes. Most of the corn flour (almost 100%) currently produced in the US is from Minsa and Maseca; but the possibility of an increase in white corn production in such country, in order to produce flour, may exist, locating plants near the border and offering the product with much more competitive prices than Gruma.

### **2. White corn importing restrictions**

The most recent political event that may affect Gruma's profits is the signing of the "Acuerdo Nacional para el Campo" (Farming National Agreement), which benefits the farming organizations. The important points of this agreement are:

1. The Executive Branch will consult with the US and Canadian governments to review what was established in the NAFTA regarding white corn and beans, trying to substitute it for mechanisms that will favor the national consumer, the sovereignty and food supply safety.
2. Suspend imports of allotted-to-date white corn, unless there is a shortage. This is to avoid disloyal competition.
3. Support the national corn production, in order to supply with quality and good prices the internal market.

Currently, the national white corn supply is assured, given the characteristics and production volumes in the country. This strategy looks to protect such production, within NAFTA or outside it, such that it is not affected by imports.

These restrictions to white corn imports will affect the flour industry in Mexico, since it will reflect in higher production costs, possible flour quality-problems and less profit for the industry. The answer Gruma has for this problem is to allot more investments to the exterior to consolidate markets.

### 3. **Increasing inflation and subsidies changes: low consumption in Mexico.**

If we take 1998 as a reference, tortilla has had a 26% loss in consumption. But its prices have risen 94% compared to 44% of bread, 28% in rice and 42% for the minimum wage. The tortilla has become more expensive relatively to the minimum wage. Nowadays, a kilogram of tortilla consumes 15% of the minimum wage, while in the 80's it took 3% and 6% in the 90's.

CONASUPO disappeared in 1999 and so did the official tortilla price. After years of the price being fixed by the government, such disappearance caused a jump in prices and a continuous increase with it. Such increase is coupled with a decrease in tortilla consumption, since Mexico had 140 kilograms of average consumption and now has 104 kilograms.

Another cause for the rise in tortilla price is the deregulation in the growth of the number of tortillas outlets, which has caused a decrease in sales (per tortilla outlet) and has pushed the price further, since every tortilla maker, individually, wishes to compensate missing kilos sales, increasing the price of the product, thus affecting the end consumer.

#### **Future of the flour industry in Mexico**

In the flour industry there are different scenarios based on the variation of the corn price; if it raises, the production costs are expected to rise, diminishing profits and arise a need for national white corn suppliers as well as international market consolidation.

On the other hand, there is a possibility that a favorable scenario happens, in which a segmentation of the massive market with low prices is expected, a profit based on competition, integration with the primary producer, low production costs, an aggressive external market growth, ideal raw material production based on cost-performance.

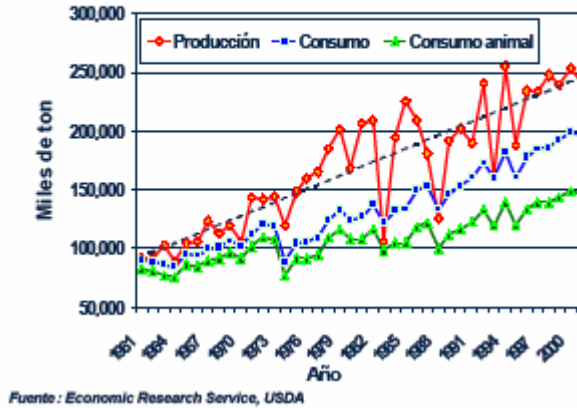
A conservative strategy must be adopted to face the uncertainty of costs in the best possible way. Some of the things that must be done are the following: better technological efficiency, new market openings, development of an efficient national corn supplying system, better administration of inventories and identify the high quality flour varieties.

#### **Social Factors: Production and the rise in US consumption**

Over half of Gruma's sales are in the US, and it is interesting to note that in the last 41 years, the corn consumption for human and industrial consumption has risen at an average growth of 16.47% and, in the last 10 years, 29%.

The feeding habits of the country are moving toward human consumption and industrial products, faster than animal consumption. 40 years ago only 8% of the consumption was for human and industrial use, by 2001 it grew to 26%.

EUA. Producción y consumo del grano



## OPPORTUNITY ANALYSIS

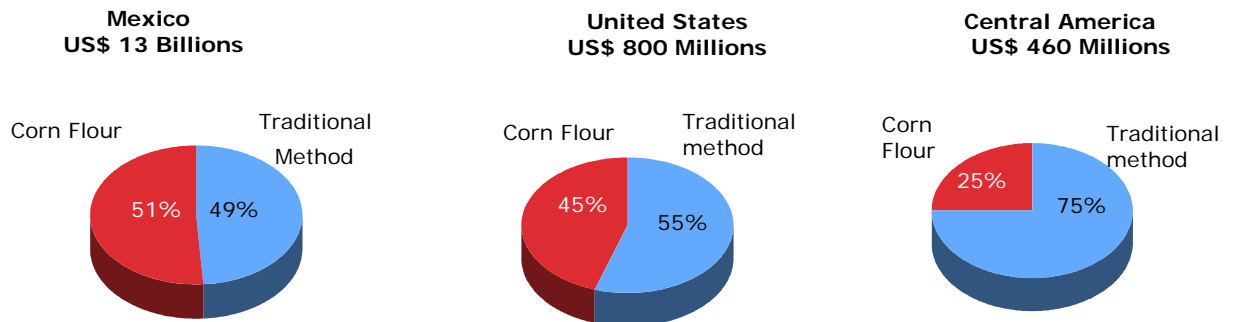
In the dough and tortilla industry higher organic quality of the tortilla must be achieved. Improve industrial performance; differentiate products and presentations, textures, colors and different flavors, as well as other derived products.

At the flour industry, offer consolidation is important, standardizing raw materials, improve flour quality and plant efficiency, as well as optimizing logistics for corn supply. This are some points that Gruma is taking into account to diversify and strengthen its market, with the goal of having and advantage over its competitors.

## Potential Markets

In the US, the Hispanic population accounts for 15% of the total and is expected to continue to rise, as well as the number of Mexican food restaurants. Another market that is growing considerably is of the non Hispanics who are the main consumers of the Mexican food in restaurants and chains like Taco Bell and Kentucky, which have slowly developed a taste for this kind of food.

### Potential markets for corn flour



Source: Based on company information

Reviewing the information presented by the previous charts it can be observed that there is still a potential market in the countries where Gruma participates, specially where corn flour is concerned, it is a slow market that tends to the used of corn flour instead of the traditional method, especially in the US.

Europe and Asia are the potential markets in which Gruma is implementing a slow market entry but with an important growth projection. This strategy is part of the process to expand towards the Middle East specially China (sic), since such country is experiencing a change in its food consumption patterns, due to the economical transformation that is being realized, as well as the migration of its citizens from the countryside towards the cities.

The current trend shows a rising in restaurant chain openings and international supermarkets in countries like China, bringing a jump in exotic product consumptions, like tortilla and its derivatives.

Gruma currently has a toehold in Europe as well as Asia, in a moderate way compared to the US and Latin America. In Europe it has small plants that plan to open the market, and in Asia, especially China, it only sales, supplied by Gruma Corporation from the US and Europe. Nonetheless, projected yearly investments of US\$ 30 million to china for the next few years will be made to supply the country.

## **COMPETITION ANALYSIS**

Its main competitors are Minsa, Grupo Bimbo, Avebe, Cerstar, Interstate Bakeries Corp. and Kraft Foods, Inc. Minsa and Bimbo are the Mexican companies that compete internationally as well as nationally in different markets, like tortilla, corn flour and wheat flour.

Minsa is the second largest corn flour producer in Mexico, founded in October 1993, its products are nixtamalized corn flour and packed corn tortillas; currently has six corn plants in Mexico, two in the US and one in Guatemala; it has 1,037 employees.

Bimbo is one of the largest bakery companies in the world, it has 73 plants and 890 distribution centers in 15 countries in America and Europe; it produces over 4,500 products such as cookies, cakes, tortillas, salted snacks, etc. It has 72,254 employees.

## Peer to Peer Analysis

Company	Ticker	Liquidity Ratio	Market Cap	ROE	ROA	P/BV	P/E	P/EBITDA
GRUMA	GRUMAB	7.52 / MEDIUM	10,573 ^	6.6	3.7	1.03	15.32	3.5
BIMBO	BIMBOA	8.18 / HIGH	29,513 ^	10.3	5.3	1.83	17.78	6.48
MINSA	MINSAB	3.17 / MINIMUM	241, 244 ^^	-67.9	-25.9	0.28	-.42	1.10

Company	Liabilities/ Equity %	FV/ EBITDA	Net margin %	Number of Employees	CA/CL	Operation Margin %	EBI \$
GRUMA	56.5	5.1	3.15	15,288	1.83	7.8	1.76
BIMBO	47.9	4.6	4.34	72,254	1.53	8.1	1.84
MINSA	60.7	ND	-21.84	1,037	1.47	2.6	(3.13)

Data as of 3Q 2004 and prices at November 1<sup>st</sup>, 2004

Source: Based on data from Invertia Plus and Economática

^ Millions of Pesos

^^Thousands of Pesos

## INVESTMENT THESIS

- **Market positioning**

As the years goes by, Gruma has positioned itself in a dominant way at key markets, which have a great growth potential; one of the main motives is the rise in Mexican food popularity. The Big development in operations in the US has placed itself in a better way.

- **Market leader**

Main producer in corn flour and tortillas; does not have strong direct competition and enjoys high brand recognition with a diversity of products.

- **Distribution Net**

The distribution net it has, mainly in the US and Venezuela, is very important, since it allows it to deliver its products more efficiently and with higher quality, as well as at lower costs.

- **Proprietary Technology**

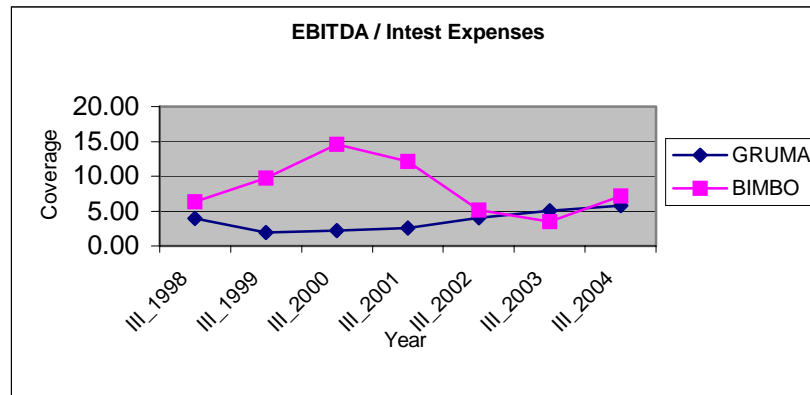
It has the most advanced technology in the market, developed through the years due to R&D and the investment in the best machines, which helps it to be more efficient in production and be the number one in most of the market it incurs.

The technology is one of its main assets and has its own company to develop machinery technology: TECNOMAIZ.



- **Financial strength**

Gruma's financials have been improving since this last quarter due to the syndicate credit it obtained, which will allow the company to restructure its debt, improving financial cost. Its debt has always been well sustained in good investments and thanks to its re-payment capacity it obtained a BBB- from Fitch Ratings. Its assets turnover and equity has remained stable during this year at 1.1 and 2.4 respectively, gross margin is of 36.1% and its net margin is of 3.1% at 3Q 2004.



Source: Based on data from Invertia Plus

### Risk Analysis

- Gruma has certain dependency on three factors :
  1. The prices on raw materials (corn and wheat), which can reduce operation margins and results.
  2. Gas price, as a source of energy for the transformation process.
  3. Economic and political changes in the countries it operates.
- **Weak Mexican economy:** Another weakness of the company that can affect its performance is the depression of the Mexican economy. This could cause a reduction in the demand for products and increase the informal tortilla production with the traditional humid dough method, which is the main obstacle for Gruma's growth in Mexico.
- **The breakdown of the political situation in Venezuela:** Any negative events can reduce the contribution of the Venezuelan subsidiary, which operates on a sensitive sector, given that the government can fix tortilla's price, restrict raw materials or even confiscate companies.
- **Exchange rate risk:** by being an international company, Gruma assumes the possible risks of devaluations in the countries in which it operates. A new devaluation of the bolívar, for example, may reduce the income obtained in Venezuela. Gruma currently has no coverage for exchange rates, since it tries to cover with assets and equity in the US; this does not affect so much to the cash flow generation but to the company results.
- **Lack of expansion in the US:** the demand in the US market is growing and the likely risk of having insufficient corn flour installed capacity in such country exists since it is

working at the limit. This could cause lost opportunities to grow in that market if the production is not sufficiently increased.

- **Administration successions:** Even though Roberto González, the current Chairman of the Board and founder of the company, is a very capable person, he is 73 years old and this can be a source of uncertainty for the market, since his replacement is not yet clear.
- **Tortilla consumption in Mexico:** In Mexico, the tortilla needs promotion in order to keep people's interest, in spite of the price increments that this food has sustained. Gruma needs the Mexican people to go back to their former consumption levels.

## INVESTMENT SUMMARY

After showing a solid financial structure, leadership in the market and sustained growth, Gruma has a great potential to increase its sales and profits. Supported in the fundamentals, and using valuation via Discounted Free Cash Flows and Relative Valuation (Enterprise Value/EBITDA, Enterprise Value/ Sales, Price/Book Value) we obtained a target price of Ps\$ 25.99, an upside of 13%. For this reasons the final recommendation is **Market Perform** due to its dependency to macro economical factors, like costs, government regulations and economical cycles.

In the short run, Gruma is benefited by the boost of the US economy, a solid liability structure and a growth in sales according to the levels presented in the last years. In the long run Gruma presents a growth potential in Asian and European countries, its financial position and solid foreign sales give it certain security without withdrawing the previously mentioned risks.

**GRUPO IMSA**

**Estado de Resultados**

\*\* En pesos mexicanos constantes a marzo del 2005. Cifras en miles.

	2004						2005E				2006E						
	FA 2002A	FA 2003A	31-Mar-04 A	30-Jun-04 A	31-Sep-04 A	31-Dec-04 A	FA 2004A	31-Mar-05 A	30-Jun-05 E	30-Sep-05 A	31-Dic-05 E	FA 2005	31-Mar-06 E	30-Jun-06 E	30-Sep-06 E	31-Dic-06 E	FA 2006
VENTAS NETAS	25,036,578	27,702,654	8,996,365	11,067,950	7,672,622	9,337,724	37,074,661	9,061,839	9,395,669	8,653,706	9,470,872	36,582,087	9,518,668	9,808,743	9,303,409	10,215,891	38,846,710
Costo de Ventas	23,844,036	23,112,565	7,484,344	8,767,601	6,352,984	7,736,243	30,341,172	8,087,712	6,795,936	6,570,471	7,120,908	28,575,027	7,092,535	7,331,004	7,157,851	7,685,025	29,266,415
RESULTADO BRUTO	1,192,542	4,590,089	1,512,021	2,300,350	1,319,638	1,601,481	6,733,489	974,127	2,599,734	2,083,235	2,349,964	8,007,060	2,426,133	2,477,740	2,145,558	2,530,865	9,580,296
Gastos de Operación	3,618,968	3,059,125	875,255	900,473	479,222	809,592	3,064,541	663,721	833,264	688,646	874,715	3,060,346	933,976	898,870	750,209	944,010	3,527,065
RESULTADO DE OPERACIÓN	(2,426,426)	1,530,964	313,588	313,588	313,588	313,588	3,668,948	310,406	1,318,107	936,182	1,006,676	3,571,371	1,019,840	1,102,787	908,373	1,089,137	6,053,231
Costo Integral de Financiamiento	1,177,163	717,927	(141,340)	268,528	(11,633)	(98,398)	17,157	31,367	36,797	(66,909)	(52,784)	(51,529)	(7,020)	113,660	669	82,321	252,842
RESULTADO DESPUES DEL COSTO INTEGRAL DE FINANC.	(3,603,589)	813,037	778,106	1,131,349	852,049	890,287	3,651,791	279,039	1,281,310	1,003,091	1,059,460	3,622,900	1,026,861	989,127	907,705	1,006,816	5,800,389
RESULTADO ANTES DE IMPUESTOS Y P.T.U.	(3,484,461)	612,572	771,720	1,093,372	806,490	819,419	3,491,001	274,849	1,281,310	1,003,091	1,059,460	3,622,900	1,026,861	989,127	907,705	1,006,816	5,800,389
Provision para Impuestos y P.T.U.	432,522	192,060	268,279	397,948	266,119	(166,480)	765,866	97,886	360,864	261,062	201,644	921,456	261,228	251,628	230,915	256,128	999,900
RESULTADO NETO DESPUES DE IMPUESTOS Y P.T.U.	(3,916,983)	420,512	503,441	695,424	540,371	985,899	2,725,135	176,963	920,446	742,029	857,816	2,697,254	765,633	737,499	676,790	750,687	4,800,489
RESULTADO NETO CONS. ANTES DE PART. EXTRAORD.	(3,916,983)	1,058,777	503,441	695,424	785,845	1,057,317	3,042,027	176,963	920,446	742,029	857,816	2,697,254	765,633	737,499	676,790	750,687	4,800,489
RESULTADO NETO	(3,916,983)	1,058,777	503,441	695,424	785,845	1,057,317	3,042,027	176,963	920,446	742,029	857,816	2,697,254	765,633	737,499	676,790	750,687	4,800,489
RESULTADO NETO MAYORITARIO	(4,069,008)	795,525	445,333	641,792	786,900	1,059,512	2,933,537	176,963	920,446	742,029	857,816	2,697,254	765,633	737,499	676,790	750,687	4,800,489

BASE COMÚN (como porcentaje de ventas)

VENTAS NETAS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Costo de Ventas	95.24%	83.43%	83.19%	79.22%	82.80%	82.85%	81.84%	89.25%	72.33%	75.93%	75.19%	78.11%	74.51%	74.74%	76.94%	75.23%	75.34%
RESULTADO BRUTO	4.76%	16.57%	16.81%	20.78%	17.20%	17.15%	18.16%	10.75%	27.67%	24.07%	24.81%	21.89%	25.49%	25.26%	23.06%	24.77%	24.66%
RESULTADO DE OPERACIÓN	-9.69%	5.53%	3.49%	2.83%	4.09%	3.36%	9.90%	3.43%	14.03%	10.82%	10.63%	9.76%	10.71%	11.24%	9.76%	10.66%	15.58%
RESULTADO ANTES DE IMPUESTOS Y P.T.U.	-13.92%	2.21%	8.58%	9.88%	10.51%	8.78%	9.42%	3.03%	13.64%	11.59%	11.19%	9.90%	10.79%	10.08%	9.76%	9.86%	14.93%
RESULTADO NETO	-15.65%	3.82%	5.60%	6.28%	10.24%	11.32%	8.21%	1.95%	9.80%	8.57%	9.06%	7.37%	8.04%	7.52%	7.27%	7.35%	12.36%

CAMBIO PORCENTUAL AÑO CON AÑO

VENTAS NETAS	-0.04%	10.65%	-64.07%	51.31%	-6.97%	91.49%	410.38%	0.73%	-15.11%	12.79%	1.43%	-1.33%	-74.33%	8.24%	-0.98%	18.05%	310.17%
RESULTADO BRUTO	-78.75%	284.90%	5.69%	43.25%	197.43%	44.28%	46.70%	-35.57%	13.01%	57.86%	46.74%	18.91%	149.06%	-4.69%	2.93%	7.70%	19.65%
RESULTADO DE OPERACIÓN	-202.14%	-163.10%	-40.88%	-55.02%	32.52%	11.40%	139.65%	-1.01%	320.33%	198.54%	221.02%	-2.66%	228.55%	-16.34%	-2.97%	8.19%	69.49%
RESULTADO ANTES DE IMPUESTOS Y P.T.U.	-231.03%	-117.58%	503.49%	26.21%	-260.30%	574.43%	469.89%	-64.38%	17.19%	24.38%	29.29%	3.78%	273.61%	-22.80%	-9.51%	-4.97%	60.10%
RESULTADO NETO	-302.44%	-127.03%	643.51%	20.49%	770.14%	226.72%	187.32%	-64.85%	32.36%	-5.58%	-18.87%	-11.33%	332.65%	-19.88%	-8.79%	-12.49%	77.98%

**GRUPO IMSA**

**Estado de Situación Financiera**

\*\* En pesos mexicanos constantes a marzo del 2005. Cifras en miles.

	2004					2005E					2006E						
	FA 2002A	FA 2003A	31-Mar-04 A	30-Jun-04 A	31-Sep-04 A	31-Dic-04 A	FA 2004A	31-Mar-05 A	30-Jun-05 E	30-Sep-05 E	31-Dic-05 E	FA 2005	31-Mar-06 E	30-Jun-06 E	30-Sep-06 E	31-Dic-06 E	FA 2006
Efectivo e Inversiones Temporales	658,841	874,725	794,786	995,315	598,286	359,404	359,404	266,583	(222,050)	(143,127)	2,283,179	2,283,179	2,648,596	2,958,228	1,197,265	3,895,598	3,895,598
Clientes y Documentos por Cobrar (neto)	4,386,361	3,838,648	5,052,783	5,967,549	5,571,591	4,928,854	4,928,854	4,952,695	6,669,208	6,610,942	6,247,583	6,247,583	6,319,669	6,962,415	7,107,278	6,739,044	6,739,044
Inventarios	6,170,926	5,803,571	5,874,326	5,984,311	7,196,500	10,271,724	10,271,724	8,978,023	6,742,529	8,116,610	7,314,168	7,314,168	9,053,576	7,273,392	8,842,210	7,893,596	7,893,596
Otros Activos Circulantes	862,653	2,911,651	942,076	1,195,719	1,221,175	1,353,205	1,353,205	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719	1,907,719
ACTIVO CIRCULANTE	12,078,781	13,428,595	12,663,970	14,142,894	14,587,552	16,913,187	16,913,187	16,105,020	15,097,406	16,492,144	17,752,649	17,752,649	19,929,559	19,101,755	19,054,472	20,435,958	20,435,958
Inversiones en acciones de Sub. O Asociados no cons.	114,508	120,837	113,806	113,051	109,777	122,737	122,737	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350
ACTIVO A LARGO PLAZO	114,508	120,837	113,806	113,051	109,777	122,737	122,737	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350	99,350
INMUEBLES, PLANTAS Y EQUIPO (NETO)	20,646,640	21,300,766	21,088,015	21,445,956	18,707,779	18,307,640	18,307,640	18,324,866	18,372,383	18,416,895	18,074,823	18,074,823	17,730,326	17,799,844	17,849,669	17,483,950	17,483,950
ACTIVO DIFERIDO (NETO)	1,245,923	777,440	738,573	723,020	582,011	543,473	543,473	297,125	289,976	282,827	275,677	275,677	268,528	261,379	254,230	247,080	247,080
OTROS ACTIVOS	1,082,640	1,011,487	998,740	979,857	884,102	884,225	884,225	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607	1,388,607
ACTIVO TOTAL	35,168,492	36,639,125	35,603,105	37,404,777	34,871,221	36,771,262	36,771,262	36,214,968	35,247,722	36,679,823	37,591,106	37,591,106	39,416,371	38,650,934	38,646,327	39,654,945	39,654,945
Proveedores	3,298,454	3,917,265	3,265,533	3,029,681	2,263,264	4,464,431	4,464,431	3,292,582	2,265,312	2,894,584	3,206,651	3,206,651	4,223,659	2,443,668	3,153,351	3,460,682	3,460,682
Creditos Bancarios	2,104,040	1,236,175	1,149,191	1,149,191	1,161,326	2,155,898	2,155,898	586,292	1,087,337	279,496	283,464	283,464	1,257,284	1,341,680	1,606,854	1,606,854	1,606,854
Otros Pasivos Circulantes	1,896,825	3,061,573	1,610,415	1,838,383	1,567,483	2,354,651	2,354,651	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854	1,606,854
PASIVO CIRCULANTE	7,289,319	8,215,013	6,025,139	6,029,370	4,046,645	7,405,374	7,405,374	5,976,773	4,151,662	4,784,902	4,813,505	4,813,505	7,087,797	5,392,202	4,760,205	5,067,536	5,067,536
Creditos Bancarios	8,456,625	7,615,987	8,857,723	9,053,845	4,548,090	4,129,956	4,129,956	4,065,685	4,003,144	4,059,936	4,084,800	4,084,800	2,870,140	3,062,800	3,013,400	2,964,000	2,964,000
Otros Creditos	310,588	250,000	506,674	536,359	439,910	431,759	431,759	351,445	351,445	351,445	351,445	351,445	351,445	351,445	351,445	351,445	351,445
PASIVO A LARGO PLAZO	8,767,213	7,865,987	9,364,397	9,590,804	4,988,000	4,561,715	4,561,715	4,117,300	4,354,549	4,411,381	4,436,245	4,436,245	3,221,585	3,414,245	3,364,945	3,315,445	3,315,445
CREDITOS DIFERIDOS	3,350,895	2,883,114	3,525,788	3,835,744	4,830,473	5,036,406	5,036,406	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757	4,298,757
PASIVO TOTAL	19,407,427	20,100,480	18,915,324	19,455,918	13,865,118	17,003,495	17,003,495	14,692,660	12,804,968	13,495,040	13,548,507	13,548,507	14,608,139	13,105,204	12,423,807	12,681,738	12,681,738
Resultado Acumulado y reservas de Capital	15,777,011	16,675,097	17,422,564	17,082,887	19,618,350	19,751,753	19,751,753	22,824,334	23,001,297	23,921,743	24,663,772	24,663,772	25,521,588	26,287,221	27,024,720	27,701,509	27,701,509
Reserva para recompra de Acciones	157,236	142,712	163,125	163,183	147,764	139,175	139,175	139,125	139,125	139,125	139,125	139,125	139,125	139,125	139,125	139,125	139,125
Exeso (insuf.) en la Act. Del Capital Contable	(11,016,751)	(10,289,239)	(10,440,724)	(9,547,591)	(9,170,084)	(11,345,827)	(11,345,827)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)	(9,972,644)
Resultado neto del ejercicio	1,546,656	795,525	445,333	1,087,125	1,874,025	2,933,537	2,933,537	176,963	920,446	742,029	857,816	857,816	737,499	676,790	750,687	750,687	750,687
CAPITAL GANADO (DEFICIT)	6,264,152	7,324,095	7,590,298	8,785,614	12,470,056	11,478,638	11,478,638	13,167,778	14,088,224	14,830,253	15,688,069	15,688,069	16,453,702	17,191,201	17,867,990	18,618,678	18,618,678
Capital Social pagado (Nominal)	1,480,283	1,404,352	1,457,056	1,455,207	1,430,342	1,404,539	1,404,539	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583	1,402,583
Actualización del capital social Pagado	3,747,237	3,806,286	3,770,802	3,769,526	3,796,316	3,820,692	3,820,692	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875	3,863,875
Prima en Venta de acciones	3,064,189	3,055,450	3,064,031	3,062,199	3,063,916	3,063,898	3,063,898	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072	3,088,072
CAPITAL CONTRIBUIDO	8,291,709	8,266,088	8,291,889	8,286,932	8,290,574	8,289,129	8,289,129	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530	8,354,530
CAPITAL CONTABLE MAYORITARIO	14,555,861	15,590,183	15,882,186	17,072,546	20,760,830	19,767,767	19,767,767	21,522,308	22,442,754	23,184,783	24,042,599	24,042,599	24,808,232	25,545,731	26,222,520	26,973,208	26,973,208
Participacion minoritaria	1,205,204	948,462	805,595	876,313	245,474	-	-	-	-	-	-	-	-	-	-	-	-
CAPITAL CONTABLE CONSOLIDADO	15,761,065	16,538,645	16,687,782	17,948,859	21,006,104	19,767,767	19,767,767	21,522,308	22,442,754	23,184,783	24,042,599	24,042,599	24,808,232	25,545,731	26,222,520	26,973,208	26,973,208
PASIVO + CAPITAL	35,168,492	36,639,125	35,603,105	37,404,777	34,871,221	36,771,262	36,771,262	36,214,968	35,247,722	36,679,823	37,591,106	37,591,106	39,416,371	38,650,934	38,646,327	39,654,945	39,654,945

**BASE COMÚN (como porcentaje de ventas)**

	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
VENTAS NETAS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CLIENTES Y DOCUMENTOS POR COBRAR	17.52%	13.86%	56.16%	53.92%	72.62%	52.78%	13.29%	54.65%	70.98%	76.39%	65.97%	17.08%	66.39%	70.98%	76.39%	65.97%	17.35%
INVENTARIOS	24.65%	20.95%	65.30%	54.07%	93.79%	110.00%	27.71%	99.08%	71.76%	93.79%	77.23%	19.99%	95.11%	74.15%	95.04%	77.27%	20.32%
INMUEBLES, PLANTAS Y EQUIPO (NETO)	82.47%	76.89%	234.41%	193.77%	243.83%	196.06%	49.38%	202.22%	195.94%	212.82%	190.85%	49.41%	196.27%	181.47%	191.86%	171.14%	45.01%
PROVEEDORES	13.13%	14.14%	36.30%	27.37%	29.50%	47.81%	12.04%	36.22%	24.11%	33.45%	33.86%	8.77%	44.37%	24.91%	33.89%	33.88%	8.91%
IMPTOS. POR PAGAR Y OTROS PASIVOS CIRC.	7.58%	11.05%	17.90%	16.61%	20.43%	25.22%	6.35%	17.73%	17.10%	18.57%	16.97%	4.39%	16.88%	16.38%	17.27%	15.73%	4.14%

**BASE COMÚN (como porcentaje de total de activos)**

	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ACTIVO TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ACTIVO CIRCULANTE	34.35%	36.65%	35.57%	37.81%	41.83%	46.00%	46.00%	44.47%	42.83%	44.96%	47.23%	47.23%	50.56%	49.42%	49.30%	51.53%	51.53%
INMUEBLES, PLANTAS Y EQUIPO (NETO)	58.71%	58.14%	59.23%	57.33%	53.65%	49.79%	49.79%	50.60%	52.12%	50.21%	48.08%	48.08%	44.98%	46.05%	46.19%	44.09%	44.09%
PASIVO CIRCULANTE	20.73%	22.42%	16.92%	16.12%	11.60%	20.14%	20.14%	16.50%	11.78%	13.05%	12.80%	12.80%	17.98%	13.95%	12.32%	12.78%	12.78%
PROVEEDORES	9.35%	10.69%	9.17%	8.10%	6.49%	12.14%	12.14%	9.06%	6.43%	7.89%	8.53%	8.53%	10.72%	8.63%	8.16%	8.73%	8.73%
IMPTOS. POR PAGAR Y OTROS PASIVOS CIRC.	5.39%	8.36%	4.52%	4.91%	4.50%	6.40%	6.40%	8.87%	9.12%	8.76%	8.58%	8.58%	4.27%	8.15%	8.31%	8.32%	8.10%

**GRUPO IMSA**

**Estado de Cambios en la Situación Financiera**

\*\* En pesos mexicanos constantes a

marzo del 2005. Cifras en miles.

	2004						2005E				2006E				FA 2006		
	FA 2002A	FA 2003A	31-Mar-04 A	30-Jun-04 A	31-Sep-04 A	31-Dic-04 A	FA 2004A	31-Mar-05 A	30-Jun-05 E	30-Sep-05 E	31-Dic-05 E	FA 2005	31-Mar-06 E	30-Jun-06 E		30-Sep-06 E	31-Dic-06 E
RESULTADO NETO	1,698,680	1,058,777	503,441	1,198,865	1,984,710	3,042,027	3,042,027	176,963	920,446	742,029	857,816	857,816	765,633	737,499	678,790	750,687	750,687
(+/-) Part. aplic. a Res. sin req. Util. de Recur	896,298	1,497,000	323,286	878,381	1,124,269	1,963,831	1,963,831	297,918	455,512	465,557	475,722	475,722	479,465	483,232	494,125	504,867	504,867
Flujo Derivado del Resultado Neto del Ejercicio	2,594,978	2,555,777	826,728	2,077,247	3,108,979	5,005,858	5,005,858	474,881	1,375,958	1,207,586	1,333,538	1,333,538	1,245,099	1,220,730	1,170,914	1,255,555	1,255,555
Flujo Derivado de cambios en el Capital del Trabajo	(568,060)	296,030	(297,478)	(780,832)	(4,122,813)	(4,896,541)	(4,896,541)	(641,858)	(498,289)	(686,543)	1,477,868	1,477,868	(794,486)	(642,554)	(1,003,998)	1,624,179	1,624,179
RECURSOS GENERADOS (UTIL.) POR LA OPERACION	2,036,918	2,851,807	529,250	1,296,414	(1,013,834)	109,317	109,317	(166,977)	877,669	521,043	2,811,406	2,811,406	450,613	578,177	166,916	2,879,733	2,879,733
RECURSOS GENERADOS (UTIL.) MEDIANTE FINANCIAMIENTO	205,733	(913,025)	(256,839)	(524,832)	1,026,010	(4,973,269)	(4,973,269)	386,037	(870,422)	60,800	(258,600)	(258,600)	42,624	277,056	(1,391,080)	(49,400)	(49,400)
RECURSOS GENERADOS (UTIL.) EN ACT. DE INVERSION	(2,190,963)	(1,576,375)	(389,362)	(699,449)	(612,806)	4,235,205	4,235,205	(315,470)	(495,880)	(502,920)	(126,500)	(126,500)	(127,820)	(545,600)	(536,800)	(132,000)	(132,000)
Incr. (Decr.) neto en Efectivo e Invers. Temp.	51,688	362,407	(116,951)	72,133	(600,631)	(568,747)	(568,747)	(96,410)	(488,633)	78,923	2,426,306	2,426,306	365,417	309,633	(1,760,964)	2,698,333	2,698,333
Efectivo e Invers. Temp. al Inicio del Periodo	589,886	497,193	911,737	923,182	918,132	913,026	913,026	362,993	266,583	(222,050)	(143,127)	(143,127)	2,283,179	2,648,596	2,958,228	1,197,265	1,197,265
Efectivo e Invers. Temp. al Final del Periodo	641,574	859,600	794,786	995,315	317,501	344,279	344,279	266,583	(222,050)	(143,127)	2,283,179	2,283,179	2,648,596	2,958,228	1,197,265	3,895,598	3,895,598

**GRUPO IMSA**

**Razones Financieras**

	2004										2005E					2006E				
	FA 2002A	FA 2003A	31-Mar-04 A	30-Jun-04 A	31-Sep-04 A	31-Dec-04 A	FA 2004A	31-Mar-05 A	30-Jun-05 E	30-Sep-05 E	31-Dic-05 E	FA 2005	31-Mar-06 E	30-Jun-06 E	30-Sep-06 E	31-Dic-06 E	FA 2006			
<b>Razones de Productividad</b>																				
Rotación de Cuentas por cobrar	5.71	7.22	2.02	2.01	1.33	1.78	7.52	1.83	1.82	1.30	1.47	5.66	1.51	1.48	1.32	1.48	5.76			
Rotación de Inventarios	3.86	3.98	1.29	1.50	1.15	1.24	2.95	0.71	0.58	1.07	0.82	3.91	1.08	0.68	1.08	0.81	3.71			
Rotación de Capital en Trabajo	5.23	5.31	1.52	1.50	0.82	0.93	3.90	0.92	0.89	0.76	0.77	2.83	0.74	0.74	0.66	0.69	2.53			
Rotación de Activos Fijos Netos	1.21	1.30	0.42	0.52	0.38	0.50	2.03	0.49	0.51	0.47	0.52	2.02	0.53	0.55	0.52	0.58	2.22			
Rotación de Activos Totales	0.88	0.95	0.30	0.37	0.27	0.35	1.39	0.34	0.35	0.31	0.34	1.30	0.34	0.34	0.32	0.35	1.32			
Rotación de Activos Brutos	0.71	0.76	0.25	0.30	0.21	0.26	1.01	0.25	0.26	0.24	0.26	0.97	0.25	0.25	0.24	0.26	0.98			
# de días de Cuentas por Cobrar	15.77	12.47	50.55	48.53	65.35	47.51	11.96	49.19	63.88	68.75	59.37	15.37	59.75	63.88	68.75	59.37	15.61			
# de días de Inventarios	23.29	22.60	69.98	60.67	85.61	85.51	30.47	118.93	133.06	91.95	104.18	23.04	92.26	117.93	91.19	105.46	24.27			
# de días de Cuentas por Pagar	12.41	15.25	38.90	30.71	26.93	37.16	13.24	43.48	44.71	32.79	45.68	10.10	43.04	39.62	32.52	46.24	10.64			
<b>Medidas de Liquidez</b>																				
Razón Circulante	1.66	1.63	2.10	2.35	3.60	2.28	2.28	2.69	3.64	3.45	3.69	3.69	2.81	3.54	4.00	4.03	4.03			
Prueba del Ácido	0.69	0.57	0.97	1.15	1.52	0.71	0.71	0.87	1.55	1.35	1.77	1.77	1.27	1.84	1.74	2.10	2.10			
Razón de Efectivo	0.69	0.57	0.97	1.15	1.52	0.71	0.71	0.87	1.55	1.35	1.77	1.77	1.27	1.84	1.74	2.10	2.10			
Razón de Efectivo Operativo	0.28	0.35	0.09	0.22	-0.25	0.01	0.01	-0.03	0.21	0.11	0.58	0.58	0.06	0.11	0.04	0.57	0.57			
Capital en Trabajo	4,789,462	5,213,582	6,638,831	8,113,524	10,540,908	9,507,813	9,507,813	10,128,247	10,945,744	11,707,242	12,939,144	12,939,144	12,841,762	13,709,553	14,294,267	15,368,422	15,368,422			
<b>Razones de Riesgo Financiero</b>																				
Razón de Pasivo/Capital	1.23	1.22	1.13	1.08	0.66	0.86	0.86	0.68	0.57	0.58	0.56	0.56	0.59	0.51	0.47	0.47	0.47			
Razón de Pasivo/Capital (exc. Imptos. Dif)	1.02	1.04	0.92	0.87	0.43	0.61	0.61	0.48	0.38	0.40	0.38	0.38	0.42	0.34	0.31	0.31	0.31			
Razón de Pasivo L.P./Capital	0.56	0.48	0.56	0.53	0.24	0.23	0.23	0.21	0.19	0.19	0.18	0.18	0.13	0.13	0.13	0.12	0.12			
Razón de Pasivo L.P./Capital (exc. Imptos. Dif)	0.34	0.30	0.35	0.32	0.01	-0.02	-0.02	0.01	0.00	0.00	0.01	0.01	-0.04	-0.03	-0.04	-0.04	-0.04			
Razón de Cobertura de Intereses (Ut. = EBIT)	-4.92	4.53	3.70	3.22	3.32	4.80	10.73	4.43	16.23	55.05	12.30	14.28	58.99	13.27	147.72	17.40	35.78			
Razón de Cobertura de Intereses (Ut. = EBI)	-7.06	1.81	9.12	11.22	8.53	12.55	10.21	3.92	15.78	58.99	12.94	14.48	59.40	11.90	147.61	16.09	34.29			
Razón de Deuda Total	0.55	0.55	0.53	0.52	0.40	0.46	0.46	0.41	0.36	0.37	0.36	0.36	0.37	0.34	0.32	0.32	0.32			
Razón de deuda (excluyendo imptos. Diferidos)	0.50	0.51	0.48	0.47	0.30	0.38	0.38	0.33	0.27	0.28	0.28	0.28	0.29	0.26	0.24	0.24	0.24			
<b>Rentabilidad</b>																				
Margen de Utilidad Bruta	4.76%	16.57%	16.81%	20.78%	17.20%	17.15%	18.16%	10.75%	27.67%	24.07%	24.81%	21.89%	25.49%	25.26%	23.06%	24.77%	24.66%			
Margen de Utilidad de Operación	-9.69%	5.53%	3.49%	2.83%	4.09%	3.36%	9.90%	3.43%	14.03%	10.82%	10.63%	9.76%	10.71%	11.24%	9.76%	10.66%	15.58%			
Rendimiento de Activos	100.00%	100.00%	101.43%	97.53%	103.51%	97.35%	100.00%	100.76%	101.35%	98.01%	98.77%	100.00%	97.63%	100.98%	100.01%	98.71%	100.00%			
Rendimiento de Capital	-24.85%	6.40%	3.03%	4.02%	4.03%	5.19%	15.39%	0.86%	4.18%	3.25%	3.63%	11.22%	3.13%	2.93%	2.61%	2.82%	17.80%			
Margen EBITDA	-9.69%	5.53%	3.49%	2.83%	4.09%	3.36%	9.90%	3.43%	14.03%	10.82%	10.63%	9.76%	10.71%	11.24%	9.76%	10.66%	15.58%			

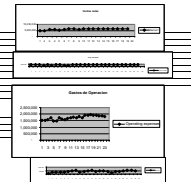
GRUMA

Quantity and annual income statements

in thousands of Mexican Pesos unless so stated

Table with columns for years 2007-2012 and rows for various financial metrics such as Sales, Cost of Sales, and Earnings Before Interest and Taxes.

Table with columns for years 2007-2012 and rows for percentage-based metrics such as Operating Margin, Earnings Before Interest and Taxes Margin, and Return on Equity.









**GRUMA**  
**Razones Financieras**

	FA 2002	FA 2003	2004 E				2005 E					
			31-Mar-04	30-Jun-04	30-Sep-04	31-Dec-04 E	FA 2004 E	31-Mar-05 E	30-Jun-05 E	30-Sep-05 E	31-Dic-05 E	FA 2005 E
<b>Productivity Ratios</b>												
Receivables turnover	8.80	9.63	2.34	2.39	2.32	2.37	9.06	2.14	2.23	2.31	2.37	9.31
Inventory turnover	4.86	4.59	1.37	1.26	1.34	1.23	5.03	1.40	1.54	1.42	1.55	6.21
Working capital turnover	6.97	5.81	1.42	1.75	1.54	1.31	6.84	2.47	2.38	2.02	1.84	7.22
Net fixed asset turnover	1.57	1.80	0.45	0.49	0.49	0.50	1.97	0.49	0.51	0.51	0.52	2.06
Gross fixed asset turnover	1.01	1.11	0.27	0.29	0.29	0.29	1.14	0.28	0.28	0.28	0.28	1.10
Total asset turnover	0.89	1.00	0.25	0.27	0.26	0.26	1.01	0.25	0.25	0.26	0.28	1.11
# of days Sales in A/R	39	37	40	39	38	38	40	43	39	38	38	0
# of days Cost of Sales in inventory	70	70	70	71	69	73	67	62	60	61	58	59
# of days Cost of Sales in A/P	23	17	16	20	25	26	20	21	22	27	26	26
<b>Liquidity measures</b>												
Current ratio	1.84	2.14	2.52	2.21	1.83	2.28	2.28	1.38	1.40	1.42	1.93	1.93
Quick ratio	1.04	1.04	1.42	1.14	0.98	1.33	1.33	0.88	0.94	0.95	1.16	1.16
Cash ratio	1.04	1.04	1.42	1.14	0.98	1.33	1.33	0.88	0.94	0.95	1.16	1.16
Operating cash flow	0.43	0.41	0.22	0.23	0.25	0.31	0.93	0.08	0.12	0.12	0.31	0.87
Working Capital	3,064,631	3,786,912	4,277,517	3,885,328	3,323,288	4,846,529	4,846,529	2,389,684	2,558,336	2,784,094	3,497,950	3,497,950
<b>Financial Risk (Leverage) Ratios</b>												
Total debt/equity ratio	0.84	0.81	0.75	0.79	0.81	0.83	0.83	0.79	0.79	0.80	0.58	0.58
Total debt/equity ratio (excl. Deferred taxes)	0.78	0.73	0.67	0.70	0.72	0.74	0.74	0.70	0.70	0.71	0.50	0.50
Total LT debt/equity ratio	0.51	0.47	0.46	0.45	0.41	0.46	0.46	0.24	0.24	0.24	0.24	0.24
Total LT debt/equity ratio (excl. Deferred taxes)	0.45	0.39	0.38	0.36	0.32	0.37	0.37	0.15	0.15	0.16	0.15	0.15
Interest coverage ratio (Earnings = EBIT)	2.63	3.29	3.28	4.04	3.77	2.97	3.50	4.41	2.71	9.22	3.50	3.88
Interest coverage ratio (Earnings = EBI)	1.77	2.09	2.68	3.39	2.34	4.43	3.23	6.48	2.22	11.86	4.14	4.32
Total debt ratio	0.46	0.45	0.43	0.44	0.45	0.45	0.45	0.44	0.44	0.44	0.37	0.37
total debt ratio (excl. Deferred taxes)	0.44	0.42	0.40	0.41	0.42	0.43	0.43	0.41	0.41	0.42	0.33	0.33
<b>Profitability/ Valuation Measures</b>												
Gross profit margin	37.46%	36.33%	36.01%	36.53%	35.37%	36.39%	36.07%	34.10%	36.88%	35.86%	36.99%	35.98%
Operating profit margin	7.78%	7.59%	6.78%	7.61%	7.70%	6.21%	7.08%	2.70%	6.28%	5.59%	7.10%	5.45%
Return on Assets	1.24%	2.93%	0.86%	1.16%	0.75%	1.58%	4.26%	0.72%	0.77%	0.89%	1.59%	3.98%
Return on Equity	2.27%	5.21%	1.52%	2.09%	1.36%	2.89%	7.70%	1.29%	1.37%	1.49%	2.51%	6.28%
EBITDA Margin	7.78%	7.59%	6.78%	7.61%	7.70%	6.21%	7.08%	2.70%	6.28%	5.59%	7.10%	5.45%